

# Q2

INTERIM REPORT  
JANUARY–JUNE 2018



**FINN**  
AND THE SWIRLY SPIN™

\* Please note that this is a translation for information purposes only – in case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

**NETENT**  
BETTER GAMING™

# Q2

## INTERIM REPORT JANUARY–JUNE 2018

### Second quarter 2018

- Revenues for the second quarter amounted to SEK 437 (413) million
- EBITDA amounted to SEK 202 (187) million, a margin of 46.3 (45.2)%
- Operating profit (EBIT) amounted to SEK 149 (147) million, a margin of 34.0 (35.6)%
- Profit after tax of SEK 139 (136) million
- Earnings per share of SEK 0.58 (0.57) before and after dilution
- 8 (6) new customer agreements signed, and 7 (8) new customers' casinos launched

### First half-year 2018

- Revenues for the first half-year amounted to SEK 867 (806) million
- EBITDA amounted to SEK 384 (350) million, a margin of 44.3 (43.5)%
- Operating profit (EBIT) amounted to SEK 283 (274) million, a margin of 32.6 (34.0)%
- Profit after tax of SEK 285 (251) million
- Earnings per share of SEK 1.19 (1.04) before and after dilution
- 14 (21) new customer agreements signed, and 15 (14) new customers' casinos launched

### Important events in the second quarter

- The AGM elected Fredrik Erbing as new Chairman of the Board of Directors
- The Board appointed Therese Hillman as new CEO
- Five new slot games released, including *Archangels Salvation*, *Lost Relics* and *Jumanji*
- Beta-launched slot games for Social Casino
- Signed customer agreement with Hard Rock in New Jersey

### Quote from Therese Hillman, Group CEO

*"During the quarter, we came up with a plan and started taking action in several areas to strengthen our customer offering, cut lead times, and free up resources for new commercial projects. These changes are necessary for us to reassert our strong market position in online casino. I look forward to a busy autumn, focused on the turnaround of NetEnt, with improved efficiency and many new products and growth initiatives that all have players and customers in focus."*

Summary in figures (kSEK)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Operating revenues	437,194	412,815	867,282	806,278	1,636,078
EBITDA	202,292	186,675	384,320	350,456	739,655
EBITDA margin	46.3%	45.2%	44.3%	43.5%	45.2%
Operating profit (EBIT)	148,806	147,080	282,905	273,903	581,636
Operating margin	34.0%	35.6%	32.6%	34.0%	35.6%
Cash flow from operating activities	223,598	184,253	430,956	336,531	666,061
Cash flow for the period	-362,547	-405,831	-204,785	-326,730	-113,901
Cash and cash equivalents at end of period	195,494	168,923	195,494	168,923	387,035

## Comments by Therese Hillman, Group CEO

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Revenues for NetEnt increased by 5.9 percent (-0.8 percent in euro) to SEK 437 million in the second quarter of 2018. The operating profit (EBIT) increased by 1.2 percent to SEK 149 million, representing a margin of 34.0 (35.6) percent. Cash flow after investments increased by 35.8 percent to SEK 178 (131) million in the quarter.

We continue to see that our core markets in the Nordics and the UK are maturing, and competition has increased. During the quarter, we came up with a plan and started taking action in several areas to strengthen our customer offering, cut lead times, and free up resources for new commercial projects. These changes are necessary for us to reassert our strong market position in online casino. At the same time, we continue to review our cost structure to improve scalability across the business, and we have started to see a lower pace of cost growth. We continue to target higher revenue growth than cost growth.

At the beginning of June, the Swedish parliament approved the new gambling law, and our preparations ahead of the Swedish market re-regulation has intensified since then. We aim to have a broad selection of our games certified when the new licensing system starts on January 1, 2019 and work closely with our customers on all fronts to ensure a successful market entry right from the start.

We released five new slot games in the quarter: *Archangels Salvation™*, *Lost Relics™*, *Jumanji™*, *Witchcraft Academy™* and *Bollywood Story™*. The latter two titles had previously been customer-exclusive and were released to the rest of our customers in June. The innovative game *Jumanji™* combines slots and board game features and has been well received by players. So far, three weeks since its launch, it is our best game release this year.

I also follow the development of our upcoming new games with great interest. Among other things, we will present a new game concept with the launch of *BerryBurst™* in August, which is based on player feedback and insights. A new initiative is the beta-launch of our games in the form of Social Casino games on Facebook, which in the longer-term perspective could add new revenues and strengthen our game brands with players on many different markets. Through this initiative, we capitalize on our existing digital assets.

With regards to Live Casino, the new product called *Live Beyond Live* was launched on desktop for Mr Green at the end of May, and since that we have noticed a steady increase in number of players, bets and gamewin. Just in time for the FIFA World Cup, we introduced a new type of functionality for Live Casino, called *Sports Betting Widget*, which allows players to place bets on sports without leaving the roulette table. As a first step, the feature has been rolled out to a handful of customers. We see good demand for our bespoke, virtual multi-table solutions – *Live Beyond Live* being the first such product – and expect to launch new customer-exclusive tables for several customers this year.

Regionally, we saw similar developments as in the first quarter. Growth in locally regulated markets continued at a high pace, especially in Southern and Eastern Europe, while overall revenue growth was negatively impacted by a weaker development in the Nordics and in the UK. The share of revenues from locally regulated markets was 36 (32) percent in the quarter. In the US, we now see some positive signs after the Supreme Court decision in May that paves the way for sports betting to be legalized in New Jersey and other US states. Thanks to our presence in New Jersey, we are in a good position to enter other US states if and when they open for online casino.

Mobile games continued to contribute to our growth and accounted for 58 (56) percent of total gamewin in the quarter. Our ambition is to offer the best mobile games for the online casino market, and therefore we were really pleased to win the award in the category called *Innovation in Mobile* at the EGR B2B Awards in June.

I look forward to a busy autumn focused on the turnaround of NetEnt, with improved efficiency and many new products and growth initiatives that all have players and customers in focus.



*Therese Hillman*  
Group CEO, NetEnt

## New agreements and customers

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In the second quarter, 8 (6) new license agreements were signed and 7 (8) new customers' casinos were launched.

### Customers to be launched

At the end of the period, NetEnt held agreements with 28 (36) new customers that had not yet been launched.

## Revenues and results

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Total revenues amounted to SEK 437.2 (412.8) million in the second quarter, an increase of 5.9 percent compared to the corresponding period in 2017 (-0.8 percent in euro terms).

The number of game transactions amounted to 10.8 billion in the second quarter, representing an increase of 7.0 percent compared to same quarter of the previous year. The difference in growth rates for revenues and game rounds can be explained by decreasing average bet size per transaction in our games over the past years, due to a growing player base as well as a change in regional mix. The average bet size per transaction is generally higher in the Nordic countries and the difference compared to other markets is particularly large for mobile games.

Nearly all the Company's revenues consist of royalty fees, which are calculated and charged as a percentage of game win (player bets minus wins) generated by NetEnt's games for its customers. The average royalty level remained unchanged in the quarter compared to the same period in the previous year.

Slot games represented 91 percent of game win (player bets minus player wins) in the quarter and table games accounted for 9 percent.

Revenues are affected by the development of the Swedish krona in relation to other currencies, particularly EUR and GBP. The main part of revenues is invoiced and accounted for in euros, then translated and reported in Swedish krona. A weaker SEK has a positive effect on reported revenues. During the second quarter of 2018, the Swedish krona weakened by 6.7 percent against the euro compared to the same period in 2017 and by 3.7 percent compared to the previous quarter. Against the British pound, the Swedish krona weakened by 4.8 percent compared to the same quarter of last year and by 4.5 percent compared to the previous quarter.

Operating profit in the second quarter increased by 1.2 percent to SEK 148.8 (147.1) million. The operating margin was 34.0 percent in the quarter compared to 35.6 percent in the corresponding period of the previous year.

Operating expenses increased by 8.5 percent compared to the same quarter of 2017, primarily due to more staff in Live Casino and higher depreciation, attributable to newly launched products and currency effects.

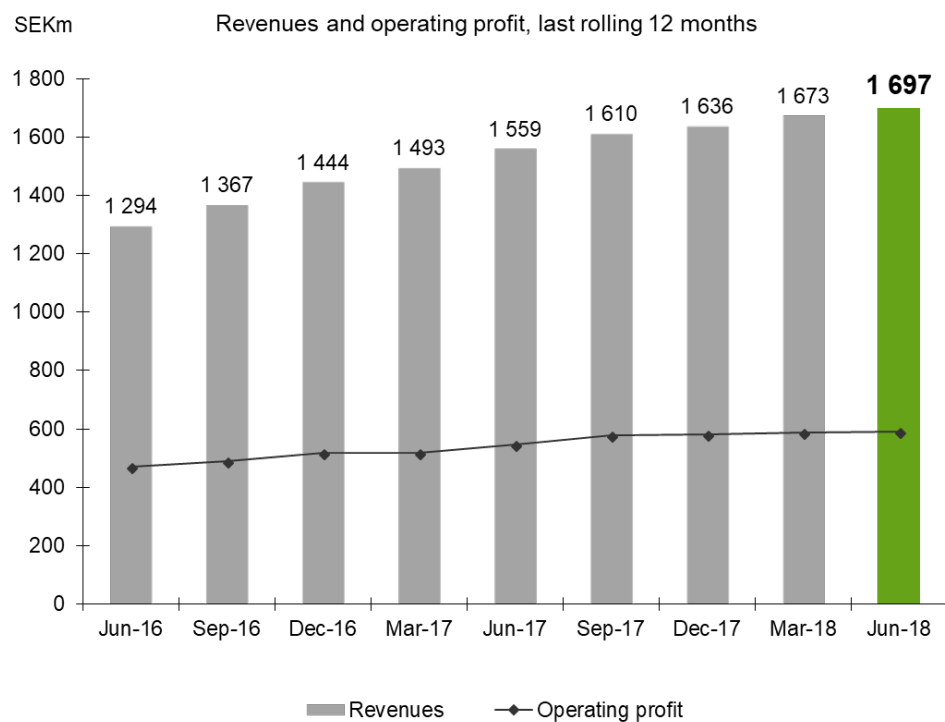
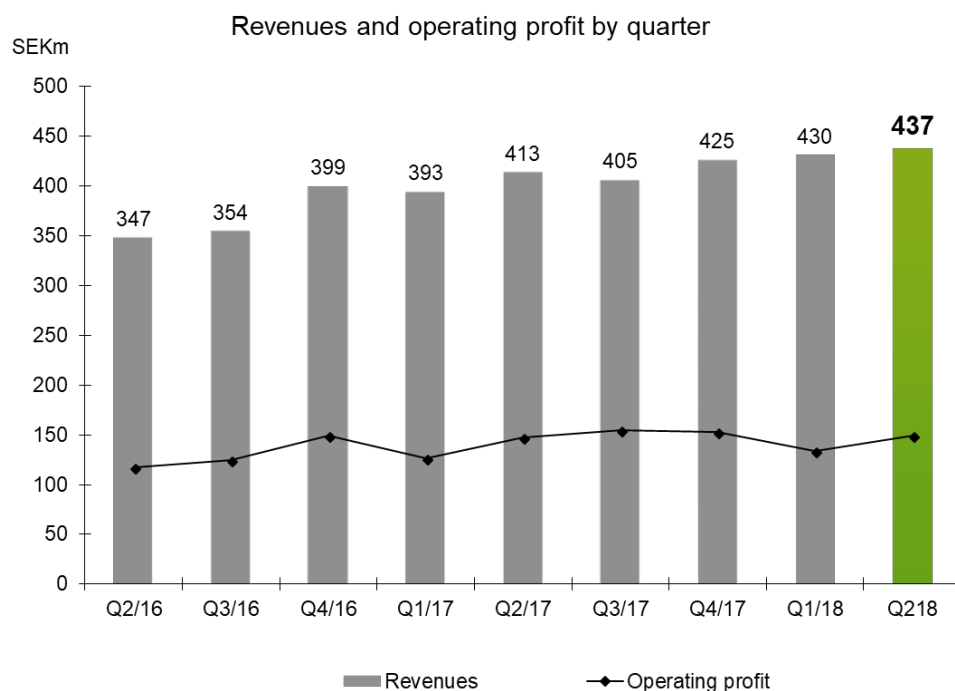
Depreciation and amortization are also affected by the development of SEK versus EUR as they are booked in EUR and then translated to SEK for the Group's financial reporting. Except for depreciation and amortization, the main part of the Group's costs occurs in SEK but the share of costs reported in other currencies represented 46 (41) percent in the period.

Financial items amounted to SEK 3.1 (2.1) million for the quarter and mainly consist of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities consisting primarily of intercompany transactions, as well as the interest earned on cash and cash equivalents. Exchange rate fluctuations periodically also lead to effects on inter-company balances that are included in the financial items.

### Seasonal variations

The first and second quarters are normally not characterized by any seasonal effects. The third quarter is usually affected by vacations, which often leads to somewhat lower increases in both revenues and personnel costs, while historically the fourth quarter has featured higher sales volumes.

Revenues and operating profit by quarter and last rolling twelve months are shown in the charts below.

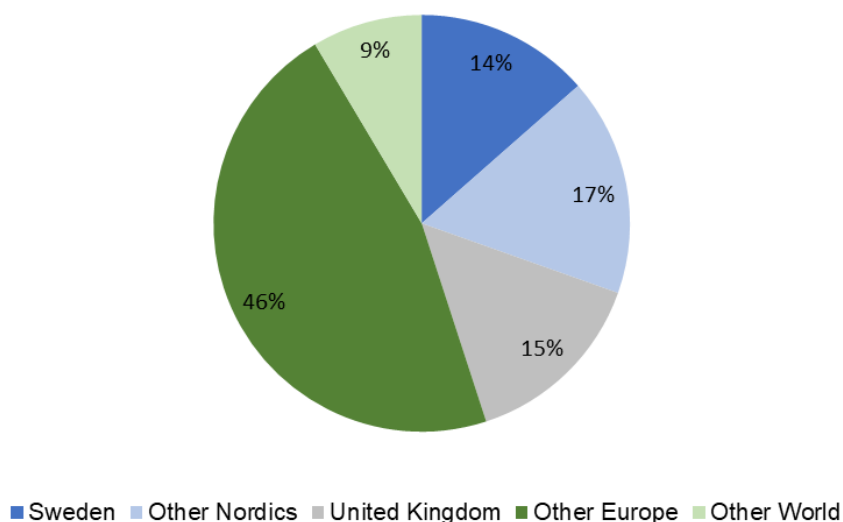




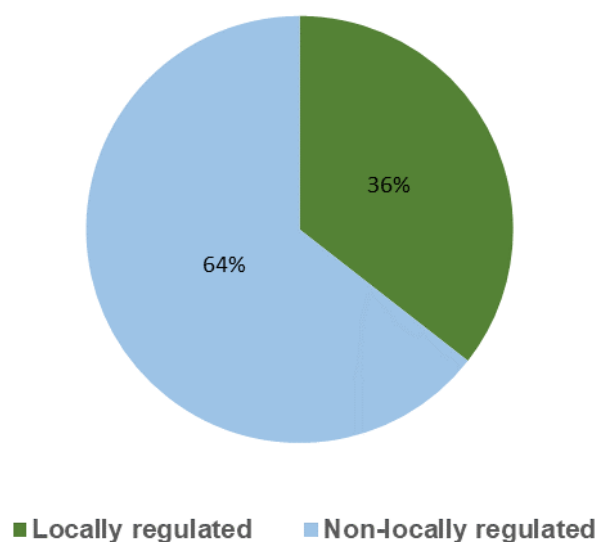
## Breakdown of gamewin in the second quarter

Locally regulated markets accounted for 36 (32) percent of the total gamewin in NetEnt's games in the second quarter. Regionally, the split was the following: Sweden 14 (14)%, Other Nordics 17 (20)%, United Kingdom 15 (15)%, Other Europe 46 (42)% and Rest of the world 9 (10)%. The charts below illustrate the gamewin split by geographic region and between locally regulated and non-locally regulated markets in the quarter.

*Gamewin breakdown by region in the second quarter*



*Gamewin breakdown in the second quarter – locally regulated markets*



## Investments

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The Group's investments in intangible assets amounted to SEK 38.3 (40.0) million and investments in property, plant, and equipment totaled SEK 7.6 (13.4) million in the quarter.

Investments in intangible assets consist of development of new games, technical adjustments related to regulatory requirements and software licenses. Notable larger development projects in the quarter were the ongoing platform enhancement and development of new games, including projects related to Live Casino.

The growing number of customers and new markets also requires investments in hardware. Investments in property, plant and equipment are primarily made up of servers and other computer hardware to meet new technical standards and sustain capacity and performance as the business expands and new products are being introduced.

## Cash and cash equivalents, financing and financial position

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The Group's cash flow from operating activities amounted to SEK 223.6 (184.3) million in the quarter. Cash flow from investing activities amounted to SEK -45.9 (-53.3) million in the quarter. Further details about the investing activities can be found in the section about investments above. The Group's cash and cash equivalents amounted to SEK 195.5 (168.9) million at the end of the period. The Group's available credit lines were SEK 50 (50) million of which none had been utilized at the end of the period. Cash held on behalf of licensees was SEK 56.4 (130.0) million on June 30, 2018.

## Summary of the first six months of 2018

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Revenues during the period of January-June 2018 amounted to SEK 867.3 (806.3) million, an increase of 7.6 percent (1.7 percent in euros) compared to the same period in 2017. Operating profit amounted to SEK 282.9 (273.9) million and the operating margin was 32.6 (34.0) percent. NetEnt signed 14 (21) new license agreements during the six-month period and casinos of 15 (14) new customers were launched.

The Group's acquisitions of intangible assets amounted to SEK 74.9 (76.8) million for the first six months. Investments in property, plant, and equipment amounted to SEK 20.6 (49.7) million.

The Group's cash flow from operating activities for the first six months amounted to SEK 431.0 (336.5) million. Cash flow from financing activities amounted to SEK -540.3 (-536.7) million and the main item was ordinary cash distribution to shareholders in the form of an automatic redemption program, carried out in the second quarter.

## Events after the end of the period

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At the beginning of July, NetEnt's games were launched in the online casino of Hard Rock Hotel & Casino Atlantic City, for the regulated market in New Jersey, USA.

## Market

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The online gaming market has shown growth in recent years. The global gamewin for online gaming, including all game segments, has been estimated at EUR 40.7 billion for 2017, an increase of 10 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 10.5 billion for 2017, representing an increase of 9 percent for the year (*source: H2 Gambling Capital, May 2018*). Europe is by far the largest gaming market and is expected to represent close to half of the gross gaming yield in the coming years.

NetEnt holds licenses and certifications in the following regulated markets: Malta, Gibraltar, Alderney, Isle of Man, Denmark, Italy, Belgium, United Kingdom, Spain, Bulgaria, Romania, Portugal, Serbia, Estonia, Latvia, Czech Republic, Mexico, British Columbia (Canada) and New Jersey (USA, transactional waiver).

Deregulation and reregulation of national gambling laws is taking place in many countries and NetEnt closely monitors the development in these countries. In Sweden, the parliament approved a new gambling law that will come into force on January 1, 2019. Political initiatives are also underway in other European countries to re-regulate the national gambling markets, for instance in the Netherlands and Switzerland.

Today, the majority of NetEnt's customers are in Europe and the Company will continue to focus on the European market, but expansion into North America is also expected to contribute to long-term growth. In the US, a few states have opened for online gaming: Nevada (poker), Delaware (all games) and New Jersey (all games). NetEnt applied for a license in New Jersey in 2015 and has since that had a temporary license (transactional waiver) to distribute games to several operators in the state, while its full license application is being reviewed. In Pennsylvania, a new gaming legislation has recently been adopted that allows online casino gaming, and NetEnt intends to apply for a license in the state. NetEnt is continuously monitoring developments in other US states that are close to regulating and the Company intends to launch its products on these markets if the conditions are right. In Canada, the market is regulated and open for online casino in several provinces such as Ontario, British Columbia and Quebec. As a first step to enter Canada, NetEnt has obtained a license in British Columbia.

### **About NetEnt**

NetEnt AB (publ) is a leading digital entertainment company, providing premium gaming solutions to the world's most successful online casino operators. Since its inception in 1996, NetEnt has been a true pioneer in driving the market with thrilling games powered by a cutting-edge platform. NetEnt is committed to helping customers stay ahead of the competition, is listed on Nasdaq Stockholm (NET-B) and employs more than 1,000 people in Malta, Stockholm, Gothenburg, Gibraltar, Kiev, Krakow and New Jersey. For more information, please visit [www.netent.com](http://www.netent.com).

### **Personnel and organization**

At the end of the period, the number of employees was 816 (744). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 1,011 (963) persons. The increase occurred in Live Casino and account management. These numbers are defined as the number of full-time employee equivalents for the period.

### **Parent Company**

Revenues in the Parent Company come from services provided to subsidiaries. Product development costs are not capitalized in the Parent Company as the development projects are ordered and owned by subsidiaries in Malta.

The Parent Company's revenues amounted to SEK 205.0 (206.3) million and operating profit was SEK 14.1 (12.5) million in the second quarter. The operating margin was 6.9 (6.1) percent. Operating profit is primarily affected by the proportion of the Parent Company's costs that are billed to other Group companies and the intercompany pricing applied. The price level is controlled by independent comparative studies of similar services and can vary over time if the general price level on the market has changed. Financial items include currency effects on inter-company transactions and dividends. Profit after tax was SEK 11.9 (11.9) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 0.2 (6.0) million and investments in intangible assets were SEK 0.3 (0.5) million for the period, the latter primarily consisting of software investments. Cash and cash equivalents in the Parent Company amounted to SEK 11.0 (44.0) million at the end of the period.

### **Accounting policies**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34 Interim Financial Reporting.



The accounts for the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report, with the exceptions described below.

IFRS 15 is applied for the annual reporting period beginning January 1, 2018. NetEnt has implemented the new standard using the full retrospective method with adjustments to all periods presented regarding when in time the Company recognizes revenue and expenses attributable to setup fees. The difference from previous accounting standards applied is that these revenue and expenses now is accrued over the term of the contract, usually three years, in relation to earlier when these were recognized in connection to the signing of the customer agreement. For further information and specifications regarding this application and adjustments of all periods presented refer to pages 16-20 in this report.

IFRS 9 addresses new principles regarding hedge accounting and classification and measurement of financial assets. Financial instruments that are recognized in the statement of financial position includes on the asset side cash and cash equivalents, trade receivables, other current receivables and other securities held as non-current assets. On the liability side there are trade payables, other current liabilities and borrowings (including finance lease liabilities). IFRS 9 requires financial assets to be classified based on the Company's business model for managing the financial assets as well as the characteristics of the contractual cash flows of the financial assets. Under IFRS 9, the business model assessment permits a financial asset to be classified at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows with the fair value through profit or loss as the residual category for financial instruments. The concept is categorized as 'hold to collect'. The Company's business model is "hold to collect" and the asset is classified at amortised cost. The transition to IFRS 9 have no material impact on the Company's classification and measurement of financial assets and on the provision for expected credit losses.

For further information on the accounting standards, please see the most recent annual report at [www.netent.com](http://www.netent.com). Amounts are expressed in kSEK (thousands of Swedish kronor) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year. SEKm stands for millions of Swedish kronor.

### **Risks and uncertainties**

NetEnt's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. The management's general view of the risks that may affect operations has not changed compared to the description given in the most recently published annual report. For a detailed description of the risk profile, see NetEnt's 2017 annual report, pages 52-55 and pages 99-100.

### **Cash distribution to shareholders**

The Annual General Meeting on April 25, 2018, decided to distribute SEK 540.3 (540.3) million to shareholders, which corresponds to SEK 2.25 (2.25) per share, through an automatic share redemption program. The cash was distributed to shareholders at the beginning of June through Euroclear.

### **Presentation of interim report**

On Friday, July 13, 2018, at 9.00 a.m. the interim report will be presented by CEO Therese Hillman live via a combined telephone conference and webcast. The presentation can be followed in real-time on NetEnt's website, the link to the webcast is: <https://tv.streamfabriken.com/netent-q2-2018>

### **Financial information**

NetEnt intends to distribute financial reports on the dates below.

Interim report January – September 2018  
Earnings report and report for the fourth quarter 2018

October 25, 2018  
February 12, 2019

Financial reports, press releases, and other information are available from the date of publication on NetEnt's website [www.netent.com](http://www.netent.com).

The Board of Directors and the CEO certify that the report gives a true and fair view of the operations, position, and results of the Group and Parent Company and describes principal risks and uncertainties facing NetEnt and its group companies.

Stockholm, July 12<sup>th</sup>, 2018

Fredrik Erbing  
Chairman of the Board

Jenny Rosberg  
Board Member

Maria Hedengren  
Board Member

Peter Hamberg  
Board Member

Michael Knutsson  
Board Member

Pontus Lindwall  
Board Member

Maria Redin  
Board Member

Therese Hillman  
Group CEO

Questions may be directed to:  
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Group CEO  
Phone: +46 8 5785 4500  
[therese.hillman@netent.com](mailto:therese.hillman@netent.com)

This report has not been subject to special review by the Company's auditor.

### Publication

This information is information that NetEnt AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on July 13, 2018.

### Legal disclaimer

Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, the effectiveness of copyright for computer systems, technological developments, exchange rates fluctuations and interest rates and political risks.

## Condensed consolidated income statement and statement of total income for the Group (kSEK)

<b>INCOME STATEMENT</b>	<b>Apr-Jun 2018</b>	<b>Apr-Jun 2017</b>	<b>Jan-Jun 2018</b>	<b>Jan-Jun 2017</b>	<b>Jan-Dec 2017</b>
Revenues	436,696	412,085	865,890	803,931	1,630,552
Other revenues	498	730	1,392	2,347	5,527
<b>Total operating revenues</b>	<b>437,194</b>	<b>412,815</b>	<b>867,282</b>	<b>806,278</b>	<b>1,636,078</b>
Personnel expenses	-131,839	-116,132	-268,262	-229,366	-458,045
Depreciation and amortization	-53,486	-39,595	-101,415	-76,553	-158,019
Other operating expenses	-103,064	-110,008	-214,699	-226,456	-438,378
<b>Total operating expenses</b>	<b>-288,389</b>	<b>-265,735</b>	<b>-584,376</b>	<b>-532,375</b>	<b>-1,054,442</b>
<b>Operating profit</b>	<b>148,806</b>	<b>147,080</b>	<b>282,905</b>	<b>273,903</b>	<b>581,636</b>
Financial income	12,965	2,673	48,569	14,180	18,882
Financial expense	-9,816	-566	-21,743	-13,956	-20,575
<b>Financial items</b>	<b>3,149</b>	<b>2,107</b>	<b>26,825</b>	<b>224</b>	<b>-1,693</b>
<b>Profit before tax</b>	<b>151,954</b>	<b>149,187</b>	<b>309,731</b>	<b>274,126</b>	<b>579,943</b>
Tax on the period's profit	-12,612	-13,340	-24,550	-23,239	-32,695
<b>Profit for the period</b>	<b>139,342</b>	<b>135,846</b>	<b>285,181</b>	<b>250,887</b>	<b>547,247</b>
<i>Earnings per share before dilution (SEK)</i>	<i>0.58</i>	<i>0.57</i>	<i>1.19</i>	<i>1.04</i>	<i>2.28</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.58</i>	<i>0.57</i>	<i>1.19</i>	<i>1.04</i>	<i>2.28</i>
Average number of shares outstanding					
- before dilution	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
- after dilution	240,130,860	240,131,415	240,130,860	240,143,804	240,130,860
Profit for the period attributable to Parent Company shareholder	139,342	135,846	285,181	250,887	547,247
<b>STATEMENT OF TOTAL INCOME</b>					
<b>Profit for the period</b>	139,342	135,846	285,181	250,887	547,247
Other total income					
<b>Other total income</b>					
<b>Other total income items that may be reclassified to net income</b>					
<b>Exchange rate differences arising from the translation of foreign operations</b>	<b>6,475</b>	<b>229</b>	<b>23,772</b>	<b>4,585</b>	<b>17,654</b>
Sum of other total income for the period, net after tax	6,475	229	23,772	4,585	17,654
<b>Total income for the period attributable to Parent Company shareholders</b>	<b>145,817</b>	<b>136,075</b>	<b>308,953</b>	<b>255,472</b>	<b>564,901</b>

## Condensed consolidated balance sheets (kSEK)

<b>ASSETS</b>	<b>Jun. 30, 2018</b>	<b>Jun. 30, 2017</b>	<b>Dec. 31, 2017</b>
Intangible assets	344,371	285,144	318,208
Property, plant, and equipment	142,408	142,341	151,345
Other long-term receivables	26,708	19,685	32,562
<b>Total non-current assets</b>	<b>513,478</b>	<b>447,170</b>	<b>502,115</b>
Accounts receivable	57,542	33,066	55,786
Other receivables	77,892	75,477	74,843
Prepaid expenses and accrued revenues	220,136	219,727	214,958
Funds held on behalf of licensees	56,428	130,015	82,535
Cash and cash equivalents	195,494	168,923	387,035
<b>Total current assets</b>	<b>607,493</b>	<b>627,208</b>	<b>815,157</b>
<b>TOTAL ASSETS</b>	<b>1,120,979</b>	<b>1,074,378</b>	<b>1,317,272</b>

<b>EQUITY AND LIABILITIES</b>	<b>Jun. 30, 2018</b>	<b>Jun. 30, 2017</b>	<b>Dec. 31, 2017</b>
Share capital	1,205	1,205	1,205
Other capital contributed	93,812	93,735	93,812
Reserves	48,322	11,498	24,550
Retained earnings including profit for the period	536,697	495,433	791,810
<b>Total equity</b>	<b>680,036</b>	<b>601,870</b>	<b>911,378</b>
Prepayments from customers	26,011	43,953	52,306
Deferred tax liability	12,598	14,455	11,341
<b>Total long-term liabilities</b>	<b>38,609</b>	<b>58,408</b>	<b>63,647</b>
Accounts payable	25,917	32,701	44,421
Current tax liabilities	34,718	39,489	25,628
Other liabilities	183,490	209,529	145,811
Accrued expenses and prepaid revenues	158,208	132,381	126,387
<b>Total current liabilities</b>	<b>402,335</b>	<b>414,100</b>	<b>342,247</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,120,979</b>	<b>1,074,378</b>	<b>1,317,272</b>

## Condensed consolidated cash flow statements

(kSEK)	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Operating profit	148,806	147,304	282,905	274,126	581,636
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	53,486	39,595	101,415	76,553	158,019
Other	6,722	-182	8,684	-480	-4,666
Interest received	-	11	-	11	12
Interest paid	-602	-566	- 972	-1,045	-1,292
Income tax paid	-10,822	-11 751	-17 011	-17,617	-40,879
<b>Cash flow from operating activities before changes in working capital</b>	<b>197,590</b>	<b>174,411</b>	<b>375,022</b>	<b>331,548</b>	<b>692,830</b>
Changes in working capital	26,009	9,843	55,934	4,983	-26,769
<b>Cash flow from operating activities</b>	<b>223,598</b>	<b>184,253</b>	<b>430,956</b>	<b>336,531</b>	<b>666,061</b>
Acquisition of intangible assets	-38,300	-39,964	-74,872	-76,847	-156,363
Acquisition of property, plant, and equipment	-7,551	-13,371	-20,576	-49,665	-86,900
<b>Cash flow from investing activities</b>	<b>-45,851</b>	<b>-53,335</b>	<b>-95,447</b>	<b>-126,512</b>	<b>-243,262</b>
Received premium for share option rights	-	3,545	-	3,545	3,647
Repurchase of warrants	-	-	-	-	52
Transfer to shareholders	-540,294	-540,294	-540,294	-540,294	-540,294
<b>Cash flow from financing activities</b>	<b>-540,294</b>	<b>-536,749</b>	<b>-540,294</b>	<b>-536,749</b>	<b>-536,700</b>
<b>Cash flow for the period</b>	<b>-362,547</b>	<b>-405,831</b>	<b>-204,785</b>	<b>-326,730</b>	<b>-113,901</b>
Cash and cash equivalents at beginning of period	560,878	573,460	387,035	494,497	494,497
FX differences in cash and cash equivalen	-2,837	1,293	13,244	1,156	6,438
<b>Cash and cash equivalents at end of period</b>	<b>195,494</b>	<b>168,923</b>	<b>195,494</b>	<b>168,923</b>	<b>387,035</b>



## Condensed consolidated changes in equity (kSEK)

<b>2017</b>	<b>Share capital</b>	<b>Other capital contributed</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Opening equity Jan. 1, 2017	1,205	90,189	6,897	824,785	923,076
Received premium for share option rights	-	3,623	-	-	3,623
Cash distribution to shareholders	-	-	-	-540,294	-540,294
Total income for the period Jan-Dec	-	-	17,654	552,436	570,090
IFRS 15 adjustment *	-	-	-	-45,117	-45,117
<b>Closing equity Dec. 31, 2017</b>	<b>1,205</b>	<b>93,812</b>	<b>24,550</b>	<b>791,810</b>	<b>911,378</b>

<b>2018</b>	<b>Share capital</b>	<b>Other capital contributed</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Opening equity Jan. 1, 2018	1,205	93,812	24,550	791,810	911,378
Received premium for share option rights	-	-	-	-	-
Cash distribution to shareholders	-	-	-	-540,294	-540,294
Total income for the period Jan-Jun	-	-	23,772	285,181	308,953
<b>Closing equity Jun. 30, 2018</b>	<b>1,205</b>	<b>93,812</b>	<b>48,322</b>	<b>536,697</b>	<b>680,036</b>

There is no minority interest in the Group. Thus, all equity is attributed to the Parent Company's shareholders.

<sup>\*)</sup> Retroactive adjustment of total income 2017 according to IFRS 15.

The Company presents some financial measures in this interim report, which are not defined by IFRS. The Company believes that these measures provide valuable additional information to investors and management for evaluating the Company's financial performance and financial position. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies. These non-IFRS measures should not be considered as substitutes to financial reporting measures prepared in accordance with IFRS. The tables below show some measures that are not defined by IFRS.

## Consolidated key data and figures for the Group

	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b><u>Financial measures defined by IFRS:</u></b>					
Operating revenues (kSEK)	437,194	412,815	867,282	806,278	1,636,077
Earnings per shares before dilution (SEK)	0.58	0.57	1.19	1.04	2,28
Earnings per shares after dilution (SEK)	0.58	0.57	1.19	1.04	2,28
Average number of outstanding shares before dilution	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Average number of outstanding shares after dilution	240,130,860	240,131,415	240,130,860	240,143,804	240,130,860
Number of outstanding shares at period's end before dilution	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Number of outstanding shares at period's end after dilution	240,130,860	241,073,160	240,130,860	241,073,160	240,130,860
<b><u>Alternative Performance Measures:</u></b>					
Operating revenues (kEUR)	42,327	42,662	85,490	84,053	169,848
Operating margin (percent)	34.0	35.6	32.6	34.0	35.6
EBITDA margin (percent)	46.3	45.2	44.3	43.5	45.2
Effective tax rate (percent)	8.3	8.9	7.9	8.5	5.6
Return on equity, rolling 12 months (percent)	68.3	63.1	68.3	63.1	67.4
Equity/assets ratio (percent)	60.7	56.0	60.7	56.0	69.2
Quick ratio (percent)	151.0	151.5	151.0	151.5	238.2
Net interest-bearing liabilities (kSEK) <sup>(1)</sup>	-195,494	-168,923	-195,494	-168,923	-387,035
Net debt/equity ratio (multiple)	-0.3	-0.3	-0.3	-0.3	-0.4
Equity per share before dilution (SEK) <sup>(2)</sup>	2.83	2.51	2.83	2.51	3.80
Equity per share after dilution (SEK) <sup>(2)</sup>	2.83	2.50	2.83	2.50	3.80
Average number of employees	814	741	807	729	750
Employees at period's end	816	744	816	744	810
Employees and external resources at period's end	1,011	963	1,011	963	1,013

(1) A negative figure means that the Group has a net cash position (cash in excess of interest-bearing liabilities).

(2) Adjusted for the share split 6:1 in May 2016.

## Consolidated key data and figures by quarter for the Group

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
<b><u>Financial measures defined by IFRS:</u></b>									
Operating revenues (kSEK)	437.2	430.1	425.0	404.8	412.8	393.5	398.9	353.8	347.2
Cash and cash equivalents (SEKm) <sup>(3)</sup>	195.5	560.9	387.0	144.7	168.9	573.5	494.5	412.8	275.4
Funds held on behalf of licensees (SEKm)	56.4	75.4	210.4	43.7	130.0	218.0	213.2	157.2	159.4
<b><u>Alternative Performance Measures:</u></b>									
Operating revenues (EURm)	42.3	43.2	43.4	42.4	42.7	41.4	41.0	37.1	37.4
Operating profit (SEKm)	148.8	134.1	152.7	155.1	147.1	126.8	149.6	124.4	117.1
Operating margin (percent)	34.0	31.2	35.9	38.3	35.6	32.2	37.5	35.2	33.7
EBITDA margin (percent)	46.3	42.3	45.7	48.1	45.2	41.6	46.7	45.0	43.5
Growth in SEK vs prior year (percent)	5.9	9.3	6.5	14.4	18.9	14.2	24.3	25.8	28.4
Growth in EUR vs prior year (percent)	-0.8	4.3	5.8	14.2	13.9	12.0	19.6	23.6	29.3
Growth in SEK vs prior quarter (percent)	1.7	1.2	5.0	-1.9	4.9	-1.4	12.8	1.9	0.8
Growth in EUR vs prior quarter (percent)	-1.9	-0.6	2.5	-0.7	3.1	0.9	10.6	-0.9	1.4
Equity/assets ratio (percent)	60.7	70.7	69.2	68.0	56.0	70.3	66.1	65.0	64.7
Return on equity rolling 12 months (percent)	89.5	69.5	67.4	66.6	63.1	59.4	63.8	63.8	64.8
Net debt/equity ratio (multiple)	-0.3	-0.5	-0.4	-0.2	-0.3	-0.6	-0.6	-0.6	-0.4
Share price at end of period <sup>(2)</sup>	47.90	41.94	56.50	63.20	73.65	72.00	70.30	78.50	83.00
Earnings per share after dilution (SEK) <sup>(2)</sup>	0.58	0.61	0.64	0.59	0.56	0.48	0.60	0.47	0.45
Book equity per share (SEK) <sup>(2)</sup>	2.83	4.47	3.80	3.07	2.51	4.16	3.68	3.10	2.58
Cash flow from operations per share (SEK) <sup>(2)</sup>	0.93	0.86	1.24	0.13	0.77	0.63	0.66	0.74	0.66
Average number of employees	814	800	789	746	741	717	674	641	604

## Reconciliation to IFRS

(SEKm)	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
<b><u>EBITDA</u></b>									
Profit for the period	139.3	145.8	154.7	141.6	135.8	115.0	143.9	114.4	108.4
Tax on profit for the period	12.6	11.9	-2.2	11.6	13.3	9.9	9.9	10.1	9.7
Financial items	3.1	23.7	-0.1	-1.8	2.1	-1.9	4.2	0.2	1.1
Depreciation & Amortization	53.5	47.9	41.7	39.8	39.6	37.0	36.6	34.7	33.9
<b>EBITDA</b>	<b>202.3</b>	<b>182.0</b>	<b>194.3</b>	<b>194.9</b>	<b>186.7</b>	<b>163.8</b>	<b>186.3</b>	<b>159.1</b>	<b>150.9</b>
<b><u>Net interest-bearing liabilities</u></b>									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-
Cash and cash equivalents <sup>(3)</sup>	-195.5	-560.9	-387.0	-144.7	-168.9	-573.5	-494.5	-412.8	-275.4
<b>Net interest-bearing liabilities <sup>(1)</sup></b>	<b>-195.5</b>	<b>-560.9</b>	<b>-387.0</b>	<b>-144.7</b>	<b>-168.9</b>	<b>-573.5</b>	<b>-494.5</b>	<b>-412.8</b>	<b>-275.4</b>
<b><u>Quick ratio</u></b>									
Total current assets	607.5	995.3	815.2	627.4	627.2	991.9	942.2	782.7	611.1
Total current liabilities	402.3	378.9	342.2	287.8	414.1	364.4	404.3	356.1	295.9
<b>Quick ratio (percent)</b>	<b>151.0</b>	<b>262.7</b>	<b>238.2</b>	<b>218.0</b>	<b>151.5</b>	<b>272.2</b>	<b>233.1</b>	<b>219.8</b>	<b>206.5</b>

(1) A negative figure means that the Group has a net cash position (cash in excess of interest-bearing liabilities).

(2) Adjusted for split 6:1 that occurred in May 2016.

(3) Excluding funds held on behalf of licensees.

## IFRS 15. effects and specifications

### Specification of revenues

*Amounts in kSEK*

Geographic breakdown	Apr-Jun 2018		Apr-Jun 2017		Jan-Jun 2018		Jan-Jun 2017	
	kSEK	Percent	kSEK	Procent	kSEK	Procent	kSEK	Procent
Sweden	397	0.1%	126	0.0%	755	0.1%	1,111	0.1%
Malta	192,005	43.9%	208,064	50.4%	383,612	44.2%	397,787	49.3%
Other countries	244,792	56.0%	204,625	49.6%	482,915	55.7%	407,380	50.5%
<b>Total revenues</b>	<b>437,194</b>	<b>100.0%</b>	<b>412,815</b>	<b>100.0%</b>	<b>867,282</b>	<b>100.0%</b>	<b>806,278</b>	<b>100.0%</b>

Type of revenue	Apr-Jun 2018		Apr-Jun 2017		Jan-Jun 2018		Jan-Jun 2017	
	kSEK	Percent	kSEK	Procent	kSEK	Procent	kSEK	Procent
Royalties	425,483	97.3%	392,824	95.2%	844,153	97.3%	786,179	97.5%
Setup fees	11,213	2.6%	19,261	4.7%	21,737	2.5%	17,752	2.2%
Other income	498	0.1%	730	0.2%	1,392	0.2%	2,347	0.3%
<b>Total revenues</b>	<b>437,194</b>	<b>100.0%</b>	<b>412,815</b>	<b>100.0%</b>	<b>867,282</b>	<b>100.0%</b>	<b>806,278</b>	<b>100.0%</b>

Timing for revenue recognition	Apr-Jun 2018		Apr-Jun 2017		Jan-Jun 2018		Jan-Jun 2017	
	kSEK	Percent	kSEK	Procent	kSEK	Procent	kSEK	Procent
Performance commitment fulfilled at a certain time	425,981	97.4%	393,554	95.3%	845,545	97.5%	788,526	97.8%
Performance commitment fulfilled over a period of time	11,213	2.6%	19,261	4.7%	21,737	2.5%	17,752	2.2%
<b>Total revenues</b>	<b>437,194</b>	<b>100.0%</b>	<b>412,815</b>	<b>100.0%</b>	<b>867,282</b>	<b>100.0%</b>	<b>806,278</b>	<b>100.0%</b>

### The IFRS 15 reporting effects the comparable numbers for historical periods

The change of accounting standard to IFRS 15 generates adjustments on earlier reported revenues, expenses and related tax regarding ongoing contracts for setup fees are capitalized and reported as prepaid revenues and prepaid expenses. Prepaid revenues and expenses that are more than 12 months from the balance sheet date are reported as prepayments from customer and other long-term receivables.

## Effects on revenues, expenses and profit

<i>Amounts in kSEK</i>	<b>Apr-Jun 2017</b>	<b>Jan-Jun 2017</b>	<b>Jan-Dec 2017</b>
Reported revenues	412,339	815,897	1,646,817
<i>IFRS 15 recalculation</i>	476	-9,619	-10,739
<b>Recalculated revenues</b>	<b>412,815</b>	<b>806,278</b>	<b>1,636,078</b>
Reported expenses	-267,351	-534,672	-1,059,719
<i>IFRS 15 recalculation</i>	1,616	2,297	5,277
<b>Recalculated expenses</b>	<b>-265,735</b>	<b>-532,375</b>	<b>-1,054,442</b>
Reported operating profit	144,988	281,225	587,098
<i>IFRS 15 recalculation</i>	2,092	-7,322	-5,462
<b>Recalculated operating profit</b>	<b>147,080</b>	<b>273,903</b>	<b>581,636</b>
Reported financial items	2,107	224	-1,693
<i>IFRS 15 recalculation</i>	-	-	-
<b>Recalculated financial items</b>	<b>2,107</b>	<b>224</b>	<b>-1,693</b>
Reported profit before tax	147,095	281,449	585,405
<i>IFRS 15 recalculation</i>	2,092	-7,322	-5,462
<b>Recalculated profit before tax</b>	<b>149,187</b>	<b>274,127</b>	<b>579,943</b>
Reported tax on profit	-13,235	-23,604	-32,969
<i>IFRS 15 recalculation</i>	-105	366	273
<b>Recalculated tax on profit</b>	<b>-13,340</b>	<b>-23,239</b>	<b>-32,695</b>
Reported profit for the period	133,859	257,844	552,436
<i>IFRS 15 recalculation</i>	1,987	-6,956	-5,189
<b>Recalculated profit for the period</b>	<b>135,847</b>	<b>250,887</b>	<b>547,247</b>

## Effect on earnings per share

<i>Amounts in SEK</i>	<b>Apr-Jun 2017</b>	<b>Jan-Jun 2017</b>	<b>Jan-Dec 2017</b>
Change in earnings per share before dilution	0.01	-0.03	-0.02
Change in earnings per share after dilution	0.01	-0.03	-0.02



## Effects on assets, liabilities and equity, 1 January 2017

<i>Amounts in kSEK</i>	Reported Balance Sheet	IFRS 15 recalculation	Recalculated Balance Sheet
Fixed assets	374,041	-	374,041
Other non-current receivables	9,567	9,742	19,309
<b>Total non-current assets</b>	<b>383,608</b>	<b>9,742</b>	<b>393,350</b>
Other receivables	227,831	-	227,831
Prepaid expenses and accrued income	213,247	6,640	219,887
Cash and cash equivalents	494,497	-	494,497
<b>Total current assets</b>	<b>935,575</b>	<b>6,640</b>	<b>942,215</b>
<b>TOTAL ASSETS</b>	<b>1,319,183</b>	<b>16,382</b>	<b>1,335,565</b>
Share capital	1,205	-	1,205
Other capital contributed and reserves	97,086	-	97,086
Retained earnings including profit for the year	824,785	-39,928	784,857
<b>Total equity</b>	<b>923,076</b>	<b>-39,928</b>	<b>883,148</b>
Prepayments from customers	-	33,879	33,879
Deferred tax liability	14,269	-	14,269
<b>Total non-current liabilities</b>	<b>14,269</b>	<b>33,879</b>	<b>48,148</b>
Other liabilities	289,681	-	289,681
Accrued expenses and deferred income	92,157	22,431	114,588
<b>Total current liabilities</b>	<b>381,838</b>	<b>22,431</b>	<b>404,269</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,319,183</b>	<b>16,382</b>	<b>1,335,565</b>

## Effects on assets, liabilities and equity, 30 June 2017

<i>Amounts in kSEK</i>	Reported Balance Sheet	IFRS 15 recalculation	Recalculated Balance Sheet
Fixed assets	427,485	-	427,485
Other non-current receivables	9,673	10,012	19,685
<b>Total non-current assets</b>	<b>437,158</b>	<b>10,012</b>	<b>447,170</b>
Other receivables	238,558	-	238,558
Prepaid expenses and accrued income	210,694	9,033	219,727
Cash and cash equivalents	168,923	-	168,923
<b>Total current assets</b>	<b>618,175</b>	<b>9,033</b>	<b>627,208</b>
<b>TOTAL ASSETS</b>	<b>1,055,333</b>	<b>19,045</b>	<b>1,074,378</b>
Share capital	1,205	-	1,205
Other capital contributed and reserves	105,233	-	105,233
Retained earnings including profit for the year	542,318	-46,885	495,433
<b>Total equity</b>	<b>648,756</b>	<b>-46,885</b>	<b>601,870</b>
Prepayments from customers	-	43,953	43,953
Deferred tax liability	14,455	-	14,455
<b>Total non-current liabilities</b>	<b>14,455</b>	<b>43,953</b>	<b>58,408</b>
Other liabilities	281,719	-	281,719
Accrued expenses and deferred income	110,405	21,976	132,381
<b>Total current liabilities</b>	<b>392,124</b>	<b>21,976</b>	<b>414,100</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,055,333</b>	<b>19,045</b>	<b>1,074,378</b>

## Effects on assets, liabilities and equity 31 December 2017

<i>Amounts in kSEK</i>	Reported Balance Sheet	IFRS 15 recalculation	Recalculated Balance Sheet
Fixed assets	469,553	-	469,553
Other non-current receivables	15,166	17,396	32,562
<b>Total non-current assets</b>	<b>484,719</b>	<b>17,396</b>	<b>502,115</b>
Other receivables	213,164	-	213,164
Prepaid expenses and accrued income	210,422	4,536	214,958
Cash and cash equivalents	387,035	-	387,035
<b>Total current assets</b>	<b>810,621</b>	<b>4,536</b>	<b>815,157</b>
<b>TOTAL ASSETS</b>	<b>1,295,340</b>	<b>21,932</b>	<b>1,317,272</b>
Share capital	1,205	-	1,205
Other capital contributed and reserves	118,362	-	118,362
Retained earnings including profit for the year	836,928	-45,117	791,810
<b>Total equity</b>	<b>956,495</b>	<b>-45,117</b>	<b>911,378</b>
Prepayments from customers	-	52,306	52,306
Deferred tax liability	11,341	-	11,341
<b>Total non-current liabilities</b>	<b>11,341</b>	<b>52,306</b>	<b>63,647</b>
Other liabilities	215,860	-	215,860
Accrued expenses and deferred income	111,644	14,743	126,387
<b>Total current liabilities</b>	<b>327,504</b>	<b>14,743</b>	<b>342,247</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,295,340</b>	<b>21,932</b>	<b>1,317,272</b>

## Definitions

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### **Operating profit**

Operating revenues minus operating costs. Measures the Company's operating result before interest and taxes. Commonly used by investors, analysts and management to evaluate the profitability of the Company.

### **Operating margin**

Operating profit in relation to operating revenues. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the Company.

### **EBITDA-margin**

Operating profit excluding depreciation and amortization in relation to operating revenues. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the Company.

### **Growth in SEK compared to prior year**

Percentage change of operating revenues in SEK, compared to the previous year. Commonly used by investors, analysts and management to evaluate the growth of the Company.

### **Growth in EUR compared to prior year**

Percentage change of operating revenues in EUR, compared to the previous year. Commonly used by investors, analysts and management to evaluate the growth of the Company. The Company aims to grow faster than the market.

### **Growth in SEK compared to prior quarter**

Percentage change of operating revenues in SEK, compared to the previous quarter. Commonly used by investors, analysts and management to evaluate the growth of the Company.

### **Growth in EUR compared to prior quarter**

Percentage change of operating revenues in EUR, compared to the previous quarter. Commonly used by investors, analysts and management to evaluate the growth of the Company.

### **Average shareholders' equity**

Calculated as shareholders' equity at the start of the year, plus outgoing equity at the end of the year, divided by two.

### **Return on equity**

Period's profit/loss (rolling twelve months) in relation to average shareholder equity for last twelve months. This is a measure of capital returns that is commonly used by investors, analysts and management to evaluate the Company's ability to generate returns on the capital provided by its shareholders.

### **Financial items**

Calculated as financial income minus financial expenses, adjusted for currency effects.

### **Equity/assets ratio**

Equity at the end of period as a percentage of total assets at the end of period. This is a measure commonly used by investors, analysts and management to evaluate the capital structure of the Company and its ability to meet its short- and long-term obligations.

### **Quick ratio**

Current assets in relation to current liabilities. This is a measure commonly used by investors, analysts and management to evaluate the short-term liquidity of the Company.

### **Net interest-bearing liabilities**

Net of interest-bearing provisions and liabilities less financial assets and cash and cash equivalents. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the Company and its ability to return cash to shareholders.

***Net debt/equity ratio (multiple)***

Net of interest-bearing earnings and liabilities minus financial assets and cash and cash equivalents, divided by shareholder's equity. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the Company and its ability to return cash to shareholders.

***Average number of employees***

The average number of employees during the period, defined as full-time equivalents.

***Number of employees at end of period***

The number of employees at the end of the period, defined as full-time equivalents.

***Number of employees and external resources at end of period***

The number of employees and external resources such as dedicated persons with contracted suppliers and subcontractors at the end of the period, defined as full-time equivalents.

***Earnings per share before dilution***

Profit for the period divided by the average number of shares outstanding during the period, before dilution from options.

***Earnings per share after dilution***

Profit for the period divided by the average number of shares outstanding during the period, after dilution from options.

***Equity per share***

Shareholders' equity divided by the number of shares outstanding at the end of the period.

***Cash flow from operating activities per share***

Cash flow from operating activities divided by the average number of shares outstanding after dilution for the period. This is a measure used by investors, analysts and management to evaluate the financial development of the Company and its ability to generate a positive cash flow.

***Average number of shares outstanding***

The average number of shares outstanding during the period adjusted for bonus issue and share split.

***Number of shares outstanding***

The number of shares outstanding adjusted for bonus issue and share split.



## Condensed Parent Company income statement (kSEK)

	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>INCOME STATEMENT</b>					
Operating revenues	205,022	206,252	414,469	410,614	807,059
Other external expenses	-74,136	-81,900	-151,341	-165,095	-317,622
Personnel expenses	-110,167	-104,811	-224,959	-206,688	-411,251
Depreciation and amortization	-6,591	-7,029	-14,400	-13,745	-28,750
<b>Operating profit</b>	<b>14,128</b>	<b>12,512</b>	<b>23,769</b>	<b>25,086</b>	<b>49,435</b>
Financial items	1,326	2,805	20,975	2,451	445,268
Transfer to untaxed reserves	-	-	-	-	-5,853
<b>Profit before tax</b>	<b>15,455</b>	<b>15,317</b>	<b>44,744</b>	<b>27,537</b>	<b>488,851</b>
Tax on the period's profit	-3,522	-3,450	-10,121	-5,742	-9,166
<b>Profit for the period</b>	<b>11,932</b>	<b>11,867</b>	<b>34,623</b>	<b>21,795</b>	<b>479,684</b>
<b>STATEMENT OF TOTAL INCOME</b>					
<b>Profit for the period</b>	<b>11,932</b>	<b>11,867</b>	<b>34,623</b>	<b>21,795</b>	<b>479,684</b>
Other total income	-	-	-	-	-
<b>Sum of other total income for the period. net after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income for the period</b>	<b>11,932</b>	<b>11,867</b>	<b>34,623</b>	<b>21,795</b>	<b>479,684</b>

## Condensed Parent Company balance sheet (kSEK)

	Jun. 30. 2018	Jun. 30. 2017	Dec. 31. 2017
<b>ASSETS</b>			
Intangible assets	3,200	5,108	4,027
Property, plant, and equipment	60,030	72,348	71,963
Shares in subsidiaries	6,773	4,611	6,773
<b>Total non-current assets</b>	<b>70,003</b>	<b>82,067</b>	<b>82,763</b>
Accounts receivable	109	137	-
Receivables from Group companies	128,986	117,266	529,077
Current tax receivables	2,642	-	1,730
Other receivables	12,398	13,654	14,743
Prepaid expenses and accrued revenues	50,528	58,984	45,447
Cash and cash equivalents	11,002	44,007	111,944
<b>Total current assets</b>	<b>205,665</b>	<b>234,048</b>	<b>702,942</b>
<b>TOTAL ASSETS</b>	<b>275,668</b>	<b>316,115</b>	<b>785,704</b>
	Jun. 30. 2018	Jun. 30. 2017	Dec. 31. 2017
<b>EQUITY AND LIABILITIES</b>			
Share capital	1 205	1 205	1 205
Statutory reserve	38	38	38
Share premium reserve	58,885	58,844	58,885
Retained earnings	20,586	81,197	81,197
Profit for the period	34,623	21,795	479,684
<b>Total equity</b>	<b>115,337</b>	<b>163,079</b>	<b>621,009</b>
<b>Untaxed reserves</b>	<b>29,021</b>	<b>23,427</b>	<b>29,021</b>
Accounts payable	20,303	29,271	33,413
Liabilities to Group companies	-	-	3,499
Tax liabilities	-	64	-
Other liabilities	7,771	7,476	7,532
Accrued expenses and prepaid revenues	103,236	92,798	91,230
<b>Total current liabilities</b>	<b>131,310</b>	<b>129,609</b>	<b>135,674</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>275,668</b>	<b>316,115</b>	<b>785,704</b>

## NetEnt's business idea

NetEnt operates in the digital entertainment industry and its business idea is to develop premium games and system solutions that enable online casino operators to offer their players the ultimate gaming experience.

## NetEnt's business model

NetEnt is a B2B company developing and distributing premium software (games and gaming solutions) to online casino operators globally. Revenues are generated according to a licensing model based on revenue-sharing with customers. Customers, the gaming operators, pay a monthly license fee to NetEnt, which is based on a certain percentage share of the gross game win that is generated in the customers' online casinos. NetEnt takes responsibility for all technical operations such as monitoring gaming transactions for its customers, known as hosting, so that the operators can focus on their core operations. NetEnt also plays an active part in the integration work for new customers.

## NetEnt's strategies

NetEnt continuously develops its offering to be at the forefront in terms of technology, innovation and quality. The Company shall be a close business partner for its customers and the growth strategy is based on growth through both existing and new customers, new products, services and new markets. NetEnt shall participate in the re-regulation of the gaming market and expand globally on prioritized markets. Europe is top priority, followed by North America and Asia. NetEnt constantly aims to optimize efficiency in all parts of the operations and shall attract, preserve and develop core expertise. The Company strives to have a corporate culture that supports fast growth and should be ready to invest in new business opportunities.

## NetEnt's products

NetEnt offers a comprehensive gaming system comprising a full suite of world-class casino games and a powerful technological platform. The games are of high quality and provide players with an ultimate gaming experience, while the platform manages over three billion transactions per month. The product also includes an advanced administration tool that enables the operator to develop successful casino operations. The gaming system is tailored to each licensee so the games form a natural, integral part of the operator's gaming site. NetEnt's game portfolio comprises almost 200 games in categories such as Video Slots, Branded Games, Live Casino, Table Games, Pooled Jackpots, Video Poker, Mini Games and Lottery/other. The games are offered in various channels such as desktop, tablets and mobile phones. Five new slot games were released in the quarter: *Archangels: Salvation™*, *Lost Relics™*, *Witchcraft Academy™*, *Bollywood Story™* och *Jumanji™*.

