Net Gaming Europe AB (publ)
Org.nr. 556693-7255

Annual Report
1 January – 31 December 2016

Contents

Description of Net Gaming

Net Gaming was founded in 2005 and is listed on AktieTorget. Net Gaming's business concept is to invest in and develop fast-growing iGaming companies, primarily in lead generation. The most recent acquisition is HLM Malta Ltd, which was finalised on 14 October 2016. Net Gaming's vision is to be regarded as the most prominent owner of lead generation companies in the iGaming industry, with the purpose of unlocking the true potential and long-term value creation in these companies. The Company's strategy for value creation is to build on the acquired company's identity and corporate culture, and to act as a catalyst for change and growth.

Net Gaming currently owns two foreign companies: Highlight Media and PokerLoco. Highlight Media attracts online players, mainly in casino and poker, through different products and services such as comparison sites and reviews. Through these products, the online players are then referred to iGaming operators (B2B customers), which then convert the online players into depositing, active customers (B2C). Highlight Media is currently one of the leading players in lead generation in iGaming, a performance-based type of marketing, similar to Hotels.com, PriceRunner and TripAdvisor. PokerLoco is an iGaming operator, running two sites: CasinoLoco and PokerLoco, where online players (B2C) can play – mainly casino and poker. PokerLoco was founded in 2005 with a clear Latin American focus, while CasinoLoco was founded in 2013.

Highlight Media (B2B)

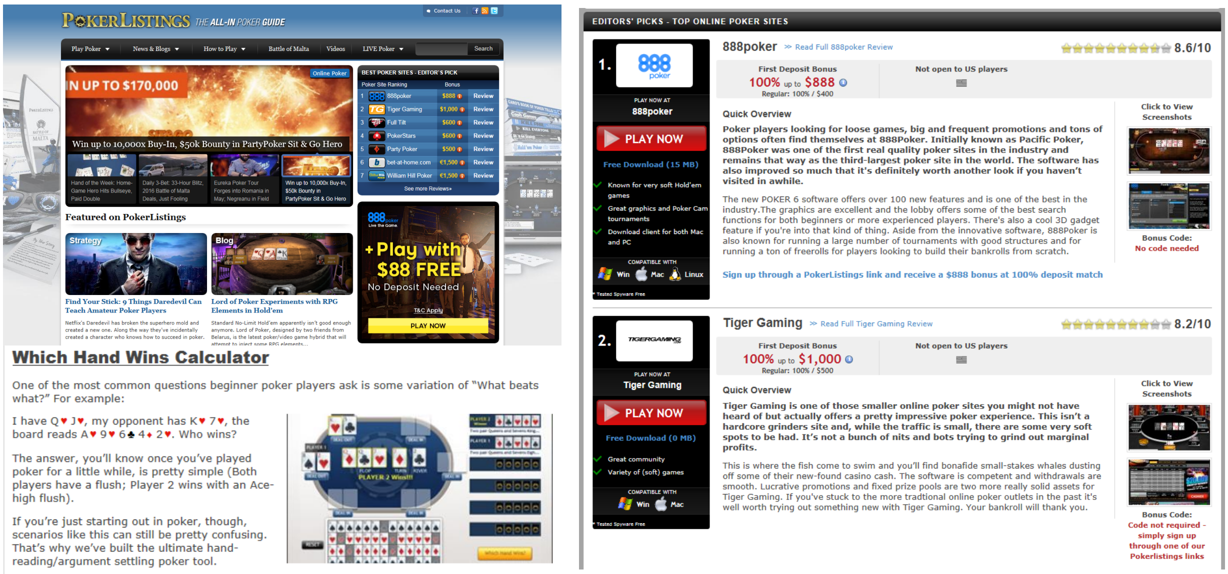
HIGHLIGHT MEDIA GROUP

Net Gaming completed the acquisition of HLM Malta Ltd, including five subsidiaries, on 14 October 2016. Highlight Media was founded in 2003 and, is a pioneer in lead generation in iGaming, in other words an Affiliate. PokerListings, one of the world's most prominent and well-known brands in the poker segment, was launched in 2003. CasinoTop10 was launched in 2004 and a number of additional brands have also been launched since then. HLM currently operates over 120 brands in 30 countries.

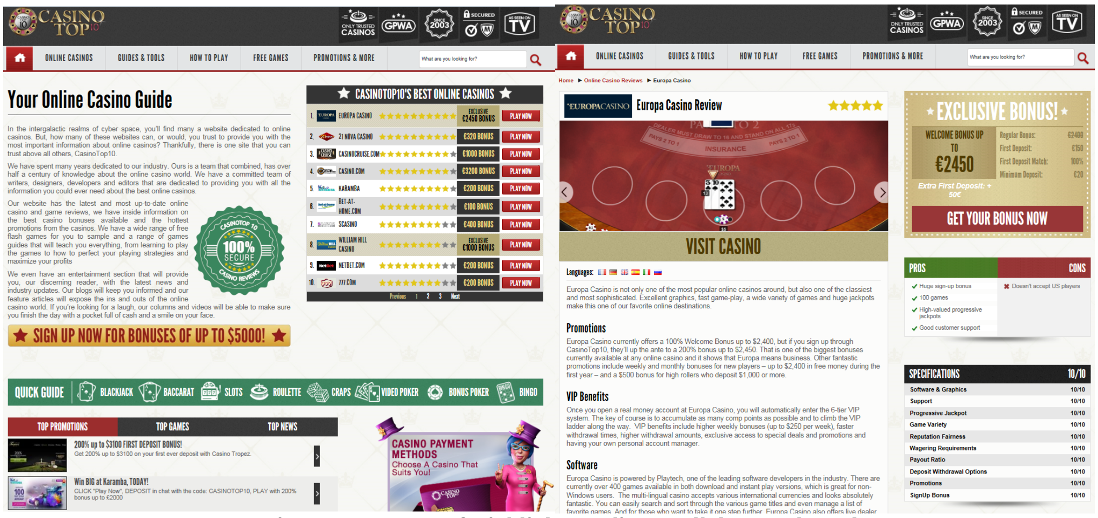
Highlight has about 85 employees, 20 of whom work through consulting agreements. Content writers, developers, website promoters, SEO specialists, designers and other staff are based at the office in Malta. The focus is on systematically and methodically working every day to provide a high-quality product for the end users, namely the online players. This is done by developing websites with a large amount of content, such as poker and casino guides, rules and strategies on how to play poker, reviews of iGaming operators, leader boards for iGaming operators, and bonuses, banners and targeted offers for players. When a player clicks on one of these links on Highlight's websites, they are taken to the iGaming operator in question. This process is called a lead. Once the player has created an account with the iGaming operator and made their first deposit, this triggers a payment to Highlight (Qualified Referral).

The focus for Highlight Media is on content and this is very important. It gives online players a sense of security and quality, and is a direct success factor for Highlight, as the search engine rankings are also largely based on content confidence.

Highlight Media has a proprietary Business Intelligence system, with a large amount of data that has been collected over the course of several years. This means that Highlight's traffic is constantly and progressively optimised to increase the quality of referrals to iGaming operators, thereby increasing competitiveness and allowing higher payment for the services provided. Net Gaming's current assessment is that the traffic, i.e. the players who are referred from Highlight's websites to iGaming operators, has one of the highest values in the iGaming industry globally.



Examples of the appearance of the content on Highlight Media's poker sites.

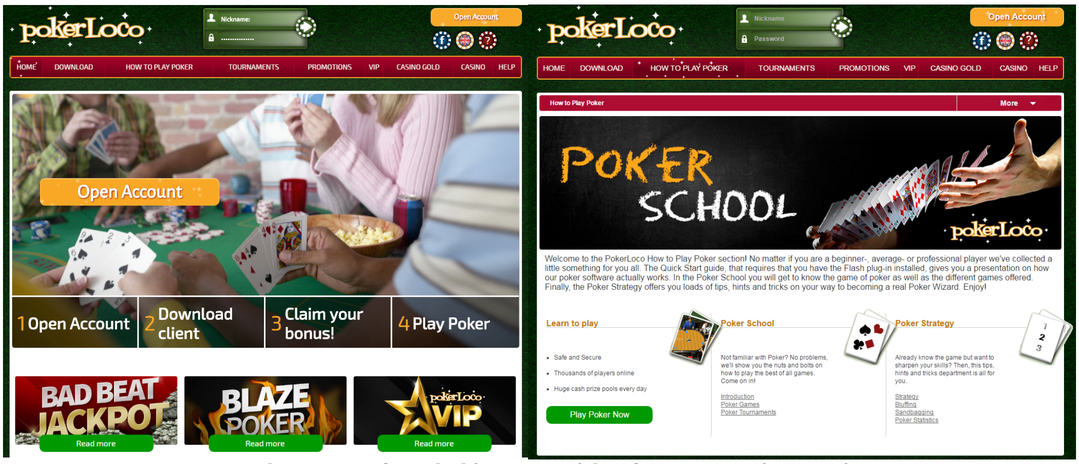


CasinoTop10 – one of Highlight Media's well-known brands.

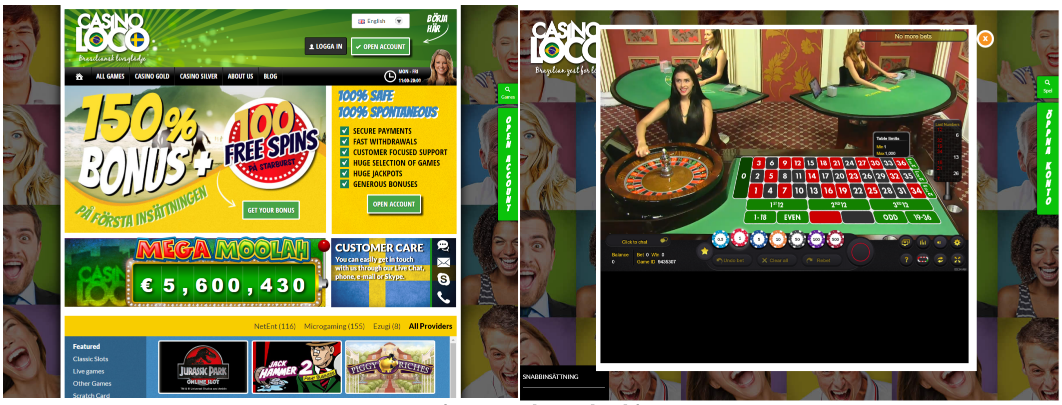
PokerLoco – operator business (B2C)

PokerLoco is an iGaming operator, which was founded in 2005, with a strong focus on Latin America. CasinoLoco was launched in 2013 and in the same year, both sites were launched on a proprietary technical platform. This allows individual customisation of the gaming providers and payment methods that are offered to players, rather than being dependent on a third-party system with long lead times for making changes.

On PokerLoco, players can play both poker (via Microgaming Poker Network) and casino. The casino games on offer come from a variety of suppliers, including Netent, Quickfire (Microgaming), PlaynGo and Ezugi. There are over 500 casino games and they are available for desktop, mobile and tablet. Live Casino is also provided. PokerLoco changed its poker network from Ongame to Microgaming in connection with the launch of the new technical platform in 2013, and the combination of this and new payment methods now available for players has brought strong growth in revenue. After a couple of years of losses, the operator business has now reached break-even, which is an important prerequisite for continuing profitable growth in the future. The operator business currently has a total database of over 1 million registered players, as well as large amounts of data about the gaming behaviour of different customer groups, both in terms of the type of game and behaviour in local markets. This information is significant from a retention perspective, as it is important to retain customers and increase their lifetime value, but it also provides synergies for Highlight Media, which then is even more pertinent in its content creation, both in local markets and also through various niche brands.



PokerLoco – founded in 2005 with a focus on Latin America



CasinoLoco launched in 2013

Vision, mission and business concept

Net Gaming's **vision** is to be regarded as the most prominent owner of lead generation companies in the iGaming industry, with the purpose of unlocking the true potential and long-term value creation in these companies. Our **mission** is to strengthen the iGaming industry through the agency of transparency and high-quality leads. Net Gaming's **business concept** is to invest in and develop fast-growing iGaming companies, primarily in lead generation.

2016 in brief

- Jonas Söderqvist was elected to the Board at the Annual General Meeting in June 2016, as Stefan Mahlstein declared himself unavailable for re-election. Tobias Fagerlund, Henrik Kvick and Marcus Teilman were re-elected as Board members.
- In July, Net Gaming signed an agreement for the acquisition of HLM Malta Ltd, which was finalised on 14 October 2016.
- Net Gaming issued a bond of SEK 200 million and a convertible loan of SEK 140 million to finance the acquisition of HLM Malta Ltd.
- Jonas Bertilsson was elected to the Board at the EGM held in November 2016.

CEO's comments

"2016 could be an incredibly exciting year for the Company!" Those were the words with which I ended my CEO's comments in the 2015 Annual Report. And 2016 certainly turned out to be an exciting year for the Company! By far the single largest event was Net Gaming's completion of the acquisition of Highlight Media in October 2016. It was a sunny day in Malta when the sellers received payment and we gained access to an extremely well-run company with several years of proven strong cash flows. Today I feel great pride in our success in conducting the transaction, which has made us a leading player in lead generation (or affiliates, if you prefer) in iGaming globally. To finance the acquisition, the Company issued a bond of SEK 200 million with an annual interest rate of 13%, and a convertible loan of SEK 140 million with an annual interest rate of 9.5% and a conversion price of SEK 4.50. However, Net Gaming has the right to redeem up to 50% of the convertible loan until 11 October 2017.

With the acquisition of Highlight Media, we have created ourselves a platform for continuing good earnings growth and we have also established a strategy for continuing growth. We want to generate growth in the following four main areas:

- ✓ Product expansion
- ✓ Geographical expansion
- ✓ Through acquisitions
- ✓ Within existing markets

Now that we are cash flow positive, as CEO I will continue working with a focus on the presented growth strategy, while constantly optimising our cash flows in order to create the best possible value for our shareholders. I will also regularly review our financing options.

In conclusion, I want to take this opportunity to let all our shareholders know that I hope you will continue to place your confidence in us and join us on the thrilling journey we have ahead of us. Hold tight – the ride has just begun!

Marcus Teilman
President and CEO

Board of Directors’ Report

Significant events in 2016

At the Annual General Meeting in June 2016, Jonas Söderqvist was elected to the Board as Stefan Mahlstein declared himself unavailable for re-election. Tobias Fagerlund, Henrik Kvick and Marcus Teilman were re-elected as Board members.

In July 2016, Net Gaming signed an agreement for the acquisition of HLM Malta Ltd. The acquisition was finalised on 14 October 2016 after the Company issued a bond of SEK 200 million and a convertible loan of SEK 140 million. The bond has an annual interest rate of 13%, maturing in September 2019, while the convertible loan has an annual interest rate of 9.5%, maturing in October 2019, and a conversion price of SEK 4.50. Net Gaming has the right to redeem up to 50% of the convertible loan until 11 October 2017. In connection with the acquisition, the investment company Varenne also invested in Net Gaming and is now Net Gaming’s second-largest shareholder. CEO Marcus Teilman subscribed for 1 million options from Henrik Kvick.

At the EGM in November 2016, Jonas Bertilsson was elected to the Board.

In December 2016, Net Gaming listed the bond on Nasdaq First North Bond Market.

There have been no significant events after the period.

Discrepancies between the year-end report and the annual report.

Profit for the year in the annual report is SEK 12 thousand, which is a discrepancy of SEK 1,769 thousand compared with profit for the year of SEK 1,781 thousand in the year-end report issued in February.

The discrepancy is mainly due to two separate factors. In the annual report, convertible debt instruments have been restated at amortised cost, with the proceeds divided between the liability component and the equity component. The liability has been discounted to the present value using a discount rate of 2%. The interest expense for the period from the date of issue, 12 October 2016, to the reporting date amounts to SEK 577 thousand, which has been charged to profit for the year in the annual report.

The equity portion of the convertible debt instruments, less deferred taxes, is SEK 6,372 thousand, which has increased the equity item in the annual report, while the discounting of the convertible debt instruments has reduced non-current liabilities by SEK 7,591 thousand.
After the year-end report was issued, a gaming provider brought to our notice a significant error in the reporting of returns to players and jackpot provisions. This necessitated an adjustment of EUR 127 thousand to reported operating expenses for gaming operations, which has had a negative effect of SEK 1,205 thousand on profit for the year.

Outlook

Through our growth strategy, we look forward to working hard for further growth in earnings during the coming year. We are growing in both our business areas, which is important as it gives us additional new opportunities to make more acquisitions.

Both revenue and earnings are expected to increase during 2017.

Shareholders, 31 December 2016

The total number of shares in the Company amounted to 57,525,000 at 31 December 2016. The Company did not have any outstanding options at the end of the year.

The Company has one class of shares – A shares. The Company's share is listed on AktieTorget's marketplace www.aktietorget.se.

Name	No. of shares	Ownership, %
Henrik Kvick AB	43,383,494	75.42%
Varenne AB	3,333,333	5.79%
Avanza Pension	1,396,323	2.43%
Stefan Mahlstein	760,000	1.32%
UBS AG Clients Account	467,724	0.81%
Jonas Bertilsson	437,749	0.76%
Nordnet Pensionsförsäkring AB	269,823	0.47%
IKC Opportunities	200,000	0.35%
Robert Zettervall	156,812	0.27%
Netfonds ASA	137,805	0.24%
Other shareholders	6,981,937	12.14%
TOTAL	**57,525,000**	**100.00%**

Proposed appropriation of profits

The Parent Company's unrestricted equity at the disposal of the AGM

Amounts in SEK

Share premium reserve	6,371,880
Retained earnings	-4,750,494
Profit for the year	10,374,221
	11,995,607

The Board proposes that the amount at the disposal of the AGM, SEK 11,995,607, be carried forward.

Multi-year overview

Development over the Group's four most recent financial years is shown below.

Amounts in SEK thousands	2016	2015	2014	*restated* 2013
Revenue	48,937	10,480	3,611	3,038
EBITDA	14,805	-4,844	-12,593	-8,078
Adjusted EBITDA	19,746	-4,844	-12,593	-8,078
Profit/loss for the year	12	-5,031	-12,663	-8,003
Earnings per share	0	-0.09	-0.22	-0.14
Average number of shares	57,525,000	57,525,000	57,525,000	57,525,000
Total assets	504,168	9,373	13,729	13,084
Equity/assets ratio	1%	-10%	32%	91%
Equity per share	0.08	-0.02	0.08	0.21
Market price per share at end of year	4.72	12.10	0.50	0.19

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	*Note*	*2016*	*2015*
Revenue, affiliate operations	4	31,078	–
Revenue, gaming operations	4	17,859	10,480
Total revenue		48,937	10,480
Operating expenses, gaming operations	5	-7,492	-3,922
Capitalised work for own account	6	324	533
Marketing expenses		-11,104	-6,247
Other external expenses	7,8,9	-7,763	-2,620
Personnel expenses	9	-8,915	-2,358
Other operating income		818	–
EBITDA	1,2,3	**14,805**	**-4,134**
Depreciation and amortisation	10	-664	-630
Operating profit/loss (EBIT)		**14,141**	**-4,764**
Profit/loss from financial items			
Finance income	12	8	1
Finance costs	13	-10,881	-188
Other financial items	14	2,070	-80
Profit/loss from financial items		**-8,803**	**-267**
Profit/loss before tax		**5,338**	**-5,031**
Tax on profit/loss for the year	15	-5,326	–
Profit/loss for the year		**12**	**-5,031**
Earnings per share (SEK)	16	0.00	-0.09
Earnings per share after dilution (SEK)		0.00	-0.09
Other comprehensive income,			
income and expenses recognised directly in equity			
Exchange differences on translation of foreign operations		-976	-382
Other comprehensive income for the year		-976	-382
Total comprehensive income for the period		**-964**	**-5,413**
Comprehensive income per share (SEK)		-0.02	-0.09
Comprehensive income per share after dilution (SEK)		-0.01	-0.09

Consolidated Statement of Financial Position

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
ASSETS			
Non-current assets			
Property, plant and equipment	17	761	27
Goodwill	18.30	370,254	–
Other intangible assets	19	5,707	5,687
Other non-current receivables		6,911	–
Deferred tax assets	22	36,338	–
Total non-current assets		**419,971**	**5,714**
Current assets			
Trade receivables		14,390	180
Other receivables		4,820	863
Prepayments and accrued income	23	5,988	163
Cash and cash equivalents	24	58,999	2,453
Total current assets		**84,197**	**3,659**
TOTAL ASSETS		**504,168**	**9,373**

Consolidated Statement of Financial Position

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
EQUITY AND LIABILITIES			
Equity			
Share capital	25	14,957	14,957
Other paid-in capital		34,931	28,559
Reserves		-2,897	-1,921
Retained earnings, incl. profit/loss for the year		-42,535	-42,547
Total equity		**4,456**	**-952**
Provisions			
Other provisions	26	**52,725**	**-**
Non-current liabilities			
Other non-current liabilities	27	332,409	–
Deferred tax liabilities	22	10,998	–
		343,407	**–**
Current liabilities			
Trade payables		3,249	732
Liabilities to Parent Company	31	3,243	2,235
Tax liabilities		1,337	–
Other liabilities		80,423	5,901
Accruals and deferred income	28	15,328	1,457
		103,580	**10,325**
TOTAL EQUITY AND LIABILITIES		**504,168**	**9,373**

Consolidated Statement of Changes in Equity

	Share capital	*Other paid-in capital*	*Reserves*	*Retained earnings incl. year's*	*Total equity*
Opening equity, 1 Jan 2015	14,957	28,559	-1,539	-37,516	4,461
Comprehensive income for the year	–	–	-382	-5,031	-5,413
Closing equity, 31 Dec 2015	**14,957**	**28,559**	**-1,921**	**-42,547**	**-952**
Opening equity, 1 Jan 2016	14,957	28,559	-1,921	-42,547	-952
Equity component of convertible debenture	–	8,169	–	–	8,169
Deferred tax on equity component of convertible debe	–	-1,797	–	–	-1,797
Comprehensive income for the year	–	–	-976	12	-964
Closing equity, 31 Dec 2016	**14,957**	**34,931**	**-2,897**	**-42,535**	**4,456**

Conditional shareholder contribution from principal owner Henrik Kvick AB amounts to SEK 5,000 (5,000) thousand. The principal owner is entitledto receive repayment of this conditional shareholder contribution in the future under certain conditionts.

Consolidated Cash Flow Statement

Amounts in SEK thousands	*2016*	*2015*
Operating activities		
Profit/loss after financial items	5,338	-5,631
Adjustments for non-cash items		
- Depreciation and amortisation of assets	664	630
- Exchange gains/losses on non-current receivables and liabilities	-2,070	–
- Costs associated with acquisition of subsidiary	2,403	–
- Other non-cash items	577	–
Cash flow from operating activities before changes in working capital	**6,912**	**-5,001**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	487	5,541
Increase (+)/Decrease (-) in operating liabilities	12,420	1,057
Cash flow from operating activities	**19,819**	**1,597**
Investing activities		
Acquisition of interests in Group companies	-203,930	–
Acquisition of property, plant and equipment	-135	-33
Acquisition of intangible assets	-323	-521
Cash flow from investing activities	**-204,388**	**-554**
Financing activities		
New borrowings	328,166	–
Repayment of loans	-102,239	–
Cash flow from financing activities	**225,927**	**–**
Cash flow for the year	41,358	1,043
Cash and cash equivalents at beginning of year	2,453	998
Cash and cash equivalents assumed on acquisition	14,966	–
Translation differences on consolidation of subsidiaries	222	412
Cash and cash equivalents at end of year	**58,999**	**2,453**
Interest received	8	1
Interest paid	-10,304	-188

Income Statement – Parent Company

Amounts in SEK thousands	*Note*	*2016*	*2015*
Revenue	*4*	1,516	1,210
Other income		–	–
Total revenue		**1,516**	**1,210**
OPERATING EXPENSES			
Other external expenses	7,8,9	-3,738	-1,081
Personnel expenses	9	-655	-943
Operating profit/loss	1,2,3	**-2,877**	**-814**
Profit/loss from financial items			
Profit/loss from investments in Group companies	11	19,073	-419
Other interest and similar income	12	3,461	408
Other interest and similar expenses	13	-10,881	-188
Other financial items	14	1,472	-5
Profit/loss after financial items		**10,248**	**-1,018**
Tax on profit/loss for the year	15	127	-
Profit/loss for the year		**10,375**	**-1,018**

Balance Sheet – Parent Company

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
ASSETS			
Non-current assets			
Financial assets			
Investments in Group companies	20.29	324,562	11
Non-current receivables from Group companies	21	116,286	12,574
Other non-current receivables		6,911	–
Total financial assets		**447,759**	**12,585**
Total non-current assets		**447,759**	**12,585**
Current assets			
Current receivables			
Receivables from Group companies	21	24,653	650
Other receivables		1,641	49
Prepayments and accrued income	23	4,083	75
Total current receivables		30,377	774
Cash and cash equivalents	24	20,011	106
Total current assets		**50,388**	**880**
TOTAL ASSETS		**498,147**	**13,465**

Balance Sheet – Parent Company

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
EQUITY AND LIABILITIES			
Equity	25		
Restricted equity			
Share capital		14,957	14,957
		14,957	14,957
Unrestricted equity			
Share premium reserve		6,372	-
Retained earnings		-4,751	-3,732
Profit/loss for the year		10,375	-1,018
		11,995	-4,751
Total equity		**26,952**	**10,206**
Provisions			
Other provisions	26	**52,725**	**-**
Non-current liabilities			
Other non-current liabilities	27	332,409	–
Deferred tax liabilities	22	1,670	–
		334,079	**–**
Current liabilities			
Trade payables		441	261
Liabilities to Parent Company	31	3,243	2,235
Liabilities to Group companies		1,043	–
Other liabilities		70,327	31
Accruals and deferred income	28	9,337	732
		84,391	**3,259**
TOTAL EQUITY AND LIABILITIES		**498,147**	**13,465**

Statement of Changes in Equity – Parent Company

	Share capital	Share premium reserve	Shareholder contributions received	Unrestricted fair value reserve	Retained earnings incl. year's	Total equity
Parent Company						
Opening equity, 1 Jan 2015	14,957	–	5,000	2,441	-11,173	11,225
Appropriation of profit/loss at AGM	–	–	-5,000	-2,441	7,441	–
Profit/loss for the year	–	–	–	–	-1,018	-1,018
Closing equity, 31 Dec 2015	**14,957**	**–**	**–**	**–**	**-4,751**	**10,206**
Opening equity, 1 Jan 2016	14,957	–	–	–	-4,751	10,206
Appropriation of profit/loss at AGM	–	–	–	–	–	–
Equity component of convertible debe	–	8,169	–	–	–	8,169
Deferred tax on equity component of convertible debenture	–	-1,797	–	–	–	-1,797
Profit/loss for the year	–	–	–	–	10,375	10,375
Closing equity, 31 Dec 2016	**14,957**	**6,372**	**–**	**–**	**5,623**	**26,952**

Conditional shareholder contribution from principal owner Henrik Kvick AB amounts to SEK 5,000 (5,000) thousand. The principal owner is entitled to receive repayment of this conditional shareholder contribution in the future under certain conditions.

Cash Flow Statement – Parent Company

Amounts in SEK thousands	*2016*	*2015*
Operating activities		
Profit/loss after financial items	10,248	-1,018
Adjustments for non-cash items		
- Exchange differences	-1,472	–
- Costs associated with acquisition of subsidiary	2,403	–
- Dividends from subsidiaries	-19,134	–
- Other non-cash items	577	419
Cash flow from operating activities before changes in working capital	**-7,378**	**-599**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-24,680	3,010
Increase (+)/Decrease (-) in operating liabilities	10,832	189
Cash flow from operating activities	**-21,226**	**2,600**
Investing activities		
Acquisition of interests in Group companies	-203,930	–
Cash flow from investing activities	**-203,930**	**–**
Financing activities		
New borrowings	328,166	-
Dividends from subsidiaries	19,134	–
Loans to subsidiaries	-102,239	-4,800
Repayment of loans from subsidiaries	–	1,995
Cash flow from financing activities	**245,061**	**-2,805**
Cash flow for the year	19,905	-205
Cash and cash equivalents at beginning of year	106	311
Cash and cash equivalents at end of year	**20,011**	**106**
Interest received	3,461	408
Interest paid	-10,304	-188

Notes with accounting policies and comments

Amounts in SEK thousands unless otherwise stated

NOTE 11 General information

Net Gaming Europe AB, 556693-7255, is a Swedish public company with its registered office in Stockholm.
The Company provides consulting services in IT, marketing and management, and conducts investment and administrative operations.
Net Gaming Europe AB's subsidiaries conduct affiliate operations and gaming operations over the Internet.
The Group's financial statements comprise the Company and its subsidiaries (collectively referred to as "the Group").

The Company has one class of shares – A shares. The Company's share is listed on AktieTorget's marketplace.
The Company's shareholders as at 31 December 2016 are listed in the table below.

Name	**No. of shares**	**Ownership, %**
Henrik Kvick AB	43,383,494	75.42%
Varenne AB	3,333,333	5.79%
Avanza Pension	1,396,323	2.43%
Stefan Mahlstein	760,000	1.32%
UBS AG Clients Account	467,724	0.81%
Jonas Bertilsson	437,749	0.76%
Nordnet Pensionsförsäkring AB	269,823	0.47%
IKC Opportunities	200,000	0.35%
Robert Zettervall	156,812	0.27%
Netfonds ASA	137,805	0.24%
Other shareholders	6,981,937	12.14%
TOTAL	**57,525,000**	**100.00%**

These consolidated financial statements were approved by the Board for publication on 28 April 2017.
All amounts in the notes are in SEK thousands unless otherwise stated.

NOTE 2 *Accounting and valuation principles*

General accounting policies
The annual report has been prepared in accordance with the going concern assumption.

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the EU.

The consolidated financial statements have been prepared in accordance with the acquisition method.

The Parent Company's annual financial statements have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent Company as a legal entity to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and statements adopted by the EU to the extent allowed within the framework of the Annual Accounts Act, and taking into account the relationship between accounting profit and tax.
The difference between the Parent Company's financial statements and the consolidated financial statements is essentially the presentation of the income statement and balance sheet statements, which complies with the presentation specified by the Annual Accounts Act.

Alternative performance measures
The annual report shows key figures that the Company and other stakeholders use when evaluating the Group's financial performance, which are not expressly defined in IFRS. All key figures not defined in IFRS (i.e. key figures in addition to Revenue, Earnings per share and Profit for the year) are referred to as alternative performance measures (APMs). These measures provide management and investors with important information for analysing trends in the Company's business operations. The APMs are intended to supplement the financial key figures presented in accordance with IFRS.

Non-recurring items for the year relate to costs associated with the acquisition of the subsidiary HLM Malta.

Amounts in SEK thousands	*2016*	*2015*
EBITDA	14,805	-4,134
Non-recurring items	4,941	–
Adjusted EBITDA	19,746	-4,134

Standards, amendments and interpretations that came into effect in 2016
No new, amended or revised standards and interpretations that came into effect in 2016 have had a material impact on the Group's financial reports.

New standards, amendments and interpretations not yet effective
IFRS 9 Financial instruments deals with the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 dealing with the classification and measurement of financial instruments. IFRS 9 retains a mixed measurement approach but simplifies this approach in certain respects. There will be three measurement categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. An instrument's classification depends on the Company's business model and the instrument's characteristics. Investments in equity instruments are recognised at fair value through profit or loss but there is also an option to measure an instrument at fair value through other comprehensive income at initial recognition. There will then be no reclassification to profit or loss on disposal of the instrument.
IFRS 9 also introduces a new model for calculating a credit loss allowance based on expected credit losses.
There is no change to the classification and measurement of financial liabilities, apart from where a liability is recognised at fair value through profit or loss based on the fair value option.
Fair value changes attributable to changes in credit risk are then reported in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting by replacing the 80-125 rule with a requirement for an economic relationship between the hedged item and the hedging instrument and for the hedge ratio of the hedging relationship to be the same as that used in risk management. There is also little change to hedging documentation compared with the requirements in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.
Earlier application is permitted.
The Group is evaluating the effects of the standard and its impact on the Group's financial position and results. It is the Group's assessment that the standard will not have any material impact on the financial reporting.
However, the standard changes the basis for calculating credit loss reserves. From the existing model based on incurred credit losses, IFRS 9 will require a model based on expected credit losses. This means that a credit loss may be recognised even on the first day, which differs from the existing accounting method, where a credit loss occurs and is recognised only if there is an objective evidence as a result of a past event.
According to the current accounting policies, a financial asset or group of financial assets is impaired, and impairment losses are recognised, only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and this event (or these events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.
The Group will therefore have to review its current credit loss allowance model and make provision for potential expected losses, which may mean that credit losses are recognised at an earlier stage than is now the case. As the majority of the Group's financial assets consist of cash and cash equivalents, it is the Group's assessment that no material effects of credit losses will arise as a result of the introduction of IFRS 9.

IFRS 15 Revenue from Contracts with Customers regulates accounting for revenue.
The principles on which IFRS 15 is based ensure that an entity reports useful information about its revenue to users of financial statements. The expanded disclosure requirements mean that information about the nature of revenue, the timing of settlement, uncertainty of revenue recognition and cash flow arising from a contract with a customer contract must be provided. IFRS 15 requires revenue to be recognised when the customer obtains control of the sold goods or services and has the ability to use and obtain the benefits of the product or service. The principle replaces the existing principle that requires revenue to be recognised when the risks and rewards have been transferred to the buyer.
The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

The Group has evaluated the potential impact of the application of IFRS 15 on the financial reports. The Group believes that the contract between the customer and the Group's companies is fulfilled in the same moment that the customer places his bet. Every single player bet represents a specific customer contract and a distinct service. A bet cannot be cancelled or withdrawn. As the Group provides a distinct service, there is no fair value allocation for the transaction price. The transaction price is controlled by the player's bet. The service is provided in the same moment that the player makes his bet, and the customer simultaneously obtains control of and benefits from the service when the contract is entered into. It is the Group's current assessment that there will be no material effects on the Group's revenue recognition on the introduction of IFRS 15. However, the Group believes that the disclosure requirements in the financial reports will need to be specified further when the standard is introduced.

IFRS 16 Leases was published by the IASB in January 2016.
The standard regulates accounting for leases and will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leases, with certain exceptions, to be recognised in the balance sheet. This is based on the approach that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. Accounting for lessors will be essentially unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted.
The Group has not yet evaluated the impact of IFRS 16.

No other IFRS or IFRIC interpretations that are not yet effective are expected to have a material impact on the Group.

Measurement and classification
The Parent Company's functional currency is the Swedish krona, which is also the presentation currency for the Parent Company and the Group. Unless otherwise stated, all figures are rounded to the nearest thousand.

Assets are classified as current assets if they are expected to be sold, or are intended for sale or consumption during the Company's normal business cycle, they are held primarily for trading purposes, they are expected to be realised within twelve months of the reporting date or they consist of cash and cash equivalents. All other assets are classified as non-current assets.

Liabilities are classified as current liabilities if they are expected to be settled during the Company's normal business cycle, they are held primarily for trading purposes, they are expected to be settled within twelve months of the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability until at least twelve months after the reporting date. All other liabilities are classified as non-current liabilities.

Judgements and accounting estimates in the financial statements
Preparation of financial statements in compliance with IFRS requires management to make judgements, accounting estimates and assumptions which affect the application of the accounting principles and the carrying amounts of assets, liabilities, income and expense. The actual outcome may differ from these estimates.

The Board believes that the judgements and estimates made in the preparation of this financial report are not sufficiently difficult, subjective and complex as to be described as critical in accordance with the requirements of IAS 1.

The area that includes a high degree of assessments that are complex, or where the assumptions and estimates are significant, mainly concerns assumptions and estimates for impairment testing of goodwill and other intangible assets with indefinite useful lives.

Basis of consolidation
The consolidated financial statements comprise the Parent Company and companies in which the Parent Company directly or indirectly holds more than half of the votes or over which it otherwise has control.

The consolidated financial statements have been prepared in accordance with the acquisition method. The acquisition method means that the Parent Company indirectly acquires the subsidiary's assets and assumes its liabilities. The difference between the cost of the shares and the acquisition-date fair value of the net assets acquired represents the cost of goodwill, which is recognised as an asset in the balance sheet. If this is negative, the difference is recognised as revenue in the income statement. Acquisition-related costs are recognised as an expense when incurred.

Subsidiaries are all companies over which the Group has control. The Group has control when it has exposure or rights to variable returns from its holding in an entity and the ability to affect those returns through power over the entity. In normal cases, control is obtained when Net Gaming Europe holds more than 50 percent of the votes.

Subsidiaries are consolidated from the date on which the Group obtains control. They are de-consolidated from the date on which control ceases. Subsidiaries' income, expenses, assets and liabilities are included in the consolidated financial statements from the date on which control is obtained until the date on which it ceases.

Intragroup receivables and liabilities, income and expense, and unrealised gains or losses arising from intragroup transactions are eliminated in full when preparing the consolidated financial statements. Unrealised losses are also eliminated unless the loss is wholly or partly included in the value of previous impairment of the transferred asset.

Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the Group's accounting policies.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting submitted to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and reviewing the results of the operating segments. For the Group, this function has been identified as the Parent Company's CEO and its Board, who make strategic decisions.

Foreign currency
Foreign currency receivables and liabilities
Foreign currency receivables and liabilities are measured at the closing rate. Exchange differences arising on translation are recognised in the income statement.

Translation of foreign operations
Operations with a functional currency other than Swedish kronor are translated to Swedish kronor using the current method, which means that assets, provisions and liabilities are translated at the closing rate, while income statement items are translated at the average rate. Exchange differences arising on translation are classified as equity and transferred to the Group's translation reserve

Revenue recognition
Revenue is recognised when the amount of revenue can be measured reliably and it is probable that any future economic benefit associated with the item of revenue will be received after certain specific criteria are met. In cases where the revenue can be measured reliably, but the transaction has not yet been completed on the reporting date, the revenue is recognised as deferred income in the balance sheet. However, it is only in exceptional cases that deferred income is not definitive.

The Group's revenue comes from affiliate operations and from gaming operations.

Affiliate revenue is generated primarily by the Group charging gaming operators predetermined commission revenue or a percentage of the revenue that a gaming operator has earned as a result of players coming to them via the Group's websites and playing on the gaming operator's website.

Gaming revenue is reported net of the players' winnings, bonuses, jackpot contributions and loyalty points.

The Parent Company's revenue comes mainly from intragroup services provided.
Revenue is recognised net of VAT and discounts. Services sold consist of consulting revenue from IT, marketing, financial services, control and management.

Operating expenses in gaming operations
Operating expenses in gaming activities are related to costs for payment services for placing bets and returns to players, licence fees to gaming providers, gaming duties and costs for fraud and chargebacks.

Capitalised work for own account
Capitalised work for own account relates to the period's direct costs for salaries, other personnel-related costs and purchased services attributable to development projects recognised as assets in the balance sheet.

Other operating expenses
Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are reported as other operating expenses.

Other operating income
Revenue from secondary activities in ordinary operations is reported as other operating income.

Marketing expenses
The item marketing expenses include external production and distribution costs for marketing the Group's affiliate and gaming operations in different media, and costs associated with partners and affiliates.

Leases
Leases are classified in the consolidated financial statements as finance leases or operating leases. Leases Leases that transfer to the Group substantially all the risks and rewards incidental to direct ownership of an asset are classified as finance leases. An asset held under a finance lease is reported under non-current assets, with the corresponding lease liability reported under interest-bearing liabilities. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards of ownership, and these lease payments are recognised as an expense on a straight-line basis over the term of the lease. All the Group's current leases are classified as operating leases. Lease payments are listed in note 7.

Taxes
Tax expense represents the sum of the current tax liability and deferred tax.

The current tax liability is based on taxable profit for the year. Taxable profit differs from net profit reported in the income statement in that it does not include income and expense items that are not taxable or deductible, or are taxable or deductible in years other than the current financial year.

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax that the Company expects to pay or receive due to differences between the carrying amounts of assets and liabilities and their corresponding tax bases used in the calculation of taxable profit.

Deferred tax assets arising from the carryforward of unused tax losses are only recognised to the extent that it is probable that they can be utilised and will result in lower tax payments in the future.
It is management's assessment that the Parent Company is not likely to have any future taxable profit against which existing tax loss carryforwards can be fully utilised.

Acquisitions
Acquisitions of companies or operations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are, with few exceptions, measured initially at their acquisition-date fair value. The difference between the cost of the shares and the acquisition-date fair value corresponding to the Group's share of identifiable net assets acquired is recognised as goodwill on consolidation.

Property, plant and equipment
Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.
Depreciation is applied over the asset's estimated useful life.

Intangible assets, excluding goodwill

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives comprise the acquisition of PokerLoco, for which the trademark PokerLoco was classified as the entire value.
PokerLoco is an iGaming operator, which was founded in 2005, with a strong focus on Latin America. The operator business currently has a total database of over 1 million registered players, as well as large amounts of data about the gaming behaviour of different customer groups, both in terms of the type of game and behaviour in local markets. This information is significant from a retention perspective, as it is important to retain customers and increase their lifetime value. It is the Board's assessment that the PokerLoco trademark, with its strong local presence in a large, expanding market, and its database have a lasting value and are to be classified as an intangible asset with an indefinite useful life. Annual impairment testing is conducted for this type of asset by calculating the recoverable value, based on value in use.

For impairment testing of trademarks, the Board has taken into account the following key factors for the business: monthly inflow of new customers, conversion of new customers into paying customers, conversion into different products, life and margin per active customer. External factors for different local markets and global factors for different suppliers or products have also been taken into account in the assessment.

The year's impairment testing of the PokerLoco trademark did not indicate any impairment as the Board determined that the value in use was not less than the carrying amount.

Intangible assets with finite useful lives
The Group's intangible assets consist partly of acquired customer databases arising from the acquisitions of Frontbet, Stingbet, FishNChips, Slitzpoker, U2 Poker and PSI Poker. The customer databases have been subject to annual amortisation based on a useful life of five years, and are now fully amortised.

In addition to acquired customer databases as described above, the Group has intangible assets with a finite useful life in the form of capitalised development costs for the gaming site Casinoloco.com developed by the subsidiary PokerLoco Malta. Capitalised development costs are recognised at cost, including salaries and other personnel-related costs that can be reasonably and consistently attributed to the asset, less accumulated amortisation and any impairment. Capitalised development costs are amortised on a straight-line basis over their useful life of five years.

Amortisation, depreciation and impairment
Amortisation and depreciation are based on original cost less estimated residual value and impairment losses, and are applied on a straight-line basis over the asset's estimated useful life

The following useful lives are used:

Capitalised development costs	4 years
Office equipment, fixtures & fittings	3-10 years

The residual values and useful lives of assets are reviewed annually.
If there is any indication that the carrying amounts of the Group's property, plant and equipment or intangible assets are too high, the recoverable amounts of individual assets or groups of naturally related assets are determined. The recoverable amount is calculated as the higher of net realisable value and value in use. Value in use is measured as the expected future discounted cash flow. Intangible assets with indefinite useful lives and which are not yet ready for use are not subject to amortisation, but are tested for impairment annually, regardless of whether there is any indication of impairment.

An impairment loss is the difference between the carrying amount value and the recoverable amount. An impairment loss is reversed when the grounds for the impairment no longer exist. An impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

Goodwill
The Group has recognised goodwill arising from the acquisition of HLM Malta. Goodwill is considered to have an indefinite useful life and is not subject to annual amortisation. The value of goodwill remains as long as the expected discounted net inflow from the intangible asset is at least equal to its carrying amount. An impairment test to identify any impairment is conducted annually or more frequently if events or changes in circumstances indicate a decline in value. Goodwill is recognised at cost less accumulated impairment. Goodwill impairment is not reversed. A gain or loss on the disposal of an entity includes the carrying amount of goodwill related to the sold entity.

Goodwill impairment testing
Tests to identify any goodwill impairment are conducted annually.
Goodwill is allocated to cash-generating units for the purpose of impairment testing.
The allocation is to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose. If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than its carrying amount, an impairment loss is recognised. The recoverable amount of cash-generating units is determined by calculating the value in use, which requires certain assumptions to be made. Internal and external factors are taken into account in the calculations. The calculations use cash flow projections based on budgets defined by management for the next five years. The Group's goodwill is solely related to HLM Malta and its subsidiaries' services, which represent a cash-generating unit.

Given that the acquisition of HLM Malta took place in Q4 2016, it is the assessment of the Company's Board that no impairment exists.

Financial assets
The Group recognises a financial asset in the statement of financial position only when it becomes a party

to the contractual provisions of the instrument.
The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification is based on the purpose for which the financial assets were acquired. Financial assets are initially recognised according to management's classification decision.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
They arise when the Group provides cash or performs services for counterparties without any intention to transfer the asset. Loans and receivables are classified as current assets if the settlement date is within one year. Otherwise, they are classified as non-current assets.

Loans are carried at amortised cost, including transaction costs. Amortised cost is determined using the effective interest rate calculated on the acquisition date.
Trade receivables are recognised at the amounts expected to be received, less an allowance for doubtful receivables, which are calculated without discounting. Impairment of trade receivables is reported under operating expenses.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.
A financial asset or group of financial assets is impaired, and impairment losses are recognised, only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and this event (or these events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably. The Group assesses first whether there is objective evidence that a financial asset or group of financial assets is impaired.

Criteria that the Group uses to determine whether there is objective evidence of impairment are as follows:
- significant financial difficulty of the issuer or borrower
- a breach of contract, such as default or delayed payment of interest or principal
- the probability of the borrower entering bankruptcy or other financial reorganisation

For financial assets measured at amortised cost, impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the financial asset's original effective interest rate.
If the financial asset's carrying amount exceeds the estimated present value, the carrying amount is written down and an impairment loss is recognised in the income statement.

Management has determined that the value of the receivables is fully recoverable.
If the impairment amount decreases in a subsequent period and the decrease can be objectively attributed to an event occurring after the impairment was recognised (such as an improvement in the borrower's credit rating), the previously recognised impairment loss is reversed. Impairment reversals are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits with banks, payment service providers and similar institutions, and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial liabilities

The Group recognises a financial liability in the statement of financial position only when it becomes a party to the contractual provisions of the instrument.
Financial liabilities are classified as financial liabilities at fair value through profit or as financial liabilities measured at amortised cost.

Financial liabilities are classified as current liabilities if the settlement date is within one year. Otherwise, they are classified as non-current liabilities.
Trade payables are obligations to pay for goods and services acquired from suppliers in the ordinary course of business. Trade payables are recognised at amortised cost using the effective interest method.

Convertible debenture

On 12 October 2016, the Parent Company issued a convertible debenture totalling SEK 140,000 thousand.
The notes carry a fixed interest rate of 9.5% and mature on 11 October 2019 unless they have already been converted into shares at the holder's request.
Net Gaming is entitled to redeem up to 50% of the convertible debenture up to and including 11 October 2017, provided the Company acquires equity through a new share issue. Investors who subscribed for the convertible debenture have the right to convert the notes into shares in Net Gaming at a conversion price of SEK 4.50. The conversion price may be recalculated in the event of any capital restructuring.
Convertible debentures are recognised in the balance sheet as follows:

Amounts in SEK thousands	*31/12/2016*
Nominal value of convertible debentures	140,000
Equity component - value of the conversion right	-8,169
	131,831
Interest expenses	578
Closing liability	**132,409**

The initial fair value of the convertible debenture's liability component was calculated using the market rate on the issue date for an equivalent non-convertible bond. After initial recognition, the liability is carried at amortised cost until it is converted or expires. The remaining proceeds are allocated to the conversion right and recognised, net of tax, in equity and not remeasured.

In the year-end report, issued in February, the convertible debenture was measured at cost. Discounting of the convertible debenture in this annual report has decreased non-current liabilities by SEK 7,591 thousand compared with the year-end report, while the equity component of the convertible debenture less deferred tax has increased equity by SEK 6,372 thousand.

Offsetting financial assets and liabilities

A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognised amounts; and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equity - Other paid-in capital

Other paid-in capital includes premiums paid in connection with new share issues net of issue expenses, proceeds received from warrant issues and the equity component of the issued convertible debenture.

Provisions

A provision is recognised statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Pledged assets and contingent liabilities

Pledged assets and contingent liabilities are possible obligations that arise from past events and whose existence is confirmed only by the occurrence or non- occurrence of one or more uncertain future events outside the Group's control, or when there is an obligation arising from past events which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

To provide collateral for borrowing related to the acquisition of the subsidiary HLM Malta Ltd, the Parent Company has pledged all shares in the acquired subsidiary.

Earnings per share

The calculation of earnings per share is based on the Group's profit for the year and the weighted average number of shares outstanding during the year.

Earnings per share after dilution is calculated by adjusting the average number of shares for the effects of all potential shares that give rise to dilution.
The potential dilutive effect of the Group's shares arises from subscribed for convertible debentures.

The Parent Company's accounting policies

The Parent Company applies the same policies as the Group, apart from where the Parent Company's financial statements are prepared in accordance with RFR 2. Accounting for Legal Entities and statements from the Swedish Financial Reporting Board.

Differences between the Group's and the Parent Company's accounting policies are due to limitations that the Annual Accounts Act places on application of IFRS standards in the Parent Company, and the taxation rules that allow different accounting for legal entities than for the Group.

Group companies

Shares in Group companies are recognised at cost, less any impairment, in the Parent Company.

Classification of restricted and unrestricted equity

In the Parent Company's balance sheet, equity is divided into restricted and unrestricted equity in accordance with the Annual Accounts Act.

Note 3 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Parent Company's CEO and submitted to the Board. These are used to make strategic decisions.

The key yardstick for the Parent Company's CEO and Board of Directors in evaluating the operating segments' operations is EBITDA.

The Group reports in two main operating segments – gaming operations and affiliate operations.

Gaming operations consist of PokerLoco Malta Limited and its subsidiary Loco Online Entertainment N.V. Affiliate operations consist of HLM Malta Limited and its subsidiaries Rock Intention Malta Limited, Chance Publications Malta Limited, Match Publications Malta Limited and Mortgage Loan Directory, and Information LLC, Delaware, USA.

The Parent Company Net Gaming Europe obtains its revenue from consulting services in IT, marketing, financial services, control and management. The Other segment, shown in the table below, includes the dormant Valdemo Trading Limited, Eurobet Operation Limited and Loco Marketing Sociedad Anonima, and eliminations of intragroup transactions.

2016	*Net Gaming*	*Gaming operations*	*Affiliate operations*	*Other*	*Total*
Revenue	1,516	17,859	31,078	-1,516	48,937
Operating expenses, gaming operations	–	-7,492	–	–	-7,492
Capitalised work for own account	–	324	–	–	324
EBITDA	-2,877	-3,202	20,938	-54	14,805
Profit/loss before tax	10,248	-3,652	17,868	-19,126	5,338
Profit/loss after tax	10,375	-3,652	12,415	-19,126	12
Property, plant and equipment	–	38	723	–	761
Goodwill	–	–	370,254	–	370,254
Other intangible assets	–	5,707	–	–	5,707
Financial assets	447,759	–	–	–	447,759
Deferred tax assets	–	–	36,338	–	36,338
Current assets	50,388	3,379	56,518	2	110,287
Total assets	498,147	9,124	463,833	2	971,106
of which intragroup assets	-465,501	-394	-1,043	-	-466,938
Assets excl. intragroup assets	32,646	8,730	462,790	2	504,168
Provisions	52,725	–	–	–	52,725
Other non-current liabilities	332,409	13,158	103,712	2,190	451,469
Deferred tax liabilities	1,670	–	9,328	–	10,998
Current liabilities	84,391	11,289	33,402	3	129,085
Total liabilities and provisions	471,195	24,447	146,442	2,193	644,277
of which intragroup liabilities	-1,043	-15,070	-126,262	-2,190	-144,565
Liabilities and provisions excl. intragroup liabilities	470,152	9,377	20,180	3	499,712

2015	Net Gaming	Gaming operations	Affiliate operations	Other	Total
Revenue	1,210	10,480	–	-1,210	10,480
Operating expenses, gaming operations	–	-3,922	–	–	-3,922
Capitalised work for own account	–	533	–	–	533
EBITDA	-814	-3,148	–	-172	-4,134
Profit/loss before tax	-1,018	-4,261	–	248	-5,031
Profit/loss after tax	-1,018	-4,261	–	248	-5,031
Property, plant and equipment	–	27	–	–	27
Intangible assets	–	5,717	–	–	5,717
Financial assets	12,585	–	–	–	12,585
Current assets	880	3,427	–	2	4,309
Total assets	13,465	9,171	–	2	22,638
of which intragroup assets	-13,235	-30	–	-	-13,265
Assets excl. intragroup assets	230	9,141	–	2	9,373
Non-current liabilities	–	12,752	–	2,193	14,945
Current liabilities	3,259	7,528	–	10	10,797
Total liabilities	3,259	20,280	–	2,203	25,742
of which intragroup liabilities	–	-13,224	–	-2,193	-15,417
Liabilities excl. intragroup liabilities	3,259	7,056	–	10	10,325

Note 4 Revenue

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Revenue from affiliate operations	31,078	–	–	–
Revenue from gaming operations	17,859	10,480	–	–
Consulting revenue, management	–	–	1,516	1,210
	48,937	**10,480**	**1,516**	**1,210**

Note 5 Operating expenses, gaming operations

After the year-end report was issued, a gaming provider brought to our notice a significant error in the reporting of returns to players and jackpot provisions. This necessitated an adjustment of EUR 127 thousand to reported operating expenses for gaming operations, which has had a negative effect of SEK 1,205 thousand on profit for the year.

Note 6 Capitalised work for own account

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Capitalised work for own account	**324**	**533**	–	–

Relates to development of gaming platforms

Note 7 Leases

The Group only has operating leases.
Lease payments are recognised as an expense as incurred.

Future minimum lease payments are due as follows:	*Group*		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Within one year	645	168	168	20
2-5 years	168	153	168	–
After five years	–	–	–	–

	Group		Parent *Company*	
	2016	*2015*	*2016*	*2015*
The Company’s lease payments during the year amounted to	501	267	141	115

The Company’s leases are leases for premises.

Note 8 Auditors' fees and remuneration

The following fees were paid to auditors and audit firms for audits and other
statutory reviews, and for advisory services and other assistance arising from observations during the audit
(Audit services). Fees were also paid for other independent advisory services (Other assignments).

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Audit services, Nexia	431	284	283	262
Other assignments, Nexia	50	–	50	–
Audit services, KPMG	188	–	–	–
Other assignments, KPMG	20	–	–	–
Audit services, other audit firms	-30	–	–	–
	659	284	333	262

Note 9 Employees, salaries, benefits and social security contributions

Average number of employees	*2016*	*Of which female*	*2015*	*Of which female*
Parent Company				
Sweden	1	0	2	0
Subsidiaries				
Malta	69	1	4	1
Group total	70	23	6	1

Management *Number of senior executives*	*2016*	*Of which female*	*2015*	*Of which female*
Parent Company				
Board and CEO	5	0	4	0
Group total				
Board and CEO	12	3	11	4
Other senior executives	5	0	0	0

Salaries, employee benefits and social security contributions

	2016		*2015*	
	Salaries and benefits	*Social security contributions*	*Salaries and benefits*	*Social security contributions*
Parent Company	555	176	832	250
(of which pension costs)	*(–)*	*(–)*	*(–)*	*(–)*
Subsidiaries*	7,679	252	1,289	81
(of which pension costs)	*(–)*	*(–)*	*(–)*	*(–)*
Group total	8,234	428	2,121	331
(of which pension costs)	*(–)*	*(–)*	*(–)*	*(–)*

* of which SEK 1,032 thousand in accrued bonuses to employees of subsidiaries.

Salaries and benefits (Board, Other senior executives and Other employees)

	2016			*2015*		
	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Board	90	–	90	160	0	160
Other senior executives	456	2,415	2,871	550	609	1,159
Other employees	9	5,264	5,273	122	680	802
Total	555	7,679	8,234	832	1,289	2,121

Remuneration of Board

According to decisions made at the AGM and EGM in 2016, Board fees shall amount to SEK 40,000 per member, apart from the CEO, who also serves on the Board but does not receive Board fees.
The fee is paid in arrears after the Annual General Meeting has been held.

Annual fee for the financial year:	2016	2015
Paid year.	2017	2016
Amounts in SEK thousands		
Henrik Kvick, Chairman	40	40
Stefan Mahlstein	–	40
Tobias Fagerlund	40	40
Jonas Söderqvist	40	–
Jonas Bertilsson (elected to the Board 14/11/2016)	23	–

Remuneration of other senior executives
Incl. Board members in subsidiaries

	2016			2015		
	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Marcus Teilman, CEO	456	366	822	550	–	550
Other senior executives	–	2,049	2,049	–	609	609
	456	2,415	2,871	550	609	1,159

Notice period and severance pay

The CEO has a contract regarding the notice period when notice is given by the Company, which states that the maximum notice period is 6 months, with remuneration and an obligation to work. There is no severance pay in addition to salary during the notice period.

Note 10 Depreciation and amortisation

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Depreciation and amortisation are allocated to each asset as below				
Customer databases	–	100	–	–
Capitalised development costs	570	515	–	–
Equipment	94	15	–	–
	664	**630**	**–**	**–**

Note 11 Profit/loss from investments in Group companies

	2016	*2015*
Parent Company		
Dividends from subsidiaries	19,134	-
Waived receivables from Group companies	-61	-419
	19,073	**-419**

Note 12 Interest and similar income

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Interest income	8	1	–	–
Interest income, Group companies	–	–	3,461	408
	8	**1**	**3,461**	**408**

Note 13 Interest and similar expenses

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Interest expenses, Parent Company	1,009	162	1,009	162
Interest expenses, other	9,295	26	9,295	26
Interest expenses, discounting of convertible debenture	577	–	577	–
	10,881	**188**	**10,881**	**188**

Note 14 Other financial items

	Group		*Parent Company*	
	2016	*2015*	*2016*	*2015*
Exchange gains/losses on non-current receivables and liabilities	2,070	-80	1,472	-5
	2,070	-80	1,472	-5

Note 15 Tax

	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Tax recognised in income statement				
Current tax	190	–	–	–
Accrued income tax	5,136	–	-127	–
Tax on profit/loss for the year	**5,326**	**–**	**-127**	**–**
Current tax				
Profit/loss before tax	5,338	-5,031	10,248	-1,018
Tax at the current rate 22%	1,174	-1,107	2,255	-224
Tax effect of:				
Difference in tax rates in foreign operations	2,996	-182	–	–
Non-taxable income	-326	-10	-4,210	–
Non-deductible expenses	1,072	92	14	92
Tax loss carryforwards utilised	-6,359			
Tax reduction on share dividends	-1,133			
Tax losses increasing accumulated loss carryforwards but not recognised as assets	2,766	1,207	1,941	132
Tax expense, current tax	**190**	**–**	**–**	**–**
Accrued income tax				
Decrease/increase in deferred tax assets	2,248	–	–	–
Increase/decrease in deferred tax liabilities	2,888	–	-127	–
Tax expense, accrued income tax	**5,136**	**–**	**-127**	**–**

The Parent Company has saved accumulated loss carryforwards of SEK 13,913 thousand at 31 December 2016. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available. For the Parent Company, the assessment is that the loss carryforwards will not be able to be utilised

Note 16 Earnings per share

Amounts in SEK	*2016*	*2015*
Group		
Income attributable to shareholders of the Parent	11,744	-5,030,943
Average number of shares	57,525,000	57,525,000
Average number of shares before dilution	57,525,000	57,525,000
Outstanding convertibles	31,111,111	–
Average number of shares after dilution	88,636,111	57,525,000
Earnings per share		
- Before dilution	0.00	-0.09
- After dilution	0.00	-0.09

Note 17 Property, plant and equipment

	2016	*2015*
Group		
Accumulated cost		
Opening balance	71	39
Assumed cost on acquisition of subsidiaries	3,105	–
Investment	135	33
Exchange rate changes	49	-1
Closing balance	3,360	71
Accumulated depreciation		
Opening balance	-44	-30
Assumed accumulated depreciation on acquisition of subsidiaries	-2,423	–
Depreciation for the year	-94	-15
Exchange rate changes	-38	1
Closing balance	-2,599	-44
Carrying amount at end of period	**761**	**27**

Note 18 Goodwill

	2016	*2015*
Group		
Accumulated cost		
Opening balance	–	–
Investment	370,254	–
Closing balance	**370,254**	**–**

Goodwill is related to the acquisition of HLM Malta Limited. Further information can be found in note 30, Acquisitions.

Note 19 Other intangible assets

	2016	2015
Group		
Accumulated cost		
Opening balance	23,128	23,691
Investment	323	521
Sales and disposals	–	-137
Exchange rate changes	1,099	-947
Closing balance	24,550	23,128
Accumulated amortisation		
Opening balance	-17,441	-17,579
Amortisation for the year	-570	-615
Reversal of amortisation for disposed of intangible assets	–	36
Exchange rate changes	-832	717
Closing balance	-18,843	-17,441
Carrying amount at end of period	**5,707**	**5,687**

Specification of intangible assets	Customer databases	Trademarks	Capitalised development costs	Capitalised Software	Total
Accumulated cost	17,226	4,813	2,467	44	24,550
Accumulated amortisation	-17,226	-	-1,573	-44	-18,843
Carrying amount at end of period	0	4,813	894	0	5,707

The Group's intangible assets consist partly of acquired customer databases arising from the acquisitions of Frontbet, Stingbet, FishNChips, Slitzpoker, U2 Poker and PSI Poker. The customer databases have been subject to annual amortisation based on a useful life of five years, and are now fully amortised.

In addition to acquired customer databases as described above, the Group has intangible assets with a finite useful life in the form of capitalised development costs for the gaming site Casinoloco.com developed by the subsidiary PokerLoco Malta.

The acquisition of PokerLoco has been fully classified as a trademark as the major part of the acquisition related to the strong brand PokerLoco. Annual impairment testing is conducted for this type of asset by calculating the recoverable value, based on value in use. For impairment testing, the Board has taken into account the following key factors for the business: monthly inflow of new customers, conversion of new customers into paying customers, conversion into different products, life and margin per active customer. External factors for different local markets and global factors for different suppliers or products have also been taken into account in the assessment.

The year's impairment testing of the brand PokerLoco did not indicate any impairment as the Board determined that the value in use was not less than the carrying amount.

Note 20 Investments in Group companies

	2016	2015
Parent Company		
Accumulated cost		
Opening cost	29,088	29,099
Acquisitions	324,551	-11
Closing cost	353,639	29,088
Accumulated impairment		
Opening accumulated impairment	-29,077	-29,077
Impairment for the year	-	-
Closing accumulated impairment	-29,077	-29,077
Carrying amount at end of period	**324,562**	**11**

Specification of Parent Company's and Group's holdings of shares in Group companies

Subsidiaries	*Reg'd office*	*Company's corporate ID*	*Percentage of shares and votes*	*Number shares*	*2016 Carrying amount*	*2015 Carrying amount*
Subsidiaries of Net Gaming Europe AB						
PokerLoco Malta Limited	Malta	C 51645	100%	1,200	11	11
HLM Malta Limited	Malta	C 75337	100%	1,165	324,551	–
Valdemo Trading Limited	Cyprus	HE153132	100%		–	–
					324,562	**11**
Subsidiaries of PokerLoco Malta Limited						
Loco Marketing Parters Sociedad Anonima	Costa Rica	3-101-451766	100%	10		
Loco Online Entertainment N.V	Curacao	128869	100%	1		
Subsidiaries of HLM Malta Limited						
Rock Intention Malta Limited	Malta	C 49286	100%	14,000		
Chance Publications Malta Limited	Malta	C 49284	100%	14,000		
Match Publications Malta Limited	Malta	C 49465	100%	3,327		
Mortgage Loan Directory and Information LLC	USA	4942378	100%	1,000		
Subsidiary of Valdemo Trading Limited						
Eurobet Operations Limited, Malta	Malta	C 35413	100%	1,200		

It is estimated that the fair value of shares in Group companies corresponds to amortised cost.

Note 21 Receivables from Group companies

	2016	2015
Receivables due after 5 years		
Loco Online Entertainment N.V	4,737	4,737
HLM Malta Limited	103,712	–
	108,449	4,737
Receivables due in 2-5 years		
PokerLoco Malta Limited	7,837	7,837
	7,837	7,837
Total non-current receivables from Group companies	**116,286**	**12,574**
Receivables due within 1 year		
PokerLoco Malta Limited	2,399	585
Loco Online Entertainment N.V	97	65
HLM Malta Limited	22,157	–
Total current receivables from Group companies	**24,653**	**650**

Note 22 Deferred tax

	2016	2015
Changes in deferred tax are distributed as follows		
Deferred tax assets		
Carrying amount at beginning of year	–	–
Assumed deferred tax assets on acquisition of subsidiaries	38,061	–
Net change for the period in the income statement	-2,248	–
Exchange differences in deferred tax assets	525	
Carrying amount at end of year	36,338	–
Deferred tax assets are attributable to		
Unused tax losses	36,338	–
Total deferred tax assets	36,338	–
Deferred tax liabilities		
Carrying amount at beginning of year	–	–
Assumed deferred tax liabilities on acquisition of subsidiaries	-6,194	–
Deferred tax liability on equity component of convertible debenture	-1,797	–
Net change for the period in the income statement	-2,888	–
Exchange differences in deferred tax liabilities	-119	–
Carrying amount at end of year	-10,998	–
Deferred tax liabilities are attributable to		
Intangible assets	-9,328	–
Deferred tax liability on equity component of convertible debenture	-1,670	–
Total deferred tax liabilities	-10,998	–

Deferred tax is provided on all temporary differences by applying the tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on the expected tax rates in the relevant tax jurisdictions.

Deferred tax assets arising from the carryforward of unused tax losses are only recognised to the extent that it is probable that they can be utilised and will result in lower tax payments in the future.
Calculation of the value of the deferred tax assets is based on estimates of the extent to which loss carryforwards can be utilised against expected taxable income for the next five financial years.

Note 23 Prepayments and accrued income

	Group		Parent Company	
	2016	2015	2016	2015
Prepaid rental and lease expenses	317	30	–	30
Prepaid financing expenses	4,038	–	4,038	
Other prepayments	1,633	133	45	45
	5,988	**163**	**4,083**	**75**

Note 24 Cash and cash equivalents

	Group		Parent Company	
	2016	2015	2016	2015
Cash and bank balances*	55,801	1,001	20,011	106
Bank accounts with payment service providers	3,198	1,452	–	–
	58,999	**2,453**	**20,011**	**106**
*of which restricted funds as pledged assets in subsidiaries	900	–	–	–

Note 25 Equity

	2016	2015
Parent Company		
Number of registered shares on reporting date	57,525,000	57,525,000
Share capital (SEK) on reporting date	14,956,500	14,956,500

The Parent Company issued a convertible debenture during the financial year.
Investors who subscribed for the convertible debenture have the right to convert the notes into shares in Net Gaming at a conversion price of SEK 4.50. At full conversion, the number of shares will increase by 31,111,111 shares and share capital will increase by SEK 8,088,889.

For a specification of changes in equity for the Parent Company, see page 9.

Note 26 Provisions

	Group		Parent Company	
	2016	2015	2016	2015
Other provisions				
	52,725	**–**	**52,725**	**–**

Refers to the estimated additional purchase consideration for the acquisition of HLM Malta Limited to be settled on 1 July 201

Note 27 Non-current liabilities

	Group		Parent Company	
	2016	*2015*	*2016*	*2015*
Liabilities due for payment more than five years after the reporting	**332,409**	**–**	**332,409**	**–**

Non-current liabilities consist of a bond of SEK 200 million and a convertible debenture with a nominal value of SEK 140 million.

The bond matures in September 2019 and was listed for institutional trading on Nasdaq First North Bond Market ("First North") on 16 December 2016. The bond has a fixed interest rate of 13%.

The convertible debenture of SEK 140 million matures in October 2019 and has a fixed interest rate of 9.5%. The liability has been discounted to a carrying amount of SEK 132,409 thousand using a discount rate of 2%.

Net Gaming is entitled to redeem up to 50% of the convertible debenture up to and including 11 October 2017, provided the Company acquires equity through a new share issue. Investors who subscribed for the convertible debenture have the right to convert the notes into shares in Net Gaming at a conversion price of SEK 4.50.

Note 28 Accruals and deferred income

	Group		Parent Company	
	2016	*2015*	*2016*	*2015*
Accrued expenses, gaming operations	762	688	–	–
Accrued marketing expenses	1,768	–	–	–
Accrued costs of salaries and benefits	980	596	586	595
Accrued interest expenses	8,400	–	8,400	–
Audit fees and consultancy expenses	977	165	337	134
Other accruals	1,264	8	14	3
Accrued interest	1,177	–	–	–
	15,328	**1,457**	**9,337**	**732**

Note 29 Pledged assets and contingent liabilities

	Group		Parent Company	
	2016	*2015*	*2016*	*2015*
Shares in subsidiaries pledged as collateral for bonds	442,610	–	324,551	–

To provide collateral for borrowing related to the acquisition of the subsidiary HLM Malta Limited, the Parent Company has pledged all shares in the acquired subsidiary.
For the Parent Company, the value of the pledged shares comprises the cost, while for the Group the value comprises total net assets, which would disappear from the Group if the subsidiary shares were foreclosed.

Note 30 Acquisitions

On 14 October 2016, Net Gaming acquired all the shares in the HLM Malta Limited.
HLM Malta Limited is the parent company of the group, with wholly-owned subsidiaries Rock Intention Malta Limited, Chance Publications Malta Limited, Match Publications Malta Limited and Mortgage Loan Directory and Information LLC, Delaware, USA.
The HLM Group specialises in affiliate operations.

Net Gaming acquired HLM Malta for a cash consideration of SEK 201,527 thousand, with an additional contingent consideration of EUR 7,348 thousand, payable on 1 July 2017, and EUR 5,511 thousand, payable on 1 July 2018.

Net assets and goodwill acquired are as follows:

Amounts in SEK thousands	
Purchase consideration	
- cash consideration	201,527
- additional contingent consideration 1	70,299
- additional contingent consideration 2	52,725
Total purchase consideration	324,551
Negative carrying amount of net assets acquired (see below)	45,703
Goodwill	370,254

Carrying amount of acquired assets and liabilities at the acquisition date

Amounts in SEK thousands	
Property, plant and equipment	683
Deferred tax assets	38,061
Trade and other receivables	18,422
Cash and cash equivalents	14,966
Liabilities to shareholders	-102,239
Deferred tax liabilities	-6,193
Trade and other payables	-9,403
Net assets	-45,703

If the acquisition had been completed on 1 January 2016, HLM Malta would have contributed additional revenue of SEK 105 million, with an adjusted operating profit after depreciation and amortisation of SEK 65 million, according to the following selected key figures from the prepared pro forma income statement for the full financial year 2016.

Amounts in SEK thousands	Pro forma 2016
Revenue, affiliate operations	136,128
EBITDA	85,614
Non-recurring items	2,538
Adjusted EBITDA	88,152

Note 31 Related party transactions

Salaries and benefits to Board members and the CEO are shown in note 9 above.
The Parent Company has a related party relationship with its subsidiaries and their subsidiaries, see notes 20 and 21.

Services sold between the Parent Company and subsidiaries relate to IT, marketing, financial services, control and management services. Transactions with related parties are priced at market terms.
No services have been provided free of charge.

The Parent Company's receivables from Group companies HLM Malta Ltd, PokerLoco Malta Ltd and Loco Online Entertainment N.V carry market interest rates.

Since the financial year 2014, the Parent Company has had a loan liability of SEK 2,000 thousand from its main shareholder, Henrik Kvick AB, of which the Company's chairman Henrik Kvick is owner and Board member.
The loan carries a market interest rate.

Related party transactions

Parent Company	*2016*	*2015*
Sale of services to Group companies	1,516	1,210
Interest income from Group companies	3,455	408
Interest expenses to other related parties	-1,009	-162
Receivables from Group companies	143,404	15,689
Accumulated impairment of receivables from Group companies	-2,465	-2,465
Carrying amount of receivables from Group companies	140,939	13,224
Liabilities to other related parties	-3,243	-2,235

Note 32 Financial instruments

Group 31 December 2016	Financial assets at amortised cost	Non-financial assets		Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment		761				761
Goodwill		370,254				370,254
Other intangible assets		5,707				5,707
Other non-current receivables		6,911				6,911
Deferred tax assets		36,338				36,338
Trade receivables	14,390					14,390
Other current receivables	4,820					4,820
Prepaid expenses		5,988				5,988
Cash and cash equivalents	58,999					58,999
Total	**78,209**	**425,959**		**0**	**0**	**504,168**
Other non-current liabilities				332,409		332,409
Deferred tax liabilities				10,998		10,998
Trade payables				3,249		3,249
Liabilities to Parent Company				3,243		3,243
Tax liabilities				1,337		1,337
Other liabilities				80,423		80,423
Accrued expenses				15,328		15,328
Total	**0**	**0**	**0**	**446,987**	**0**	**446,987**

Group 31 December 2015	Financial assets at amortised cost	Non-financial assets	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment		27			27
Intangible assets		5,687			5,687
Trade receivables	180				180
Other current receivables	863				863
Prepaid expenses		163			163
Cash and cash equivalents	2,453				2,453
Total	**3,496**	**5,877**	**0**	**0**	**9,373**
Trade payables			732		732
Liabilities to Parent Company			2,235		2,235
Other liabilities			5,901		5,901
Accrued expenses			1,457		1,457
Total	**0**	**0**	**10,325**	**0**	**10,325**

Parent 31 December 2016	Financial assets at amortised cost	Non-financial assets	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Investments in Group companies		324,562			324,562
Non-current receivables from Group c	116,286				116,286
Other non-current receivables		6,911			6,911
Current receivables from Group compa	24,653				24,653
Other receivables	1,641				1,641
Prepaid expenses		4,083			4,083
Cash and cash equivalents	20,011				20,011
Total	**162,591**	**335,556**	**0**	**0**	**498,147**
Other non-current liabilities			332,409		332,409
Deferred tax liabilities			1,670		1,670
Trade payables			441		441
Liabilities to Parent Company			3,243		3,243
Liabilities to Group companies			1,043		1,043
Other current liabilities			70,327		70,327
Accrued expenses			9,337		9,337
Total	**0**	**0**	**418,470**	**0**	**418,470**

Parent 31 December 2015	Financial assets at amortised cost	Non-financial assets	Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Investments in Group companies		11			11
Non-current receivables from Group c	12,574				12,574
Other current receivables from Group	650				650
Other receivables	49				49
Prepaid expenses		75			75
Cash and cash equivalents	106				106
Total	**13,379**	**86**	**0**	**0**	**13,465**
Trade payables			261		261
Liabilities to Parent Company			2,235		2,235
Other current liabilities			31		31
Accrued expenses			732		732
Total	**0**	**0**	**3,259**	**0**	**3,259**

Note 33 Financial risks

The Group’s financial operations are conducted based on a financial policy approved by the Board, aimed at minimising the Group’s risk level.
Financing of subsidiaries is mainly conducted through the Parent Company.

Currency risk
The Group’s earnings are affected by exchange rate fluctuations when the foreign subsidiaries’ results are translated into Swedish kronor. The Group’s equity is also affected by changes in exchange rates when the assets and liabilities of foreign subsidiaries are translated into Swedish kronor.
The subsidiaries’ key balance sheet items on the reporting date are listed below in the original currency.

	Amounts in EUR 000	Carrying amount in SEK 000	Amounts in USD 000	Carrying amount in SEK 000
Closing rate		9.5669		9.0971
Intangible assets	596	5,707	–	–
Deferred tax assets	3,648	34,901	165	1,437
Trade receivables	1,485	14,207	20	183
Other receivables	436	4,169	6	54
Prepayments and accrued income	199	1,905	–	–
Cash and bank balances	3,945	37,742	137	1,246
Provisions	-5,511	-52,726	–	–
Deferred tax liabilities	-975	-9,328	–	–
Trade payables	-273	-2,637	-19	-171
Other current liabilities	-8,403	-80,395	–	–
Accruals and deferred income	-620	-5,956	-13	-116

Liquidity risk
Liquidity risk is the risk that the Group and the Company will not be able to discharge their financial obligations relating to trade payables and other liabilities when they fall due for payment within one year of the end of the reporting period. Other liabilities include additional contingent consideration of EUR 7,348 thousand.

The Group's approach to managing liquidity is, as far as possible, to ensure that it always has sufficient liquidity to pay its liabilities when they fall due. The Company’s Board and management continuously monitor forecasts of the Group’s and the Company’s cash and cash equivalents on the basis of expected cash flows.

The Group’s financial liabilities are classified below according to the time remaining until the contractual due date. The amounts shown are the contractual undiscounted cash flows.

31 December 2016	Within 1 year	1-2 years	1-2 years	Total
Amounts in SEK thousands				
Non-current liabilities	–	–	340,000	340,000
Additional contingent consideration	70,299	52,725	–	123,024
Trade payables	3,249	–	–	3,249
Other current liabilities and accrued expenses	30,032	–	–	30,032
	103,580	52,725	340,000	496,305

Capital risk management
The Group’s objective for capital management is to ensure the Group is able to continue operations for the purpose of generating returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to reduce capital costs. To maintain or adjust the capital structure, the Group’s shareholders have the opportunity, at general meetings, to decide on dividends to shareholders or transfers to shareholders by redeeming or issuing new shares. The Group may also sell assets to reduce its liabilities.

Interest rate risk
The Group’s revenue and cash flow from operations are essentially independent of changes in market interest rates, as the Group’s non-current liabilities carry fixed interest rates, while other financial assets and liabilities are normally interest-free if settled when due.

Changes in general interest rates are not expected to have any material effect on the financial position and performance of the Parent Company or the Group.

Counterparty risk and credit risk
The Group's financial transactions give rise to credit risks in relation to financial counterparties.
The table below shows credit risks for cash and cash equivalents and other receivables

	2016	*2015*
Cash and cash equivalents	58,999	2,453
Trade receivables	14,390	180
Other receivables	4,820	863
Total	**78,209**	**3,496**

The maximum exposure to credit risks at the reporting date for the financial assets shown above corresponds to their carrying amounts. The Group has not received any collateral from debtors.
The Group only works with reputable financial institutions with a high credit rating.
The creditworthiness of payment service providers has been assessed through market knowledge, and past experience and collaboration.

All financial assets constitute exposures to credit risk and have been assessed as fully recoverable based on the counterparty's financial position.
The Board does not consider that there was any credit risk of material value on the reporting date.

The financial reports are part of the annual report and were signed by the Board and CEO on 27 April 2017. No significant events occurred after 31 December 2016.

Stockholm, 28 April 2017

Henrik Kvick
Chairman

Jonas Bertilsson

Tobias Fagerlund

Jonas Söderqvist

Marcus Teilman
CEO

My audit report was submitted on 28 April 2017

Per-Åke Bois
Authorised Public Accountant

Nexia
Revision Stockholm

Gamla Brogatan 32
Box 1024
101 38 STOCKHOLM
Tel: 08 - 562 561 00
Fax: 08 - 562 561 99
info@nexia.se
www.nexia.se

AUDITOR´S REPORT

To the general meeting of the shareholders of Net Gaming Europe AB (publ)
Corporate identity number 556693-7255

Report on the annual accounts and consolidated accounts

Opinions

I have audited the annual accounts and consolidated accounts of Net Gaming Europé AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 7-44 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the *Auditor's Responsibilities* section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises report 1-6 in this document.

My opinion on the annual accounts and consolidated accounts does not cover this other information and I do not express any form of assurance conclusion regarding this other information.

In connection with my audit of the annual accounts and consolidated accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure I also take into account my knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor´s responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and asses the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the company´s internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company´s internal control.

Gamla Brogatan 32
Box 1024
101 38 STOCKHOLM
Tel: 08 - 562 561 00
Fax: 08 - 562 561 99
info@nexia.se
www.nexia.se

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- conclude on the appropriateness of the Board of Directors' and the Managing Director´s use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinions.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the Managing Director of Net Gaming Europe AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the *Auditor's Responsibilities* section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor´s responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- or in other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss I examined whether the proposal is in accordance with the Companies Act.

Stockholm den 28 april 2017

Per-Åke Bois

Auktoriserad Public Accountant