

Q1

Interim Report
January-March 2020



NETENT

NETENT



Q1

INTERIM REPORT JANUARY–MARCH 2020

First quarter of 2020

- Revenues for the first quarter amounted to 518 (418) SEKm
- EBITDA was 229 (196) SEKm, corresponding to a margin of 44.2 (47.0)%, which includes restructuring costs of 26 SEKm. Adjusted for these costs, EBITDA was 254 (196) SEKm, corresponding to a margin of 49.1 (47.0)%
- EBIT was 119 (126) SEKm, corresponding to a margin of 23.0 (30.2)%. Adjusted for restructuring costs, EBIT was 145 (126) SEKm, corresponding to a margin of 27.9 (30.2)%
- Earnings after tax amounted to 82 (120) SEKm. Earnings per share of SEK 0.34 (0.50) before and after dilution. In addition to aforementioned restructuring costs, earnings were affected by non-recurring financial costs of 40 SEKm, related to changes in net-present-value calculation of the earn-out liability for Red Tiger

Important events in the first quarter

- Full integration with Red Tiger initiated in order to realize further synergies
- Directed equity of issue 6 327 175 B-shares proposed to partly offset earn-out consideration for Red Tiger, resulting in dilution of approximately 2.6 percent
- Several new initiatives presented within Live Casino, e.g. new tables in Malta studio and upgraded user interface for mobile gaming
- 12 new slot games released, six from NetEnt and six from Red Tiger, of which Piggy Riches Megaways was the most successful game

Important events after the period

- CFO Lars Johansson left NetEnt at his own request

Quote from Therese Hillman, Group CEO

“To further strengthen competitiveness and increase efficiency, we initiated a full integration with Red Tiger during the quarter. Red Tiger keeps performing above our expectations with its award-winning games and the expansion to new markets continues. Combined with a strong product pipeline, new regulated market entries and the Live Casino opportunity for NetEnt, this puts us in a good position to continue delivering profitable growth in 2020.”

Summary in figures (SEKm)	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Operating revenues	518	418	1,793
EBITDA	229	196	855
EBITDA margin	44.2%	47.0%	47.7%
EBIT	119	126	529
EBIT margin	23.0%	30.2%	29.5%
Earnings after tax	82	120	429
Earnings per share (SEK)	0.34	0.50	1.79
Cash flow from operating activities	205	150	575
Net debt at end of period	2,296	-353	2,418

Comments by Therese Hillman, Group CEO

The pandemic outbreak of covid-19 has put the world in an exceptional situation, leaving nobody unaffected. The health and safety of our employees has the highest priority in the NetEnt Group, while we continue to work hard to secure a good development for the Company both in the shorter and longer term. It is difficult to predict the effects of the covid 19-situation on the economy in general and our sector in particular, but we believe that the underlying trend of digitalization in gaming will continue and offer growth opportunities for NetEnt in the future. So far, the financial performance of our business has not been negatively affected by the outbreak of covid-19.

Revenues for the first quarter of the year amounted to SEK 518 (418) million, supported by a strong finish in March and a weaker Swedish krona. On a proforma basis (including Red Tiger in the previous year's figures), the Group's total gaming revenues increased by 12 percent in euro compared to the same period in 2019. Most of the growth came from the US and the UK, while developments in Sweden and Norway continued to be negative. Locally regulated markets accounted for 50 percent of Group gaming revenues in the quarter. The largest locally regulated markets for the Group were UK (19 percent of gaming revenues), Italy (8 percent) and USA (7 percent). Sweden accounted for only 6 percent of gaming revenues, which is significantly lower than before the re-regulation of the Swedish market.

To further strengthen competitiveness and increase efficiency, we implemented organizational changes and initiated a full integration with Red Tiger during the quarter. The changes lead to a reduction in the workforce by approximately 120 employees, mainly in Stockholm, and are expected to result in cost savings of SEK 150 million starting in the second half of 2020. This means that we are increasing our estimate of potential synergies from the acquisition to around SEK 250 million annually, including revenue synergies.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 229 (196) million in the quarter, corresponding to a margin of 44.2 (47.0) percent. Earnings were negatively affected by SEK 26 million of restructuring costs related to the integration with Red Tiger.

Red Tiger keeps performing above our expectations with its award-winning games and the expansion to new markets continues. During the quarter, Red Tiger games were launched with customers on the regulated markets in Italy and Slovakia, and with large operators like Svenska Spel in Sweden and Sky in the UK.

Within Live Casino we continue our efforts to strengthen the product. For instance, we increased the number of tables in our studio on Malta and upgraded the user interface for mobile gaming in the quarter. We have had new record levels in the number of players every month since December and we see increasing interest for the product by operators and players.

A strong product pipeline, new regulated market entries and the Live Casino opportunity for NetEnt – combined with Red Tiger's expansion – puts us in a good position to continue delivering profitable growth in 2020.

Therese Hillman
Group CEO, NetEnt

Revenues and earnings in the first quarter

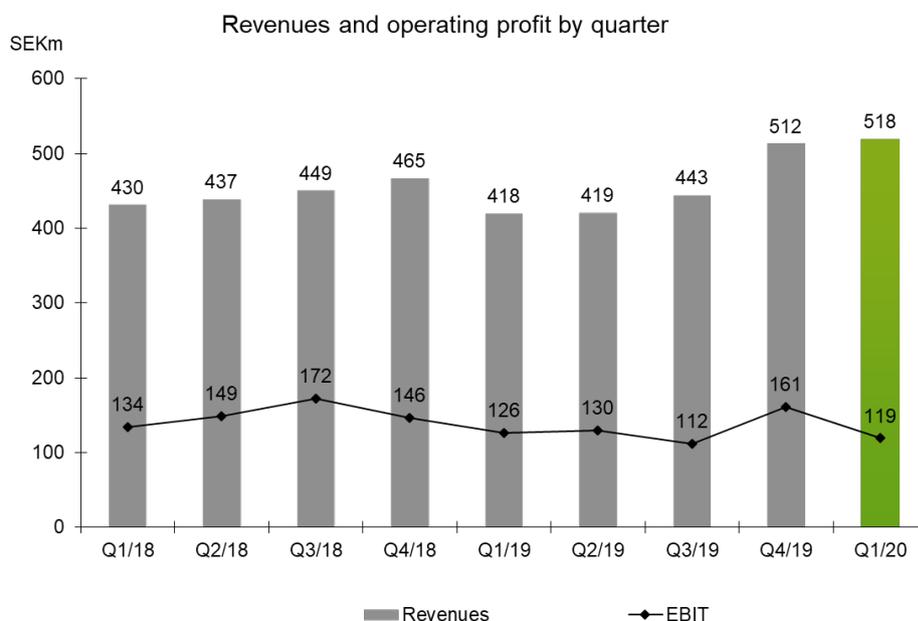
In the first quarter, total revenues amounted to 518 (418) SEKm and operating expenses to 398 (292) SEKm. Operating expenses include 26 SEKm of restructuring costs and 26 SEKm of amortization of intangible assets related to the acquisition of Red Tiger. Higher marketing costs and bad debts also affected overall costs in the quarter. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 229 (196) SEKm, corresponding to a margin of 44.2 (47.0) percent. Earnings before interest and tax (EBIT) amounted to 119 (126) SEKm, which corresponded to a margin of 23.0 (30.2) percent. Earnings after tax for the period amounted to 82 (120) SEKm, corresponding to earnings per share (EPS) of 0.34 (0.50) SEK before and after dilution.

Nearly all of the company's revenues consist of software license fees, which are calculated and charged as a percentage of gaming revenues (player bets minus wins) generated by NetEnt's games for its customers.

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 first quarter of 2020, the Swedish krona weakened by 2.4 percent against the euro compared to the same period in 2019. Against the British pound, the Swedish krona weakened by 3.6 percent during the period.

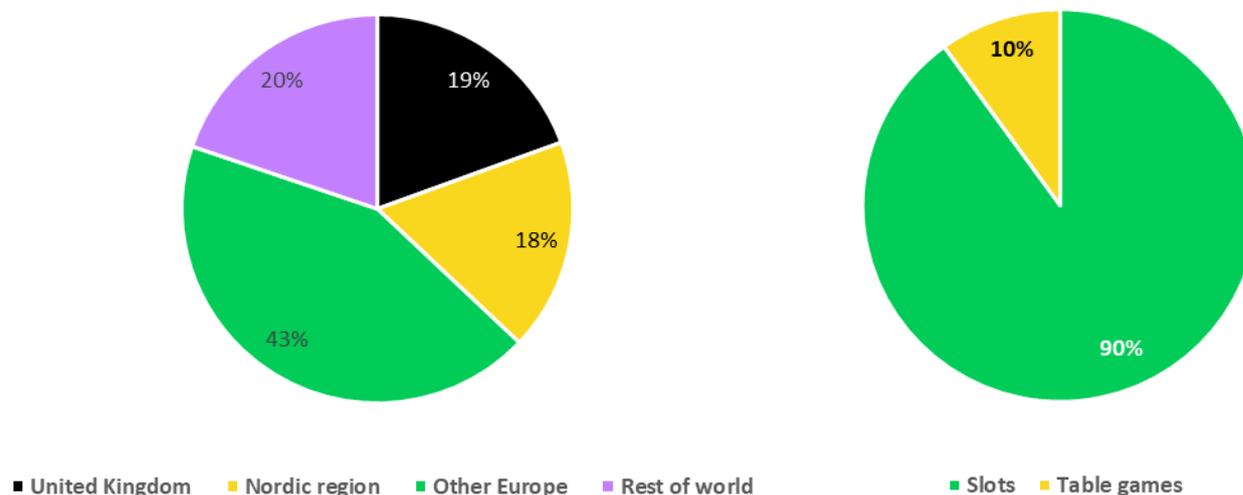
Costs are also affected by the development of the Swedish krona against the euro, as a weaker Swedish krona leads to cost increases. For example, depreciation and amortization are affected by the development of the Swedish krona versus the euro as they are booked in euro and then translated to Swedish krona. The share of costs reported in other currencies represented approximately 55 (50) percent in the first quarter of 2020.

Net financial items amounted to -31 (5) SEKm for the period, including 40 SEKm of non-recurring costs related to the accounting adjustment of the net present value of the earn-out liability due to the accelerated payment and offsetting of the liability by means of an equity issue (see note 3 for more details). The rest of financial items consisted mainly of interest and amortized financing costs on bank loans.



Breakdown of game win in the first quarter

In the first quarter, locally regulated markets accounted for 50 (50) percent of gaming revenues. The charts below illustrate the split by geographic region and product type.



Investments in the first quarter

The Group's investments in intangible assets amounted to 53 (42) SEKm and investments in tangible assets totaled 3 (3) SEKm in the quarter. The increase was mainly due to the inclusion of Red Tiger's capitalized 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 first quarter

The Group's cash flow from operating activities before changes in working capital amounted to 195 (191) SEKm in the quarter. Cash flow from operating activities after changes in working capital amounted to 205 (150) SEKm.

Cash flow from investing activities amounted to -56 (-45) SEKm in the first quarter. Cash flow from financing activities amounted to -159 (-15) SEKm and consisted of amortization of bank loans and leasing liability related to IFRS 16.

At the end of the period, the Group's net financial debt amounted to 2,296 (-353) 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 83 (46) SEKm.

About NetEnt

NetEnt AB (publ) is a global gaming company, providing premium gaming solutions to the world's most successful online casino operators. The product portfolio includes the NetEnt and Red Tiger brands. Since the start in 1996, NetEnt has 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 and employs around 1,100 people in Malta, Stockholm, Sofia, Kiev, Krakow, Gothenburg, Gibraltar, Isle of Man, London and New Jersey. The NetEnt share is listed on Nasdaq Stockholm (NET-B). For more information, please visit www.netent.com.

Personnel and organization

At the end of the period, the number of employees was 892 (768). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 1 092 (959) persons. The figures are defined as full-time employee equivalents for the period and include Red Tiger's employees for 2020.

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 209 (222) SEKm and EBIT was 13 (38) SEKm for the period. The margin was 6 (17) 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 16 (39) SEKm for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to 1 (1) SEKm and investments in intangible assets were 1 (1) SEKm for the period. Cash and cash equivalents in the Parent Company amounted to 47 (177) SEKm 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 risks, see NetEnt's 2019 annual report, pages 24- 27 and pages 80-83.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on Wednesday, 29th April 2020. The format of the AGM will be adapted to the current exceptional situation caused by the Corona pandemic. Based on the most recent regulations and legislation with regards to annual general meetings, the company encourages shareholders not to attend the AGM in person but instead vote by mail or participate by proxy. More information and documents, including a proxy form for agents to represent shareholders and vote-by-mail ballots are available on the Company's website at www.netent.com/agm.

Proposed cash distribution to shareholders

The Board proposes to the Annual General Meeting to distribute 239 (540) SEKm to shareholders, which corresponds to SEK 1.00 (2.25) per share. The Board proposes that the distribution be handled through an automatic share redemption program.

Nominating Committee and proposed new Board of Directors

The current nomination committee consists of Joel Lindeman (Chairman, appointed by Novobis and the Lundström family), John Wattin, (appointed by the Hamberg family), Michael Knutsson (appointed by the Knutsson family) and Fredrik Erbing (Chairman of the Board of Directors).

The nominating committee proposes reelection of Fredrik Erbing, Peter Hamberg, Pontus Lindwall, Maria Redin, Lisa Gunnarsson, Christoffer Lundström and Jonathan Petteimerides as members of the Board. Further, it is proposed that Mathias Hedlund be elected as new member and new Chairman of the Board.

Presentation of report

On Wednesday, 22 April 2020, at 9:00 a.m. (CET) the report will be presented by CEO Therese Hillman live via an audiocast and telephone conference. The audiocast can be followed in real-time on NetEnt's website, the link is: <https://tv.streamfabriken.com/netent-q1-2020>

Financial calendar

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, April 21, 2020

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

Questions may be directed to:

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

Publication

This information is information that NetEnt AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation (MAR). The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on April 22, 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)

INCOME STATEMENT	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Revenues	509,554	414,965	1,766,732
Other revenues	7,978	3,147	26,183
Total operating revenues	517,532	418,112	1,792,915
Personnel expenses	-140,295	-127,103	-491,112
Depreciation and amortization	-109,512	-70,231	-326,345
Other operating expenses	-148,602	-94,704	-446,732
Total operating expenses	-398,409	-292,038	-1,264,189
Operating profit	119,123	126,074	528,726
Financial income	59,004	17,022	72,961
Financial expense	-89,657	-12,159	-128,481
Financial items	-30,654	4,863	-55,520
Profit before tax	88,469	130,937	473,206
Tax on the period's profit	-6,473	-10,706	-44,337
Profit for the period	81,996	120,231	428,870
<i>Earnings per share before dilution (SEK)</i>	<i>0.34</i>	<i>0.50</i>	<i>1.79</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.34</i>	<i>0.50</i>	<i>1.79</i>
Average number of shares outstanding			
- before dilution	239,130,860	240,130,860	239,469,216
- after dilution	239,130,860	240,130,860	239,469,216
Profit for the period attributable to Parent Company shareholder	81,996	120,231	428,870
STATEMENT OF TOTAL INCOME			
Profit for the period	81,996	120,231	428,870
Other total income			
Other total income items that may be reclassified to net income			
Exchange rate differences from the translation of foreign operations	-98,673	6,560	138,038
Sum of other total income for the period, net after tax	-98,673	6,560	138,038
Total income for the period attributable to Parent Company shareholders	-16,677	126,791	566,908

Condensed consolidated balance sheets (kSEK)

	Mar 31 2020	Mar 31 2019	Dec 31 2019
ASSETS			
Intangible assets	3,049,826	340,441	3,009,880
Property, plant, and equipment	87,198	113,194	94,710
Access right value assets	214,704	267,300	228,829
Deferred tax receivable	4,647	5,640	4,740
Other long-term receivables	15,905	29,985	26,106
Total non-current assets	3,372,280	756,560	3,364,265
Account receivables ¹⁾	414,542	68,821	219,920
Other receivables	15,787	51,978	55,664
Prepaid expenses and accrued revenues	90,553	191,061	200,957
Funds held on behalf of licensees	82,909	46,382	51,138
Cash and cash equivalents	266,757	596,636	265,458
Total current assets	870,548	955,878	793,137
TOTAL ASSETS	4,242,828	1,712,438	4,157,402
EQUITY AND LIABILITIES			
Share capital	1,205	1,205	1,205
Other capital contributed	95,962	93,812	95,962
Reserves	71,624	38,818	170,297
Retained earnings including profit for the period	770,960	948,976	689,215
Total equity	939,750	1,082,811	956,678
Prepayments from customers	11,132	25,035	12,412
Bank loans	1,982,507	-	2,000,643
Other long term liabilities	71,565	-	300,352
Lease liabilities	137,339	194,200	152,379
Deferred tax liability	65,525	10,408	66,578
Total long-term liabilities	2,268,068	229,643	2,532,363
Accounts payable	68,388	29,795	36,945
Current tax liabilities	50,662	27,500	56,054
Lease liabilities	61,858	64,000	63,165
Bank loans	256,452	-	237,608
Other liabilities	431,991	121,157	139,067
Accrued expenses and prepaid revenues	165,659	157,532	135,522
Total current liabilities	1,035,010	399,984	668,361
TOTAL EQUITY AND LIABILITIES	4,242,828	1,712,438	4,157,402

1) From March 2020 NetEnt is invoicing the monthly license fees in the current month. Historically the invoices have been issued in the beginning of the next month.

Condensed consolidated cash flow statements (kSEK)

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
(kSEK)			
Operating profit	119,123	126,074	528,726
<i>Adjustment for items not included in cash flows</i>			
Depreciation, amortization and impairments	109,512	70,231	326,345
Other	-4,910	1,728	-20,016
Interest paid	-13,813	-1,052	-8,811
Income tax paid	-14,781	-5,541	-22,016
Cash flow from operating activities before changes in working capital	195,132	191,440	804,227
Changes in working capital	10,226	-40,953	-229,356
Cash flow from operating activities	205,357	150,487	574,871
Acquisition subsidiaries	-	-	-2,281,378
Acquisition of intangible assets	-52,995	-41,746	-188,688
Acquisition of property, plant, and equipment	-3,126	-3,224	-18,942
Cash flow from investing activities	-56,121	-44,970	-2,489,008
New bank loan	-	-	2,296,397
Amortization of bank loan	-142,696	-	-
Amortization of lease liability	-16,347	-15,094	-61,071
Received premium for share option rights	-	-	2,150
Repurchase of share options	-251	-	-
Repurchase of own shares	-	-	-30,355
Transfer to shareholders	-	-	-538,044
Cash flow from financing activities	-159,294	-15,094	1,669,076
Cash flow for the period	-10,058	90,423	-245,061
Cash and cash equivalents at beginning of period	265,458	500,844	500,844
FX differences in cash and cash equivalents	11,357	5,369	9,676
Cash and cash equivalents at end of period	266,757	596,636	265,458

Condensed consolidated changes in equity (kSEK)

2019	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	-	2,150	-	-	2,150
Total income for the period Jan-Dec	-	-	138,038	428,870	566,908
Closing equity Dec. 31, 2019	1,205	95,962	170,297	689,215	956,678

2020	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity Jan. 1, 2020	1,205	95,962	170,297	689,215	956,678
Cash distribution to shareholders	-	-	-	-	-
Repurchase of own shares	-	-	-	-	-
Repurchase of share options	-	-	-	-251	-251
Total income for the period Jan-Mar	-	-	-98,673	81,996	-16,677
Closing equity Mar. 31, 2020	1,205	95,962	71,624	770,960	939,750

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)

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Operating revenues	209,411	222,000	728,738
Other external expenses	-77,012	-62,494	-273,084
Personnel expenses	-114,389	-115,878	-392,814
Depreciation and amortization	-5,229	-5,458	-19,373
Operating profit	12,781	38,170	43,467
Financial items	7,782	11,290	310,339
Transfer to untaxed reserves	-	-	7,658
Profit before tax	20,563	49,460	361,464
Tax on the period's profit	-4,550	-10,885	-15,329
Profit for the period	16,013	38,574	346,134

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Profit for the period	16,013	38,574	346,134
Other total income	-	-	-
Sum of other total income for the period. net after tax	-	-	-
Total income for the period	16,013	38,574	346,134

Condensed Parent Company balance sheet (kSEK)

	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
ASSETS			
Intangible assets	10,432	3,064	10,747
Tangible assets	38,748	48,726	41,725
Long term internal receivables	1,982,507	-	2,000,643
Other long term assets	7,785	8,007	7,785
Total non-current assets	2,039,472	59,796	2,060,901
Account receivables	-	122	-
Receivables from group companies	991,567	544,718	755,143
Current tax receivables	-	-	-
Other receivables	42,573	13,984	15,791
Prepaid expenses and accrued revenues	52,958	52,104	42,764
Cash and cash equivalents	46,596	177,215	41,250
Total current assets	1,133,694	788,143	854,948
TOTAL ASSETS	3,173,166	847,940	2,915,849
EQUITY AND LIABILITIES			
Share capital	1,205	1,205	1,205
Statutory reserve	38	38	38
Share premium reserve	60,784	58,885	61,035
Retained earnings	368,245	590,510	22,111
Profit for the period	16,013	38,574	346,134
Total equity	446,285	689,212	430,523
Bank loans	1,982,507	-	2,000,643
Total long-term liabilities	1,982,507	-	2,000,643
Untaxed reserves	11,816	19,474	11,816
Accounts payable	44,010	22,861	22,979
Bank loans	256,452	-	237,608
Liabilities to group companies	277,670	-	114,900
Tax liabilities	18,171	3,386	277
Other liabilities	7,149	8,279	7,175
Accrued expenses and prepaid revenues	129,105	104,728	89,929
Total current liabilities	732,557	139,254	472,868
TOTAL EQUITY AND LIABILITIES	3,173,166	847,940	2,915,849

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

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<u>Financial measures defined by IFRS:</u>			
Operating revenues (kSEK)	517,532	418,112	1,792,915
Earnings per share before dilutions (SEK)	0.34	0.50	1.79
Earnings per share after dilutions (SEK)	0.34	0.50	1.79
Average number of outstanding shares before dilution	239,130,860	240,130,860	239,469,216
Average number of outstanding shares after dilution	239,130,860	240,130,860	239,469,216
Number of outstanding share at period's end before dilution	239,130,860	240,130,860	239,130,860
Number of outstanding share at period's end after dilution	239,130,860	240,130,860	239,130,860
<u>Alternative Performance Measures:</u>			
Operating revenues (kEUR)	48,528	40,136	169,316
Operating margin (percent)	23.0	30.2	29.5
EBITDA margin (percent)	44.2	47.0	47.7
Effective tax rate (percent)	7.3	8.2	9.4
Return on equity, rolling 12 months (percent)	47.4	62.2	49.8
Equity/assets ratio (percent)	22.1	63.2	23.0
Quick ratio (percent)	84.1	239.0	118.7
Net interest-bearing liabilities (kSEK) ⁽¹⁾	2,295,504	-353,014	2,418,126
Net debt/equity ratio (multiple)	2.4	-0.3	2.5
Equity per share before dilution (SEK)	3.93	4.51	3.99
Equity per share after dilution (SEK)	3.93	4.51	3.99
Average number of employees	883	783	779
Employees at period's end	892	768	862
Employees and external resources at period's end	1,092	959	1,062

(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

	2020	2019	2019	2019	2019	2018	2018	2018	2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial measures defined by IFRS:									
Operating revenues (SEKm)	517.5	512.0	443.4	419.4	418.1	465.4	449.3	437.2	430.1
Cash and cash equivalents (SEKm) ⁽²⁾	266.8	265.5	300.2	193.0	596.6	500.8	362.3	195.5	560.9
Funds held on behalf of licensees (SEKm)	82.9	51.1	118.1	97.8	46.4	29.5	110.3	56.4	75.4
Alternative Performance Measures:									
Operating revenues (EURm)	48.5	48.1	41.6	39.5	40.1	45.1	43.1	42.3	43.2
Operating profit (SEKm)	119.1	160.6	112.0	130.0	126.1	146.2	172.0	148.8	134.1
Operating margin (percent)	23.0	31.4	25.3	31.0	30.2	31.4	38.3	34.0	31.2
EBITDA margin (percent)	44.2	51.0	44.3	48.0	47.0	43.9	50.6	46.3	42.3
Growth in SEK vs prior year (percent)	23.8	10.0	-1.3	-4.1	-2.8	9.5	11.0	5.9	9.3
Growth in EUR vs prior year (percent)	20.9	6.6	-3.6	-6.6	-7.0	3.9	1.8	-0.8	4.3
Growth in SEK vs prior quarter (percent)	1.1	15.5	5.7	0.3	-10.2	3.6	2.8	1.7	1.2
Growth in EUR vs prior quarter (percent)	0.9	15.6	5.2	-1.6	-11.0	4.5	1.9	-1.9	-0.6
Equity/assets ratio (percent)	22.1	23.0	18.2	47.7	63.2	70.7	63.5	60.7	70.7
Return on equity rolling 12 months (percent)	47.4	49.8	52.6	60.7	62.2	65.3	68.2	68.3	69.5
Net debt/equity ratio (multiple)	2.4	2.5	3.2	0.1	-0.3	-0.5	-0.4	-0.3	-0.5
Share price at end of period (SEK)	24.75	25.85	30.35	29.75	33.75	36.55	36.04	47.90	41.94
Earnings per share after dilution (SEK)	0.34	0.47	0.32	0.50	0.50	0.57	0.65	0.58	0.61
Book equity per share (SEK)	3.93	4.00	3.19	2.68	4.51	3.98	3.45	2.83	4.47
Cash flow from operations per share (SEK)	0.86	0.42	0.42	0.94	0.56	0.78	0.88	0.93	0.86
Average number of employees	883	858	746	730	783	808	802	802	787

Reconciliation to IFRS

(SEKm)	2020	2019	2019	2019	2019	2018	2018	2018	2018
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EBITDA									
Profit for the period	82.0	112.6	76.1	119.9	120.2	136.6	155.4	139.3	145.8
Tax on profit for the period	6.5	14.4	8.4	10.9	10.7	5.4	15.0	12.6	11.9
Financial items	-30.7	-33.6	-27.5	0.8	4.9	-4.1	-1.6	3.1	23.7
Depreciation & Amortization	109.5	100.7	84.3	71.1	70.2	58.1	55.5	53.5	47.9
EBITDA	228.6	261.3	196.3	201.1	196.3	204.3	227.5	202.3	182.0
Net interest-bearing liabilities									
Bank loan	2,239.0	2,238.3	2,300.3	-	-	-	-	-	-
Lease liability	199.2	215.5	249.8	258.2	243.6	-	-	-	-
Earn-out (net asset value)	124.1	229.8	215.6	-	-	-	-	-	-
Cash and cash equivalents ⁽²⁾	-266.8	-265.5	-300.2	-193.0	-596.6	-500.8	-362.3	-195.5	-560.9
Net interest-bearing liabilities ⁽¹⁾	2,295.5	2,418.1	2,465.0	65.2	-353.0	-500.8	-362.3	-195.5	-560.9
Quick ratio									
Total current assets	870.5	793.1	794.4	600.1	955.9	857.7	809.7	607.5	995.3
Total current liabilities	1,035.0	668.4	833.6	489.7	400.0	378.3	443.6	402.3	378.9
Quick ratio (percent)	84.1	118.7	95.3	122.5	239.0	226.7	182.5	151.0	262.7

(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

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.

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	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Licenses	498,780	400,371	1,710,520
Setup fees	10,774	14,594	56,212
Other revenues	7,978	3,147	-
Total	517,532	418,112	1,766,732

Timing for revenue recognition	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Performance commitment fulfilled at a certain time	506,758	403,518	1,710,520
Performance commitment fulfilled over a period of time	10,774	14,594	56,212
Total	517,532	418,112	1,766,732

Geographic allocation	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Malta	29.4%	34.5%	34.8%
Sweden	1.7%	0.4%	1.8%
Other countries	68.9%	65.1%	63.4%
Total	100.0%	100.0%	100.0%

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

Note 3 – Acquisition of subsidiary

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.

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 March 31, 2020. This amount consists of two credit facilities. The first facility amounts to EUR 103.0 and will be amortized over the term of the loan until September 2023. The first amortization of EUR 12.8 million was made in March 2020.

The second facility amounts to EUR 114.5 million and is due in September 2023 with a bullet repayment. The outstanding financial debt related to these two facilities amounted to EUR 204.7 million at March 31, 2020. 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.

In conjunction with the acquisition, it was announced that an additional consideration amounting to maximum GBP 23 million could become payable in 2022 on an earn-out basis, subject to Red Tiger's financial performance over the coming two years. Since the acquisition, Red Tiger's financial performance has exceeded the company's forecasts by a wide margin. In order to support the integration of the companies, in March 2020 NetEnt agreed with the sellers of Red Tiger on an addendum to the share purchase agreement (SPA). This means that the conditions for payment of the earn-out consideration are deemed to have been met. Half of the earn-out consideration is to be paid through a directed issue of new B-shares in the second quarter of 2020, and the rest as cash in the second quarter of 2021.

The addendum to the SPA is subject to approval of a directed issue of 6,327,175 B-shares to the sellers of Red Tiger by the Annual General Meeting (AGM) of the shareholders of NetEnt, scheduled for April 29, 2020. The new shares will be issued at a price of 21.34 SEK per share, which corresponds to the volume-weighted average price of NetEnt's B-shares on Nasdaq Stockholm during the period of February 24 – March 20, 2020.

As a result of the proposed new share issue, the share capital of NetEnt will increase by approximately 31,762 SEK to 1,237,219 SEK. The total number of shares outstanding after the share issue will amount to 245,458,035, split between 33,660,000 A-shares and 211, 798,035 B-shares. These numbers are adjusted for previously repurchased shares amounting to 1,000,000 B-shares. Consequently, the share issue leads to a dilution of 2.6 percent of total shares and 1.2 percent of total votes of the company on a fully-diluted basis (i.e. based on the total number of shares and votes outstanding after the share issue).

The sellers of Red Tiger commit not to sell the newly issued shares during a lock-up period until March 2022. One of the sellers is Gavin Hamilton, CEO of Red Tiger and newly appointed Chief Operating Officer of NetEnt.

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.

Gaming revenues

Gaming industry term stating gaming revenues for gaming operators. Calculated as players bets minus player wins and bonuses. NetEnt's revenues consist mainly of license fees based on a percentage share of gaming revenues in NetEnt's games with its customers (gaming operators).

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. 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.

