

NET ENTERTAINMENT  
INTERIM REPORT JANUARY – JUNE 2014



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### SECOND QUARTER 2014

- Revenues for the second quarter increased by 37.8 % to SEK 205.0 (148.7) million
- Operating profit amounted to SEK 56.7 (38.7) million, an increase of 46.6 %
- Operating margin was 27.7 (26.0) %
- Profit after tax amounted to SEK 52.5 (39.6) million
- Earnings per share amounted to SEK 1.33 (1.00) before dilution and SEK 1.32 (1.00) after dilution
- Ten license agreements with new customers were signed, 13 new customers' casinos were launched

### FIRST SIX MONTHS 2014

- Revenues for the first six months increased by 32.2 % to SEK 393.4 (297.5) million
- Operating profit amounted to SEK 107.9 (79.7) million, an increase of 35.5 %
- Operating margin was 27.4 (26.8) %
- Profit after tax amounted to SEK 98.6 (73.4) million
- Earnings per share amounted to SEK 2.49 (1.86) before dilution and SEK 2.48 (1.85) after dilution
- 14 new license agreements were signed and 15 new customers' casinos were launched

### IMPORTANT EVENTS IN THE SECOND QUARTER

- One agreement was signed with Rational Group for delivery to Full Tilt Poker and one agreement was signed with William Hill for land based gaming machines
- Bet365 and Sky Betting and Gaming were launched
- Six agreements were signed with customers for delivery of mobile games and 10 customers launched mobile games in the quarter
- Five agreements were signed for delivery of Live Casino and nine customers launched Live Casino in the quarter

### QUOTE FROM CEO, PER ERIKSSON

- *The second quarter showed positive development and revenues increased by 38 percent compared to last year. Primarily due to a strong development from NetEnt's customers but also due to more setup fees than usual in combination with a positive currency development. This is yet another record which is very pleasing.*

| SUMMARY IN FIGURES                         | Apr-Jun<br>2014 | Apr-Jun<br>2013 | Jan-Jun<br>2014 | Jan-Jun<br>2013 | Jan-Dec<br>2013 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating revenues                         | 204,975         | 148,707         | 393,381         | 297,463         | 630,746         |
| Operating expenses                         | -148,232        | -110,004        | -285,433        | -217,805        | -450,998        |
| <b>Operating profit</b>                    | <b>56,743</b>   | <b>38,703</b>   | <b>107,948</b>  | <b>79,659</b>   | <b>179,748</b>  |
| Operating margin                           | 27.7%           | 26.0%           | 27.4%           | 26.8%           | 28.5%           |
| Cash flows from operating activities       | 117,596         | 46,588          | 191,939         | 116,109         | 249,930         |
| Cash flows for the period                  | -30,503         | -79,876         | 11,699          | -43,118         | 22,703          |
| Cash and cash equivalents at end of period | 119,047         | 35,577          | 119,047         | 37,577          | 105,829         |

## COMMENTS FROM PER ERIKSSON, PRESIDENT AND CEO

The second quarter showed positive development and the revenues increased by 38 percent compared to last year which was another record. The increase was primarily attributable to strong development with NetEnt's customers but also due to more setup fees than usual in combination with a positive currency development. In addition the 2014 World Cup did not affect revenues negatively which is often the case during larger sport events as it can take attention from casino. The operating margin increased to approximately 28 percent which was higher than previous quarter and the same period last year. Capitalized development cost continued to decrease which I view as positive as it leads to lower depreciation long term. Cash flow is not affected by this but it creates a negative margin effect short term.

22 agreements were signed in total during the quarter, 10 were new customer agreements, five were for Live Casino, six for mobile games and one agreement, the first of its kind, was signed with William Hill for land based gaming machines (retail) where some of NetEnt's games will soon be available in William Hill's 2300 betting offices across the UK. According to the market research company H2 Gambling Capital the retail market is nine times larger than the online casino market in Europe, a market where NetEnt has not had any presence in the past. The launch of William Hill Retail will initially include a limited amount of games. The royalty level is lower compared to online games but long term, the retail segment will contribute positively to the growth.

NetEnt has been evaluating the developments in North America and believe the prerequisites and timing is right to intensify the preparations for an entry in both the U.S. and Canada. Initially NetEnt will focus on the licensing process in New Jersey in the U.S. followed by additional states as the regulatory landscape evolves. The objective is to launch NetEnt's products in the U.S. during the second half of 2015. Björn Krantz, currently Managing Director of Net Entertainment Malta Ltd. will lead the expansion and will be replaced in Malta by Enrico Bradamante who is currently Head of Account Management and Deputy Head of Malta Operations.

Revenues from NetEnt's mobile games have continued to show positive development, now representing 13 percent of the gross gaming yield in the NetEnt's casino. Live Casino has also developed positively during the quarter and we had a total of 27 customers launched by the end of June compared to 18 launched customers at the end of March.

I look forward to the rest of the year with a solid underlying growth with our customers and several large growth projects that have been initiated, such as the entry into North America and the retail contract with William Hill. In addition, I expect NetEnt to finalize the licensing process in the UK which is undergoing regulation and we are currently evaluating the regulation in Spain. We are also investigating the opportunities in Asia.

## FUTURE OUTLOOK

### GROWTH

NetEnt sees a solid underlying growth and has made several investments during 2012 and 2013 which now are starting to generate revenue. As previously communicated initiatives such as new customers in the UK and Live Casino takes time to reach its full capacity. Revenues are however expected to continue to increase gradually for these initiatives during 2014 and onwards. With this in mind it is NetEnt's ambition to achieve continued strong sales growth in 2014.

In the second quarter NetEnt had more setup fees than usual in combination with the Euro strengthening versus the Swedish Krona which affected the revenue development positively. The third quarter is normally the weakest quarter during a fiscal year due to the summer months in July and August which in general leads to lower player activity.

### COSTS AND INVESTMENTS

To adapt the resources and meet an increasing number of customers and a higher demand for NetEnt's products there is a continued need to increase the number of resources in 2014. Depreciation is expected to increase due to larger projects being launched. Depreciation is also affected by the Swedish Krona's development in relation to the Euro. If the Swedish Krona is weakened, depreciation will increase as the majority of the investments are booked in Euro. The share of capitalized development cost in relation to the total resource cost is expected remain low which has a negative effect on the operating margin short term. The main reason is additional customer specific development work and projects that are considered to be maintenance work. These types of projects are reported as an operating expense instead of intangible assets.

If the Swedish Krona does not strengthen versus the Euro compared to current levels there is a possibility that the operating margin for full year 2014 will improve compared to 2013.

## NEW AGREEMENTS AND CUSTOMERS

During the second quarter ten agreements were signed with new customers of which one with a Tier 1 customer, Rational Group. One contract was also signed with William Hill, which is an existing customer, for delivery of games to William Hill's land based gaming machines, placed in over 2300 betting offices across Britain.

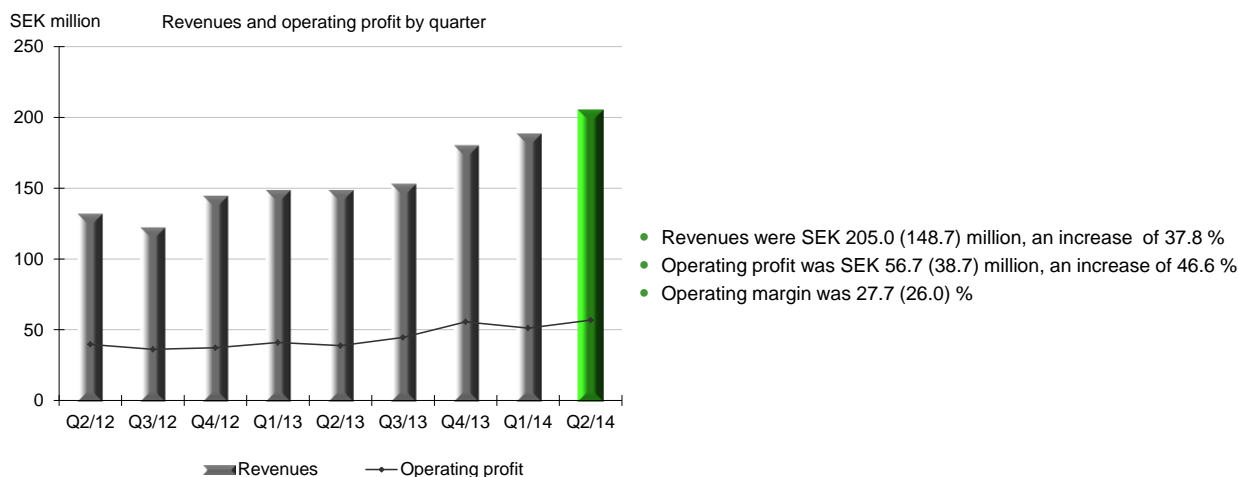
The agreement with Rational Group consists of delivery to Full Tilt Poker which has recently started to build their offering for online casino. Rational Group operates gaming related businesses and well-known brands such as PokerStars, Full Tilt poker and European Poker Tour. Rational Group's combined brands together create the largest poker business in the world. The company has over 1500 employees in more than 20 countries.

## CUSTOMERS TO BE LAUNCHED

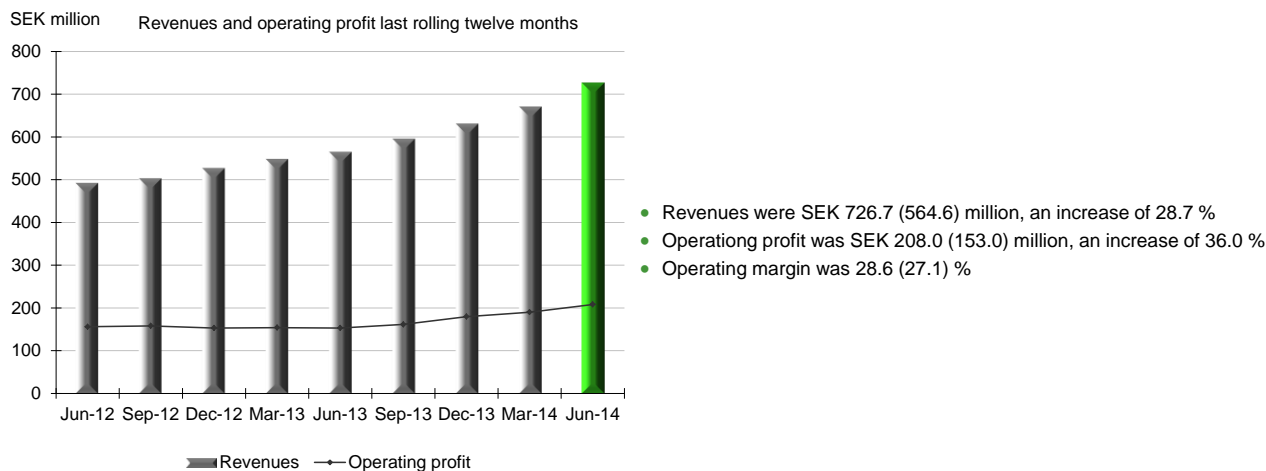
At the end of the quarter, NetEnt held agreements with 14 new operators that have not yet launched, including Rational Group.

## REVENUES AND PROFITABILITY

Revenues and operating profit by quarter are portrayed in the diagram below.



Revenues and operating profit for the most recent rolling twelve months is presented below.



## REVENUES – VOLUME, PRICE AND CURRENCY DEVELOPMENT

Revenues amounted to SEK 205.0 (148.7) million during the second quarter, an increase of 37.8 percent compared to the corresponding period 2013. NetEnt's revenue increase comes from a combination of existing

customers' growth, launch of new games and revenues from new customers. During the second quarter, revenues were positively affected by increased volumes from existing customers but also due to setup fees in conjunction with several new agreements that were signed in the quarter. 13 new customer's casinos were launched during the quarter. During the most recent twelve month period 30 new customers have been launched. The average royalty has been relatively stable during the quarter compared to the previous year.

The number of game transactions amounted to 5.1 billion during the second quarter, which is an increase of approximately 31 percent compared to previous year. The increase in the number of game transactions is primarily a result of increased activity among the players but also due to what game type is the most popular. Slot games represented approximately 84 percent of game win (player bet minus player win) during the second quarter which in general mean more transactions as players bet lower amounts per round but play more rounds compared to other casino games. In addition, games through mobile units show a similar pattern in terms of the number and size of the transactions. Mobile games is an area which has increased significantly. This also means that the revenue increase does not correlate with the increase in the number of game transactions.

Revenues are affected by the development of the Swedish currency in relation to other currencies. The majority of revenues are invoiced in Euros, but also in British pounds and US dollars. Revenues are accounted for in Euros and then translated into the Swedish Krona for the Group's reporting. During the second quarter 2014, the Swedish Krona weekend by 5.7 percent towards the Euro compared to the same period 2013 and by 2.2 percent compared to previous quarter. In Euros, revenues increased by 31.0 percent for the second quarter compared to the corresponding period last year.

## COSTS AND PROFITABILITY

Operating profit for the second quarter increased by 46.6 percent to SEK 56.7 (38.7) million. Operating expenses have increased during the second quarter compared to previous year due to the expansion and strengthening of the organization. The strengthening of the organization is enabled mainly through own personnel but also through external recourses in the form of subcontractors and outsourcing outside Europe. The expansion also leads to increased operating cost such as customer specific integration costs, license costs and bandwidth costs. Depreciation increased compared to previous year as several large development projects have been completed, such as new large platform projects and games to mobile and PC. Amortization of development projects are linear with equal amounts each month from the launch date while revenues increase gradually which means that the positive margin effect from newly launched projects is not visible instantly. In addition, depreciation and amortization is affected by the Swedish Krona's development versus the Euro as depreciation and amortization is booked in Euro but then translated to SEK for the Group's financial reporting.

The operating margin amounted to 27.7 percent in the second quarter compared to 26.0 percent the previous year. The positive margin development is primarily a result of strong growth and additional setup fees. The operating margin was also positively affected by the development of the Swedish currency as the majority of revenues are in Euros. The margin development was however somewhat negatively affected by a decrease in the capitalized development cost in relation to the total resource cost compared to last year. Projects that are not capitalized have been reported as operating expenses instead of intangible assets. Long term the margin will be positively affected by the lower capitalization as it lowers the future depreciation.

The financial net amounted to SEK 0.9 (4.0) million for the second quarter and primarily consists of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities consisting mainly of intercompany transactions as well as the return on cash and cash equivalents. The volatility in the Swedish Krona has periodically led to effects on inter-company balances which are items included in the financial net.

The Group had an effective tax rate of 9.0 (7.2) percent in the second quarter. The effective tax rate is mainly affected by in which country the Group conducts operations and thus where the profit is generated and can vary between reporting periods. During the fourth quarter 2013 NetEnt has adjusted the reporting of deferred tax relating to the Group's Maltese operations retroactively. NetEnt therefore takes into consideration that 6/7 of deferred tax relating to tax on dividend from the Maltese subsidiaries will be refunded by the Maltese authorities. Previously the deferred tax was calculated based on the tax rate applicable to undistributed profits. Prior period's reported financial result and financial position have been re-calculated which mean that the deferred tax liabilities per June 30 2013 has decreased by SEK 5.7 million, tax expense decreased by SEK 0.8 million and shareholder's equity per June 30 has increased by SEK 7.4 million.

## INVESTMENTS

The Group's investment in intangible assets amounted to SEK 21.1 (30.1) million during the second quarter. Investments in property, plant, and equipment amounted to SEK 8.4 (7.4) million in the second quarter.

Investments in intangible assets consist of development of new games for mobile phones, tablets and PC, technical adjustments in the platform such as new functionality, increased capacity, adjustments for requirements on regulated markets and software licenses. Examples of noticeable larger development projects in the second quarter were games for mobile units and for PC and certain platform projects.

Investments in property, plant, and equipment are primarily servers and other computer equipment to meet new technical requirements and maintain capacity and performance in conjunction with new platform releases. Investments in computer equipment have also been made to meet the organizational expansion.

## CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

The Group's cash flow from operating activities for the second quarter amounted to SEK 117.6 (46.6) million. The increase compared to previous year is primarily due to an improved operating profit and a positive change in working capital. Working capital was positively affected by lower receivables, a refund of a tax receivable in subsidiaries amounting to SEK 14.9 million and higher accounts payable.

Cash held on behalf of licensees amounted to SEK 38.3 (31.5) million on June 30.

Cash flow from investing activities amounted to SEK -29.4 (-37.5) million during the second quarter. Further description of the investing activities can be viewed in the section Investments above.

Cash flow from financing activities amounted to SEK -118.7 (-89.0) for the second quarter and was related to transfer to shareholders.

The Group's cash and cash equivalents amounted to SEK 119.0 (37.6) million on June 30. The Group's available credit lines amounted to SEK 50.0 million of which none had been used on June 30.

## SUMMARY OF THE FIRST SIX MONTHS

Revenues during the period January-June amounted to SEK 393.4 (297.5) million, an increase of 32.2 percent (26.0 percent in euro) compared to the same period 2013. Operating profit amounted to SEK 107.9 (79.7) million and the operating margin was 27.4 (26.8) percent. The revenue increase is primarily a result of increased volumes compared to the same period previous year which in turn is due to the launch of several successful games in combination with increased volumes from mobile games and new markets. NetEnt has signed 14 new license agreements during the six-month period which has generated set-up fees. In addition, 15 new customers have been launched.

Operating costs have increased during the first six months compared to the previous year due to expansion and strengthening of the organization within areas such as sales, product management, development and operations. In addition, regulation of the online gaming market has increased the demands from authorities which lead to increased costs. Depreciation and amortization has increased compared to last year as a result of larger development projects being completed, such as Live Casino, new larger platform projects and games for mobile units as well as for PC.

The Group's acquisitions for intangible assets amounted to SEK 43.3 (53.6) million for the first six months. Investments in property, plant, and equipment amounted to SEK 18.3 (14.8) million.

The Group's cash flow from operating activities for the first six months amounted to SEK 191.9 (116.1) million. Cash flow from financing activities amounted to SEK -118.7 (-90.7) million and primarily consist of transfer to shareholders.



## MARKET

The online gaming market has shown positive growth in recent years. The global gross gaming yield for online gaming, including all game segments, is expected to amount to EUR 30 billion in 2014, an increase of 13 percent compared to year 2013. Europe is by far the largest gaming market and is expected to represent close to half of the gross gaming yield in coming years.<sup>1</sup>

Deregulation and reregulation of national gaming laws is taking place in many European countries. NetEnt closely monitors the development on all markets that are undergoing regulation. NetEnt is currently reviewing the prerequisites for a license in Spain which is close to regulating online gaming. Britain is currently re-regulating online gaming and NetEnt has decided to apply for a license. The re-regulation in Britain is expected to be finalized during the second half of 2014.

The majority of NetEnt's customers are today located in Europe, which is the largest geographical market for online gaming. NetEnt will continue to focus on the European market, but at the same time following the developments on other markets which are close to regulating. NetEnt intends to launch its products on these markets if the prerequisites are right. In North America discussions are ongoing regarding regulation and a number of states have already regulated online gaming. NetEnt is now intensifying the preparations for an establishment in North America.

For further information please view the market section in the annual report 2013.

## EVENTS AFTER THE END OF THE PERIOD

In July, NetEnt signed an agreement with the gaming operator bwin.party. The agreement consists of delivery of a selection of the company's premium games for online casino, both via mobile units and standard computers.

## ABOUT NETENT

NetEnt is a premium supplier of online casino games used by many of the world's most successful online casino operators. The NetEnt CasinoModule™ is a leading- edge gaming system which includes high-quality online casino games, powerful bonus programs and a sophisticated Back Office. CasinoModule™ creates the ultimate gaming experience for the player, while managing billions of transactions every year and gives online casino operators full control and management of their casino activities. Operators are provided with a customized casino that is easily integrated ensuring short time to market and a cost efficient operation. The Group's parent company, Net Entertainment NE AB (publ) is listed on Nasdaq OMX Stockholm (NET-B). For more information please visit [www.netent.com](http://www.netent.com).

## PERSONNEL AND ORGANIZATION

At the end of the period, the number of employees amounted to 395 (326). Including external recourses such as dedicated persons with contract suppliers and subcontractors, NetEnt employed 532 (428) persons.

Due to the planned entry in to North America, Björn Krantz, currently Managing Director in Net Entertainment Malta Ltd. will instead take the role as Managing Director North America. He will be replaced in Malta by Enrico Bradamante who is currently Head of Account Management and Deputy Chief of Net Entertainment Malta Ltd.

Enrico has more than 19 years of experience in the IT industry of which two years at NetEnt. Prior to joining NetEnt, Enrico was GM Document Imaging & Vice President Commercial Business at Kodak EMEA. Enrico has an MBA from INSEAD and an MMEchEng from the University of Trieste. Enrico will, with this new position, be part of the NetEnt Senior Management Team from January 2015.

## PARENT COMPANY

The parent company's revenues for the second quarter amounted to SEK 117.7 (100.4) million. Operating profit amounted to SEK 10.4 (5.0) million for the second quarter. The operating margin was 8.8 (5.0) percent. Operating

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<sup>1</sup> H2 Gaming Capital January 2014

profit is primarily affected by the proportion of the parent company's costs that are billed to other Group companies and applied intercompany pricing. 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. Currency effects on inter-company transactions are included in financial items. Profit after tax was SEK 8.5 (5.0) million for the second quarter.

Revenues in the parent company come from services provided to subsidiaries. No product development costs are capitalized in the parent company as the development projects are ordered and owned by subsidiaries in Malta.

The parent company's revenues for the period January – June amounted to SEK 230.5 (195.2) million. Operating profit amounted to SEK 19.3 (7.3) million and the operating profit was 8.4 (3.8) percent. Profit after tax amounted to SEK 15.5 (6.3) million.

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 54.7 (27.2) million.

Investments in property, plant and equipment amounted to SEK 8.8 (3.9) million for the six month period January-June 2014. The parent company's investments in intangible assets amounted to SEK 1.5 (6.6) million for the first six months 2014 and primarily consist of software.

## ACCOUNTING POLICIES

NetEnt prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The Group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The new and revised standards, IAS 1 Presentation of Financial Statements and IFRS 13 Fair Value Measurement, have not affected the financial statements other than expanded disclosure requirements. The parent company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The same accounting and valuation principles have been applied as in the 2013 annual report. For further information on the principles, please refer to the annual report on [www.netent.com](http://www.netent.com).

Amounts are expressed in SEK (thousands of Swedish Kronor) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year.

## 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 with the description given in the most recently published annual report. For a detailed description of the risk profile, see NetEnt's 2013 Annual Report, pages 35-38 and page 68. The descriptions states among other things that after a tax audit in Net Entertainment NE AB concerning fiscal years 2007-2010, the Swedish Tax Agency has announced its decision to impose additional taxes on NetEnt in the amount of approximately SEK 92.1 million. The Swedish Tax Agency states in its' decision that the transfer pricing that has been applied between the Swedish based parent company Net Entertainment NE AB and the Malta-based operations is not motivated. Thus, the Swedish Tax Agency gives certain agreements between companies within the NetEnt Group a different legal interpretation and economic substance than what NetEnt and it's expert advisors do. NetEnt disputes the assessment that the Swedish Tax Agency has done and consequently also the amounts as it relates to the income tax adjustment and the tax surcharges. NetEnt insists that it has followed applicable laws for taxation of its operations, which is also supported by the experts that the Company has consulted on the subject. NetEnt is now in the process of appealing the Swedish Tax Agency's decision to the Administrative Court. NetEnt does not currently see grounds to make a provision in the accounts for possible additional taxes related to this matter. The amount SEK 92.1 million has been reported as a contingent liability in the annual report for 2013.

## REDEMPTION OF SHARES AND TRANSFER TO SHAREHOLDERS

On April 24, 2014 the Annual General Meeting decided to approve the Board's proposal for share split and automatic redemption procedure, involving a cash transfer to shareholders of SEK 3.00 (2.25) per share corresponding to SEK 118.7 (89.0) million. Cash was transferred to the holders of redemption shares on May 28 through Euroclear.



## PRESENTATION OF INTERIM REPORT

On Friday, July 24 at 9.00 the report will be presented by CEO Per Eriksson live via an audio webcast. The presentation can be followed live via audio webcast on NetEnt' website [www.netent.com](http://www.netent.com).

## FINANCIAL INFORMATION

NetEnt intends to distribute financial reports on the dates below.

|  |                   |
|--|-------------------|
| Interim report January-September 2014                  | October 23, 2014  |
| Earnings report and report for the fourth quarter 2014 | February 12, 2015 |

Financial reports, press releases, and other information are available from the date of publication on NetEnt's website [www.netent.com](http://www.netent.com).

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

Stockholm July 10, 2014

Vigo Carlund  
Chairman of the Board

Fredrik Erbing  
Board Member

Mikael Gottschlich  
Board Member

Peter Hamberg  
Board Member

Michael Knutsson  
Board Member

Pontus Lindwall  
Board Member

Maria Redin  
Board Member

Per Eriksson  
President and CEO

Questions may be directed to

Per Eriksson  
President and CEO  
Phone: +46 8 5785 4500  
[per.eriksson@netent.com](mailto:per.eriksson@netent.com)

Maria Hedengren  
CFO  
Phone: +46 8 5785 4500  
[maria.hedengren@netent.com](mailto:maria.hedengren@netent.com)

This interim report has not been subject to special review by the NetEnt's auditors.

## 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, fluctuations in exchange rates and interest rates and political risks.

## PUBLICATION

The information in this interim report is such information that Net Entertainment NE AB (publ) is required to publicly disclose under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on July 11, 2014 at 7.30 am.

## CONDENSED CONSOLIDATED INCOME STATEMENTS AND STATEMENTS OF TOTAL INCOME FOR THE GROUP

| INCOME STATEMENTS   | Apr-Jun<br>2014 | Apr-Jun<br>2013 | Jan-Jun<br>2014 | Jan-Jun<br>2013 | Jan-Dec<br>2013 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues  | 204,700         | 148,253         | 392,684         | 296,749         | 628,961         |
| Other revenues  | 275             | 454             | 697             | 714             | 1,785           |
| <b>Total operating revenues</b>   | <b>204,975</b>  | <b>148,707</b>  | <b>393,381</b>  | <b>297,463</b>  | <b>630,746</b>  |
| Personnel expenses  | -63,002         | -47,018         | -120,483        | -96,029         | -193,104        |
| Depreciation, amortization and impairments                              | -32,690         | -24,967         | -62,514         | -47,503         | -103,140        |
| Other operating expenses  | -52,540         | -38,019         | -102,436        | -74,273         | -154,754        |
| <b>Total operating expenses</b>   | <b>-148,232</b> | <b>-110,004</b> | <b>-285,433</b> | <b>-217,805</b> | <b>-450,998</b> |
| <b>Operating profit</b>   | <b>56,743</b>   | <b>38,703</b>   | <b>107,948</b>  | <b>79,658</b>   | <b>179,748</b>  |
| Financial items   | 925             | 3,965           | 285             | -450            | 2,950           |
| <b>Profit before tax</b>  | <b>57,668</b>   | <b>42,669</b>   | <b>108,233</b>  | <b>79,208</b>   | <b>182,698</b>  |
| Tax on the period's profit <sup>1</sup>                                 | -5,182          | -3,093          | -9,620          | -5,794          | -15,559         |
| <b>Profit for the period</b>  | <b>52,486</b>   | <b>39,575</b>   | <b>98,613</b>   | <b>73,414</b>   | <b>167,139</b>  |
| Earnings per share before dilution (SEK)                                | 1.33            | 1.00            | 2.49            | 1.86            | 4.23            |
| Earnings per share after dilution (SEK)                                 | 1.32            | 1.00            | 2.48            | 1.85            | 4.21            |
| Average number of shares  |                 |                 |                 |                 |                 |
| - before dilution   | 39,553,716      | 39,553,716      | 39,553,716      | 39,553,716      | 39,553,716      |
| - after dilution  | 39,798,292      | 39,670,818      | 39,797,155      | 39,647,192      | 39,691,174      |
| Operating margin  | 27.7%           | 26.0%           | 27.4%           | 26.8%           | 28.5%           |
| Effective tax rate <sup>1</sup>   | 9.0%            | 7.2%            | 8.9%            | 7.3%            | 8.5%            |
| Profit for the period attributable to parent company shareholders       | 52,486          | 39,575          | 98,613          | 73,414          | 167,139         |
| <b>STATEMENTS OF TOTAL INCOME</b>                                       |                 |                 |                 |                 |                 |
| <b>Profit for the period</b>  | <b>52,486</b>   | <b>39,575</b>   | <b>98,613</b>   | <b>73,414</b>   | <b>167,139</b>  |
| Other total income  |                 |                 |                 |                 |                 |
| Items that may be reclassified to net income                            |                 |                 |                 |                 |                 |
| Exchange differences arising from the translation of foreign operations | 8,001           | 10,543          | 7,999           | 4,565           | 8,328           |
| <b>Sum of other total income for the period, net after tax</b>          | <b>8,001</b>    | <b>10,543</b>   | <b>7,999</b>    | <b>4,565</b>    | <b>8,328</b>    |
| <b>Total income for the period</b>                                      | <b>60,487</b>   | <b>50,118</b>   | <b>106,612</b>  | <b>77,979</b>   | <b>175,467</b>  |

<sup>1</sup> Previous period's tax and result has been adjusted as the Company has adjusted the reporting of deferred tax – Please view section "Cost and Profitability".

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| <b>ASSETS</b>  | <b>2014-06-30</b> | <b>2013-06-30</b> | <b>2013-12-31</b> |
|--|-------------------|-------------------|-------------------|
| Intangible assets  | 197,041           | 188,322           | 197,596           |
| Property, plant, and equipment                                 | 65,326            | 52,309            | 59,795            |
| <b>Total non-current assets</b>                                | <b>262,367</b>    | <b>240,631</b>    | <b>257,391</b>    |
| Accounts receivable  | 4,660             | 7,427             | 8,102             |
| Other receivables  | 43,537            | 43,054            | 52,995            |
| Prepaid expenses and accrued revenues                          | 86,233            | 69,582            | 83,330            |
| Funds held on behalf of licensees                              | 38,273            | 31,489            | 25,238            |
| Cash and cash equivalents                                      | 119,047           | 37,577            | 105,829           |
| <b>Total current assets</b>                                    | <b>291,750</b>    | <b>189,129</b>    | <b>275,494</b>    |
| <b>TOTAL ASSETS</b>  | <b>554,117</b>    | <b>429,760</b>    | <b>532,885</b>    |
| <b>EQUITY AND LIABILITIES</b>                                  |                   |                   |                   |
|  | <b>2014-06-30</b> | <b>2013-06-30</b> | <b>2013-12-31</b> |
| Share capital  | 1,191             | 1,191             | 1,191             |
| Other capital contributed                                      | 41,624            | 41,624            | 41,624            |
| Reserves   | 4,340             | -7,422            | -3,659            |
| Retained earnings including profit for the period <sup>1</sup> | 321,461           | 247,785           | 341,510           |
| <b>Total equity</b>  | <b>368,616</b>    | <b>283,178</b>    | <b>380,666</b>    |
| Deferred tax liability <sup>1</sup>                            | 7,970             | 3,529             | 7,478             |
| <b>Total long-term liabilities</b>                             | <b>7,970</b>      | <b>3,529</b>      | <b>7,478</b>      |
| Accounts payable   | 32,303            | 26,455            | 31,270            |
| Current tax liabilities  | 6,598             | 6,660             | 6,604             |
| Other liabilities  | 82,359            | 62,126            | 63,619            |
| Accrued expenses and prepaid revenues                          | 56,271            | 47,812            | 43,248            |
| <b>Total current liabilities</b>                               | <b>177,531</b>    | <b>143,053</b>    | <b>144,741</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            | <b>554,117</b>    | <b>429,760</b>    | <b>532,885</b>    |

<sup>1</sup> January - June 2013 shareholder's equity and deferred tax liabilities have been re-calculated due to changed reporting of deferred tax, please view section "Cost and Profitability" for further information.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

|   | <b>Apr-Jun<br/>2014</b> | <b>Apr-Jun<br/>2013</b> | <b>Jan-Jun<br/>2014</b> | <b>Jan-Jun<br/>2013</b> | <b>Jan-Dec<br/>2013</b> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Operating profit  | 56,743                  | 38,703                  | 107,948                 | 79,659                  | 179,748                 |
| <i>Adjustment for items not included in cash flows:</i>                       |                         |                         |                         |                         |                         |
| Depreciation, amortization and impairments                                    | 32,690                  | 24,967                  | 62,514                  | 47,503                  | 103,140                 |
| Other   | -376                    | 5,288                   | -697                    | 2,046                   | -811                    |
| Interest received   | 739                     | 1                       | 740                     | 177                     | 346                     |
| Interest paid   | -118                    | -281                    | -277                    | -427                    | -605                    |
| Tax paid  | -2,923                  | -5,441                  | -8,724                  | -9,204                  | -14,729                 |
| <b>Cash flows from operating activities before changes in working capital</b> | <b>86,755</b>           | <b>63,237</b>           | <b>161,504</b>          | <b>119,754</b>          | <b>267,089</b>          |
| Changes in working capital  | 30,841                  | -16,649                 | 30,435                  | -3,645                  | -17,159                 |
| <b>Cash flows from operating activities</b>                                   | <b>117,596</b>          | <b>46,588</b>           | <b>191,939</b>          | <b>116,109</b>          | <b>249,930</b>          |
| Acquisition of intangible assets  | -21,053                 | -30,107                 | -43,318                 | -53,554                 | -102,481                |
| Acquisition of property, plant, and equipment                                 | -8,385                  | -7,361                  | -18,261                 | -14,803                 | -33,876                 |
| <b>Cash flows from investing activities</b>                                   | <b>-29,438</b>          | <b>-37,468</b>          | <b>-61,579</b>          | <b>-68,357</b>          | <b>-136,357</b>         |
| Utilized line of credit   | -                       | -                       | -                       | -1,874                  | -1,874                  |
| Transfer to shareholders  | -118,661                | -88,996                 | -118,661                | -88,996                 | -88,996                 |
| <b>Cash flows from financing activities</b>                                   | <b>-118,661</b>         | <b>-88,996</b>          | <b>-118,661</b>         | <b>-90,870</b>          | <b>-90,870</b>          |
| <b>Cash flow for the period</b>   | <b>-30,503</b>          | <b>-79,876</b>          | <b>11,699</b>           | <b>-43,118</b>          | <b>22,703</b>           |
| Cash and cash equivalents at beginning of period                              | 147,763                 | 117,165                 | 105,829                 | 81,230                  | 81,230                  |
| Exchange rate differences in cash and cash equivalents                        | 1,787                   | 288                     | 1,519                   | -535                    | 1,896                   |
| <b>Cash and cash equivalents at end of period</b>                             | <b>119,047</b>          | <b>37,577</b>           | <b>119,047</b>          | <b>37,577</b>           | <b>105,829</b>          |

**CONDENSED CONSOLIDATED CHANGES IN EQUITY**

| 2013                                   | Share capital | Other capital contributed | Reserves      | Retained earnings | Total equity   |
|--|---------------|---------------------------|---------------|-------------------|----------------|
| Opening equity 2013-01-01 <sup>1</sup> | 1,191         | 41,624                    | -11,987       | 263,366           | 294,194        |
| Transfer to shareholders               | -             | -                         | -             | -88,996           | -88,996        |
| Total income for the period Jan-Dec    | -             | -                         | 8,328         | -167,139          | 175,467        |
| <b>Closing equity 2013-12-31</b>       | <b>1,191</b>  | <b>41,624</b>             | <b>-3,659</b> | <b>341,510</b>    | <b>380,666</b> |

| 2014                                | Aktie kapital | Övrigt tillskjutet kapital | Reserver     | Balanserade vinstmedel | Summa eget kapital |
|-------------------------------------|---------------|----------------------------|--------------|------------------------|--------------------|
| Opening equity 2014-01-01           | 1,191         | 41,624                     | -3,659       | 341,510                | 380,666            |
| Total income for the period Jan-Mar | -             | -                          | -2           | 46,127                 | 46,125             |
| Transfer to shareholders            | -             | -                          | -            | -118,661               | -118,661           |
| Total income for the period Apr-Jun | -             | -                          | 8,001        | 52,486                 | 60,487             |
| <b>Closing equity 2014-06-30</b>    | <b>1,191</b>  | <b>41,624</b>              | <b>4,340</b> | <b>321,461</b>         | <b>368,616</b>     |

There is no minority interest in the Group. All equity is therefore attributed to parent company shareholders.

<sup>1</sup>2013 year's opening equity has been re-calculated due to changed reporting of deferred tax, please view section "Cost and Profitability" for further information.

## CONSOLIDATED KEY DATA AND FIGURES

|  | Apr-Jun<br>2014 | Apr-Jun<br>2013 | Jan-Jun<br>2014 | Jan-Jun<br>2013 | Jan-Dec<br>2013 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating revenues (SEK thousands)                               | 204,975         | 148,707         | 393,381         | 297,463         | 630,746         |
| Operating euro based revenues (EUR thousands)                    | 22,741          | 17,366          | 43,950          | 34,843          | 72,924          |
| Operating margin (percent)                                       | 27.7            | 26.0            | 27.4            | 26.8            | 28.5            |
| Profit margin (percent)  | 28.1            | 28.7            | 27.5            | 26.6            | 29.0            |
| EBITDA margin (percent)  | 43.6            | 42.8            | 43.3            | 42.7            | 44.8            |
| Return on shareholders' equity, roll 12 months (percent)         | 51.4            | 48.0            | 51.4            | 48.0            | 52.0            |
| Equity/assets ratio (percent)                                    | 66.5            | 65.9            | 66.5            | 65.9            | 71.4            |
| Quick ratio (percent)  | 164.3           | 132.2           | 164.3           | 132.2           | 190.3           |
| Net interest-bearing liabilities (SEK thousands) <sup>1</sup>    | -119,047        | -37,577         | -119,047        | -37,577         | -105,829        |
| Net debt/equity ratio (multiple)                                 | -0.3            | -0.1            | -0.3            | -0.1            | -0.3            |
| Average number of employees                                      | 390             | 322             | 371             | 316             | 328             |
| Employees at period's end  | 395             | 326             | 395             | 326             | 356             |
| Employees and external resources at period's end                 | 532             | 428             | 532             | 428             | 461             |
| Earnings per share before dilution                               | 1.33            | 1.00            | 2.49            | 1.86            | 4.23            |
| Earnings per share after dilution                                | 1.32            | 1.00            | 2.48            | 1.85            | 4.21            |
| Equity per share (SEK)   | 9.32            | 7.16            | 9.32            | 7.16            | 9.62            |
| Average number of outstanding shares before dilution             | 39,553,716      | 39,553,716      | 39,553,716      | 39,553,716      | 39,553,716      |
| Average number of outstanding shares after dilution              | 39,798,292      | 39,670,818      | 39,797,155      | 39,647,192      | 39,691,174      |
| Number of outstanding shares at the period's end before dilution | 39,553,716      | 39,553,716      | 39,553,716      | 39,553,716      | 39,553,716      |
| Number of outstanding shares at the period's end after dilution  | 40,021,810      | 40,021,810      | 40,021,810      | 40,021,810      | 40,021,810      |

<sup>1</sup> A negative figure means that the Group has a net cash position (positive cash flow and no interest-bearing liabilities)

## CONSOLIDATED KEY DATA AND FIGURES BY QUARTER

|   | 2014  |       | 2013  |       |       | 2012  |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | Q2    | Q1    | Q4    | Q3    | Q2    | Q1    | Q4    | Q3    | Q2    |
| Operating revenues (SEK millions)                                   | 205.0 | 188.4 | 180.1 | 153.1 | 148.7 | 148.8 | 144.7 | 122.5 | 132.0 |
| Operating eurobased revenues (EUR millions)                         | 22.7  | 21.2  | 20.4  | 17.6  | 17.4  | 17.5  | 16.8  | 14.6  | 14.9  |
| Operating profit (SEK million)                                      | 56.7  | 51.2  | 55.6  | 44.5  | 38.7  | 41.0  | 37.2  | 36.1  | 39.6  |
| Operating margin (percent)  | 27.7  | 27.2  | 30.9  | 29.1  | 26.0  | 27.5  | 25.7  | 29.5  | 30.0  |
| EBITDA-margin (percent)   | 43.6  | 43.0  | 46.8  | 46.6  | 42.8  | 42.7  | 40.2  | 45.0  | 43.4  |
| Growth SEK vs prior year (percent)                                  | 37.8  | 26.7  | 24.5  | 25.0  | 12.6  | 16.7  | 19.5  | 9.9   | 32.2  |
| Growth EUR vs prior year (percent)                                  | 31.0  | 21.1  | 21.9  | 21.1  | 16.8  | 22.2  | 25.9  | 19.7  | 34.2  |
| Growth in SEK vs prior quarter (percent)                            | 8.8   | 4.6   | 17.6  | 3.0   | 0.0   | 2.8   | 18.1  | -7.3  | 3.5   |
| Growth in EUR vs prior quarter (percent)                            | 7.2   | 3.9   | 15.8  | 1.5   | -0.8  | 4.5   | 15.0  | -2.1  | 3.9   |
| Cash and cash equivalents (excl. funds held on behalf of licensees) | 119.0 | 147.8 | 105.8 | 61.1  | 37.6  | 117.2 | 81.2  | 57.5  | 36.5  |
| Funds held on behalf of licensees                                   | 38.3  | 34.5  | 25.2  | 67.1  | 31.5  | 54.4  | 114.0 | 87.7  | 24.8  |
| Equity/assets ratio (percent)                                       | 66.5  | 72.1  | 71.4  | 65.0  | 65.9  | 65.3  | 53.3  | 56.5  | 63.1  |
| Return on shareholders' equity roll 12 months (percent)             | 51.4  | 50.8  | 51.2  | 48.4  | 48.0  | 49.4  | 51.5  | 55.9  | 58.6  |
| Net debt/equity ratio (multiple)                                    | -0.3  | -0.3  | -0.3  | -0.2  | -0.1  | -0.4  | -0.3  | -0.2  | -0.2  |
| Earnings per share  | 1.32  | 1.16  | 1.35  | 1.01  | 1.00  | 0.85  | 0.86  | 0.78  | 0.93  |
| Equity per share (SEK)  | 9.32  | 10.79 | 9.62  | 8.11  | 7.16  | 8.14  | 7.44  | 6.36  | 5.78  |
| Cash flow per share (SEK)   | -0.77 | 1.07  | 1.09  | 0.58  | -2.02 | 0.93  | 0.62  | 0.54  | -1.23 |
| Average number of employees   | 390   | 358   | 351   | 329   | 322   | 311   | 291   | 251   | 244   |



## DEFINITIONS

***Operating margin***

Operating profit in relation to operating revenues.

***Profit margin***

Profit after financial items in relation to operating revenues.

***EBITDA-margin***

Operating profit excluding depreciation and amortization in relation to operating revenues.

***Return on investment on shareholders' equity***

Period's profit/loss (rolling twelve months) in relation to average shareholder equity for last twelve months.

***Equity/assets ratio***

Equity at the end of period as a percentage of total assets at the end of period.

***Quick ratio***

Current assets in relation to current liabilities.

***Net interest-bearing liabilities***

Net of interest-bearing provisions and liabilities less financial assets and cash and cash equivalents.

***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.

***Average number of employees***

The average number of employees during the period.

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

The number of employees at the end of the period.

***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.

***Earnings per share***

Profit for the period divided by the average number of shares outstanding during the period.

***Equity per share***

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

***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.

**CONDENSED PARENT COMPANY INCOME STATEMENT**

| INCOME STATEMENTS             | Apr-Jun<br>2014 | Apr-Jun<br>2013 | Jan-Jun<br>2014 | Jan-Jun<br>2013 | Jan-Dec<br>2013 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating revenues            | 117,734         | 100,379         | 230,474         | 195,230         | 393,498         |
| Other external expenses       | -42,299         | -36,893         | -83,435         | -71,423         | -138,827        |
| Personnel expenses            | -60,522         | -55,167         | -119,074        | -110,017        | -209,977        |
| Depreciation and amortization | -4,495          | -3,319          | -8,715          | -6,451          | -13,524         |
| <b>Operating profit</b>       | <b>10,418</b>   | <b>5,000</b>    | <b>19,250</b>   | <b>7,339</b>    | <b>31,170</b>   |
| Financial items               | 558             | 1,437           | 742             | 1,046           | 80,790          |
| Transfer to untaxed reserves  | -               | -               | -               | -               | -11,027         |
| <b>Profit before tax</b>      | <b>10,976</b>   | <b>6,437</b>    | <b>19,992</b>   | <b>8,385</b>    | <b>100,933</b>  |
| Tax on the period's profit    | -2,440          | -1,473          | -4,533          | -2,049          | -5,176          |
| <b>Profit for the period</b>  | <b>8,536</b>    | <b>4,964</b>    | <b>15,459</b>   | <b>6,336</b>    | <b>95,757</b>   |

**STATEMENT OF TOTAL INCOME**

|  |              |              |               |              |               |
|--|--------------|--------------|---------------|--------------|---------------|
| <b>Profit for the period</b>                                       | <b>8,536</b> | <b>4,964</b> | <b>15,459</b> | <b>6,336</b> | <b>95,757</b> |
| Other total income   | -            | -            | -             | -            | -             |
| <b>Sum of other total income for the period,<br/>net after tax</b> | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>     | <b>-</b>      |
| <b>Total income for the period</b>                                 | <b>8,536</b> | <b>4,964</b> | <b>15,459</b> | <b>6,336</b> | <b>95,757</b> |

**CONDENSED PARENT COMPANY BALANCE SHEET**

| <b>ASSETS</b>                         | <b>2014-06-30</b> | <b>2013-06-30</b> | <b>2013-12-31</b> |
|---------------------------------------|-------------------|-------------------|-------------------|
| Intangible assets                     | 14,372            | 5,677             | 15,855            |
| Property, plant, and equipment        | 27,948            | 24,979            | 24,761            |
| Shares in subsidiary                  | 1,678             | 1,669             | 1,678             |
| <b>Total non-current assets</b>       | <b>43,998</b>     | <b>32,325</b>     | <b>42,294</b>     |
| Accounts receivable                   | 11                | 38                | 9                 |
| Receivables from Group companies      | 67,530            | 99,165            | 103,649           |
| Current tax receivables               | 5,208             | 2,320             | -                 |
| Other receivables                     | 8,268             | 5,934             | 8,700             |
| Prepaid expenses and accrued revenues | 9,397             | 7,608             | 7,714             |
| Cash and cash equivalents             | 54,718            | 27,245            | 55,507            |
| <b>Total current assets</b>           | <b>145,132</b>    | <b>142,310</b>    | <b>175,579</b>    |
| <b>TOTAL ASSETS</b>                   | <b>189,130</b>    | <b>174,635</b>    | <b>217,873</b>    |
| <b>EQUITY AND LIABILITIES</b>         | <b>2014-06-30</b> | <b>2013-06-30</b> | <b>2013-12-31</b> |
| Share capital                         | 1,191             | 1,191             | 1,191             |
| Statutory reserve                     | 38                | 38                | 38                |
| Share premium reserve                 | 6,735             | 6,735             | 6,735             |
| Retained earnings                     | 922               | 23,826            | 23,826            |
| Profit for the period                 | 15,459            | 6,336             | 95,757            |
| <b>Total equity</b>                   | <b>24,345</b>     | <b>38,126</b>     | <b>127,547</b>    |
| <b>Untaxed reserves</b>               | <b>22,723</b>     | <b>11,696</b>     | <b>22,723</b>     |
| Accounts payable                      | 24,616            | 17,365            | 26,241            |
| Liabilities to Group companies        | 64,769            | 62,264            | 1,535             |
| Current tax liabilities               | -                 | -                 | -                 |
| Other liabilities                     | 4,131             | 3,473             | 3,372             |
| Accrued expenses and prepaid revenues | 48,546            | 41,711            | 36,455            |
| <b>Total current liabilities</b>      | <b>142,062</b>    | <b>124,813</b>    | <b>67,603</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>189,130</b>    | <b>174,635</b>    | <b>217,873</b>    |

## NET ENT'S PRODUCTS

### CASINO

The NetEnt Casino™ is a complete gaming system consisting of a powerful administration tool and a full suite of high quality games. Games are divided into four categories: table games, video poker, slot games and other games such as scratch cards and Keno.

The games are customized for each licensee so they become a natural integral part of the licensee's gaming site. NetEnt also provides assistance with graphical design of the website where the games are presented.

Distributing the games is possible through a number of channels where browser based solutions are the most common but NetEnt has also developed a downloadable client. NetEnt has also developed a solution that enables gaming via mobile units.

### MULTIPLAYER GAMES

NetEnt has developed blackjack and roulette where several players can participate.

### LIVE CASINO

NetEnt has also developed a Live Casino product for blackjack and roulette. The main difference between Live Casino and traditional table games is that the games have a real dealer. The games are streamed live and are open 24 hours per day in the NetEnt's Live Casino studio in Malta.

### SERVICE

NetEnt offers a number of peripheral services including technical support, hosting, account management and system surveillance. This allows the licensees to focus on their core business.

### DEVELOPMENT

Extensive analysis and development efforts ensure that NetEnt can deliver new exciting games and functions. The complexity within casino games is continuously increasing and Net Entertainment is seen as a market leader within its market.

Two new games are Lights™ och Wish Master™.

