

Interim report for the period 1 January – 30 September 2017

All amounts in the report relate to the Group and are stated in SEK thousands unless otherwise indicated. Figures in brackets refer to the corresponding period in the previous year.

Strong earnings growth, successful refinancing and additional acquisition

Third quarter

- Revenue amounted to SEK 40,190 (4,873) thousand, an increase of 725%.
- Operating profit before depreciation (EBITDA) was SEK 25,607 (-557) thousand.
- Adjusted EBITDA before non-recurring items was SEK 25,831 (-557) thousand.
- Operating profit (EBIT) was SEK 25,349 (-705) thousand.

Period 1 January - 30 September 2017

- Revenue amounted to SEK 123,829 (13,733) thousand, an increase of 802%.
- Operating profit before depreciation (EBITDA) was SEK 76,592 (-1,639) thousand.
- Adjusted EBITDA before non-recurring items was SEK 76,816 (-557) thousand.
- Operating profit (EBIT) was SEK 75,834 (-2,065) thousand.

CEO's comments



It has been a particularly eventful third quarter. Revenue amounted to SEK 40.2 million, with an adjusted EBITDA of SEK 25.8 million. Operations have developed well, with Highlight Media showing organic growth of 15% in the third quarter compared with the same period the previous year. Organic EBITDA growth was 22.1%.

Casino is our most important vertical, accounting for 80% of our revenue, and has shown FTD development with strong organic growth of 46%. Our revenue from the USA increased by 150%. Through our affiliate licence in the United States, we see good, sustainable growth potential in this large market.

We have seen certain challenges within the poker segment and have launched a number of improvement measures.

We have also further streamlined our organisation so that more products can be launched at an increasing rate. Among other things, we have established a dedicated New Initiatives department to enable us to focus on new ideas, initiatives and product launches that will generate new revenue for the business in both the short and long term.

The other single most important event was Net Gaming's successful refinancing arrangement, which will mean significantly lower interest expenses in the future.

After the end of the quarter, Net Gaming also acquired affiliate assets, mainly in Sweden and the UK. This is a business that is showing strong growth and driving a large part of its traffic through Paid Media. The acquisition will generate further growth for our existing operations. We see the Nordic region as an attractive growth market in which we can grow in the future, as the region currently represents just 4% of our revenue.

We are continuing to work on our charted growth plan, and our acquisition announced today means that we will also gain additional traffic channels through which to grow. We are also still looking at the possibilities of making further acquisitions.

Marcus Teilman, President and CEO

Significant events in the third quarter

- The new share issue for payment of the additional purchase consideration associated with the acquisition of HLM Malta Ltd has been registered by the Swedish Companies Registration Office, corresponding to 1,544,772 new shares.
- SEK 7,499,997.50 of the convertible debenture has been converted into 1,666,666 new shares.
- Net Gaming has issued a new bond loan of SEK 375 million and repaid the previous bond loan. In addition, SEK 70 million of the convertible debenture has been repaid.
- Net Gaming has strengthened its management team by appointing Erik Gjerde as CEO and Sirp De Wit as COO of the subsidiary HLM Malta Ltd.

Significant events after the end of the period

- Net Gaming has listed its bond loan on Nasdaq Stockholm's Corporate Bonds List.
- SEK 2,499,997.50 of the convertible debenture has been converted into 555,555 new shares.
- Acquisition of Nordic affiliate business for an initial purchase consideration of EUR 3 million, with an additional consideration of EUR 3.75 million.

Description of Net Gaming

Net Gaming currently operates two different business areas: affiliation/lead generation and iGaming operations. Affiliate operations are conducted through Highlight Media and account for about 96% of Net Gaming's total revenue. iGaming operations are conducted under two brands: PokerLoco and CasinoLoco.

Affiliate operations

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 130 sites in 30 countries.

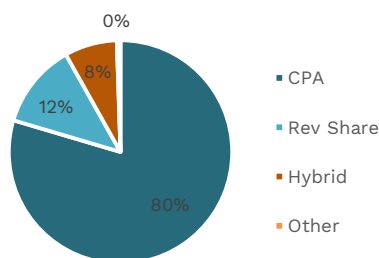
Highlight has over 80 employees, 10 of whom work through consulting agreements. Content writers, developers, project managers, SEO specialists, designers and other staff are based at the office in Malta. The focus is on systematically and methodically working every day to provide a

high-quality product for the end users, namely the online players. This is done by developing websites with a large amount of quality 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 is on quality and well-written content, which gives online players a sense of security and quality, and is a direct success factor for Highlight.

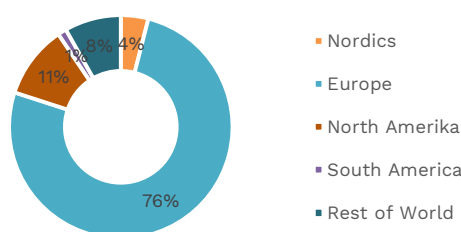
Highlight has a proprietary Business Intelligence system that has collected a large amount of data over several years, which means that Highlight's traffic is constantly and progressively optimised to increase the quality of referrals to iGaming operators, thereby increasing competitiveness and allowing higher payment for the services provided.

Revenue models for Casino and Poker



HLM's payments come through different revenue models. The most common model is CPA (cost per acquisition). This is an initial payment that HLM receives when it has referred a paying player to one of its customers (operators). HLM considers CPA to be one of the most attractive models for receiving payment, as Highlight constantly optimises its traffic to increase conversion rates and the quality of its leads. Another way to receive payments is through revenue sharing. Under this model, HLM is paid over time as players registered with the operators continue to play. HLM also receives payments through a combination of these two (hybrid) or any other methods, such as permanent advertising space.

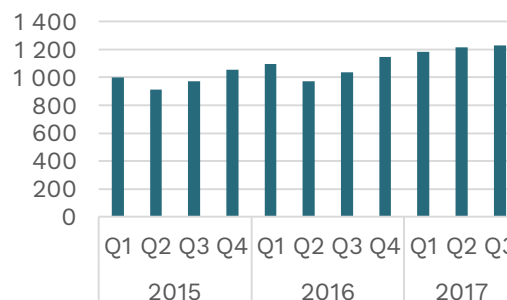
Geographic distribution of Casino and Poker



HLM's revenue comes mainly from different European markets, such as France, the Netherlands, Italy, Spain, the UK and Germany. Nordic, South America and Rest of the world are expected to account for an increasing share of total revenue in the future, as the underlying growth in these markets is currently good.

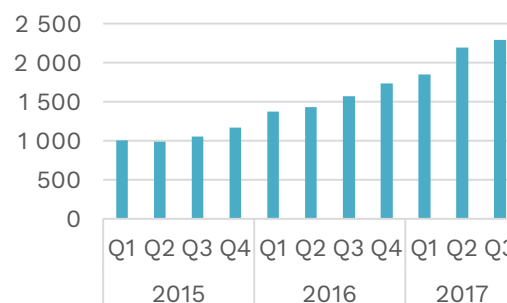
The majority of the traffic to HLM's sites comes from mobile devices.

FTD development for Casino and Poker aggregated



The chart above shows a type of index for FTD development over time for casino and poker aggregated. FTD stands for first time depositor, i.e. a newly depositing customer that HML has referred to one of its customers (operators).

FTD development Casino



Growth within casino has continued to be very positive, +46%. It is particularly pleasing that other markets outside Europe are now starting to accelerate and are expected to develop well in the period ahead.

iGaming operations

iGaming operations have shown stable development during the quarter, with an EBITDA of SEK 317 thousand.

Non-recurring costs

Non-recurring costs affecting EBITDA during the quarter amounted to SEK 224 thousand, while non-recurring costs affecting finance costs amounted to SEK 39.4 million.

Subsidiary's ongoing merger process

The subsidiary HLM Malta Limited has started the process of merging its own subsidiaries.

The purpose is to enable the business to perform much more efficiently by merging four subsidiaries into one legal entity. Combining four companies' skills in one common company creates better opportunities to exploit synergies and also to make cost-savings, notably in the form of administration and auditing.

If the necessary approval is obtained from Malta's Inland Revenue Department in 2017, the merger will be implemented with effect from 1 January 2017.

Another effect of the merger is that the four different companies will become a single taxable entity and their accumulated loss carryforwards can be used against future profits. In view of the size of the loss carryforwards, no income tax will need to be paid in the HLM Group in 2017. Based on current forecasts, the loss carryforwards will be fully utilised by 2020. As the loss carryforwards are used and the deferred tax asset is reduced, this reduction will be recognised as tax expense and will be displayed as change in deferred income tax in the Consolidated Statement of Comprehensive Income.

If the merger can not be executed in 2017, there is a possibility instead of recovering 6/7 of income tax from the Group's subsidiaries in Malta, in accordance with the Maltese tax system within the Group.

Consolidated Statement of Comprehensive Income

<i>Amounts in SEK thousands</i>	<i>01/07/2017</i>	<i>01/07/2016</i>	<i>01/01/2017</i>	<i>01/01/2016</i>
	<i>30/09/2017</i>	<i>30/09/2016</i>	<i>30/09/2017</i>	<i>30/09/2016</i>
Revenue, affiliate operations	38,440	-	116,160	-
Revenue, gaming operations	1,750	4,873	7,669	13,733
Total revenue	40,190	4,873	123,829	13,733
Operating expenses, gaming operations	-516	-1,744	-2,235	-4,790
Capitalised work for own account	76	73	228	246
Marketing expenses	-2,332	-2,796	-9,979	-7,891
Other external expenses	-4,167	-631	-12,869	-1,991
Personnel expenses	-8,120	-602	-23,363	-1,609
Other operating income	538	270	1,105	663
Other operating expenses	-62	-	-124	-
EBITDA	25,607	-557	76,592	-1,639
Depreciation and amortisation	-258	-148	-758	-426
Operating profit/loss (EBIT)	25,349	-705	75,834	-2,065
Interest and similar income	-	-	-	-
Interest and similar expenses	-50,096	-736	-73,550	-888
Other financial items	-1,351	-	-816	-
Net financial items	-51,447	-736	-74,366	-888
Profit/loss before tax	-26,098	-1,441	1,468	-2,953
Current tax	-7,588	-	-21,907	-
Change in deferred income tax	1,932	-	4,622	-
Profit/loss for the year	-31,754	-1,441	-15,817	-2,953
Earnings per share (SEK)	-0.51	-0.03	-0.26	-0.05
Earnings per share after dilution (SEK)	-0.43	-	-0.21	-
Other comprehensive income, income and expenses recognised directly in equity				
Exchange differences on translation of foreign operations	801	-268	210	-630
Other comprehensive income for the year	801	-268	210	-630
Total comprehensive income for the period	-30,953	-1,709	-15,607	-3,583
Comprehensive income per share (SEK)	-0.49	-0.03	-0.26	-0.06
Comprehensive income per share after dilution (SEK)	-0.42	-	-0.21	-

Consolidated Statement of Financial Position

<i>Amounts in SEK thousands</i>	<i>30/09/2017</i>	<i>31/12/2016</i>	<i>30/09/2016</i>
ASSETS			
Non-current assets			
Property, plant and equipment	641	761	42
Goodwill	370,254	370,254	-
Other intangible assets	5,489	5,707	5,820
Other non-current receivables	7,338	6,911	-
Deferred tax assets	36,398	36,338	-
Total non-current assets	420,120	419,971	5,862
Current assets			
Trade receivables	16,077	14,390	132
Other current assets	1,774	4,821	20,688
Prepayments and accrued income	6,390	5,987	1,880
Cash and bank balances	296,036	58,999	17,343
Total current assets	320,277	84,197	40,043
TOTAL ASSETS	740,397	504,168	45,905
EQUITY AND LIABILITIES			
Equity	21,391	4,456	-4,535
Provisions			
Other provisions	52,724	52,725	-
Non-current liabilities			
Liabilities to parent company	-	-	34,000
Other non-current liabilities	426,358	332,409	-
Deferred tax liabilities	6,381	10,998	-
Total non-current liabilities	432,739	343,407	34,000
Current liabilities			
Trade payables	2,491	3,249	1,533
Liabilities to Parent Company	3,365	3,243	3,120
Tax liabilities	23,213	1,337	-
Other current liabilities	192,620	80,423	9,765
Accrued expenses and prepaid income	11,854	15,328	2,022
	233,543	103,580	16,440
TOTAL EQUITY AND LIABILITIES	740,397	504,168	45,905

Consolidated Statement of Changes in Equity

	Share capital	Not registered share capital	Other paid-in capital	Translation reserve	Retained earnings incl year's	Total equity
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	–	–	-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
Opening equity, 1 Jan 2017	14,957	–	34,931	-2,897	-42,535	4,456
Conversion into shares, Apr 2017	519	–	8,036	–	–	8,555
Settlement issue decided 30 Jun 2017	–	402	16,467	–	–	16,869
Comprehensive income for the period	–	–	–	-591	15,937	15,346
Closing equity, 30 Jun 2017	15,476	402	59,434	-3,488	-26,598	45,226
Opening equity, 1 July 2017	15,476	402	59,434	-3,488	-26,598	45,226
Settlement issue registered July 2017	402	-402	–	–	–	–
Issue costs	–	–	-46	–	–	-46
Conversion into shares, July 2017	433	–	6,731	–	–	7,164
Comprehensive income for the period	–	–	–	801	-31,754	-30,953
Closing equity, 30 Sep 2017	16,311	–	66,119	-2,687	-58,352	21,391

Consolidated Cash Flow Statement

<i>Amounts in SEK thousands</i>	01/07/2017	01/07/2016	01/01/2017	01/01/2016
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Cash flow from operating activities	790	-22,076	50,587	-18,569
Cash flow from investing activities	-1,163	-74	-55,423	-270
Cash flow from financing activities	252,938	–	242,178	34,000
Cash flow for the period	252,565	-22,150	237,342	15,161
Cash & cash equivalents at beginning of period	44,659	39,621	58,999	2,453
Exchange rate differences in cash	-477	–	-10	–
Translation differences on consolidation of subsidiaries	-711	-128	-295	-271
Cash & cash equivalents at end of period	296,036	17,343	296,036	17,343

Key figures, Group

	01/07/2017 30/09/2017	01/07/2016 30/09/2016	01/01/2017 30/09/2017	01/01/2016 30/09/2016
Operating margin	63%	neg	61%	neg
Equity/assets ratio	3%	-10%	3%	-10%
Return on equity	neg	neg	neg	neg
Equity per share, SEK	0,34	-0,08	0,34	-0,08
Number of shares at beginning of period	59,524,999	57,525,000	57,525,000	57,525,000
Number of shares at end of period	62,736,477	57,525,000	62,736,477	57,525,000
Average number of shares during period	62,561,902	57,525,000	59,742,564	57,525,000
Number of shares on maximum dilution	74,280,556		74,280,556	
Market price per share at end of period	11.05	4.35	11.05	4.35

Definitions of key figures

Operating margin	Operating profit/loss as a percentage of sales.
Equity/assets ratio	Equity as a percentage of total assets.
Return on equity	Profit/loss after tax divided by average equity.
Earnings per share, SEK	Profit/loss after tax divided by the average number of shares.
Equity per share, SEK	Equity divided by the number of shares outstanding.

Income Statement – Parent Company

	2017-07-01	2016-07-01	2017-01-01	2016-01-01
<i>Amounts in SEK thousands</i>	2017-09-30	2016-09-30	2017-09-30	2016-09-30
Revenue	123	391	356	1,118
Total revenue	123	391	356	1,118
OPERATING EXPENSES				
Other external expenses	-770	-324	-2,356	-866
Personnel expenses	-41	-211	-87	-586
Other operating income	-62	-	-124	-
Operating profit/loss	-750	-144	-2,211	-334
Profit/loss from financial items				
Profit/loss from investments in Group companies	9,567	-	19,251	-61
Other interest and similar income	1,409	108	9,021	323
Interest and similar expenses	-50,097	-736	-73,550	-888
Profit/loss after financial items	-39,871	-772	-47,489	-960
Current tax	-	-	-	-
Change in deferred income tax	819	-	1,199	-
Profit/loss for the year	-39,052	-772	-46,290	-960

Balance Sheet – Parent Company

Amounts in SEK thousands

2017-09-30

2016-12-31

2016-09-30

ASSETS

Non-current assets

Financial assets

Investments in Group companies	324,562	324,562	11
Non-current receivables from Group companies	85,384	116,286	12,574
Other non-current receivables	7,338	6,911	–
Total financial assets	417,284	447,759	12,585

Total non-current assets	417,284	447,759	12,585
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Current assets

Current receivables

Receivables from Group companies	18,116	24,653	1,209
Other current assets	162	1,641	20,232
Prepayments and accrued income	3,897	4,083	1,880
Cash and bank balances	249,694	20,011	12,416
Total current assets	271,869	50,388	35,737

TOTAL ASSETS	689,153	498,147	48,322
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EQUITY AND LIABILITIES

Equity	13,204	26,952	9,246
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Provisions

Other provisions	52,724	52,725	–
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Non-current liabilities

Liabilities to Parent Company	–	–	34,000
Other non-current liabilities	426,358	332,409	–
Deferred tax liabilities	471	1,670	–
Total non-current liabilities	426,829	334,079	34,000

Current liabilities

Trade payables	487	441	1,191
Liabilities to Parent Company	3,365	3,243	3,120
Liabilities to Group companies	1,043	1,043	–
Other current liabilities	185,531	70,327	27
Upplupna kostnader och förutbetalda intäkter	5,970	9,337	738
	196,396	84,391	5,076

TOTAL EQUITY AND LIABILITIES	689,153	498,147	48,322
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Statement of Changes in Equity – Parent Company

	<i>Share capital</i>	<i>Not registered share capital</i>	<i>Other paid-in capital</i>	<i>Retained earnings incl year's</i>	<i>Total equity</i>
<i>Parent Company</i>					
Opening equity, 1 Jan 2016	14,957	–	–	-4,751	10,206
Equity component of convertible debenture	–	–	8,169	–	8,169
Deferred tax on equity component	–	–	-1,797	–	-1,797
Comprehensive income for the year	–	–	–	10,375	10,375
Closing equity, 31 Dec 2016	14,957	–	6,372	5,624	26,952
Opening equity, 1 Jan 2017	14,957	–	6,372	5,624	26,952
Conversion into shares, Apr 2017	519	–	8,036	–	8,555
Result of the AGM	–	–	-6,372	6,372	–
Settlement issue decided 30 Jun 2017	–	402	16,467	–	16,869
Comprehensive income for the period	–	–	–	-7,238	-7,238
Closing equity, 30 Jun 2017	15,476	402	24,503	4,758	45,138
Opening equity, 1 July 2017	15,476	402	24,503	4,758	45,138
Settlement issue registered July 2017	402	-402	–	–	–
Issue costs	–	–	-46	–	-46
Conversion into shares, July 2017	433	–	6,731	–	7,164
Comprehensive income for the period	–	–	–	-39,052	-39,052
Closing equity, 30 Jun 2017	16,311	–	31,188	-34,294	13,204

Condensed Cash Flow Statement – Parent Company

	<i>2017-07-01 2017-09-30</i>	<i>2016-07-01 2016-09-30</i>	<i>2017-01-01 2017-09-30</i>	<i>2016-01-01 2016-09-30</i>
<i>Amounts in SEK thousands</i>				
Cash flow from operating activities	-36,862	-21,648	-8,484	-21,690
Cash flow from investing activities	-1,043	–	-55,002	–
Cash flow from financing activities	262,505	–	292,956	34,000
Cash flow for the period	224,600	-21,648	229,470	12,310
Cash & cash equivalents at beginning of period	25,010	34,064	20,011	106
Exchange rate differences in cash	84	–	213	–
Cash & cash equivalents at end of period	249,694	12,416	249,694	12,416

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 Group companies Valdemo Trading Limited, Eurobet Operation Limited and Loco Marketing Sociedad Anonima, and eliminations of intragroup transactions.

Amounts in SEK thousands

<i>1 Jan 2017 – 30 Sep 2017</i>	<i>Net Gaming</i>	<i>iGaming operations</i>	<i>Affiliate operations</i>	<i>Other</i>	<i>Total</i>
Revenue	356	7 669	116 160	-356	123 829
Operating expenses, iGaming operations	-	-2 235	-	-	-2 235
Capitalised work for own account	-	228	-	-	228
EBITDA	-2 211	-594	79 451	-54	76 592
Profit/loss before tax	-47 489	-1 426	69 651	-19 268	1 468
Profit/loss after tax	-46 290	-1 426	51 167	-19 268	-15 817
<i>Assets</i>					
Property, plant and equipment	-	31	610	-	641
Goodwill	-	-	370 254	-	370 254
Other intangible assets	-	5 489	-	-	5 489
Financial assets	417 284	-	-	-409 946	7 338
Deferred tax assets	-	-	36 398	-	36 398
Current assets	271 869	1 856	65 904	-19 352	320 277
<i>Total assets</i>	<i>689 153</i>	<i>7 376</i>	<i>473 166</i>	<i>-429 298</i>	<i>740 397</i>
<i>Liabilities and provisions</i>					
Provisions	52 724	-	-	-	52 724
Other non-current liabilities	426 358	15 741	-	-15 741	426 358
Deferred tax liabilities	471	-	5 910	-	6 381
Current liabilities	196 396	8 382	117 762	-88 997	233 543
<i>Total liabilities and provisions</i>	<i>675 949</i>	<i>24 123</i>	<i>123 672</i>	<i>-104 738</i>	<i>719 006</i>

<i>1 Jan 2016 – 30 Sep 2016</i>	<i>Net Gaming</i>	<i>iGaming Operations</i>	<i>Other</i>	<i>Total</i>
Revenue	1 118	13 733	-1 118	13 733
Operating expenses, iGaming operations	–	-4 790	–	-4 790
Capitalised work for own account	–	246	–	246
EBITDA	-334	-1 244	-61	-1 639
Profit/loss before tax	-960	-2 019	26	-2 953
Profit/loss after tax	-960	-2 019	26	-2 953
Assets	48 322	11 382	-13 799	45 905
Liabilities	39 076	25 169	-13 805	50 440

Related party transactions

	<i>2017-07-01</i>	<i>2016-07-01</i>	<i>2017-01-01</i>	<i>2016-01-01</i>
Parent Company	<i>2017-09-30</i>	<i>2016-09-30</i>	<i>2017-09-30</i>	<i>2016-09-30</i>
Sales of services to subsidiaries	123	391	356	1 118
Interest income from subsidiaries	2 592	108	9 811	323
Interest expenses to other related parties	-41	-736	-121	-885
Receivables from subsidiaries			105 965	16 248
Accumulated impairment of receivables from subsidiaries			-2 465	-2 465
Carrying amount of receivables from subsidiaries			103 500	13 783
Liabilities to other related parties			3 365	37 120

Upcoming financial reports

Year-end report 2017: 22 February 2018

Annual Report: published 27 April 2018

Interim report 1 2018: 24 May 2018

Interim report 2 2018: 23 August 2018

The Annual General Meeting will be held in Stockholm on 24 May 2018

Accounting policies

This interim report has been prepared in accordance with IAS 34. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS.

This interim report has not been reviewed by the Company's auditors.

Stockholm, 23 November 2017

Board of Directors

For further information, contact Marcus Teilman, President and CEO, telephone +46 8 410 380 44 or mobile +356 9936 7352

marcus.teilman@netgaming.se