

Q2

INTERIM REPORT
JANUARY–JUNE 2019



NETENT
BETTER GAMING™

* 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.

Q2

INTERIM REPORT JANUARY–JUNE 2019

Second quarter 2019

- Revenues for the second quarter amounted to SEK 419 (437) million
- EBITDA was SEK 201 (202) million, corresponding to a margin of 48.0 (46.3)% ⁽¹⁾
- Operating profit (EBIT) was SEK 130 (149) million, corresponding to a margin of 31.0 (34.0)%
- Net profit was SEK 120 (139) million
- Earnings per share was SEK 0.50 (0.58) before and after dilution
- 8 (8) new customer agreements were signed, and 10 (7) new customers' casinos launched

First half-year 2019

- Revenues for the first half-year amounted to SEK 837 (867) million
- EBITDA amounted to SEK 397 (384) million, a margin of 47.5 (44.3) %
- Operating profit (EBIT) amounted to SEK 256 (283) million, a margin of 30.6 (32.6)%
- Profit after tax of SEK 240 (285) million
- Earnings per share of SEK 1.00 (1.19) before and after dilution
- 16 (14) new customer agreements signed, and 19 (15) new customers' casinos launched

Important events in the second quarter

- 7 (5) slot games were released, of which Narcos was the most successful
- Customer agreement signed with Draftkings in New Jersey, USA
- Games launched with the state-owned gambling operator Veikkaus in Finland
- UK subsidiary established
- A commercial decision was taken not to prolong the license in British Columbia (Canada)
- One million shares were repurchased by the company

Quote from Therese Hillman, Group CEO

"The weak development in the Nordic countries continued in the second quarter, particularly in Sweden, where we have seen fewer players and lower ARPU since the new regulation was introduced at the beginning of the year. Looking ahead, we continue to invest in increased game production, a technical platform featuring more functionality, and Live Casino, in order to defend, and over the longer term increase our market shares in all our markets."

Summary in figures (kSEK)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Operating revenues	419,359	437,194	837,471	867,282	1,781,950
EBITDA ⁽¹⁾	201,130	202,292	397,435	384,320	816,056
EBITDA margin	48.0%	46.3%	47.5%	44.3%	45.8%
Operating profit (EBIT)	130,042	148,806	256,117	282,905	601,098
Operating margin	31.0%	34.0%	30.6%	32.6%	33.7%
Cash flow from operating activities	225,590	223,598	376,078	430,956	827,878
Cash flow for the period	-409,223	-362,547	-318,800	-204,785	101,466
Cash and cash equivalents at end of period	193,031	195,494	193,031	195,494	500,845

(1) The introduction of IFRS 16 Leases from January 1, 2019, led to a re-classification of lease and rent costs from operating costs to depreciation, which amounted to SEK 14.6 million in the second quarter of 2019. For the period January-June this amount is SEK 29.7 million.

Comments by Therese Hillman, Group CEO

Continued weak development in Sweden and rest of the Nordics

In the second quarter, NetEnt's total revenues decreased by 4.1 percent (-6.6 percent in euro) compared to the corresponding period last year. The development resembled that of the first quarter, with weakness in the Nordic countries and primarily in Sweden, driven by fewer players and lower ARPU since the new regulation was introduced at the beginning of the year. We are present in 23 regulated markets, which accounted for 49 percent of total revenues in the quarter. Outside of Sweden revenues from those markets grew by 1.7 percent in euro during the period, with growth coming mainly from the US (New Jersey), Eastern Europe, Spain and Portugal. We signed eight new customer agreements and launched ten new customers during the quarter. Among the newly launched customers is the Finnish state-owned gambling operator Veikkaus, where our games have been well received since they were launched at the end of June.

We signed an agreement with DraftKings in New Jersey, which is a market where we continue to see solid growth. We now look forward to our launch in Pennsylvania as the market opens next week, having signed yet another customer, Rush Street, after the end of the quarter.

High activity and strengthened presence in the UK

So far this year, we have released twelve new games and we stick to our plan to launch a total of 30-35 new games for 2019, which is a significant increase compared to last year's 20 new games. During the second quarter, we released seven new slot games: *Dead or Alive 2*, *Wild Worlds*, *Narcos*, *Arcane Reel Chaos*, *Cash-o-Matic*, *Twin Happiness* and *Happy Panda*. *Narcos* has been our best revenue-generating game in 2019 and *Dead or Alive 2* has also performed well across our entire customer network.

The EBIT margin was 31.0 (34.0) percent in the second quarter. Operating profit was affected by legal costs as NetEnt took action to defend the IP rights of one of its most important games. In May, the dispute was contractually settled to our advantage. NetEnt's transformation process has continued and the result for the quarter also include severance pay to senior executives that have left the company. During the quarter, we also recruited senior business area directors from the industry and established a UK subsidiary, to strengthen our presence in Europe's largest and most important gambling market.

Investing in long-term growth

Now we take the next step in developing our technical platform as we are creating an open platform with new types of functionality and aggregation of third-party content for operators, services that will be launched on a broader scale during 2020.

The transformation of Live Casino continues at full speed and we added several new functions during the quarter to make our product more competitive. The customer response is positive, and we expect growth in the coming quarters from this segment, but it will take a few more quarters before we can see more meaningful revenues.

The industry is going through significant changes, and we see opportunities to strengthen our position in all our markets. Through our strategy to invest in increased game production, a technical platform featuring more functionality, and Live Casino – supported by our brand, global distribution and customer relations – we have the right basis to defend, and over the longer term increase our market shares.

Therese Hillman
Group CEO, NetEnt

New agreements and customers

In the second quarter, 8 (8) new license agreements were signed and 10 (7) new customers' casinos were launched. At the end of the period, NetEnt held agreements with 14 (28) new customers that had not yet been launched.

Revenues and results in the second quarter

Total revenues amounted to SEK 419.4 (437.2) million in the second quarter, a decrease of 4.1 percent (-6.6 percent in euro) compared to the corresponding period in 2018. The number of game transactions amounted to 10.6 billion in the second quarter, representing a volume decrease of 1.3 percent compared to same quarter of the previous year.

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.

Mobile games accounted for 64.0 (58.2) percent of game win in the period. Game win in the quarter was split between the following game categories: slot games: 91.8 percent, table games: 7.8 percent and other games: 0.4 percent.

Revenues are affected by the development of the Swedish krona in relation to other currencies, particularly euro and British pounds. The main part of revenues is invoiced and accounted for in euro, then translated and reported in Swedish krona. A weaker Swedish krona has a positive effect on reported revenues. During the second quarter of 2019, the Swedish krona weakened by 2.7 percent against the euro compared to the same period in 2018. Against the British pound, the Swedish krona weakened by 3.1 percent compared to the same quarter of last year.

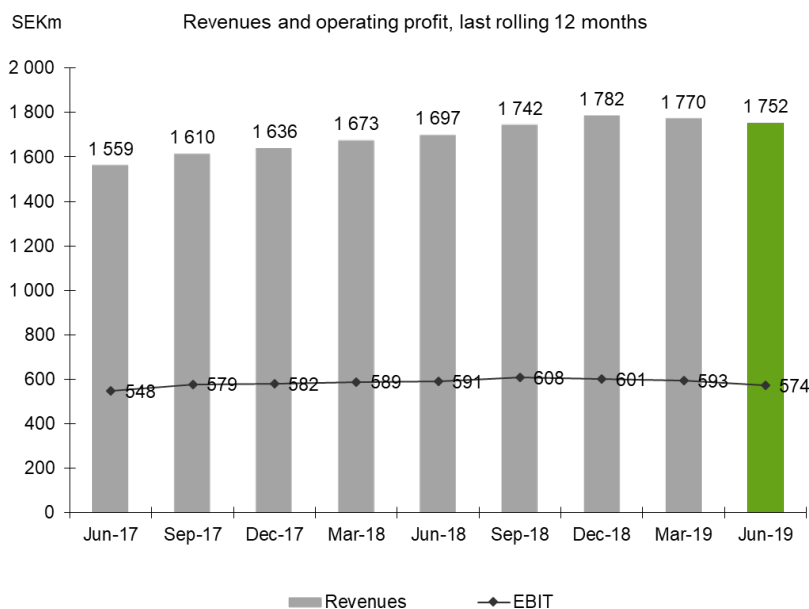
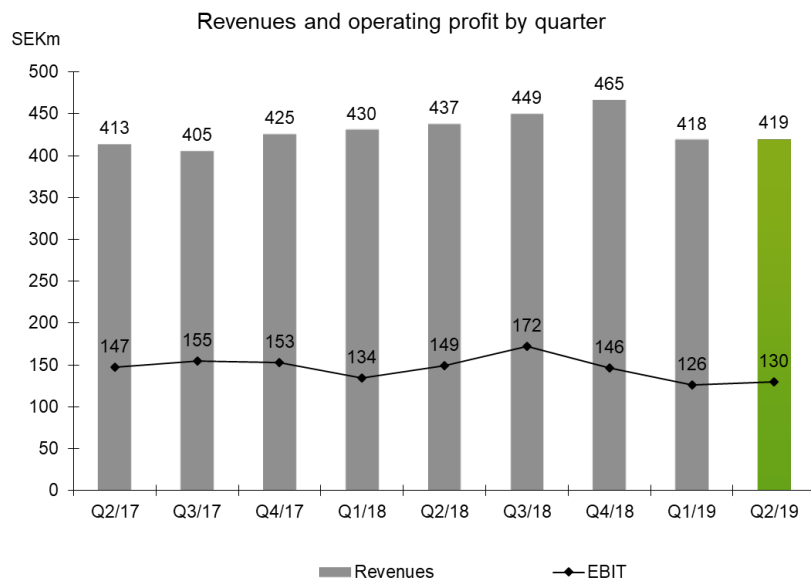
Operating profit in the second quarter amounted to SEK 130.0 (148.8) million, corresponding to a margin of 31.0 (34.0) percent. Operating expenses amounted to SEK 289.3 (288.4) million.

The introduction of IFRS 16 from January 1, 2019, led to a re-classification of lease and rent costs from operating costs to depreciation, which amounted to SEK 14.6 million in the second quarter of 2019.

Costs are also affected by the development of the Swedish krona against the euro, as a weaker Swedish krona leads to cost increases. For example, depreciation and amortization are affected by the development of the Swedish krona versus the euro as they are booked in euro and then translated to Swedish krona. The share of costs reported in other currencies represented 50 (46) percent in the period.

Net financial items amounted to SEK 0.8 (3.1) 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 balances, as well as the interest earned on cash and cash equivalents.

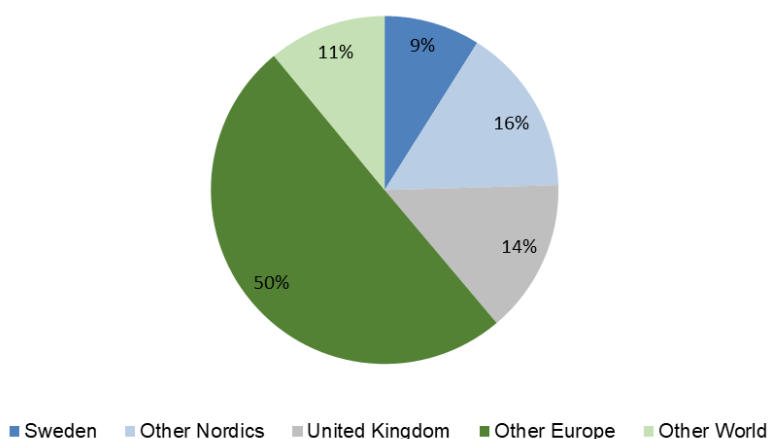
Revenues and operating profit



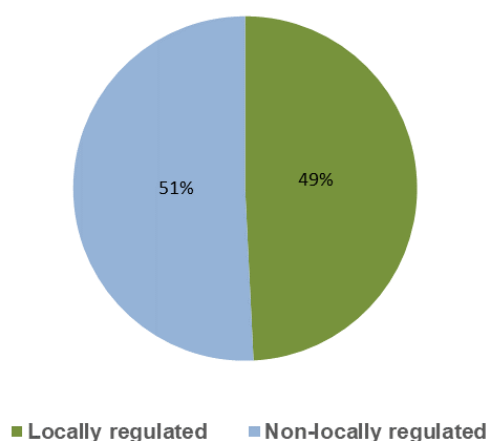
Breakdown of gamewin in the second quarter

The charts below illustrate the gamewin split by geographic region and between locally regulated and non-locally regulated markets in the quarter. Locally regulated markets accounted for 49 (36) percent of the total gamewin in NetEnt's games in the second quarter. Revenues were generated in the following locally regulated markets: Denmark, Italy, Belgium, United Kingdom, Spain, Bulgaria, Romania, Portugal, Serbia, Estonia, Latvia, Lithuania, Czech Republic, Mexico and USA (New Jersey). Regionally, the split was the following: Sweden 9 (13)%, Other Nordics 16 (17)%, United Kingdom 14 (15)%, Other Europe 50 (46)% and Rest of the world 11 (9)%.

Gamewin (euro) breakdown in the second quarter – by player region



Gamewin (euro) breakdown in the second quarter – locally regulated markets



Investments in the second quarter

The Group's investments in intangible assets amounted to SEK 49.9 (38.3) million and investments in property, plant, and equipment totaled SEK 4.1 (7.6) 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 investments during the quarter were an upgrade of administrative systems and development projects related to new games, platform and Live Casino.

Adding new customers and new markets also requires investments in hardware. Investments in property, plant and equipment primarily consist 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 flow in the second quarter

The Group's cash flow from operating activities before changes in working capital amounted to SEK 185.0 (197.6) million, of which SEK 14.6 million came from the re-classification of lease and rent costs to depreciation, according to IFRS 16. The Group's cash flow after changes in working capital amounted to SEK 225.6 (223.6) million in the quarter. Cash flow from investing activities amounted to SEK -54.0 (-45.9) million in the second quarter. Cash flow from financing activities amounted to SEK -580.8 (-540.3) million and consisted of ordinary cash distribution to shareholders through an automatic share redemption program, repurchase of one million own shares, and amortization of the leasing liability related to IFRS 16.

The Group's cash and cash equivalents amounted to SEK 193.0 (195.5) million at the end of the period. Cash held on behalf of licensees was SEK 97.8 (56.4) million at the end of the period.

Summary of the first six months of 2019

Revenues during the period of January-June 2019 amounted to SEK 837.5 (867.3) million, a decrease of 3.4 percent (6.8 percent in euros) compared to the same period in 2018. Operating profit amounted to SEK 256.1 (282.9) million and the operating margin was 30.6 (32.6) percent. NetEnt signed 16 (14) new license agreements during the six-month period and launched casinos of 19 (15) new customers.

The Group's acquisitions of intangible assets amounted to SEK 91.6 (74.9) million for the first six months. Investments in property, plant, and equipment amounted to SEK 7.3 (20.6) million.

The Group's cash flow from operating activities for the first six months amounted to SEK 376.1 (431.0) million. Cash flow from financing activities amounted to SEK -595.9 (-540.3) million and consisted mainly of ordinary cash distribution to shareholders in the form of an automatic redemption program, repurchase of one million own shares, and amortization of leasing liabilities related to IFRS 16.

The introduction of IFRS 16 as of January 2019 results in a re-classification of lease and rent costs to depreciation, which amounted to SEK 29.7 million for the period of January-June 2019.

Market

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 45.2 billion for 2018, representing an increase of 9.4 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 12.1 billion for 2018, meaning an increase of 8.7 percent for the year (*source: H2 Gambling Capital, June 2019*).

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 jurisdictions: Malta, Gibraltar,

Alderney, Isle of Man, Denmark, Italy, Belgium, United Kingdom, Sweden, Spain, Bulgaria, Romania, Portugal, Estonia, Latvia, Lithuania, Czech Republic, Mexico, Finland, Norway and USA (New Jersey and Pennsylvania).

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 new gambling law was introduced on January 1, 2019, which means that all operators need to have a license and suppliers must certify their games with the Swedish Gambling Authority. 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 has been authorized to deliver games to New Jersey since 2015 and in the beginning of 2019, it received a permanent gaming license in the state. In Pennsylvania, a new gaming legislation has recently been adopted that allows online casino gaming, and NetEnt obtained a license in the state in the beginning of 2019. 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.

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 around 900 people in Malta, Stockholm, Gothenburg, Gibraltar, Kiev, Krakow and New Jersey. For more information, please visit www.netent.com.

Personnel and organization

At the end of the period, the number of employees was 720 (809). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 939 (1,005) persons. These figures are defined as 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 162.8 (205.0) million and operating profit was SEK -2.4 (14.1) million for the period. The operating margin was -1.4 (6.9) percent. The 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 balances and dividends. Profit after tax was SEK -1.0 (11.9) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 2.0 (0.2) million and investments in intangible assets were SEK 2.7 (0.3) million for the period. Cash and cash equivalents in the Parent Company amounted to SEK 41.2 (44.0) million at the end of the period.

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 2018 annual report, pages 48-51 and pages 107-109.

Share redemption program and cash distribution to shareholders

The Annual General Meeting on May 10 approved the Board's proposal to distribute SEK 540.3 (540.3) million to shareholders, corresponding to SEK 2.25 (2.25) per share. The cash was distributed to holders of redemption shares through Euroclear in June.

Presentation of report

On Friday, July 12th, 2019, at 9.00 a.m. the report will be presented by CEO Therese Hillman live via a telephone conference and webcast. The audiocast can be followed in real-time on NetEnt's website, the link is:

<https://tv.streamfabriken.com/netent-q2-2019>

Financial calendar

Interim report January – September 2019

October 24, 2019

Earnings report and report for the fourth quarter 2019

February 12, 2020

Financial reports, press releases, and other information are available from the date of publication on NetEnt's website 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 11th, 2019

Fredrik Erbing
Chairman of the Board

Christoffer Lundström
Board Member

Lisa Gunnarsson
Board Member

Peter Hamberg
Board Member

Jonathan Pettemerides
Board Member

Pontus Lindwall
Board Member

Maria Redin
Board Member

Therese Hillman
Group CEO

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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 12th, 2019.

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)

INCOME STATEMENT	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenues	409,753	436,696	824,718	865,890	1,778,169
Other revenues	9,605	498	12,752	1,392	3,782
Total operating revenues	419,359	437,194	837,471	867,282	1,781,950
Personnel expenses	-121,387	-131,839	-248,490	-268,262	-535,903
Depreciation and amortization	-71,088	-53,486	-141,319	-101,415	-214,958
Other operating expenses	-96,841	-103,064	-191,545	-214,699	-429,991
Total operating expenses	-289,316	-288,389	-581,354	-584,376	-1,180,853
Operating profit	130,042	148,806	256,117	282,905	601,098
Financial income	16,033	12,965	33,055	48,569	62,106
Financial expense	-15,241	-9,816	-27,400	-21,743	-41,025
Financial items	792	3,149	5,655	26,825	21,080
Profit before tax	130,834	151,954	261,772	309,731	622,178
Tax on the period's profit	-10,885	-12,612	-21,591	-24,550	-44,949
Profit for the period	119,949	139,342	240,180	285,181	577,229
<i>Earnings per share before dilution (SEK)</i>	<i>0.50</i>	<i>0.58</i>	<i>1.00</i>	<i>1.19</i>	<i>2.40</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.50</i>	<i>0.58</i>	<i>1.00</i>	<i>1.19</i>	<i>2.40</i>
Average number of shares outstanding					
- before dilution	239,498,992	240,130,860	239,813,180	240,130,860	240,130,860
- after dilution	239,498,992	240,130,860	239,813,180	240,130,860	240,130,860
Profit for the period attributable to Parent company shareholder	119,949	139,342	240,180	285,181	577,229

STATEMENT OF TOTAL INCOME

Profit for the period	119,949	139,342	240,180	285,181	577,229
Other total income					
Other total income items that may be reclassified to net income					
Exchange rate differences from the translation of foreign operations	4,154	6,475	10,711	23,772	7,708
Sum of other total income for the period, net after tax	4,154	6,475	10,711	23,772	7,708
Total income for the period attributable to Parent Company shareholders	124,103	145,817	250,891	308,953	584,937

Condensed consolidated balance sheets (kSEK)

	June 30, 2019	June 30, 2018	Dec 31, 2018
ASSETS			
Intangible assets	351,814	344,371	334,786
Property, plant, and equipment	104,826	142,408	123,047
Access right value assets	252,722	-	-
Deferred tax receivable	5,296	6,888	6,019
Other long-term receivables	27,809	19,819	30,261
Total non-current assets	742,468	513,487	494,112
Account receivables	82,551	57,542	64,427
Other receivables	46,222	77,892	51,866
Prepaid expenses and accrued revenues	180,470	220,136	211,036
Funds held on behalf of licensees	97,780	56,428	29,543
Cash and cash equivalents	193,031	195,494	500,845
Total current assets	600,054	607,493	857,716
TOTAL ASSETS	1,342,522	1,120,979	1,351,829

	June 30, 2019	June 30, 2018	Dec 31, 2018
EQUITY AND LIABILITIES			
Share capital	1,205	1,205	1,205
Other capital contributed	95,962	93,812	93,812
Reserves	42,969	47,725	32,258
Retained earnings including profit for the period	500,526	537,294	828,745
Total equity	640,662	680,036	956,020
Prepayments from customers	21,748	26,011	7,290
Lease liabilities	179,870	-	-
Deferred tax liability	10,567	12,598	10,245
Total long-term liabilities	212,185	38,609	17,534
Accounts payable	29,571	25,917	30,791
Current tax liabilities	31,999	34,718	24,421
Lease liabilities	63,752	-	-
Other liabilities	205,030	183,490	138,876
Accrued expenses and prepaid revenues	159,323	158,208	184,186
Total current liabilities	489,675	402,335	378,274
TOTAL EQUITY AND LIABILITIES	1,342,522	1,120,979	1,351,829

Condensed consolidated cash flow statements (kSEK)

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Operating profit	130,043	148,806	256,117	282,905	601,098
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	71,088	53,486	141,319	101,415	214,959
Other	-8,188	6,722	8,634	8,684	304
Interest paid	-1,004	-602	-2,056	-972	-2,039
Income tax paid	-6,894	-10,822	-12,435	-17,011	-48,355
Cash flow from operating activities before changes in working capital	185,045	197,590	391,579	375,022	765,966
Changes in working capital	40,545	26,009	-15,502	55,934	61,912
Cash flow from operating activities	225,590	223,598	376,078	430,956	827,878
Acquisition of intangible assets	-49,894	-38,300	-91,640	-74,872	-147,523
Acquisition of property, plant, and equipment	-4,085	-7,551	-7,309	-20,576	-38,595
Cash flow from investing activities	-53,979	-45,851	-98,949	-95,447	-186,118
Amortization of lease liability	-14,584	-	-29,678	-	-
Received premium for share option rights	2,150	-	2,150	-	-
Repurchase of own shares	-30,355	-	-30,355	-	-
Transfer to shareholders ¹⁾	-538,044	-540,294	-538,044	-540,294	-540,294
Cash flow from financing activities	-580,834	-540,294	-595,928	-540,294	-540,294
Cash flow for the period	-409,223	-362,547	-318,800	-204,785	101,466
Cash and cash equivalents at beginning of period	596,636	560,878	500,844	387,035	387,035
FX differences in cash and cash equivalents	5,618	-2,837	10,987	13,244	12,343
Cash and cash equivalents at end of period	193,031	195,494	193,031	195,494	500,845

1) Adjusted for repurchased own shares in May 2019.

Condensed consolidated changes in equity (kSEK)

2018	Aktie kapital	Övrigt tillskjutet kapital	Reserver	Balanserade vinstmedel	Summa eget kapital
Opening equity Jan. 1, 2018	1,205	93,812	24,550	791,810	911,378
Cash distribution to shareholders	-	-	-	-540,294	-540,294
Total income for the period Jan-Dec	-	-	7,708	577,229	584,937
Closing equity Dec. 31, 2018	1,205	93,812	32,258	828,745	956,020

2019	Aktie kapital	Övrigt tillskjutet kapital	Reserver	Balanserade vinstmedel	Summa eget kapital
Opening equity Jan. 1, 2019	1,205	93,812	32,258	828,745	956,020
Cash distribution to shareholders	-	-	-	-538,044	-538,044
Repurchase of own shares	-	-	-	-30,355	-30,355
Received premium for share option rights Total	-	2,150	-	-	2,150
income for the period Jan-June	-	-	10,711	240,180	250,891
Closing equity June 30, 2019	1,205	95,962	42,969	500,526	640,662

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

Condensed Parent Company income statement (kSEK)

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Operating revenues	162,811	205,022	384,811	414,469	785,865
Other external expenses	-70,601	-74,136	-133,096	-151,341	-280,035
Personnel expenses	-89,868	-110,167	-205,746	-224,959	-435,993
Depreciation and amortization	-4,691	-6,591	-10,149	-14,400	-26,474
Operating profit	-2,350	14,128	35,820	23,769	43,363
Financial items	3,774	1,326	15,064	20,975	534,188
Transfer to untaxed reserves	-	-	-	-	9,547
Profit before tax	1,425	15,455	50,884	44,744	587,098
Tax on the period's profit	-2,434	-3,522	-13,320	-10,121	-17,178
Profit for the period	-1,009	11,932	37,565	34,623	569,921

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Profit for the period	-1,009	11,932	37,565	34,623	569,921
Other total income	-	-	-	-	-
Sum of other total income for the period.					
net after tax	-	-	-	-	-
Total income for the period	-1,009	11,932	37,565	34,623	569,921

Condensed Parent Company balance sheet (kSEK)

	June 30, 2019	June 30, 2018	Dec 31, 2018
ASSETS			
Intangible assets	5,385	3,200	3,260
Tangible assets	46,401	60,030	52,391
Other long term assets	18,384	6,773	17,690
Total non-current assets	70,170	70,003	73,341
Account receivables	3,145	109	-
Receivables from Group companies *	111,636	128,986	527,997
Current tax receivables	101	2,642	3,108
Other receivables	11,105	12,398	12,025
Prepaid expenses and accrued revenues	45,777	50,528	37,241
Cash and cash equivalents	41,172	11,002	153,230
Total current assets	212,936	205,665	733,601
TOTAL ASSETS	283,106	275,668	806,942

	June 30, 2019	June 30, 2018	Dec 31, 2018
EQUITY AND LIABILITIES			
Share capital	1,205	1,205	1,205
Statutory reserve	38	38	38
Share premium reserve	61,035	58,885	58,885
Retained earnings	22,110	20,586	20,590
Profit for the period	37,565	34,623	569,921
Total equity	121,953	115,337	650,638
Untaxed reserves	19,474	29,021	19,474
Accounts payable	24,099	20,303	23,301
Liabilities to Group companies	-	-	-
Tax liabilities	-	-	-
Other liabilities	7,313	7,771	8,891
Accrued expenses and prepaid revenues	110,266	103,236	104,639
Total current liabilities	141,878	131,310	136,831
TOTAL EQUITY AND LIABILITIES	283,106	275,668	806,942

*) Net receivables with Group companies per 30 June 2019 include borrowed cash funds via the Group cashpool with SEK 426,659kSEK.

Key data and KPI's

The Company presents some financial measures in this 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 2019	Apr- Jun 2018	Jan- Jun 2019	Jan- Jun 2018	Jan- Dec 2018
<u>Financial measures defined by IFRS:</u>					
Operating revenues (kSEK)	419,359	437,194	837,471	867,282	1,781,950
Earnings per shares before dilution (SEK)	0.50	0.58	1.00	1.19	2.40
Earnings per shares after dilution (SEK)	0.50	0.58	1.00	1.19	2.40
Average number of outstanding shares before dilution	239,498,992	240,130,860	239,813,180	240,130,860	240,130,860
Average number of outstanding shares after dilution	239,498,992	240,130,860	239,813,180	240,130,860	240,130,860
Number of outstanding shares at period's end before dilution	239,130,860	240,130,860	239,130,860	240,130,860	240,130,860
Number of outstanding shares at period's end after dilution	239,130,860	240,130,860	239,130,860	240,130,860	240,130,860
<u>Alternative Performance Measures:</u>					
Operating revenues (kEUR)	39,513	42,327	79,649	85,491	173,736
Operating margin (percent)	31.0	34.0	30.6	32.6	33.7
EBITDA margin (percent)	48.0	46.3	47.5	44.3	45.8
Effective tax rate (percent)	8.3	8.3	8.2	7.9	7.2
Return on equity, rolling 12 months (percent)	60.7	68.3	60.7	68.3	65.3
Equity/assets ratio (percent)	47.7	60.7	47.7	60.7	70.7
Quick ratio (percent)	122.5	151.0	122.5	151.0	226.7
Net interest-bearing liabilities (kSEK) ⁽¹⁾	-193,031	-195,494	-193,031	-195,494	-500,845
Net debt/equity ratio (multiple)	-0.3	-0.3	-0.3	-0.3	-0.5
Equity per share before dilution (SEK)	2.68	2.83	2.67	2.83	3.98
Equity per share after dilution (SEK)	2.68	2.83	2.67	2.83	3.98
Average number of employees					
Employees at period's end	730	802	757	794	800
Employees and external resources at period's end	720	809	720	809	804
Return on equity, rolling 12 months (percent)	939	1 005	939	1,005	990

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

Consolidated key data and figures by quarter for the Group

	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
<u>Financial measures defined by IFRS:</u>									
Operating revenues (kSEK)	419.4	418.1	465.4	449.3	437.2	430.1	425.0	404.8	412.8
Cash and cash equivalents (SEKm) ⁽²⁾	193.0	596.6	500.8	362.3	195.5	560.9	387.0	144.7	168.9
Funds held on behalf of licensees (SEKm)	97.8	46.4	29.5	110.3	56.4	75.4	82.5	43.7	130.0
<u>Alternative Performance Measures:</u>									
Operating revenues (EURm)	39.5	40.1	45.1	43.1	42.3	43.2	43.4	42.4	42.7
Operating profit (SEKm)	130.0	126.1	146.2	172.0	148.8	134.1	152.7	155.1	147.1
Operating margin (percent)	31.0	30.2	31.4	38.3	34.0	31.2	35.9	38.3	35.6
EBITDA margin (percent)	48.0	47.0	43.9	50.6	46.3	42.3	45.7	48.1	45.2
Growth in SEK vs prior year (percent)	-4.1	-2.8	9.5	11.0	5.9	9.3	6.5	14.4	18.9
Growth in EUR vs prior year (percent)	-6.6	-7.0	3.9	1.8	-0.8	4.3	5.8	14.2	13.9
Growth in SEK vs prior quarter (percent)	0.3	-10.2	3.6	2.8	1.7	1.2	5.0	-1.9	4.9
Growth in EUR vs prior quarter (percent)	-1.6	-11.0	4.5	1.9	-1.9	-0.6	2.5	-0.7	3.1
Equity/assets ratio (percent)	47.7	63.2	70.7	63.5	60.7	70.7	69.2	68.0	56.0
Return on equity rolling 12 months (percent)	60.7	62.2	65.3	68.2	68.3	69.5	67.4	66.6	63.1
Net debt/equity ratio (multiple)	-0.3	-0.6	-0.5	-0.4	-0.3	-0.5	-0.4	-0.2	-0.3
Share price at end of period	29.75	33.75	36.55	36.04	47.90	41.94	56.50	63.20	73.65
Earnings per share after dilution (SEK)	0.50	0.50	0.57	0.65	0.58	0.61	0.64	0.59	0.56
Book equity per share (SEK)	2.68	4.51	3.98	3.45	2.83	4.47	3.80	3.07	2.51
Cash flow from operations per share (SEK)	0.94	0.56	0.88	0.88	0.93	0.86	1.24	0.13	0.77
Average number of employees	730	783	808	802	802	787	789	749	741

Reconciliation to IFRS

(SEKm)	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
<u>EBITDA</u>									
Profit for the period	119.9	120.2	136.6	155.4	139.3	145.8	154.7	141.6	135.8
Tax on profit for the period	10.9	10.7	5.4	15.0	12.6	11.9	-2.2	11.6	13.3
Financial items	0.8	4.9	-4.1	-1.6	3.1	23.7	-0.1	-1.8	2.1
Depreciation & Amortization	71.1	70.2	58.1	55.5	53.5	47.9	41.7	39.8	39.6
EBITDA	201.1	196.3	204.3	227.5	202.3	182.0	194.3	194.9	186.7
<u>Net interest-bearing liabilities</u>									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-
Cash and cash equivalents ⁽²⁾	-193.0	-596.6	-500.8	-362.3	-195.5	-560.9	-387.0	-144.7	-168.9
Net interest-bearing liabilities ⁽¹⁾	-193.0	-596.6	-500.8	-362.3	-195.5	-560.9	-387.0	-144.7	-168.9
<u>Quick ratio</u>									
Total current assets	600.1	955.9	857.7	809.7	607.5	995.3	815.2	627.4	627.2
Total current liabilities	489.7	400.0	378.3	443.6	402.3	378.9	342.2	287.8	414.1
Quick ratio (percent)	122.5	239.0	226.7	182.5	151.0	262.7	238.2	218.0	151.5

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

(2) Excluding funds held on behalf of licensees.

Notes

Note 1 Accounting Principles

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 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 16 Leases is replacing IAS 17 Leasing agreements and as of January 1st, 2019. With IFRS 16 the main part of the lease contracts should be reported as assets and liabilities in the balance sheet. From January 1st, 2019, the classifications of operational and financial leasing contracts are no longer applicable. The underlying asset of the leasing agreement is recognized on the balance sheet. NetEnt has implemented the modified retroactive transition regarding the accounting of lease contracts as earlier were reported as operational leasing. This method gives a leasing liability that is calculated as the net present value of remaining leasing commitments discounted with the margin cost of borrowing in the beginning of the period where the company starts to use this standard. IFRS 16 is applied retroactively but prior period financial information has not been restated. The effects of this implementation and the adjustments of opening balances according to the new standard are summarized in note 3 on page 20 in this report.

The group assesses if an agreement is or includes a rent/lease agreement at the start of the agreement. The group reports access right asset and a corresponding lease liability for all lease agreements in which the group is lessee. This does not include short term leases (defined as leases with a lease period 12 months or under) and for leases where the asset has a low value. For these lease agreements the group reports the lease cost as a linear operating cost over the lease period.

The lease liability is valued initially to the present value of future lease costs, discounted with the lease agreements implicit interest. If this interest cannot be easily determined, the group uses the marginal loan rate.

Lease costs that are included in the valuation of the lease liability are:

- Fixed lease costs after deductions for any benefits,
- Variable lease costs that depends on an index or a price, initially valued with assistance of index or price at the start date.

The long term part of the lease liability is presented on a separate line in the group report on financial position and the short term part of the lease liability is presented on a separate line in current liabilities.

The group reevaluates the lease liability (and does the corresponding change on the right of use asset) if:

- The lease period has changed or if there is a change in assessment of an option to buy the asset. In these cases the lease liability is recalculated by discounting the changed lease costs with a changed discount rate.
- Lease costs changes due to changes in index, price or changes in amount that is expected to be paid out according to a residual warranty. In these cases the lease liability is recalculated by discounting the changed lease costs with the initial discount rate (unless the changes in lease costs is due to changes in variable interest rate, then a changes discount rate is used).
- A lease agreement is changed and the change is not registered as a separate agreement. In these cases the lease liability is recalculated by discounting the changed lease costs with a changed discount rate.

At the time of the purchase the right of use assets is set to the value of the corresponding lease liability, lease costs at prior to the start date and any initial direct costs. In subsequent periods these are valued to the acquisition cost after deduction for accumulated depreciations and write-downs.

Depreciations on right of use assets takes place over an estimated useful life or over the agreed upon period, if that is shorter. If a lease agreement transfers the ownership to the underlying asset at the end of the lease period or if the acquisition value of the right of use reflects that the group expects to exercise a buy option, depreciation is done over the useful life of the asset. Depreciation begins at the start date of the lease agreement.

Access right value assets is presented in the Access right value assets in the group report on financial position.

The group applies IAS 36 Depreciation to determine if there is a need for impairment for the access right asset and reports any identified impairment the same way as tangible assets.

For additional information and specifications regarding the application and the adjustment of the opening balances, refer to note 3 on page 20 in this report

For further information on the accounting standards, please see the most recent annual report at 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. MSEK stands for millions of Swedish kronor.

Note 2 – Specification of revenues (kSEK)

Type of revenue	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Royalties	393,720	425,483	794,091	844,153	1,727,141
Setup fees	16,034	11,213	30,628	21,737	51,027
Other revenues	9,605	498	12,752	1,392	3,782
Total	419,359	437,194	837,471	867,282	1,781,950

Timing for revenue recognition	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Performance commitment fulfilled at a certain time	403,325	425,981	806,843	845,545	1,730,923
Performance commitment fulfilled over a period of time	16,034	11,213	30,628	21,737	51,027
Total	419,359	437,194	837,471	867,282	1,781,950

Geographic allocation	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Malta	34.1%	43.9%	34.3%	44.2%	43.9%
Other countries	65.9%	56.1%	65.7%	55.8%	56.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

¹⁾ The geographic breakdown is based on the domiciliation of the customer

Note 3 - Reconciliation of IFRS 16

The opening balances per 1 January 2019 are adjusted according to IFRS 16. For NetEnt the IFRS 16 adjustments mainly relates to the office leases.

Effects on assets, liabilities and equity, 1 January 2019

<i>Amounts in kSEK</i>	Reported Balance sheet	IFRS 16 adjustment	Recalculated Balance sheet
Fixed assets	463,851	-	463,851
Other non-current receivables	30,261	282,400	312,661
Total non-current assets	494,112	282,400	776,512
Other receivables	145,835	-	145,835
Prepaid expenses and accrued income	211,036	-16,600	194,436
Cash and cash equivalents	500,845	-	500,845
Total current assets	857,716	-16,600	841,116
TOTAL ASSETS	1,351,828	265,800	1,617,628
Share capital	1,205	-	1,205
Other capital contributed and reserves	126,070	-	126,070
Retained earnings including profit for the year	828,745	-	828,745
Summa eget kapital	956,020	-	956,020
Prepayments from customers	7,290	-	7,290
Lease liabilities	-	208,500	208,500
Deferred tax liability	10,245	-	10,245
Total non-current liabilities	17,534	208,500	226,034
Other liabilities	194,088	-	194,088
Lease liabilities	-	64,800	64,800
Accrued expenses and deferred income	184,186	-7,500	176,686
Total current liabilities	378,274	57,300	435,574
TOTAL EQUITY AND LIABILITIES	1,351,828	265,800	1,617,628

Definitions

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.

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 Americas 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 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. Seven new slot games were released in the quarter: *Dead or Alive 2*, *Wild Worlds*, *Narcos*, *Arcane Reel Chaos*, *Cash-o-Matic*, *Twin Happiness* and *Happy Panda*.

