

# Q4

EARNINGS REPORT 2019  
QUARTERLY REPORT  
OCTOBER-DECEMBER 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.



# Q4

## YEAR-END REPORT 2019 QUARTERLY REPORT OCTOBER–DECEMBER 2019

### Fourth quarter 2019

- Revenues for the fourth quarter amounted to 512 (465) SEKm
- EBITDA of 261 (204) SEKm<sup>(1)</sup>, corresponding to a margin of 51.0 (43.9)%
- EBIT of 161 (146) SEKm, corresponding to a margin of 31.4 (31.4)%
- Earnings after tax of 113 (137) SEKm. Earnings per share of SEK 0.47 (0.57) before and after dilution
- Red Tiger contributed 96 SEKm to revenues and 70 SEKm to EBITDA

### Full year 2019

- Revenues for the full year amounted to 1,793 (1,782) SEKm
- EBITDA of 855 (816) SEKm<sup>(1)</sup>, corresponding to a margin of 47.7 (45.8)%
- EBIT of 529 (601) SEKm, a margin of 29.5 (33.7)%
- Earnings after tax of 429 (577) SEKm. Earnings per share of SEK 1.79 (2.40) before and after dilution
- The results include SEK 59 million of acquisition-related transaction costs and amortization, and SEK 29 million of acquisition-related financing costs
- Red Tiger was consolidated in September and contributed 126 SEKm to revenues and 93 SEKm to EBITDA
- Proposed ordinary cash return to shareholders of SEK 1.00 (2.25) per share

### Important events in the fourth quarter

- NetEnt released 13 (6) slot games, of which *Ozzy Osbourne* was the most successful
- Red Tiger released 9 (6) slot games, of which *Dynamite Riches* was the most successful
- The platform service NetEnt Connect was introduced in December, with Red Tiger as first supplier
- Within Live Casino, a new Auto-Roulette studio was launched

### Quote from Therese Hillman, Group CEO

*“Since December, we have seen all-time highs in the number of players for our Live Casino, which supports our belief in growing revenues from this segment. Since the acquisition, Red Tiger has exceeded our expectations and now forms a vital part of our ongoing improvement efforts within the NetEnt Group. We see good conditions for NetEnt to deliver growth in 2020, supported by our combined game portfolio and Live Casino.”*

Summary in figures (SEKm)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating revenues	512	465	1,793	1,782
EBITDA (1)	261	204	855	816
EBITDA margin	51.0%	43.9%	47.7%	45.8%
EBIT	161	146	529	601
EBIT margin	31.4%	31.4%	29.5%	33.7%
Earnings per share (SEK)	0.47	0.57	1.79	2.40
Cash flow from operating activities	97	186	575	828
Net debt at end of period	2,418	-501	2,418	-501

(1) 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 16 million in the fourth quarter of 2019. For the period January-December this item amounted to SEK 61 million.

## Comments by Therese Hillman, Group CEO

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### Growth through acquisition

Revenues for the last quarter of the year increased by 10.0 percent to the highest level ever, SEK 512 million (465 SEKm), of which SEK 96 million came from Red Tiger, which was acquired in September. Pro forma<sup>(1)</sup> in euro terms, our total revenues including Red Tiger decreased by 4.8 percent compared to the corresponding period of 2018. Growth was held back by continued weakness in mainly Sweden and Norway, while our revenues in the US continued to grow significantly. During the period January 1 to February 10, 2020, total gamewin proforma<sup>(1)</sup> in euro terms for the NetEnt Group including Red Tiger increased by 4.9 percent compared to the same period of the previous year.

### Operating income and cash flow in the fourth quarter

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 261 (204) million in the quarter, of which SEK 70 million was contributed by Red Tiger. The EBITDA margin was 51.0 (43.9) percent. Red Tiger was acquired with the objective to create shareholder value through increased growth and profitability for the new group. The transaction was enabled by NetEnt's strong balance sheet, which went from a net cash to net debt position, and our long-term goal is to deliver enhanced shareholder returns with a balanced capital structure. Hence, the proposed cash return to shareholders for 2019 is SEK 1.00 (2.25) per share, which supports the company's cash flow generation and allows for debt to be reduced. This payout level is in line with the company's dividend policy.

### High level of activity and deeper integration with Red Tiger

We released more games than ever in the fourth quarter – 13 (6) from NetEnt and 9 (6) from Red Tiger – and continued to sign deals with and launch customers at a high pace. In addition, the quarter was marked by deepening integration with Red Tiger to realize both revenue- and cost synergies. Red Tiger adds complementary competence to the NetEnt group and we are running a number of common projects at full speed to deliver a significantly enhanced customer offering and player experience. Our first combined game with jackpot mechanics, *Piggy Riches*, was released in January and has so far been the best release ever for Red Tiger. During 2020, we will be releasing several new jointly developed games. In December, we launched our content aggregation service, NetEnt Connect, with Red Tiger as the first supplier. In 2019, we reduced the number of employees at NetEnt (excluding Red Tiger) while at the same time we stepped up our game production and efforts to develop our Live Casino offering. We continue to focus on cost control and efficiency throughout the NetEnt Group and the integration of Red Tiger forms a vital part of this process.

### All-time high in player numbers for Live Casino

We continue according to plan to improve our product and organization within Live Casino, and in December we launched a new Auto-Roulette studio. Feedback on the product enhancements made during 2019 has generally been positive and since December, we have seen all-time highs in player numbers for our Live Casino. We are now expanding the studio in Malta and will soon be offering physical tables to our customers for the first time, as an alternative to our tables with blue screen technology, which should contribute to increased revenues from Live Casino in 2020.

### Future outlook

We recently unveiled a number of product news at the ICE exhibition in London, such as a new jackpot concept called Starburst Power Pots, as well as branded games in collaboration with Gordon Ramsay, Street Fighter and Fashion TV – again showing our commitment to creating a world-class player experience.

I would like to take this opportunity to extend my thanks to our employees, customers and shareholders for their support during 2019. Backed by our ongoing focus on efficiency and the acquisition of Red Tiger, we are entering the new year in a stronger position. Our global distribution and two strong brands give us the right basis to increase our market shares in online casino. We see good conditions for NetEnt to deliver growth in 2020, supported by our combined game portfolio and Live Casino.

*Therese Hillman*  
Group CEO, NetEnt

(1) Comparable figures from the previous year include Red Tiger.

## Revenues and earnings in the fourth quarter

For the fourth quarter, total revenues amounted to SEK 512 (465) million and operating expenses to 351 (319) SEKm. Earnings before interest, tax, depreciation and amortization (EBITDA) was 261 (204) SEKm, corresponding to a margin of 51.0 (43.9) percent. Earnings before interest and tax (EBIT) amounted to 161 (146) SEKm, which corresponded to a margin of 31.4 (31.4) percent. Earnings after tax for the period was 113 (137) SEKm, corresponding to earnings per share (EPS) of 0.47 (0.57) SEK before and after dilution.

Red Tiger, consolidated from the beginning of September 2019, contributed 96 SEKm to revenues and 32 SEKm to operating costs in the quarter. Additionally, the acquisition added amortization of intangible assets of 26 SEKm in the period.

Nearly all of 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. Slot games represented 94 percent of game win and table games accounted for 6 percent in the period, including Red Tiger which only has slot games.

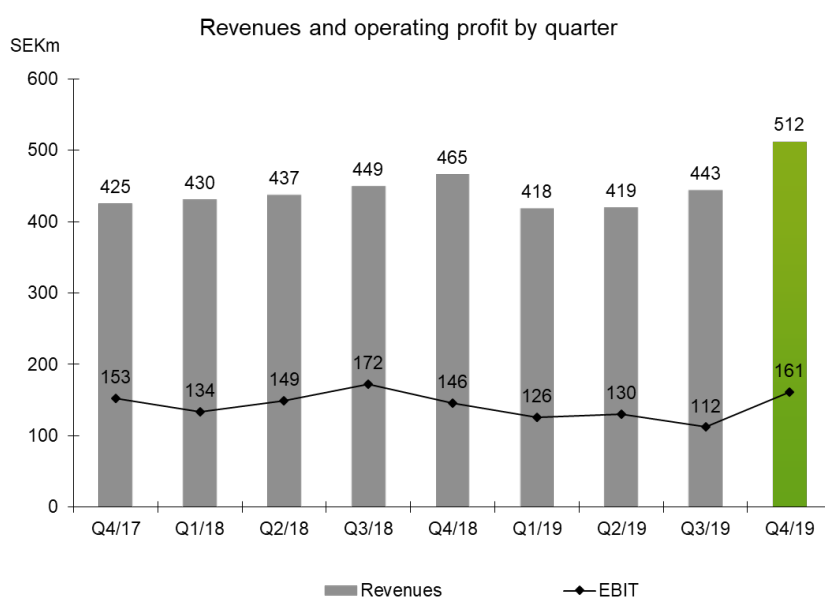
Revenues are affected by the development of the Swedish krona in relation to other currencies, particularly euro and British pounds. The main part of revenues is invoiced and accounted for in euro, then translated and reported in Swedish krona. A weaker Swedish krona has a positive effect on reported revenues. During the fourth quarter of 2019, the Swedish krona weakened by 3.3 percent against the euro compared to the same period in 2018. Against the British pound, the Swedish krona weakened by 6.3 percent during the period.

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 approximately 55 (46) percent in the period.

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 16 SEKm in the fourth quarter of 2019.

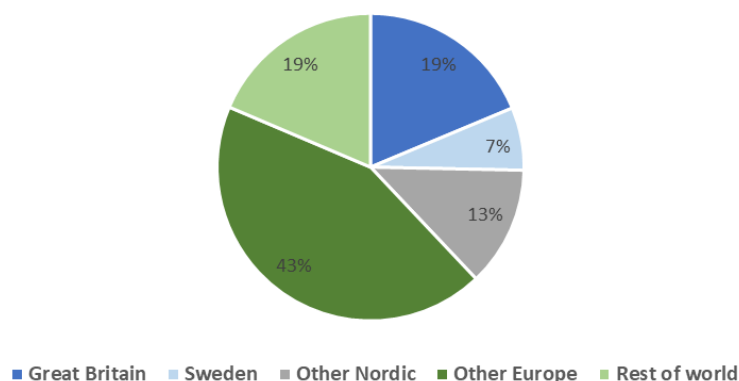
Net financial items amounted to -34 (-4) SEKm for the period. These consist mainly of interest and amortized financing costs on new bank loans, and accounting adjustment of the net present value of the earn-out liability.

Excluding Red Tiger, NetEnt signed 10 (8) new license agreements and launched 8 (9) new customers' casinos in the quarter. At the end of the period, NetEnt held agreements with 17 (22) new customers that had not yet been launched.



### Breakdown of game win in the fourth quarter

In the fourth quarter, locally regulated markets accounted for 48 (37) percent of gamewin. The chart below illustrates the game win split by geographic region. Great Britain was the largest market, representing 19 percent of gamewin. The figures include Red Tiger.



### Investments in the fourth quarter

The Group's investments in intangible assets amounted to SEK 49 (37) million and investments in tangible assets totaled SEK 6 (10) million in the quarter. The increase in investments in intangible assets was mainly due to the inclusion of Red Tiger's activated development costs.

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 development projects related to new games, platform and Live Casino.

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 fourth quarter

The Group's cash flow from operating activities before changes in working capital amounted to 245 (171) SEKm in the quarter. Cash flow from operating activities after changes in working capital amounted to 97 (186) SEKm. The change in working capital was mainly attributable to payment of accrued expenses related to the acquisition of Red Tiger and increased account receivables due to the introduction of a new ERP and billing system in December.

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 16 million in the fourth quarter of 2019.

Cash flow from investing activities amounted to -112 (-47) SEKm in the fourth quarter. For more details, see section above called Investments in the fourth quarter.

Cash flow from financing activities amounted to -17 (-) SEKm and consisted of amortization of the leasing liability related to IFRS 16.

At the end of the period, the Group's net financial debt amounted to 2,418 (-501) SEKm. Net debt includes bank loans, the net present value of the earn-out liability, lease liabilities related to IFRS 16, net of cash balances.

Cash held on behalf of licensees was 51 (30) SEKm.

## Summary of the full year 2019

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For the period January-December 2019, total revenues amounted to 1,793 (1,782) SEKm and operating expenses to 1,265 (1,181) SEKm. EBIT was 529 (601) SEKm, corresponding to a margin of 29.5 (33.7) percent. The introduction of IFRS 16 from January 2019 results in a re-classification of lease and rent costs to depreciation, which amounted to SEK 61 million for the period of January-December 2019.

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 had 168 employees on December 31, 2019, and 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.

The Group's acquisitions of intangible assets amounted to 189 (148) SEKm and investments in property, plant, and equipment amounted to 19 (39) SEKm. Further, intangible assets increased by 2,552 SEKm as a result of the Red Tiger acquisition, of which 1,447 SEKm consisted of goodwill.

The Group's cash flow from operating activities before changes in working capital for the period amounted to SEK 804 (766) million. Cash flow from operating activities after changes in working capital amounted to SEK 575 (828) million.

Cash flow from investing activities amounted to -2,489 (-186) SEKm in the period. The acquisition of Red Tiger amounted to 2,281 SEKm.

Cash flow from financing activities amounted to SEK 1,669 (-540). 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.

Net financial items amounted to -56 (21) SEKm for the period. These consisted mainly of interest and amortized financing costs on new bank loans<sup>(1)</sup>, and accounting adjustment of the net present value of the earn-out liability.

Excluding Red Tiger, NetEnt signed 33 (31) new license agreements during the period and launched casinos of 32 (38) new customers.

*(1) Financing costs of 34 SEKm related to the Red Tiger acquisition have been prepaid and allocated over the term of the bank loans, which is four years.*

## Market

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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 49.4 billion for 2019, representing an increase of 10.0 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 13.6 billion for 2019, meaning an increase of 11.6 percent for the year (*source: H2 Gambling Capital, January 2020*).

NetEnt holds licenses and certifications in the following regulated jurisdictions: Malta, Gibraltar, Alderney, Isle of Man, Denmark, Italy, Belgium, United Kingdom, Sweden, Spain, Serbia, 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, such as Michigan, 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 1 100 people in Malta, Stockholm, Sofia, Kiev, Krakow, Gothenburg, Gibraltar, Isle of Man, London and New Jersey. For more information, please visit [www.netent.com](http://www.netent.com).

### **Personnel and organization**

At the end of the period, the number of employees was 862 (804). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 1,062 (990) persons. The figures are defined as full-time employee equivalents for the period and the figures for 2019 include Red Tiger's employees.

### **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. 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. At the end of 2019, the total outstanding options in the program amounted to 931,243.

### **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 131 (196) million and EBIT was SEK -32 (10) million for the period. The margin was -22 (5) percent. The margin 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. Earnings after tax amounted to SEK 291 (528) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 4 (1) million and investments in intangible assets were SEK 2 (1) million for the period. Cash and cash equivalents in the Parent Company amounted to SEK 41 (153) 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.

### 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 Watin, (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 15<sup>th</sup>, 2020 at: Nominating Committee, NetEnt AB, Vasagatan 16, SE-111 20 Stockholm, Sweden or to [nomination@netent.com](mailto:nomination@netent.com).

### Annual General Meeting

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

### Presentation of report

On Wednesday, 12<sup>th</sup> February 2020, at 10:00 a.m. (CET) the report will be presented by CEO Therese Hillman live via a webcast. The webcast can be followed in real-time on NetEnt's website, the link is: <https://tv.streamfabriken.com/netent-q4-2019>

### Financial calendar

Annual report, web publication	April 7, 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](http://www.netent.com).

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

Stockholm, February 11, 2020

Fredrik Erbing Chairman of the Board	Christoffer Lundström Board Member	Lisa Gunnarsson Board Member	Peter Hamberg Board Member
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Jonathan Petteimerides Board Member	Pontus Lindwall Board Member	Maria Redin Board Member
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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 February 12<sup>th</sup>, 2020.

### **Legal disclaimer**

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

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

<b>INCOME STATEMENT</b>	<b>Oct-Dec 2019</b>	<b>Oct-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
Revenues	504,586	463,464	1,766,732	1,778,169
Other revenues	7,420	1,954	26,183	3,782
<b>Total operating revenues</b>	<b>512,006</b>	<b>465,419</b>	<b>1,792,915</b>	<b>1,781,950</b>
Personnel expenses	-122,200	-151,407	-491,112	-535,903
Depreciation and amortization	-100,716	-58,080	-326,345	-214,958
Other operating expenses	-128,486	-109,760	-446,732	-429,991
<b>Total operating expenses</b>	<b>-351,402</b>	<b>-319,247</b>	<b>-1 264,189</b>	<b>-1,180,853</b>
<b>Operating profit</b>	<b>160,604</b>	<b>146,171</b>	<b>528,726</b>	<b>601,098</b>
Financial income	13,714	4,848	72,961	62,106
Financial expense	-47,341	-8,978	-128,481	-41,025
<b>Financial items</b>	<b>-33,628</b>	<b>-4,131</b>	<b>-55,519</b>	<b>21,080</b>
<b>Profit before tax</b>	<b>126,977</b>	<b>142,041</b>	<b>473,206</b>	<b>622,178</b>
Tax on the period's profit	-14,371	-5,416	-44,337	-44,949
<b>Profit for the period</b>	<b>112,605</b>	<b>136,624</b>	<b>428,870</b>	<b>577,229</b>
<i>Earnings per share before dilution (SEK)</i>	<i>0.47</i>	<i>0.57</i>	<i>1.79</i>	<i>2.40</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.47</i>	<i>0.57</i>	<i>1.79</i>	<i>2.40</i>
Average number of shares outstanding				
- before dilution	239,130,860	240,130,860	239,469,216	240,130,860
- after dilution	239,130,860	240,130,860	239,469,216	240,130,860
Profit for the period attributable to Parent company shareholder	112,605	136,624	428,870	577,229
<b>STATEMENT OF TOTAL INCOME</b>				
<b>Profit for the period</b>	<b>112,605</b>	<b>136,624</b>	<b>428,870</b>	<b>577,229</b>
Other total income				
Other total income items that may be reclassified to net income				
Exchange rate differences from the translation of foreign operations	81,372	-7,940	138,038	7,708
Sum of other total income for the period, net after tax	<b>81,372</b>	<b>-7,940</b>	<b>138,038</b>	<b>7,708</b>
<b>Total income for the period attributable to Parent Company shareholders</b>	<b>193 977</b>	<b>128,684</b>	<b>566,908</b>	<b>584,937</b>

## Condensed consolidated balance sheets (kSEK)

	Dec 31, 2019	Dec 31, 2018
<b>ASSETS</b>		
Intangible assets	3,009,880	334,786
Property, plant, and equipment	94,710	123,047
Access right value assets	228,829	-
Deferred tax receivable	4,740	6,019
Other long-term receivables	26,106	30,261
<b>Total non-current assets</b>	<b>3,364,265</b>	<b>494,112</b>
Account receivables	205,834	64,427
Other receivables	55,664	51,866
Prepaid expenses and accrued revenues	200,957	211,036
Funds held on behalf of licensees	51,138	29,543
Cash and cash equivalents	265,458	500,845
<b>Total current assets</b>	<b>779,051</b>	<b>857,716</b>
<b>TOTAL ASSETS</b>	<b>4,143,316</b>	<b>1,351,829</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	1,205	1,205
Other capital contributed	95,962	93,812
Reserves	170,297	32,258
Retained earnings including profit for the period	689,215	828,745
<b>Total equity</b>	<b>956,687</b>	<b>956,020</b>
Prepayments from customers	12,412	7,290
Bank loans	2,000,643	-
Other long term liabilities	300,352	-
Lease liabilities	152,379	-
Deferred tax liability	66,578	10,245
<b>Total long-term liabilities</b>	<b>2,532,363</b>	<b>17,534</b>
Accounts payable	27,342	30,791
Current tax liabilities	56,054	24,421
Lease liabilities	63,165	-
Loans	237,608	-
Other liabilities	139,067	138,876
Accrued expenses and prepaid revenues	131,039	184,186
<b>Total current liabilities</b>	<b>654,275</b>	<b>378,274</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,143,316</b>	<b>1,351,829</b>

## Condensed consolidated cash flow statements (kSEK)

(kSEK)	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating profit	160,604	146,171	528,726	601,098
<i>Adjustment for items not included in cash flows:</i>				
Depreciation, amortization and impairments	100,716	58,080	326,345	214,959
Other	-4,051	-4,782	-20,016	304
Interest paid	-5,982	-824	-8,811	-2,039
Income tax paid	-5,925	-28,061	-22,016	-48,355
<b>Cash flow from operating activities before changes in working capital</b>	<b>245,362</b>	<b>170,584</b>	<b>804,227</b>	<b>765,966</b>
Changes in working capital	-148,185	15,684	-229,359	61,912
<b>Cash flow from operating activities</b>	<b>97,177</b>	<b>186,233</b>	<b>574,871</b>	<b>827,878</b>
Acquisition subsidiaries	-57,455	-	-2,281,378	-
Acquisition of intangible assets	-48,547	-37,421	-188,688	-147,523
Acquisition of property, plant, and equipment	-6,102	-9,877	-18,942	-38,595
<b>Kassaflöde från investeringsverksamheten</b>	<b>-112,103</b>	<b>-47,298</b>	<b>-2,489,008</b>	<b>-186,118</b>
New bank loan	-	-	2,296,397	-
Amortization of lease liability	-16,796	-	-61,071	-
Received premium for share option rights	-	-	2,150	-
Repurchase of own shares	-	-	-30,355	-
Transfer to shareholders	-	-	-538,044	-540,294
<b>Cash flow from financing activities</b>	<b>-16,796</b>	<b>-</b>	<b>1,669,076</b>	<b>-540,294</b>
Cash flow for the period	-31,723	138,935	-245,061	101,466
Cash and cash equivalents at beginning of period	300,208	362,330	500,844	387,035
FX differences in cash and cash equivalents	-3,027	-421	9,676	12,343
<b>Cash and cash equivalents at end of period</b>	<b>265,458</b>	<b>500,845</b>	<b>265,458</b>	<b>500,845</b>



## Condensed consolidated changes in equity (kSEK)

<b>2018</b>	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
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
<b>Closing equity Dec. 31, 2018</b>	<b>1,205</b>	<b>93,812</b>	<b>32,258</b>	<b>828,745</b>	<b>956,020</b>

<b>2019</b>	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
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	-	2,150	-	-	2,150
Total income for the period Jan-Dec	-	-	138,038	428,870	566,908
<b>Closing equity Dec. 31, 2019</b>	<b>1,205</b>	<b>95,962</b>	<b>170,297</b>	<b>689,215</b>	<b>956,678</b>

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)

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating revenues	131,282	195,504	728,738	785,865
Other external expenses	-71,093	-64,940	-273,084	-280,035
Personnel expenses	-87,650	-115,241	-392,814	-435,993
Depreciation and amortization	-4,833	-5,802	-19,373	-26,474
<b>Operating profit</b>	<b>-32,295</b>	<b>9,521</b>	<b>43,467</b>	<b>43,363</b>
Financial items	312,350	512,981	310,339	534,188
Transfer to untaxed reserves	7,658	9,547	7,658	9,547
<b>Profit before tax</b>	<b>287,713</b>	<b>532,049</b>	<b>361,464</b>	<b>587,098</b>
Tax on the period's profit	3,077	-4,534	-15,329	-17,178
<b>Profit for the period</b>	<b>290,790</b>	<b>527,516</b>	<b>346,134</b>	<b>569,921</b>

### RAPPORT ÖVER RESULTAT OCH TOTALRESULTAT

<b>Profit for the period</b>	<b>290,790</b>	<b>527,516</b>	<b>346,134</b>	<b>569,921</b>
Other total income	-	-	-	-
Sum of other total income for the period. net after tax	-	-	-	-
<b>Total income for the period</b>	<b>290,790</b>	<b>527,516</b>	<b>346,134</b>	<b>569,921</b>

## Condensed Parent Company balance sheet (kSEK)

	Dec 31, 2019	Dec 31, 2018
<b>ASSETS</b>		
Intangible assets	10,747	3,260
Tangible assets	41,725	52,391
Long term internal receivables	2,000,643	-
Other long term assets	7,785	17,690
<b>Total non-current assets</b>	<b>2,060,901</b>	<b>73,341</b>
Account receivables	-	-
Receivables from Group companies	755,143	527,997
Current tax receivables	-	3,108
Other receivables	15,791	12,025
Prepaid expenses and accrued revenues	42,764	37,241
Cash and cash equivalents	41,250	153,230
<b>Total current assets</b>	<b>854,948</b>	<b>733,601</b>
<b>TOTAL ASSETS</b>	<b>2,915,849</b>	<b>806,942</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	1,205	1,205
Statutory reserve	38	38
Share premium reserve	61,035	58,885
Retained earnings	22,111	20,590
Profit for the period	346,134	569,921
<b>Total equity</b>	<b>430,523</b>	<b>650,638</b>
Bank loans	2,000,643	-
<b>Total long-term liabilities</b>	<b>2,000,643</b>	<b>-</b>
<b>Untaxed reserves</b>	<b>11,816</b>	<b>19,474</b>
Accounts payable	22,979	23,301
Bank loans, short-term	237,608	-
Liabilities to group companies	114,900	-
Tax liabilities	277	-
Other liabilities	7,175	8,891
Accrued expenses and prepaid revenues	89,929	104,639
<b>Total current liabilities</b>	<b>472,868</b>	<b>136,831</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,915,849</b>	<b>806,942</b>

## 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

### Nyckeltal för koncernen

	Okt-Dec 2019	Okt-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
<b>Financial measures defined by IFRS:</b>				
Operating revenues (kSEK)	512,006	465,419	1,792,915	1,781,950
Earnings per share before dilutions (SEK)	0.47	0.57	1.79	2.40
Earnings per share after dilutions (SEK)	0.47	0.57	1.79	2.40
Average number of outstanding shares before dilution	239,130,860	240,130,860	239,469,216	240,130,860
Average number of outstanding shares after dilution	239,130,860	240,130,860	239,469,216	240,130,860
Number of outstanding share at period's end before dilution	239,130,860	240,130,860	239,130,860	240,130,860
Number of outstanding share at period's end after dilution	239,130,860	240,130,860	239,130,860	240,130,860
<b>Alternative Performance Measures:</b>				
Operating revenues (kEUR)	48,082	45,102	169,316	173,736
Operating margin (percent)	31.4	31.4	29.5	33.7
EBITDA margin (percent)	51.0	43.9	47.7	45.8
Effective tax rate (percent)	11.3	3.8	9.4	7.2
Return on equity, rolling 12 months (percent)	49.8	65.3	49.8	65.3
Equity/assets ratio (percent)	23.1	70.7	23.1	70.7
Quick ratio (percent)	119.1	226.7	119.1	226.7
Räntebärande nettoskuld (kSEK) <sup>(1)</sup>	2,418,126	-500,845	2,418,126	-500,845
Net interest-bearing liabilities (kSEK)	2.5	-0.5	2.5	-0.5
Equity per share before dilution (SEK)	4.00	3.98	4.00	3.98
Equity per share after dilution (SEK)	4.00	3.98	4.00	3.98
Average number of employees				
Employees at period's end	858	808	779	800
Employees and external resources at period's end	862	804	862	804
Employees and external resources at period's end	1,062	990	1,062	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 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
<b>Financial measures defined by IFRS:</b>									
Operating revenues (kSEK)	512.0	443.4	419.4	418.1	465.4	449.3	437.2	430.1	425.0
Cash and cash equivalents (SEKm) <sup>(2)</sup>	265.5	300.2	193.0	596.6	500.8	362.3	195.5	560.9	387.0
Funds held on behalf of licensees (SEKm)	51.1	118.1	97.8	46.4	29.5	110.3	56.4	75.4	82.5
<b>Alternative Performance Measures:</b>									
Operating revenues (EURm)	48.1	41.6	39.5	40.1	45.1	43.1	42.3	43.2	43.4
Operating profit (SEKm)	160.6	112.0	130.0	126.1	146.2	172.0	148.8	134.1	152.7
Operating margin (percent)	31.4	25.3	31.0	30.2	31.4	38.3	34.0	31.2	35.9
EBITDA margin (percent)	51.0	44.3	48.0	47.0	43.9	50.6	46.3	42.3	45.7
Growth in SEK vs prior year (percent)	10.0	-1.3	-4.1	-2.8	9.5	11.0	5.9	9.3	6.5
Growth in EUR vs prior year (percent)	6.6	-3.6	-6.6	-7.0	3.9	1.8	-0.8	4.3	5.8
Growth in SEK vs prior quarter (percent)	15.5	5.7	0.3	-10.2	3.6	2.8	1.7	1.2	5.0
Growth in EUR vs prior quarter (percent)	15.6	5.2	-1.6	-11.0	4.5	1.9	-1.9	-0.6	2.5
Equity/assets ratio (percent)	23.1	18.2	47.7	63.2	70.7	63.5	60.7	70.7	69.2
Return on equity rolling 12 months (percent)	49.8	52.6	60.7	62.2	65.3	68.2	68.3	69.5	67.4
Net debt/equity ratio (multiple)	2.5	3.2	-0.3	-0.6	-0.5	-0.4	-0.3	-0.5	-0.4
Share price at end of period	25.85	30.35	29.75	33.75	36.55	36.04	47.90	41.94	56.50
Earnings per share after dilution (SEK)	0.47	0.32	0.50	0.50	0.57	0.65	0.58	0.61	0.64
Book equity per share (SEK)	4.00	3.19	2.68	4.51	3.98	3.45	2.83	4.47	3.80
Cash flow from operations per share (SEK)	0.42	0.42	0.94	0.56	0.78	0.88	0.93	0.86	1.24
Average number of employees	858	746	730	783	808	802	802	787	789

## Reconciliation to IFRS

(SEKm)	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4
<b>EBITDA</b>									
Profit for the period	112.6	76.1	119.9	120.2	136.6	155.4	139.3	145.8	154.7
Tax on profit for the period	14.4	8.4	10.9	10.7	5.4	15.0	12.6	11.9	-2.2
Financial items	-33.6	-27.5	0.8	4.9	-4.1	-1.6	3.1	23.7	-0.1
Depreciation & Amortization	100.7	84.3	71.1	70.2	58.1	55.5	53.5	47.9	41.7
<b>EBITDA</b>	<b>261.3</b>	<b>196.3</b>	<b>201.1</b>	<b>196.3</b>	<b>204.3</b>	<b>227.5</b>	<b>202.3</b>	<b>182.0</b>	<b>194.3</b>
<b>Net interest-bearing liabilities</b>									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	2,683.6	2,765.2	-	-	-	-	-	-	-
Cash and cash equivalents <sup>(2)</sup>	-265.5	-300.2	-193.0	-596.6	-500.8	-362.3	-195.5	-560.9	-387.0
<b>Net interest-bearing liabilities <sup>(1)</sup></b>	<b>2,418.1</b>	<b>2,465.0</b>	<b>-193.0</b>	<b>-596.6</b>	<b>-500.8</b>	<b>-362.3</b>	<b>-195.5</b>	<b>-560.9</b>	<b>-387.0</b>
<b>Quick ratio</b>									
Total current assets	779.1	794.4	600.1	955.9	857.7	809.7	607.5	995.3	815.2
Total current liabilities	654.3	833.6	489.7	400.0	378.3	443.6	402.3	378.9	342.2
<b>Quick ratio (percent)</b>	<b>119.1</b>	<b>95.3</b>	<b>122.5</b>	<b>239.0</b>	<b>226.7</b>	<b>182.5</b>	<b>151.0</b>	<b>262.7</b>	<b>238.2</b>

(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.

## Note 1 – Accounting Principles

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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 1<sup>st</sup>, 2019. With IFRS 16 the main part of the lease contracts should be reported as assets and liabilities in the balance sheet. From January 1<sup>st</sup>, 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](http://www.netent.com). Amounts are expressed in KSEK (thousands of Swedish kronor) unless otherwise indicated.

Amounts or figures in parentheses indicate comparative figures for the corresponding period last year. MSEK stands for millions of Swedish kronor.

## Note 2 – Specification of revenues (kSEK)

<b>Type of revenue</b>	<b>Okt-Dec 2019</b>	<b>Okt-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
Royalties	492,371	447,145	1,710,520	1,727,141
Setup fees	12,215	16,320	56,212	51,027
Other revenues	7,420	1,954	26,183	3,782
<b>Total</b>	<b>512,006</b>	<b>465,419</b>	<b>1,792,915</b>	<b>1,781,950</b>

<b>Tidpunkt för redovisning av intäkter</b>	<b>Okt-Dec 2019</b>	<b>Okt-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
Performance commitment fulfilled at a certain time	499,791	449,099	1,736,703	1,730,923
Performance commitment fulfilled over a period of time	12,215	16,320	56,212	51,027
<b>Total</b>	<b>512,006</b>	<b>465,419</b>	<b>1,792,915</b>	<b>1,781,950</b>

<b>Geographic allocation</b>	<b>Okt-Dec 2019</b>	<b>Okt-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
Malta	32.3%	43.9%	34.8%	43.9%
Sverige	1.9%	0.1%	1.8%	0.1%
Övriga länder	65.8%	56.0%	63.4%	56.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*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>	<b>Reported Balance sheet</b>	<b>IFRS 16 adjustment</b>	<b>Recalculated Balance sheet</b>
Fixed assets	463,851	-	463,851
Other non-current receivables	30,261	282,400	312,661
<b>Total non-current assets</b>	<b>494,112</b>	<b>282,400</b>	<b>776,512</b>
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
<b>Total current assets</b>	<b>857,716</b>	<b>-16,600</b>	<b>841,116</b>
<b>TOTAL ASSETS</b>	<b>1,351,828</b>	<b>265,800</b>	<b>1,617,628</b>
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
<b>Summa eget kapital</b>	<b>956,020</b>	<b>-</b>	<b>956,020</b>
Prepayments from customers	7,290	-	7,290
Lease liabilities	-	208,500	208,500
Deferred tax liability	10,245	-	10,245
<b>Total non-current liabilities</b>	<b>17,534</b>	<b>208,500</b>	<b>226,034</b>
Other liabilities	194,088	-	194,088
Lease liabilities	-	64,800	64,800
Accrued expenses and deferred income	184,186	-7,500	176,686
<b>Total current liabilities</b>	<b>378,274</b>	<b>57,300</b>	<b>435,574</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,351,828</b>	<b>265,800</b>	<b>1,617,628</b>

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 (18.0 SEKm) and lease liabilities (18.4 SEKm, of which 12.5 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 December 31, 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 30<sup>th</sup>, 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 December 31, 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 1.447 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

<b>Acquired net assets</b>	<b>MSEK</b>
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	-40.3
<b>Total</b>	<b>1.104.6</b>
<b>Purchase price MSEK</b>	
Original purchase price	2.336.4
Earn-out (booked as liability)	215.6
<b>Total purchase price</b>	<b>2.552.0</b>
Acquired net asset value	-1 104.6
<b>Goodwill</b>	<b>1.447.4</b>

## Definitions

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### **Operating profit**

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

### **Operating margin**

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

### **EBITDA-margin**

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

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

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

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

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

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

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

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

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

### **Average shareholders' equity**

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

### **Return on equity**

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

### **Financial items**

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

### **Equity/assets ratio**

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

### **Quick ratio**

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

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

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

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

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

***Average number of employees***

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

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

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

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

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

***Earnings per share before dilution***

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

***Earnings per share after dilution***

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

***Equity per share***

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

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

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

***Average number of shares outstanding***

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

***Number of shares outstanding***

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

## **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.