

Q2

Interim report
January–June 2020



NETENT

NETENT

Q2

INTERIM REPORT JANUARY–JUNE 2020

Second quarter 2020

- Revenues for the second quarter amounted to 573 (419) SEKm
- EBITDA was 299 (201) SEKm, corresponding to a margin of 52.3 (48.0)%
- EBIT was 194 (130) SEKm, corresponding to a margin of 33.8 (31.0)%
- Excluding 13 SEKm of transaction costs related to the public offering from Evolution Gaming, EBITDA was 312 (201) SEKm and EBIT was 207 (130) SEKm, corresponding to adjusted EBITDA margin of 54.6 (48.0)% and adjusted EBIT margin of 36.1 (31.0)%
- Earnings after tax amounted to 88 (120) SEKm and fully diluted earnings per share was SEK 0.36 (0.50)
- Excluding non-recurring items ⁽¹⁾, earnings after tax was 157 (120) SEKm and fully diluted earnings per share was SEK 0.64 (0.50)

First half-year 2020

- Revenues for the first half year amounted to 1,090 (837) SEKm
- EBITDA was 528 (397) SEKm, corresponding to a margin of 48.4 (47.5)%
- EBIT was 313 (256) SEKm, corresponding to a margin of 28.7 (30.6)%
- Excluding non-recurring items, EBITDA was 567 (397) SEKm and EBIT was 352 (256) SEKm, corresponding to adjusted EBITDA margin of 52.0 (47.5)% and adjusted EBIT margin of 32.3 (30.6)%
- Earnings after tax amounted to 170 (240) SEKm and fully diluted earnings per share was SEK 0.70 (1.00)
- Excluding non-recurring items, earnings after tax was 264 (240) SEKm and fully diluted earnings per share was SEK 1.09 (1.00)

Important events in the second quarter

- On June 24, 2020, Evolution Gaming announced a public offer to the shareholders of NetEnt. The Board of NetEnt has unanimously recommended shareholders to accept the offer
- A record of 19 new slot games were released, 9 from NetEnt and 10 from Red Tiger
- NetEnt entered new regulated markets in Switzerland, Croatia and Colombia

Quote from Therese Hillman, Group CEO

"Overall, the second quarter was strong for both NetEnt and Red Tiger, resulting in record revenues, earnings and cash flow for the Group. On a proforma basis, the Group's total revenues increased by 15% in euro compared to the same period in 2019. Supported by revenues from the US market, NetEnt (excluding Red Tiger) returned to solid organic growth in the quarter. The US accounted for 10% of total Group gross gaming revenue (GGR), with GGR growth in New Jersey at 148% Y/Y and in Pennsylvania at +100% Q/Q. The underlying EBITDA margin was 54.6% and important steps were taken to fully integrate Red Tiger and to support profitability going forward."

| | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Summary in figures (SEKm) | | | | | |
| Operating revenues | 573 | 419 | 1,090 | 837 | 1,793 |
| EBITDA | 299 | 201 | 528 | 397 | 855 |
| EBITDA margin | 52.3% | 48.0% | 48.4% | 47.5% | 47.7% |
| EBIT | 194 | 130 | 313 | 256 | 529 |
| EBIT margin | 33.8% | 31.0% | 28.7% | 30.6% | 29.5% |
| Cash flow from operating activities | 318 | 226 | 524 | 376 | 575 |
| Net debt at end of period | 2,158 | 65 | 2,158 | 65 | 2,418 |

(1) In addition to transaction costs, net financial items were negatively impacted by 63 SEKm due to the changed earn-out structure and subsequent equity issue related to the Red Tiger acquisition, 54 SEKm due to the equity issue and 9 SEKm due to the change in the remaining earn-out liability. A corresponding positive effect was reported for total equity.

Comments by Therese Hillman, Group CEO

On June 24th, 2020, Evolution Gaming announced a public offer to the shareholders of NetEnt. NetEnt's Board of Directors has unanimously recommended shareholders to accept the offer. I share the view that there are significant synergies in combining the two businesses to create a best-in-class B2B provider that can drive the digitalization of the gaming industry worldwide.

The coronavirus pandemic continues to impact people and companies around the world. There are signs that the rapid changes in consumer behavior caused by the pandemic will further speed up the digitalization of a number of industries, including entertainment such as gaming. Just like in other online industries, the major lockdowns in some of our big markets (UK, US, Italy and Germany) led to a positive effect on revenues in April and May, followed by a more normal pattern in June as those economies gradually opened up.

Revenues for the second quarter of the year increased by 37% Y/Y to SEK 573 (419) million. On a proforma basis, including Red Tiger in the previous year's figures, the Group's total revenues increased by 15% in euro compared to the same period in 2019. Most European markets performed well except for the Nordic countries, which continued to underperform for the Group as a whole.

Supported by revenues from the US market, NetEnt (excluding Red Tiger) returned to solid organic growth in the quarter. The US accounted for 10% of total Group gross gaming revenue (GGR), with GGR growth in New Jersey at 148% Y/Y and in Pennsylvania at +100% Q/Q. We now see a greater likelihood that more US states will introduce online casino legislation in the coming years. Importantly, we expect to launch our games in both Michigan and West Virginia as the online casino markets in those states are expected to open in the second half of this year, which is earlier than previously expected. During the quarter, NetEnt also continued to strengthen its regulated markets footprint by entering three regulated markets in Switzerland, Croatia and Colombia.

Red Tiger continued to grow at a very fast pace in the quarter and delivered several successful game releases such as Reel Keeper, Bounty Raid and The Wild Hatter. Red Tiger's daily jackpots are loved by players in all markets and I am excited about our upcoming release in July of Gonzo's Quest Megaways with daily jackpot functionality. Further, I am convinced that Red Tiger's games will be much appreciated by players in the US, and we are focusing to secure market entry into the US for Red Tiger later on this year.

Excluding transaction costs, earnings before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 312 (201) million in the quarter, corresponding to a margin of 54.6% (48.0%). Overall, reported EBITDA, EBIT and operating cash flow were the highest ever in a single quarter for NetEnt. I am pleased to see that we managed to deliver such record earnings and more games content than ever, while at the same time executing a major restructuring and integration with Red Tiger. We remain on track to lower our annual cost base by 150 SEKm starting in 2021 and expect 50 SEKm of cost savings in the second half of this year compared to the run-rate this year to date. The integration with Red Tiger has clearly served as a catalyst to transform NetEnt into a more productive and fast-paced company than before.

Within Live Casino we continued to strengthen our product and gain traction with operators and players as GGR increased by 230% Y/Y in the quarter. Soon we will be expanding our offering of physical tables in our Malta studio and we also expect to roll out the *Network Branded Casino* product to more operators.

Hard work and transformational steps taken in the past year are now starting to create value. We remain fully committed to continue on this path and with growth engines such as USA, Red Tiger and Live Casino, I feel that we are well positioned to continue delivering profitable growth and strong cash flows for the rest of this year and onwards.

Therese Hillman
Group CEO, NetEnt

Revenues and earnings in the second quarter

In the second quarter, total revenues amounted to 573 (419) SEKm and operating expenses amounted to 379 (289) SEKm. The operating expenses include 13 SEKm of transaction costs related to the public offer by Evolution Gaming to the shareholders of NetEnt. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 299 (201) SEKm, corresponding to a margin of 52.3 (48.0)%. Earnings before interest and tax (EBIT) amounted to 194 (130) SEKm, which corresponded to a margin of 33.8 (31.0)%. Excluding transaction costs, EBITDA was 312 (201) SEKm and EBIT was 207 (130) SEKm, corresponding to an adjusted EBITDA margin of 54.6 (48.0)% and an adjusted EBIT margin of 36.1 (31.0)%.

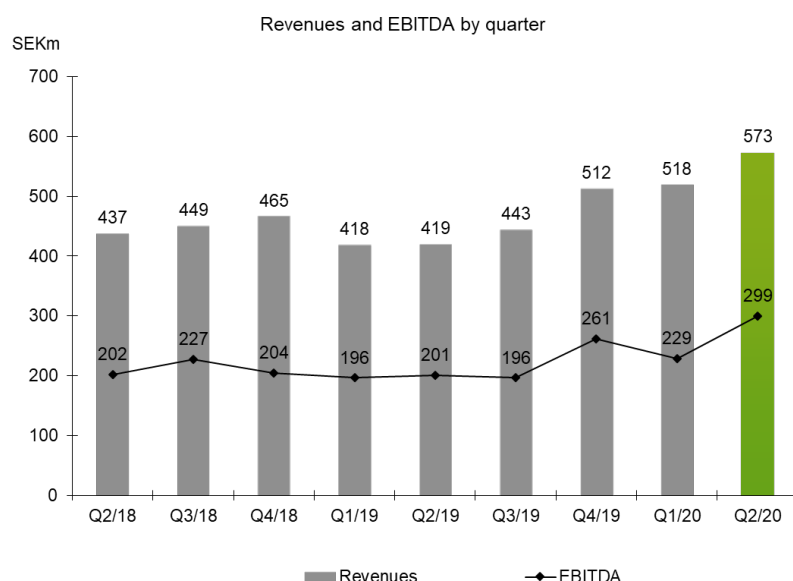
Nearly all of the company's revenues consist of software license fees, which are calculated and charged as a percentage of gaming revenues (player bets minus wins) generated by NetEnt's games for its customers.

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 second quarter of 2020, the Swedish krona weakened by 0.3% against the euro compared to the same period in 2019. Against the British pound, the Swedish krona strengthened by 1.1% 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 57 (50)% in the second quarter of 2020.

The AGM on April 29, 2020, approved the Board's proposal to issue 6,327,175 new B-shares to the sellers of Red Tiger, thereby paying half of the earn-out consideration. The new shares were issued at a price of 21.34 SEK per share, which corresponded to the volume-weighted average price of NetEnt's B-shares on Nasdaq Stockholm during the period of February 24 – March 20, 2020. The rest of the earn-out consideration is to be paid out as cash in the second quarter of 2021. Accounting for the equity issue to the sellers of Red Tiger and the change in the remaining earn-out liability resulted in negative financial items of 63 SEKm. In total, net financial items amounted to -95 (1) SEKm for the period, also consisting of interest and amortized financing costs on bank loans.

Earnings after tax for the period amounted to 88 (120) SEKm, corresponding to fully diluted earnings per share (EPS) of 0.36 (0.50) SEK. Excluding non-recurring items, earnings after tax was 157 (120) SEKm and fully diluted earnings per share was SEK 0.64 (0.50)



Breakdown of gross gaming revenues (GGR) in the second quarter

In the second quarter, locally regulated markets accounted for 53 (49)% of gross gaming revenues (GGR). The tables below illustrate the split by geographic region and product type.

| NetEnt Group, GGR split by region | Q2-20 | Q1-20 | Q4-19 | Q3-19* | Q2-19 | Q1-19 | Q4-18 | Q3-18 | Q2-18 |
|-----------------------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|
| United Kingdom | 21% | 19% | 19% | 12% | 15% | 14% | 13% | 14% | 14% |
| Nordic region | 16% | 18% | 19% | 25% | 30% | 26% | 29% | 31% | 34% |
| Other Europe | 41% | 43% | 43% | 50% | 46% | 50% | 49% | 47% | 42% |
| United States | 10% | 7% | 5% | 3% | 2% | 2% | 1% | 1% | 1% |
| Rest of world | 12% | 13% | 14% | 10% | 7% | 8% | 8% | 7% | 9% |

| NetEnt Group, GGR split by product | Q2-20 | Q1-20 | Q4-19 | Q3-19* | Q2-19 | Q1-19 | Q4-18 | Q3-18 | Q2-18 |
|------------------------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|
| Slots | 89% | 90% | 94% | 92% | 92% | 92% | 92% | 92% | 91% |
| Table games | 11% | 10% | 6% | 8% | 8% | 8% | 8% | 8% | 9% |

* Red Tiger was consolidated in September, 2019

Investments in the second quarter

The Group's investments in intangible assets amounted to 57 (50) SEKm and investments in tangible assets totaled 3 (4) 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 second quarter

The Group's cash flow from operating activities before changes in working capital amounted to 251 (185) SEKm in the quarter. Cash flow from operating activities after changes in working capital amounted to 318 (226) SEKm. Cash flow from investing activities amounted to -60 (-54) SEKm in the quarter. Cash flow from financing activities amounted to -254 (-581) SEKm and consisted mainly of ordinary cash distribution to shareholders through a share redemption program and amortization of the leasing liability related to IFRS 16.

At the end of the period, the Group's net financial debt amounted to 2,158 (65) SEKm. Net debt includes bank loans, the net present value of the earn-out liability, lease liabilities related to IFRS 16, net of cash and cash equivalents. Funds held on behalf of licensees was 107 (98) SEKm.

Equity increased by 205 SEKm during the period due to the equity issue.

Summary of the first six months of 2020

Revenues during the period of January-June 2020 amounted to 1,090 (837) SEKm. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 528 (397) SEKm, corresponding to a margin of 48.4 (47.5)%. Earnings before interest and tax (EBIT) amounted to 313 (256) SEKm, which corresponded to a margin of 28.7 (30.6)%.

Excluding non-recurring items, EBITDA was 567 (397) SEKm and EBIT was 352 (256) SEKm, corresponding to an adjusted EBITDA margin of 52.0 (47.5)% and an adjusted EBIT margin of 32.3 (30.6)%.

Earnings after tax for the period amounted to 170 (240) SEKm, corresponding to fully diluted earnings per share (EPS) of 0.70 (1.00) SEK after dilution. Excluding non-recurring items, earnings after tax was 264 (240) SEKm and fully diluted earnings per share was SEK 1.09 (1.00).

The Group's cash flow from operating activities for the first six months amounted to 446 (392) SEKm. Investments in intangible assets amounted to 110 (92) SEKm for the first six months and investments in property, plant, and equipment amounted to 6 (7) SEKm.

Cash flow from financing activities amounted to -413 (-596) SEKm and consisted mainly of ordinary cash distribution to shareholders and amortization of bank loans and leasing liabilities related to IFRS 16.

Important events after the reporting period

At the beginning of July, the Pennsylvania Gaming Control Board decided to issue an Interactive Gaming Manufacturer License for NetEnt Americas LLC, a subsidiary of NetEnt AB (publ). Since July 2019, NetEnt has been delivering games to the regulated online casino market in Pennsylvania based on a conditional license.

Personnel and organization

At the end of the period, the number of employees was 863 (720). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 1,067 (939) persons. The figures are defined as full-time employee equivalents for the period. Red Tiger's employees are not included in the comparative figures for the previous year.

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 171 (163) SEKm and EBIT was 8 (-2) SEKm for the period. The margin was 4.9 (-1.4)%. 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 -9 (-1) SEKm for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to 0 (2) SEKm and investments in intangible assets were 0 (3) SEKm for the period. Cash and cash equivalents in the Parent Company amounted to 250 (41) SEKm at the end of the period.

Recommended public offer by Evolution Gaming to the shareholders of NetEnt

On June 24, 2020, Evolution Gaming Group AB (publ) announced a public offer to the shareholders of NetEnt AB (publ). Evolution offers 0.1306 Evolution shares for each share in NetEnt. NetEnt's Board of Directors has unanimously recommended shareholders to accept the offer.

Cash distribution to shareholders through share redemption program

The Annual General Meeting on April 29, 2020, approved the Board's proposal to distribute 239 (540) SEKm to shareholders, which corresponds to SEK 1.00 (2.25) per share, by means of an automatic share redemption program. The cash was distributed to holders of redemption shares through Euroclear in June.

New Board of Directors

The Annual General Meeting on April 29, 2020, approved the nominating committee's proposal to re-elect Fredrik Erbing, Peter Hamberg, Pontus Lindwall, Maria Redin, Lisa Gunnarsson, Christoffer Lundström and Jonathan Pettemerides as members of the Board. Mathias Hedlund was elected as new Board member and new Chairman of the Board.

Option program 2020-2023

The Annual General Meeting on April 29, 2020, resolved to introduce a long-term incentive program intended for certain employees within the NetEnt Group. A total of 1,089,388 options were issued in June 2020, with the right to subscribe to an equal number of new shares in NetEnt AB. The options were issued at SEK 5.86 per option – the fair market value as calculated by external experts. The strike price was determined at SEK 49.60 and subscription of shares can be made during the period August 1 to September 20, 2023.

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.

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.

Presentation of report

On Friday, 17 July 2020, at 11:00 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-q2-2020>

Dial-in numbers for participants are the following:

Sweden: +46 8 50558351. UK: +44 3333 009 266. USA: +1 8335 268 395.

Financial calendar

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, July 16th, 2020

Mathias Hedlund
Chairman of the Board

Christoffer Lundström
Board Member

Lisa Gunnarsson
Board Member

Fredrik Erbing
Board Member

Jonathan Pettemerides
Board Member

Pontus Lindwall
Board Member

Maria Redin
Board Member

Peter Hamberg
Board Member

Therese Hillman
Group CEO

Questions may be directed to:

Therese Hillman
Group CEO
Phone: +46 8 5785 4500
therese.hillman@netent.com

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

Publication

This information is information that NetEnt AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation (MAR) and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on July 17, 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 | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
|--|-----------------|-----------------|------------------|-----------------|-------------------|
| Revenues | 558,452 | 409,753 | 1,065,640 | 824,718 | 1,766,732 |
| Other revenues | 14,105 | 9,605 | 24,449 | 12,752 | 26,183 |
| Total operating revenues | 572,557 | 419,359 | 1,090,089 | 837,471 | 1,792,915 |
| Personnel expenses | -127,976 | -121,387 | -268,271 | -248,490 | -491,112 |
| Depreciation and amortization | -105,776 | -71,088 | -215,288 | -141,319 | -326,345 |
| Other operating expenses | -145,269 | -96,841 | -293,871 | -191,545 | -446,732 |
| Total operating expenses | -379,021 | -289,316 | -777,430 | -581,354 | -1,264,189 |
| Operating profit | 193,536 | 130,042 | 312,659 | 256,117 | 528,726 |
| Financial income | 21,137 | 16,033 | 80,141 | 33,055 | 72,961 |
| Financial expense | -116,248 | -15,241 | -205,905 | -27,400 | -128,481 |
| Financial items | -95,111 | 792 | -125,765 | 5,655 | -55,520 |
| Profit before tax | 98,425 | 130,834 | 186,895 | 261,772 | 473,206 |
| Tax on the period's profit | -9,973 | -10,885 | -16,447 | -21,591 | -44,337 |
| Profit for the period | 88,452 | 119,949 | 170,448 | 240,180 | 428,870 |
| <i>Earnings per share before dilution (SEK)</i> | <i>0.36</i> | <i>0.50</i> | <i>0.71</i> | <i>1.00</i> | <i>1.79</i> |
| <i>Earnings per share after dilution (SEK)</i> | <i>0.36</i> | <i>0.50</i> | <i>0.70</i> | <i>1.00</i> | <i>1.79</i> |
| Average number of shares outstanding | | | | | |
| - before dilution | 243,348,977 | 239,498,992 | 241,239,918 | 239,813,180 | 239,469,216 |
| - after dilution | 245,144,094 | 239,498,992 | 243,035,035 | 239,813,180 | 239,469,216 |
| Profit for the period attributable to Parent Company shareholder | 88,452 | 119,949 | 170,448 | 240,180 | 428,870 |

STATEMENT OF TOTAL INCOME

| | | | | | |
|--|---------------|----------------|----------------|----------------|----------------|
| Profit for the period | 88,452 | 119,949 | 170,448 | 240,180 | 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 | -82,852 | 4,154 | -181,525 | 10,711 | 138,038 |
| Sum of other total income for the period, net after tax | -82,852 | 4,154 | -181,525 | 10,711 | 138,038 |
| Total income for the period attributable to Parent Company shareholders | 5,600 | 124,103 | -11,077 | 250,891 | 566,908 |

Condensed consolidated balance sheets (kSEK)

| | June 30 2020 | June 30 2019 | Dec 31 2019 |
|---|------------------|------------------|------------------|
| ASSETS | | | |
| Intangible assets | 2,809,548 | 351,814 | 3,009,880 |
| Property, plant, and equipment | 76,834 | 104,826 | 94,710 |
| Access right value assets | 193,176 | 252,722 | 228,829 |
| Deferred tax receivable | 4,438 | 5,296 | 4,740 |
| Other long-term receivables | 18,346 | 27,809 | 26,106 |
| Total non-current assets | 3,102,342 | 742,468 | 3,364,265 |
| Account receivables ¹⁾ | 326,753 | 82,551 | 219,920 |
| Other receivables | 11,483 | 46,222 | 55,664 |
| Prepaid expenses and accrued revenues | 66,148 | 180,470 | 200,957 |
| Funds held on behalf of licensees | 107,321 | 97,780 | 51,138 |
| Cash and cash equivalents | 254,342 | 193,031 | 265,458 |
| Total current assets | 766,045 | 600,054 | 793,137 |
| TOTAL ASSETS | 3,868,387 | 1,342,522 | 4,157,402 |
| | June 30 2020 | June 30 2019 | Dec 31 2019 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 1,236 | 1,205 | 1,205 |
| Other capital contributed | 306,946 | 95,962 | 95,962 |
| Reserves | -11,229 | 42,969 | 170,297 |
| Retained earnings including profit for the period | 620,532 | 500,526 | 689,215 |
| Total equity | 917,486 | 640,662 | 956,678 |
| Prepayments from customers | 7,082 | 21,748 | 12,412 |
| Bank loans | 1,874,682 | - | 2,000,643 |
| Other long term liabilities | 66,258 | - | 300,352 |
| Lease liabilities | 117,389 | 179,870 | 152,379 |
| Deferred tax liability | 58,779 | 10,567 | 66,578 |
| Total long-term liabilities | 2,124,189 | 212,185 | 2,532,363 |
| Accounts payable | 57,452 | 29,571 | 36,945 |
| Current tax liabilities | 22,908 | 31,999 | 56,054 |
| Lease liabilities | 61,164 | 63,752 | 63,165 |
| Bank loans | 242,036 | - | 237,608 |
| Other liabilities | 272,828 | 205,030 | 139,067 |
| Accrued expenses and prepaid revenues | 170,323 | 159,323 | 135,522 |
| Total current liabilities | 826,712 | 489,675 | 668,361 |
| TOTAL EQUITY AND LIABILITIES | 3,868,387 | 1,342,522 | 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)

| (kSEK) | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|
| Operating profit | 193,536 | 130,042 | 312,659 | 256,117 | 528,726 |
| <i>Adjustment for items not included in cash flows:</i> | | | | | |
| Depreciation, amortization and impairments | 105,776 | 71,088 | 215,288 | 141,319 | 326,345 |
| Other | 3,950 | -8,188 | -960 | 8,634 | -20,016 |
| Interest paid | -13,617 | -1,004 | -27,429 | -2,056 | -8,811 |
| Income tax paid | -38,860 | -6,894 | -53,641 | -12,435 | -22,016 |
| Cash flow from operating activities before changes in working capital | 250,785 | 185,045 | 445,917 | 391,579 | 804,227 |
| Changes in working capital | 67,490 | 40,545 | 77,715 | -15,502 | -229,356 |
| Cash flow from operating activities | 318,275 | 225,590 | 523,632 | 376,078 | 574,871 |
| Acquisition of subsidiaries | - | - | - | - | -2,281,378 |
| Acquisition of intangible assets | -57,008 | -49,894 | -110,003 | -91,640 | -188,688 |
| Acquisition of property, plant, and equipment | -3,200 | -4,085 | -6,326 | -7,309 | -18,942 |
| Cash flow from investing activities | -60,208 | -53,979 | -116,330 | -98,949 | -2,489,008 |
| New bank loan | - | - | - | - | 2,296,397 |
| Amortization of bank loan | - | - | -142,696 | - | - |
| Amortization of lease liability | -20,643 | -14,584 | -36,990 | -29,678 | -61,071 |
| Received premium for share option rights | 6,094 | 2,150 | 6,094 | 2,150 | 2,150 |
| Repurchase of share options | -144 | - | -395 | - | - |
| Repurchase of own shares | - | -30,355 | - | -30,355 | -30,355 |
| Transfer to shareholders | -239,131 | -538,044 | -239,131 | -538,044 | -538,044 |
| Cash flow from financing activities | -253,824 | -580,834 | -413,118 | -595,928 | 1,669,076 |
| Cash flow for the period | 4,243 | -409,223 | -5,815 | -318,800 | -245,061 |
| Cash and cash equivalents at beginning of period | 266,757 | 596,636 | 265,458 | 500,844 | 500,844 |
| FX differences in cash and cash equivalents | -16,659 | 5,618 | -5,302 | 10,987 | 9,676 |
| Cash and cash equivalents at end of period | 254,342 | 193,031 | 254,342 | 193,031 | 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 |
| Issue of new shares | | 32 | 205,285 | - | - | 205,317 |
| Cash distribution to shareholders | | - | - | - | -239,131 | -239,131 |
| Repurchase of own shares | | - | - | - | - | - |
| Received premium for share option rights | | - | 6,094 | - | - | 6,094 |
| Total | | - | -395 | - | - | -395 |
| Repurchase of share options | | - | - | -181,525 | 170,448 | -11,077 |
| Closing equity Jun. 30, 2020 | | 1,236 | 306,946 | -11,229 | 620,015 | 917,486 |

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)

| INCOME STATEMENT | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating revenues | 170,969 | 162,811 | 380,380 | 384,811 | 728,738 |
| Other external expenses | -72,686 | -70,601 | -149,698 | -133,096 | -273,084 |
| Personnel expenses | -84,782 | -89,868 | -199,172 | -205,746 | -392,814 |
| Depreciation and amortization | -5,185 | -4,691 | -10,414 | -10,149 | -19,373 |
| Operating profit | 8,316 | -2,350 | 21,097 | 35,820 | 43,467 |
| Financial items | -21,087 | 3,774 | -13,305 | 15,064 | 310,339 |
| Transfer to untaxed reserves | - | - | - | - | 7,658 |
| Profit before tax | -12,771 | 1,425 | 7,792 | 50,884 | 361,464 |
| Tax on the period's profit | 3,531 | -2,434 | -1,019 | -13,320 | -15,329 |
| Profit for the period | -9,240 | -1,009 | 6,773 | 37,565 | 346,134 |

STATEMENT OF TOTAL INCOME

| | | | | | |
|---|---------------|---------------|--------------|---------------|----------------|
| Profit for the period | -9,240 | -1,009 | 6,773 | 37,565 | 346,134 |
| Other total income | - | - | - | - | - |
| Sum of other total income for the period. | | | | | |
| net after tax | - | - | - | - | - |
| Total income for the period | -9,240 | -1,009 | 6,773 | 37,565 | 346,134 |

Condensed Parent Company balance sheet (kSEK)

| | Jun 30 2020 | Jun 30 2019 | Dec 31 2019 |
|---------------------------------------|------------------|----------------|------------------|
| ASSETS | | | |
| Intangible assets | 9,724 | 5,385 | 10,747 |
| Tangible assets | 34,907 | 46,401 | 41,725 |
| Long term internal receivables | 2,382,000 | - | 2,000,643 |
| Other long term assets | 4,327 | 18,384 | 7,785 |
| Total non-current assets | 2,430,957 | 70,170 | 2,060,901 |
| Account receivables | 2,553 | 3,145 | - |
| Receivables from group companies | 138,027 | 111,636 | 755,143 |
| Current tax receivables | 38,164 | 101 | - |
| Other receivables | 10,770 | 11,105 | 15,791 |
| Prepaid expenses and accrued revenues | 44,462 | 45,777 | 42,764 |
| Cash and cash equivalents | 250,264 | 41,172 | 41,250 |
| Total current assets | 484,240 | 212,936 | 854,948 |
| TOTAL ASSETS | 2,915,197 | 283,106 | 2,915,849 |
| | | | |
| EQUITY AND LIABILITIES | | | |
| Share capital | 1,236 | 1,205 | 1,205 |
| Statutory reserve | 38 | 38 | 38 |
| Share premium reserve | 272,020 | 61,035 | 61,035 |
| Retained earnings | 129,107 | 22,110 | 22,111 |
| Profit for the period | 6,773 | 37,565 | 346,134 |
| Total equity | 409,174 | 121,953 | 430,523 |
| Bank loans | 1,874,682 | - | 2,000,643 |
| Total long-term liabilities | 1,874,682 | - | 2,000,643 |
| Untaxed reserves | 11,816 | 19,474 | 11,816 |
| Accounts payable | 36,555 | 24,099 | 22,979 |
| Bank loans | 239,661 | - | 237,608 |
| Liabilities to group companies | 191,796 | - | 114,900 |
| Tax liabilities | 14,640 | - | 277 |
| Other liabilities | 6,827 | 7,313 | 7,175 |
| Accrued expenses and prepaid revenues | 130,047 | 110,266 | 89,929 |
| Total current liabilities | 619,526 | 141,878 | 472,868 |
| TOTAL EQUITY AND LIABILITIES | 2,915,197 | 283,106 | 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

| | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Financial measures defined by IFRS: | | | | | |
| Operating revenues (kSEK) | 572,557 | 419,359 | 1,090,089 | 837,471 | 1,792,915 |
| Earnings per share before dilutions (SEK) | 0.36 | 0.50 | 0.71 | 1.00 | 1.79 |
| Earnings per share after dilutions (SEK) | 0.36 | 0.50 | 0.70 | 1.00 | 1.79 |
| Average number of outstanding shares before dilution | 243,348,977 | 239,498,992 | 241,239,918 | 239,813,180 | 239,469,216 |
| Average number of outstanding shares after dilution | 245,144,094 | 239,498,992 | 243,035,035 | 239,813,180 | 239,469,216 |
| Number of outstanding share at period's end before dilution | 245,458,035 | 239,130,860 | 245,458,035 | 239,130,860 | 239,130,860 |
| Number of outstanding share at period's end after dilution | 247,253,152 | 239,130,860 | 247,253,152 | 239,130,860 | 239,130,860 |
| Alternative Performance Measures: | | | | | |
| Operating revenues (kEUR) | 53,734 | 39,513 | 93,870 | 79,649 | 169,316 |
| Operating margin (percent) | 33.8 | 31.0 | 28.7 | 30.6 | 29.5 |
| EBITDA margin (percent) | 52.3 | 48.0 | 48.4 | 47.5 | 47.7 |
| Effective tax rate (percent) | 10.1 | 8.3 | 8.8 | 8.2 | 9.4 |
| Return on equity, rolling 12 months (percent) | 40.2 | 60.7 | 40.2 | 60.7 | 49.8 |
| Equity/assets ratio (percent) | 23.7 | 47.7 | 23.7 | 47.7 | 23.0 |
| Quick ratio (percent) | 92.7 | 122.5 | 92.7 | 122.5 | 118.7 |
| Net interest-bearing liabilities (SEKm) ⁽¹⁾ | 2,158 | 65 | 2,158 | 65 | 2,418 |
| Net debt/equity ratio (multiple) | 2.4 | -0.3 | 2.4 | -0.3 | 2.5 |
| Equity per share before dilution (SEK) | 3.74 | 2.68 | 3.74 | 2.67 | 3.99 |
| Equity per share after dilution (SEK) | 3.71 | 2.68 | 3.71 | 2.67 | 3.99 |
| Average number of employees | 895 | 730 | 889 | 757 | 779 |
| Employees at period's end | 863 | 720 | 863 | 720 | 862 |
| Employees and external resources at period's end | 1,067 | 939 | 1,067 | 939 | 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 Q2 | 2020 Q1 | 2019 Q4 | 2019 Q3 | 2019 Q2 | 2019 Q1 | 2018 Q4 | 2018 Q3 | 2018 Q2 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Financial measures defined by IFRS: | | | | | | | | | |
| Operating revenues (SEKm) | 572.6 | 517.5 | 512.0 | 443.4 | 419.4 | 418.1 | 465.4 | 449.3 | 437.2 |
| Cash and cash equivalents (SEKm) ⁽²⁾ | 254.3 | 266.8 | 265.5 | 300.2 | 193.0 | 596.6 | 500.8 | 362.3 | 195.5 |
| Funds held on behalf of licensees (SEKm) | 107.3 | 82.9 | 51.1 | 118.1 | 97.8 | 46.4 | 29.5 | 110.3 | 56.4 |
| Alternative Performance Measures: | | | | | | | | | |
| Operating revenues (EURm) | 53.7 | 48.5 | 48.1 | 41.6 | 39.5 | 40.1 | 45.1 | 43.1 | 42.3 |
| Operating profit (SEKm) | 193.5 | 119.1 | 160.6 | 112.0 | 130.0 | 126.1 | 146.2 | 172.0 | 148.8 |
| Operating margin (percent) | 33.8 | 23.0 | 31.4 | 25.3 | 31.0 | 30.2 | 31.4 | 38.3 | 34.0 |
| EBITDA margin (percent) | 52.3 | 44.2 | 51.0 | 44.3 | 48.0 | 47.0 | 43.9 | 50.6 | 46.3 |
| Growth in SEK vs prior year (percent) | 36.5 | 23.8 | 10.0 | -1.3 | -4.1 | -2.8 | 9.5 | 11.0 | 5.9 |
| Growth in EUR vs prior year (percent) | 36.0 | 20.9 | 6.6 | -3.6 | -6.6 | -7.0 | 3.9 | 1.8 | -0.8 |
| Growth in SEK vs prior quarter (percent) | 10.6 | 1.1 | 15.5 | 5.7 | 0.3 | -10.2 | 3.6 | 2.8 | 1.7 |
| Growth in EUR vs prior quarter (percent) | 10.7 | 0.9 | 15.6 | 5.2 | -1.6 | -11.0 | 4.5 | 1.9 | -1.9 |
| Equity/assets ratio (percent) | 23.7 | 22.1 | 23.0 | 18.2 | 47.7 | 63.2 | 70.7 | 63.5 | 60.7 |
| Return on equity rolling 12 months (percent) | 40.2 | 47.4 | 49.8 | 52.6 | 60.7 | 62.2 | 65.3 | 68.2 | 68.3 |
| Net debt/equity ratio (multiple) | 2.4 | 2.4 | 2.5 | 3.2 | 0.1 | -0.3 | -0.5 | -0.4 | -0.3 |
| Share price at end of period (SEK) | 71.20 | 24.75 | 25.85 | 30.35 | 29.75 | 33.75 | 36.55 | 36.04 | 47.90 |
| Earnings per share after dilution (SEK) | 0.36 | 0.34 | 0.47 | 0.32 | 0.50 | 0.50 | 0.57 | 0.65 | 0.58 |
| Book equity per share before dilution (SEK) | 3.74 | 3.93 | 4.00 | 3.19 | 2.68 | 4.51 | 3.98 | 3.45 | 2.83 |
| Cash flow from operations per share (SEK) | 1.31 | 0.86 | 0.42 | 0.42 | 0.94 | 0.56 | 0.78 | 0.88 | 0.93 |
| Average number of employees | 895 | 883 | 858 | 746 | 730 | 783 | 808 | 802 | 802 |

Reconciliation to IFRS

| (SEKm) | 2020 Q2 | 2020 Q1 | 2019 Q4 | 2019 Q3 | 2019 Q2 | 2019 Q1 | 2018 Q4 | 2018 Q3 | 2018 Q2 |
|--|----------------|----------------|----------------|----------------|--------------|---------------|---------------|---------------|---------------|
| EBITDA | | | | | | | | | |
| Profit for the period | 88.5 | 82.0 | 112.6 | 76.1 | 119.9 | 120.2 | 136.6 | 155.4 | 139.3 |
| Tax on profit for the period | 10.0 | 6.5 | 14.4 | 8.4 | 10.9 | 10.7 | 5.4 | 15.0 | 12.6 |
| Financial items | 95.1 | 30.7 | 33.6 | 27.5 | -0.8 | -4.9 | 4.1 | 1.6 | -3.1 |
| Depreciation & Amortization | 105.8 | 109.5 | 100.7 | 84.3 | 71.1 | 70.2 | 58.1 | 55.5 | 53.5 |
| EBITDA | 299.3 | 228.6 | 261.3 | 196.3 | 201.1 | 196.3 | 204.3 | 227.5 | 202.3 |
| Net interest-bearing liabilities | | | | | | | | | |
| Bank loan | 2,116.7 | 2,239.0 | 2,238.3 | 2,300.3 | - | - | - | - | - |
| Lease liability | 178.6 | 199.2 | 215.5 | 249.8 | 258.2 | 243.6 | - | - | - |
| Earn-out (net asset value) | 116.8 | 124.1 | 229.8 | 215.6 | - | - | - | - | - |
| Cash and cash equivalents ⁽²⁾ | -254.3 | -266.8 | -265.5 | -300.2 | -193.0 | -596.6 | -500.8 | -362.3 | -195.5 |
| Net interest-bearing liabilities ⁽¹⁾ | 2,157.7 | 2,295.5 | 2,418.1 | 2,465.0 | 65.2 | -353.0 | -500.8 | -362.3 | -195.5 |
| Quick ratio | | | | | | | | | |
| Total current assets | 766.0 | 870.5 | 793.1 | 794.4 | 600.1 | 955.9 | 857.7 | 809.7 | 607.5 |
| Total current liabilities | 826.7 | 1,035.0 | 668.4 | 833.6 | 489.7 | 400.0 | 378.3 | 443.6 | 402.3 |
| Quick ratio (percent) | 92.7 | 84.1 | 118.7 | 95.3 | 122.5 | 239.0 | 226.7 | 182.5 | 151.0 |

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

(2) Excluding funds held on behalf of licensees.

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. SEKm stands for millions of Swedish kronor.

Note 2 – Specification of revenues (kSEK)

| Type of revenue | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
|--|-----------------|-----------------|------------------|-----------------|------------------|
| Licenses | 549,770 | 393,720 | 1,046,184 | 794,091 | 1,710,520 |
| Setup fees | 8,682 | 16,034 | 19,456 | 30,628 | 56,212 |
| Other revenues | 14,105 | 9,605 | 24,449 | 12,752 | 26,183 |
| Total | 572,557 | 419,359 | 1,090,089 | 837,471 | 1,792,915 |
| Timing for revenue recognition | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
| Performance commitment fulfilled at a certain time | 563,876 | 403,325 | 1,070,634 | 806,843 | 1,736,703 |
| Performance commitment fulfilled over a period of time | 8,682 | 16,034 | 19,456 | 30,628 | 56,212 |
| Total | 572,557 | 419,359 | 1,090,089 | 837,471 | 1,792,915 |
| Geographic allocation | Apr-Jun 2020 | Apr-Jun 2019 | Jan-Jun 2020 | Jan-Jun 2019 | Jan-Dec 2019 |
| Malta | 30.9% | 34.1% | 30.2% | 34.3% | 34.8% |
| Sweden | 1.8% | | 1.8% | | 1.8% |
| Other countries | 67.3% | 65.9% | 68.0% | 65.7% | 63.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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

Note 3 – 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 represented SEK 399 million, customer relations SEK 444 million, technology SEK 45 million, and games including daily jackpots represented SEK 244 million. The rest of the purchase price consisted 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 have been utilized. 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 12.9 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 204.6 million at the end of the reporting period. 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 23.2 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 was 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.

On April 29, the annual general meeting (AGM) of NetEnt approved a directed issue of 6,327,175 B-shares to the sellers of Red Tiger. The new shares were issued at a price of 21.34 SEK per share, which corresponded 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 new share issue, the share capital of NetEnt increased by approximately 31,762 SEK to 1,237,219 SEK. The total number of shares outstanding after the share issue amounts 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 lead 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 have committed 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 recently 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.

Gross gaming revenues (GGR)

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.

