net gaming

Annual Report

2019

NET GAMING EUROPE AB

Contents

Net Gaming is an internationally established iGaming affiliation player that owns, operates and develops about twenty comparison and news sites under strong digital brands across the world.

Key figures, EUR thousand	2019	2018
Revenue from affiliate operations	14,302	18,556
Organic growth	-25%	12%
EBITDA	8,359	12,500
EBITDA margin	58%	67%
Profit after tax	4,934	7,792
Earnings per share (after dilution), EUR	0.065	0.107
Net debt/EBITDA (rolling 12 mth)	2.8	2.1
NDC growth	-19%	23%

Events during the year

2019 has been a challenging year for Net Gaming but we see a bright future. A summary of the most important events during each quarter is shown below.

Q1

January - Net Gaming changes presentation currency from SEK to EUR with effect from 1 January 2019 to provide a clearer picture of operating activities in the currency in which they are primarily conducted.

February - Management team is strengthened by a new Head of M&A and Business Development.

Q2

April - New technical platform is launched, resulting in faster loading times, increased user-friendliness and scalability in geographical expansion and the launch of new digital brands.

May - Launch of new design concept for CasinoGuide in the UK and US, and Casinospielen in Germany to increase user-friendliness and conversion.

June - Stronger sports betting vertical through the acquisition of BettingGuide.se launched in the regulated Swedish gaming market.

Q3

July - Stronger sports betting vertical through the acquisition of MaxFreeBets.co.uk, a leading sports betting brand in the regulated UK gaming market.

August - Upgrades of the CasinoSpielen.de and CasinoGuide.co.uk websites to our new technical platform, which enables faster loading times, increased user-friendliness and scalability in geographical expansion and the launch of new digital brands.

Q4

October - The Company implements cost efficiency measures in the organisation and reviews roles such as Brand Managers to create clearer control, focus and results responsibility for each individual site.

November - Re-launch of Pokerlistings.com with a casino section for further expansion in North America.

November - Launch of CasinoGuideNJ.com, a niche casino comparison site focusing on New Jersey.

November/December - The Company repurchases bonds at a nominal amount of SEK 67 million (EUR 5,959 thousand) in order to optimise its capital structure.

REVENUE	EBITDA	EMPLOYEES	WEBSITES
14,3 MEUR	8,4 MEUR	82	+20

Investment case

Net Gaming operates in a market that has historically shown long-term, stable growth. The outlook for iGaming affiliation appears positive and is expected to continue to show good, sustainable growth for many years to come.

Financially flexible and prepared
Net Gaming's operations will be conducted at low financial risk over time by continuously reducing net debt and maintaining good liquidity. Prioritising a good financial position and strong liquidity gives the Company flexibility and ensures it is ready to grasp opportunities and deal with future challenges.

Operations excellence
With over 15 years of experience and knowledge of SEO and high-quality content for our digital brands, we reduce the underlying SEO risk while increasing user value. In most cases, our users find our websites through search engines. For many years, we have gathered experience and knowledge of what our users want, which means that we develop our brands according to the user's actual needs and expectations.

Strong market position in growth sector
Net Gaming has a strong position in iGaming affiliation and is one of the leading companies in the sector. According to H2GC (March 2020), the industry is expected to show global annual growth of 6-7 percent in the period 2020-2025. We have established long-term and strong customer relationships during more than 15 years in the industry, which gives us a head start against many of our competitors and the market as a whole.

Scalable business model
We have a scalable business model, which enables us to quickly and easily expand existing or new brands to new geographic markets or expand into new verticals. We have a proprietary technical platform, allowing us to quickly develop our products and our offering to end consumers. This enables us to further scale our operations and achieve high margins and strong cash flows.

Fast-growing Sports betting vertical
Sports betting accounts for about 50 percent of iGaming's total global revenue. Net Gaming generates the majority of its revenue from casino and, to a lesser extent, also from poker. Net Gaming also launched a Sports betting vertical in 2018 and the vertical was further developed in 2019. This resulted in the Sports betting vertical accounting for just over 10 percent of revenue in Q4 2019. Through Sports betting, we can launch new brands to a new user group in Europe as well as in the US. The aim of the vertical expansion to Sports betting is to add further long-term organic growth to our already existing operations.

Strong position in North America
Since the foundation of PokerListings.com in 2003, the company has built many years of experience and solid knowledge of the US market. PokerListings.com is a very strong brand and also helps drive traffic to non-Poker verticals. A casino section was launched on Pokerlistings in Q4 2019 and a Sports betting section was launched in 2020. With other strong brands such as Casinoguide.com and SportsBettingGuide.com in combination with local brands for selected states, Net Gaming has a strong position in the North American market.

Management team and Board with long experience
Both Net Gaming's management team and its Board have broad and long experience in iGaming and high-growth companies within iGaming affiliation.

"Our business concept is to own, operate and develop high-quality digital brands for the purpose of guiding end consumers to our partners (iGaming operators)"


HIGHLIGHT
MEDIA GROUP

Chairman's overview

Turbulent 2019
2019 has been a particularly challenging year for Net Gaming, with several regulatory effects in the European market that have created uncertainty for gaming operators and consequently had a negative effect on our revenues. One of our main lessons is to strive to obtain a diversified revenue mix from many different countries and markets. In doing so, we then build a Net Gaming that is more stable and less sensitive to regulatory effects in individual markets.

In 2019, we have:
- Made a full transition of our revenue model from a majority of one-time revenue to a majority of revenue share. Overall, we are building a more stable and predictable Net Gaming with a high proportion of recurring revenue.
- Continued to strengthen our financial position by reducing our debt and interest expenses through repurchasing of our bonds.
- Moulded our organisation into a more decentralised and flat structure, with clear ownership and freedom with results responsibility for our Brand Managers. We aim to create a work environment and culture with clear roles, short decision paths and a big opportunity for each individual to be able to influence their delivery.

Henrik Kvick
Chairman of the Board

Entrepreneurial spirit
Since early 2020, we have a new CEO in Robert Andersson, with a successful background as CEO of other listed and fast-growing companies within iGaming. With Robert as CEO, the ambition is to create a stronger entrepreneurial spirit in the organisation, permeated by quick decision-making, extensive freedom with responsibility and a genuine "doer" culture where we reward execution power, initiative and goal achievement.

Digital services with strong confidence and clear user value
We will continue to implement our long-term goal of building fewer but significantly stronger digital brands. Our digital brands are focused on delivering User value, Credibility and Transparency. Our sources of inspiration include Booking.com and RentalCars.com. We are convinced that the focus on improving confidence and user value in our digital services, delivering a spotless experience to our partners, and all the talent and commitment in our teams will form the core of our growth and be what sets us apart from our competitors.

My long-term goal is to develop Net Gaming into a global challenger in digital comparison services. We have strong teams in place with lots of talent and strong commitment to make a difference in 2020.

Business focus – organic growth and a strong financial position
Our long-term direction is set out with a clear focus on organic growth, earnings per share and, over time, building a strong financial position that creates flexibility. It is my belief and ambition that in the coming years we will give Net Gaming's shareholders a return that is competitive.

In conclusion, I would like to express many warm thanks to all Net Gaming employees, the management team and the Board for showing their fighting spirit and loyalty during a demanding 2019.

Henrik Kvick
Stockholm, April 2020

Robert Andersson
President and CEO

New CEO, new deal!

At the end of February, I had the privilege of becoming CEO of Net Gaming and in this short time I can say that Net Gaming is a company with enormous potential for the future!

With my long background in the media, affiliate and gaming sector, I have followed Net Gaming closely for a long time and have always thought that the Company had a most interesting profile and background. As I am driven by building companies, developing corporate cultures and generating shareholder value, like when I was involved in building Catena Media and Enlabs, the CEO role at Net Gaming was a perfect match. During my initial time as CEO, I have met virtually all employees in one-to-one conversations and have got to know the Company "under the surface" and my previous analysis from the outside has largely been confirmed, namely that there is a lot of untapped potential.

It is pleasing to see that a number of fundamental building blocks are already in place, such as strong domains, a strong position with regard to the American market, developed scalable system support, including CAS (Centralised Affiliate System) and Qlik Sense, which enable a data-driven organisation in rapid growth.

With these, and some quick adjustments, we have in a short time been able to create a clearer operational organisation with clearer processes and areas of responsibility, and a focus on fewer products, while at the same time successfully connecting a couple of really strong names to operations in order to drive future growth. Together with previous building blocks and a strong team, we see that rankings have improved, which has led to increased traffic, lead flow and conversion.

Although I was not CEO of the Company in 2019, I will now summarise a few important milestones for the Company in 2019 and events after the end of the period.

2019 – a challenging year

2019 has been a particularly challenging year for many players in the industry and also for Net Gaming, which has been primarily affected by regulatory effects in the European market since Q1 2019, and the Company has seen increasing competition in the American market. Although it has been a challenging year, we have taken a few important steps in the Company's development and a number of strategic initiatives have been implemented in the business, which will enable future growth. We also note that since Q2 2019, the revenue base has stabilised at around EUR 3.3-3.5 million per quarter and EBITDA has been stable at around EUR 1.9-2.0 million. The bottom line – we have a stable base from which to build the Company.

Strategic decisions and change of revenue model

In 2019, the Company made a number of decisions on strategic direction, including focusing on fewer but stronger products. This resulted in the appointment of an organisation with a clearer focus and results responsibility for each individual large site. As new CEO, I have prioritised this area and we will continue to focus on the operational organisation during 2020.

Another important strategic initiative in 2019 has been to change the revenue model from CPA to revenue share, in order to build a more stable revenue base with a larger proportion of recurring revenue. The major step in changing the business model to an increased proportion of revenue share has had a negative impact on our revenue in 2019.

During Q4 2019, we achieved a revenue share level of 64% of revenue, which we feel is a relatively balanced and sustainable level, and we now see that most of the revenue model transition has been completed.

Continuing growth in Sports betting

In 2019, the Company took the first real step into our new vertical – Sports betting. The Sports betting vertical continued to develop positively during Q4 and its share of revenue was 11%. Globally, betting accounts for about 50% of the iGaming market, so for me as CEO and for the Company it is a natural growth path to develop further. I see good opportunities to continue to drive growth together through both existing and new products in the segment. There will come a day when the world will have sport once again, and we should be ready for it.

Pokerlistings.com expanding to betting and casino

To capitalise further on the great potential we see for Pokerlistings.com, the Company launched a new casino section under this brand in Q4 2019. It has been launched on the Company's proprietary technology platform and a Sports betting section has also been launched on Pokerlistings.com in Q1 2020. The casino section has developed positively so far and we will invest further in Pokerlistings.com in 2020, as we see this brand an important growth driver in the United States. In addition, we have added social gaming at the end of March to further capitalise on the traffic we have in North America.

Milestone in refinancing process

Refinancing of the business is ongoing and reached a milestone in April, when the largest bondholders (43.1 percent) voted for an extension of the bond loan to September 2022 by written procedure. We are convinced that this is favourable for both the Company and the bondholders and we believe that it gives us breathing space to continue to develop the Company and to reduce the net debt/EBITDA ratio in the future.

As part of the refinancing process, we have repurchased the Company's own corporate bonds on the market in Q4 2019 and in March 2020. The repurchasing was equivalent to a nominal amount of SEK 55 million in March 2020, and including previously communicated repurchases of SEK 67 million, Net Gaming's bond repurchases amount to SEK 122 million.

We will continue to work intensively on reducing the Company's debt level, which our underlying earnings capacity and strong cash conversion enable us to do.

Outlook for 2020

I am delighted to have been given the opportunity to take up the position of CEO of Net Gaming and to have the opportunity to take a new company within the industry to new heights. The building blocks are there where we know what we must do to generate strong growth and make Net Gaming one of the biggest challengers in the market!

Robert Andersson
President and CEO

Erik Gjerde
COO

Mission, vision and strategy

Net Gaming's Group management and Board of Directors have continued to work on developing the Company's mission, vision, strategy and business concept during the year. The strategic initiatives have been gradually launched after settlement of the last part of the additional purchase consideration for HLM in May 2018 and the Company's vision permeates everything we do.

Mission

"To help and inspire people to make the right choice in a complex iGaming world."

Our mission is to develop a product with a strong focus on content and user experience.

Vision

"To be the world number one in iGaming affiliation."

Our vision is long-term and will be achieved with a clear strategy and an established growth plan.

Strategy

"We aim to show faster organic growth than our competitors"

Net Gaming Europe is working on a strategic three-year plan to achieve its long-term vision. The growth plan is structured with strategic focus areas and based on solid market and competitor analysis.

Net Gaming's 10 strategic focus areas:

- To continue to grow organically in selected focus markets.
- To gradually reduce our net debt and conduct operations with low financial risk.
- To work in a cost-effective and "agile" structure with a "doer" culture that facilitates quick decisions in a changing world.
- To continue developing our team and recruiting the best individuals in the market. To be a workplace for exceptional individuals who share our passion for technology and to guide people in a complex digital world.
- To own and develop strong digital brands, which are innovative, independent and easy to use. We will focus on a small number of brands which must have clear user value in order to increase the proportion of returning users.
- To continuously reduce the Company's operational risks through revenue, market and product diversification to create stable revenue streams.
- To have a data-driven approach through extensive technical expertise supplemented with business intelligence.
- To continue to grow through the launch of new verticals.
- To continuously improve our scalable platform with data and technology.
- To continue investing in our operational platform in order to achieve economies of scale.

Financial targets

Financially flexible and prepared

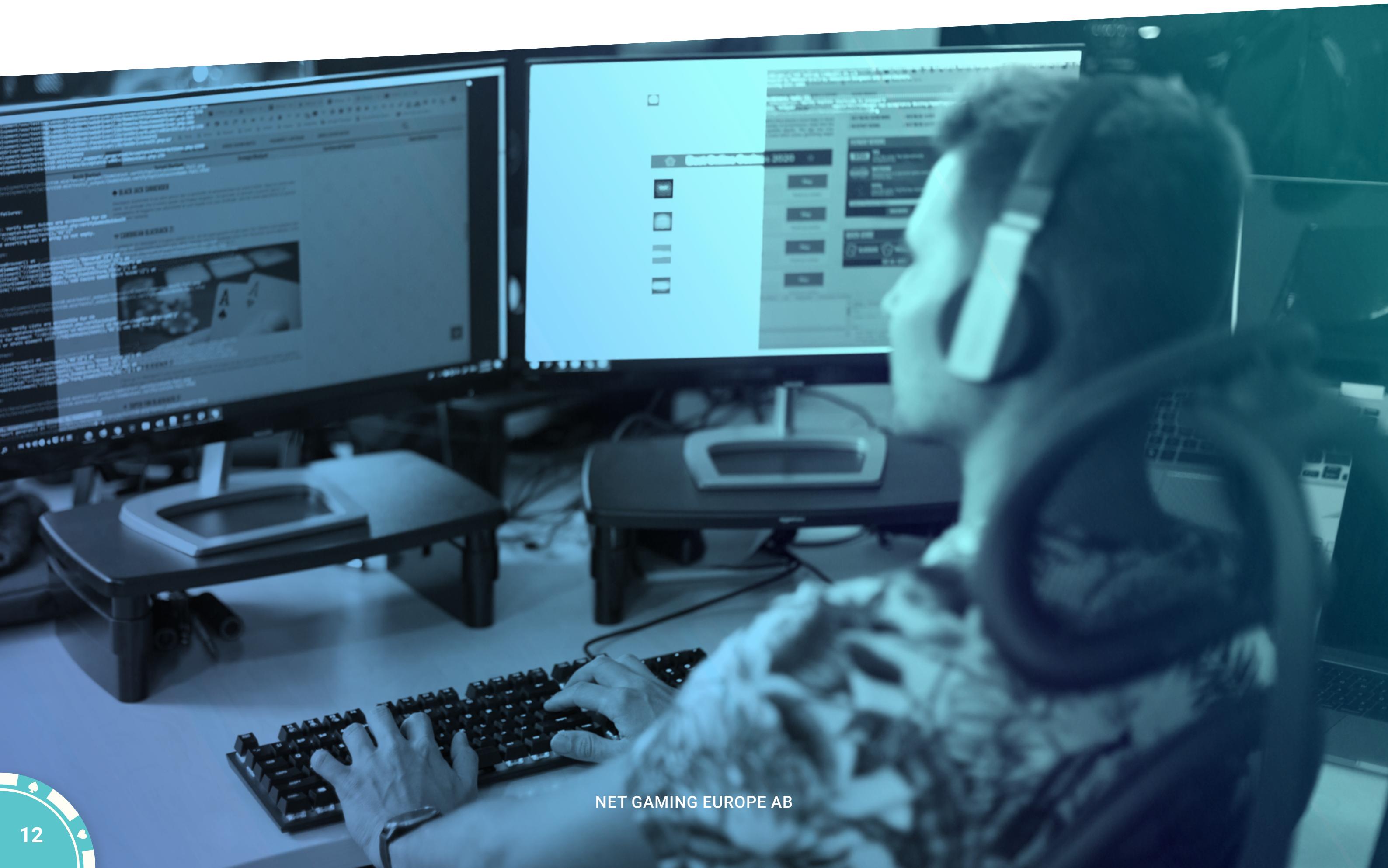
Net Gaming's operations will be conducted at low financial risk over time by continuously reducing net debt and maintaining good liquidity. Prioritising a good financial position and strong liquidity gives the Company flexibility and ensures it is ready to grasp opportunities and deal with future challenges.

Operational objectives with reduced operational risk

Net Gaming's Board of Directors has decided that the operations will be conducted at low operational risk by, for example, focusing on quality content that creates added value for users. We develop digital services and products that create user value. This gives us returning users, which in turn reduces operational risk. The Company's growth initiatives are primarily focused on regulated, or soon to be regulated, markets. Net Gaming's operations are data and process driven, which creates predictability, good control and reduced key person dependency.

The Company's operational risk also decreases over time through:

- **Revenue diversification**
  Increased proportion of revenue by means of revenue share with our partners.
- **Market diversification**
  Reduced dependence on individual geographic markets – including through expansion in North America.
- **Product diversification**
  Expanded number of products and verticals, such as the recently launched Sports betting vertical.



Our financial targets

Net Gaming's financial targets constitute a long-term ambition that the Board and management consider to be reasonable for the Company.

The Board has defined the following financial targets:

EPS growth

Net Gaming's target is average annual EPS growth of at least 20 percent over time. Earnings per share growth is the overall financial target and Net Gaming believes that this is the best way to measure shareholder value over time.

Organic revenue growth

Net Gaming's long-term target is organic revenue growth in the range of 15 to 25 percent. 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 in accordance with IFRS 3 (in the last 12 months), divestments and exchange rate movements.

Capital structure

Net Gaming's long-term target is a Net debt/EBITDA ratio of no more than 2.0. The Company's operations will be conducted over time with low net debt and therefore low financial risk. The Board has the right to deviate from this target during periods if it is considered favourable for both Company and shareholder value.

Dividend

Over the next few years, Net Gaming will prioritise lower net debt, good liquidity and internal growth investments above dividends.

Historically, the Company has also made a number of successful acquisitions which have been integrated into the proprietary scalable platform, thereby contributing to underlying growth and earnings capacity. However, priority will be given to organic growth and capitalisation of the existing profitable business.

Key assumptions

The iGaming market is expected to continue to grow at an average annual growth rate of 6-7 percent in the period 2020-2025. The share for online gambling (iGaming) is currently about 12 percent and is expected to increase to 15 percent by 2023. Net Gaming sees a continuation of sustainable underlying growth in the iGaming market.

Sports betting currently accounts for about 50 percent of the iGaming market. In 2019, Net Gaming strengthened its position within Sports betting through the development of underlying operations and the acquisition of MaxFreeBets, and in the long term expects to be able to generate higher growth than the average for the overall iGaming market from this vertical.

In the US, more and more states are moving towards re-regulation and sports betting is now also permitted. Net Gaming has had assets in the American market since 2003, and we will be able to capitalise on these and new brands as an increasing number of states allow iGaming.

Net Gaming is currently a leading player in the affiliate segment and has many years of relationships with our partners. Net Gaming expects to maintain these partnerships and enter into new ones as more players establish themselves in the market.

Net Gaming expects that competition among affiliate companies will remain relatively unchanged, as continuing consolidation of the market is offset by the arrival of new players. However, the Company believes that there will be a shift in market shares in favour of large players like Net Gaming.

In the preparation of the long-term financial targets, the Company has not taken into account any significant negative effects as a result of material changes in, but not limited to, the following areas:

- The regulatory climate, laws and regulations to which the Company, the iGaming affiliate market, the Company's partners and the broad iGaming market are subject.
- Our partners' (operators) views on the use of affiliates in acquiring customers.
- Existing political, fiscal, market and/or economic conditions, and the administrative, regulatory or tax-related treatment of the Group.

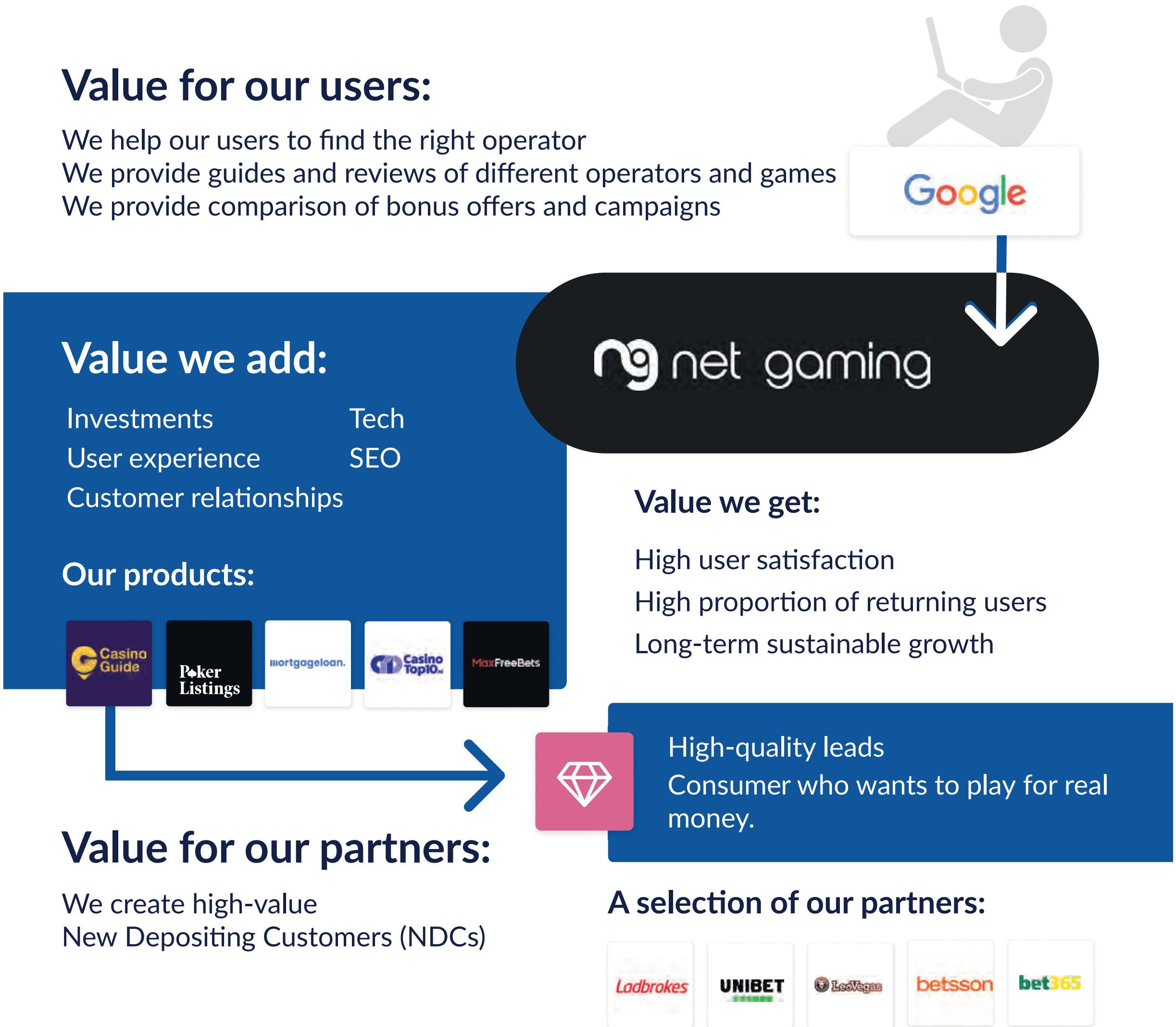
How we create value

Net Gaming creates value at several levels, mainly for our users (players), our partners (gaming operators) and, of course, our shareholders.

Value for iGaming players
Net Gaming helps players, i.e. iGaming's end consumers, to find the right casino or poker room, or to find odds within a specific sport. With reviews of the various iGaming operators combined with gaming guides, rules and playing tips, we guide and inspire our users to make the right choices.

Value for our partners
Net Gaming operates strong digital brands enabling us to offer our partners, i.e. the iGaming operators, new end consumers with high player value.

We add resources for a stronger end product
Net Gaming adds resources such as capital, but also technology, customer relationships, SEO expertise and, particularly important, user value to strengthen our services and brands. This leads to satisfied users and more returning users, which in turn brings long-term, sustainable growth for us and our partners.



Net Gaming & Highlight Media

Net Gaming was founded in 2005 and the Company has been listed on Nasdaq First North Premier Growth Market since June 2018. Net Gaming's business concept is to invest in and develop fast-growing companies in iGaming affiliation. Affiliate operations have been conducted since 2016, and began with the acquisition of HLM Malta Ltd in October 2016. Four additional acquisitions have been made since then. The latest is MaxFreeBets, a Sports betting operation in the regulated UK market.
The Company's strategy for value creation is to build on the acquired companies' identity and corporate culture, and to act as a catalyst for change and growth.

Affiliate operations are conducted through a subsidiary in Malta under the name Highlight Media Group. Highlight Media attracts end consumers, mainly in Casino, Poker and Sports betting, through different comparison sites. Through these services, our users are then referred to iGaming operators (B2B customers) which then convert these end consumers into depositing, active customers (B2C). Highlight Media Group is currently one of the leading players in iGaming affiliation, a performance-based type of digital marketing, similar to Hotels.com, PriceRunner and TripAdvisor. Previously, gaming operations were also conducted through the subsidiary PokerLoco Malta Ltd., but this was liquidated at the end of 2018. Net Gaming is therefore a focused affiliate business from 2019 onwards.

On 14 October 2016, Net Gaming finalised the acquisition of HLM Malta Ltd, including subsidiaries operating under the name Highlight Media Group. Highlight Media was founded in 2003 and is a pioneer in lead generation for iGaming, in other words an affiliate operation in online gaming. PokerListings.com, one of the world's most prominent and well-known brands in the poker segment, was launched in 2003. HLM currently operates over 20 websites in more than 25 countries.

The focus is on working systematically and methodically to provide end users (the online players) with a high-quality product every day. This is done by developing websites with a large amount of content, such as poker and casino guides, rules and strategies on how to play, iGaming operator reviews and rankings, bonuses, banners and targeted offers for players. When a player clicks on one of these links on Highlight Media's websites, they are taken to the iGaming operator in question. This process is called a lead.

When the player then creates an account with the iGaming operator and makes their first deposit (becoming a new depositing customer), Highlight Media is paid.
The focus for Highlight Media is on content and this is particularly important. It gives online players a sense of security and quality, and is a direct success factor, as the search engine rankings are also largely based on content confidence.

Highlight Media has a proprietary Business Intelligence system, with a large amount of data that has been collected over the course of several years. This enables constant optimisation of traffic to the company's sites in order to increase the quality of referrals to iGaming operators, thereby increasing competitiveness and enabling higher payment for the services provided. Net Gaming believes that the company's traffic, namely the players referred from Highlight Media's web pages to iGaming operators, represents a higher value for the operators than the average for competing traffic in the global iGaming industry.

Business and revenue model

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 end consumers to our partners (iGaming operators). Net Gaming earns money by guiding users of our brands to one of our partners. As soon as these users make a deposit with the iGaming operator, Net Gaming is paid (see the revenue model section below).

Revenue model

Net Gaming's revenue model is performance-based and works on the basis that a user, i.e. the end consumer, has made a deposit and started playing with one of Net Gaming's partners – the iGaming operators. The revenue is based on the type of customer agreement entered into with the partner and the market in question. Net Gaming has two main revenue models:

CPA - Cost per acquisition

Revenue model based on a fixed amount that is obtained when a new user that Net Gaming refers to an iGaming operator makes their first deposit with the operator. This is a form of prepayment that Net Gaming receives and it is invoiced to our partners monthly.

Revenue Share

Revenue model based on Net Gaming obtaining a proportion of the iGaming operator's net revenue from end consumers. Net revenue consists of gross revenue generated by the end consumer less bonuses, transaction costs and other direct costs such as gaming duties. For end consumers where Net Gaming has a revshare agreement, revenue goes to Net Gaming as long as the end consumer remains active with the iGaming operator, i.e. over the entire customer life cycle. In some cases, Net Gaming generates revenue from both CPA and Revenue share, referred to as a hybrid revenue model.

Other income

In addition to Net Gaming's main revenue models, the Company also generates revenue by selling certain advertising space or through other specific activities, e.g. writing articles with specific content or live streams from various events such as poker tournaments.

Strategic shift in revenue model

During 2018-2019, the Board and management implemented a strategic initiative involving a transition from CPA to revenue share. The aim is to create operational stability and long-term revenues.

Clinton Cutajar
CTO

"During 2019, we have developed our system support and adapted the business for growth with the launch of CAS (Centralised Affiliate System) and BI system (Qlik Sense)"

Our growth pillars

Net Gaming operates in a large global market that is expected to continue to grow for a long time to come. For an optimal focus of time and resources, Net Gaming has identified three clear growth pillars and included these in the Company's growth plan.

Net Gaming's three growth pillars:

1

Casino in Europe

Net Gaming currently has a market share of about 1 percent in iGaming affiliation in the European Casino market. Casino is Net Gaming's largest vertical and has shown annual growth of about 25 percent historically. The management team believes that there are good opportunities for a continuation of high long-term growth in Casino in carefully selected focus markets in Europe. The Company plans to invest in both existing and new brands in 2020 in order to continue driving organic growth, thereby increasing market shares. The market for iGaming affiliation in the Casino market in Europe is estimated at approximately EUR 1.2 billion (source: H2GC and own estimate).

2

USA

The iGaming market in the United States is expected to show strong growth in the coming years. This is because more and more states are expected to regulate and therefore allow iGaming. A few more states are expected to regulate the iGaming market in 2020. Net Gaming has strong brands in the US iGaming affiliation market, such as PokerListings.com and Casinoguide.com. SportsBettingGuide.com and several local brands for the US market were launched in 2019. Net Gaming expects to be able to increase revenue from the United States in all verticals, including Sports betting, Casino and Poker, in the long term.

3

Sportsbetting in Europe

In 2018, Net Gaming started a new vertical in Sports betting. The Sports betting market currently accounts for about 50 percent of global iGaming revenue, so the launch of a Sports betting vertical felt like an obvious step to take. The investment in Sports betting is aimed at further increasing the Company's organic growth over time. Our investments in the Sports betting vertical continued in 2019 and included the launch of Bettingonline.co.uk and the acquisition of MaxFreeBets.co.uk. The vertical accounted for 5 percent of the Company's revenue for the full year, but about 10 percent in Q4 when the investments started to produce effects. The Sports betting vertical will focus on a number of selected markets. Sports betting may develop less well than planned during 2020 as many sporting events have been cancelled.

Erica Spiteri
Head of Design

"We have a scalable business model, which enables us to quickly and easily expand existing and new brands to new geographic markets or expand into new verticals."

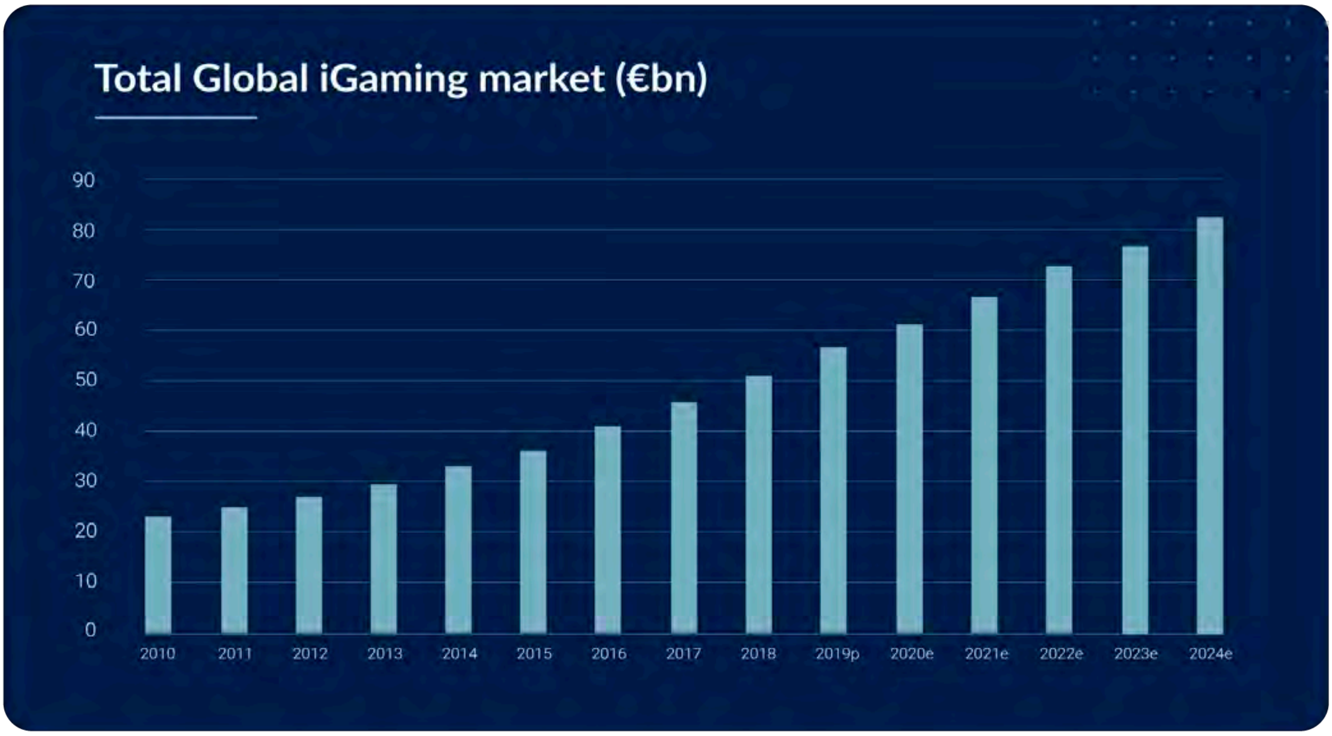
Market

The iGaming affiliation market
Net Gaming works within iGaming affiliation, which means that it is extremely important to follow global trends in online gambling – iGaming. H2GC estimates the value of the global iGaming market at EUR 57 billion in 2019. In the years 2020-2023, the overall iGaming market is expected grow by 6-7 percent annually. However, in the short-term in 2020, there is great uncertainty about Sports betting, which affects the development of the total market. (Source: H2GC and own estimate)

Net Gaming estimates that about 40 percent of all end users within iGaming are generated to the operators through affiliate sites. Direct costs in the form of player bonuses, commission, licence fees to gaming providers, gaming duties etc. are deducted from the iGaming operators' gross revenue. Net Gaming normally receives half of the iGaming operator's remaining net revenue.

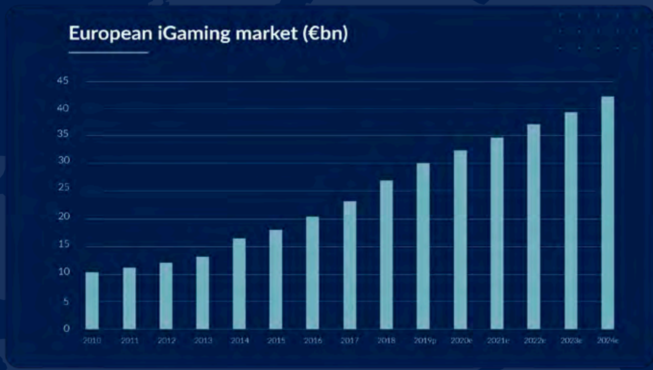
This means that the market for iGaming affiliation amounts to approximately EUR 7 billion, corresponding to 12 percent of the value of global iGaming revenue as shown in the chart below.

According to H2GC, the European iGaming market totalled EUR 30 billion in 2019 and is expected to show annual growth of 6-7 percent in the period up to 2023. The underlying reasons for the iGaming market's long-term, sustainable growth, which we have been seeing for many years, include various technological advances. Access to the Internet not only via desktop computers, but also using mobile phones and other portable devices, has driven the development of iGaming. This ease of access combined with increasing online payment solutions, as more countries re-regulate their gaming markets, has given end consumers an increased feeling of security in online gaming.



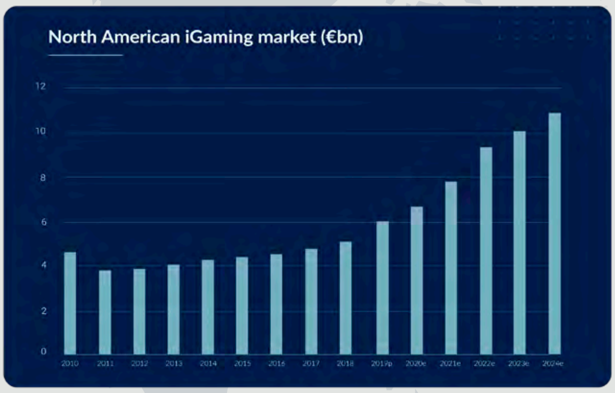
Europe

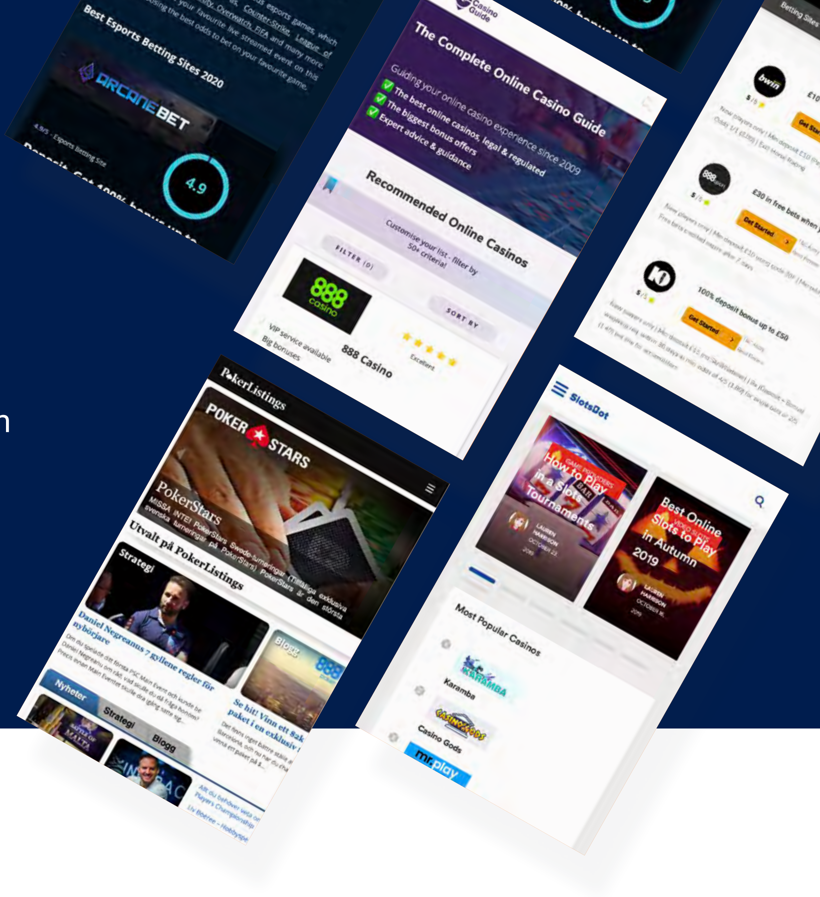
Europe is Net Gaming's largest market and the Company's revenue from affiliate operations in Europe accounted for 67 percent of revenue in 2019. Net Gaming sees good opportunities to grow within both Betting and Casino in the European iGaming market and will continue to invest money and resources in these verticals. The market for iGaming in both Europe and globally is currently changing with the introduction of new laws and regulations in different countries. New gaming legislation came into force in Sweden on 1 January 2019, after several years of debate and discussion. Italy introduced stricter rules for gaming marketing in mid-2019. Many other countries already have gaming legislation in place and other countries, including Germany, appear to be moving towards re-regulation of iGaming. Net Gaming welcomes the trend of more and more countries moving towards a re-regulation of iGaming. In the short term, this may have a negative effect on Net Gaming's finances, but in the longer term, Net Gaming's management has a positive view on this, as the size of a gaming market tends to increase further after regulation has entered into force.



North America

Net Gaming's second largest geographic market is North America, with the United States accounting for the majority of the total revenue. In 2018, the Supreme Court of the United overturned the PASPA Act of 1992 and sports betting is therefore permitted, provided a state decides on local regulation. Net Gaming sees this as positive, as more states now appear to be moving towards full or partial regulation of iGaming. Delaware, Pennsylvania, Nevada and New Jersey are now already regulated markets in the US and more states are expected to follow. H2GC predicts that during 2020-2021, Massachusetts, Virginia and New York will allow online gaming. As Net Gaming expects the majority of the states to have iGaming regulation in place by 2023, the Company is now focusing investments in this market, in order to take a market-leading position. The Company has brands such as PokerListings.com and CasinoGuide.com there and also plans to launch SportsBettingGuide.com in combination with local brands for selected states. The North American iGaming market amounted to EUR 6 billion in 2019 according to H2GC and is expected to show double-digit growth every year in the period up to 2023, with the exception of 2020, which risks a temporary slowdown, mainly in the Sports betting vertical (source: H2GC and own estimate). H2GC estimates that the US iGaming market accounts for about EUR 4 billion of North America's total revenue of EUR 6 billion.





Our verticals

Net Gaming generates its revenue mainly from Casino, but also in other areas such as Poker, Sportsbetting, Bingo etc.

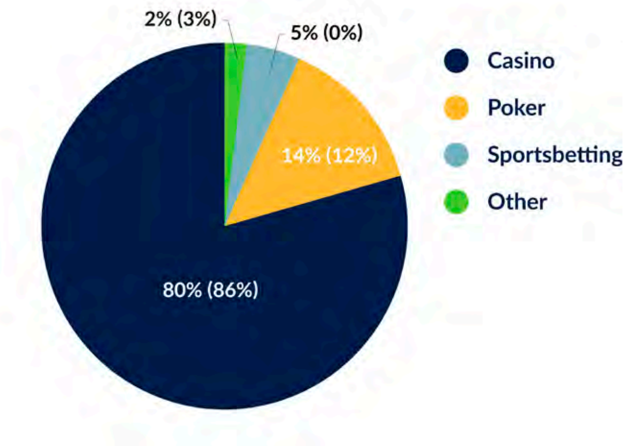
Quality – in everything we do
We are obsessed with delivering quality content. It is basically simple: if users do not like the quality of the services we develop, our partners will not get any qualitative, relevant end consumer referrals from us.

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

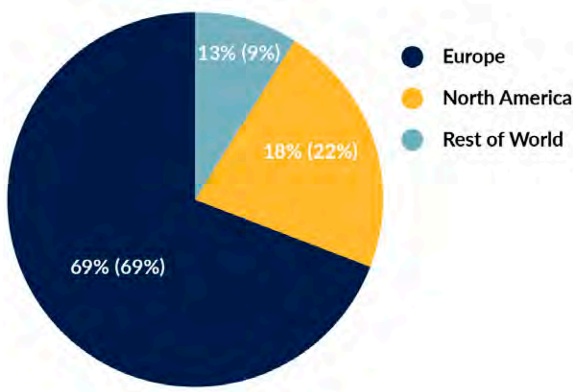
Data, data, data
We have a data-driven approach. This means that we make well-informed decisions substantiated by careful data-based analysis of user behaviour. Systems, passion, cooperation, knowledge and best practice enable our employees to make decisions based on the experience and insights they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

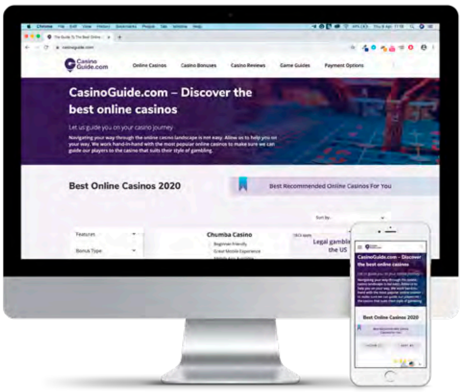
Revenue by vertical and market:

Revenue split by vertical



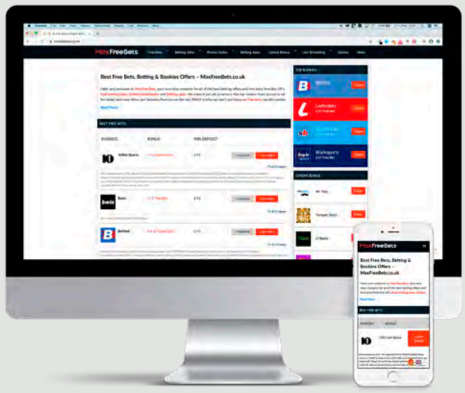
Revenue split by market





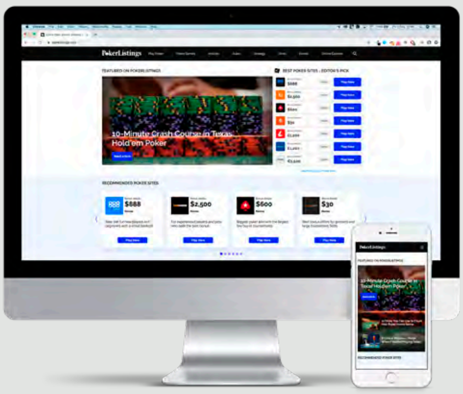
Casino

Net Gaming's largest vertical is Casino. Revenue within the Casino vertical is driven by a number of global and local brands to provide the right content based on user preferences and search trends. The generated content includes reviews of various iGaming operators and guides to different types of games (e.g. roulette guides with playing tips and rules), but may also consist of game reviews (such as slots), iGaming operator rankings or other targeted campaigns.



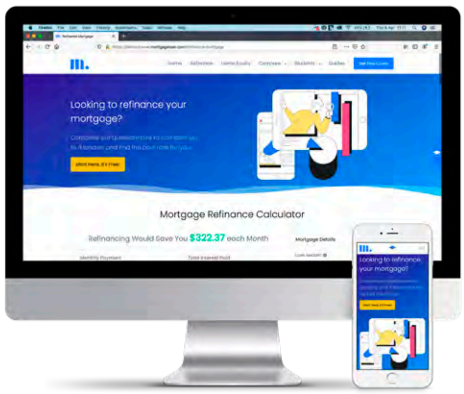
Sportsbetting

Net Gaming's newest vertical is Sports betting. Revenue within the Sports betting vertical is driven by a number of local brands in order to provide local content based on user preferences for certain sports or teams. Content is generated in the form of tips with recommendations on a particular match or championship. In addition, there are odds comparisons between different iGaming operators for the various sports. There are also iGaming operator reviews, guides to different types of games and iGaming operator rankings by sport or other offering that the user wants.



Poker

Net Gaming's oldest vertical is Poker. PokerListings.com was launched in 2003 and has become one of the world's most recognised poker portals. Here, users can read guides on Poker rules or different poker strategies. The portal also has the latest news from the Poker world, as well as offerings from various Poker operators and live streams from Poker tournaments.



Other

Net Gaming currently also has other smaller verticals, including Bingo, eSports and Finance. These are run by a smaller team and with less focus, but are areas where Net Gaming believes there is future potential.

Net Gaming is an internationally established player in iGaming affiliation, based in Malta. We offer a workplace in a pleasant, innovative and stimulating environment.

Employees

In 2019, Net Gaming had 67 employees and about 15 contracted consultants. Most of them work from the offices in Malta, while others are based in Stockholm or hired as consultants. The offices in Malta accommodate the management team, writers, developers, website promoters, SEO specialists and designers.

Inspirational working environment

Net Gaming offers its employees a working environment in fresh and pleasant premises. We work actively for a healthy and stimulating working environment with a good work-life balance. Our personnel is relatively young and we constantly invest in developing our motivated employees and strengthening our corporate culture. We offer a number of employee benefits, such as health insurance and gym passes, as well as flexible working conditions with the opportunity to work from home if needed. We enjoy socialising and celebrating our successes together. The Company therefore organises regular staff events, and the spouse/partner and children of employees are also sometimes also invited to them.

Attracting and recruiting talent

Net Gaming is a growth company and we work actively to recruit and retain staff in competition with other companies in Malta. Net Gaming strives to attract and recruit talented individuals with the potential to become key individuals in a team that will take the Company to new heights. Success here places high demands on our own organisation. We therefore strive to be responsive, but also to share our different experiences. We work with individually tailored skills development based on each employee's needs and interests. Employees receive in-house training, but we sometimes also use external resources to further develop our organisation. We have dedicated employees who are evaluated regularly and we also conduct periodic employee satisfaction surveys which also allow respondents to contribute new ideas and views. Employees are encouraged to take responsibility for their own development, while the managers are responsible for developing their teams to perform at the highest level.

Diversified workforce a strength

Net Gaming welcomes diversity and believes that a diversified workforce enriches the Company and creates a good dynamic among its employees. The Group's 67 employees comprise about 25 nationalities and the proportion of women is 35 percent. Net Gaming's number of employees including contracted consultants is approximately 80, spread among about 30 nationalities. Women occupy 30 percent of the Group's management positions.

Net Gaming welcomes diversity and believes that a diversified workforce enriches the Company and creates a good dynamic among its employees.

Ana Dimitrijevic
Head of Casino

67	25	35%
EMPLOYEES	**NATIONALITIES**	**WOMEN**

Net Gaming strives for continuous improvements with clear goals in order to promote sustainable development. The Company works to achieve long-term value-creation capacity and has a stated ambition to create successful customers and employees while also contributing to a better society.

Sustainability

Net Gaming's sustainability strategy and goals are based on the Company's vision, business concept and values of a long-term approach, development and reliability. Our work on CSR (social responsibility) is based on employee participation. Our sustainability work is based on a number of focus areas that give clear prioritisation and better effects from our initiatives.

- Economically sustainable development and business approach
- Attractive and responsible employer
- Responsible relationships and anti-corruption
- Reduced environmental impact

Economically sustainable development and business approach

Net Gaming contributes both directly and indirectly to the communities in which the Company operates, and we have a responsibility to create growth and profitability for our stakeholders. The goal is to increase the value of the Company over time, thereby ensuring sustainable development and a long-term return for shareholders. Net Gaming contributes to economic development in society, both by our services helping users to make the right choices in a complex iGaming world and by offering jobs.

Attractive and responsible employer

At Net Gaming, employee well-being and safety are highly valued. For us to be a sustainable and successful company, our employees must be happy and able to develop at their workplace. We offer our employees a working environment in fresh and pleasant premises and we work actively for a good work-life balance. We want the working environment to promote productivity, creativity and cooperation. We advocate equal conditions for our employees and job applicants and we have zero tolerance for any form of discrimination. This includes equal pay for equal work and equal work opportunities regardless of gender and background. We want an even distribution of men and women as well as people with different cultures and backgrounds throughout the organisation and all its levels.

Responsible relationships and anti-corruption

Net Gaming strives to act in an ethically correct manner and to maintain responsible relationships with all the Company's stakeholders. Responsible relationships also mean active work towards a high level of customer confidentiality and information security. We strive to be transparent to our customers and employees in terms of what data we collect, how we use it, who we share it with and how we protect it. We also inform them about their rights regarding personal data and always encourage them to contact us if they have any questions. We do not accept improper benefits, undue influence and other forms of corruption. In order to conduct our business in a long-term, profitable and sustainable manner, we must act both within the framework of the law and in an ethically and morally defensible way. As a leading affiliate player in iGaming, we understand the importance of responsible gaming. We follow best practices and operate in accordance with the advertising rules and national legislation where our products are marketed.

Reduced environmental impact

For us at Net Gaming, it is also important to protect the environment and the climate, which, of course, also applies to our own business. We act with consideration for the world's scarce resources and have clear goals for how we as a company and individuals can contribute to affecting the environment as little as possible. Net Gaming has its own "Green Team" consisting of employees who work continuously on sustainability and making sure the Company has an environmentally-friendly profile by, for example, minimising consumption of plastic products, participating in tree planting in Malta and ensuring that the Company acts in a climate smart way. We are committed to continuous improvements in our environmental work and to reducing our carbon footprint.

Responsible gaming

Gaming responsibility issues are among the most important areas of Net Gaming's sustainability work and are crucial to maintaining the trust of customers, employees, authorities and investors.

- We are determined to ensure that players gamble responsibly.
- We work to ensure that players are of a legal age to gamble.
- We have ongoing dialogue with our business partners, the operators, and evaluate them to ensure that they also operate with responsible gaming, follow practices and advertising rules and work in line with our values.

For some people, gambling can cause personal, financial, social and/or health-related problems. It is Net Gaming's ambition to help players become more aware of the risk of gambling addiction. One way we do this is by spreading knowledge about the importance of responsible online gaming and what it means. We strive to follow the practices and advertising rules for responsible gaming and national legislation in all of our markets. We have also improved our communication about responsible gaming and added more relevant information on this on our sites.

The majority of our brands for customer generation are certified by responsible gaming organisations, including eCOGRA, IGC (Interactive Gaming Council) and NCPG (National Council on Problem Gaming).

Problem Gambling Helpline US & Canada

The National Council on Problem Gambling operates a **National Problem Gambling Helpline** at **1-800-522-4700**.

The network consists of 28 call centers which provide resources and referrals for all 50 states, Canada and the US Virgin Islands.

The helpline also includes text and chat services for people to access via mobile phones or computers.

Help for problem gambling is available 24 hours a day, 365 days a year and is 100% confidential.

Problem Gambling Helpline UK

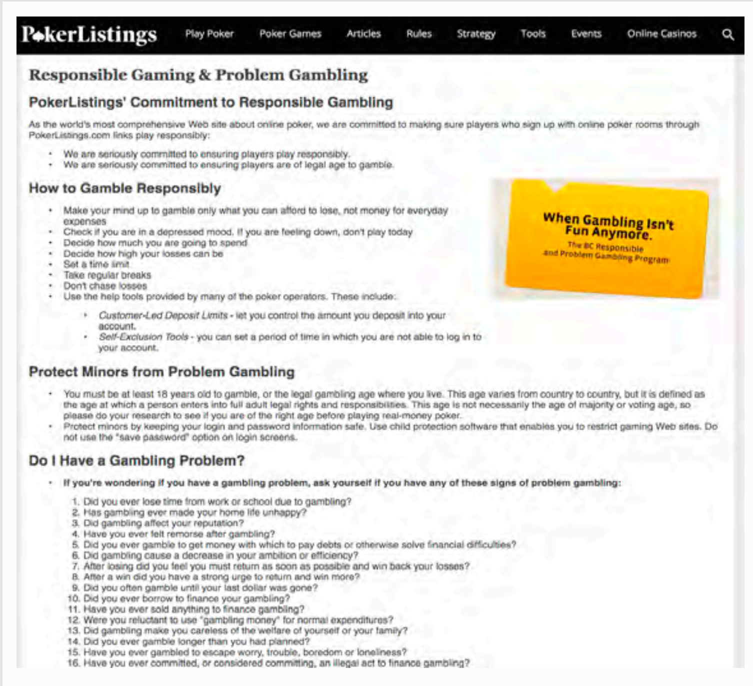
In the UK, the National Gambling Helpline provides confidential advice, information and emotional support to anyone who feels they might be suffering from problem gambling.

A free helpline is available from 8 am to midnight, 7 days a week on **0808 8020 133**.

The GamCare NetLine is an online text 'chat' service where you can talk to an Adviser by typing via smartphone, tablet, laptop or desktop PC.

Trained GamCare Advisers are there to listen and encourage you to talk about your concerns. If you feel there are underlying issues which drive you to gamble the Adviser can put you in touch with a counsellor or GamCare practitioner either face-to-face, online or over the phone.

Treatment services are free and available to anyone across England, Scotland and Wales aged 16 and over.



PokerListings | Play Poker | Poker Games | Articles | Rules | Strategy | Tools | Events | Online Casinos

Responsible Gaming & Problem Gambling

PokerListings' Commitment to Responsible Gambling

As the world's most comprehensive Web site about online poker, we are committed to making sure players who sign up with online poker rooms through PokerListings.com links play responsibly:

- We are seriously committed to ensuring players play responsibly.
- We are seriously committed to ensuring players are of legal age to gamble.

How to Gamble Responsibly

- Make your mind up to gamble only what you can afford to lose, not money for everyday expenses
- Check if you are in a depressed mood. If you are feeling down, don't play today
- Decide how much you are going to spend
- Decide how high your losses can be
- Set a time limit
- Take regular breaks
- Don't chase losses
- Use the help tools provided by many of the poker operators. These include:
  - *Customer-Led Deposit Limits* - let you control the amount you deposit into your account.
  - *Self-Exclusion Tools* - you can set a period of time in which you are not able to log in to your account.

Protect Minors from Problem Gambling

- You must be at least 18 years old to gamble, or the legal gambling age where you live. This age varies from country to country, but it is defined as the age at which a person enters into full adult legal rights and responsibilities. This age is not necessarily the age of majority or voting age, so please do your research to see if you are of the right age before playing real-money poker.
- Protect minors by keeping your login and password information safe. Use child protection software that enables you to restrict gaming Web sites. Do not use the "save password" option on login screens.

Do I Have a Gambling Problem?

- **If you're wondering if you have a gambling problem, ask yourself if you have any of these signs of problem gambling:**

1. Did you ever lose time from work or school due to gambling?
2. Has gambling ever made your home life unhappy?
3. Did gambling affect your reputation?
4. Have you ever felt remorse after gambling?
5. Did you ever gamble to get money with which to pay debts or otherwise solve financial difficulties?
6. Did gambling cause a decrease in your ambition or efficiency?
7. After losing did you feel you must return as soon as possible and win back your losses?
8. After a win did you have a strong urge to return and win more?
9. Did you often gamble until your last dollar was gone?
10. Did you ever borrow to finance your gambling?
11. Have you ever sold anything to finance gambling?
12. Were you reluctant to use "gambling money" for normal expenditures?
13. Did gambling make you careless of the welfare of yourself or your family?
14. Did you ever gamble longer than you had planned?
15. Have you ever gambled to escape worry, trouble, boredom or loneliness?
16. Have you ever committed, or considered committing, an illegal act to finance gambling?

"It is Net Gaming's ambition to help players become more aware of the risk of gambling addiction.
One way we do this is by spreading knowledge about the importance of responsible online gaming and what it involves."

The share

Net Gaming Europe (publ) was admitted to trading on Nasdaq First North Premier Growth Market, Stockholm, on 27 June 2018 under the ticker NETG. The shares were previously traded on AktieTorget.

Analysts following Net Gaming Europe AB

ABG Sundal Collier
Erik Moberg, erik.moberg@abgsc.se

Share performance during 2019

The gaming industry has had a challenging year, with many sector players seeing their share performance adversely affected by regulatory effects, notably in Europe. The share fell by 57.3 percent in 2019, while the total OMX Stockholm PI index rose by 29.6 percent. The highest closing price was SEK 10.30 on 11 February and the lowest was SEK 2.86 on 15 August.

Trading volume

In total, 39.8 million shares were traded at a total value of approximately SEK 210 million. The average volume for the year was 158,373 shares per trading day.

Share capital

At 31 December 2019, share capital amounted to EUR 1,913, thousand divided into 75,604,487 shares. The Company has one (1) class of shares – A shares. Each share entitles the holder to one (1) vote at the shareholders' meeting. At 31 December 2019, the number of shareholders was approximately 1,146.

At the end of the year, the Company had a total of 600,000 share options outstanding and 250,000 warrants. After the end of the year, 300,000 of the share options have expired.

Following the change of presentation currency on 1 January 2019, share capital was converted to EUR 1,912,678.10.

Bond

Net Gaming issued a bond in autumn 2017, which was listed on 7 November 2017 for institutional trading on Nasdaq Stockholm's Corporate Bonds List under the bond ticker symbol NETGAM002. The bond has a variable interest rate of Stibor 3m +7.25 percent and is due for payment in September 2020. In order to optimise the Company's capital structure and to create shareholder value, in 2019, the Company made repurchases of its own corporate bonds on the market, corresponding to a nominal amount of SEK 67 million. Further repurchases were made in March 2020, corresponding to a nominal amount of SEK 55 million, which means that Net Gaming's total bond repurchasing in 2019 and 2020 was SEK 122 million.

Ownership structure

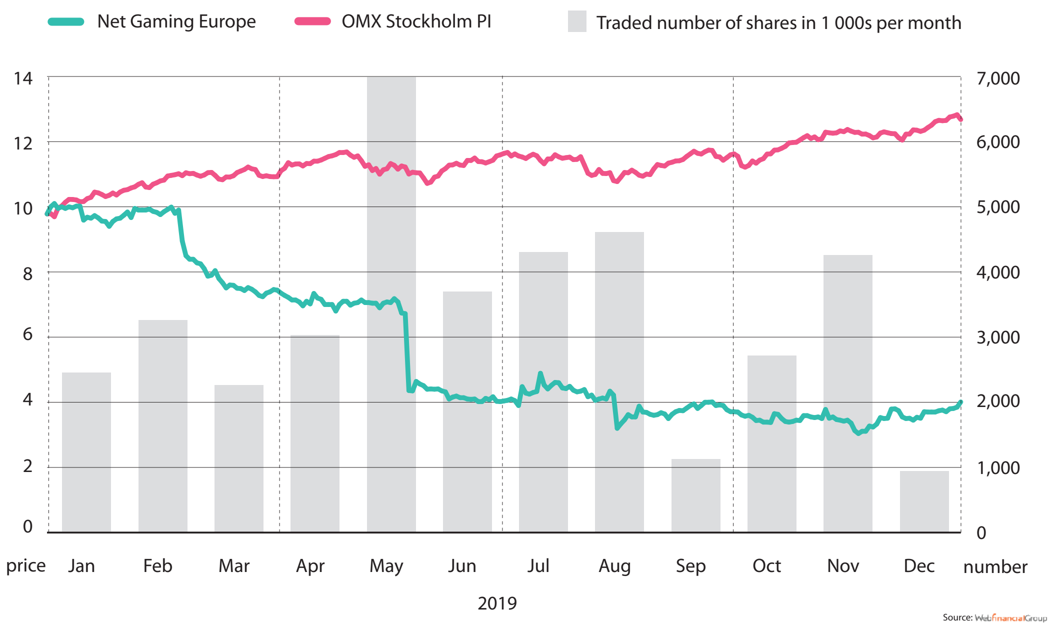
The number of shareholders on 31 December 2019 was 1,146 and the number of shares in the Company was 75,604,487, as shown below.

Name	No. of shares	Ownership, %
Trottholmen AB	47,572,382	62.92%
JPM Chase NA	10,318,813	13.65%
Avanza Pension	2,025,622	2.68%
Credit Suisse	1,111,111	1.47%
JRS Asset Management AB	1,072,729	1.42%
Stefan Mahlstein	794,333	1.05%
Leoville AS	581,815	0.77%
ES Aktiehandel AB	500,000	0.66%
WJ Capital Partners AB	473,846	0.63%
Arctic Securities	471,949	0.62%
Other shareholders	10,681,887	14.13%
TOTAL	**75,604,487**	**100.00 %**

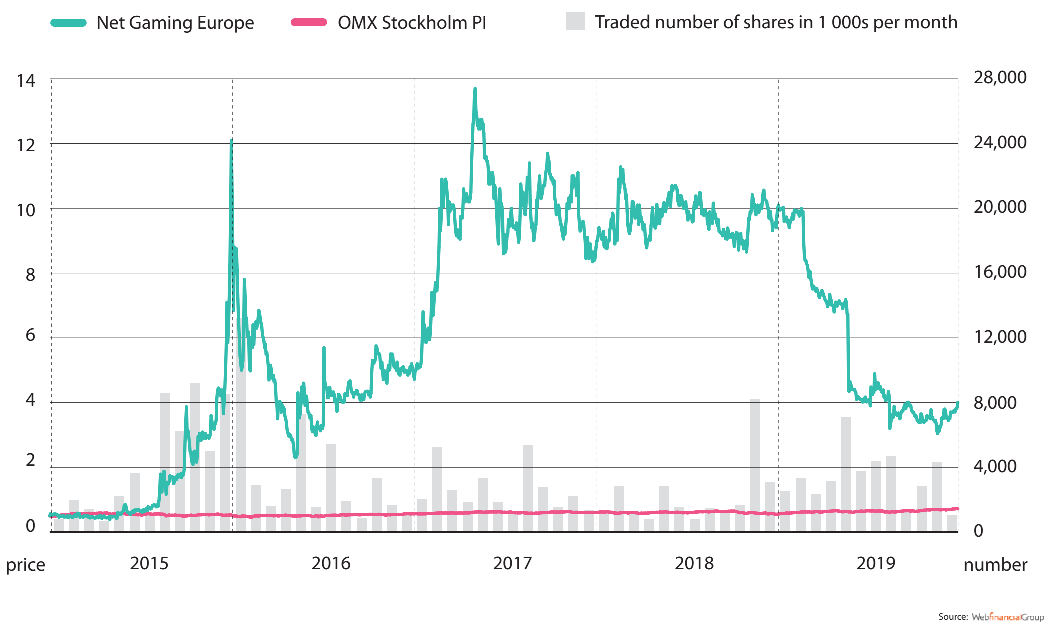
Dividend

Over the next few years, Net Gaming will prioritise net debt reduction, good liquidity and internal growth investments above dividends. The Board of Directors has therefore proposed that no dividend be paid for the 2019 financial year.

Share price development, 2019



Share price development, 2015-2019



Net Gaming Europe's risk management

Net Gaming's business operations are associated with risks in various ways. Well-balanced risk management can lead to new opportunities, and ultimately create value for shareholders, while risks that are not managed properly can result in damage and losses.

The Board and Group management work constantly on risk management, with a focus on the most significant risks that the Group faces, which include strategic, operational, financial and legal risks. Fulfilment of Net Gaming's goals associated with the business plan can be affected by strategic, operational, legal and financial-related risks in both a short and long-term perspective. The Board and Group management work continuously to identify new risks and to minimise risk exposure and any impact should that a risk materialise.

Risk management work was intensified and a risk management model under the COSO framework was implemented in 2019. The Board has issued a corporate governance report for the 2019 financial year, with an associated risk management analysis in accordance with the Swedish Corporate Governance Code. See the separate corporate governance report on pages 32-37.

Financial risks

The Group's exposure to financial risks includes currency risk, liquidity risk, interest rate risk, and counterparty and credit risk. Financial risk management is coordinated through the Parent Company, from which the Group's financing is arranged, and monitored on an ongoing basis by management and the Board. See note 31 for detailed information on financial risk management.

Operational risks

Operational risk is the risk of revenue or costs being affected by internal or external operational factors. Operational risks arise due to the fact that the Group's operations are dependent on its current operational capacity. Operations are dependent on the ability to maintain an effective capacity in search engine optimisation. But in the future, search engines like Google, Bing and Yahoo! may implement strategies that make it more difficult for the Group to function. In other respects, the Company has a low operational risk as there are no inventories or burdensome, long-term agreements with suppliers or partners.

Strategic risks

Strategic risks are mainly derived from factors outside Net Gaming's own operations and relate to risks in the form of changed strategic conditions. Net Gaming's launches of new verticals bring an increased strategic risk. However, this risk is mitigated by Net Gaming's 15-year experience in the industry. In addition, Net Gaming is affected by relatively low market entry barriers, which means that competitors are continuously arriving, which affects the market.

Legal risks

Although the Group does not conduct any online gaming operations, it is dependent on the online gaming industry, where the majority of customers are active. The laws and regulations concerning the online gaming industry are complex, constantly changing and in many cases subject to uncertainty. In many countries, online betting is prohibited and/or restricted. If coercive measures or other legislative actions are taken against any of the online gaming companies that are customers of the Group, whether this happens now or in the future, the Group's revenue flow from such customers could be adversely affected. Furthermore, the relevant authority could also argue that similar measures should be taken against third parties promoting the activities of the online gaming company, including the Group. Consequently, such events, including future legislative and regulatory changes, could have a material adverse effect on the Group's operations, financial position and operating profit. To reduce this risk, the Group conducts operations in both regulated and unregulated markets, and gradually diversifies both its customer base and market presence.

Gustav Vadenbring
Group CFO

Corporate Governance Report 2019

The page references in this document refer to Net Gaming Europe's 2019 Annual Report.

Introduction

Corporate governance in Net Gaming Europe AB (publ) ("Net Gaming") is based on the articles of association, the Swedish Companies Act, Nasdaq Stockholm's Rules for Issuers, the Swedish Corporate Governance Code (available at www.bolagsstyrning.se) ("the Code") and other applicable laws and rules. The Code forms part of the self-regulation of the Swedish corporate sector and is based on the comply or explain mechanism. This means that companies are not obliged to comply with every rule in the Code, but must openly report every deviation, describe the alternative solution they have chosen and explain their reasons for doing so. This corporate governance report relates to both the Parent Company Net Gaming Europe AB and the Group.

Principles of corporate governance

Net Gaming applies statutory or other regulatory rules and the Code. The Company complies with the Code's rules apart from deviations regarding the Nomination Committee (see below).

Corporate governance structure

At the AGM/shareholders' meeting, the shareholders make the decisions and set the guidelines that form the basis for Net Gaming's corporate governance. The organisational chart below summarises how corporate governance is organised in Net Gaming.

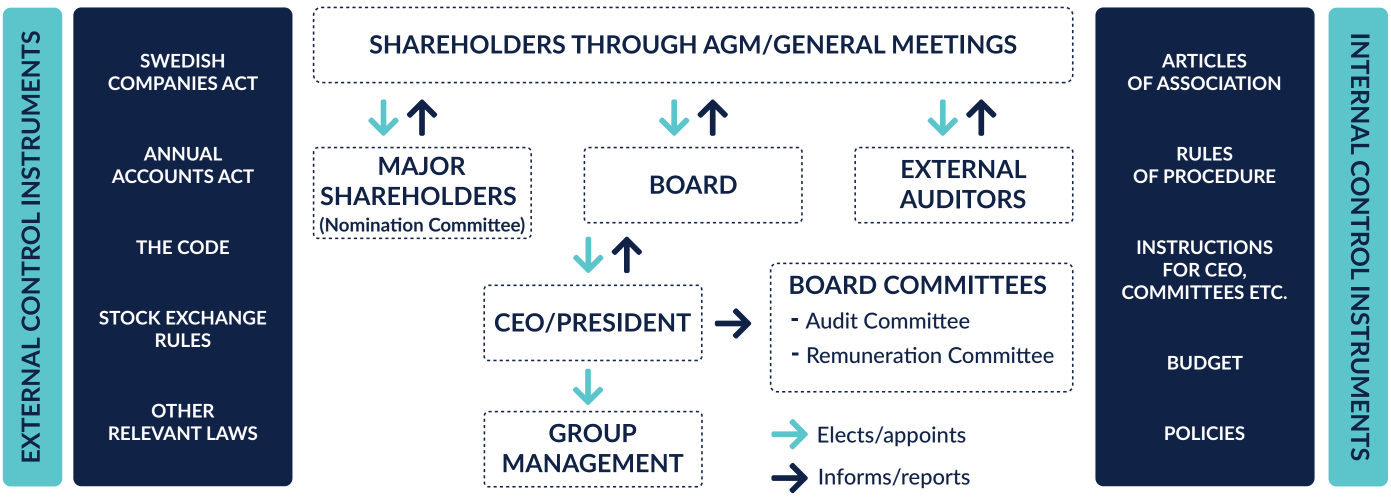
Control Instruments

The external control instruments that provide the framework for corporate governance within Net Gaming include the Companies Act, the Annual Accounts Act, Stock Exchange rules, the Code and other relevant laws. Foreign subsidiaries apply the laws and regulations that apply in their own country, but also ensure that the Group's guidelines for governance and control are followed.
The Board of Directors is ultimately responsible for the Company's organisation and the management of its affairs. Supervision is exercised by authorities and their appointed bodies, partly through the Company's reporting to them and partly through their own regular controls.
Internal control instruments include the articles of association adopted by the shareholders' meeting, the Board's rules of procedure, the CEO's instructions, the Board's committees and financial reporting. In addition, there are financial and quantitative targets, budgets, reports, policies, values and codes of conduct. The policies adopted by the Board are the code of conduct, financial policy, communication policy, responsible gaming policy, authorisation policy and insider policy.
The CEO decides on the crisis management policy, IT security policy and work environment policy, which are communicated to the Board. There are also other governance documents drawn up by the CEO or persons appointed by the CEO.

Division of responsibilities

Shareholders exercise their influence over Net Gaming Europe AB at the shareholders' meeting, which is the Company's highest decision-making body, while responsibility for the Company's organisation and management of its affairs rests with the Board and the CEO in accordance with Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the articles of association and the Board's internal control instruments.

CORPORATE GOVERNANCE STRUCTURE



The share and shareholders

According to Euroclear Sweden's share register, Net Gaming had 1,146 shareholders at 31 December 2019. The ten largest owners had a total holding corresponding to 85.8 percent of share capital. At 31 December 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. Following the change of presentation currency, share capital was converted to EUR 1,912,618.10 on 1 January 2019. In addition, the Company has a total of 600,000 employee share options and 250,000 warrants outstanding at the end of the year. More details about the share, shareholders and related information can be found on pages 28-29. Information is also available on the Company's website.

Shareholders' meeting

The shareholders' meeting is Net Gaming Europe AB's highest decision-making body. The Annual General Meeting, held in Stockholm within six months of the end of the financial year, deals with the adoption of the income statements and balance sheets, the dividend, discharging of Board members and the CEO from liability, election of the Board, Board fees, the appointment of an auditor if relevant, auditors' fees, statutory matters, guidelines on remuneration of senior executives, and any other business from the Board and shareholders. All shareholders registered in the share register on the specified record date, and who have provided timely notification of their intention to attend, are entitled to participate in the meeting and vote the total number of shares held. Shareholders may be represented by proxy. To be eligible to attend and exercise voting rights at the shareholders' meeting, shareholders who have registered their shares in the name of a nominee must temporarily re-register the shares in their own name as prescribed in the notice convening the meeting. The 2019 AGM was held on 23 May. The financial statements for the Group and Parent Company and the related audit reports were presented at the meeting. In connection with this, the Chairman of the Board provided information about the work of the Board and reported on the cooperation with the auditors. In addition, the Company's former CEO Marcus Teilman gave a presentation of the Group's operations in 2018.

The auditors presented their audit to the AGM in the form of the published audit report and an oral presentation of the work during the last year. The 2019 AGM made the following decisions:

- The presented income statements and balance sheets were adopted, and Board members and the CEO were discharged from responsibility for the 2018 financial year.

- Board fees were set at SEK 160,000 for each non-executive Board member. Fees for the Chairman of the Remuneration and Chairman of the Audit Committee were set at SEK 40,000, while fees for each member of these committees were set at SEK 20,000. Auditors' fees are to be paid on approved account.

- Jonas Bertilsson, Henrik Kvick and Marcus Teilman were re-elected to the Board, and Fredrik Rüdén and Peter Åström were newly elected. Henrik Kvick was re-elected as Chairman. The auditing firm Öhrlings PricewaterhouseCoopers AB was appointed as auditor, with Aleksander Lyckow as chief auditor.

- The Board was authorised to decide to issue up to sixty million new shares. The share issue may be in cash, provided new shares are paid for in kind or by set-off, or otherwise in accordance with Chapter 13, section 5, first paragraph (6) of the Companies Act. The issue may be conducted with a derogation from shareholders' preferential rights. The authorisation may be exercised on one or more occasions in the period up to the next Annual General Meeting. The purpose of the authorisation is to strengthen the Company's cash in a time-effective way or to facilitate acquisitions for which payment is in cash or with own shares.

- New articles of association were adopted to reflect the change of presentation currency to EUR and to adjust the business description.

- Establishment of a warrant-based incentive programme for the Group's incoming Head of M&A and Business Development.

Notice of the meeting will be given by announcement in Post och Inrikes Tidningar and on the Company's website. When the notice has been published, information to this effect shall be announced in Dagens Nyheter. Notice of the AGM and any EGM convened to consider amendment of the articles of association must be made no earlier than six weeks and no later than four weeks before the meeting.

Nomination Committee

In view of the composition of the shareholders, a nomination committee has not been considered necessary. Proposals for the election of the Chairman at the AGM, the election of the Board and, where applicable, the auditors, and proposals for the remuneration of Board members and the auditors are therefore submitted by the Company's major shareholder and presented in the notice of the AGM and on the Company's website. This is therefore a derogation from the Code's rules regarding a nomination committee.

Auditors

Net Gaming's auditors are elected at the AGM. At the 2019 meeting, Öhrlings PricewaterhouseCoopers AB, with authorised public accountant Aleksander Lyckow as chief auditor, was elected as auditor for the period up to and including the 2020 AGM. Net Gaming's articles of association do not contain any term of office for the auditor. This means that the election of an auditor in Net Gaming takes place annually in accordance with the Companies Act. The audit is reported to shareholders in the form of an audit report, which constitutes a recommendation to shareholders prior to their decisions at the AGM on the adoption of the income statement and balance sheet for the Parent Company and the Group, the appropriation of the Parent Company's profit and whether to discharge Board members and the CEO from liability. The work includes control of compliance with the articles of association, the Companies Act, the Annual Accounts Act and International Financial Reporting Standards (IFRS), issues regarding valuation of items in the balance sheet, follow-up of material accounting processes, as well as governance and financial control.

The Company's auditor attends at least one Board meeting or Audit Committee meeting each year. The auditors have been present at most of the Audit Committee meetings and at the 2019 AGM to present the audit report.

In addition to the audit assignment, the Company has consulted Öhrlings PricewaterhouseCoopers on matters primarily concerning tax management. Fees paid to Öhrlings PricewaterhouseCoopers are shown on page 63. As auditor to Net Gaming and subsidiaries, Öhrlings PricewaterhouseCoopers AB is obliged to review its independence before deciding to also provide other services. Fees to the audit firm for 2019 are shown in note 7 of the annual report.

The Board and its work

Composition of the Board

According to the articles of association, the Company's Board shall consist of three to ten directors with a maximum of ten deputies elected by the AGM for the period until the end of the next AGM. During 2019, Net Gaming Europe AB's Board, which was appointed by the 2019 AGM, consisted of five directors including the CEO.

As mentioned, the Company's major shareholders submit proposals for, among other things, the election of the Board. The Board must have a composition that is appropriate to the Company's operations and phase of development, with directors having diversity and breadth of qualifications, experience and background.
The 2019 AGM elected five directors, in line with the proposal of the major shareholders.

The composition of the Board in 2019 and directors' fees for 2019 and 2018 are shown in the table in note 8. For further information and details of directors' current assignments, see the Board presentation on page 40.

Independence of the Board

According to the Code, the majority of the directors elected by the shareholders' meeting must be independent of the Company and its executive management and at least two of these directors must also be independent of the Company's major shareholders. All directors are considered independent of the Company and its management, with the exception of former CEO Marcus Teilman (in his capacity as CEO).
After the change of CEO in February 2020, the CEO is no longer a member of the Board but is co-opted to all Board meetings, apart from meetings with evaluation of the work of the Board and the CEO on the agenda.Other Company employees also attend in a reporting capacity as needed. The Company's CFO is Board secretary.
Net Gaming Europe's Board of Directors is therefore assessed as compliant with the Code's requirements on independence.

Evaluation of the Board's work

To ensure quality in the work of the Board and identify any needs for additional skills and experience, the Chairman of the Board conducts an annual evaluation of the Board's work, in accordance with the Board's rules of procedure.
The Chairman has had individual discussions with each Board member in order to obtain an idea of Board members' views on how Board work is conducted and what measures could make it more efficient. The results of the evaluation have been discussed jointly by the Board. The purpose is to develop the work of the Board and to provide major shareholders with relevant decision-support material before the AGM.

Chairman of the Board

Henrik Kvick was elected Chairman of the Board at the 2019 AGM. The Chairman organises and leads the work of the Board so that it is conducted effectively and in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies (including the Code) and the Board's internal control instruments. The Chairman monitors the business in dialogue with the CEO, and is responsible for ensuring that other Board members receive satisfactory information and decision-support material and for communicating shareholders' views to the Board. The Chairman also ensures that the Board regularly updates and develops its knowledge of the Company, and receives any appropriate training that will improve the efficiency of Board work.

Tasks and responsibilities of the Board

The Board oversees the CEO's work through continuous monitoring of operations during the year and is responsible for ensuring that the organisation, management and guidelines for managing the Company's affairs are appropriately structured. The Board also ensures that there is satisfactory internal control, with system support in place for monitoring the business and its risks, and compliance with laws, regulations and internal guidelines. The Board is also responsible for developing and reviewing the Company's strategies through plans and goals, decisions on acquisitions and disposals of operations, major investments, the appointment and remuneration of management, and regular monitoring of operations during the year. The Board also adopts budgets and annual financial statements.

The Board's rules of procedure

The Board of Directors adopts annual written rules of procedure which govern the work of the Board and division of tasks among directors, the decision-making process within the

Board, the Board's meeting schedule, the Chairman's duties and instructions for financial reporting. The Board's rules of procedure also include special CEO instructions with regard to the division of work between the Board and the CEO. The inaugural Board meeting is held immediately after the AGM or immediately after any EGM at which a new Board is elected. At Net Gaming's inaugural Board meeting on 23 May 2019, members of the Board committees were appointed and the above-mentioned rules of procedure were adopted. In addition to the inaugural meeting, the Board holds at least six regular meetings per year, with additional meetings when the Chairman considers it appropriate or within 14 days of a request for a meeting from a director or the CEO. Twelve Board meetings were held in 2019. The work of the Board follows a pre-established plan with certain fixed decision points during the financial year:

- In January/February, the Board deals with the year-end report, the Board's recommendation regarding a dividend and any supplement to the budget and business plan. The Board also evaluates its working methods and decision-making procedures and considers improvements to them.
- In March/April the public annual report is dealt with. The Company's auditors report on observations made during the audit. The Board also deals with remuneration issues.
- The quarterly results are dealt with in May, August and November.
- In June, the Company's strategy, goals and investment plans are reviewed.
- In November, the business plan for the coming year is dealt with, which will form the basis for the preparation of the annual budget in December. The business plan is based on the cornerstones of a defined strategy.
- In December, the Board deals with preparations for the year-end accounts, and approval of the budget and business plan for the coming year.

Other business is dealt based on the nature of the business in question. On one occasion during the year, the Board deals with the evaluation of the CEO's work, with no member of executive management present. The Board also approves any significant assignments the CEO has outside the Company. Attendance at the year's Board meetings was exceptionally good. The Group's CFO attends Board meetings and is also Board secretary. Other executives attend Board meetings in a reporting capacity for special matters or when otherwise deemed appropriate.

The Board's control of financial reporting

The Board monitors the quality of financial reporting through instructions in this regard and through instructions to the CEO. The CEO, together with the CFO, is tasked with reviewing and ensuring the quality of all external financial reporting, including year-end reports, interim reports, annual reports, press releases with financial content and presentation material in connection with meetings with the media, owners and financial institutions. The Board's Audit Committee helps to ensure that correct, high-quality financial reporting is prepared, finally approved by the Board and communicated. The Board receives monthly financial reports and each Board meeting deals with the financial situation of the Company and the Group. The Board also deals with interim reports and annual reports. To ensure that the Board's information needs are met, the Company's auditors, in addition to the Audit Committee, also report to the Board on their observations from the audit and their assessment of the Company's internal control each year. At least once a year, the Company's auditors report to the Board on whether the Company has ensured efficient accounting, administration and financial control, after which the Board engages in dialogue with the auditors, not in the presence of the CEO or any other member of executive management.

Remuneration of the Board

Remuneration of Board members elected by the shareholders' meeting is decided by the meeting following a proposal from the Company's largest shareholders. The 2019 AGM adopted total Board fees, payable from the 2019 AGM to the 2020 AGM, of SEK 800,000, distributed as follows: SEK 160,000 to the Chairman and SEK 160,000 to each of the other members elected by the AGM, apart from the CEO. The Chairman of the Audit Committee and Chairman of the Remuneration Committee receive an additional fee of SEK 40,000, while members of these committees receive an extra fee of SEK 20,000.

The Board's committees

The Board has full knowledge of, and responsibility for, all matters on which the it has to make decisions. Work was conducted in two committees appointed by the Board during the year: the Audit Committee and the Remuneration Committee.

Audit Committee

The Committee consists of at least three representatives of the Board. Its preparatory tasks include:

- Preparing the Board's work on quality assurance of the Company's financial reporting.
- Monitoring and making recommendations and proposals to ensure the reliability of reporting with regard to the efficiency of the Company's internal controls and risk management.
- Assisting in the procurement of audit services and the preparation of the election and remuneration of auditors.
- Reviewing the scope and focus of the audit assignment.
- Preparing audit issues and evaluating the audit work.

- Establishing guidelines for the procurement of permitted non-auditing services from the Company's auditor and, if applicable, approving such services in accordance with guidelines.
- Following up and assessing the application of current accounting principles and the introduction of new accounting principles and other accounting requirements prescribed in legislation, generally accepted accounting principles and applicable stock exchange rules.

The Company's chief auditor and representatives of the audit firm are co-opted to the majority of meetings. Where appropriate, senior executives are co-opted. Since the 2019 AGM, the Committee has consisted of Fredrik Rüdén, Henrik Kvick and Jonas Bertilsson. Fredrik Rüdén is Chairman of the Committee. The Audit Committee held two meetings in 2019 and the Board received minutes from the meetings. The auditors were present at one of the Audit Committee meetings.

Remuneration Committee

The Committee may consist of any number of representatives of the Board. The main tasks of the Committee are to prepare the Board's decisions on matters concerning remuneration principles, remuneration and other terms of employment for executive management, as well as current general remuneration structures and remuneration levels in the Company.
Remuneration of the CEO and principles for remuneration of Company management are decided by the Board. Remuneration of other senior executives is decided by the Remuneration Committee within the framework established by the Board and the AGM.
Since the 2019 AGM, the Remuneration Committee has consisted of Peter Åström, Henrik Kvick and Jonas Bertilsson. Peter Åström is Chairman of the Committee. The Committee held one meeting in 2019 and the Board received minutes from the Remuneration Committee.

CEO/President

In accordance with the rules of the Swedish Companies Act and other legislation, the CEO is responsible for managing the Company's day-to-day business according to the Board's guidelines and instructions, and taking the measures necessary to ensure that the Company's accounting is managed in a satisfactory manner. The CEO must also ensure that the Board continuously receives the information it needs to monitor the Company's and the Group's financial situation, position and development in a satisfactory way and otherwise fulfil its reporting obligations regarding financial conditions.
The Company's CEO manages the business within the framework established by the Board in the special CEO instructions. The instructions include the CEO's responsibility for the day-to-day business and matters that always require a Board decision or notification to the Board, and the CEO's responsibility for financial reporting to the Board.
In consultation with the Chairman, the CEO produces information and decision-support material prior to Board meetings, presents the points of business and explains proposals for decision.
The Board continuously evaluates the CEO's work.

Group management

The CEO leads the work of Group management and makes decisions in consultation with other members of the management team, which in 2019 consisted of the CEO and four other individuals: the CFO, COO, CTO and Head of M&A and Business Development. Information about the CEO and Group management is presented on page 41 of the annual report. Group management conducts regular operational reviews led by the CEO.

Articles of Association

The articles of association specify the nature of the Company's operations, the number of Board members and auditors, the procedure for issuing notice of the general meeting, business to be dealt with at the meeting and where the meeting will be held. For the current articles of association, which were adopted by the 2019 Annual General Meeting, see the Company's website www.netgaming.se.en under Corporate Governance/Articles of Association.

Information

The Company's information to shareholders and other stakeholders is communicated through the annual report, year-end and interim reports, press releases and the Company's website, www.netgaming.se. The website also contains information on corporate governance.The Company's information disclosure follows an information policy adopted by the Board.

Net Gaming's system for internal control and risk management in connection with financial reporting

In accordance with the Swedish Companies Act and the Code, the Board is responsible for internal control. The Annual Accounts Act states that the corporate governance report must contain information on the main elements of the Company's system for internal control and risk management in connection with financial reporting.

Net Gaming's internal control structure is predominantly based on the COSO model according to which reviews and assessments are conducted in the areas of control environment, information and communication, risk assessment, control activities and follow-up.

Control environment

The Board of Directors has drawn up a number of governing documents for the Company's internal control and governance, including the Board's rules of procedure and instructions for the CEO and the Board's committees, and reporting instructions, all of which aim to ensure a clear division of roles and responsibilities. Financial information is reported through a Group-wide reporting system. The CEO and Group management are responsible for maintaining an effective control environment and for the ongoing work on internal control and risk management, and they report to the Board in accordance with established procedures. Managers at various levels in the Company have the same responsibility within their respective areas of responsibility and in turn report to Group management.

Information and communication

Internal information and external communication are regulated at an overall level by an information policy. Internal communication between Board and management takes place through management's regular information meetings. Another important communication channel is the Company's intranet, which enables all employees to obtain access to up-to-date information. Internal policies, guidelines, instructions and corresponding documents that govern and support the business are published on the intranet.

Risk assessment

Net Gaming continuously updates its risk analysis for the assessment of risks that may lead to errors in financial reporting. This is mainly done by Group management in dialogue with the Company's employees. During the risk reviews, Net Gaming identifies areas where there is increased risk exposure.

Control activities

Monthly financial reports are prepared for all companies within the Group together with consolidated financial reports. These form the basis for ongoing financial monitoring and governance of operating activities. The CEO and operational managers participate in these control activities and special analysis is made of traffic flow, leads, NDCs, conversion, profitability per site, cost control, investments and cash flow. The Company holds weekly financial function meetings which the CFO, Head of Group Accounting, Financial Controller and Business Controller attend. At these meetings, particular emphasis is placed on following up any problems and ensuring accurate financial reporting. Forecasts are updated at least every four months for all Group companies.
Through the Audit Committee, the Board monitors the reliability of the financial reporting, evaluates recommendations for improvement and deals with issues related to the identified risks. The Audit Committee presents regular oral reports to the Board and makes recommendations on matters that require adecision from the Board. The control environment is created through shared values, corporate culture, rules and policies, communication and follow-up, as well as the way in which the business is organised.
The main tasks of Group management and the Company's financial function are to implement, further develop and maintain the Group's control routines and to conduct internal control analyses of business-critical issues. Net Gaming's auditors examine the financial information for the third quarter and the annual accounts.
The auditors also examine a selection of controls and processes each year, and report identified areas of improvement to Group management and the Board. The chief auditor also attends most Audit Committee meetings.

Follow-up

The Company continuously evaluates internal control over financial reporting and the efficiency of reporting to the Board. This is mainly done by asking questions and obtaining information about the financial function's work. The Board receives quarterly reports with financial results, and monthly reports including management's comments on business operations. The financial situation is dealt with at every ordinary Board meeting.
The Company's auditor attends Audit Committee meetings on two occasions during the year and reports on observations about the Company's internal routines and control system. Members then have the opportunity to ask questions. The Board assesses significant risk areas and evaluates internal control on an annual basis.

Internal Audit

The Company has a simple legal and operational structure and developed governance and internal control systems. The Board follows up the Company's assessment of internal control in various ways, including close dialogue with the Company's auditors. On the basis of what is stated above, the Board has decided not to have a special internal audit function.

Further information available at www.netgaming.se

- Articles of Association
- Information from previous annual general meetings (notice, minutes, decisions, CEO presentation)
- Information about the nomination committee/majority owner
- Corporate Governance Report (included in the annual report for each year)

Auditor's Statement on the Corporate Governance Report

To the Annual General Meeting of Net Gaming Europe AB (publ), reg. no. 556693-7255

Engagement and responsibility
The Board is responsible for the 2019 Corporate Governance Report on pages 32-37, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Focus and scope of the examination
Our examination was conducted in accordance with FAR's statement RevU 16 'The auditor's examination of the corporate governance report'. This means that our examination is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. We believe that our examination has provided us with sufficient basis for our opinion.

Opinion
A corporate governance report has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph (2-6) of the Annual Accounts Act and chapter 7, section 31, second paragraph, of the same Act are consistent with the annual accounts and consolidated financial statements and are in accordance with the Annual Accounts Act.

Stockholm, 29 April 2020
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
AUTHORISED PUBLIC ACCOUNTANT


KONE

The Board

Henrik Kvick
Chairman of the Board since 2012

Nationality
Swedish

Born
1977

Education
M.Sc. in Industrial Engineering, Linköping University

Main occupation
Runs the investmentfirm Trottholmen AB

Current assignments
Chairman, Trottholmen AB, Net Gaming Europe AB and NetJobs Group AB,

Deputy Director, KFK Invest AB and PFK Invest AB.

Previous assignments
Chairman, Speqta AB (publ), 2012-2016,

Director, Tradedoubler AB (publ), 2015-2016, and Entraction Holding AB (publ), 2010- 2011,

CEO, NetJobs Group AB (publ), 2004-2006,

Director, Fram Skandinavien AB (publ) 2018-2019

Independent of the Company and management:
No

Holding
47,572,382 shares

Fredrik Rüdén
Board member since 2019

Nationality
Swedish

Born
1970

Education
M.Sc. Business Administration andBachelor of Laws, Mälardalen University

Main occupation
CFO, Cambio Healthcare systems, Own consultancy business, specialising in management and business administration.

Current assignments
Director and Chairman of Audit Committee, Leo Vegas,

Director, MultiQ International AB,

Chairman, FA Rüdén Consulting AB

Independent of the Company and management:
Yes

Holding
150,000 shares

Peter Åström
Board member since 2019

Nationality
Swedish

Born
1966

Education
M.Sc. Business Administration, Umeå University

Main occupation
Own consultancy business

Current assignments
Director, ENLABS AB and Kama Net AB, Deputy

Director, Score 24 AB,

Director, Elias Software AB,

Director, EBC – Executive Board Consulting AB and Nordic Leisure Incentive AB,

CEO and Deputy Director, Baltic Gaming AB, Deputy

Director, Lifland Gaming AB and Mediarevolution Nu AB

Independent of the Company and management:
Yes

Holding
0 shares

Jonas Bertilsson
Board member since 2016

Nationality
Swedish

Born
1980

Education
M.Sc. in Economics and Business Administration, Stockholm School of Economics

Main occupation
Own consultancy company AB Rugosa Invest

Current assignments
Director, M.O.B.A. Network AB and AB Rugosa Invest,

Chairman, Nordic e trade AB

Previous assignments
Chairman, Pema Sweden AB,

Director, Mengus Stockholm 2005 AB, Mengus Stockholm 2011 AB and Bed Factory Holding AB

Independent of the Company and management:
Yes

Holding
437,749 shares

Management team

Robert Andersson
President and CEO

Born
1977

Robert Andersson is a Computer Science graduate of Stockholm University and Griffith University. He has long experience in creating shareholder value and driving and developing growth companies in iGaming and the media industry. Before joining Net Gaming, Robert was CEO of Enlabs and Catena Media, which he built up and developed, turning them from small companies with a few employees into large established listed companies. Robert joined Net Gaming in February 2020.

Holding
0 shares

Gustav Vadenbring
CFO

Born
1974

Gustav Vadenbring holds an M.Sc. in Business Administration and Corporate Finance from Lund University and the University of Tübingen. Gustav has 13+ years of experience within Audit and M&A from Arthur Andersen/Deloitte and joined the Company from his position as Senior Industrial and Business Analyst at SEB. Prior to that, he was CFO of Actic Group (publ) for over five years. Gustav has broad experience in the online and gaming industry, working with companies such as Cdon, brandos, Bisnode, MTG and Bygghemma. Gustav joined Net Gaming in August 2018.

Holding
30,000 shares

Erik Gjerde
COO

Born
1983

Erik Gjerde studied marketing and communication at the Norwegian School of Management. Erik has 10+ years' experience in the sector and has worked for Highlight Media since 2011. Prior to that, he held positions in online marketing, online business development and software development.

Holding
0 shares
300,000 share options

Clinton Cutajar
CTO

Born
1983

Clinton holds an M.Sc. in Information Security from the University of London and a B.Sc. in Computer Science and Artificial Intelligence from the University of Malta. His most recent role was at Catena Media, where he was Head of Tech Operations, with responsibility for operations, integration of M&As and IT architecture. Clinton joined Net Gaming in September 2018.

Holding
0 shares

Christian Käfling
Head of M&A and Business Development

Born
1972

Christian Käfling holds an M.Sc. in Business and Economics from Linköping University. Christian joined the Company from Strategy&/PwC, where he worked as a consultant in strategy and commercial due diligence, specialising in the TMT sector and iGaming. Clinton joined Net Gaming in April 2019.

Holding
136,000 shares
250,000 warrants

Board of Directors' Report

FOR THE FINANCIAL YEAR 2019

The Board of Directors of Net Gaming Europe AB ("the Company", "the Parent Company" or "Net Gaming"), corporate identity number 556693-7255, hereby submit the annual accounts and consolidated financial statements for the financial year 2019. Net Gaming has its head office and registered office in Stockholm, Sweden, at the address Kungsgatan 37, 8 tr, SE-111 56 Stockholm. The Group also has subsidiaries in Malta. "Net Gaming" or "the Group" are used throughout this annual report when describing the Group's operations. The Group's operations primarily comprise the business based in Stockholm and the operating activities based in Malta.

MAIN BUSINESS

Net Gaming's main business is to attract users (end consumers), primarily through search engine optimisation (SEO), and then channel these users to online and mobile customers, i.e. iGaming operators.

To this end, Net Gaming owns and operates over 20 digital brands focusing on user-friendliness, clear user value and high-quality content in several different languages. Many of these websites have top rankings in the search results in the various search engines, e.g. Google. In this way, Net Gaming attracts high-quality traffic from potential end consumers. The content of the websites is written by professional writers, and is regularly updated to provide end consumers with the most relevant information and latest news to make their own assessment of which operator they want to use.

BUSINESS REVIEW

In 2018, Net Gaming streamlined its operations in order to fully focus on the Company's core business affiliate marketing from 2019 onwards. The former iGaming operations were converted into affiliate operations. The affiliate operations have a strong focus on providing high-quality content, concentrating primarily on search engine traffic. Net Gaming has a strong market position, notably in the online casino segment, which is also the Group's core focus. While continuing Net Gaming's focus on the fast-growing online casino market, the Group has alsotaken a major step into the Sports betting segment and revenue from Sports betting in Q4 2019 accounted for just over 10 percent of the Company's revenue. This means that the Company's affiliate operations are now conducted in three main verticals – Sports betting, Casino and Poker.

Net Gaming has reached the position that the Group has today through 15 years of experience in the industry and by building a portfolio of strong digital brands backed up by advanced technology for keyword planning and content optimisation. Net Gaming uses a number of different Business Intelligence (BI) tools to enable the Company to analyse the flow of online traffic to its websites and partners. Analysing the quality and conversion rate of such traffic is crucial to being able to develop and improve the content of the websites. Investments in technology and BI have increased Net Gaming's competitiveness and have been key factors in the Group's strong position in its core markets.

2019 has been a challenging year for many players in the industry and also for Net Gaming, which has been particularly affected by regulatory effects in the European market since Q1 2019, and we have seen increasing competition in the American market.

Although it has been a challenging year, the Company has taken a few important steps in its development and a number of strategic initiatives have been implemented in the business, which will enable future growth.

In 2019, Net Gaming intensified its focus on organic growth, and the Board and management team made a strategic decision to invest in fewer but stronger products. This has resulted in the appointment of a new operational organisation and a number of Brand Managers with a view to creating clearer control, focus and results responsibility for each individual site. We are already seeing results and several sites are moving in the right direction, with increased traffic and conversion rates.

Another important strategic initiative in 2019 has been to change the revenue model from CPA to revenue share, in order to build a more stable revenue base with a larger proportion of recurring revenue. The major step in changing the business model to an increased proportion of revenue share has had a negative impact on our revenue in 2019. During Q4 2019, we achieved a revenue share level of 64% (35%) of revenue, which we feel is a relatively balanced and sustainable level, and we now see that most of the revenue model transition has been completed.

To also capitalise further on the great potential we see for Pokerlistings.com, we launched a new casino section under this brand in Q4 2019. It has been launched on the Company's proprietary technology platform and a Sports betting section has also been launched on Pokerlistings.com in Q1 2020. The casino section has developed positively so far and we will invest further in Pokerlistings.com in 2020, as we see this brand as an important growth driver in the US.

Despite the fact that Net Gaming has reduced its revenues in 2019, the company has managed to maintain a strong operating margin thanks to the flexible and scalable cost base the Company has, which shows the strength of the Company's business model and the scalable platform.

The Group also successfully acquired and refined the domains of MaxFreeBets during the year to strengthen its position in Sports betting in the regulated UK market. During recent years, several affiliate businesses have been acquired and Net Gaming has extensive experience in integrating the acquired assets to maximise synergies and increase revenue.

In 2019, the Company repurchased our bonds at a nominal amount of SEK 67 million. These repurchases, which reduce our gross debt and interest expenses, are an initiative prior to the refinancing of our bond. Thanks to strong cash conversion in our operations, we are able to increase our cash position each month, which is an important factor in reducing the Company's debt level. Refinancing of the business is ongoing and reached a milestone in April 2020, when the largest corporate bondholders (43.1 percent) voted for an extension of the bond to September 2022 by written procedure. The Company expects to learn whether the two-year extension has been accepted in May 2020.

MARKET DEVELOPMENT

Market development for finance, sports betting and online casino, in which Net Gaming conducts operations, has shown strong growth in recent years and the market is forecasting strong growth over the next five years. It is Net Gaming's assessment that the demand for customer-generating companies and affiliate companies will increase as a result.

In Net Gaming's core markets, iGaming is growing faster than land-based gaming. Both new online casino operators and old brands in new markets have a need for visibility.

Together, they drive the growth of the affiliate market through increased investments in digital marketing. In the fragmented affiliate market, there are only a handful of players able to generate a significant number of new depositing customers (NDCs) for the operators. The largest competitors operate in the same geographic markets as Net Gaming and there appears to be a continuing trend of launches of new casino brands primarily through affiliate marketing. This creates opportunities for geographical expansion, both organically and through acquisitions. The financial vertical shares many features with iGaming, such as the revenue model and a similar behaviour pattern as in online casino.

RESULTS

Revenue

Revenue for the full year 2019 fell by 23 percent to EUR 14,302 (18,556) thousand. The full year 2019 was characterised by regulatory effects and an accelerated transition to revenue share, which has had a negative impact on our revenue. We estimate that the increased proportion of revenue share reduced our revenue by EUR 1,100-1,500 thousand, which contributed to 25-35 percent of the revenue decline in 2019.

Costs

Costs (personnel and other external expenses) for the full year 2019 increased by 5 percent compared with 2018. The increase is mainly a result of higher personnel expenses, primarily driven by expansion of the organisation and recruitment of key personnel to develop the Company's operations.

Other external expenses declined to EUR 2,863 (3,081) thousand, mainly due to a reduction in marketing costs, as paid media has been phased out since early 2019.

Earnings

EBITDA declined by 33 percent to EUR 8,359 (12,500) thousand. The EBITDA margin fell to 58 (67) percent, which is an effect of reduced revenue, while the cost base increased slightly, primarily within personnel expenses.

The Company's net financial items improved from EUR -3,784 thousand in 2018 to EUR -2,317 thousand in 2019.

The Company's strong cash conversion has resulted in the Company repurchasing its own bonds at a nominal value of EUR 5,959 thousand, and the generation of finance income of EUR 306 thousand in 2019. The improvement is also driven by currency effects related to the loan financing, arranged in SEK, which had a positive impact of EUR 734 thousand on net financial items on a full-year basis. Interest expenses also declined, by just over EUR 392 thousand, in 2019.

During the year, the Company also reduced its tax expenses, which amounted to EUR 380 (581) thousand in 2019.

Profit after tax declined to EUR 4,934 (7,792) thousand and earnings per share after dilution declined to EUR 0.065 (0.107).

CASH AND CASH FLOW

Cash flow from operating activities

Cash flow from operating activities for 2019 amounted to EUR 8,157 (12,286) thousand. Operating capital development has resulted in a cash flow of EUR 123 (847) thousand, driven by a reduction in operating liabilities such as trade payables in 2019.

There is limited cash flow from investments (apart from acquisition activities), as the Company's business model is not capital-intensive. Cash flow from investing activities amounted to EUR -2,193 thousand in 2019, compared with EUR -8,628 thousand in 2018, excluding gaming operations. Cash flow from investing activities for 2019 was negatively affected in Q3 by a purchase consideration of EUR 1,626 thousand related to the acquisition of domains in MaxFreeBets. Other investments (acquisition of intangible assets) in 2019 were mainly related to the development of internal ERP systems and website development for expansion in the US and European markets. Investments in 2018 were mainly attributable to the settlement of the additional consideration from the HLM acquisition in 2016 and the acquisition of Webwiser in May 2018.

Cash flow from financing activities

Cash flow from financing activities for 2019 amounted to EUR 8,694 (2,924) thousand. The increase between years is due to proceeds of EUR 5,959 thousand from the Company's bond repurchasing in Q4 2019. Cash flow from financing activities has been affected by the transition to IFRS 16, which means repayment of lease liabilities of EUR 129 thousand in 2019 are recognised in financing activities, unlike in the previous year when the entire lease expenses were recognised in operating activities.

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period was EUR 23,522 thousand, compared with EUR 26,873 thousand at the end of 2018. Net Gaming's current gross debt at 31 December 2019 amounts to SEK 316.5 million, of which the bond loan amounts to SEK 308 million (excluding the bonds repurchased for SEK 67 million in Q4 2019). Converted using the closing rate, the bond loan amounts to EUR 29,483 thousand. At December 2019, the current net debt/EBITDA ratio is 2.8. Net Gaming's financial target is a maximum net debt/EBITDA ratio of 2.0 over time. During 2020 and beyond, the Company will continue its efforts to reduce the net debt/EBITDA ratio.

At 31 December 2019, the Company has a total provision of EUR 576 thousand to cover any additional consideration related to completed acquisitions of domains. The Company's bond, scheduled for payment in September 2020, has been reported under current liabilities in the balance sheet for December 2019. Refinancing of the business is ongoing and reached a milestone in April 2020, when the largest bondholders (43.1 percent) voted for an extension of the bond to September 2022 by written procedure. The Company expects to learn whether the two-year extension has been accepted in May 2020.

The translation effect of converting the bond from SEK to EUR for the full year was EUR 734 thousand, which had a positive impact on net financial items. The Company's cash and cash equivalents at the end of 2019 amounted to EUR 6,771 (10,094) thousand.

RESEARCH AND DEVELOPMENT

The Company conducts continuous development of internal infrastructures such as BI systems, ERP systems and its own sites. Development work has been intensified in 2019, with both CAS (Centralised Affiliate System) and BI system (Qlik Sense) being built, which together with the development of our own sites has resulted in total capitalised work for own account of EUR 565 (0) thousand.

EQUITY

Based on the future outlook and financing options, the Board considers it appropriate to prepare financial statements on a going concern basis. The Company conducts quarterly impairment testing to assess whether there is any goodwill impairment. The impairment testing at the end of December 2019 did not identify any goodwill impairment.

The equity/assets ratio was 45 (36) percent at 31 December 2019 and equity was EUR 26,062 (21,120) thousand, corresponding to EUR 0.34 (0.28) per share.

SIGNIFICANT EVENTS IN 2019

2019 has been a challenging year for Net Gaming but we see a bright future. A summary of the most important events during each quarter is shown below.

First quarter

- **January** - Net Gaming changes presentation currency from SEK to EUR with effect from 1 January 2019 to provide a clearer picture of operating activities in the currency in which they are primarily conducted.
- **February** - Management team is strengthened by a new Head of M&A and Business Development.

Second quarter

- **April** - New technical platform is launched, resulting in faster loading times, increased user-friendliness and scalability in geographical expansion and the launch of new digital brands.
- **May** - Launch of new design concept for CasinoGuide in the UK and US, and Casinospielen in Germany to increase user-friendliness and conversion.
- **June** - Stronger sports betting vertical through the acquisition of BettingGuide.se launched in the regulated Swedish gaming market.

Third quarter

- **July** - Stronger sports betting vertical through the acquisition of MaxFreeBets.co.uk, a leading sports betting brand in the regulated UK gaming market.
- **August** - Upgrades of the CasinoSpielen.de and CasinoGuide.co.uk websites to our new technical platform, which enables faster loading times, increased user-friendliness and scalability in geographical expansion and the launch of new digital brands.

Fourth quarter

- **October** - The Company implements cost efficiency measures in the organisation and reviews roles such as Brand Managers to create clearer control, focus and results responsibility for each individual site.
- **November** - Re-launch of Pokerlistings.com with a casino section for further expansion in North America.
- **November** - Launch of CasinoGuideNJ.com, a niche casino comparison site focusing on New Jersey.
- **November/December** - The Company repurchases bonds at a nominal amount of SEK 67 million (EUR 5,959 thousand) in order to optimise its capital structure.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Robert Andersson new CEO

In February, the Board of Net Gaming Europe AB appointed Robert Andersson as new President and CEO with immediate effect.

The purpose of the change is to create better conditions for Net Gaming to return to growth while maintaining profitability and to generate shareholder value in the short and long term. In connection with the change, Marcus Teilman left his position as CEO and has also resigned from the Board at his own request. Robert Andersson has long experience in iGaming and digital media, having most recently been CEO of the listed company Enlabs AB and previously CEO of Catena Media Ltd. Robert has a proven track record of leading companies through extensive change phases, creating growth and strengthening corporate cultures.

Information about Q1 2020 and the impact of COVID-19

Due to the current COVID-19 situation and after postponements and cancellations of sport events globally, the Company provided an update on Q1 2020 with a summary of the potential short-term effects of COVID-19. At the same time, the Company also decided to postpone the Annual General Meeting to 25 June 2020 and the publication of the Annual Report to 30 April 2020.

90% of Net Gaming's revenue is expected to be generated from the Casino and Poker verticals in Q1 2020. The two verticals developed well in March, with increasing traffic, and no negative effect can be seen after the COVID-19 outbreak. Demand for casino and poker traffic is currently showing a positive trend which is expected to continue during Q2 2020. Net Gaming currently has limited exposure to sports betting as only 9% of the Company's total revenue is expected to be generated from the vertical in Q1 2020.

The Company therefore expects a limited effect from the many cancelled sports events globally. Net Gaming also expects some of the sports betting revenue that would have been realised in the first half of 2020 to be postponed to the second half of 2020 or to 2021, depending on when and whether the postponed events are re-timetabled. Direct costs related to the Sports betting vertical are relatively low and there are only a few employees currently working directly with Sports betting assets.

The health and safety of employees and partners is of the highest priority for Net Gaming. The Company follows the government's advice in each jurisdiction and has adopted a contingency plan to minimise any disruptions to operations and to ensure the safety of both Net Gaming's employees and partners. Employees are able to work from home and physical meetings have been replaced with virtual alternatives. The Company's productivity has remained intact and the Company has not experienced any damage to its operational operations to date.

Further bond repurchases

In March 2020, the Company made further repurchases of its own corporate bonds on the market corresponding to a nominal amount of SEK 55 million. The repurchases are related to the Company's own bond loan which has an outstanding nominal amount of SEK 375 million. Including previously communicated repurchases of SEK 67 million, Net Gaming's repurchased bonds amount to SEK 122 million.

Milestone in refinancing process

Refinancing of the business is ongoing and reached a milestone in April 2020, when the largest bondholders (43.1 percent) voted for an extension of the bond to September 2022 by written procedure. The Company expects to learn whether the two-year extension has been accepted in May 2020.

Launch of BettingGuideNJ.com and a betting section on Pokerlistings

After the end of the quarter, the Company has launched BettingGuideNJ.com, the second of several planned niche sites in the United States. This launch, together with CasinoGuideNJ.com and the re-launch of Pokerlistings.com, creates good conditions in the US market. The Company has also launched a betting section on Pokerlistings and social gaming in the US market.

EMPLOYEES

The average number of employees in the Group was 67 (65). The gender distribution was 25 (25) women and 42 (40) men. Expressed as a percentage, women accounted for 37 (38) percent of the total number of employees, while men accounted for 63 (62) percent.

The majority of employees are full-time. Net Gaming's number of employees including contracted consultants is approximately 80. As a result of the extensive expansion plans, the Group will recruit new employees.

OUTLOOK

Net Gaming operates in a large global market that is expected to continue to grow for a long time to come. For an optimal focus of time and resources, Net Gaming has identified three clear growth pillars and included these in the Company's growth plan.

NET GAMING'S THREE GROWTH PILLARS:

Casino in Europe

Net Gaming currently has a market share of about 1 percent in iGaming affiliation in the European Casino market. Casino is Net Gaming's largest vertical and has shown annual growth of about 25 percent historically.

USA

The market for iGaming in the United States is expected to show strong growth in the coming years. This is because more and more states are expected to be regulated and therefore allow iGaming. A few more states are expected to regulate the iGaming market in 2020. Net Gaming plans to further develop Pokerlistings and social gaming has also been launched.

Sports betting in Europe

Net Gaming launched a new vertical in Sports betting in 2018 and its development in 2019 resulted in Sport betting accounting for just over 10 percent of revenue in Q4.

The Sports betting market accounts for about 50 percent of global iGaming revenue, so the launch of a Sports betting vertical felt like an obvious step to take. The investment in Sports betting is aimed at further increasing the Company's organic growth over time.

FINANCIAL TARGETS

The Board of Net Gaming presented new financial targets in a press release on 11 September 2018. The financial targets continue in the future and are as follows for a period of 2-3 years:

- Annual EPS growth of at least 20 percent over time.
- Annual organic growth of 15-25 percent
- Maximum net debt/EBITDA ratio of 2.0 over time.

No dividend is planned in the next three years. The priority instead will be growth investments such as internal growth projects and a stronger capital structure. Net Gaming is not providing any forecasts in this report.

SUMMARY OF FINANCIAL TARGET OUTCOMES, 31 DECEMBER 2019

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

Period	EPS growth	Organic revenue growth	Capital structure
Jan-Dec 2019	-39%	-25%	2.8

PARENT COMPANY

Net Gaming Europe AB is the ultimate holding company in the Group (hereinafter referred to as the "the Company" or "the Parent Company") and was registered in Sweden on 14 December 2005. The Company's shares have been listed on Nasdaq First North Premier Growth Market since June 2018. The Company generates revenue via internal Group services in IT, marketing, financial services and management. The Group's financing is arranged in the Parent Company via a bond, which is registered on Nasdaq Stockholm's Corporate Bond List. In 2019, the Parent Company received dividends from subsidiaries amounting to EUR 7.8 (1.5) million.

OTHER GROUP COMPANIES

HLM Malta Limited

Profit before tax for 2019 amounted to EUR 8,466 (10,403) thousand. Profit after tax was EUR 8,466 (10,403) thousand.

Equity amounted to EUR 10,031 (9,365) thousand at the end of 2019. The company received dividends from subsidiaries amounting to EUR 8,500 (10,685) thousand in 2019. The company paid dividends of EUR 7,800 (1,500) thousand to the Parent Company.

Mortgage Loan Directory and Information LCC

Profit before tax for 2019 amounted to EUR 67 (-181) thousand. Profit after tax was EUR 67 (-233) thousand. Equity amounted to EUR 793 (712) thousand at the end of 2019.

Rock intention Malta Ltd

Profit before tax for 2019 amounted to EUR 7,630 (5,969) thousand. Profit after tax was EUR 4,976 (3,651) thousand. Equity amounted to EUR 10,583 (14,107) thousand at the end of 2019. The company paid dividends of EUR 8,500 (10,685) thousand to HLM Malta.

PokerLoco Malta Ltd

Profit before tax for 2019 amounted to EUR -139 (1,575) thousand. Profit after tax was EUR -139 (1,575) thousand. Equity amounted to EUR 831 (970) thousand at the end of 2019. PokerLoco Malta's earnings in 2018 were positively affected by the Parent Company's waiving of receivables of EUR 2,253 thousand.

SIGNIFICANT RISKS AND UNCERTAINTIES

Legal and regulatory risks

Political decisions, licence requirements and future legislation

The Group conducts its operations in several countries, with a focus on Europe and North America. An international presence can involve situations that give rise to compliance risks as the Group must observe different regulatory systems across a number of jurisdictions in relation to, for example, tax laws, marketing laws and consumer protection laws. This risk is mainly associated with laws and regulations that specifically apply to gaming operations and ctivities, such as affiliate marketing.

Gaming operations are strictly regulated by law in most jurisdictions, either by a state monopoly or by a licensing system. This applies whether the games are offered online (iGaming) or are land-based.

Net Gaming acts as an affiliate in the iGaming industry, which is not currently a regulated business area in most jurisdictions (apart from, e.g., Romania and certain states in the US), but the Company is still dependent on iGaming operators that are subject to regulations. This means that the Group's operations are to a large extent affected by political decisions and new legislation – both directly and indirectly. The legal situation for online gaming is constantly changing in different national markets.

For example, a new gaming regulation came into force in Sweden in 2019, introducing a mandatory licensing system for private operators, aimed at increasing consumer protection. New regulations have also been introduced recently in certain European markets such as the UK, Germany, Spain, Switzerland, the Netherlands, Italy and France. Although the regulations do not apply to the Group's operations (apart from its operations in Romania and certain states in the US, as mentioned above), the Group's business model is dependent on the ability of its customers, the iGaming operators, to generate revenue, which in turn is dependent on the operators' ability to act in different markets and comply with applicable laws. In the Swedish market, this means that, from 1 January 2019, a gaming licence must be obtained and retained in order to continue operations.

In countries where online gaming is considered illegal under national law, national authorities have traditionally only targeted iGaming operators and, in some cases, service providers (mainly providers of games, payment solutions and internet services) to restrict residents' access to online gaming services. However, in some cases, EU member states have targeted other verticals in the industry, including affiliate marketing companies similar to Net Gaming.

In addition, EU legislation directly applicable to online gaming services and the marketing of such services is currently limited. The EU aims to strengthen consumer protection in relation to online gaming by, for example, issuing recommendations to member states. There are examples of these self-regulatory measures in connection with online gaming marketing at national level in some EU countries.

There is a risk that new interpretations and changes to existing gaming laws and regulations in Europe and the rest of the world, in combination with future case law from both national and international courts, will have a direct or indirect adverse effect on the Group's operations. Proposed reforms may include changes in the introduction of national licensing systems, changes to marketing legislation and more stringent consumer protection legislation, which could have an adverse effect on the Group's operations and ability to generate revenue.

Operational and strategic risks

The Group is dependent on iGaming operators

The Group's revenues are highly dependent on the ability of its customers, the iGaming operators, to attract and entertain online players on their iGaming platforms. This also applies to the general popularity of iGaming, including user trends and preferences, such as whether the iGaming operators have popular games or are able to offer certain preferred services. In addition, the gaming industry is the subject of much debate and is entirely dependent on social acceptance.

If the iGaming operators are unable to attract and entertain online players because they cannot offer the games in demand or if there is a general reduction in social acceptance of gaming, this could result in lower activity for the iGaming operators, which in turn would lead to lower revenue for the Group.

Risks associated with high reliance on search engines

The Group relies on generating search traffic to its various websites to obtain end customers. This is achieved by, among other things, the use of search engine optimisation (SEO). SEO is the collective term for different methods used to ensure that a certain website is ranked as highly as possible when an internet user searches for specific keywords using search engines. The Group relies on maintaining effective SEO. The Group therefore needs to offer websites with high-quality content that are ranked highly in search engine results, such as results on Google, Bing or Yahoo! When Google, Bing, Yahoo! or similar search engines introduce new algorithms that affect website rankings in their search engine results, there is a risk that the Group will need to revise its online marketing strategies and adapt its websites to make them compatible with the changes created by the new algorithms. Some of the algorithmic updates affect search engine results significantly. There is also a risk that Google, Bing, Yahoo! or similar search engines will issue warnings or penalties in the form of lower rankings for websites that strategically circumvent the algorithms.

If the Group fails to maintain effective SEO and to adapt its websites and marketing to new algorithms, this could adversely affect the Group's business and its ability to attract visitors to its websites. The Group generally operates with low SEO risk and the most recent penalty was incurred in 2014.

Trademarks and domain names

The Group currently offers its affiliate marketing services through a number of websites that are of particular importance to the business, such as Pokerlistings, CasinoTop10 and CasinoGuide. Trademarks and domain names are important parts of the Group's business as they are fundamental to attracting online players. These players can in turn be referred to iGaming operators and become paying customers, thereby generating revenue for Net Gaming. Should one or more of the trademarks or domain names used in the Group's operations not be owned or controlled by the Group, there is a risk that the future use of the domain names will not be properly secured and that the Group will lose access to important domains in the future. There is also a further risk that competitors or other third parties will unlawfully seek to use or infringe the Group's intellectual property rights, and a risk of a third party asserting and acquiring better rights to intellectual property rights used by the Group.

Should the Group lose access to important domains, trademarks or other intellectual property rights, or should such an intellectual property right be subject to dispute, this could have a detrimental effect on the Group's ability to generate revenue from the parts of its business that are associated with or dependent on the intellectual property right in question. The Company employs a Domain and trademark specialist who continuously monitors developments in this area and is also responsible for ongoing renewals of domains and trademarks.

FINANCIAL RISKS

Refinancing risk/Liquidity risk

Current investments and existing debt, such as the bonds, will eventually need to be refinanced by arranging new market loans, issuing new debt instruments or issuing new equity. Access to new or additional financing is dependent on various factors, such as market conditions, the Group's credit rating and general access to credit in the financial markets. Some of these factors and conditions are beyond the Group's control and may change rapidly. There is a risk that the Group will not manage to obtain sufficient financing at favourable terms or to obtain financing at all. This, in turn, could have a material adverse effect on the Company's operations and ultimately its ability to continue operations.

Refinancing of the business is ongoing and reached a milestone in April 2020, when the largest bondholders (43.1 percent) voted for an extension of the bond loan to September 2022 by written procedure.

The Company expects to learn whether the two-year extension has been accepted in May 2020. The Company's goal is to quickly reduce debt in the coming years and operate with low financial and operational risk.

In addition to the above risks, the Board considers that the financial risks identified below are relevant to the Group.

- Credit risk is the risk of customers failing to pay for services provided.
- Currency risk is the risk that arises from negative changes in exchange rates and interest rates.

Further details can be found on pages 78-79.

LEGAL DISPUTES AND PROCEEDINGS

This type of risk refers to the costs that Net Gaming may incur in pursuing various legal proceedings, as well as the costs of independent parties. During the year, Net Gaming was not involved in any disputes that affected or will affect the Company's position in any significant way.

OTHER AREAS

Remuneration of Senior executives

The Board's proposed guidelines on remuneration of senior executives for 2020 essentially mean that salaries and other terms of employment will be at market levels. Group management are not entitled to receive variable remuneration and bonuses in addition to the fixed basic salary. No senior executives are entitled to severance pay.

Shares and ownership structure

Net Gaming's ownership structure at 31 December 2019 comprised the major shareholders Trottholmen AB (62.9 percent) and JPM Chase NA (13.7 percent). The remaining shareholders had an ownership share of less than 3 percent. The number of shareholders at 31 December 2019 was approximately 1,146 and the number of shares in the Company was 75,604,487.

Annual General Meeting

The Annual General Meeting is due to be held at 15.00 on 25 June 2020 at DLA Piper, Kungsgatan 9 in Stockholm, Sweden.

Dividend

In accordance with the financial targets, the Board of Directors has proposed to the 2020 AGM that no dividend be paid for 2019.

Proposed appropriation of profits

The Company's Board proposes that the unrestricted equity of EUR 5,813,673 available to the AGM be carried forward.

Board of Directors

At the end of 2019, the Board consisted of:

- Henrik Kvick (Chairman)
- Peter Åström
- Fredrik Rüdén
- Jonas Bertilsson
- Marcus Teilman (CEO)

The Group's CFO, Gustav Vadenbring, is co-opted to the Board as secretary.

After the end of 2019, Marcus Teilman left his position as CEO and President, and also resigned from the Board at his own request.

Auditors

A procurement process was conducted in 2019 and in May, the AGM decided to change auditor to Öhrlings PricewaterhouseCoopers (PwC), with Aleksander Lyckow as chief auditor. PwC audits all companies in the Group.

STATEMENT ON THE BOARD'S RESPONSIBILITY FOR THE FINANCIAL REPORTS

The Board of Directors shall prepare financial reports that give a true and fair view of financial position of the Group and the Company at the end of each financial period, and the income statement for this period. In preparing the financial reports, the Board is responsible for:

- Ensuring that the financial reports have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- Selecting and applying adequate accounting policies.
- Making accounting estimates that are reasonable under the circumstances.
- Ensuring that the financial reports are prepared on a going concern basis provided there is reason to assume that the Group or the Company will continue to operate.

The Board is also responsible for designing, implementing and maintaining internal controls that the Board considers necessary for the preparation of financial reports that do not contain material misstatement, whether due to irregularities or error. The Board is also responsible for protecting the Group's and the Company's assets, and thereby taking appropriate measures to prevent and detect fraud and other deviations.

Net Gaming's financial reports for the 2019 financial year have been included in this 2019 annual report, which can be ordered from the Company's website. The Board is responsible for the content and integrity of the annual report in the context of its responsibility for the website's control and security. The information published on the Company's website is available in other countries and jurisdictions where legislation governing the preparation and distribution of financial reports may differ from the requirements or practice in Sweden and Malta.

Consolidated Statement of Comprehensive Income

Amounts in EUR thousands	Note	2019	2018
Revenue	3	14,302	18,556
Total revenue		**14,302**	**18,556**
Capitalised work for own account	4	565	-
Other external expenses	5	-2,864	-3,081
Personnel expenses	8	-3,719	-3,155
Other operating income		122	302
Other operating expenses		-49	-122
EBITDA		**8,359**	**12,500**
Depreciation/amortisation	6, 16, 18	-727	-343
Operating profit (EBIT)		**7,632**	**12,157**
Profit/loss from financial items			
Interest and similar income	10	306	2
Interest and similar expenses	11	-2,999	-3,391
Impairment of financial assets	12	-331	-660
Other financial items		708	265
Profit/loss from financial items		**-2,317**	**-3,784**
Profit before tax		**5,315**	**8,373**
Tax on profit for the year	13	-380	-581
Profit for the year		**4,934**	**7,792**
Profit/loss for the year, discontinued operations	26	0	-150
Profit for the year is entirely attributable to shareholders of the Parent		**4,934**	**7,642**
Earnings per share, continuing operations (EUR)	14	0.065	0.107
Earnings per share after dilution, continuing operations (EUR)	14	0.065	0.107
Earnings per share (EUR)	14	0.065	0.105
Earnings per share after dilution (EUR)	14	0.065	0.105
Items that will be reclassified to profit or loss			
Other comprehensive income, income and expenses recognised directly in equity			
Exchange differences on translation of foreign operations		13	1,296
Other comprehensive income for the year		**13**	**1,296**
Total comprehensive income for the year is entirely attributable to shareholders of the Parent		**4,947**	**8,938**

Consolidated Statement of Financial Position

Amounts in EUR thousands	Note	31/12/2019	31/12/2018
Assets			
Non-current assets			
Goodwill	17	42,856	42,856
Other intangible assets	18	5,005	2,683
Right-of-use assets	6	366	-
Property, plant and equipment	16	193	224
Other non-current receivables		116	457
Deferred tax assets	13	156	536
Total non-current assets		**48,692**	**46,756**
Current assets			
Trade receivables		1,559	1,873
Other receivables		750	183
Prepayments and accrued income	21	167	135
Cash and cash equivalents	22	6,771	10,094
Total current assets		**9,247**	**12,285**
Total assets		**57,939**	**59,041**
Equity and liabilities			
Equity			
Share capital	23	1,913	1,913
Other paid-in capital		12,420	12,424
Reserves		2,700	2,688
Retained earnings, incl. profit for the year		9,029	4,095
Total equity		**26,062**	**21,120**
Non-current liabilities			
Borrowing	24	-	35,877
Lease liabilities	6	213	-
Total non-current liabilities		**213**	**35,877**
Current liabilities			
Borrowing	24	29,276	-
Trade payables		266	760
Liabilities to Parent Company	29	356	347
Other liabilities		1,156	396
Lease liabilities	6	152	-
Accruals and deferred income	25	458	541
Total current liabilities		**31,663**	**2,044**
Total equity and liabilities		**57,939**	**59,041**

Consolidated Statement of Changes in Equity

Amounts in EUR thousands	Note	Share capital	Other paid-in capital	Reserves	Retained earnings incl. year's	Total equity
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	14	-	12	-	-	12
Exchange rate changes in equity		-73	-347	279	141	-
Comprehensive income for the year		-	-	1,296	7,642	8,938
Closing equity, 31 Dec 2018		**1,913**	**12,424**	**2,688**	**4,095**	**21,120**
Opening equity, 1 Jan 2019		**1,913**	**12,424**	**2,688**	**4,095**	**21,120**
Share-based payments		-	21	-	-	21
Option proceeds received	15	-	17	-	-	17
Repayment of option proceeds		-	-42	-	-	-42
Comprehensive income for the period		-	-	13	4,934	4,947
Closing equity, 31 Dec 2019		**1,913**	**12,420**	**2,700**	**9,029**	**26,062**

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 EUR thousands	2019	2018
Operating activities		
Profit before tax	5,314	8,223*
Adjustments for non-cash items and items not included in operating activities		
- Depreciation and amortisation of assets	727	381
- Exchange gains/losses on financial receivables and liabilities	-708	-176
- Costs for share-based programmes	21	12
- Gain/loss on sale of other assets	-99	-302
- Reversal of impairment of financial assets	-	-139
- Impairment of financial assets	331	664
Interest and similar expenses	2,999	3,391
Interest and similar income	-306	-2
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	272	81
Increase (+)/Decrease (-) in operating liabilities	-394	-928
Cash flow from operating activities	**8,157**	**11,205**
of which from discontinued operations	**-**	**-1,081**
Investing activities		
Acquisition of interests in Group companies	-	-5,511
Acquisition of property, plant and equipment	-49	-204
Acquisition of intangible assets	-2,502	-3,259
Sale of other assets	358	302
Cash flow from investing activities	**-2,193**	**-8,672**
of which from discontinued operations	**-**	**-44**
Financing activities		
Received and repaid option proceeds	-23	42
Issue expenses	-	-1
Repayment of borrowings	-5,959	-
Interest paid	-2,583	-2,967
Interest received	-	2
Repayment of lease liabilities	-129	-
Cash flow from financing activities	**-8,694**	**-2,924**
of which from discontinued operations	**-**	**-**
Cash flow for period	**-2,730**	**-391**
Cash & cash equivalents at beginning of period	10,094	11,687
Exchange differences	-30	-211
Reclassification from cash & cash equivalents to other current investments	-563	-991
Cash & cash equivalents at end of period	**6,771**	**10,094**

* Adjusted for discontinued operation

Income Statement, Parent Company

Amounts in EUR thousands	Note	2019	2018
Revenue	3	532	256
Total revenue		**532**	**256**
Operating expenses			
Other external expenses	5	-445	-538
Personnel expenses	8	-417	-198
Other operating expenses		-	-1
Other operating income		4	-
Depreciation/amortisation		−11	-
EBITDA		**−869**	**−737**
Operating profit (EBIT)		**-337**	**-481**
Profit/loss from financial items			
Profit/loss from investments in Group companies	9	7,800	-1,265
Other interest and similar income	10	376	335
Interest and similar expenses	11	-2,976	-3,391
Other financial items		718	193
Total profit/loss from financial items		**5,918**	**−4,128**
Profit after financial items		**5,581**	**−4,609**
Tax on profit for the year	13	-	25
Profit for the year		**5,581**	**-4,584**

Balance Sheet, Parent Company

Amounts in EUR thousands	Note	31/12/2019	31/12/2018
Assets			
Non-current assets			
Investments in Group companies	19	31,581	31,586
Non-current receivables from Group companies	20	-	1,200
Total non-current assets		**31,581**	**32,786**
Current assets			
Receivables from Group companies	20	889	566
Other receivables		24	22
Prepayments and accrued income	21	26	15
Cash and cash equivalents	22	5,701	5,300
Total current assets		**6,640**	**5,903**
Total assets		**38,221**	**38,689**
Equity and liabilities			
Equity			
Restricted equity			
Share capital	23	1,913	1,913
		1,913	**1,913**
Unrestricted equity			
Share premium reserve		12,420	12,424
Retained earnings		-6,607	-12,188
		5,813	**236**
Total equity		**7,726**	**2,149**
Non-current liabilities			
Borrowing	24	-	35,877
Total non-current liabilities		**-**	**35,877**
Current liabilities			
Borrowing	24	29,276	-
Trade payables		14	12
Liabilities to Parent Company	29	356	347
Other liabilities		600	9
Accruals and deferred income	25	249	295
Total current liabilities		**30,495**	**663**
Total equity and liabilities		**38,221**	**38,689**

Statement of Changes in Equity, Parent Company

Amounts in EUR thousands	Note	Share capital	Share premium reserve	Retained earnings incl. year's	Total equity
Opening equity, 1 Jan 2018		**1,773**	**8,726**	**-7,604**	**2,895**
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	15	-	12	-	12
Exchange rate changes in equity		-73	-347	-	-420
Comprehensive income for the year		-	-	-4,584	-4,584
Closing equity, 31 Dec 2018		**1,913**	**12,424**	**-12,188**	**2,149**
Opening equity, 1 Jan 2019		**1,913**	**12,424**	**-12,188**	**2,149**
Share-based payments		-	21	-	21
Option proceeds received	15	-	17	-	17
Repayment of option proceeds		-	-42	-	-42
Comprehensive income for the period		-	-	5,581	5,581
Closing equity, 31 Dec 2019		**1,913**	**12,420**	**-6,607**	**7,726**

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 EUR thousands	2019	2018
Operating activities		
Profit before tax	5,581	-4,609
Adjustments for non-cash items and items not included in operating activities		
- Dividends from subsidiaries	-7,800	-1,504
- Impairment losses on investments in subsidiaries	-	2,763
-Costs, share-based payments	6	-
- Exchange gains/losses on financial receivables and liabilities	-718	-87
- Depreciation	11	
- Finance costs	2,976	3,391
- Finance income	-377	-335
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables	-329	-553
Increase (+)/Decrease (-) in operating liabilities	10	20
Cash flow from operating activities	**-640**	**-914**
Investing activities		
Acquisition of interests in Group companies	-	-5,511
Acquisition of intangible assets	-1,626	–
Sales proceeds, intangible assets	2,182	–
Cash flow from investing activities	**556**	**-5,511**
Financing activities		
Option proceeds	-23	42
Issue expenses	-	-1
Interest paid	-2,565	-2,967
Interest from Group companies	38	335
Proceeds from borrowings	-12	-
Repayment of loans	-5,959	-
Repayment of loans from Group companies	1,200	7,023
Payment of loans to Group companies	-	-805
Dividend from Group companies	7,830	1,504
Cash flow from financing activities	**509**	**5,131**
Cash flow for period	**425**	**-1,294**
Cash & cash equivalents at beginning of period	5,300	6,805
Exchange differences	-24	-211
Cash & cash equivalents at end of period	**5,701**	**5,300**

Notes with accounting policies and comments

Amounts in EUR thousands unless otherwise stated

NOTE 1 GENERAL INFORMATION

Net Gaming Europe AB (hereinafter referred to as "the Company" or "the Parent Company"), 556693-7255, is a Swedish public company with its registered office in Stockholm.

The Company is the ultimate holding company in the Group. It was registered in Sweden on 14 December 2005 and was listed on Nasdaq First North Growth Premier in June 2018.

The Company generates revenue via internal Group services in IT, marketing, financial services and management. The Group's financing is also arranged in the Parent Company via a bond, which is registered on Nasdaq Stockholm's Corporate Bond List. Net Gaming Europe AB's subsidiaries conduct online affiliate operations. The previous Gaming operations were discontinued during the 2018 financial year.

The Group's financial statements comprise the Company and its subsidiaries (collectively referred to as "the Group"). All amounts in the notes are in EUR thousands unless otherwise stated.

The Company changed its presentation currency from SEK to EUR on 1 January 2019 and this has been applied for the first time for the 2019 financial year. The change in the presentation currency represents a change of accounting policy, which has been applied retrospectively in accordance with the requirements of IAS 8.

NOTE 2 ACCOUNTING AND VALUATION PRINCIPLES

General accounting policies

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

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.

Organic revenue growth

Organic revenue growth is an important APM that the Company follows on an ongoing basis, as Net Gaming has a long-term target of organic revenue growth in the range of 15 to 25 percent. 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.

The definition of organic revenue growth varies in the sector. Net Gaming's definition of organic growth is based on net sales compared with the previous period, excluding acquisitions in accordance with IFRS 3 (in the last 12 months), divestments and exchange rate movements.

ORGANIC REVENUE GROWTH – FULL YEAR 2019

Amounts in EUR thousands	01/01/2019 31/12/2019 Growth, %	01/01/2019 31/12/2019 Absolute figures	01/01/2018 31/12/2018 Absolute figures	Deviation Absolute figures
Total growth, EUR	**-22.9%**	**14,302**	**18,556**	**(4,254)**
Adjustment acquired and divested/discontinued operations	-1.4%	-334	-92	-242
Total growth in EUR, excl. acquisitions and discontinued operations	**-24.4%**	**13,968**	**18,464**	**(4,496)**
Adjustment for constant currency	-0.8%	-	206	-206
Total organic sales growth	**-25.2%**	**13,968**	**18,670**	**(4,702)**

NEW AND AMENDED ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES

IFRS 16 Leases

The Group applies IFRS 16 for leases with effect from 1 January 2019. There are also other new standards effective from 1 January 2019, but they do not have any significant effect on the Group's financial reports.

The Group has applied IFRS 16 using the modified retrospective approach. This means that comparatives for 2018 have not been restated under the new standard but are reported, as before, in accordance with IAS 17 and associated interpretations. Details of amended accounting policies are presented below.

In addition, the disclosure requirements of IFRS 16 have generally not been applied for comparatives.

Definition of a lease

Previously, at the inception of a contract, the Group determined whether the contract was, or contained, a lease in accordance with IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group now assesses whether a contract is, or contains, a lease based on the definition of a lease, see note 6.

The Group as a lessee

As a lessee, the Group primarily leases office premises. The Group previously classified leases as operating leases based on an assessment of whether the lease transferred to the Group substantially all risks and rewards incidental to ownership of the underlying asset. Under IFRS 16, the Group recognises a right-of-use asset and a lease liability for these leases.

The Group previously classified leases as operating leases in accordance with IAS 17. For the transition to the new standard, lease liabilities were remeasured to the present value of remaining leasing payments, discounted using the Group's incremental borrowing rate on 1 January 2019. Right-of-use assets are measured either at:

- their carrying amount after application of IFRS 16 on 1 January 2019, discounted using the Group's incremental borrowing rate on the date of initial application; or
- an amount corresponding to the lease liability, adjusted for prepaid or accrued lease payments: the Group used this method.

On the transition date, the Group conducted impairment testing and has concluded that there are no indications that the right-of-use assets are impaired.

The Group used practical expedients in IFRS 16 for leases previously classified as operating leases under IAS 17. Practical expedients used were as follows:

- the Group did not report right-of-use assets and lease liabilities for leases with a remaining lease term of less than 12 months after the date of initial application;
- the Group did not report right-of-use assets and lease liabilities for leases of low-value assets (e.g. IT equipment);
- direct costs of acquisition were excluded from the measurement of the right-of-use assets at the date of initial application; and
- the lease term was determined based on historical information.

Transition impact

On transition to IFRS 16, the Group reported additional right-of-use assets and additional lease liabilities. The impact of the transition is summarised below.

Amounts in EUR thousands	01/01/2019
Right-of-use assets – property, plant and equipment	238
Lease liabilities	238

When measuring lease liabilities attributable to leases classified as operating leases, the Group discounted lease payments using its incremental borrowing rate on 1 January 2019. The applied weighted average interest rate is 5.65%.

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 reviewed the estimated useful life of domain rights and 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 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 2,832 thousand on 31 December 2019, compared with EUR 856 thousand on 31 December 2018.

Discontinued operations

As at 31 December 2018, 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. For further information about the discontinued operation, see note 26.

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 at 31 December 2018 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.

MEASUREMENT AND CLASSIFICATION

The Parent Company's functional currency is Euro, which is also the presentation currency for the Parent Company and the Group. The Company has changed its presentation currency from SEK to EUR with effect from the 2019 financial year. The change in the presentation currency represents a change of accounting policy, which has been applied retrospectively in accordance with the requirements of IAS 8. 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 All other liabilities are classified as non-current.

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 the difference 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 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 when control is obtained until the date when 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.

ACQUISITIONS OF COMPANIES AND ASSETS

The Group's acquisitions are accounted for using the acquisition method and in accordance with IFRS 3. Acquisitions of assets are reported under Goodwill and other intangible assets, regardless of whether the acquisition consists of equity instruments or other assets. The purchase consideration for the acquisition of a subsidiary consists of the fair values of:

- assets transferred,
- liabilities incurred by the Group to former owners,
- shares issued by the Group,
- assets and liabilities that result from a contingent consideration agreement, and
- previous equity interests in the acquired subsidiary.

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities in a business combination are, with few exceptions, initially measured at the acquisition-date fair value. For each acquisition, i.e. on a transaction by transaction basis, the Group determines whether non-controlling interests in the acquiree are to be recognised at fair value or at the NCI's proportionate share of the carrying amount of the acquiree's identifiable net assets. Goodwill is measured as the difference between the aggregate of

- the value of the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- the acquisition-date fair value of the previously-held equity interest in the acquiree, and the fair value of identifiable acquired net assets.

If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.

The Group accounts for business combinations using the acquisition method from the date on which control is transferred to the Group. For further information regarding the accounting for acquisitions of companies and assets, see notes 16-18 and 28.

GOODWILL AND OTHER INTANGIBLE ASSETS

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Separately acquired intangible assets are reported at cost. The cost of a separately acquired intangible asset consists of its purchase price and any expenses directly attributable to completing the asset for its intended use.

When the purchase price of an intangible asset includes a contingent consideration, the cost is determined based on the acquisition-date fair value of the contingent consideration.

Any subsequent changes in the estimates regarding the probable outcome for the contingent consideration are reported in the statement of financial position as an adjustment of the value of the intangible asset and the contingent consideration liability.

The purchase price of intangible assets where the consideration consists of equity instruments is the fair value of the equity instruments issued by the Group in connection with the transaction.

Goodwill arises on the acquisition of subsidiaries and is the amount by which the purchase consideration exceeds the acquisition-date fair value of the identifiable net assets acquired. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and are recognised at cost less accumulated impairment losses.

Any goodwill impairment is recognised as an expense and is not reversed. Gains or losses on the disposal of a subsidiary include the carrying amount of any goodwill relating to the divested subsidiary. For impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies arising from the acquisition.

Acquired intangible assets are distributed among domains, affiliate contracts and other intangible assets. Other intangible assets primarily include capitalised development costs. The estimated useful lives are as follows:

- Domains – indefinite useful life
- Affiliate contracts 5 years
- Other intangible assets 4-5 years

Other intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the derecognition of intangible assets are recognised in profit or loss and comprise the difference between any disposal proceeds and the carrying amount. Subsequent costs are only capitalised if they increase the future economic benefits associated with the specific asset to which they relate. All other expenses are reported in the profit or loss when they arise.

FOREIGN CURRENCY

Foreign currency receivables and liabilities

Foreign currency receivables and liabilities are measured at the closing rate. Foreign exchange gains and losses arising on translation are recognised in the income statement.

Translation of foreign operations

Operations with a functional currency other than EUR are translated to EUR 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.

Other operating expenses

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

Financial Instruments

A financial asset or liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised in the balance sheet when the contractual rights to receive the cash flows from the asset cease, are settled or the Group relinquishes control over them. A financial liability or part of a financial liability is derecognised in the balance sheet when the obligation specified in the contract is discharged or extinguished in another manner. Financial instruments recognised under assets in the statement of financial position include cash & cash equivalents, trade receivables and other current receivables. Liabilities include trade payables, other current liabilities and loan liabilities.

Classification and measurement

Financial assets are classified based on the business model within which the relevant asset is held and the asset's cash flow characteristics. If the financial asset is held within a business model whose objective is to collect contractual cash flows (hold to collect) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is measured at amortised cost. If the business model's objectives can instead be achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell), and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is measured at fair value through OCI.

For all other business models (other) whose objective is speculation, holding for trading or where the cash flow characteristics exclude other business models, measurement is at fair value through profit or loss.

Financial liabilities are recognised at amortised cost using the effective interest method or at fair value through profit or loss. Loans and other financial liabilities, e.g. trade payables, are included in the category financial liabilities at amortised cost.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. At each reporting date, the Group reports the change in expected credit losses since initial recognition. For all financial assets, the Group measures the loss allowance at an amount equal to the 12-month expected credit losses.

A loss allowance for full lifetime expected credit losses is recognised for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition (the general model).

The purpose of the credit impairment requirements is to report lifetime expected credit losses for all financial instruments for which the credit risk has increased significantly since initial recognition. The assessment is made either individually or collectively and considers all reasonable and supportable information, including forward-looking information. The Group's measurement of expected credit losses from a financial instrument reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes, as well as incorporating the time value of money, and reasonable and supportable information about current conditions and forecasts of future financial conditions.

Under the 'simplified' approach, the Group recognises full lifetime expected losses for its trade receivables and contract assets. Equity instruments are not covered by the impairment rules.

Fair value of financial instruments

When determining the fair value of an asset or liability, the Group uses observable data as far as possible. Fair value measurement is based on the fair value hierarchy, which categorises inputs into different levels as follows:

Level 1: inputs that are quoted prices in active markets for similar instruments

Level 2: inputs other than quoted market prices in Level 1 that are directly or indirectly observable market data

Level 3: inputs that are not observable in the market

The Group has a framework for fair value measurement and reporting to the Group's CFO. Measurement is conducted regularly to analyse significant unobservable inputs and adjustments in values. If third-party data is used in the measurement, the Company assesses whether it meets IFRS requirements, and which fair value hierarchy level it will be categorised in.

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, measured at amortised cost, of EUR 29.3 million at 31 December 2019, for which the fair value is classified as level 2 and the fair value measurement based on listings with brokers. Similar contracts are traded in an active market, and the rates reflect actual transactions for comparable instruments.

At 31 December 2019, the Company did not have any other financial instruments categorised in level 2 of the fair value hierarchy. There were no transfers between levels during 2019.

On 1 July 2019, the Group acquired affiliate assets, which were primarily focused on the UK market. The Group acquired the assets for an initial consideration and a subsequent contingent consideration based on fulfilment of a minimum level of performance during a certain period.

On 31 December 2019, the present value of the contingent consideration was EUR 576 thousand. This is presented under "Other liabilities" in the statement of financial position and is classified under Level 3 of the fair value measurement hierarchy.

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.

Judgements and accounting estimates

The Group's financial reports are partly based on assumptions and estimates in connection with the preparation of the Group's financial statements. Judgements and estimates and are based on historical experience and other assumptions, which result in decisions on the value of an asset or liability that cannot be otherwise determined. The actual outcome may differ from these estimates. The estimates and judgements are reviewed continuously and are based on historical experience and other factors, including expectations of future events considered reasonable under the prevailing circumstances.

The areas involving a high degree of assessments that are complex, or where the assumptions and estimates are significant, mainly concern assumptions and estimates for impairment testing of goodwill and other intangible assets with indefinite useful lives and measurement of intangible assets acquired in acquisitions.

Measurement of intangible assets acquired in acquisitions

The Group assesses the fair value of intangible assets acquired in acquisitions on the basis of best estimate and analysis. Such assets include affiliate contracts and domain rights. The assessments are based on the Group's industry experience and knowledge, and on recognised comparison data from the industry. The measurement is presented in an acquisition analysis, which is preliminary until finally adopted. A preliminary acquisition analysis is drawn up as soon as the required information about assets and liabilities at the acquisition date is obtained, but no later than one year from the acquisition date. If the fair value has to be remeasured within a 12-month period, this may result in the fair value differing from its initial value.

Goodwill impairment testing

When calculating a cash-generating unit's recoverable amount as part of the Group's impairment testing, assumptions about future conditions and estimates of different key parameters are made. Such assessments always include some uncertainty. Should actual outcomes deviate from those expected for a specific period during testing, expected future cash flows may need to be remeasured, which may result in impairment.

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 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.

The main differences between the Group's and the Parent Company's accounting policies are set out below. The accounting policies described have been applied consistently to all periods presented in the Parent Company's financial statements.

Classification and presentation

The Parent Company's income statement and balance sheet have been prepared in accordance with the format described in the Swedish Annual Accounts Act. The main difference from IAS 1 Presentation of Financial Statements, which is applied when preparing the consolidated financial statements, concerns the reporting of financial items and equity.

Subsidiaries

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

Financial Instruments

The Parent Company applies the exception in RFR 2, which means that the rules on financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity. In the Parent Company, financial non-current assets are measured at cost less impairment and financial current assets are measured at the lower of cost and net realisable value.

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.

RFR 2 amendments not yet effective

The Parent Company has not yet started to apply the new and amended standards and interpretations that have been issued but are effective for annual periods beginning on or after 1 January 2020.

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 introduces a five-step model for revenue recognition which is based on when the control of a product or service is transferred to the customer. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 introduces a five-step model

Step 1. Identify the contract with a customer
Step 2. Identify the different performance obligations
Step 3. Determine the transaction price
Step 4. Allocate the transaction price to the different performance obligations
Step 5. Recognise revenue when the performance obligation is satisfied

Revenue is recognised based on the amount stated in a contract with a customer and does not include any amounts collected on behalf of a third party. The Group's revenue comes mainly from affiliate operations. For revenue within affiliate operations, Net Gaming has identified that contracts with the gaming operator (the customer) contain a distinct performance obligation, namely referral of players to the gaming operator. Revenue is mainly generated based on two different payment models, or a combination of the two.

The majority of the revenue is generated from a revenue share model, which means that Net Gaming and the gaming operator share the net gaming revenue that the player generates with the operator. The Group's consideration for referring a player to the operator is therefore not known at the point in time when the performance obligation is satisfied, but is based on future variable consideration. IFRS 15 requires the amount of variable consideration to be estimated and recognised as revenue to the extent that it is highly probable that any change to the estimate will not result in a significant revenue reversal in the future. It is Net Gaming's assessment that there is very great uncertainty associated with trying to estimate future net gaming revenue based on player referrals to operators, and there would therefore be a high risk of future reversals. Net Gaming receives monthly information on the month's net gaming revenue and Net Gaming's share of the revshare model. According to Net Gaming's assessment, it is not until this point in time that the uncertainty regarding the size of the revenue can be considered resolved, and revenue is therefore recognised at this time, i.e. to the extent that the revenue can be determined with sufficient precision.

Around one third of the revenue comes from Cost Per Acquisition (CPA). CPA revenue corresponds to a fixed amount for each individual player that Net Gaming refers to a gaming operator and who has made a purchase/engaged in gaming. With CPA, the size of revenue is determinable at the point in time when Net Gaming's performance obligation has been satisfied, i.e. when the player first engages in gaming with the operator, and it is at this point that the revenue is recognised.

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 and management.

The Group reports all revenue at a point in time for the following main categories.

Revenue by category	2019	2018
Affiliate operations	14,302	18,556
Total revenue	**14,302**	18,556

Revenue distribution by vertical (affiliate)	2019	2018
Casino	11,433	15,875
Poker	1,936	2,142
Other verticals	933	539
Total revenue	**14,302**	**18,556**

Revenue from Sweden in 2019 accounted for 2 (4) percent of revenue for the financial year.

The ten largest customers in 2019 accounted for approximately 49 (52) percent of the total revenue.

There are no significant contract assets or contract liabilities to disclose, and none of the revenue recognised during the year relates to performance obligations satisfied during previous periods. No transaction price has been allocated to the unsatisfied (or partly satisfied) performance obligations at the end of the reporting period.

Other operating income

Revenue from secondary activities within ordinary operations, mainly consisting of gains on the sale of rights not recognised in the consolidated balance sheet, are reported under other operating income.

Parent Company

The Parent Company recognises all revenue at a point in time. The Parent Company's revenue comes mainly from intragroup services provided.

There are no significant contract assets or contract liabilities to disclose, and none of the revenue recognised during the year relates to performance obligations satisfied during previous periods.

No transaction price has been allocated to the unsatisfied performance obligations at the end of the reporting period.

Information about intra-Group purchases and sales	2019	2018
Parent Company's sales of services to Group companies	532	256
Purchases of services from Group companies	(21)	-

NOTE 4 CAPITALISED WORK FOR OWN ACCOUNT

The Company conducts continuous development of its own sites. Development work has been intensified in 2019, with both CAS (Centralised Affiliate System) and BI system (Qlik Sense) being built, which together with the development of our own sites has resulted in total capitalised work for own account of EUR 565 (0) thousand.

	Group		Parent Company	
Amounts in EUR thousands	2019	2018	2019	2018
Capitalised work for own account	565	-	-	-

The estimated useful life is 4 years. Estimated useful lives and amortisation methods are reviewed at the end of each financial year or more frequently if required.

NOTE 5 OTHER EXTERNAL EXPENSES

Amounts in EUR thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Marketing expenses	672	960		–
Information and communication expenses	283	248		15
Fees to audit firms	102	140	52	90
Consulting expenses	911	1,065	–	320
Costs for premises	93	305		22
Other external expenses	804	363	393	91
	2,864	**3,081**	**445**	**538**

NOTE 6 LEASES

During the comparative period, the Group classified its leases that transferred substantially all risks and rewards incidental to ownership as finance leases. When this was the case, the leased assets were initially measured at the lower of their fair value and the present value of the minimum lease payments. These were the payments that the lessee was obliged to make during the lease term, excluding any contingent rents. After initial recognition, the assets were reported in accordance with the applicable accounting policy for the relevant asset.

Assets covered by other leases were classified as operating leases and were not reported in the statement of financial position.

Operating lease payments were recognised on a straight-line basis in the income statement over the lease term. The Group has applied IFRS 16 using the modified retrospective method, which means that comparatives have not been restated but continue to be reported under IAS 17 and IFRIC 4.

The details of accounting policies in accordance with IAS 17 and IFRIC 4 are reported separately.

Applicable policy from 1 January 2019

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a certain period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the IFRS 16 definition of a lease. This policy applies to contracts entered into on or after 1 January 2019.

The Group as a lessee

On commencement or amendment of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for property leases, the Group has elected not to separate non-lease components, and instead accounts for lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability on commencement of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability adjusted for any lease payments made on or before the commencement date, any direct costs incurred and an estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required, less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the cost of the right-of-use asset reflects the Group's intention to exercise a purchase option. If this is the case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as for property, plant and equipment. In addition, the value of the right-of-use asset is periodically reduced to reflect any impairment and adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The Group normally uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and then making some adjustments to reflect the terms and conditions of the lease and the type of asset held under the lease.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- and the exercise price of a purchase option that the Group is reasonably certain to exercise, lease payments during a possible extension period if the Group is reasonably certain to exercise an extension option and payments of penalties for terminating the lease, unless the Group is reasonably certain not to exercise a termination option.

The lease liability is measured at amortised cost using the effective interest method, and is remeasured if there is a change in future lease payments resulting from a change in an index or rate, if there is a change in the Group's estimate of the amounts expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any remaining amount is recognised in profit or loss. The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and corresponding lease liabilities in "Borrowing" in the statement of financial position.

Applicable policy before 1 January 2019

For contracts signed before 1 January 2019, the Group determined whether an arrangement was, or contained, a lease based on an assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement conveyed a right to control the use of the asset. An arrangement conveyed a right to control the use of the asset if any of the following conditions was met:
- the purchaser had the ability or right to operate the asset, while obtaining more than an insignificant amount of the output of the asset;
- the purchaser had the ability or right to control physical access to the asset, while obtaining more than an insignificant amount of the output of the asset; or

- facts and circumstances indicated that there was only a remote possibility that other parties would take more than an insignificant amount of the output of the asset and the price was neither fixed per unit of output nor equal to the current market price per unit of output. During the comparative period, the Group, as lessee, classified its leases that transferred substantially all risks and rewards incidental to ownership as finance leases. When this was the case, the leased assets were initially measured at the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments that the lessee was obliged to make during the lease term, excluding any contingent rents. After initial recognition, the assets were reported in accordance with the applicable accounting policy for the relevant asset.

Assets covered by other leases were classified as operating leases and were not reported in the statement of financial position. Operating lease payments were recognised on a straight-line basis in the income statement over the lease term.

Lease incentives received were reported as an integral part of the total rental cost, over the lease term or the rental agreement.

The Group leases offices. The lease normally runs for a period of three years with an option to extend by a further two years. Lease payments are renegotiated every five years to reflect market rents. The Group previously classified these leases as operating leases in accordance with IAS 17. Information on leases for which the Group is a tenant is presented below.

Right-of-use assets

Right-of-use assets refer to office leases.

2019	Group Right-of-use assets
Remeasured balance at the beginning of year	238
Changes due to changed lease term	296
Depreciation for the year	-168
Closing balance, 31 December 2019	**366**

Amounts in EUR thousands	2019
2019 - Leases under IFRS 16	
Interest, lease liabilities	24
2018 - Operating leases under IAS 17	
Lease expenses	216

Lease expenses for 2018 include an amount of EUR 36 thousand attributable to a lease that expired in December 2018.

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.
Fees were also paid for other independent advisory services and Other assignments as follows:

	Group		Parent Company	
Amounts in EUR thousands	2019	2018	2019	2018
Audit services, Nexia	3	69	3	69
Other assignments, Nexia	-	21	-	21
Audit services, PWC	76	-	26	-
Other assignments, PWC	24	-	24	-
Audit services, KPMG	-	47	–	–
Other assignments, KPMG	-	2	–	–
Audit services, other audit firms	-	1	–	–
	102	**140**	**52**	**90**

The item 'audit services' refers to remuneration for the statutory audit. The services comprise examination of the annual accounts, consolidated financial statements, accounting records and administration of the business by the CEO and Board, and include fees for advisory services relating to the audit.

NOTE 8 EMPLOYEES, SALARIES, BENEFITS AND SOCIAL SECURITY CONTRIBUTIONS

Employee benefits in the form of salaries, bonuses, paid holiday, paid sick leave and pensions are recognised as they are earned.

Average number of employees	2019	Female	2018	Female
Parent Company				
Sweden	3	-	2	-
Subsidiaries				
Malta	64	25	63	25
Group total	**67**	**25**	**65**	**25**

Management Number of senior executives	2019	Female	2018	Female
Parent Company				
Board and CEO	5	-	5	-
Group total				
Board and CEO	5	-	10	2
Other senior executives	4	-	2	1

Salaries, employee benefits and social security contributions	Salaries and benefits		Social security contributions	
Amounts in EUR thousands	2019	2018	2019	2018
Parent Company	372	179	112	56
Subsidiaries	2,888	2,622	306	291
(of which capitalised)	(250)	-	(30)	-
Group total	**3,260**	**2,801**	**418**	**348**
(of which capitalised)	**(250)**	**-**	**(30)**	**-**

Salaries and benefits (Board, Other senior executives and Other employees)	2019			2018		
Amounts in EUR thousands	Parent Company	Subsidiaries	Total	Parent Company	Subsidiaries	Total
Board and CEO	215	113	328	39	266	305
Other senior executives	61	478	539	0	463	463
Other employees	96	2,297	2,393	140	1,894	2,034
Total	**372**	**2,888**	**3,260**	**179**	**2,622**	**2,801**

Remuneration of the Board

The 2019 AGM adopted Board fees of SEK 160,000 for each of the non-executive directors. Fees for the Chairman of the Remuneration or Audit Committee were set at SEK 40,000, while fees for each member of these committees were set at SEK 20,000. The fee is paid in arrears after the Annual General Meeting has been held.

Remuneration of other senior executives, including Board members in subsidiaries

The AGM adopted the following remuneration policy for senior executives. Remuneration of the CEO and other senior executives may consist of basic salary, variable remuneration, other benefits, pension, financial instruments etc. Other senior executives refers to the 4 persons who together with the CEO constitute Group management, and Board members of subsidiaries.

A presentation of Group management can be found on page 41. Other benefits to the CEO and other senior executives relate to share based payments and are paid as of the total remuneration. No pension benefits are payable.

Remuneration of Senior Executives 2019	Basic salary /Fees	Variable remuneration	Share-based payments	Pension cost	Total
Henrik Kvick (Chairman)	19	-	-	-	19
Jonas Bertilsson (Board member)	19	-	-	-	19
Tobias Fagerlund (Board member)	19	-	-	-	19
Jonas Söderquist (Board member)	19	-	-	-	19
Marcus Teilman (Board member, CEO)	241	-	11	-	252
Other senior executives	528	-	11	-	539
Total remuneration of Senior Executives	**845**	**0**	**21**	**0**	**867**

Remuneration of Senior Executives 2018	Basic salary/ Fees	Variable remuneration	Share-based payments	Pension cost	Total
Henrik Kvick (Chairman)	16	-	-	-	16
Jonas Bertilsson (Board member)	8	-	-	-	8
Tobias Fagerlund (Board member)	8	-	-	-	8
Jonas Söderquist (Board member)	8	-	-	-	8
Marcus Teilman (Board member, CEO)	266	-	6	-	272
Other senior executives	463	-	6	-	469
Total remuneration of Senior Executives	**768**	**0**	**12**	**0**	**780**

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 PROFIT/LOSS FROM INVESTMENTS IN GROUP COMPANIES

Parent Company Amounts in EUR thousands	2019	2018
Dividends from subsidiaries	**7,800**	1,504
Waived receivables from Group companies	**-**	−2,763
Impairment of receivables from Group companies	**-**	−6
	7,800	**−1,265**

NOTE 10 INTEREST AND SIMILAR INCOME

Amounts in EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Finance income	306	2	305	–
Finance income, Group companies	-	-	71	335
	306	**2**	**376**	**335**

NOTE 11 INTEREST AND SIMILAR EXPENSES

Amounts in EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Interest expenses, Parent Company	14	16	14	16
Interest expenses, other	2,561	2,873	2,538	2,873
Interest expenses, discounting of convertible debenture	-	115	-	115
Finance costs for borrowings	424	387	424	387
	2,999	**3,391**	**2,976**	**3,391**

NOTE 12 IMPAIRMENT OF FINANCIAL ASSETS

Amounts in EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Impairment of financial assets	−331	−660	-	-
	−331	**−660**	**-**	**-**

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. At each reporting date, the Group reports the change in expected credit losses since initial recognition.

NOTE 13 TAX

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

Current tax

Current tax is calculated based on taxable profit for the period. Taxable profit differs from the reported result in the income statement as it has been adjusted for non-taxable income and non-deductible expenses, and for income and expenses that are taxable or deductible in other periods. The Group's current tax is calculated using tax rates that have been enacted on the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their tax bases used to calculate taxable profit. Deferred tax is accounted for using the balance-sheet liability method.

Deferred tax liabilities are recognised on virtually all taxable temporary differences and deferred tax assets are recognised for virtually all deductible temporary differences to the extent that it is probable that the amounts can be used against future taxable profit. Deferred tax liabilities and assets are not recognised if the temporary difference is attributable to goodwill or it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting profit nor taxable profit.

Deferred tax liabilities are recognised on taxable temporary differences attributable to investments in subsidiaries, apart from in cases where the Group can control the timing of the reversal of the temporary differences and it is probable that any such reversal will occur in the foreseeable future. The deferred tax assets that are attributable to deductible temporary differences for such investments are only recognised to the extent that it is probable that the amounts can be used against future taxable profit and it is probable that this will take place in the foreseeable future.

The carrying amount of deferred tax assets is tested at each reporting date and is reduced to the extent that it is no longer probable that there will be sufficient taxable profit against which the amounts can be used, fully or in part. Deferred tax is calculated using the tax rates that are expected to apply for the period in which the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when they relate to income tax charged by the same tax authority and when the Group intends to settle the tax on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, apart from when the tax is attributable to transactions recognised in OCI or directly in equity, in which case the tax is also recognised in OCI or directly in equity. In the case of current and deferred tax arising from the reporting of business combinations, the tax effect shall be reported in the acquisition analysis.

Tax recognised in income statement	Group		Parent Company	
Amounts in EUR thousands	**2019**	**2018**	**2019**	**2018**
Current tax	-	-	0	0
Deferred tax	–380	–581	-	25
Tax on profit/loss for the year	**–380**	**–581**	**0**	**25**
Current tax				
Profit before tax	5,314	8,373	5,581	–4,609
Tax at the current rate 21.4% (22%)	1,137	1,842	1,194	–1,014
Tax effect of:				
Difference in tax rates in foreign operations	1,031	1,368	-	-
Non-taxable income	-	–565	–1,669	–331
Non-deductible expenses	416	1,018	360	609
Tax loss carryforwards utilised	–2,654	–4,385	-	-
Losses increasing accumulated loss carryforwards but not reported as assets	115	722	115	736
Adjustment to opening deferred tax	–45	-	-	-
Tax expense, current tax	**0**	**0**	**0**	**0**
Deferred tax				
Increase/decrease in deferred tax assets	–380	–606	-	-
Decrease/increase in deferred tax liabilities	-	25	-	25
Tax expense, deferred tax	**–380**	**–581**	**-**	**25**

Changes in deferred tax are distributed as follows		
Amounts in EUR thousands	**2019**	**2018**
Deferred tax assets		
Carrying amount at beginning of year	536	1,142
Net change for the period in the income statement	−380	−607
Carrying amount at end of year	**156**	**536**
Deferred tax assets relate to unused tax losses	156	536
Total deferred tax assets	**156**	**536**

Deferred tax liabilities Amounts in EUR thousands	2019	2018
Carrying amount at beginning of year, of which reversed against deferred tax assets	-	−25
Net change for the period in the income statement	-	25
Carrying amount at end of year	**-**	**-**

The Parent Company has saved accumulated loss carryforwards of EUR 12,432 (12,087) thousand at 31/12/2019. The Group has saved accumulated loss carryforwards of EUR 22,914 (29,783) thousand. The loss carryforwards continue indefinitely.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available. 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. For the subsidiaries in Malta, the value of the deferred tax assets is calculated at the current tax rate of 35 percent. For the Parent Company, the assessment is that it will not be possible to use the loss carryforwards due to uncertainty about when sufficient taxable profit will be generated in the future. No deferred tax assets associated with the loss carryforwards are therefore reported for the Parent Company. At the end of each reporting period, the deferred tax assets are tested for impairment.

As, under certain conditions, the Maltese tax system provides the opportunity for tax refunds corresponding to 6/7th of the tax paid, it is the Group's assessment that the effective tax rate at Group level is 5 percent.

NOTE 14 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 effect of all options that give rise to dilution. The potential dilutive effect of the Group's shares arises from employee share options and warrants.

	2019	2018 excl. dis-continued operation	2018 incl. dis-continued operation
Group			
Earnings per share before dilution			
Profit attributable to shareholders of the Parent	4,934	7,792	7,642
Number of registered shares on reporting date	75,604,487	75,604,487	75,604,487
Weighted average number of shares before dilution	75,604,487	72,476,411	72,476,411
Earnings per share before dilution	0.065	0.107	0.105
Earnings per share after dilution			
Adjustments to number of shares when calculating EPS after dilution:			
Employee share options	-	-	-
Weighted average number of shares	75,604,487	72,476,411	72,476,411
Adjustments to profit when calculating EPS after dilution:			
Profit attributable to shareholders of the Parent when calculating EPS	4,934	7,792	7,642
Earnings per share after dilution	0.065	0.107	0.105

Options granted to employees have been treated as potential ordinary shares. The options have not been included in the calculation of earnings per share before dilution. They are included in the determination of earnings per share after dilution to the extent that they give rise to a dilutive effect.

The options granted in 2017 and the options granted in 2018 have not been included in the calculation of earnings per share after dilution as these instruments do not give rise to any dilutive effect for the financial years 2018 and 2019.

However, the options may have a dilutive effect on earnings per share in coming periods. Further information about the options can be found in note 15.

NOTE 15 SHARE-BASED PAYMENTS

The Company has a share-based incentive plan for the management group which entitles participants to acquire shares in the Company for as long as the Group receives services from the employees.

The grant-date fair value of share-based payments is generally recognised as an expense, with a corresponding increase in equity for the applicable vesting period.

The amount recognised as an expense is adjusted to reflect the number of equity instruments granted based on the achievement of defined performance conditions. The amount that is finally recognised is based on the number of equity instruments granted for which performance conditions have been fulfilled at the vesting date.

SHARE-BASED PAYMENTS 2019

The Company has incentive programmes from 2017 and 2019 consisting of 600,000 share options and 250,000 warrants. In 2019, a new incentive programme of 250,000 warrants was introduced for Christian Käfling, the new head of M&A and business development.

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 the 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.

Applied input data in the Black-Scholes method was as follows:

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 2019
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, recalculation will be made if a dividend is paid.
Risk-free interest rate: -0.51%

The 2018 incentive program consisting of 250,000 warrants for Gustav Vadenbring (CFO) was cancelled in Q3 2019. The warrants were repurchased at an original value of SEK 435 thousand. A new incentive programme for management is scheduled to be launched during the first half of 2020.

SHARE-BASED PAYMENTS 2017

The 2017 AGM decided to introduce a new incentive programme consisting of 1,200,000 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 options were issued free of charge. Each option 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 options 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 2018, 600,000 of these options were forfeited and a further 300,000 were forfeited after the end of the financial year.

The total reported cost associated with the above share-based programme, which is settled with equity instruments, is EUR 21 (12) thousand for the 2019 financial year. The cost also includes the cost of social security contributions.

No. of options	Group		Parent Company	
Amounts in SEK	2019	2018	2019	2018
Outstanding at beginning of year	850,000	1,200,000	850,000	1,200,000
Granted during year	250,000	250,000	250,000	250,000
Forfeited during year	–	-600,000	–	-600,000
Repurchased during year	-250,000	–	-250,000	–
Exercised during year	-	-	-	-
Expired during year	-	-	-	-
Total outstanding at end of year	**850,000**	**850,000**	**850,000**	**850,000**
Weighted exercise price per option	11.93	14.60	11.93	14.60
Remaining weighted average contract period (years) for outstanding options	1.39	2.26	1.39	2.26

NOTE 16 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 costs directly attributable to bringing the asset to the location and condition necessary for it to be used, and estimated expenses for dismantling and removing the asset and restoring the location. Subsequent costs are included in the carrying amount of the asset or reported as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs for repairs and subsequent costs are recognised in the income statement in the period in which they arise.

Depreciation of property, plant and equipment is expensed so that the asset's cost of acquisition, less any residual value at the end of its useful life, is depreciated on a straight-line basis over its estimated useful life.

Depreciation begins when the item of property, plant and equipment is available for use. The useful lives of categories of property, plant and equipment for the current and comparative periods are as follows:

IT equipment 3-5 years
Office equipment 3-10 years

Estimated useful lives, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in assessments are reported prospectively.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the retirement or disposal of an asset consists of the difference between any net income on disposal of the asset and its carrying amount, recognised in profit or loss in the period in which the asset is derecognised.

Group	2019			2018		
Amounts in EUR thousands	Office equipment	IT equipment	Total	Office equipment	IT equipment	Total
Accumulated cost						
Opening balance	305	245	550	155	204	359
Investment	24	24	48	153	53	206
Disposals	-	-	0	−3	−12	−15
Closing balance	329	269	598	305	245	550
Accumulated depreciation						
Opening balance	−136	−190	-326	−129	−166	-295
Depreciation for the year	−45	−34	−79	−10	−35	−45
Disposals	-	-	0	3	11	14
Closing balance	−181	−224	−405	−136	−190	-326
Carrying amount at end of period	**148**	**45**	**193**	**169**	**55**	**224**

NOTE 17 GOODWILL

Goodwill arising in the preparation of the consolidated financial statements represents the difference between the cost of acquisition and the Group's share of the fair value of an acquired subsidiary's identifiable assets and liabilities on the acquisition date. On acquisition, goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment. When testing for impairment, goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition.

The Group's goodwill is solely related to HLM Malta and its subsidiaries' services, which represent a cash-generating unit.

A cash-generating unit to which goodwill has been allocated is tested annually for impairment, or more frequently if there is an indication that the cash-generating unit is impaired.

If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment is first allocated to the carrying amount of goodwill allocated to the cash-generating unit and subsequently to other assets, based on the carrying amount of each asset in the cash-generating unit. 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. Any goodwill impairment is recognised as an expense immediately and is not reversed.

When a cash-generating unit is sold, any goodwill allocated to the cash-generating unit is included in the calculation of the capital gain or loss on the sale.

Amounts in EUR thousands	2019	2018
Group		
Accumulated cost		
Opening balance	42,856	39,652
Investment	–	1,499
Exchange rate changes	–	1,705
Closing balance	**42,856**	**42,856**

The Board conducted goodwill impairment testing at 31 December 2019. It is the Board's assessment that the carrying amount of EUR 42,856 thousand is recoverable, based on the fact that cash flow generated by these assets is in line with or exceeds the estimated pre-acquisition forecasts.Goodwill is tested for impairment annually or more frequently if there are indications of impairment. 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 by reference to cash flow projections that reflect the actual return from operations in 2019 and an estimate for the years 2020-2024 (2018: the years 2019-2021), with an assumption of annual growth of 4.5 (15) percent. This corresponds to the Group's long-term assumption of inflation and the market's long-term growth. In the model, a terminal growth rate of 1.8 (2.0) percent, has been applied.

Assumptions are made when assessing future cash flows, and are mainly related to sales growth, operating margin, growth rate and discount rate. A sensitivity analysis has been prepared. A decline of 4 percent in the assumed operating margin (with other variables constant), an increase of 4 percent in the discount rate (with other variables constant) and a perpetual growth rate of 0 percent (with other variables constant) would not cause the carrying amount to exceed the value in use.

The projected cash flows have been discounted using a pre-tax discount rate of 13.7 percent.

NOTE 18 OTHER INTANGIBLE ASSETS

Capitalised development costs

Internally and externally generated intangible assets derived from the Group's development work on new and existing digital brands are only reported if the following conditions are met:

- it is technically feasible to complete the intangible asset and use or sell it;
- it is the Company's intention to complete the intangible asset and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- the Company shows how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- the expenses attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to report any internally generated intangible asset, development costs are recognised as an expense in the period in which they arise. After initial recognition, internally generated intangible assets are recognised at cost less accumulated amortisation and impairment. The estimated useful life is 4-5 years. Estimated useful lives and amortisation methods are reviewed at least at the end of each financial year, and the effects of any changes in assessments are reported prospectively.

Domains and affiliate contracts

Acquired intangible assets are reported in accordance with IFRS 3 and classified as domains and affiliate contracts. See note 28 Business combinations for more information.

Impairment of property, plant & equipment and intangible assets excl. goodwill

At each reporting date, the Group analyses the carrying amounts of property, plant & equipment and intangible assets to determine whether there is any indication that these assets have declined in value. If this is the case, the asset's recoverable amount is calculated in order to determine the value of any write-down. Where it is not possible to calculate the recoverable amount for an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet ready for use are tested annually for impairment, or when there is an indication of impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. When measuring value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash-generating unit) is determined to be lower than the carrying amount, the carrying amount of the asset (or the cash-generating unit) is written down to the recoverable amount. An impairment loss is immediately recognised as an expense in the income statement.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) increases to the remeasured recoverable amount, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in previous years A reversal of an impairment loss is recognised directly in the income statement.

Group Amounts in EUR thousands	Trademarks	Affiliate contracts	Software, Domains and other IP	Capitalised development expenses	Total
2019					
Accumulated cost					
Opening balance	503	1,457	990	347	3,297
Investment	-	58	2,966	34	3,058
Sales	-	-	-257	-	-257
Closing balance	503	1,515	3,699	381	6,098
Accumulated amortisation					
Opening balance	0	-265	-74	-275	-614
Amortisation for the year	-	-302	-98	-79	-479
Closing balance	0	-567	-172	-354	-1,093
Carrying amount at end of period	**503**	**948**	**3,527**	**27**	**5,005**
2018					
Accumulated cost					
Opening balance	503	624	98	347	1,572
Investment	-	833	892	-	1,725
Closing balance	503	1,457	990	347	3,297
Accumulated amortisation					
Opening balance	0	-40	-1	-275	-316
Amortisation for the year	-	-225	-73	-	-298
Closing balance	0	-265	-74	-275	-614
Carrying amount at end of period	**503**	**1,192**	**916**	**72**	**2,683**

Trademarks

The carrying amounts of trademarks are attributable to the affiliate business of PokerLoco Malta, which operates the sites pokerloco.com and casinoloco.com The acquisition of PokerLoco has been classified as a trademark as the major part of the acquisition related to the strong brand PokerLoco. Trademarks are classified as intangible assets with an indefinite useful life. Annual impairment testing is conducted for this type of asset by calculating the recoverable amount, based on value in use.

The Board has reviewed the trademark as at 31 December 2019 based on the plans for the near future and has determined that the trademark's recoverable amount does not differ materially from its carrying amount.

Capitalised development costs

The Company conducts continuous development of its own sites. Development work has been intensified in 2019, resulting in capitalised work for own account of EUR 565 (0) thousand. The estimated useful life is 5 years. Estimated useful lives and amortisation methods are reviewed at the end of each financial year or more frequently if required.

Domain rights and affiliate contracts

Domain rights and affiliate contracts are attributable to the acquisitions of MaxFreeBets in 2019, Webwiser in 2018 and Magnum Media in 2017. The assets have been reported in accordance with IFRS 3 Business Combinations. Affiliate contracts are amortised on a straight-line basis over a useful life of 5 years.

The Group has historically amortised domain rights based on an estimated useful life of 8 years. During the first quarter of 2019, Net Gaming reviewed the estimated useful life of domain rights and 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 used, and an indefinite useful life is therefore considered a better reflection of its actual use. See note 28 Business combinations for more information.

Acquisition of MaxFreeBets

In July 2019, Net Gaming acquired the domains and affiliate contracts of MaxFreeBets.co.uk in the regulated UK gaming market, which have been accounted for in accordance with IAS 38. Net Gaming paid EUR 1.6 million for the acquisition, with a maximum additional consideration of EUR 0.6 million due in June 2020. The acquisition has been settled in cash from existing cash resources. The acquisition was finalised on 1 July 2019.

NOTE 19 INVESTMENTS IN GROUP COMPANIES

Parent Company Amounts in EUR thousands	2019	2018
Accumulated cost		
Opening cost	31,586	34,416
Exchange rate changes	−5	–
Cost of investments in Group companies liquidated during the year	–	−2,830
Closing cost	**31,581**	**31,586**
Accumulated impairment		
Opening accumulated impairment	–	−2,831
Reversal of impairment	–	2,831
Closing accumulated impairment	**–**	**-**
Carrying amount at end of period	**31,581**	**31,586**

Specification of Parent Company's and Group's holdings of shares in Group companies Amounts in EUR thousands	2019	2018
Carrying amount subsidiaries of Net Gaming Europe AB		
PokerLoco Malta Limited	1	1
HLM Malta Limited	31,580	31,585
	31,581	**31,586**

Subsidiaries Amounts in EUR thousands	Reg'd office	Company's reg. no.	Percentage of shares and votes	No. of shares	Equity	Profit for the year
Subsidiaries of Net Gaming Europe AB						
PokerLoco Malta Limited	Malta	C 51645	100 %	1,200	831	139
HLM Malta Limited	Malta	C 75337	100 %	1,165	10,031	8,466
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		

The Board and management have tested the value of shares in subsidiaries at 31 December 2019 to determine whether there is any indication of impairment. Based on current earnings and plans for the foreseeable future, the Board and management have concluded that no provision needs to be made for impairment losses.

NOTE 20 RECEIVABLES FROM GROUP COMPANIES

Parent Company Amounts in EUR thousands	2019	2018
Receivables due in 2-5 years		
HLM Malta Limited	-	1,200
Loco Online Entertainment N.V	-	-
PokerLoco Malta Limited	-	-
Total non-current receivables from Group companies	**-**	**1,200**
Receivables due within 1 year		
HLM Malta Limited	784	515
Rock Intention Malta Limited	86	51
PokerLoco Malta Limited	19	–
Total current receivables from Group companies	**889**	**566**

NOTE 21 PREPAYMENTS AND ACCRUED INCOME

	Group		Parent Company	
Amounts in EUR thousands	2019	2018	2019	2018
Prepaid rental and lease payments	50	25	6	4
Other prepayments	20	110	20	11
Accrued interest	97	-	-	-
	167	**135**	**26**	**15**

NOTE 22 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.

	Group		Parent Company	
Amounts in EUR thousands	2019	2018	2019	2018
Cash and bank balances*	6,771	10,083	5,701	5,300
Bank accounts with payment service providers		11		–
	6,771	**10,094**	**5,701**	**5,300**

* EUR 563 thousand consists of restricted funds including deposits from customers and pledged assets in subsidiaries. These funds are not included in the Group's cash accounts in cash and bank balances.

NOTE 23 SHARE CAPITAL

Share capital on 31 December 2019 consists of 75,604,487 (75,604,487) shares with a par value of EUR 0.0252985 (SEK 0.26). Following the change of presentation currency on 1 January 2019, share capital was converted from SEK 19,657,167 to EUR 1,912,678 .Transaction costs directly attributable to the issue of new shares or options are recognised in equity, net of tax, as a deduction from the issue proceeds.

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.

Reserves refer to exchange differences when translating foreign operations into SEK, which are reported in other comprehensive income.

Parent Company	2019	2018
Number of registered shares on reporting date	75,604,487	75,604,487
Share capital (EUR) on reporting date	1,913,050	
Share capital (SEK) on reporting date		19,657,167

NOTE 24 BORROWING

	Group		Parent Company	
Amounts in EUR thousands	2019	2018	2019	2018
Nominal amount	29,483	36,495	29,483	36,495
Prepaid transaction costs	−207	−618	−207	−618
Carrying amount	**29,276**	**35,877**	**29,276**	**35,877**

Borrowing consists of a bond loan amounting to SEK 308 (375) million, excluding the bonds of SEK 67 million which were repurchased during Q4 2019. The bond matures in September 2020 and was listed for institutional trading on Nasdaq Stockholm's Corporate Bonds List on 7 November 2017. The bond has a variable interest rate of Stibor 3m + 7.25%. In March 2020, the Company has made further repurchases of its own corporate bonds on the market corresponding to a nominal amount of SEK 55 million. Refinancing of the business is ongoing and reached a milestone in April 2020, when the largest bond holders (43.1 percent) voted for an extension of the bond loan to September 2022 by written procedure. The Company expects to find out whether the two-year extension has been accepted in May 2020.
The refinancing process is expected to be completed in May 2020.

Transaction costs for bond loans

Net Gaming recognises loan liabilities initially at fair value, after transaction costs, and thereafter at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition. This means that premiums and discounts and direct issue costs are amortised over the term of the liability.

NOTE 25 ACCRUALS AND DEFERRED INCOME

Amounts in EUR thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Accrued salaries and social security contributions	211	154	97	67
Accrued interest expenses	89	141	89	141
Accrued audit fees and consultancy expenses	12	156	–	85
Accrued fees	2	–	–	–
Other accruals	144	90	63	2
	458	**541**	**249**	**295**

NOTE 26 DISCONTINUED OPERATIONS

At 31 December 2019, the former segment gaming operations is classified as a discontinued operation and its results are presented as an amount in the consolidated statements of comprehensive income. The following table summarises revenue and costs for the discontinued operation. The carrying amount of the divested assets and liabilities is immaterial.

Amounts in EUR thousands	Group 2018
Revenue	181
Total revenue	**181**
Operating expenses, gaming operations	−131
Capitalised work for own account	44
Marketing expenses	−103
Other external expenses	−191
Personnel expenses	−47
Other operating income	139
Other operating expenses	–
EBITDA	**−108**
Depreciation/amortisation	−38
Operating profit (EBIT)	**−146**
Profit/loss from financial items	
Impairment of financial assets	−4
Profit/loss from financial items	**−4**
Profit before tax	**−150**

NOTE 27 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.

Amounts in EUR thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Shares in subsidiaries pledged as collateral for bonds	49,956	51,361	31,581	31,586

The Parent Company has pledged the Company's entire shares in the subsidiary HLM Malta Limited as collateral for the payment of all outstanding amounts for the bond loan, including accrued interest and any costs.

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 28 BUSINESS COMBINATIONS

Subsidiaries are accounted for using the acquisition method. The purchase consideration for a business combination is measured at the acquisition-date fair value, which is calculated as the sum of the acquisition-date fair values of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquiree.

Acquisition-related expenses are recognised in the income statement when they arise.

The purchase consideration also includes the acquisition-date fair value of the assets or liabilities that result from a contingent consideration agreement. Changes in the fair value of contingent consideration, which result from additional information obtained after the acquisition date about facts and circumstances that existed on the acquisition date, qualify as adjustments during the valuation period and are adjusted retrospectively, with a corresponding adjustment of goodwill. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is reported in equity. All other changes in the fair value of contingent consideration are recognised in profit or loss.

The identifiable assets acquired and liabilities assumed are recognised at the acquisition-date fair value, with the following exceptions:

- Deferred tax assets or liabilities, and liabilities or assets related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits.
- Liabilities or equity instruments attributable to the acquiree's share-based payment awards or to the replacement of the acquiree's share-based payment awards with share-based payment awards of the acquirer are measured on the acquisition date in accordance with IFRS 2 Share-based Payment.
- Assets (or disposal group) classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

For business combinations where the total of the purchase consideration transferred, any non-controlling interests, and the acquisition-date fair value of the acquirer's previous equity interest in the acquiree, exceeds the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill in the statement of financial position. If the difference is negative, this is recognised as a bargain purchase gain in the income statement after a review of the difference.

For each business combination, previous non-controlling interests in the acquiree are measured either at fair value or at the value of the NCI's proportionate share of the acquiree's identifiable net assets.

In 2019, acquisitions of domains and affiliate contracts of MaxFreeBets.co.uk were conducted in accordance with IAS 38. For further information, see note 18 other intangible assets.

NOTE 29 RELATED-PARTY TRANSACTIONS

Salaries and benefits to Board members and the CEO are shown in note 8. The Parent Company has a related party relationship with its subsidiaries and their subsidiaries, see notes 19 and 20.

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

Since the financial year 2014, the Parent Company has a loan liability of SEK 2,000 thousand to 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	2019	2018
Sale of services to Group companies	532	256
Finance income from Group companies	71	335
Interest expenses to other related parties	–14	–16
Receivables from Group companies	889	1,766
Carrying amount of receivables from Group companies	**889**	**1,766**
Liabilities to other related parties	–356	–347

NOTE 30 FINANCIAL INSTRUMENTS

Group, 31/12/2019 Amounts in EUR thousands	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial assets at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment	-	193	-	-	-	193
Right-of-use assets	-	366	-	-	-	366
Goodwill	-	42,856	-	-	-	42,856
Other intangible assets	-	5,005	-	-	-	5,005
Other non-current receivables	116	-	-	-	-	116
Deferred tax assets	-	156	-	-	-	156
Trade receivables	1,559	-	-	-	-	1,559
Other current receivables	750	-	-	-	-	750
Prepayments and accrued income	-	167	-	-	-	167
Cash and cash equivalents	6,771	-	-	-	-	6,771
Total	**9,196**	**48,743**	**-**	**-**	**-**	**57,939**
Other non-current liabilities	-	-	-	29,276	-	29,276
Trade payables	-	-	-	266	-	266
Liabilities to Parent Company	-	-	-	356	-	356
Other liabilities	-	-	-	1,156	-	1,156
Lease liabilities	-	-	-	365	-	366
Accrued expenses	-	-	-	458	-	457
Total	**-**	**-**	**-**	**31,877**	**-**	**31,877**

Group, 31/12/2018 Amounts in EUR thousands	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial assets at amortised cost	Non-financial liabilities	Total carrying amount
Property, plant and equipment	-	224	-	-	-	224
Goodwill	-	42,856	-	-	-	42,856
Other intangible assets	-	2,683	-	-	-	2,683
Other non-current receivables	457	-	-	-	-	457
Deferred tax assets	-	536	-	-	-	536
Trade receivables	1,873	-	-	-	-	1,873
Other current receivables	183	-	-	-	-	183
Prepayments and accrued income	-	135	-	-	-	135
Cash and cash equivalents	10,094	-	-	-	-	10,094
Total	**12,607**	**46,434**	**-**	**-**	**-**	**59,041**
Other non-current liabilities	-	-	-	35,877	-	35,877
Trade payables	-	-	-	760	-	760
Liabilities to Parent Company	-	-	-	347	-	347
Other liabilities	-	-	-	396	-	396
Accrued expenses	-	-	-	541	-	541
Total	**-**	**-**	**-**	**37,921**	**-**	**37,921**

Parent Company, 31/12/2019 Amounts in EUR thousands	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial assets at amortised cost	Non-financial liabilities	Total carrying amount
Investments in Group companies	-	31,581	-	-	-	31,581
Current receivables from Group companies	889	-	-	-	-	889
Other receivables	24	-	-	-	-	24
Prepayments and accrued income	-	26	-	-	-	26
Cash and cash equivalents	5,701	-	-	-	-	5,701
Total	**6,614**	**31,607**	**-**	**-**	**-**	**38,221**
Other non-current liabilities	-	-	-	29,276	-	29,276
Trade payables	-	-	-	14	-	14
Liabilities to Parent Company	-	-	-	356	-	356
Other current liabilities	-	-	-	600	-	600
Accruals and deferred income	-	-	-	249	-	249
Total	**-**	**-**	**-**	**30,495**	**-**	**30,495**

Parent Company, 31/12/2018 Amounts in EUR thousands	Financial assets at amortised cost	Non-financial assets	Financial liabilities at fair value	Financial assets at amortised cost	Non-financial liabilities	Total carrying amount
Investments in Group companies	-	31,586	-	-	-	31,586
Non-current receivables from Group companies	1,200	-	-	-	-	1,200
Current receivables from Group companies	566	-	-	-	-	566
Other receivables	22	-	-	-	-	22
Prepayments and accrued income	-	15	-	-	-	15
Cash and cash equivalents	5,300	-	-	-	-	5,300
Total	**7,088**	**31,601**	**-**	**-**	**-**	**38,689**
Other non-current liabilities	-	-	-	35,877	-	35,877
Trade payables	-	-	-	12	-	12
Liabilities to Parent Company	-	-	-	347	-	347
Other current liabilities	-	-	-	9	-	9
Accruals and deferred income	-	-	-	295	-	295
Total	**-**	**-**	**-**	**36,540**	**-**	**36,540**

NOTE 31 FINANCIAL RISKS

The Board and the Group strive to minimise the Group's risk exposure. This note describes the Group's exposure to financial risks and how these may affect the Group's future financial position. The Group's exposure to financial risks includes currency risk, liquidity risk, interest rate risk, and counterparty and credit risk. Financial risk management is coordinated through the Parent Company, from which the Group's financing is arranged.

Currency risks

The Group's international operations mean that the Company is exposed to currency risks, primarily linked to the USD and SEK, and the Group's financing is arranged in SEK. The Group does not enter into forward contracts or hedging to protect itself against currency exposure, which means that exchange rate changes can have a negative and a positive impact on the Group's financial position and earnings. The Group's equity is also affected by exchange rate changes when subsidiaries' earnings, assets and liabilities are translated to EUR (translation effects).

Net Gaming significantly reduced its currency exposure by changing the presentation currency from SEK to EUR with effect from 1 January 2019. The Group's key balance sheet items on the reporting date are listed below in the original currency.

	USD 000	Carrying amount EUR 000	SEK 000	Carrying amount EUR 000
Closing rate		*0.89015*		*10.4468*
Intangible assets	23	20	-	-
Deferred tax assets	391	348	-	-
Trade receivables	21	18	-	-
Cash and bank balances	98	87	51,763	4,955
Borrowing	-	-	−305,842	−29,275
Currency exposure, net	**533**	**473**	**−254,079**	**−24,320**

The net currency exposure in USD at 31 December 2019 is USD 533 thousand, corresponding to EUR 474 thousand. A 5 percent change in the USD/EUR exchange rate at 31 December 2019 would decrease/increase the Group's reported assets by EUR 24 thousand, with a corresponding effect on the Group's equity. The net currency exposure in SEK at 31 December 2019 is SEK 254 million, corresponding to EUR 24,320 thousand. A 5 percent change in the SEK/EUR exchange rate at 31 December 2019 would decrease/increase the Group's reported assets by EUR 1,216 thousand, with a corresponding effect on the Group's equity. The change in presentation currency to EUR has significantly reduced the Group's exposure to exchange rate changes.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to discharge their future financial obligations when they fall due for payment. Prudent liquidity risk management means that the Group holds sufficient liquid funds and financing opportunities for the business. Liquidity risk is monitored at Group level by ensuring that sufficient funds are available to each subsidiary in the Group. 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 2019 Amounts in EUR thousands	Within 1 year	1-2 years	2-3 years	Total
Unsecured bond loan	29,483	-	-	29,483
Lease liabilities	152	213	-	365
Trade payables	266	-	-	266
Other current liabilities and accrued expenses	1,970	-	-	1,970
	31,871	**213**	**-**	**32,084**

As stated in the Board of Directors' report, a refinancing process is in progress as of the date of issue of this annual report. Refinancing or capital contributions are a prerequisite for the Company to discharge its financial obligations and this therefore represents a risk. See page 42 for more information. The Company regularly monitors liquidity and has a strong cash position.

As the business model allows a high cash generation of 85-90 percent, the Company's debt level is rapidly declining.

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 and allow sufficient financing for the expansion of operations.

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 maintain or adjust the capital structure.

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.

Interest rate risk

The Group's exposure to interest rate risk is primarily attributable to the bonds issued with variable interest rates. Other financial assets and liabilities are normally interest-free if settled when due. The Group continuously monitors interest rate risk and believes it is not significant in view of the relatively low debt/equity ratio due to the revenue generated from acquisitions and operating activities.

At 31 December 2019, the Group's and the Parent Company's interest-bearing liabilities excluding accrued interest amounted to EUR 29.3 million. The nominal value was EUR 29.5 (36.5) million. An increase of one percentage point in the interest rate would increase the Group's and the Parent Company's interest expenses by EUR 296 (366) thousand, all other things being equal. A decline of one percentage point would result in a corresponding decline. Equity would also be affected by approximately EUR +/- 296 (366) thousand.

Counterparty risk and credit risk

Credit risk is the risk of financial loss for the Group if a customer or counterparty to a financial instrument fails to discharge its contractual obligations, and is mainly associated with the Group's trade receivable. The carrying amount of financial assets represents the maximum credit exposure. The Group limits its exposure to credit risk from trade receivables by regularly evaluating customers' creditworthiness with the help of market knowledge, past experience and cooperation.

The Group's financial transactions give rise to credit risk in relation to financial counterparties.

The table below shows credit risks for cash and cash equivalents and other receivables

Amounts in EUR thousands	2019	2018
Cash and cash equivalents	6,771	10,094
Trade receivables	1,559	1,873
Other receivables	750	183
Other non-current receivables	116	457
Total	**9,196**	**12,607**

The Group's exposure to credit risk is mainly affected by the specific characteristics of each customer. However, management also considers factors that may affect the credit risk for its customer base, including solvency risk associated with the industry and the country where the customers operate. The Group does not require collateral for trade and other receivables. The Group does not have trade receivables for which compensation for losses is not reported due to collateral. The Group uses a provision matrix with a fixed provision rate to measure expected credit losses on trade receivables from individual customers, which are very many, but with small balances.

Loss levels are calculated using the roll rate method, based on the probability that a receivable will flow through several levels until write-off. Roll rates are calculated separately for exposures in different segments based on the following common characteristics for credit risks – geographical

region and market potential where the customer operates. Expected losses are based on established credit losses over the last three years.

These losses are multiplied by scale factors to reflect differences between geographical regions and market potential where the customer operates.

Scale factors are based on actual and forecast credit ratings, GDP growth, the inflation rate and unemployment in the country in which each customer operates.

On this basis, the loss allowance for the Group at 31 December 2019 was determined by applying an expected loss level ranging from 0.5% to 9% on gross receivables at the same date, resulting in a loss allowance of EUR 51 thousand for the Group.

The Company's cash & cash equivalents are primarily kept in stable financial institutions with high credit ratings, such as Swedbank, Bank of Valletta and MeDirect. The Company's credit risk is therefore considered immaterial.

NOTE 32 RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below presents the year's change in the Group's liabilities associated with financing of the business. The table includes current and non-current financial liabilities. The opening and closing balances also include the liability for accrued interest.

Amounts in EUR thousands	Bond[4] including accrued interest	Convertible debentures	Loans from Parent Company including accrued interest	Lease liabilities	Additional consideration liability[5]	Total
Opening balance, 1 January 2018	**37,180**	**3,372**	**346**	**-**	**5,511**	**46,409**
Cash flow from financing activities[1]	-	-	-	-	-	-
Acquisition of subsidiaries[2]	-	-	-	-	−5,511	−5,511
Effect of changed exchange rate[2]	−1,540	−1	−15	-	-	−1,556
Change in amortised cost	362	144	-	-	-	506
Conversion to shares/Set-off issue	-	−3,401	-	-	-	−3,401
Other changes[3]	-	−98	16	-	-	−82
Closing balance, 31 December 2018	**36,002**	**16**	**347**	**-**	**-**	**36,365**

Amounts in EUR thousands	Bond[4] including accrued interest	Convertible debentures	Loans from Parent Company including accrued interest	Lease liabilities	Additional consideration liability[5]	Total
Opening balance, 1 January 2019	**36,002**	**16**	**347**	**238**	**-**	**36,603**
Cash flow from financing activities[1]	−5,951	-	-	-	-	−5,951
Acquisition of intangible assets	-	-	-	-	556	556
Effect of changed exchange rate[2]	−743	-	−5	-	-	−748
Change in amortised cost	395	-	-	-	-	395
Conversion to shares/Set-off issue	−305	-	-	-	-	−305
Other changes[3]	−33	−16	14	127	20	112
Closing balance, 31 December 2019	**29,365**	**-**	**356**	**365**	**576**	**30,662**

[1] Cash flow from financing is the net of the year's new loans and loan repayments, see the cash flow statement for gross accounting of the item.
[2] Non-cash movements in financing activities.
[3] Other changes include accrued interest and payments.
[4] The bond, excluding capitalised arrangement fees (EUR 207 thousand) and accrued interest (EUR 89 thousand), amounts to EUR 29,483 thousand at 31 December 2019.
[5] Additional consideration liabilities are reported in other liabilities in the balance sheet.

At 31 December 2019, the Group's net interest-bearing liabilities (excluding capitalised arrangement fees and additional purchase consideration, and less cash) amounted to EUR 23,522 (26,873) thousand.

NOTE 33 APPROPRIATION OF THE COMPANY'S PROFITS

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

Amounts in EUR	
Share premium reserve	12,420,842
Retained earnings	−12,188,370
Profit for the year	5,581,201
	5,813,673

The Board proposes that the amount at the disposal of the AGM, EUR 5,813,673, be carried forward.

NOTE 34 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Robert Andersson new CEO

In February, the Board of Net Gaming Europe AB appointed Robert Andersson as new President and CEO with immediate effect. The purpose of the change is to create better conditions for Net Gaming to return to growth while maintaining profitability and to generate shareholder value in the short and long term.

In connection with the change, Marcus Teilman left his position as CEO and has also resigned from the Board at his own request. Robert Andersson has long experience in iGaming and digital media, having most recently been CEO of the listed company Enlabs AB and previously CEO of Catena Media Ltd. Robert has a proven track record of leading companies through extensive change phases, creating growth and strengthening corporate cultures.

Information about Q1 2020 and the impact of COVID-19

Due to the current COVID-19 situation and after postponements and cancellations of sport events globally, the Company provided an update on Q1 2020 with a summary of the potential short-term effects of COVID-19. At the same time, the Company also decided to postpone the Annual General Meeting to 25 June 2020 and the publication of the Annual Report to 30 April 2020.

90% of Net Gaming's revenue is expected to be generated from the Casino and Poker verticals in Q1 2020. The two verticals developed well in March, with increasing traffic, and no negative effect can be seen after the COVID-19 outbreak. Demand for casino and poker traffic is currently showing a positive trend which is expected to continue during Q2 2020. Net Gaming currently has limited exposure to betting as only 9% of the Company's total revenue is expected to be generated from the vertical in Q1 2020. The Company therefore expects a limited effect from the many cancelled sports events globally. Net Gaming also expects some of the betting revenue that would have been realised in the first half of 2020 to be postponed to the second half of 2020 or to 2021, depending on when and whether the postponed events are re-timetabled. Direct costs related to the sports betting vertical are relatively low and there are only a few employees currently working directly with sports betting assets.
The health and safety of employees and partners is of the highest priority for Net Gaming. The Company follows the government's advice in each jurisdiction and has adopted a contingency plan to minimise any disruptions to operations and to ensure the safety of both Net Gaming's employees and partners. Employees are able to work from home and physical meetings have been replaced with virtual alternatives. The Company's productivity has remained intact and the Company has not experienced any damage to its operational operations to date.

Further bond repurchases

In March 2020, the Company made further repurchases of its own corporate bonds on the market corresponding to a nominal amount of SEK 55 million. The repurchases are related to the Company's own bond which has an outstanding nominal amount of SEK 375 million. Including previously communicated repurchases of SEK 67 million, Net Gaming's repurchased bonds amount to SEK 122 million.

Milestone in refinancing process

Refinancing of the business is ongoing and reached a milestone in April 2020, when the largest corporate bondholders (43.1 percent) voted for an extension of the bond to September 2022 by written procedure. The Company expects to learn whether the two-year extension has been accepted in May 2020.

Launch of BettingGuideNJ.com and betting section on Pokerlistings

After the end of the quarter, the Company has launched BettingGuideNJ.com, the second of several planned niche sites in the United States. This launch, together with CasinoGuideNJ.com and the re-launch of Pokerlistings.com, creates good conditions in the US market. The Company has also launched a betting section on Pokerlistings and social gaming in the US market.

The Parent Company's and the Group's income statements and balance sheets will be submitted to the Annual General Meeting for preliminary adoption on 23 May 2019.

The Board of Directors and the CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the Group's financial position and performance. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial performance and position.

The Corporate Governance Report and The Board of Directors' Report for the Group and the Parent Company provide a fair overview of the development of the Group and the Parent Company's operations, financial position and performance and describes material risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 29 April 2020

Henrik Kvick
CHAIRMAN

Jonas Bertilsson
BOARD MEMBER

Fredrik Rüdén
BOARD MEMBER

Peter Åström
BOARD MEMBER

Our audit report was submitted on 29 April 2020
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
AUTHORISED PUBLIC ACCOUNTANT

Audit Report

To the Annual General Meeting of Net Gaming Europe AB (publ), reg. no. 556693-7255

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Net Gaming Europe AB (publ) for the year 2019. The Company's annual accounts and consolidated accounts are included in this document on pages 42-82.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the Parent Company's financial position at 31 December 2019 and its financial performance and cash flows 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 at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's and the Group's Audit Committee, pursuant to Article 11 of Regulation (EU) No. 537/2014 on the Statutory Audit of Public-Interest Entities.

Basis for opinions

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, to the best of our knowledge, no prohibited services listed in article 5.1 of Regulation (EU) No. 537/2014 on the Statutory Audit of Public-Interest Entities have been provided to the audited entity, or where appropriate, to its parent undertaking and to its controlled undertakings within the European Union.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Information of particular importance

Without prejudice to our statements above, we would draw attention to the fact that the Board of Directors' report states, on page 44 under the heading "Significant events after the end of the period", that the Company is in a financing process as of the date of submission of the annual report. Furthermore, the report states, on pages 45-47 in the section "Significant risks and uncertainties" under the heading "Refinancing risk/liquidity risk" that the Company's bond must be refinanced and, if the refinancing is not accepted, it could affect the Company's ability to continue as a going concern as well as negatively affecting the business in other ways.

OUR AUDIT APPROACH

- EUR 400 thousand materiality threshold, which corresponds to about 5% of profit before tax
- our audit provides a high level of coverage of the Group and we cover virtually all external revenues and earnings in full
- Valuation of goodwill

Focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas where the Managing Director and Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and forecasts regarding future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Managing Director and Board overriding internal controls, including, among other things, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these annual accounts and consolidated accounts.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including overall Group materiality for the financial statements (see table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of individual and aggregate misstatements on the financial statements as a whole.

The Group's threshold for materiality: EUR 400 thousand

How we determined the figure: 5% of profit before tax

Justification for choice of threshold for materiality: Net Gaming is a profit-oriented business. Earnings before tax is therefore considered a relevant starting point for our materiality assessment. We have agreed with the Audit Committee that we will report misstatements in excess of EUR 40 thousand identified during our audit and any misstatements below that amount if in our opinion this is justified on qualitative grounds.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of the annual accounts and consolidated accounts as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of goodwill Goodwill amounts to EUR 42.8 million at the reporting date, corresponding to 74% of total assets. Information on the Company's goodwill valuation can be found in note 17 on pages 69-70 of this annual report. Annual impairment testing is required in order to determine whether goodwill and intangible assets with an indefinite useful life should continue to be recognised or whether an impairment loss needs to be recognised. According to management's assessment, the Group is a cash flow-generating unit and has therefore been tested for impairment as one unit. The test aims to test the goodwill value, i.e. whether the carrying amount of the tested asset exceeds its recoverable amount or not. The calculation of the impairment test is based on management's estimates and assumptions about the future with regard to factors such as revenues, margins and discount rates. Any development that deviates negatively from the assumptions included in the testing may result in impairment. The impairment testing prepared by Net Gaming does not indicate any impairment.	**The most significant audit measures we conducted in this area:** • Examination of Net Gaming's impairment testing model to assess mathematical accuracy and reasonableness of the assumptions made. • Spot checks of whether the data included in the impairment testing is in accordance with Net Gaming's established and approved budgets. • Sensitivity analyses where the effects of changes in assumptions and estimates are analysed to identify when and to what extent changes to them result in impairment. • Examination of whether disclosures in accordance with the disclosure requirements of IAS 36 Impairment have been provided in the annual report.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is presented on pages 1-41. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance or conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our 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, we also take into account our knowledge otherwise obtained in the audit and assess whether the information appears to be materially misstated.

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

Responsibility 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 for ensuring 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 the going concern and use of 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 intend to liquidate the company, cease operations, or have no realistic alternative but to do so.

Auditor's responsibility
Our objective is 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 our 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Net Gaming Europe AB (publ) for the year 2019 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting 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
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of the Board of Directors and the Managing Director
The Board is responsible for the proposal concerning appropriations of the Company's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the Company's and the Group's operations 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 organisation and the administration of its affairs. This includes, among other things, continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organisation is designed so that accounting, management of assets and the Company's financial affairs are otherwise 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, shall take measures that are necessary to handle the Company's accounting in accordance with law and to conduct the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and therefore our 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 could give rise to liability to the Company
- in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposed appropriations of the Company's profit or loss, and therefore our opinion regarding same, is to assess with a 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.

A further description of our responsibility for the audit of the administration can be found on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

Öhrlings PricewaterhouseCoopers AB was appointed as the auditor for Net Gaming Europe AB (publ) by the Annual General Meeting on 23 May 2019 and has been the Company's auditor since that date.

Stockholm, 29 April 2020
Öhrlings PricewaterhouseCoopers AB

Aleksander Lyckow
AUTHORISED PUBLIC ACCOUNTANT

Definitions and key figures

Definitions of key figures

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, in accordance with IFRS 3.
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.
Net debt/EBITDA 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.

The Group's key figures	01/01/2019 31/12/2019	01/01/2018 31/12/2018
EBITDA margin	58%	67%
Operating margin	53%	66%
Organic growth	-25%	12%
Equity/assets ratio	45%	36%
Return on equity	21%	54%
Equity per share (EUR)	0,34	0,28
Number of registered shares at end of period	75,604,487	75,604,487
Weighted average number of shares before dilution	75,604,487	72,476,411
Weighted average number of shares after dilution	75,604,487	72,476,411
Earnings per share after dilution, continuing operations	0.065	0.107
Market price per share at end of period (SEK)	4.01	9.78
EPS growth (%)	-39%	E/T

Information for shareholders

FINANCIAL CALENDAR

Reports	
Interim report January-March 2020:	20 May 2020
Interim report April-June 2020:	13 August 2020
Interim report July-September 2020:	12 November 2020

2020 AGM	
2020 AGM	25 June 2020

CONTACT

For further information, please contact

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CONTACT WITH INVESTORS

The CEO and CFO are responsible for providing shareholders, investors, analysts and the media with relevant information. During the year, Net Gaming participated in a number of capital market activities. The Company also held regular analyst meetings.
Financial reports, press releases and other information are available from the publication date on Net Gaming's website: http://www.netgaming.se/investor-relations/. It is also possible to subscribe to press releases and reports on the website. Printed copies of the annual report are sent on request.

CERTIFIED ADVISOR

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

Net Gaming's annual report is published in Swedish and in an English translated version. In the event of differences between the versions, the Swedish version shall take precedence over the English version.

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