

Q3

INTERIM REPORT JANUARY–SEPTEMBER 2019

Third quarter 2019

- Revenues for the third quarter amounted to 443 (449) SEKm
- EBITDA of 196 (227) SEKm⁽¹⁾, corresponding to a margin of 44.3 (50.6)%.
- EBIT of 112 (172) SEKm, corresponding to a margin of 25.3 (38.3)%
- EBIT, excluding Red Tiger Gaming Ltd ("Red Tiger") contribution and acquisition-related items, amounted to 125 SEKm in the quarter, corresponding to a margin of 30.1 (38.3)%
- Profit after tax of 76 (155) SEKm
- Earnings per share of SEK 0.32 (0.65) before and after dilution
- Red Tiger was consolidated from the beginning of September 2019 and contributed to revenues by 30 SEKm, to EBITDA by 21 SEKm and to EBIT by 20 SEKm
- Acquisition-related amortization amounted to 9 SEKm. The results also include 25 SEKm of other acquisition-related costs. Additionally, 34 SEKm of financing-related expenses have been prepaid and allocated over the term of the bank loans (four years)

First nine months 2019

- Revenues for the first nine months amounted to 1,281 (1,317) SEKm
- EBITDA of 594 (612) SEKm⁽¹⁾, a margin of 46.4 (46.5) %
- EBIT of 368 (455) SEKm, a margin of 28.7 (34.6)%
- Profit after tax of 316 (441) SEKm
- Earnings per share of SEK 1.32 (1.83) before and after dilution
- Red Tiger was consolidated from the beginning of September 2019 and contributed to revenues by 30 SEKm, to EBITDA by 21 SEKm and to EBIT by 20 SEKm
- Acquisition-related amortization amounted to 9 SEKm. The results also include 25 SEKm of other acquisition-related costs. Additionally, 34 SEKm of financing-related expenses have been prepaid and allocated over the term of the bank loans (four years)

Important events in the third quarter

- Acquisition of Red Tiger, primarily financed through new bank loans, for an enterprise value of 200 GBPm plus a conditional earn-out payment of maximum 23 GBPm with possible payout in 2022
- Games were launched with several operators in Pennsylvania and with DraftKings in New Jersey, USA
- NetEnt released 8 (4) slot games, of which *Butterfly Staxx 2* was the most successful

Quote from Therese Hillman, Group CEO

"The most significant event of the quarter was the strategically important acquisition of Red Tiger. The two companies complement one another well, both in terms of geography and product offering, and together we believe we can attain a stronger market position and realize economies of scale throughout our business. The main objective of the deal is to drive growth and we estimate that the transaction can result in annual synergies of at least 150 SEKm, of which a large part will come from revenue synergies."

Summary in figures (SEKm)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating revenues	443	449	1,281	1,317	1,782
EBITDA (1)	196	227	594	612	816
EBITDA margin	44.3%	50.6%	46.4%	46.5%	45.8%
EBIT	112	172	368	455	601
EBIT margin	25.3%	38.3%	28.7%	34.6%	33.7%
Cash flow from operating activities	102	211	478	641	828
Net debt at end of period	2,465	-362	2,465	-362	501

(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 15.4 million in the third quarter of 2019. For the period January-September this amount is SEK 45.4 million.

Comments by Therese Hillman, Group CEO

Continued challenging situation in some of our largest markets

We continued to see a challenging situation in some of our largest markets in the third quarter. Revenues for the quarter amounted to SEK 443 (449) million, including those of Red Tiger from the beginning of September. After adjusting for the acquisition and FX changes, NetEnt's revenues decreased by 10.0 percent compared to the third quarter of 2018. EBIT, excluding Red Tiger contribution and acquisition-related items, amounted to SEK 125 million in the quarter, corresponding to a margin of 30.1 (38.3) percent.

The primary reason for the lower revenues was attributed to continued weak developments in the Swedish market. Sweden accounted for 7 percent of the decrease, but Norway and UK also had a negative impact on revenues. On the positive side, it's worth highlighting the US, with continued strong growth in New Jersey and a great start in Pennsylvania during the quarter. Revenues from these two US states could continue to grow for many years to come to potentially account for a greater share of our total revenues in the future. NetEnt released 8 (4) slot games in the quarter, of which *Butterfly Staxx 2* was the best performing title. In addition, Red Tiger released four games during September. Within Live Casino, we continue to pursue our plan to make improvements to the product and organization. We rolled out an upgraded user interface for a better player experience as well as products such as *Perfect Blackjack* and *Network Branded Casino* to our customer network.

Red Tiger: a strategically important acquisition to drive growth

The gaming industry is undergoing a period of consolidation in which NetEnt intends to participate to secure long-term growth and profitability. The acquisition of Red Tiger is strategically important, resulting in a stronger market position and economies of scale for the combined companies. The two businesses complement one another well both in terms of geography and product offering, and the customer feedback from both companies' customers has been very positive so far. The main objective of the deal is to drive growth and we estimate that the transaction can yield annual synergies of at least 150 SEKm fully phased from 2021, of which a large part will come from revenue synergies. NetEnt is present in 22 regulated markets and has more than 200 active customers, and during the first month we have set out a plan to roll out Red Tiger's games to those customers that don't have them yet. Further, we are now taking the best of our game assets to develop new games together, and as a first step we have already managed to build a new version of NetEnt's game *Piggy Riches* with Red Tiger's daily jackpot format as an option. The new game will be released in January and we expect to present more of these shared innovative game concepts during next year.

Like we have said before, we are developing our technical platform to include important operator functionality and third-party content aggregation. The addition of Red Tiger's product portfolio is a natural step in this process, and I am convinced that together we will be able to offer the best games and functions for online casino operators worldwide.

We also continue to work hard to reduce costs and improve the efficiency throughout NetEnt's operations and the integration of Red Tiger, a young, fast-paced company built to optimize development and production, can serve as a catalyst in this process.

Future outlook

Together with Red Tiger we have new opportunities to strengthen our market position. With our global distribution, combined brands and customer relations, we have the right basis to defend, and over the longer term increase our market shares in online casino. We expect that our slot games, including Red Tiger's portfolio, together with Live Casino will contribute to solid growth for NetEnt in 2020.

Therese Hillman
Group CEO, NetEnt

Acquisition of Red Tiger

In the beginning of September, NetEnt acquired Red Tiger, a supplier of online casino games and software well-known for its daily jackpot games. Founded in 2014, the company has 169 employees with operations in Malta, Isle of Man, Gibraltar, Alderney and Bulgaria. The acquisition, which was financed through bank loans and existing cash, amounted to an enterprise value of GBP 200 million plus an additional amount of maximum GBP 23 million that may become payable in 2022 on an earn-out basis, subject to Red Tiger's financial performance over the coming two years. Red Tiger has been consolidated from the beginning of September. For more information about the transaction, see note 4 on page 22.

Revenues and results in the third quarter

For the third quarter, total revenues amounted to SEK 443.4 (449.3) million and operating expenses to 331.4 (277.2) SEKm. Operating profit (EBIT) in the third quarter was 112.0 (172.0) SEKm, corresponding to a margin of 25.3 (38.3) percent. Red Tiger was consolidated from the beginning of September 2019, which increased revenues by 30.0 SEKm and operating costs by 10.5 SEKm. Additionally, the acquisition added amortization of intangible assets of 8.6 SEKm. The results also include 19.0 SEKm of other transaction-related costs and restructuring costs of 5.7 SEKm, both of which are related to the acquisition of Red Tiger.

Excluding contribution from Red Tiger and acquisition-related costs, EBIT was 124.6 SEKm, corresponding to a margin of 30.1 (38.3) percent.

The number of game transactions amounted to 11.0 billion in the third quarter, representing an increase of 0.5 percent compared to same quarter of the previous year⁽¹⁾. 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 65.3 (61.0) percent of game win in the period⁽¹⁾. Slot games generated 91 percent of game win and table games accounted for 9 percent in the period⁽¹⁾.

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 third quarter of 2019, the Swedish krona weakened by 2.4 percent against the euro compared to the same period in 2018. Against the British pound, the Swedish krona weakened by 1.3 percent compared to the same quarter of last year.

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 15.9 SEKm in the third quarter of 2019.

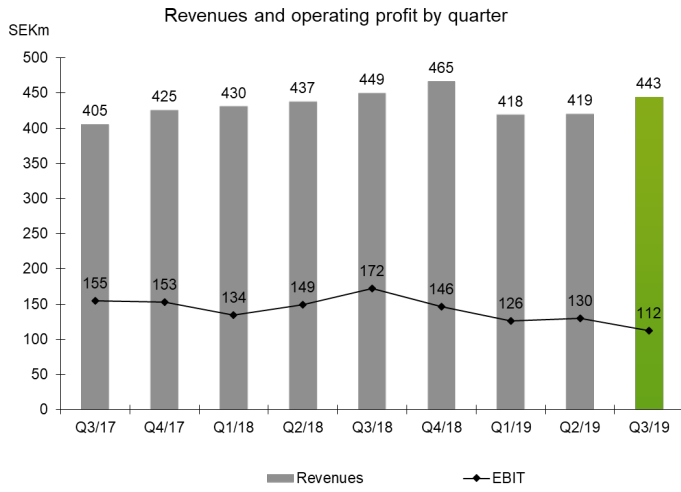
Costs are also affected by the development of the Swedish krona against the euro, as a weaker Swedish krona leads to cost increases. For example, depreciation and amortization are affected by the development of the Swedish krona versus the euro as they are booked in euro and then translated to Swedish krona. The share of costs reported in other currencies represented 54 (49) percent in the period.

Net financial items amounted to -27.5 (-1.6) SEKm for the period. These consist mainly of interest and amortized financing costs⁽²⁾ on new bank loans, and accounting adjustment of the net present value of the earn-out liability.

In the third quarter, 7 (9) new license agreements were signed and 5 (14) new customers' casinos were launched by NetEnt⁽¹⁾. At the end of the period, NetEnt⁽¹⁾ held agreements with 15 (23) new customers that had not yet been launched.

(1) Excluding Red Tiger.

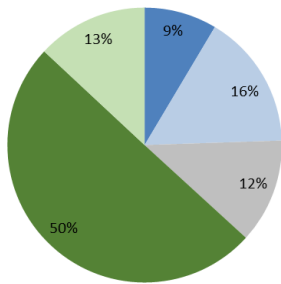
(2) Financing costs of 33.8 SEKm, related to the Red Tiger acquisition, have been prepaid and allocated over the term of the bank loans, (four years).



Breakdown of game win in the third quarter

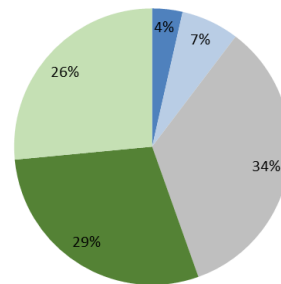
The charts below illustrate the game win split by geographic region and between locally regulated and non-locally regulated markets in the quarter. Locally regulated markets accounted for 47 (35) percent of the total game win in NetEnt’s games in the third quarter, excluding Red Tiger.

NetEnt excluding Red Tiger (Q3 2019)



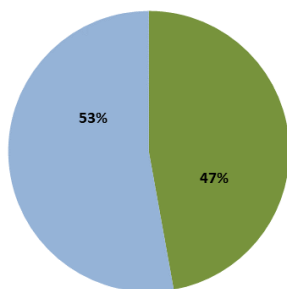
■ Sweden ■ Other Nordics ■ United Kingdom ■ Other Europe ■ Other World

Red Tiger (September 2019)



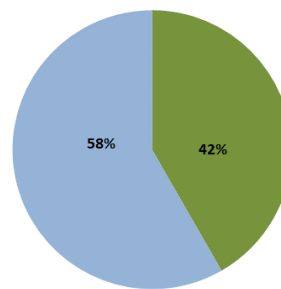
■ Sweden ■ Other Nordics ■ United Kingdom ■ Other Europe ■ Other World

NetEnt excluding Red Tiger (Q3 2019)



■ Locally regulated ■ Non-locally regulated

Red Tiger (September 2019)



■ Locally regulated ■ Non-locally regulated

Investments in the third quarter

The acquisition of Red Tiger amounted to a total purchase price consideration of 2,552.0 SEKm. Red Tiger has been consolidated from the beginning of September. According to the preliminary purchase price allocation analysis shown on page 22, the transaction has resulted in an increase in net assets of 1,107.6 SEKm. The remaining amount of the purchase price, 1,444.4 SEKm, has been allocated as goodwill, mainly attributable to the unique competence in games development and production, as well as the strong market position that Red Tiger contributes with.

The Group's investments in intangible assets amounted to SEK 48.5 (35.2) million and tangible assets totaled SEK 5.5 (8.1) million in the quarter. These amounts include investments for Red Tiger during September.

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 except for Red Tiger were 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 third quarter

The Group's cash flow from operating activities before changes in working capital amounted to 167.3 (220.4) SEKm, of which 15.9 SEKm 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 101.6 (210.7) SEKm in the quarter.

Cash flow from investing activities amounted to -2,278.0 (-43.4) SEKm in the third quarter. The acquisition of Red Tiger amounted to 2,223.9 SEKm.

Cash flow from financing activities amounted to 2,281.8 (0) SEKm. This amount includes new bank loans of 2,296.4 SEKm to finance the acquisition of Red Tiger and prepaid financing costs related to the acquisition amounting to 33.9 SEKm, plus amortization of the leasing liability related to IFRS 16.

At the end of the period, the Group's net financial debt amounted to 2,465.0 (-362.3) SEKm. This figure includes bank loans, the net present value of the earn-out liability, lease liability related to IFRS 16 and cash.

Cash held on behalf of licensees was 118.1 (110.3) SEKm.

Summary of the first nine months of 2019

For the period January-September 2019, total revenues amounted to 1,280.9 (1,316.5) SEKm and operating expenses to 912.8 (861.6) SEKm. Operating profit (EBIT) was 368.1 (454.9) SEKm, corresponding to a margin of 28.7 (34.6) percent.

Red Tiger was consolidated from the beginning of September 2019, which increased revenues by 30.0 SEKm and operating costs by 10.5 SEKm. Additionally, the acquisition added amortization of intangible assets of 8.6 SEKm. The results also include 19.0 SEKm of other transaction-related costs and restructuring costs of 5.7 SEKm, both of which are related to the acquisition of Red Tiger.

The Group's acquisitions of intangible assets amounted to 140.1 (110.1) SEKm and investments in property, plant, and equipment amounted to 12.8 (28.7) SEKm. As shown in the preliminary purchase price allocation analysis on page 22, intangible assets increased by 2,552.0 SEKm as a result of the Red Tiger acquisition, of which 1,444.4 SEKm consist of goodwill.

The Group's cash flow from operating activities for the first nine months amounted to SEK 477.7 (641.6) million. Cash flow from investing activities amounted to -2,376.9 (-138.8) SEKm in the period. The acquisition of Red Tiger amounted to 2,223.9 SEKm.

Cash flow from financing activities amounted to SEK 1,685.9 (-540.3). This amount consisted of new bank loans and prepaid financing costs related to the acquisition of Red Tiger, amortization of the company's leasing liability related to IFRS 16, cash distribution to shareholders and repurchases of own shares.

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 45.9 million for the period of January-September 2019.

Net financial items amounted to -21.9 (25.2) SEKm for the period. These consisted mainly of interest and amortized financing costs on new bank loans, and accounting adjustment of the net present value of the earn-out liability.

NetEnt signed 23 (23) new license agreements during the period and launched casinos of 24 (29) new customers, excluding Red Tiger.

Market

The online gaming market has shown growth in recent years. The global game win for online gaming, including all game segments, has been estimated at EUR 45.6 billion for 2018, representing an increase of 9.8 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 12.0 billion for 2018, with an increase of 8.2 percent for the year (*source: H2 Gambling Capital, October 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, the company 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 launched its games in the state in July 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 global gaming company, providing premium gaming solutions to the world's most successful online casino operators. In addition to the company's NetEnt brand, our portfolio also includes Red Tiger Gaming. Since our start in 1996, we have been a true pioneer in driving the market with innovative games powered by a cutting-edge platform. NetEnt is committed to creating the future of gaming, is listed on NASDAQ Stockholm (NET-B) and employs around 1 000 people in Malta, Stockholm, Sofia, Kiev, Krakow, Gothenburg, Gibraltar, Isle of Man, London 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 858 (816). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 1,069 (1,002) persons. These figures are defined as full-time employee equivalents for the period.

Option program 2019-2022

The Annual General Meeting on May 10, 2019 resolved to introduce a long-term incentive program intended for certain employees within the NetEnt Group. A total of 1,000,000 options were issued in June 2019, with the right to subscribe to an equal number of new shares in NetEnt AB. The options were issued at SEK 2.15 per option – the fair market value as calculated by external experts. The strike price for the shares was determined at SEK 35.60 and subscription of shares can be made during the period August 1 to October 1, 2022. In September 2019, the company repurchased 48 464 options as one of the participants in the program resigned. After the repurchase, the total outstanding options in the program amount to 951 536.

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 212.6 (175.9) million and operating profit was SEK 39.9 (10.1) million for the period. The operating margin was 18.8 (5.7) 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 17.8 (7.8) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 1.4 (2.1) million and investments in intangible assets were SEK 3.0 (0.2) million for the period. Cash and cash equivalents in the Parent Company amounted to SEK 48.7 (28.0) million at the end of the period.

In September 2019, the parent company borrowed 217.5 EURm through a new credit facility to finance the acquisition of Red Tiger. The corresponding amount was lent from the parent company to NetEnt Malta Holding, which is the group subsidiary that acquired Red Tiger. This intra-group loan has the same terms as the credit facility.

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.

Nominating Committee

In accordance with the decision by the Annual General Meeting, the members of the nominating committee of NetEnt shall be appointed by the three shareholders/owner groups controlling the largest number of votes in NetEnt at the end of August, which desire to appoint a representative. In addition, the Chairman of the Board of Directors shall be a member of the nominating Committee. The current nomination committee consists of John Wattin, (Chairman, appointed by the Hamberg family), Joel Lindeman (appointed by Novobis and the Lundström family), Michael Knutsson (appointed by the Knutsson family) and Fredrik Erbing (Chairman of the Board of Directors). Shareholders can submit proposals to the nominating committee until February 15th, 2020 at: Nominating Committee, NetEnt AB, Vasagatan 16, SE-111 20 Stockholm, Sweden or to nomination@netent.com.

Annual General Meeting

The next Annual General Meeting will be held in Stockholm on Wednesday, 29th April 2020.

Presentation of report

On Thursday, 24th October 2019, at 10:30 a.m. CET 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-q3-2019>

Financial calendar

Earnings report and report for the fourth quarter 2019	February 12, 2020
Interim report January – March 2020	April 22, 2020
Annual General Meeting 2020	April 29, 2020
Interim report January – June 2020	July 15, 2020
Interim report January – September 2020	October 21, 2020
Earnings report and report for the fourth quarter 2020	February 12, 2021

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, October 23th, 2019

Fredrik Erbing
Chairman of the Board

Christoffer Lundström
Board Member

Lisa Gunnarsson
Board Member

Peter Hamberg
Board Member

Jonathan Petteimerides
Board Member

Pontus Lindwall
Board Member

Maria Redin
Board Member

Therese Hillman
Group CEO

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Publication

This information is information that NetEnt AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation (MAR). The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on October 24th, 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.

Review report

Introduction

We have reviewed the interim report for NetEnt AB (publ) for the period January 1 - September 30, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 23th October 2019

Deloitte AB

Erik Olin

Authorized Public Accountant

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

INCOME STATEMENT	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenues	437,427	448,815	1,262,145	1,314,705	1,778,169
Other revenues	6,011	435	18,764	1,827	3,782
Total operating revenues	443,439	449,250	1,280,909	1,316,532	1,781,950
Personnel expenses	-120,423	-116,573	-368,913	-384,835	-535,903
Depreciation and amortization	-84,310	-55,464	-225,629	-156,879	-214,958
Other operating expenses	-126,701	-105,193	-318,246	-319,892	-429,991
Total operating expenses	-331,434	-277,229	-912,788	-861,605	-1,180,853
Operating profit	112,005	172,021	368,122	454,927	601,098
Financial income	26,193	8,689	59,248	57,258	62,106
Financial expense	-53,740	-10,304	-80,140	-32,047	-41,025
Financial items	-27,547	-1,614	-21,892	25,211	21,080
Profit before tax	84,458	170,407	346,230	480,138	622,178
Tax on the period's profit	-8,374	-14,984	-29,966	-39,533	-44,949
Profit for the period	76,084	155,423	316,264	440,605	577,229
<i>Earnings per share before dilution (SEK)</i>	<i>0.32</i>	<i>0.65</i>	<i>1.32</i>	<i>1.83</i>	<i>2.40</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.32</i>	<i>0.65</i>	<i>1.32</i>	<i>1.83</i>	<i>2.40</i>
Average number of shares outstanding					
- before dilution	239,130,860	240,130,860	239,579,199	240,130,860	240,130,860
- after dilution	239,130,860	240,130,860	239,579,199	240,130,860	240,130,860
Profit for the period attributable to Parent company shareholder	76,084	155,423	316,264	440,605	577,229
STATEMENT OF TOTAL INCOME					
Profit for the period	76,084	155,423	316,264	440,605	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	45,955	-8,124	56,666	15,648	7,708
Sum of other total income for the period, net after tax	45,955	-8,124	56,666	15,648	7,708
Total income for the period attributable to Parent Company shareholders	122,039	147,299	372,930	456,253	584,937

Condensed consolidated balance sheets (kSEK)

ASSETS	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Intangible assets	3,012,147	335,744	334 786
Property, plant, and equipment	101,527	133,589	123 047
Access right value assets	258,051	-	-
Deferred tax receivable	5,007	-	6 019
Other long-term receivables	28,585	24,520	30 261
Total non-current assets	3,405,317	493,854	494 112
Account receivables	151,753	68,611	64 427
Other receivables	41,231	52,983	51 866
Prepaid expenses and accrued revenues	183,076	215,487	211 036
Funds held on behalf of licensees	118,134	110,333	29 543
Cash and cash equivalents	300,208	362,330	500 845
Total current assets	794,402	809,744	857 716
TOTAL ASSETS	4,199,719	1,303,598	1,351,829
EQUITY AND LIABILITIES	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Share capital	1,205	1,205	1,205
Other capital contributed	95,962	93,812	93,812
Reserves	88,924	40,198	32,258
Retained earnings including profit for the period	576,610	692,121	828,745
Total equity	762,701	827,336	956,020
Prepayments from customers	17,181	20,346	7,290
Loans	2,057,228	-	-
Other long term liabilities	281,723	-	-
Lease liabilities	178,859	-	-
Deferred tax liability	68,400	12,319	10,245
Total long-term liabilities	2,603,390	32,665	17,534
Accounts payable	39,168	30,393	30,791
Current tax liabilities	38,296	45,178	24,421
Lease liabilities	70,406	-	-
Loans	252,603	-	-
Other liabilities	193,001	209,723	138,876
Accrued expenses and prepaid revenues	240,154	158,303	184,186
Total current liabilities	833,629	443,597	378,274
TOTAL EQUITY AND LIABILITIES	4,199,719	1,303,598	1,351,829

Condensed consolidated cash flow statements (kSEK)

(kSEK)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating profit	112,005	172,021	368,122	454,927	601,098
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	84,310	55,464	225,629	156,879	214,959
Other	-24,599	-3,599	-15,965	5,085	304
Interest paid	-774	-243	-2,830	-1,215	-2,039
Income tax paid	-3,657	-3,283	-16,091	-20,293	-48,355
Cash flow from operating activities before changes in working capital	167,286	220,360	558,865	595,382	765,966
Changes in working capital	-65,670	-9,670	-81,171	46,264	61,912
Cash flow from operating activities	101,616	210,689	477,694	641,646	827,878
Acquisition subsidiaries	-2,223,923	-	-2,223,923	-	-
Acquisition of intangible assets	-48,502	-35,231	-140,142	-110,103	-147,523
Acquisition of property, plant, and equipment	-5,531	-8,142	-12,840	-28,717	-38,595
Kassaflöde från investeringsverksamheten	-2,277,955	-43,373	-2,376,904	-138,820	-186,118
New bank loan	2,296,397	-	2,296,397	-	-
Amortization of lease liability	-14,597	-	-44,275	-	-
Received premium for share option rights	-	-	2,150	-	-
Repurchase of own shares	-	-	-30,355	-	-
Transfer to shareholders	-	-	-538,044	-540,294	-540,294
Cash flow from financing activities	2,281,800	-	1,685,872	-540,294	-540,294
Cash flow for the period	105,461	-167,317	-213,336	-37,468	101,466
Cash and cash equivalents at beginning of period	193,031	195,494	500,844	387,035	387,035
FX differences in cash and cash equivalents	1,716	-481	12,703	12,764	12,343
Cash and cash equivalents at end of period	300,208	362,330	300,208	362,330	500,845

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-Sep	-	-	56,666	316,264	372,930
Closing equity Sep 30, 2019	1,205	95,962	88,924	576,610	762,701

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)

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating revenues	212,645	175,892	597,456	590,361	785,865
Other external expenses	-68,895	-63,755	-201,991	-215,095	-280,035
Personnel expenses	-99,418	-95,793	-305,164	-320,752	-435,993
Depreciation and amortization	-4,391	-6,272	-14,539	-20,672	-26,474
Operating profit	39,942	10,073	75,762	33,842	43,363
Financial items	-17,076	232	-2,012	21,207	534,188
Transfer to untaxed reserves	-	-	-	-	9,547
Profit before tax	22,866	10,305	73,750	55,049	587,098
Tax on the period's profit	-5,087	-2,524	-18,406	-12,645	-17,178
Profit for the period	17,779	7,781	55,344	42,404	569,921

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Profit for the period	17,779	7,781	55,344	42,404	569,921
Other total income	-	-	-	-	-
Sum of other total income for the period. net after tax	-	-	-	-	-
Total income for the period	17,779	7,781	55,344	42,404	569,921

Condensed Parent Company balance sheet (kSEK)

	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
ASSETS			
Intangible assets	8,157	2,737	3,260
Tangible assets	43,639	56,475	52,391
Long term internal receivables	2,057,228	-	-
Other long term assets	8,007	6,773	17,690
Total non-current assets	2,117,031	65,968	73,341
Account receivables	5,652	180	-
Receivables from Group companies *	393,684	185,608	527,997
Current tax receivables	939	5,850	3,108
Other receivables	9,289	9,532	12,025
Prepaid expenses and accrued revenues	37,184	42,837	37,241
Cash and cash equivalents	48,704	27,956	153,230
Total current assets	495,452	271,963	733,601
TOTAL ASSETS	2,612,483	337,949	806,942
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	59,676	20,590	20,590
Profit for the period	17,779	42,404	569,921
Total equity	139,733	123,122	650,638
Loans, long term	2,057,228	-	-
Untaxed reserves	19,474	29,021	19,474
Accounts payable	21,845	18,541	23,301
Loans	252,603	-	-
Liabilities to Group companies	-	65,768	-
Tax liabilities	-	-	-
Other liabilities	6,943	7,044	8,891
Accrued expenses and prepaid revenues	114,657	94,453	104,639
Total current liabilities	396,048	185,806	136,831
TOTAL EQUITY AND LIABILITIES	2,612,483	337,949	806,942

*) Net receivables with Group companies include borrowed cash funds via the Group cashpool with SEK 477,915 kSEK.

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

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan- Dec 2018
Financial measures defined by IFRS:					
Operating revenues (kSEK)	443,439	449,250	1,280,909	1,316,532	1,781,950
Earnings per shares before dilution (SEK)	0.32	0.65	1.32	1.83	2.40
Earnings per shares after dilution (SEK)	0.32	0.65	1.32	1.83	2.40
Average number of outstanding shares before dilution	239,130,860	240,130,860	239,579,199	240,130,860	240,130,860
Average number of outstanding shares after dilution	239,130,860	240,130,860	239,579,199	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
Alternative Performance Measures:					
Operating revenues (kEUR)	41,585	43,143	121,234	128,634	173,736
Operating margin (percent)	25.3	38.3	28.7	34.6	33.7
EBITDA margin (percent)	44.3	50.6	46.4	46.5	45.8
Effective tax rate (percent)	9.9	8.8	8.7	8.2	7.2
Return on equity, rolling 12 months (percent)	52.6	68.3	52.6	68.3	65.3
Equity/assets ratio (percent)	18.2	63.5	18.2	63.5	70.7
Quick ratio (percent)	95.3	182.5	95.3	182.5	226.7
Net interest-bearing liabilities (kSEK) ⁽¹⁾	2,465,004	-362,330	2,465,004	-362,330	-500,845
Net debt/equity ratio (multiple)	3.2	-0.4	3.2	-0.4	-0.5
Equity per share before dilution (SEK)	3.19	3.45	3.19	3.45	3.98
Equity per share after dilution (SEK)	3.19	3.45	3.19	3.45	3.98
Average number of employees	746	806	757	807	800
Employees at period's end	858	816	858	816	804
Employees and external resources at period's end	1,069	1,002	1,069	1,002	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 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Financial measures defined by IFRS:									
Operating revenues (kSEK)	443.4	419.4	418.1	465.4	449.3	437.2	430.1	425.0	404.8
Cash and cash equivalents (SEKm) ⁽²⁾	300.2	193.0	596.6	500.8	362.3	195.5	560.9	387.0	144.7
Funds held on behalf of licensees (SEKm)	118.1	97.8	46.4	29.5	110.3	56.4	75.4	82.5	43.7
Alternative Performance Measures:									
Operating revenues (EURm)	41.6	39.5	40.1	45.1	43.1	42.3	43.2	43.4	42.4
Operating profit (SEKm)	112.0	130.0	126.1	146.2	172.0	148.8	134.1	152.7	155.1
Operating margin (percent)	25.3	31.0	30.2	31.4	38.3	34.0	31.2	35.9	38.3
EBITDA margin (percent)	44.3	48.0	47.0	43.9	50.6	46.3	42.3	45.7	48.1
Growth in SEK vs prior year (percent)	-1.3	-4.1	-2.8	9.5	11.0	5.9	9.3	6.5	14.4
Growth in EUR vs prior year (percent)	-3.6	-6.6	-7.0	3.9	1.8	-0.8	4.3	5.8	14.2
Growth in SEK vs prior quarter (percent)	5.7	0.3	-10.2	3.6	2.8	1.7	1.2	5.0	-1.9
Growth in EUR vs prior quarter (percent)	5.2	-1.6	-11.0	4.5	1.9	-1.9	-0.6	2.5	-0.7
Equity/assets ratio (percent)	18.2	47.7	63.2	70.7	63.5	60.7	70.7	69.2	68.0
Return on equity rolling 12 months (percent)	52.6	60.7	62.2	65.3	68.2	68.3	69.5	67.4	66.6
Net debt/equity ratio (multiple)	3.2	-0.3	-0.6	-0.5	-0.4	-0.3	-0.5	-0.4	-0.2
Share price at end of period	30.35	29.75	33.75	36.55	36.04	47.90	41.94	56.50	63.20
Earnings per share after dilution (SEK)	0.32	0.50	0.50	0.57	0.65	0.58	0.61	0.64	0.59
Book equity per share (SEK)	3.19	2.68	4.51	3.98	3.45	2.83	4.47	3.80	3.07
Cash flow from operations per share (SEK)	0.42	0.94	0.56	0.78	0.88	0.93	0.86	1.24	0.13
Average number of employees	746	730	783	808	802	802	787	789	749

Reconciliation to IFRS

(SEKm)	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
EBITDA									
Profit for the period	76.1	119.9	120.2	136.6	155.4	139.3	145.8	154.7	141.6
Tax on profit for the period	8.4	10.9	10.7	5.4	15.0	12.6	11.9	-2.2	11.6
Financial items	-27.5	0.8	4.9	-4.1	-1.6	3.1	23.7	-0.1	-1.8
Depreciation & Amortization	84.3	71.1	70.2	58.1	55.5	53.5	47.9	41.7	39.8
EBITDA	196.3	201.1	196.3	204.3	227.5	202.3	182.0	194.3	194.9
Net interest-bearing liabilities									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	2,765.2	-	-	-	-	-	-	-	-
Cash and cash equivalents ⁽²⁾	-300.2	-193.0	-596.6	-500.8	-362.3	-195.5	-560.9	-387.0	-144.7
Net interest-bearing liabilities ⁽¹⁾	2,465.0	-193.0	-596.6	-500.8	-362.3	-195.5	-560.9	-387.0	-144.7
Quick ratio									
Total current assets	794.4	600.1	955.9	857.7	809.7	607.5	995.3	815.2	627.4
Total current liabilities	833.6	489.7	400.0	378.3	443.6	402.3	378.9	342.2	287.8
Quick ratio (percent)	95.3	122.5	239.0	226.7	182.5	151.0	262.7	238.2	218.0

(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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-dec 2018
Royalties	424,060	435,844	1,218,149	1,279,997	1,727,141
Setup fees	13,368	12,971	43,996	34,708	51,027
Other revenues	6,011	435	18,764	1,827	3,782
Total	443,439	449,250	1,280,909	1,316,532	1,781,950

Timing for revenue recognition	Jul-sep 2019	Jul-sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-dec 2018
Performance commitment fulfilled at a certain time	430,071	436,279	1,236,913	1,281,824	1,730,923
Performance commitment fulfilled over a period of time	13,368	12,971	43,996	34,708	51,027
Total	443,439	449,250	1,280,909	1,316,532	1,781,950

Geographic allocation	Jul-sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-dec 2018
Malta	35.7%	43.1%	35.6%	42.8%	43.9%
Other countries	64.3%	56.9%	64.4%	57.2%	56.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The geographic split shown above is based on where the customers are located.

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

Red Tiger was acquired in September 2019 and the company holds lease agreements for its offices in Malta and Sofia, which end in January and February 2023, respectively. These lease agreements have been capitalized and are included on the balance sheet as tangible assets (19.9 SEKm) and lease liabilities (20.3 SEKm, of which 14.3 as long-term liabilities).

Note 4 – Acquisition of subsidiary

On September 5, 100 percent of the share capital of Red Tiger Gaming Limited ("Red Tiger") was acquired and has been included in the group accounts since the beginning of September. Red Tiger is a supplier of online casino games and software for gambling operators worldwide. Founded in 2014, the company had 169 employees on September 30, 2019, with operations in Malta, Isle of Man, Gibraltar, Alderney and Bulgaria. The acquisition, financed through new bank loans and existing cash, amounted to an enterprise value of GBP 200 million with a conditional earn-out payment of maximum GBP 23 million, which can be paid out in 2022. The earn-out payment is subject to the financial performance of Red Tiger in the coming two years and the net present value has been recognized as a financial liability as per September 30th, 2019. The net present value has been calculated using a discount rate (WACC) of 10 percent.

New credit facilities related to the acquisition of Red Tiger amount to EUR 243 million, of which EUR 217.5 million had been utilized as per September 30th, 2019. This amount consists of two credit facilities. The first facility amount to EUR 103.0 and will be amortized over the term of the loan, which is four years. The second facility amount to EUR 114.5 million is due in 2023 with a bullet repayment. The unutilized amount of EUR 25.5 million is related to the conditional earn-out liability, which is due in the beginning of 2022 subject to the financial performance of Red Tiger. The interest rates and other terms of the credit facilities are in line with overall market conditions. The terms of the credit facilities require NetEnt to meet a number of covenants starting from the fourth quarter of 2019.

The total purchase for Red Tiger amounted to SEK 2,552 million. Red Tiger was consolidated from the beginning of September 2019, which resulted in an increase in net assets of SEK 1,108 million, of which brand represents SEK 399 million, customer relations SEK 444 million, technology SEK 45 million, and games including daily jackpots represent SEK 244 million. The rest of the purchase price consist of goodwill amounting to SEK 1,444 million, mainly attributable to the unique competence in games development and production, as well as the strong market position that Red Tiger contributes with. More details about the purchase price allocation can be found in the table below.

Preliminary purchase price allocation

Acquired net assets	MSEK
Customer relationships	444.0
Trademark	399.1
Technical platform	45.4
Game portfolio	244.4
Deferred tax	-56.6
Other intangible assets	62.6
Tangible assets	2.8
Accounts receivable	38.9
Cash and bank	112.5
Other current receivables	10.0
Other long term liabilities	-153.3
Accounts payable	-4.8
Other short term liabilities	-37.3
Total	1,107.6
Purchase price	MSEK
Original purchase price	2,336.4
Earn-out (booked as liability)	215.6
Total purchase price	2,552.0
Acquired net asset value	-1 107.6
Goodwill	1,444.4

Cashflow effect

Cashflow effect related to the acquisition	MSEK
Original purchase price	2,336.4
Cash surplus acquired	-112.5
Transaction costs related to acquisition	19.0
Total	2,243.0

Financing	MSEK
New bank loans	2,330.3
Own cash used	6.1
Total	2,336.4

Acquired company contribution to the revenues and net earnings

For the period *	MSEK
Revenues	30.0
Net earnings after tax	18.2

**) Red Tiger included in the Group consolidation from the beginning of September. The numbers are included in the periods July-September and January-September.*

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 several 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 a wide range of games in categories such as slot games, table games, video poker and other games. The games are offered in various channels such as desktop, tablets and mobile phones.