Net Gaming Europe AB (publ)

Org.no. 556693-7255

Annual Report

1 January – 31 December 2017

Contents

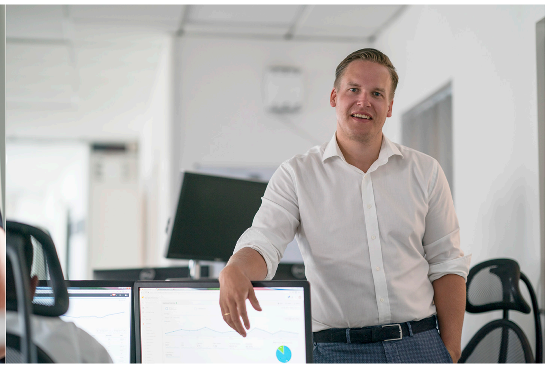
About Net Gaming – we help users to make the right choice in a complex digital world

Net Gaming is a fast-growing global challenger in digital comparison and news services. Since the Company's establishment in 2003, we have expanded to 30 countries and offer 130 sites under strong digital brands in over 20 languages. Through the services, Net Gaming helps and guides users to make the right decision based on their needs. We currently have about 90 employees in 6 countries, with our head office in Malta.

A fast-growing challenger

Net Gaming is a fast-growing global challenger that owns, operates and develops 130 comparison and news sites under strong digital brands across the world.

- Net Gaming was founded in 2003 with the simple concept of making it easier for users to find, compare and make the right choice in digital services based on their needs. Since then, we have grown to become a leading global player in our industry.
- Net Gaming is a high-growth company with revenue of SEK 169 million in 2017, growth of 246 percent, while EBITDA grew strongly and amounted to SEK 106.6 million
- The number of employees at the end of 2017 was 82
- Net Gaming has been listed on AktieTorget since May 2009



130+ Brands	82 **Employees**	2005 Founded	3 Offices

Mission

To help users to make the right choice in a complex digital world by owning and operating strong, high-quality and user-friendly digital brands.

Business concept

Strong, digital brands with quality content

Our business concept is to own, operate and develop high-quality digital brands for the purpose of guiding users to our partners. Our focus is to always, every day, offer content that is appreciated by our users.

Quality – in everything we do

We are obsessed with delivering quality content. It is basically simple: if users do not like the quality of the services we develop, our partners will not get any qualitative, relevant user referrals from us.

For us, quality is not about making great revolutionary changes from year to year. It is about, every day, step by step, developing and improving both ourselves and the content we offer our users.

Acquire, renew, improve

We have a distinctive growth focus. We work continuously to improve the digital brands we already own in order to constantly increase our organic growth. We are also constantly on the look-out for more acquisitions that can strengthen and improve our offering.

Data, data, data

We have a data-driven approach. This means that we make well-informed decisions substantiated by data analysis of user behaviour. Systems, passion, cooperation, knowledge and best practice enable our employees to make decisions based on previously gained experience and insights in order to learn lessons for the future.

Corporate culture with passion, focus and innovation at the forefront

Net Gaming's corporate culture is marked by a data-driven approach and extensive technical know-how. Net Gaming has a number of values, passion, focus and innovation, which govern how we act internally and externally – to each other and our operating environment.


Growth strategy and growth drivers

We aim to show faster organic growth than the rest

Strategy

1. To own and develop strong digital brands. They must be innovative, independent and easy to use. They must have clear user value in order to increase the proportion of returning users.
2. To continue to grow organically in selected focus markets.
3. To make acquisitions in situations where the Company believes that Net Gaming can create value.
4. To continuously improve our platform with data and technology.
5. To attract, improve and support partners within each chosen industry.
6. To work in a data-driven way supported by strong technical expertise and business intelligence.
7. To continue investing in our operational platform in order to achieve economies of scale.
8. To be a workplace for exceptional individuals who share our passion for technology and to guide people in a complex digital world.

Growth drivers

- **Vertical expansion.** Sports betting will be launched as a new vertical in 2018. The vertical currently accounts for about 50 percent of the total iGaming market.
- **Geographical expansion.** Asia is the next market in Net Gaming's expansion.
- **Expansion in existing markets.** In selected markets in Europe and the Nordic region, there is great scope for Net Gaming to grow.
- **Acquisitions.** Net Gaming continuously looks at opportunities to make further acquisitions in the future.
- **Product innovation.** Net Gaming is constantly launching new products in existing markets and verticals, and enters 2018 with a clear path forward.
- **Technology innovation.** Net Gaming works consistently to improve and refine the offering to users. Net Gaming currently has a "mobile first" approach and closely monitors how users behave and respond to the offering.
- **Transformation from offline to online.** Online gaming (iGaming) currently accounts for 10.7 percent, which corresponds to approximately SEK 400 billion per year. About SEK 160 billion of this is generated through affiliates, in other words comparison services.
- **Comparison trend.** With the opportunities offered by digitalisation and the internet, users are increasingly likely to be able to and want to compare different options before making decisions. This trend is beneficial to Net Gaming.

Strengths

Strong, qualitative digital brands
High-quality content and user-friendliness create a product with high-value user traffic that our comparison and news services generate to our partners. This leads to higher revenue per user generated.

Scalable business model
Net Gaming's scalable business model allows revenue to rise significantly without costs increasing at the same rate. This ratio is increasing as Net Gaming grows bigger.

Intelligent digital platform
Net Gaming has a proprietary technical platform that enables the websites and their content to be managed from a central base. This makes it easier to achieve economies of scale in content production

Proven, data-driven organisation
Net Gaming works with a data-driven approach. This means that the organisation makes well-informed decisions substantiated by data analysis of user behaviour.

Systematic method of acquisition
Net Gaming has a rigorous selection process, with a number of fundamental criteria that must be met when evaluating a potential acquisition. With the acquired company management, we define a common agenda that we consider is most value-creating and sustainable.

Strong corporate culture
Net Gaming has a strong, values-driven culture that is marked by quality, innovation and focus. The Company operates with the mindset that all employees are entrepreneurs: we are committed and take ownership of everything we do.

Financial objectives

Overall financial objective: Growth in earnings per share
The company sees growth in earnings per share as the most important overall key figure for creating long-term shareholder value. The goal is to show faster growth in earnings per share over time than comparable players.

Revenue growth
To grow faster organically than comparable players and to grow actively through quality acquisitions at reasonable values.

Capital structure
To maintain a net debt to EBITDA ratio of below 3.0

Dividend
To prioritise growth through acquisitions, internal growth projects and capital structure rather than dividends during the next three years.

2017 in brief

- Net Gaming paid an additional consideration related to the acquisition of HLM Malta Ltd.
- Refinancing was arranged through a new bond loan of SEK 375 million in order to repay the previous bond loan and repay SEK 70 million of the outstanding convertible debenture early.
- Requests for conversion of outstanding convertible notes were registered during the year. The outstanding convertible debenture amount is approximately SEK 33.5 million at 31 December 2017.
- Acquisition of affiliate assets in the Nordic region and the UK completed in November 2017.

CEO's comments

In 2017, our revenue continued to increase and our earnings showed a strong improvement. We stepped up our initiatives for Highlight Media, acquired in autumn 2016, and strengthened the management group further. We have identified many opportunities to continue our strong organic growth in both existing and new markets. In addition, our launch of comparative services in sports betting will make 2018 even more exciting. Sports betting is the largest vertical within iGaming, with global revenue of over EUR 20 billion, and accounts for about 50% of the total iGaming market. It is only natural for us to also add the vertical to our existing operations.

In 2017, we completed a successful refinancing arrangement, which involved issuing a new bond loan of SEK 375 million and repaying the old bond loan and SEK 70 million of the convertible debenture. The 7.25% interest rate is also significantly better than before and the new bond has a framework of SEK 1,000 million, which gives us very good opportunities to continue adding more qualitative add-on acquisitions at reasonable values. The first add-on acquisition was completed in November 2017, followed by another in February 2018.

We enter 2018 with new financial objectives linked to a clear growth plan aimed at increasing revenue both organically and through acquisitions. With our improved balance sheet, reduced interest expenses and impending new product launches and innovations, 2018 will be an even more successful year.

Marcus Teilman
President and CEO

Board of Directors' Report

Significant events in 2017

Net Gaming paid the first additional consideration related to the acquisition of HLM Malta Ltd at the end of June 2017. The total additional consideration was approximately EUR 7.2 million. EUR 1.7 million of the payment was settled with 1,544,772 new Net Gaming shares and the remainder was settled in cash. The remaining additional consideration of approximately EUR 5.5 million will be paid in the second quarter of 2018.

In September 2017, under a refinancing arrangement, Net Gaming issued a new senior secured bond of initially SEK 375 million carrying an interest rate of Stibor 3m +7.25%. The bond loan was issued in order to refinance the previous bond loan of SEK 190 million issued by the Company in October 2016, and to make early repayment of up to SEK 70 million of the Company's outstanding convertible debenture. The refinancing will result in significantly lower interest expenses, together with an improved capital structure. This will give the Company increased financial flexibility, which in turn will support continuing growth through acquisitions. The refinancing resulted in non-recurring costs of approximately SEK 40 million, with about SEK 26 million attributable to the repayment of the previous bond loan and about SEK 2 million attributable to repayment of SEK 70 of the convertible debenture. An accounting effect of the refinancing is that the associated refinancing costs have been capitalised and spread over the life of the bond, but at the same time the remaining finance costs for the repaid loans have had to be recognised as an expense. This has resulted in non-recurring costs of approximately SEK 12 million, of a non-cash nature.

In November 2017, affiliate assets in the Nordic region and the UK were acquired at an initial consideration of EUR 3 million, of which EUR 1 million was settled with 979,178 new shares in Net Gaming. The acquisition brings the Company valuable knowledge about new ways to grow its existing business, including through paid media.

Requests for conversion into shares were made by holders of the convertible notes during the year. The outstanding convertible debenture amount was SEK 33.5 million at 31 December 2017.

Merger of subsidiaries
The subsidiary HLM Malta Limited merged three of its four subsidiaries during the financial year.

The purpose is to enable the business to perform much more efficiently by eventually merging four subsidiaries into one legal entity. Combining four companies' expertise in one common company creates better opportunities to exploit synergies and also to make cost-savings, particularly in the form of administration and auditing. A first step in this process was to merge Chance Publications Malta Limited and Match Publications Malta Limited into Rock Intention Malta Limited (the receiving company).
The merger applies retrospectively from 1 January 2017. Such a process is entirely in accordance with the provisions of the Chapter 386 of the Maltese Companies Act 1995. As permitted by Article 344 of the Maltese Companies Act, and as stated in the proposed merger conditions duly approved and published by Malta's Registrar of Companies, the following has occurred:
1. All assets and liabilities in Chance Publications Malta Limited and Match Publications Malta Limited as of 1 January 2017, have been taken over by Rock Intention Malta Limited; and
2. All transactions relating to Chance Publications Malta Limited and Match Publications Malta Limited that took place on or after 1 January 2017 are accounted for as transactions in Rock Intention Malta Limited.

The merger of the fourth subsidiary Mortgage Loan Directory and Information LLC into Rock Intention Malta Limited is expected to take place within two to three years. Another effect of the merger is that the three merged companies become a single taxable entity and their accumulated loss carryforwards can be used against current and future profits.
As a result of the merger, no income tax will need to be paid in the HLM Group in 2017.

Outlook

Our defined growth strategy and new financial objectives mean that Net Gaming will grow both organically and through acquisitions. The goal is for organic growth to exceed the organic growth of comparable competitors over time.

Organic growth will be generated in 2018 through initiatives such as the launch of sports betting, a brand new vertical accounting for about 50% of total iGaming revenue. In addition, paid media will added to our current operations. Asia is a new expansion market, and a particular focus will be placed on Finland, Italy, Spain, the UK and Germany. In addition, more states in the US are expected to allow iGaming in 2018 and beyond.

Both revenue and earnings are expected to increase during 2018.

Shareholders, 31 December 2017

The total number of shares in the Company at 31 December 2017 was 67,180,880. 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, %**
Trottholmen AB	47,272,382	70.37%
Varenne AB	4,888,888	7.28%
Avanza Pension	2,279,972	3.39%
JRS Asset Management AB	1,357,336	2.02%
Credit Suisse	1,111,111	1.65%
Carlesund Investments & Consulting AB	679,547	1.01%
Stefan Mahlstein	612,646	0.91%
Nordnet Pension	508,501	0.76%
UBS Switzerland AG/Clients Account	467,724	0.70%
Jonas Bertilsson	437,749	0.65%
Other shareholders	7,565,024	11.26%
TOTAL	**67,180,880**	**100.00%**

Proposed appropriation of profits

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

Amounts in SEK

Share premium reserve	57,392,519
Retained earnings	5,623,728
Profit/loss for the year	-55,311,291
	7,704,956

The Board proposes that the amount at the disposal of the AGM, SEK 7,704,956, be carried forward.

Multi-year overview

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

Amounts in SEK thousands

	2017	2016	2015	2014
Revenue	169,465	48,937	10,480	3,611
EBITDA	106,598	14,805	-4,134	-12,593
Adjusted EBITDA	106,943	19,746	-4,134	-12,593
Profit/loss for the year	6,063	12	-5,031	-12,663
Earnings per share	0.10	0.00	-0.09	-0.22
Average number of shares	60,781,811	57,525,000	57,525,000	57,525,000
Total assets	597,763	504,168	9,373	13,729
Equity/assets ratio	11%	1%	-10%	32%
Equity per share	0.94	0.08	-0.02	0.08
Market price per share at end of year	8.80	4.72	12.10	0.50

Risk management

The Board has overall responsibility for establishing and overseeing the Group's guidelines on risk management. The Group's guidelines on risk management have been established to identify and analyse the risks to which the Group is exposed. Risk management guidelines and systems are reviewed regularly to take into account changes in market conditions and in the Group's operations.

The Board oversees management's monitoring of compliance with the Group's guidelines on risk management and examines the suitability of the risk management framework in the context of the risks to which the Group is exposed. During the year, the Board devotes parts of its meetings to reviewing and discussing specific risk areas and determining how identified risks are to be monitored and controlled.

The purpose of risk management is to be able to implement the Group's business strategies and achieve its financial objectives while maintaining a high level of risk awareness and control.

Market risks
Market risks are the risk of changes in market prices affecting the Group's earnings. As the Group has a limited cost base, with personnel expenses being the single largest item, exposure in the form of price risk is mainly concentrated on the Group's income.

By focusing on always delivering content of the highest quality and actively working on product innovation, the Group's products are characterised by high-value user traffic that our comparison and news services generate to our partners. This leads to higher revenue per user generated. In addition, the Group works continuously to expand and broaden its operations both geographically and vertically.

Currency risks
The Group operates internationally and is exposed to currency risks arising from revenue, costs, assets and liabilities denominated in a currency other than the Group's functional currency. The functional currency of the foreign subsidiaries is the euro, while the Parent Company's functional currency is the Swedish krona. 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 when the assets and liabilities of foreign subsidiaries are translated into Swedish kronor.

Credit risks
The Group's financial transactions give rise to credit risks in relation to financial counterparties. Credit risk arises mainly in cash and cash equivalents but is also associated with outstanding receivables from the Group's customers.
The Group only works with reputable financial institutions with a high credit rating. The creditworthiness of customers and payment service providers has been assessed by reference to market knowledge, financial position, past experience and collaboration.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to discharge their financial obligations relating to trade payables and other liabilities when they fall due for payment.
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 Board and Group management continuously monitor forecasts of the Group's cash and cash equivalents on the basis of expected cash flows.

Interest rate risk
The Group's exposure to interest rate risk related to cash flows is primarily attributable to the bond loan issued with variable interest rates. Other non-current liabilities carry fixed interest rates, while other financial assets and liabilities are normally interest-free if settled when due.
The Group continuously monitors its interest rate risk related to cash flows and considers that the risk is not significant in view of the revenue generated from acquisitions and operating activities.

Capital risk management
The Group's objective for capital risk 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 Company'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.
The Group monitors the capital risk by regularly calculating and reporting net debt and comparing it with prior periods and targets defined by the Board and associated with covenants for bond loans.

Significant risks and uncertainties
As the majority of the Group's customers are active in online gaming (iGaming), the Group is largely dependent on iGaming. The laws and regulations concerning the online gaming industry are complex and in many cases undergoing change. Any changes that have an adverse impact on the Group's customers could in turn negatively affect the Group's revenue from these customers.

In order to reduce this risk, the Group works continuously to expand and broaden its operations both geographically and vertically.
One operational risk is the risk of being unable to attract, recruit and retain competent personnel. The Group works strategically on the goal to be the optimal workplace for exceptional individuals who share our passion for technology and to guide people in a complex digital world.
Other identified risks that the Board considers to be relevant to the Group are described under Risk Management above and in note 33 Financial risks.

Consolidated Statement of Comprehensive Income

Amounts in SEK thousands	*Note*	*2017*	*2016*
Revenue, affiliate operations	4	160 325	31 078
Revenue, gaming operations	4	9 140	17 859
Total revenue		**169 465**	**48 937**
Operating expenses, gaming operations		-2 744	-7 492
Capitalised work for own account	5	328	324
Marketing expenses		-15 781	-11 104
Other external expenses	6,7,8	-17 923	-7 763
Personnel expenses	8	-29 991	-8 915
Other operating income		3 339	818
Other operating expenses		-95	–
EBITDA	1,2,3	106 598	14 805
Depreciation and amortisation	9	-1 419	-664
Operating profit/loss (EBIT)		**105 179**	**14 141**
Profit/loss from financial items			
Finance income	11	6	8
Finance costs	12	-84 928	-10 881
Other financial items	13	590	2 070
Profit/loss from financial items		**-84 332**	**-8 803**
Profit/loss before tax		**20 847**	**5 338**
Tax on profit/loss for the year	14	-14 784	-5 326
Profit/loss for the year		**6 063**	**12**
Earnings per share (SEK)	15	0,10	0,00
Earnings per share after dilution (SEK)		0,07	0,00
Other comprehensive income, income and expenses recognised directly in equity			
Exchange differences on translation of foreign operations		-825	-976
Other comprehensive income for the year		-825	-976
Total comprehensive income for the period		**5 238**	**-964**
Comprehensive income per share (SEK)		**0,09**	**-0,02**
Comprehensive income per share after dilution (SEK)		**0,06**	**-0,01**

Consolidated Statement of Financial Position

Amounts in SEK thousands	*Note*	*2017-12-31*	*2016-12-31*
ASSETS			
Non-current assets			
Property, plant and equipment	17	657	761
Goodwill	18,30	408 506	370 254
Other intangible assets	19	29 568	5 707
Other non-current receivables		6 452	6 911
Deferred tax assets	22	11 251	36 338
Total non-current assets		**456 434**	**419 971**
Current assets			
Trade receivables		17 926	14 390
Other receivables		2 360	4 820
Prepayments and accrued income	23	5 930	5 988
Cash and cash equivalents	24	115 113	58 999
Total current assets		**141 329**	**84 197**
TOTAL ASSETS		**597 763**	**504 168**

Consolidated Statement of Financial Position

Amounts in SEK thousands	*Note*	*2017-12-31*	*2016-12-31*
EQUITY AND LIABILITIES			
Equity			
Share capital	25	17 467	14 957
Other paid-in capital		85 952	34 931
Reserves		-3 722	-2 897
Retained earnings, incl. profit/loss for the year		-36 472	-42 535
Total equity		**63 225**	**4 456**
Non-current liabilities and provisions			
Other provisions	26	33 232	52 725
Other non-current liabilities	27	407 317	332 409
Deferred tax liabilities	22	260	10 998
		440 809	**396 132**
Current liabilities			
Trade payables		4 603	3 249
Liabilities to Parent Company	31	3 406	3 243
Tax liabilities		–	1 337
Other liabilities		76 072	80 423
Accruals and deferred income	28	9 648	15 328
		93 729	**103 580**
TOTAL EQUITY AND LIABILITIES		**597 763**	**504 168**

Consolidated Statement of Changes in Equity

	Note	*Share capital*	*Other paid-in capital*	*Reserves*	*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 of convertible debent		–	-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 to shares Apr 2017		519	8 481	–	–	9 000
Set-off issue adopted 30 Jun 2017		402	16 467	–	–	16 869
Issue expenses		–	-46	–	–	-46
Conversion to shares Jul 2017		433	7 067	–	–	7 500
Conversion to shares Nov 2017		145	2 355	–	–	2 500
Conversion to shares Dec 2017		1 011	16 489	–	–	17 500
Share-based payments	11	–	208	–	–	208
Comprehensive income for the year		–	–	-825	6 063	5 238
Closing equity, 31 Dec 2017		**17 467**	**85 952**	**-3 722**	**-36 472**	**63 225**

* Conditional shareholder contribution from principal owner Trottholmen 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.

Consolidated Cash Flow Statement

Amounts in SEK thousands	*2017*	*2016*
Operating activities		
Profit/loss after financial items	20 847	5 338
Adjustments for non-cash items		
- Depreciation and amortisation of assets	1 419	664
- Exchange gains/losses on financial receivables and liabilities	-575	-2 070
- Discounting effect, convertible debentures	6 408	577
- Discounting effect, contingent consideration	214	–
- Prepaid financing expenses	12 074	–
- Costs associated with loan settlement	27 927	–
- Costs associated with acquisition of subsidiary	–	2 403
- Other non-cash items	491	–
Cash flow from operating activities before changes in working capital	**68 805**	**6 912**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-1 867	487
Increase (+)/Decrease (-) in operating liabilities	-2 158	12 420
Cash flow from operating activities	**64 780**	**19 819**
Investing activities		
Acquisition of interests in Group companies	-55 002	-203 930
Acquisition of property, plant and equipment	-296	-135
Acquisition of intangible assets	-20 247	-323
Cash flow from investing activities	**-75 545**	**-204 388**
Financing activities		
New borrowings	363 070	328 166
Repayment of loans	-270 000	-102 239
Costs associated with loan settlement	-27 927	
Issue expenses	-46	
Cash flow from financing activities	**65 097**	**225 927**
Cash flow for the year	54 332	41 358
Cash and cash equivalents at beginning of year	58 999	2 453
Cash and cash equivalents assumed on acquisition	–	14 966
Exchange differences	1 313	–
Translation differences on consolidation of subsidiaries	469	222
Cash and cash equivalents at end of year	**115 113**	**58 999**
Interest received	6	8
Interest paid	-43 632	-10 304

Income Statement – Parent Company

Amounts in SEK thousands	*Note*	*2017*	*2016*
Revenue	4	803	1 516
Total revenue		**803**	**1 516**
OPERATING EXPENSES			
Other external expenses	6,7,8	-3 314	-3 738
Personnel expenses	8	-249	-655
Other operating expenses		-95	–
Operating profit/loss	1,2,3	**-2 855**	**-2 877**
Profit/loss from financial items			
Profit/loss from investments in Group companies	10	19 239	19 073
Other interest and similar income	11	11 625	3 461
Other interest and similar expenses	12	-84 928	-10 881
Other financial items	13	198	1 472
Profit/loss after financial items		**-56 721**	**10 248**
Tax on profit/loss for the year	14	1 410	127
Profit/loss for the year		**-55 311**	**10 375**

Balance Sheet – Parent Company

Amounts in SEK thousands	*Note*	*2017-12-31*	*2016-12-31*
ASSETS			
Non-current assets			
Financial assets			
Investments in Group companies	20,29	324 562	324 562
Non-current receivables from Group companies	21	101 512	116 286
Other non-current receivables		6 452	6 911
Total financial assets		**432 526**	**447 759**
Total non-current assets		**432 526**	**447 759**
Current assets			
Current receivables			
Receivables from Group companies	21	33 613	24 653
Other receivables		431	1 641
Prepayments and accrued income	23	3 939	4 083
Total current receivables		37 983	30 377
Cash and cash equivalents	24	67 024	20 011
Total current assets		**105 007**	**50 388**
TOTAL ASSETS		**537 533**	**498 147**

Balance Sheet – Parent Company

Amounts in SEK thousands	*Note*	*2017-12-31*	*2016-12-31*
EQUITY AND LIABILITIES			
Equity	25		
Restricted equity			
Share capital		17 467	14 957
		17 467	14 957
Unrestricted equity			
Share premium reserve		57 393	6 372
Retained earnings		5 624	-4 751
Profit/loss for the year		-55 311	10 375
		7 705	11 995
Total equity		**25 172**	**26 952**
Provisions			
Other provisions	26	**33 232**	**52 725**
Non-current liabilities			
Other non-current liabilities	27	407 317	332 409
Deferred tax liabilities	22	260	1 670
		407 577	**334 079**
Current liabilities			
Trade payables		258	441
Liabilities to Parent Company	31	3 406	3 243
Liabilities to Group companies		–	1 043
Other liabilities		64 191	70 327
Accruals and deferred income	28	3 697	9 337
		71 552	**84 391**
TOTAL EQUITY AND LIABILITIES		**537 533**	**498 147**

Statement of Changes in Equity – Parent Company

	Note	*Share capital*	*Share premium reserve*	*Retained earnings incl. year's*	*Total equity*
Parent Company					
Opening equity, 1 Jan 2016		14 957	–	-4 751	10 206
Equity component of convertible debenture		–	8 169	–	8 169
Deferred tax liability 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
Opening equity, 1 Jan 2017		14 957	6 372	5 623	26 952
Conversion to shares Apr 2017		519	8 481	–	9 000
Set-off issue adopted 30 Jun 2017		402	16 467	–	16 869
Issue expenses		–	-46	–	-46
Conversion to shares Jul 2017		433	7 067	–	7 500
Conversion to shares Nov 2017		145	2 355	–	2 500
Conversion to shares Dec 2017		1 011	16 489	–	17 500
Share-based payments	11	–	208	–	208
Profit/loss for the year		–	–	-55 311	-55 311
Closing equity, 31 March 2017		**17 467**	**57 393**	**-49 688**	**25 172**

* Conditional shareholder contribution from principal owner Trottholmen 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	*2017*	*2016*
Operating activities		
Profit/loss after financial items	-56 721	10 248
Adjustments for non-cash items		
- Exchange gains/losses on financial receivables and liabilities	-184	-1 472
- Discounting effect, convertible debentures	6 408	577
- Prepaid financing expenses	12 074	–
- Costs associated with loan settlement	27 927	–
- Costs associated with acquisition of subsidiary	–	2 403
- Dividends from subsidiaries	-19 308	-19 134
- Other non-cash items	500	–
Cash flow from operating activities before changes in working capital	**-29 304**	**-7 378**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-8 631	-24 680
Increase (+)/Decrease (-) in operating liabilities	4 737	10 832
Cash flow from operating activities	**-33 198**	**-21 226**
Investing activities		
Acquisition of interests in Group companies	-55 002	-203 930
Cash flow from investing activities	**-55 002**	**-203 930**
Financing activities		
New borrowings	363 070	328 166
Repayment of loans	-270 000	–
Costs associated with loan settlement	-27 927	–
Issue expenses	-46	–
Dividends from subsidiaries	19 308	19 134
Loans to subsidiaries	-3 103	-102 239
Repayment of loans from subsidiaries	53 926	–
Cash flow from financing activities	**135 228**	**245 061**
Cash flow for the year	47 028	19 905
Cash and cash equivalents at beginning of year	20 011	106
Exchange differences	-15	–
Cash and cash equivalents at end of year	**67 024**	**20 011**
Interest received	11 498	3 461
Interest paid	-43 632	-10 304

Notes with accounting policies and comments

Amounts in SEK thousands unless otherwise stated

NOTE 1 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 2017 are listed in the table below.

Name	**No. of shares**	**Ownership, %**
Trottholmen AB	47 272 382	70.37%
Varenne AB	4 888 888	7.28%
Avanza Pension	2 279 972	3.39%
JRS Asset Management AB	1 357 336	2.02%
Credit Suisse	1 111 111	1.65%
Carlesund Investments & Consulting AB	679 547	1.01%
Stefan Mahlstein	612 646	0.91%
Nordnet Pension	508 501	0.76%
UBS Switzerland AG / Clients Account	467 724	0.70%
Jonas Bertilsson	437 749	0.65%
Other shareholders	7 565 024	11.26%
TOTAL	**67 180 880**	**100.00%**

These consolidated financial statements were approved by the Board for publication on 26 April 2018.
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 annual 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 have been reported for 2018 and the previous year.

For 2017, the non-recurring items are mainly related to costs of mergers of subsidiaries and the acquisition of affiliate operations.
For 2016, the costs are mainly related to the acquisition of the subsidiary HLM Malta Limited.

Amounts in SEK thousands	*2017*	*2016*
EBITDA	106 598	14 805
Non-recurring items	345	4 941
Adjusted EBITDA	106 943	19 746

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.

After evaluating the effects of the standard, it is the Group's assessment that it will not have any any material impact on the Group's financial position and results, as credit losses have historically been marginal.

However, the standard changes the basis for calculating credit loss reserves. Instead of the existing model based on incurred credit losses, IFRS 9 requires 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 previous accounting method, where a credit loss occurred and was recognised only if there was objective evidence as a result of a past event.
According to the previous accounting policies, an impairment loss was only recognised for a financial asset or group of financial assets if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be estimated reliably.

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.

The Group's revenue comes largely from affiliate operations, but also from gaming operations.
Affiliate operations generate revenue in several ways. The majority of the revenue comes from up-front payment, also referred to as CPA (cost per acquisition). The Group then obtains revenue for each individual player that is referred to the iGaming operator and makes a purchase.
A smaller proportion of the revenue comes from revenue-share, which means that the Group and the iGaming operator share the net gaming revenue that the player generates with the operator.

IFRS 15 requires revenue to be recognised when the customer obtains control of the sold product or service and has the ability to use and obtain benefits from the product or service. With up-front payment, the size of revenue is determinable on the reporting date and the introduction of IFRS 15 will not have any major impact on the Group's revenue recognition.

Payment based on the revenue-share method is variable payment that is not determinable when the contract is entered into, but can be determined at the end of each month. In these cases, the standard requires the expected payment to be estimated and recognised when the performance obligation is fulfilled, provided it is very likely that any change in the estimate will not result in a significant amount of revenue being reversed.

As regards gaming operations, the Group considers that the contract is fulfilled at the very moment when the customer places a bet or starts to play. 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 at the very moment when the customer places a bet or starts to play, 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 no material effects on the recognition of gaming revenue will arise from the introduction of IFRS 15.

The Group plans to introduce IFRS 15 by recognising the cumulative effect of the transition to the standard in equity on the first day of application and disclosing the effect of the transition on each affected item in the financial statements. There will be no restatement of comparatives.

In summary, the introduction of IFRS 15 is not expected to involve any material changes to the Group's revenue recognition and the transition does not have any material effect on the Group's financial reporting.

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 is evaluating the effect of IFRS 16, and the preliminary assessment is that the only significant effect of the introduction of IFRS 16 will be that the Group's long-term leases for office premises will be covered by this standard. The effect of the introduction of IFRS 16 on the Group's results and financial reports is dependent on several factors, including Group companies' decisions to renew and extend leases. It is therefore not yet possible to assess how the accounting may affect the Group's results and cash flow in the future.
At the reporting date, the Group's non-cancellable operating lease obligations amount to SEK 4 844 thousand.

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 annual 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 operations generate revenue in several ways. The majority of the revenue comes from up-front payment, also referred to as CPA (cost per acquisition). The Group then obtains revenue for each individual player that is referred to the iGaming operator and makes a purchase.
A smaller proportion of the revenue comes from revenue-share, which means that the Group and the iGaming operator share the net gaming revenue that the player generates with the operator.

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 of assets that transfer to the Group substantially all the risks and rewards incidental to direct ownership of the 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 6.

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.
The carrying amounts of deferred tax assets are reduced to the extent that it is no longer probable that they can be fully utilised.
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 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 that 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

On 22 November 2017, affiliate operations were acquired from Magnum Media Limited. The total cost of EUR 3 million and the discounted present value of the additional consideration, EUR 3,750 thousand, has been allocated to acquired assets in the form of domain rights and affiliate contracts, and goodwill. Domain rights are amortised on a straight-line basis over their useful life of 8 years and affiliate contracts on a straight-line basis over their useful life of 5 years.

The Group's other intangible assets with a finite life consist 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 four years.

Amortisation and impairment

Amortisation is based on original cost less estimated residual value and impairment losses. Amortisation is applied on a straight-line basis over the useful life of the asset.

The following useful lives are used:

Capitalised development costs	4 years
Domain rights	8 years
Affiliate contracts	5 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 acquisitions of HLM Malta and the affiliate operations from Magnum Media. Goodwill is considered to have an indefinite useful life and is not subject to annual amortisation. Goodwill is considered to have an indefinite useful life and its value 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.

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.

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 could 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.

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.

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.
There are unutilised tax loss carryforwards in the acquired company HLM Media Limited and its underlying group. The Group reports deferred tax assets on the basis of the portion of the loss carryforwards we believe can be utilised over the next five-year period.
Impairment of deferred tax assets was identified at the reporting date.
The write-down of the deferred tax assets is reported in the income statement as a change in accrued income tax under the heading Taxes.

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 or have been redeemed by the Parent Company.
During the year, Net Gaming exercised its right to redeem 50% of the convertible debenture
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. SEK 36,500 thousand was converted into shares during the year.
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	*31/12/2017*	*2016-12-31*
Nominal value of convertible debenture	140 000	140 000
Redeemed convertible debenture.	-70 000	–
Debentures converted to shares	-36 500	–
Equity component - value of the conversion right	-8 169	-8 169
	25 331	131 831
Interest expenses	6 986	578
Closing liability	**32 317**	**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.

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, warrants and the portion of the consideration for the acquired affiliate operations that was settled in shares.

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

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 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 and Eurobet Operation Limited and eliminations of intragroup transactions. Loco Marketing Sociedad Anonima, which was previously included in the Other segment, was liquidated during the financial year.

2017	*Net Gaming*	*Gaming operations*	*Affiliate operations*	*Other*	*Total*
Revenue	803	9 140	160 325	-803	169 465
Operating expenses, gaming operations	–	-2 744	–	–	-2 744
Capitalised work for own account	–	328	–	–	328
EBITDA	-2 855	-1 082	110 635	-100	106 598
Profit/loss before tax	-56 721	-1 751	98 593	-19 274	20 847
Profit/loss after tax	-55 311	-1 751	82 399	-19 274	6 063
Property, plant and equipment	–	28	629	–	657
Goodwill	–	–	408 506	–	408 506
Other intangible assets	–	5 592	23 976	–	29 568
Financial assets	432 526	–	–	-426 074	6 452
Deferred tax assets	–	–	11 251	–	11 251
Current assets	105 007	5 150	65 139	-33 967	141 329
Total assets	537 533	10 770	509 501	-460 041	597 763
of which intragroup assets	-459 687	-356	–	-	
Assets excl. intragroup assets	77 846	10 414	509 501	2	597 763
Provisions	33 232	–	–	–	33 232
Other non-current liabilities	407 317	15 676	88 026	-103 702	407 317
Deferred tax liabilities	260	–	–	–	260
Current liabilities	71 552	12 662	43 464	-33 949	93 729
Total liabilities and provisions	512 361	28 338	131 490	-137 651	534 538
of which intragroup liabilities	–	-19 098	-118 581	-2 188	
Liabilities and provisions excl. intragroup liabilities	512 361	9 240	12 909	28	534 538

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	–	–	-440 848	6 911
Deferred tax assets	–	–	36 338	–	36 338
Current assets	50 388	3 379	56 518	-26 088	84 197
Total assets	498 147	9 124	463 833	-466 936	504 168
of which intragroup assets	-465 501	-394	-1 043	-	
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	-116 870	332 409
Deferred tax liabilities	1 670	–	9 328	–	10 998
Current liabilities	84 391	11 289	33 402	-25 502	103 580
Total liabilities and provisions	471 195	24 447	146 442	-142 372	499 712
of which intragroup liabilities	-1 043	-15 070	-126 262	-2 190	
Liabilities and provisions excl. intragroup liabilities	470 152	9 377	20 180	3	499 712

Note 4 Revenue

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Revenue from affiliate operations	160 325	31 078	–	–
Revenue from gaming operations	9 140	17 859	–	–
Consulting revenue, management	–	–	803	1 516
	169 465	**48 937**	**803**	**1 516**

Note 5 Capitalised work for own account

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Capitalised work for own account	**328**	**324**	**–**	**–**

Relates to development of gaming platforms

Note 6 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*	
	2017	*2016*	*2017*	*2016*
Within one year	2 136	645	168	168
2-5 years	2 708	168	154	168
After five years	–	–	–	–

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
The Company's lease payments during the year amounted to	1 747	501	177	141

The Company's leases are leases for premises.

Note 7 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*	
	2017	*2016*	*2017*	*2016*
Audit services, Nexia	1 086	431	872	283
Other assignments, Nexia	104	50	100	50
Audit services, KPMG	358	188	–	–
Other assignments, KPMG	23	20	–	–
Audit services, other audit firms	7	-30	–	–
	1 578	659	972	333

Note 8 Employees, salaries, benefits and social security contributions

Average number of employees	*2017*	*Of which female*	*2016*	*Of which female*
Parent Company				
Sweden	1	0	1	0
Subsidiaries				
Malta	71	23	69	23
Group total	72	23	70	23

Management *Number of senior executives*	*2017*	*Of which female*	*2016*	*Of which female*
Parent Company				
Board and CEO	5	0	5	0
Group total				
Board and CEO	12	4	12	3
Other senior executives	4	1	5	0

Salaries, employee benefits and social security contributions

	2017		2016	
	Salaries and benefits	*Social security contributions*	*Salaries and benefits*	*Social security contributions*
Parent Company	449	141	555	176
(of which pension costs)	*(–)*	*(–)*	*(–)*	*(–)*
Subsidiaries*	27 724	1 681	7 679	252
(of which pension costs)	*(–)*	*(–)*	*(–)*	*(–)*
Group total	28 173	1 822	8 234	428
(of which pension costs)	*(–)*	*(–)*	*(–)*	*(–)*

* of which SEK 1,030 thousand in accrued bonuses to employees of subsidiaries.

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

	2017			2016		
	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Board	353	3 157	3 510	90	–	90
Other senior executives	0	6 499	6 499	456	2 415	2 871
Other employees	96	18 068	18 164	9	5 264	5 273
Total	449	27 724	28 173	555	7 679	8 234

Remuneration of Board

The 2017 AGM adopted Board fees of SEK 400,000, distributed as follows: SEK 160,000 to the Chairman and SEK 80,000 to each of the other non-executive directors.
The fee is paid in arrears after the Annual General Meeting has been held.

Annual fee for the financial year:	2017	2016
Paid year.	2018	2017
Amounts in SEK thousands		
Henrik Kvick, Chairman	160	40
Tobias Fagerlund	80	40
Jonas Söderqvist	80	40
Jonas Bertilsson (elected to the Board 14/11/2016)	80	23

Remuneration of other senior executives
Incl. Board members in subsidiaries

	2017			2016		
	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Marcus Teilman, CEO	–	1 974	1 974	456	366	822
Other senior executives	–	7 682	7 682	–	2 049	2 049
	–	9 656	9 656	456	2 415	2 871

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 9 Depreciation

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Depreciation and amortisation are allocated to each asset as below				
Domain rights	9	–	–	–
Affiliate contracts	383	–	–	–
Capitalised development costs	605	570	–	–
Equipment	422	94	–	–
	1 419	**664**	**–**	**–**

Note 10 Profit/loss from investments in Group companies

	2017	2016
Parent Company		
Dividends from subsidiaries	19 308	19 134
Waived receivables from Group companies	-69	-61
	19 239	**19 073**

Note 11 Interest and similar income

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Interest income	6	8	–	–
Interest income, Group companies	–	–	11 625	3 461
	6	**8**	**11 625**	**3 461**

Note 12 Interest and similar expenses

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Interest expenses, Parent Company	162	1 009	162	1 009
Interest expenses, other	38 357	8 409	38 357	8 409
Interest expenses, discounting of convertible debenture	6 408	577	6 408	577
Costs associated with loan settlement	27 927	–	27 927	–
Financing expenses for new loans	12 074	886	12 074	886
	84 928	**10 881**	**84 928**	**10 881**

Note 13 Other financial items

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Exchange gains/losses on financial receivables and liabilities	590	2 070	198	1 472
	590	2 070	198	1 472

Note 14 Tax

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Tax recognised in income statement				
Current tax	1	190	–	–
Deferred tax	14 783	5 136	-1 410	-127
Tax on profit/loss for the year	**14 784**	**5 326**	**-1 410**	**-127**
Current tax				
Profit/loss before tax	20 847	5 338	-56 721	10 248
Tax at the current rate 22%	4 586	1 174	-12 479	2 255
Tax effect of:				
Difference in tax rates in foreign operations	-20 812	2 996	–	–
Non-taxable income	-36	-326	-4 248	-4 210
Non-deductible expenses	2 868	1 072	20	14
Reversal of losses not previously recognised as an asset	-60 071	–	–	–
Tax loss carryforwards utilised	-407	-6 359	–	–
Tax reduction on share dividends	–	-1 133	–	–
Tax losses increasing accumulated loss carryforwards but not recognised as assets	73 873	2 766	16 706	1 941
Tax expense, current tax	**1**	**190**	**–**	**–**
Deferred tax				
Decrease/increase in deferred tax assets	25 521	2 248	–	–
Increase/decrease in deferred tax liabilities	-10 738	2 888	-1 410	-127
Tax expense, accrued tax	**14 783**	**5 136**	**-1 410**	**-127**

The Parent Company has saved accumulated loss carryforwards of SEK 89,851 thousand at 31/12/2017. 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

At the end of each reporting period, the deferred tax assets are tested for impairment. Impairment was identified at the reporting date. The write-down of the deferred tax assets is reported in the income statement as a change in accrued income tax under the heading Taxes. This had a negative effect of SEK 16,193 thousand on profit for the year.

Note 15 Earnings per share

Amounts in SEK	*2017*	*2016*
Group		
Income attributable to shareholders of the Parent	6 063 259	11 744
Average number of shares before dilution	60 781 811	57 525 000
Number of registered shares on reporting date	67 180 880	57 525 000
Average number of shares on maximum dilution	86 290 276	64 429 110

On 14 February 2018, the Board of Net Gaming adopted a private placement of 979,178 shares using the authorisation from the AGM on 30 May 2017. The party with the right to subscribe for the new shares was the seller of the affiliate operations acquired in November 2017. The subscription price was SEK 10.09 per share. Payment for the newly issued shares was offset against the purchase price receivable. The new issue increased the number of shares in Net Gaming by 979,178, from 67,180,880 to 68,160,058.

Earnings per share		
- Before dilution	0,10	0,00
- After dilution	0,07	0,00

Note 16 Share-based payments

The 2017 AGM decided to introduce a new incentive programme consisting of employee share options. Only individuals who are, or will be, employees of the Group company Rock Intention Malta Ltd are entitled to receive the options.
The warrants are issued free of charge. Each warrant entitles the holder to subscribe for one share at a subscription price of SEK 14.14 per share. The deadline for subscription for shares based on the warrants is 30 September 2020.
The exercise of the options is conditional on the holder being an employee of a subsidiary in the Group on the exercise date.
In the event of full exercise of the warrants, the Company's share capital will increase by a maximum of SEK 312,000, divided into 1,200,000 shares.

The total reported cost for the 2017 financial year that arose in connection with share-based payments amounts to SEK 208 thousand, which is settled with equity instruments.

Note 17 Property, plant and equipment

	2017	*2016*
Group		
Accumulated cost		
Opening balance	3 360	71
Assumed cost on acquisition of subsidiaries	–	3 105
Investment	305	135
Sales and disposals	-123	–
Exchange rate changes	99	49
Closing balance	3 641	3 360
Accumulated depreciation		
Opening balance	-2 599	-44
Assumed accumulated depreciation on acquisition of subsidiaries	–	-2 423
Depreciation for the year	-422	-94
Sales and disposals	123	–
Exchange rate changes	-86	-38
Closing balance	-2 984	-2 599
Carrying amount at end of period	**657**	**761**

Note 18 Goodwill

	2017	*2016*
Group		
Accumulated cost		
Opening balance	370 254	–
Investment	38 252	370 254
Closing balance	**408 506**	**370 254**

The Board has conducted goodwill impairment testing at 31 December 2017. It is the Board's assessment that the carrying amount of SEK 408,506 thousand is recoverable, based on the fact that cash flow generated by these assets is in line with or exceeds the estimated forecasts that were made prior to the acquisition.

The recoverable amount of goodwill has been determined by calculating the value in use. The Group's conclusion is that the recoverable amount exceeds the carrying amount by a good margin. The recoverable amount has been calculated based on cash flow forecasts that reflect the actual return from the business in 2017 and an estimate for the years 2018-2021 with an assumption of annual growth of 2 percent. The projected cash flows have been discounted at a discount rate of 14%. The effective tax rate has been estimated at 5%. Group management's methods for estimating the values associated with each significant assumption are based on past experience and expectations of market development. It is the Board's assessment that there is no goodwill impairment.

More information can be found in note 30, Acquisitions.

Note 19 Other intangible assets

	2017	2016
Group		
Accumulated cost		
Opening balance	24 550	23 128
Investment	24 713	323
Disposals	-17 780	–
Exchange rate changes	725	1 099
Closing balance	32 208	24 550
Accumulated depreciation		
Opening balance	-18 843	-17 441
Depreciation for the year	-997	-570
Disposals	17 780	–
Exchange rate changes	-580	-832
Closing balance	-2 640	-18 843
Carrying amount at end of period	**29 568**	**5 707**

Specification of intangible assets	Accumulated cost	Accumulated depreciation	Carrying amount
Brands	4 955	0	4 955
Domain rights	896	-10	886
Affiliate contracts	23 481	-391	23 090
Capitalised development costs	2 876	-2 239	637
Total	32 208	-2 640	29 568

On 22 November 2017, affiliate operations were acquired from Magnum Media Limited. The total cost of EUR 3 million and the discounted present value of the additional consideration, EUR 3,750 thousand, has been allocated to acquired assets in the form of domain rights and affiliate contracts, and goodwill.
Domain rights are amortised on a straight-line basis over their useful life of 8 years and affiliate contracts over their useful life of 5 years.

The Group's other intangible assets with a finite useful life consist 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.

Customer databases from the acquisitions of Frontbet, Stingbet, FishNChips, Slitzpoker, U2 Poker and PSI Poker have were disposed of during the financial year. The customer databases have been subject to annual amortisation based on a useful life of five years, and were fully amortised on the date of disposal.

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 PokerLoco trademark 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

	2017	2016
Parent Company		
Accumulated cost		
Opening cost	353 639	29 088
Acquisitions	–	324 551
Closing cost	353 639	353 639
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**	**324 562**

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

Carrying amount subsidiaries of Net Gaming Europe AB	2017	2016
PokerLoco Malta Limited	11	11
HLM Malta Limited	324 551	324 551
Valdemo Trading Limited	–	–
	324 562	**324 562**

Subsidiaries	*Reg'd office*	*Company's corporate ID*	*Percentage of shares and votes*	*Number of shares*	*Equity*	*Profit/loss for the year*
Subsidiaries of Net Gaming Europe AB						
PokerLoco Malta Limited	Malta	C 51645	100%	1 200	-5 960	-1 751
HLM Malta Limited	Malta	C 75337	100%	1 165	4 556	96 467
Valdemo Trading Limited	Cyprus	HE153132	100%		-2 232	72
Subsidiaries of PokerLoco Malta Limited						
Loco Online Entertainment N.V	Curacao	128869	100%	1		
Subsidiaries of HLM Malta Limited						
Rock Intention Malta Limited	Malta	C 49286	100%	14 000		
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

	2017	2016
Receivables due in 2-5 years		
Loco Online Entertainment N.V	4 737	4 737
HLM Malta Limited	52 604	103 712
Rock Intention Malta Limited	33 232	–
PokerLoco Malta Limited	10 939	7 837
	101 512	116 286
Total non-current receivables from Group companies	**101 512**	**116 286**
Receivables due within 1 year		
PokerLoco Malta Limited	3 132	2 399
Loco Online Entertainment N.V	289	97
HLM Malta Limited	1 118	22 157
Rock Intention Malta Limited	29 074	–
Total current receivables from Group companies	**33 613**	**24 653**

Note 22 Deferred tax

	2017	2016
Changes in deferred tax are distributed as follows		
Deferred tax assets		
Carrying amount at beginning of year	36 338	–
Deferred tax liabilities at beginning of year offset against tax receivables on merger of subsidiaries	-9 328	–
Assumed deferred tax assets on acquisition of subsidiaries	–	38 061
Net change for the period in the income statement	-16 193	-2 248
Exchange differences in deferred tax assets	434	525
Carrying amount at end of year	11 251	36 338
Deferred tax assets are attributable to		
Unused tax losses	11 251	36 338
Total deferred tax assets	11 251	36 338
Deferred tax liabilities		
Carrying amount at beginning of year	-10 998	–
of which reversed against deferred tax assets	9 328	–
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	1 410	-2 888
Exchange differences in deferred tax liabilities	–	-119
Carrying amount at end of year	-260	-10 998
Deferred tax liabilities are attributable to		
Intangible assets	–	-9 328
Deferred tax liability on equity component of convertible debenture	-260	-1 670
Total deferred tax liabilities	-260	-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.

At the end of each reporting period, the deferred tax assets are tested for impairment. Impairment was identified at the reporting date. The write-down of the deferred tax assets is reported in the income statement as a change in accrued income tax under the heading Taxes. This had a negative effect of SEK 16,193 thousand on profit for the year.

Note 23 Prepayments and accrued income

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Prepaid rental and lease expenses	501	317	42	–
Prepaid financing expenses	3 852	4 038	3 852	4 038
Other prepayments	523	1 633	45	45
Accrued interest	1 054	–	–	–
	5 930	**5 988**	**3 939**	**4 083**

Note 24 Cash and cash equivalents

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Cash and bank balances*	106 883	55 801	67 024	20 011
Bank accounts with payment service providers	8 230	3 198	–	–
	115 113	**58 999**	**67 024**	**20 011**
*of which restricted funds as pledged assets in subsidiaries	1 507	900	–	–

Note 25 Equity

	2017	*2016*
Parent Company		
Number of registered shares on reporting date	67 180 880	57 525 000
Share capital (SEK) on reporting date	17 467 029	14 956 500

During the previous financial year, the Parent Company raised a convertible debenture loan of SEK 140,000 thousand. During the year, Net Gaming exercised its right to redeem 50% of the convertible debenture. Investors who subscribed for the convertible debenture have the right to convert the notes into Net Gaming shares at a conversion price of SEK 4.50. SEK 36,500 thousand was converted into shares during the year. At full conversion, the number of shares will increase by 7,444,446 shares and share capital will increase by SEK 1,935,556.

The 2017 AGM decided to introduce a new incentive programme consisting of employee share options. Only individuals who are, or will be, employees of the Group company Rock Intention Malta Ltd are entitled to receive the options. The warrants are issued free of charge. Each warrant entitles the holder to subscribe for one share at a subscription price of SEK 14.14 per share. The deadline for subscription for shares based on the warrants is 30 September 2020. The exercise of the options is conditional on the holder being an employee of a subsidiary in the Group on the exercise date. In the event of full exercise of the warrants, the Company's share capital will increase by a maximum of SEK 312,000, divided into 1,200,000 shares.

On 14 February 2018, the Board of Net Gaming adopted a private placement of 979,178 shares using the authorisation from the AGM on 30 May 2017. The party with the right to subscribe for the new shares was the seller of the affiliate operations acquired in November 2017. The subscription price was SEK 10.09 per share. Payment for the newly issued shares was offset against the purchase price receivable. The new issue increased the number of shares in Net Gaming by 979,178, from 67,180,880 to 68,160,058, which in turn increased the share capital by SEK 254,586.28, from SEK 17,467,028.80 to 17,721,615.08.

For a specification of changes in equity for the Parent Company, see page 19.

Note 26 Provisions

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*

Opening balance	52 725	-	52 725	-
Provisions for the year	33 018	52 725	33 018	52 725
Increase in amount discounted to present value due to time effect	214	-	214	-
Transfers to current liabilities	-52 725	-	-52 725	-
Closing balance	**33 232**	**52 725**	**33 232**	**52 725**

Provisions on 31 December 2017 refer to the estimated additional consideration for the acquisition of affiliate operations to be *paid on 30 April 2019.*

Note 27 Non-current liabilities

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Liabilities due for payment more than five years after the reporting date	**407 317**	**332 409**	**407 317**	**332 409**

Non-current liabilities consist of a bond of SEK 375,000 thousand and a convertible debenture with a nominal value of SEK 33,500 thousand.

The bond matures in September 2020 and was listed for institutional trading on Nasdaq Stockholm's Corporate Bonds List. The bond has a variable interest rate of Stibor 3m + 7.25 %.

The convertible debenture, originally SEK 140 million, matures in October 2019 and has a fixed interest rate of 9.5 % During the year, Net Gaming exercised its right to redeem 50% of the convertible debenture. Investors who subscribed for the convertible debenture have the right to convert the notes into Net Gaming shares at a conversion price of SEK 4.50. SEK 36,500 thousand was converted into shares during the year.

The remaining nominal liability of SEK 33,500 thousand has been discounted to a carrying amount of SEK 32,317 thousand using a discount rate of 2%.

Note 28 Accruals and deferred income

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Accrued expenses, gaming operations	219	762	–	–
Accrued marketing expenses	–	1 768	–	–
Accrued costs of salaries and benefits	1 516	980	515	586
Accrued interest expenses	2 410	8 400	2 410	8 400
Audit fees and consultancy expenses	1 307	977	766	337
Other accruals	2 679	1 264	6	14
Deferred income	1 517	1 177	–	–
	9 648	**15 328**	**3 697**	**9 337**

Note 29 Pledged assets and contingent liabilities

	Group		*Parent Company*	
	2017	*2016*	*2017*	*2016*
Shares in subsidiaries pledged as collateral for bonds	496 592	442 610	324 551	324 551

To provide collateral for borrowing related to the acquisition of the subsidiary HLM Malta Limited, the Parent Company 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

Affiliate operations from Magnum Media

On 22 November 2017, affiliate operations were acquired from Magnum Media Limited.
The acquired operations include affiliate assets primarily in Sweden, but also in the UK, which drive traffic mainly through paid media.

Net Gaming acquired the affiliate operations for an initial consideration of EUR 3 million, of which 2 million was paid in cash during the financial year and 1 million was settled in Net Gaming shares after the end of the financial year. Payment of a maximum additional consideration of EUR 3.75 million may also be required. Net Gaming has subsequently sold the acquired affiliated operations to the Group company Rock Intention Malta Limited.

As the Group considers it likely that the entire additional consideration will apply, the discounted present value of the additional consideration has been reported as a cost of acquisition and a provision in the Swedish Parent Company in accordance with RFR 2.

The total cost of EUR 3 million and the discounted present value of the additional consideration, EUR 3,750 thousand, has been allocated to acquired assets in the form of domain rights and affiliate contracts, and goodwill.

In the Group and in Rock Intention Malta Limited, the distribution of the total cost of acquisition is based on information currently known, but as the acquisition was conducted so late in the financial year, the distribution has been provisionally calculated and may be retrospectively adjusted, in accordance with IFRS 3 (45), over a period of twelve months from the acquisition date if new information emerges about facts and circumstances that would result in a different assessment than the reported provisional assessment.

HLM Malta Limited

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, 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, and an additional contingent consideration of EUR 7,348 thousand, paid in June 2017, and EUR 5,511 thousand, payable on 1 July 2018.

Net assets and goodwill acquired are as follows: *Amounts in SEK thousands*	Affiliate operations from Magnum Media Limited	HLM Malta Limited
Purchase consideration		
- cash consideration	19 844	201 527
- consideration settled with newly issued shares	9 882	
- contingent consideration	33 018	123 024
- exchange differences	-182	
Total purchase consideration	62 562	324 551
Fair value of net assets acquired (see below)	-24 310	-45 703
Goodwill	38 252	370 254

Fair value of acquired assets and liabilities at the acquisition date

Amounts in SEK thousands		
Domain name	829	–
Affiliate contracts	23 481	–
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	24 310	-45 703

If the acquisition of the affiliate operations from Magnum Media had been conducted on 1 January 2017, this would have contributed additional revenue of SEK 8,511 thousand, and an operating profit after depreciation of SEK 3,567 thousand, which would have resulted in the operating segment affiliate operations reporting the key figures below for the full 2017 financial year.

If the acquisition had been conducted on 1 January 2016, HLM Malta would have contributed additional revenue of SEK 105 million for the 2016 financial year, with an adjusted operating profit after depreciation 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 2017	Pro forma 2016
Revenue, affiliate operations	168 836	136 128
EBITDA	114 202	85 614
Non-recurring items	345	2 538
Adjusted EBITDA	114 547	88 152

Note 31 Related party transactions

Salaries and benefits to Board members and the CEO are shown in note 8 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, Trottholmen 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	*2017*	*2016*
Sale of services to Group companies	803	1 516
Interest income from Group companies	11 625	3 455
Interest expenses to other related parties	-162	-1 009
Receivables from Group companies	137 590	143 404
Accumulated impairment of receivables from Group companies	-2 465	-2 465
Carrying amount of receivables from Group companies	135 125	140 939
Liabilities to other related parties	-3 406	-3 243

Note 32 Financial instruments

Group 31/12/2017	Financial assets at amortised cost	Non-financial assets		Financial liabilities at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment		657				657
Goodwill		408 506				408 506
Other intangible assets		29 568				29 568
Other non-current receivables		6 452				6 452
Deferred tax assets	11 251					11 251
Trade receivables	17 926					17 926
Other current receivables	2 360					2 360
Prepaid expenses		5 930				5 930
Cash and cash equivalents	115 113					115 113
Total	**146 650**	**451 113**		**0**	**0**	**597 763**
Other non-current liabilities				407 317		407 317
Deferred tax liabilities				260		260
Trade payables				4 603		4 603
Liabilities to Parent Company				3 406		3 406
Tax liabilities				0		0
Other liabilities				76 072		76 072
Accrued expenses				9 648		9 648
Total	**0**	**0**	**0**	**501 306**	**0**	**501 306**

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	**114 547**	**389 621**	**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**	**446 987**	**0**	**446 987**

Parent 31/12/2017	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 companies	101 512				101 512
Other non-current receivables		6 452			6 452
Current receivables from Group companies	33 613				33 613
Other receivables	431				431
Prepaid expenses		3 939			3 939
Cash and cash equivalents	67 024				67 024
Total	**202 580**	**334 953**	**0**	**0**	**537 533**
Other non-current liabilities			407 317		407 317
Deferred tax liabilities			260		260
Trade payables			258		258
Liabilities to Parent Company			3 406		3 406
Other current liabilities			64 191		64 191
Accrued expenses			3 697		3 697
Total	**0**	**0**	**479 129**	**0**	**479 129**

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 con	116 286				116 286
Other non-current receivables		6 911			6 911
Current receivables from Group compan	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**

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 thousands	Carrying amount in SEK thousands	Amounts in USD thousands	Carrying amount in SEK thousands
Closing rate		9,8497		8,2322
Intangible assets	3 002	29 568	–	–
Goodwill	3 884	38 252	–	–
Deferred tax assets	1 074	10 583	81	669
Trade receivables	1 792	17 652	33	275
Prepayments and accrued income	202	1 991	–	–
Cash and bank balances	5 448	53 657	640	5 271
Provisions	3 374	33 232	–	–
Trade payables	430	4 238	16	134
Other current liabilities	6 716	66 156	–	–
Accruals and deferred income	620	6 104	7	60

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 5,511 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 2017	Within 1 year	after 1 year but before 2 years	after 2 year but before 3 years	Total
Amounts in SEK thousands				
Non-current liabilities	–	–	408 500	408 500
Additional contingent consideration	54 283	36 936	–	91 219
Trade payables	4 603	–	–	4 603
Other current liabilities and accrued expenses	34 843	–	–	34 843
	93 729	36 936	408 500	539 165

Capital risk management
The Group's objective for capital risk 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.

The Group monitors the capital risk by regularly calculating and reporting net debt, and comparing it with prior periods and targets that are defined by the Board and also governed by covenants for bond loans.

Interest rate risk
The Group's exposure to interest rate risk is primarily attributable to the bond loan issued with variable interest rates. Other non-current liabilities carry fixed interest rates, while other financial assets and liabilities are normally interest-free if settled when due. The Group continuously monitors its interest rate risk and believes that it is not significant in view of the revenue generated from acquisitions and operating activities.

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

	2017	*2016*
Cash and cash equivalents	115 113	58 999
Trade receivables	17 926	14 390
Other receivables	2 360	4 820
Total	**135 399**	**78 209**

Summary of maturities for trade and other receivables

Due for payment	6 133	8 466
1 - 30 days	12 731	8 795
31 - 60 days	95	375
61 - 90 days	5	45
90- days	1 322	1 529
	20 286	**19 210**

Ageing analysis of past due trade and other receivables

1 - 30 days	3 487	3 343
31 - 60 days	909	3 530
60- days	1 737	1 593
	6 133	**8 466**

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.

Note 34 Significant events after the reporting date

On 14 February 2018, the Board of Net Gaming adopted a private placement of 979,178 shares using the authorisation from the AGM on 30 May 2017. The party with the right to subscribe for the new shares was the seller of the affiliate operations acquired in November 2017. The subscription price was SEK 10.09 per share. Payment for the newly issued shares was offset against the purchase price receivable.

The new issue increased the number of shares in Net Gaming by 979,178, from 67,180,880 to 68,160,058, which in turn increased the share capital by SEK 254,586.28, from SEK 17,467,028.80 to 17,721,615.08.

On 14 February 2018, Net Gaming entered into an agreement to acquire affiliate assets in central Europe. The purchase price is EUR 450,000 and is financed with existing cash.

In connection with publication of the year-end report, the Company issued its updated strategy and new financial objectives. For more information, see the Board of Directors' report.

On 1 March 2018, Net Gaming received notification of a request for conversion into 2,666,665 new shares, corresponding to SEK 11,999,992.50 in loans. The total number of shares in the Company will be 70,826,723 after registration with the Swedish Companies Registration Office. Share capital will increase by SEK 693,332.90 from SEK 17,721,615.08 to SEK 18,414,947.98. After this conversion, outstanding convertible loans will be SEK 21.5 million, corresponding to 4,777,782 new shares in the event of any future conversions.

In April, Gustav Vadenbring has been appointed as new CFO of Net Gaming. Gustav joins the Company from his position as Industrial and Business Analyst in SEB's International Credit Analysis department. Prior to that, he was CFO of Actic Group for over five years.
Gustav takes up his position at the beginning of August 2018.

After the reporting date, Net Gaming's business area Highlight Media has launched a new financial vertical, focusing on currencies (FX) and CFD (Contract for Difference).

Net Gaming has in April 2018 signed a Letter of Intent to acquire affiliate assets in the DACH region. The operations is growing fast and are currently expected to generate quarterly sales of approx. EUR 200,000, with an operating margin of approx. 75%.
The initial purchase consideration amounts to EUR 2.29 million with a maximum additional consideration of EUR 1.25 million may also be required. To achieve this, an EBITA is required to be at least EUR 1.0 million over the next 12 months.

After the reporting date, in order to concentrate operations, Net Gaming's business area Highlight Media has entered into an agreement to sell the concept, trademark and domain name for the Battle of Malta poker tournament, which has been successfully operated by PokerListings for the last six years.

The financial reports are part of the annual report and were signed by the Board of Directors and the CEO on 27 April, 2018.

Stockholm, 27 April, 2018

Henrik Kvick
Chairman

Jonas Bertilsson

Tobias Fagerlund

Jonas Söderqvist

Marcus Teilman
CEO

My audit report was submitted on 27 April, 2018

Per-Åke Bois
Authorised Public Accountant

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 2017. The annual accounts and consolidated accounts of the company are included on pages 8-50 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 2017 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 2017 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 1-7 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.

• 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 2017 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 27 april 2018

Per-Åke Bois

Authorized Public Accountant