

Net Gaming Europe AB (publ) – Interim Report Q2 2019

Challenging quarter but operating margin and cash conversion remain good

Second quarter 2019

- Revenue declined to EUR 3,497 (4,597) thousand.
- EBITDA declined to EUR 2,024 (2,983) thousand.
- Profit after tax declined to EUR 1,242 (2,088) thousand.
- Earnings per share after dilution fell to EUR 0.016 (0.029).
- Total NDC growth declined by 29%; the largest vertical Casino declined by 33%.
- Cash flow from operating activities fell to EUR 1,983 (2,533) thousand.

First six months 2019

- Revenue declined to EUR 7,550 (8,925) thousand.
- EBITDA declined to EUR 4,577 (6,085) thousand.
- Profit after tax declined to EUR 3,183 (4,232) thousand.
- Earnings per share after dilution fell to EUR 0.042 (0.061).
- Total NDC growth declined by 22%; the largest vertical Casino declined by 24%.
- Cash flow from operating activities fell to EUR 4,824 (5,094) thousand.

Significant events in the quarter

- Acquisition of BettingGuide.se, which was launched in the regulated Swedish gaming market.
- Management team strengthened by new Head of M&A from 29 April 2019.
- Launch of new design concept for CasinoGuide in the UK and US and Casinospielen.de in Germany to increase user-friendliness and conversion.
- A new technical platform has been launched, resulting in faster loading times, increased user-friendliness and scalability in geographical expansion and the launch of new digital brands.

Significant events after the quarter

- Acquisition of MaxFreeBets.co.uk, a leading betting brand in the regulated UK betting market.

Key figures

| EUR thousands | Apr-Jun | | | Jan-Jun | | |
|-------------------------------------|---------|-------|--------|---------|-------|--------|
| | 2019 | 2018 | Y/Y% | 2019 | 2018 | Y/Y% |
| Revenue, affiliate operations | 3,497 | 4,597 | -24% | 7,550 | 8,925 | -15% |
| Organic growth, % | -27% | 10% | -37 pp | -20% | 10% | -30 pp |
| EBITDA | 2,024 | 2,983 | -32% | 4,577 | 6,085 | -25% |
| EBITDA margin, % | 58% | 65% | -7 pp | 61% | 68% | -7 pp |
| Profit after tax | 1,242 | 2,088 | -41% | 3,183 | 4,232 | -25% |
| Earnings per share (after dilution) | 0.016 | 0.028 | -43% | 0.042 | 0.058 | -28% |
| Net debt/EBITDA (rolling 12 mth) | 2.1 | 2.6 | - | 2.1 | 2.6 | - |
| NDC growth, % | -29% | +21% | -50 pp | -22% | N/A | N/A |

pp = percentage point and N/A = not available

Q2 2019



-27%
Organic growth



-32%
EBITDA growth



-43%
Earnings per share

CEO's comments:

Good opportunities for Net Gaming still there despite political regulation effects



As expected, we were affected by continuing political regulation effects in the European market in the second quarter. Revenue declined to EUR 3,479 (4,597) thousand. The EBITDA margin fell to 58% (65%) and cash flow from operating activities amounted to EUR 1,983 (2,533) thousand. Despite a challenging quarter and lower revenue, we are still able to show that our business model and operating margin remain good.

The revshare proportion continued to increase during the quarter and is currently at 47%, compared with 30% a year ago and 12% two years back. The shift to an increased revshare gives us a more stable and predictable revenue base, which benefits us in the long term. As previously communicated, we have faced increased competition in North America, and in Q2 and early Q3, we have launched several important product initiatives in the region. We expect a continuation of the good potential in North America over time.

Thanks to our strong cash conversion, we have the resources to continue expanding our business organically in line with our growth strategy. During Q2, we upgraded our proprietary technology platform, with the aim of increasing scalability and the pace of geographic expansion and improving speed for our digital brands. We have also launched our betting product on the new brand BettingGuide.se. In addition, our CasinoGuide and Casinospielen.de brands have been re-launched in the UK, the US and Germany, with improved design, user-friendliness and user value. In the future, we will maintain the fast pace, with more launches in several geographical markets.

Our acquisition focus has increased and at the end of Q2, we acquired BettingGuide.se, which will now become our brand in the regulated Swedish market. In addition, after the end of the period, we acquired Maxfreebets.co.uk, a well-established digital brand in the regulated UK market. With the acquisitions, we are increasing the pace within the betting vertical, while adding two new revenue pillars in regulated markets we believe to have good long-term development potential.

Our ambition is to continue focusing our efforts on increased geographical distribution of our revenue, partly through acquisitions and partly through organic growth in both existing and new geographical markets. Continuous minimisation of the Company's risk by spreading political risk over several geographical markets is a strategy we will be pursuing going forward.

Ahead of us, we see attractive business opportunities in a highly fragmented market to make disciplined and reasonably valued acquisitions that meet our investment criteria. Our starting-point is that the acquisitions will be primarily financed through our relatively large existing cash resources and our strong operating cash flows. I am convinced that using existing cash and cash flows in this way creates good value for Net Gaming's shareholders over time, as our overall financial target is earnings per share growth.

I am not satisfied with our performance in Q2, but I am hopeful that that we will show improved EBITDA levels in the future.

Marcus Teilman, President and CEO

The Group's development

QUARTER APR-JUN 2019

Revenue

Revenue for Q2 declined by 24% to EUR 3,497 (4,597) thousand, driven by negative organic growth of 27%. Paid media was phased out as a revenue stream in 2018, which is reflected in the comparative figure.

Revenue for Q2 2019 was negatively affected by the wave of local regulation in Europe and an accelerated transition from CPA to Revenue Share, which is now 47% (30%). The transition to an increased percentage for revenue share will have an adverse effect in the short term, but will strengthen our growth over time.

Growth in New Depositing Customers (NDC) followed the same trend as revenue, decreasing by 29% compared with the corresponding period the previous year. This is attributable to the phasing-out of "Paid Media", the challenges that operators have faced in connection with regulation in Europe and increasing competition in the American market.

Over the last year, we have also seen our position with strong domains in the North American market producing results as more states are deregulated. We are now seeing a sharp increase in competition in this market, which has resulted in North America showing a -32% decline in revenue for Q2 2019. North America is our second-largest market, generating 18% of total revenue.

Costs

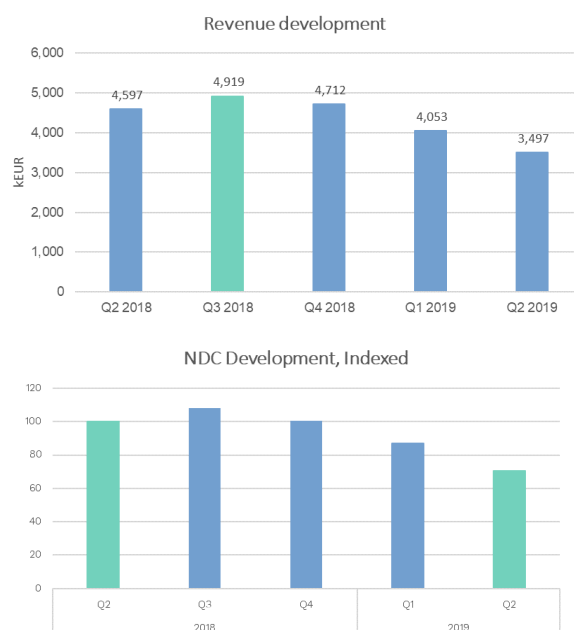
Operating expenses increased slightly during Q2 2019 compared with the previous year.

Personnel expenses for Q2 increased to EUR 1,014 (806) thousand, primarily driven by organisational development and recruitment of key personnel to create the conditions for growth. In addition, the number of contracted consultants has been reduced in favour of employed personnel.

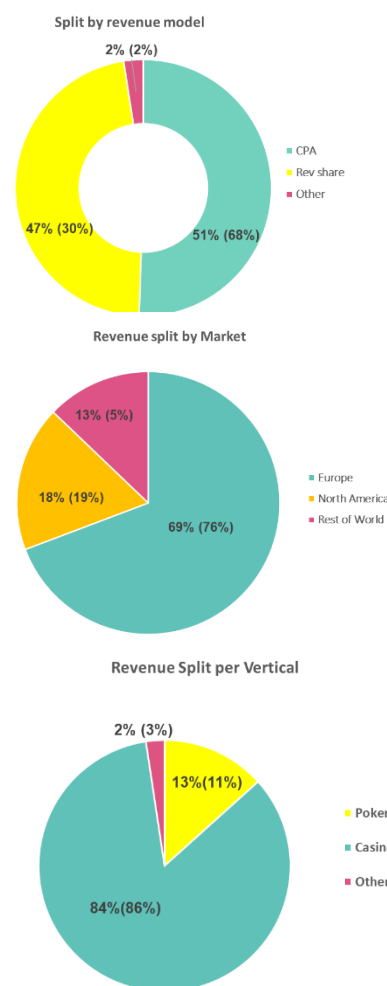
Other external expenses declined during Q2 2019, mainly due to a reduction in marketing (paid media), which also had an adverse effect on revenue. The phasing out of external consultants in favour of employed personnel has also contributed to the cost reduction.

Earnings

EBITDA declined by 32% to EUR 2,024 (2,983) thousand. The EBITDA margin has fallen to 58% compared with 65% in Q2 2018.



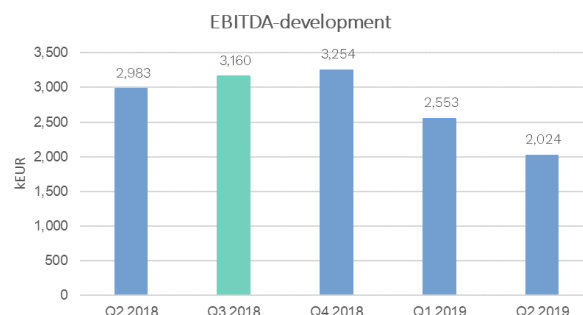
The chart shows an index of NDC development over time. NDC stands for new depositing customer, i.e. a newly depositing customer that Net Gaming has referred to one of its customers (operators). The charts above do not show absolute figures, but a percentage development from index 100 in Q2 2018.



Net Gaming's net financial items for Q2 2019 amounted to EUR -526 thousand, compared with EUR -750 thousand for the same period the previous year. The change is mainly due to positive currency effects of EUR 559 thousand related to loan financing arranged in SEK. At the same time, net financial items were adversely affected by a final write-down of EUR 331 thousand in connection with the potential credit loss the Company was affected by in Q4 2018. Interest expenses have declined, mainly due to the fact that Q2 2018 included one-time effects of the convertible loan conversion, which had a negative effect on net financial items. Interest expenses for Q2 2019 are representative of the present financing arrangement.

Profit after tax for continuing operations fell to EUR 1,242 (2,088) thousand.

Earnings per share after dilution for the period amounted to EUR 0.016 (0.028).



Financial position

Cash flow and investments

Cash flow from continuing operations during Q2 amounted to EUR 1,983 thousand, compared with EUR 2,533 thousand in Q2 2018. The decline from the corresponding quarter the previous year is mainly attributable to the earnings trend. Working capital development was positive compared with Q2 2018, and is primarily related to a high level of customer payments, while lower sales have resulted in lower trade receivables.

Cash flow from investing activities, which is limited as the Company's business model is not capital-intensive, amounted to EUR +34 thousand, compared with EUR -7,798 thousand in Q2 2018 (excluding gaming operations). Cash flow from investing activities in Q2 2019 was positive due to the divestment of intangible assets. Investments of EUR 242 thousand (acquisition of intangible assets) in Q2 2019 were mainly related to the acquisition of new domain names and website development for expansion in the US and European markets. Cash flow from investing activities in Q2 2018 was affected by the acquisition of affiliate assets from Webwiser GmbH and settlement (EUR 5,511 thousand) of the final additional consideration for HLM Malta Ltd.

Cash flow from financing activities in Q2 amounted to EUR -676 (-801) thousand and consisted primarily of interest paid on the bond loan. Cash flow from financing activities has been affected by the transition to IFRS 16, which means that lease liability repayments of EUR 37 thousand in Q2 are recognised in financing activities. During Q2 2019, deposits of EUR 519 thousand were reclassified from cash and cash equivalents to other current financial assets.

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period was EUR 23,590 thousand, compared with EUR 31,331 thousand at the end of Q2 2018. The translation effect of converting the bond loan from SEK to EUR at the end of the period was EUR 559 thousand, which had a positive impact on net financial items. At the same time, net financial items were adversely affected by a full write-down of EUR 331 thousand regarding the potential credit loss the Company was affected by in Q4 2018. The Company's cash and cash equivalents at the end of Q2 2019 amounted to EUR 12,816 (6,450) thousand.

The equity/assets ratio was 40 (30) percent and equity was EUR 24,338 (16,629) thousand at 30 June 2019.

Financial targets

The Board of Net Gaming has defined the following financial targets and objectives:

EPS growth

Net Gaming's target is average annual EPS growth of at least 20% over time. Growth in earnings per share is the overall financial objective. It is Net Gaming's assessment that strong growth in earnings per share is the best measure for shareholder value over time.

Organic revenue growth

Net Gaming's long-term target is annual organic revenue growth in the range of 15 to 25%. Net Gaming will continuously invest in the core business and new internal growth initiatives to ensure strong and sustainable organic growth. The time when growth initiatives bear fruit may vary, which means that organic growth may fluctuate over time. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (last 12 months) and divestments, and exchange rate movements.

Capital structure

Net Gaming's target is a maximum net debt/EBITDA ratio of 2.0 over time. Net Gaming will conduct operations at low financial risk over time by maintaining low net debt. The Board is entitled to derogate from this objective during periods when this is considered best for the Company and for shareholder value.

Dividend policy

To prioritise growth during the next three years through acquisitions, internal growth projects and capital structure ahead of dividends. The Board will recommend to the AGM on 23 May 2019 that no dividend be paid for the financial year 2018.

Overview of outcomes of financial targets

The table below shows the outcomes of the defined financial targets.

| Period | EPS growth | Organic revenue growth | Capital structure |
|--------------|---|---|--|
| Apr-Jun 2019 | -43% ✗ | -27% ✗ | 2.1 ✗ |
| Jan-Jun 2019 | -28% ✗ | -20% ✗ | 2.1 ✗ |

✗ = Not fulfilled

Other information

The share

On 30 June 2018, Net Gaming Europe (publ) was listed on Nasdaq First North Premier, Stockholm (NETG). The early redemption of the remaining convertibles of SEK 13,999,941 in July 2018 resulted in 3,111,098 shares.

Share capital

On 30 June 2019, share capital amounted to EUR 1,913 thousand, divided into 75,604,487 shares. The Company has one class of shares – A shares. Each share entitles the holder to (1) vote at the shareholders' meeting. On 30 June 2019, the number of shareholders was 1,084.

Following the change of presentation currency, share capital was converted to EUR 1,912,618.10 on 1 January 2019. At the end of the quarter, the Company had a total of 1,100,000 share options outstanding.

Shareholder structure

The total number of shares in the Company on 30 June 2019 was 75,604,487, distributed as shown below.

| Name | No. of shares | Ownership, % |
|----------------------|-------------------|----------------|
| Trottholmen AB | 47,272,282 | 62.53% |
| JPM Chase NA | 6,160,498 | 8.15% |
| Avanza Pension | 3,770,194 | 4.99% |
| Peak Core Strategies | 1,350,030 | 1.79% |
| JRS Asset Management | 1,120 505 | 1.48% |
| Credit Suisse | 1,111,111 | 1.47% |
| Prioritet Capital AB | 780,972 | 1.03% |
| Gar-Bo Försäkring AB | 710,725 | 0.94% |
| Nordnet Pension AB | 696,833 | 0.92% |
| Stefan Mahlstein | 594,333 | 0.79% |
| Other shareholders | 12,036,904 | 15.92% |
| TOTAL | 75,604,487 | 100.00% |

Relevant risks and uncertainties

Net Gaming is exposed to a number of business and financial risks. The business risks can be divided into strategic, operational and legal risks. Financial risks are related to factors such as exchange rates, interest rates, liquidity and credit. Risk management within the Net Gaming Group is aimed at identifying, controlling and reducing risks. This is achieved based on a probability and impact assessment. The risk assessment is unchanged from the risk profile

presented on pages 23, 30-31 and 65-66 of the 2018 annual report. The Parent Company's risks and uncertainties are indirectly the same as for the Group.

Outlook

Net Gaming is not providing any forecasts in this report.

Seasonality

Net Gaming is affected by seasonal variations, with Q1 (Jan-March) and Q4 (Oct-Dec) revenue being somewhat stronger, while Q2 (Apr-Jun) and Q3 (Jul-Sep) are somewhat weaker. The revenue seasonality follows the normal pattern for the iGaming industry. Net Gaming has a relatively fixed cost base and a scalable platform, which means that the EBITDA margin is somewhat higher in Q1 (Jan-Mar) and Q4 (Oct-Dec).

Supplementary information

The Board of Directors and the CEO hereby certify that this report provides a true and fair view of the Parent Company's and the Group's operations, financial position and financial performance for the current period, and describes material risks and uncertainties faced by the Parent Company and other Group companies.

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

Stockholm, 15 Aug 2019

BOARD OF DIRECTORS

Henrik Kwick
Chairman

Jonas Bertilsson
Board member

Peter Åström
Board member

Fredrik Rūden
Board member

Marcus Teilman
Board member & CEO

For further information, please contact

Marcus Teilman, President and CEO
Mobile: +356 9936 7352
E-mail: marcus.teilman@netgaming.se

Gustav Vadenbring, CFO
Mobile: +356 9967 6001
E-mail: gustav.vadenbring@netgaming.se

Forthcoming report dates

Interim report January-September 2019: 14 November 2019
Year-end report January-December 2019: 20 February 2020

Presentation for investors, analysts and media

A live conference call will be held on 15 August 2019 at 10.00 a.m. Swedish time. CEO Marcus Teilman and CFO Gustav Vadenbring will present the report in English. You can follow the presentation here <https://tv.streamfabriken.com/net-gaming-europe-q2-2019>

To call and take part in the conference call:

Sweden: +46850558351

UK: +443333009262

US: +18446251570

The appointed Certified Adviser is FNCA Sweden AB, info@fnca.se, +46 8 528 00 399.

This information is information that Net Gaming Europe AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was provided by the contact person above for publication on 15 August 2019 at 08.30 CET.

Consolidated Statement of Comprehensive Income

| | 01/04/2019 30/06/2019 | 01/04/2018 30/06/2018 | 01/01/2019 30/06/2019 | 01/01/2018 30/06/2018 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| <i>Amounts in EUR thousands</i> | | | | |
| Revenue – notes 2, 3 | 3,497 | 4,597 | 7,550 | 8,925 |
| Total revenue | 3,497 | 4,597 | 7,550 | 8,925 |
| Capitalised work for own account | 166 | - | 273 | - |
| Other external expenses | -735 | -931 | -1,343 | -1,644 |
| Personnel expenses | -1,014 | -806 | -1,997 | -1,577 |
| Other operating income | 127 | 81 | 127 | 382 |
| Other operating expenses | -17 | 42 | -33 | -1 |
| EBITDA | 2,024 | 2,983 | 4,577 | 6,085 |
| Depreciation | -169 | -10 | -355 | -155 |
| Operating profit/loss (EBIT) | 1,855 | 2,973 | 4,222 | 5,930 |
| Profit/loss from financial items | | | | |
| Interest and similar income | - | - | - | - |
| Interest and similar expenses | -723 | -835 | -1,479 | -1,748 |
| Impairment of financial assets | -331 | | -331 | - |
| Other financial items | 528 | 85 | 986 | 325 |
| Profit/loss from financial items | -526 | -750 | -824 | -1,423 |
| Profit before tax | 1,329 | 2,223 | 3,398 | 4,507 |
| Tax on profit/loss for the year | -87 | -135 | -215 | -275 |
| Profit/loss for the period, continuing operations | 1,242 | 2,088 | 3,183 | 4,232 |
| Profit/loss for the period, discontinued operations | -. | -43 | -. | -101 |
| Profit/loss for the period | 1,242 | 2,045 | 3,183 | 4,131 |
| Earnings per share, continuing operations (EUR) | 0.02 | 0.03 | 0.04 | 0.06 |
| Earnings per share after dilution, continuing operations (EUR) | 0.02 | 0.03 | 0.04 | 0.06 |
| Earnings per share (EUR) | 0.02 | 0.03 | 0.04 | 0.06 |
| Earnings per share after dilution (EUR) | 0.02 | 0.03 | 0.04 | 0.06 |
| Other comprehensive income, income and expenses recognised directly in equity | | | | |
| Exchange differences on translation of foreign operations | -6 | 336 | 8 | 1,674 |
| Other comprehensive income for the year | -6 | 336 | 8 | 1,674 |
| Total comprehensive income for the period | 1,236 | 2,381 | 3,191 | 5,805 |

Consolidated Statement of Financial Position

| Amounts in EUR thousands | 30/06/2019 | 30/06/2018 | 31/12/2018 |
|---|---------------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 231 | 72 | 224 |
| Goodwill | 42,856 | 42,871 | 42,856 |
| Right-of-use assets | 465 | - | - |
| Other intangible assets | 2,714 | 2,549 | 2,683 |
| Other non-current receivables | 121 | - | 457 |
| Deferred tax assets | 320 | 849 | 536 |
| Total non-current assets | 46,707 | 46,341 | 46,756 |
| Current assets | | | |
| Trade receivables | 1,256 | 2,213 | 1,873 |
| Other receivables | 583 | 190 | 183 |
| Prepayments and accrued income | 131 | 130 | 135 |
| Cash and cash equivalents | 12,816 | 6,450 | 10,094 |
| Total current assets | 14,786 | 8,983 | 12,285 |
| Total assets | 61,493 | 55,324 | 59,041 |
| Equity and liabilities | | | |
| Equity – note 4 | 24,338 | 16,629 | 21,120 |
| Non-current liabilities and provisions | | | |
| Other non-current liabilities | 35,074 | 36,497 | 35,877 |
| Lease liabilities | 295 | - | - |
| Deferred tax liabilities | - | 7 | - |
| Total non-current liabilities and provisions | 35,369 | 36,504 | 35,877 |
| Current liabilities | | | |
| Trade payables | 174 | 384 | 760 |
| Liabilities to Parent Company | 345 | 335 | 347 |
| Lease liabilities | 151 | - | - |
| Other liabilities | 654 | 926 | 396 |
| Accruals and deferred income | 462 | 546 | 541 |
| Total current liabilities | 1,786 | 2,191 | 2,044 |
| Total equity and liabilities | 61,493 | 55,324 | 59,041 |

Consolidated Statement of Changes in Equity

| <i>Amounts in EUR thousands</i> | <i>Share capital</i> | <i>Other paid-in capital</i> | <i>Reserves</i> | <i>Retained earnings incl. year's</i> | <i>Total equity</i> |
|-------------------------------------|----------------------|------------------------------|-----------------|---------------------------------------|---------------------|
| Opening equity, 1 Jan 2018 | 1,773 | 8,726 | 1,113 | -3,688 | 7,924 |
| Set-off issue Mar 2018 | 25 | 935 | - | - | 960 |
| Conversion to shares Mar 2018 | 67 | 1,098 | - | - | 1,165 |
| Conversion to shares Jun 2018 | 42 | 678 | - | - | 720 |
| Conversion to shares Jul 2018 | 79 | 1,281 | - | - | 1,360 |
| Option proceeds received | - | 42 | - | - | 42 |
| Issue expenses | - | -1 | - | - | -1 |
| Share-based payments | - | 12 | - | - | 12 |
| Exchange rate changes in equity | -72 | -348 | 279 | 141 | - |
| Comprehensive income for | - | - | 1,296 | 7,641 | 8,937 |
| Closing equity, 31 Dec 2018 | 1,913 | 12,424 | 2,688 | 4,094 | 21,120 |
| Opening equity, 1 Jan 2019 | 1,913 | 12,424 | 2,688 | 4,094 | 21,120 |
| Share-based payments | - | 5 | - | - | 5 |
| Comprehensive income for | - | - | 14 | 1,941 | 1,955 |
| Closing equity, 31 Mar 2019 | 1,913 | 12,429 | 2,702 | 6,035 | 23,080 |
| Opening equity, 1 Apr 2019 | 1,913 | 12,429 | 2,702 | 6,035 | 23,080 |
| Share-based payments | - | 5 | - | - | 5 |
| Option proceeds received | - | 17 | - | - | 17 |
| Comprehensive income for the period | - | - | -6 | 1,242 | 1,236 |
| Closing equity, 30 Jun 2019 | 1,913 | 12,451 | 2,696 | 7,277 | 24,338 |

Consolidated Cash Flow Statement

| | 01/04/2019 | 01/04/2018 | 01/01/2019 | 01/01/2018 |
|---|-------------------|-------------------|-------------------|-------------------|
| <i>Amounts in EUR thousands</i> | <i>30/06/2019</i> | <i>30/06/2018</i> | <i>30/06/2019</i> | <i>30/06/2018</i> |
| Operating activities | | | | |
| Profit before tax | 1,329 | 2,180 | 3,398 | 4,406 |
| Adjustments for non-cash items not included in operating activities | | | | |
| - Depreciation and amortisation of assets | 169 | 19 | 355 | 173 |
| - Exchange gains/losses on financial receivables and liabilities | -528 | -86 | -986 | -326 |
| - Costs for share-based programmes | 5 | 8 | 10 | 13 |
| - Gain/loss on sale of other assets | -105 | - | -104 | -301 |
| - Reversal of impairment of financial assets | - | - | - | - |
| - Impairment of financial assets | 331 | - | 331 | - |
| Interest and similar expenses | 723 | 835 | 1,479 | 1,748 |
| Interest and similar income | - | - | - | - |
| Cash flow from changes in working capital | | | | |
| Increase (-)/Decrease (+) in operating receivables | -47 | -223 | 712 | -261 |
| Increase (+)/Decrease (-) in operating liabilities | 106 | -178 | -371 | -830 |
| Cash flow from operating activities | 1,983 | 2,555 | 4,824 | 4,622 |
| - Of which from discontinued operations | - | 22 | - | -472 |
| Investing activities | | | | |
| Acquisition of interests in Group companies | - | -5,511 | - | -5,511 |
| Acquisition of property, plant and equipment | -7 | -10 | -47 | -29 |
| Acquisition of intangible assets | -242 | -2,438 | -438 | -2,956 |
| Sale of other assets | 283 | 151 | 283 | 301 |
| Cash flow from investing activities | 34 | -7,808 | -202 | -8,195 |
| - Of which from discontinued operations | - | -10 | - | -24 |
| Financing activities | | | | |
| Option proceeds received | 17 | 42 | 17 | 42 |
| Issue expenses | - | -1 | - | -1 |
| Interest paid | -656 | -842 | -1,306 | -1,524 |
| Interest received | - | - | - | - |
| Repayment of lease liabilities | -37 | - | -90 | - |
| Cash flow from financing activities | -676 | -801 | -1,379 | -1,483 |
| - Of which from discontinued operations | - | - | - | - |
| Cash flow for period | 1,341 | -6,054 | 3,243 | -5,056 |
| Cash & cash equivalents at beginning of period | 12,027 | 12,487 | 10,094 | 11,687 |
| Exchange differences | -33 | 17 | -2 | -181 |
| Reclassification from cash & cash equivalents to other current financial assets | -519 | - | -519 | - |
| Cash & cash equivalents at end of period | 12,816 | 6,450 | 12,816 | 6,450 |

Income Statement – Parent Company

| | 01/04/2019 30/06/2019 | 01/04/2018 30/06/2018 | 01/01/2019 30/06/2019 | 01/01/2018 30/06/2018 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| <i>Amounts in EUR</i> | | | | |
| Revenue | 46 | 64 | 117 | 119 |
| Total revenue | 46 | 64 | 117 | 119 |
| Operating expenses | | | | |
| Other external expenses | -107 | -195 | -196 | -275 |
| Personnel expenses | -97 | -62 | -151 | -92 |
| Other operating expenses | - | - | - | -1 |
| Other operating income | 1 | - | 2 | - |
| EBITDA | -157 | -193 | -228 | -249 |
| Depreciation | -4 | - | -8 | - |
| Operating profit/loss | -161 | -193 | -236 | -249 |
| Profit/loss from financial items | | | | |
| Profit/loss from investments in Group | 5,700 | -18 | 5,700 | 1,009 |
| Other interest and similar income | - | 87 | 23 | 210 |
| Interest and similar expenses | -724 | -835 | -1,467 | -1,748 |
| Other financial items | 531 | 62 | 989 | 232 |
| Profit/loss after financial items | 5,346 | -897 | 5,009 | -546 |
| Tax on profit/loss for the year | - | 6 | - | -18 |
| Profit/loss for the year | 5,346 | -891 | 5,009 | -528 |

Balance Sheet – Parent Company

| | 30/06/2019 | 30/06/2018 | 31/12/2018 |
|-------------------------------------|---------------|---------------|---------------|
| <i>Amounts in EUR thousands</i> | | | |
| Assets | | | |
| Total non-current assets | 31,603 | 35,166 | 32,786 |
| Total current assets | 11,272 | 6,847 | 5,903 |
| Total assets | 42,875 | 42,013 | 38,689 |
| Equity and liabilities | | | |
| Equity | 7,185 | 4,775 | 2,149 |
| Total non-current liabilities | 35,079 | 36,504 | 35,877 |
| Total current liabilities | 611 | 734 | 663 |
| Total equity and liabilities | 42,875 | 42,013 | 38,689 |

Notes to the Group's interim report

1. Accounting policies

This interim report has been prepared in accordance with IAS 34. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS. For detailed information about accounting policies, see pages 40-45 of the Company's 2018 annual report and the notes in the report <http://www.netgaming.se/2019/04/23/net-gaming-publicerar-arsredovisning-for-2018/>.

Fair value of financial instruments

When determining the fair value of an asset or liability, the Group uses observable data as far as possible in accordance with IFRS 13. Fair value measurement is based on the fair value hierarchy, which categorises inputs into different levels. For detailed information, see page 44 of the 2018 annual report.

The following items are measured at amortised cost, with their carrying amounts being a reasonable approximation of their fair values due to their short-term nature: trade receivables, other receivables, cash and cash equivalents, trade payables and other liabilities. In addition, the Company has a bond loan of SEK 375 million, which is measured at amortised cost. The bond corresponds to EUR 35,074 thousand using the closing rate on 30 June 2019. The bond's fair value measurement is classified as level 2 and is based on listings with brokers. Similar contracts are traded in an active market, and the rates reflect actual transactions for comparable instruments.

At 30 June 2019, the Company did not have any financial instruments categorised in level 2 or level 3 of the fair value hierarchy.

There were no transfers between levels during the first half of 2019 or in 2018.

New and amended accounting policies

Changed assessment of useful life of domain names

Net Gaming has historically amortised domain rights based on an estimated useful life of 8 years. During the first quarter of 2019, Net Gaming has reviewed the estimated useful life of domain rights and has concluded that they have an indefinite useful life. This conclusion is based on the assessment that, with ongoing maintenance and protection of the right, there is no foreseeable limit to the period over which it can be used, and an indefinite useful life is therefore considered a better reflection of its actual use.

This is reported as a changed assessment and estimate, with the effects reported prospectively, and does not therefore affect historically reported figures. The carrying amount of domain rights was EUR 878 thousand on 30 June 2019, compared with EUR 749 thousand on 30 June 2018.

Discontinued operations

With effect from 30 June 2019, gaming operations are classified as a discontinued operation and are not therefore included in the segment information, but are presented as an amount in the consolidated statements of comprehensive income. The Group's cash flow statements are presented with gaming operations included, but with additional information for certain lines. Where appropriate, comparative periods have been restated to reflect the non-inclusion of gaming operations in continuing operations.

Changed segment reporting

Segment information is presented from management's perspective and operating segments are identified based on the internal reporting to the Group's chief operating decision maker. The former operating segment gaming operations is classified as a discontinued operation as of 30 June 2019 and is not therefore included in the segment information. This leaves Net Gaming with only one remaining operating segment – affiliate operations – and as the Group's income statement and balance sheet consist virtually entirely of these affiliate operations, no separate segment information is presented with effect from Q1 2019.

IFRS 16 Leases

IFRS 16 introduces a "right-of-use model" and requires lessees to report virtually all leases in the balance sheet. This means that there is no classification into operating and finance leases. An exemption is allowed for leases with a lease term of 12 months or less and low-value leases. Depreciation of the right-of-use asset and interest on the lease liability are reported in the income statement. Net Gaming applies IFRS 16 with effect from 1 January 2019. Net Gaming has reviewed all leases and rental contracts. Net Gaming has chosen the simplified transition method, which means that a right-of-use asset is recognised at an amount corresponding to the lease liability at the date of initial application. Lease liabilities amount to EUR 238 thousand and right-of-use assets amount to EUR 238 thousand at the date of initial application (after adjustments for prepaid and accrued lease payments). The most significant leases are office rental agreements. Leases were extended in Q2, resulting in an increase in the values of lease liabilities and right-of-use assets. Net Gaming's assessment is that the interest it would have had to pay for a loan over the same period with the same collateral on the amount required to purchase a similar asset in a similar economic environment would be 5 percent for the underlying assets. The incremental borrowing rate has therefore been set at 5 percent.

At 30 June, the Group's leased assets totalled EUR 465 thousand, reported under Right-of-use assets, while lease liabilities of EUR 295 thousand were reported under Non-current liabilities and EUR 151 thousand under Current liabilities. An interest cost of EUR 3 thousand and depreciation of EUR 45 thousand were recognised for the period April-June 2019. Lease liability repayments amounted to EUR 37 thousand, reported under Cash flow from financing activities.

The Group as lessee

The Group assesses whether an arrangement is a lease or contains a lease at the commencement date. The Group reports a right-of-use asset and a corresponding lease liability for all leases where the Group is lessee. However, this does not apply to short-term leases (defined as leases with a lease term of 12 months or less) and leases where the underlying asset is of low value. For these leases, the Group recognises lease payments as an operating expense on a straight-line basis over the lease term, if no other systematic method better reflects how the economic benefits from the underlying asset are consumed by the lessee.

Right-of-use assets are depreciated over their estimated useful lives or over the agreed lease term if this is shorter. If a lease transfers ownership of the underlying asset at the end of the lease term or if the cost of the right-of-use asset reflects the Group's intention to exercise a purchase option, depreciation is applied over the useful life of the underlying asset. Depreciation begins on the lease's commencement date.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease. If this interest rate cannot be readily determined, the Group uses the incremental borrowing rate. The incremental borrowing rate is the interest rate that a lessee would have to pay for loan financing over the same period with the same collateral for the right-of-use asset in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognised as an expense in the period in which they arise and are included under administrative expenses in the consolidated income statement.

Lease payments that are included in the measurement of the lease liability are as follows:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.

Both non-current and current lease liabilities are reported as separate items. The Group remeasures the lease liability (and makes a corresponding adjustment of the right-of-use asset) if:

- the lease term has changed or if there is a change in the assessment of an option to purchase the underlying asset. In these cases, the lease liability is remeasured by discounting the changed lease payments using a changed discount rate.
- the lease payments change as a result of changes to an index or rate, or a change to the amounts expected to be paid out under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the changed lease payments using the initial discount rate (unless the changed lease payments are due to a change to the variable interest rate, in which case a changed discount rate is used instead).
- a lease is changed and the change is not reported as a separate lease. In these cases, the lease liability is remeasured by discounting the changed lease payments using a changed discount rate.

The Group has not made any such adjustments in the periods presented.

The Group applies IAS 36 *Impairment* to determine whether the right-of-use asset is impaired and reports any identified impairment in the same way as described for property, plant and equipment.

2. Organic revenue growth

Net Gaming's long-term target is **organic revenue growth in the range of 15 to 25%**.

Net Gaming will continuously invest in the core business and new internal growth initiatives to ensure strong and sustainable organic growth. The time when growth initiatives bear fruit may vary, which means that organic growth may fluctuate over time. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions (last 12 months) and divestments, and exchange rate movements.

Organic revenue growth - bridge Q2 2019

| | 01/04/2019 30/06/2019 | 01/04/2019 30/06/2019 | 01/04/2018 30/06/2018 | Deviation |
|--|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| <i>Amounts in EUR thousands</i> | <i>Growth, %</i> | <i>Absolute figures</i> | <i>Absolute figures</i> | <i>Absolute figures</i> |
| Total growth, EUR | -23.9% | 3,497 | 4,597 | -1,100 |
| Adjustment acquired and divested/discontinued operations | -2.5% | -157 | -58 | -100 |
| Total growth in EUR, excl. acquisitions and discontinued operations | -26.4% | 3,340 | 4,540 | -1,200 |
| Adjustment for constant currency | -0.7% | - | 46 | -46 |
| Total organic sales growth | -27.2% | 3,340 | 4,586 | -1,246 |

Organic revenue growth - bridge Q2 2018

| Amounts in EUR thousands | 01/04/2018 30/06/2018 | 01/04/2018 30/06/2018 | 01/04/2017 30/06/2017 | Deviation |
|--|--------------------------|--------------------------|--------------------------|---------------------|
| | Growth, % | Absolute figures | Absolute figures | Absolute figures |
| Total growth, EUR | 10.4% | 4,597 | 4,164 | 433 |
| Adjustment acquired and divested/discontinued operations | -2.3% | -264 | -155 | -109 |
| Total growth in EUR, excl. acquisitions and discontinued operations | 8.1% | 4,334 | 4,009 | 325 |
| Adjustment for constant currency | 2.8% | - | -101 | 101 |
| Total organic sales growth | 10.9% | 4,334 | 3,908 | 426 |

3. Revenue

The Group's revenue for Q2 2019 and the financial year ended 31 December 2018 was distributed as follows;

| Amounts in EUR thousands | 01/04/2019 30/06/2019 | 01/04/2018 30/06/2018 | 01/01/2019 30/06/2019 | 01/01/2018 30/06/2018 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | |
| Revenue distribution by vertical | | | | |
| Casino | 2,948 | 3,914 | 6,396 | 7,440 |
| Poker | 466 | 518 | 990 | 1,147 |
| Other verticals | 83 | 165 | 165 | 338 |
| Total revenue | 3,497 | 4,597 | 7,550 | 8,925 |

Revenue attributable to Sweden in Q2 2019 amounted to 2% (4%). The corresponding amount for the full year 2018 was 4% (3%).

4. Acquisitions

After the end of the quarter, Net Gaming acquired maxfreebets.co.uk, which together with bettingonline.co.uk will become the Group's betting flagship in the regulated UK betting market.

On closing of the acquisition, Net Gaming paid EUR 1.6 million, with a maximum additional consideration of EUR 0.6 million based on performance over the next 12 months. If the full additional consideration applies, this corresponds to an EBITDA multiple of about 3.4. The initial consideration was paid in cash from existing resources and the acquisition was finalised on 1 June 2019.

The acquisition is an asset acquisition, in accordance with IAS 38, whereby Net Gaming acquired assets in the form of domains/websites and affiliate contracts. The amortisation periods for the acquired assets are as follows: domains and goodwill (no amortisation), websites (3 years) and affiliate contracts (5 years).

5. Share-based payments

The Company has incentive programmes from 2017, 2018 and 2019 consisting of 1,100,000 warrants. The 2019 AGM adopted the introduction of a new incentive programme consisting of 250,000 warrants for Christian Käfling as the new Head of M&A.

The warrants were valued at SEK 0.73 per option and issued in exchange for cash payment. Each warrant entitles the holder to subscribe for one share at a subscription price of SEK 6.64 per share. Subscription for shares based on the warrants may take place during the period 15 June - 15 July 2023. The exercise of the warrants is conditional on the holder being an employee in the Group on the exercise date. In the event of full exercise of the warrants, the Company's share capital will increase by maximum of EUR 6,324.62, divided into 250,000 shares corresponding to a dilutive effect of about 0.33 percent of share capital and votes in the Company.

The fair value on the grant date was calculated using the Black-Scholes valuation model. This method takes into account subscription price, share price on the grant date, term of the warrant, expected share price volatility, expected dividend yield and risk-free interest over the term of the warrant. The applied data in the Black-Scholes method was:

Subscription price: SEK 6.64, corresponding to 150% of Net Gaming's volume-weighted share price during the period 24 May – 10 June 2019.

Grant date: 10 June 2018

Expiration date: 15 July 2023

Share price on the grant date: SEK 4.32

Expected volatility in the Company's share price: 39%

Expected dividend yield: A dividend has not been taken into account in the calculation. In accordance with the underlying conditions, a recalculation will be made if a dividend is paid.

Risk-free interest rate: -0.51%

For share-based remuneration for 2017 and 2018, see note 17 on page 54 of the 2018 Annual Report.

The total reported cost associated with the above share-based programme, which is settled with equity instruments, is EUR 5 (6) thousand for Q2 2019. The cost also includes the cost of social security contributions.

6. Related party transactions

There were no related party transactions that significantly affected the Company's earnings and financial position during the period. For information on related parties, see note 31 of the 2018 annual report.

7. 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.

| <i>Amounts in EUR thousands</i> | <i>Group</i> | | <i>Parent Company</i> | |
|--|-------------------|-------------------|-----------------------|-------------------|
| | <i>30/06/2019</i> | <i>30/06/2018</i> | <i>30/06/2019</i> | <i>30/06/2018</i> |
| Shares in subsidiaries pledged as collateral for bonds | 49,413 | 52,419 | 31,581 | 31,144 |

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

8. Events after the end of the period

After the end of the quarter, Net Gaming acquired MaxFreeBets.co.uk, which together with bettingonline.co.uk will become the Group's betting flagship in the regulated UK betting market.

Key figures and definitions

Key figures, Group

| | 01/04/2019 30/06/2019 | 01/04/2018 30/06/2018 | 01/01/2019 30/06/2019 | 01/01/2018 30/06/2018 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| EBITDA margin | 58% | 65% | 61% | 68% |
| Operating margin | 53% | 65% | 56% | 66% |
| Organic growth | -27% | 10% | -20% | 10% |
| Equity/assets ratio | 40% | 30% | 40% | 30% |
| Return on equity | 5% | 14% | 14% | 34% |
| Equity per share (EUR) | 0.32 | 0.23 | 0.32 | 0.23 |
| Number of registered shares at end of period | 75,604,487 | 72,493,389 | 75,604,487 | 72,493,389 |
| Weighted average number of shares before dilution | 75,604,487 | 71,266,283 | 75,604,487 | 69,691,821 |
| Weighted average number of shares after dilution | 75,604,487 | 74,377,394 | 75,604,487 | 72,802,932 |
| Earnings per share after dilution, continuing operations | 0.02 | 0.03 | 0.04 | 0.06 |
| Market price per share at end of period (SEK) | 4.17 | 10.18 | 4.17 | 10.18 |
| EPS growth (%) | -43% | +152% | -28% | +173% |

Net Gaming presents certain alternative performance measures (APMs) in addition to the conventional financial ratios defined by IFRS, in order to achieve better understanding of the development of operations and the Net Gaming Group's financial status. However, the APMs should not be regarded as a substitute for the key ratios required under IFRS. The reconciliation is presented in the tables in the annual report and should be read in connection with the definitions below.

| | |
|-------------------------|--|
| EBITDA margin | EBITDA in relation to revenue |
| Equity per share, SEK | Equity divided by the number of shares outstanding. |
| Organic revenue growth | Revenue from affiliate operations compared with the previous period, excluding acquisitions and divestments (last 12 months) and exchange rate movements |
| Earnings per share, SEK | Profit/loss after tax divided by the average number of shares. |
| Return on equity | Profit/loss after tax divided by average equity. |
| Operating margin | Operating profit/loss as a percentage of sales. |
| Equity/assets ratio | Equity as a percentage of total assets. |
| Debt/equity ratio | Interest-bearing liabilities including accrued interest related to loan financing, convertibles, lease liabilities, excluding any additional consideration and deposits, and less cash, in relation to LTM EBITDA. |
| EPS growth | Percentage increase in earnings per share (after dilution) between periods. |
| NDC | The number of new customers making their first deposit with an iGaming (poker, casino, bingo, sports betting) operator. NDCs for the financial vertical are not included. |
| CPA | Cost Per Acquisition - revenue from "up-front payment" for each individual paying player that Net Gaming refers to its partners (usually the iGaming operator) |
| Revenue share | Revenue derived from "revenue share", which means that Net Gaming and the iGaming operator share the net gaming revenue that the player generates with the operator. |