

NET ENTERTAINMENT

INTERIM REPORT JANUARY – SEPTEMBER 2014



\* Please note that this is a translation for information purposes only - in case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

## INTERIM REPORT JANUARY – SEPTEMBER 2014

### THIRD QUARTER 2014

- Revenues for the third quarter increased by 41.8 % to SEK 217.2 (153.1) million
- Operating profit amounted to SEK 73.4 (44.5) million, an increase of 64.9 %
- Operating margin was 33.8 (29.1) %
- Profit after tax amounted to SEK 67.5 (40.2) million
- Earnings per share amounted to SEK 1.69 (1.02) before dilution and SEK 1.69 (1.01) after dilution
- Seven license agreements with new customers were signed, seven new customers' casinos were launched

### FIRST NINE MONTHS 2014

- Revenues for the first nine months increased by 35.5 % to SEK 610.6 (450.6) million
- Operating profit amounted to SEK 181.3 (124.2) million, an increase of 46.1 %
- Operating margin was 29.7 (27.6) %
- Profit after tax amounted to SEK 166.1 (113.6) million
- Earnings per share amounted to SEK 4.16 (2.87) before dilution and SEK 4.16 (2.86) after dilution
- 21 new license agreements were signed and 22 new customers' casinos were launched

### IMPORTANT EVENTS IN THE THIRD QUARTER

- Two Tier 1 agreements were signed. One agreement with gaming operator bwin.party and one with Betfair. Betfair was launched during the quarter
- During the third quarter, NetEnt announced that Björn Krantz, current Managing Director of Net Entertainment Malta Ltd will lead the expansion into North America and will be replaced by Enrico Bradamante, current Head of Account Management and Deputy Head of Malta operations. Enrico will be part of the senior management team from January 2015.

### QUOTE FROM CEO, PER ERIKSSON

- *NetEnt delivers yet another record quarter. We signed seven new customer agreements and we saw a strong underlying growth with existing customers. The game transactions increased by 37 percent compared to last year which further shows that NetEnt's games and products are market leading. New customers and currency effects also contributed positively to the revenue growth. It is pleasing that our investments within mobile games are performing so well and growing strong. Mobile games represented 16.5 percent of the quarter's revenues. We continue our strategy to expand into new markets where the preparations to enter North America has started. I also expect that we are live in Spain during the first half of next year.*

SUMMARY IN FIGURES	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Operating revenues	217,216	153,135	610,597	450,598	630,746
Operating expenses	-143,829	-108,639	-429,262	326,444	-450,998
<b>Operating profit</b>	<b>73,387</b>	<b>44,495</b>	<b>181,335</b>	<b>124,154</b>	<b>179,748</b>
Operating margin	33.8%	29.1%	29.7%	27.6%	28.5%
Cash flows from operating activities	89,369	55,404	281,308	171,513	249,930
Cash flows for the period	91,437	22,849	103,135	-20,269	22,703
Cash and cash equivalents at end of period	210,243	61,061	210,243	61,061	105,829

## COMMENTS FROM PER ERIKSSON, PRESIDENT AND CEO

The third quarter showed strong financial development and revenues increased by 41.8 percent compared to last year. The operating margin was 33.8 percent. New customers in combination with a positive currency development contributed positively but the primary reason to the revenue increase was due to positive underlying growth with NetEnt's customers. The operating margin showed a positive development as a result of the revenue increase but also due to the vacation period which reduced the resource cost.

NetEnt is driving several new large initiatives where the pace has accelerated in the third quarter. The preparations for an entry in North America have started with New Jersey as the first state in the US where NetEnt will apply for a license. We are also preparing the license application for Spain. I expect that the company is live in Spain during the first half of 2015. We have also focused on upgrading NetEnt's platform in 2014, work that is expected to continue during 2015. The purpose with the platform development is to secure our high hosting capacity as the company grows its customer base and to allow for a faster and more efficient distribution of new functionality and games to the operators.

Game transactions increased by 37 percent compared to last year which further proves the strong underlying growth and that NetEnt's games and products are market leading. The mobile games continue to grow and represented 16.5 percent of revenues in the third quarter and we have now launched a total of 34 customers for Live Casino. NetEnt has previously signed agreements with the largest operators in the UK, which is the largest market for online casino in Europe. NetEnt still has a low market share in the UK and we have high expectations on what this market can offer in terms of future growth for NetEnt.

NetEnt won the Digital Gaming Innovator of the Year award in September which was very pleasing and further proof that NetEnt leads and drives the developments on the online casino market. We see high demand for NetEnt's products which is reflected in the seven new customer agreements that were signed in the quarter and I view the future as very bright for NetEnt.

## FUTURE OUTLOOK

### GROWTH

NetEnt sees a solid underlying growth. During the first nine months in 2014 a total of 21 new customer agreements have been signed, the operators on the UK market are growing and 34 customers in total have launched Live Casino. These initiatives and new customers have not yet reached their full capacity and are expected to contribute positively to growth during the remaining of 2014.

### COSTS AND INVESTMENTS

To adapt the capacity 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 addition, depreciation and amortization is expected to increase as larger projects are launched.

As a result of the good financial development the company has had during the first nine months it is likely that the operating margin will improve for the full year 2014 compared to 2013.

## NEW AGREEMENTS AND CUSTOMERS

During the third quarter seven agreements were signed with new customers of which two with Tier 1 customers; one with bwin.party and one with Betfair.

Betfair is a global gaming operator with a high presence in on the UK market. Revenues amounted to EUR 387 million during 2013. The company has offices in Gibraltar, Malta, Spain, Italy, USA and Australia.

bwin.party is a global gaming operator with a high presence in Europe. Casino revenues amounted to approximately EUR 216 million during 2013. The company has offices in India, Israel, USA, Germany, Italy, Spain and Alderney.

### CUSTOMERS TO BE LAUNCHED

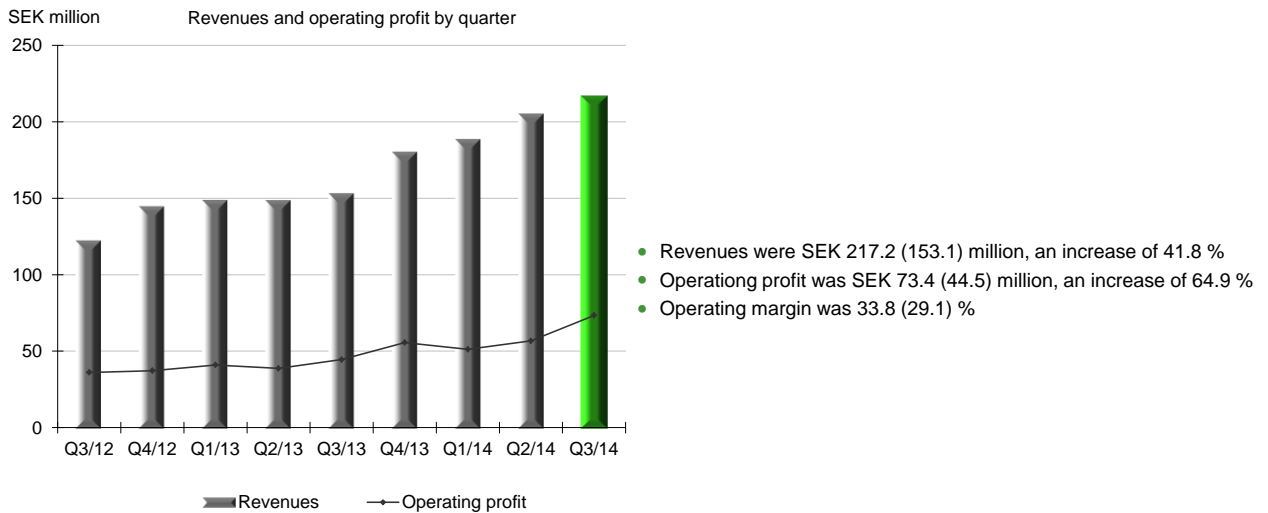
At the end of the quarter, NetEnt held agreements with 14 new operators that had not yet launched, including Rational Group and bwin.party.

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. The company has offices in Isle of Man, London, Ireland,

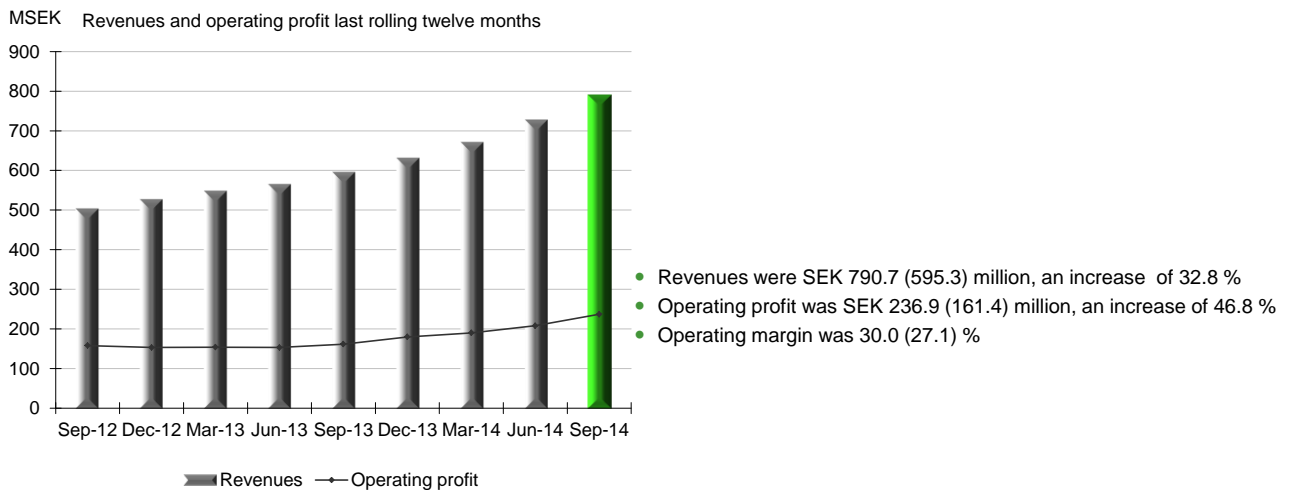
Costa Rica, Australia, Spain, Italy, France and Malta. Rational Group’s combined brands together create the largest poker business in the world. The company has over 1500 employees in more than 20 countries.

**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 217.2 (153.1) million during the third quarter, an increase of 41.8 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. Seven agreements were signed with new customers and seven new customer’s casinos were launched during the quarter. During the most recent twelve month period 28 new customers have been launched. The average royalty increased somewhat during the quarter compared to the previous year.

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 third quarter 2014, the Swedish

Krona weakened by 6.1 percent towards the Euro compared to the same period 2013 and by 1.7 percent compared to previous quarter. In Euros, revenues increased by 33.8 percent for the third quarter compared to the corresponding period last year.

The number of game transactions amounted to 5.2 billion during the third quarter, which is an increase of approximately 37 percent compared to previous year. The increase in the number of game transactions is primarily a result of underlying market growth in combination with new customers being launched 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 third quarter which in general mean more transactions as players bet lower amounts per round but play more rounds compared to other types of casino games. In addition, games through mobile units show a similar pattern in terms of the number and size of the transactions. Mobile gaming 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.

## COSTS AND PROFITABILITY

Operating profit for the third quarter increased by 64.9 percent to SEK 73.4 (44.5) million. Operating expenses have increased during the third 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 hosting costs such as customer specific integration costs, license costs, communication costs and hardware investments. 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 majority of the Group's cost is denominated in SEK but the share of cost that is reported in other currencies is steadily increasing as the organization expands and represented 43 percent for the nine month period..

The operating margin amounted to 33.8 percent in the third quarter compared to 29.1 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 an increase in development activities that were reported as a cost instead of being capitalized compared to last year. Long term the margin will be positively affected by the lower capitalization as it lowers the future depreciation.

The Group had an effective tax rate of 8.0 (7.9) percent in the third 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 September 30 2013 has decreased by SEK 5.7 million, tax expense decreased by SEK 0.9 million and shareholder's equity per September 30 has increased by SEK 8.3 million.

## INVESTMENTS

The Group's investment in intangible assets amounted to SEK 18.0 (23.5) million during the third quarter. Investments in property, plant, and equipment amounted to SEK 4.7 (9.0) million in the third 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 third quarter were games development, development for regulated markets and 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 third quarter amounted to SEK 89.4 (55.4) million. The increase compared to previous year is primarily due to an improved operating profit.

Cash held on behalf of licensees amounted to SEK 55.3 (67.1) million on September 30.

Cash flow from investing activities amounted to SEK -22.7 (-32.6) million during the third quarter. Further description of the investing activities can be viewed in the section Investments above.

Cash flow from financing activities amounted to SEK 24.8 (0.0) for the third quarter. The increase compared to previous year was attributable to a new share issue according to the share option incentive program that ended during the period 2011-2014. The strike price was SEK 70.20 per share. In conjunction with the new share issue the number of shares increased by 353,100 B-shares and the total number of shares on September 30 was 39,906,816.

The Group's cash and cash equivalents amounted to SEK 210.2 (61.1) million on September 30. The Group's available credit lines amounted to SEK 50.0 million of which none had been used on September 30.

### NEW SHARE ISSUE

As decided during the Annual General Meeting 2011 regarding incentive program 2011-2014 for senior executives and key personnel within the company, owners of share option rights were entitled to subscribe to the equivalent number of class B-shares in Net Entertainment NE AB (publ) between August 1 – October 1 2014. This right has now been used by all the owners of share option rights.

As a result of subscription at the strike price of SEK 70.20 per share, the number of shares in Net Entertainment NE AB has increased by 353,100 B-shares. After the increase the total number of shares in the company amounted to 39,906,816 shares of which 5,610,000 A-shares and 34,296,816 B-shares equivalent to 90,396,816 votes. The share capital amounted to SEK 1,201,195.1616 after the change in the number of shares. The parent company's and the Group's share capital has increased by SEK 24.8 million as a result of the new share issue.

## SUMMARY OF THE FIRST NINE MONTHS

Revenues during the period January-September amounted to SEK 610.6 (450.6) million, an increase of 35.5 percent (28.6 percent in euro) compared to the same period 2013. Operating profit amounted to SEK 181.3 (124.2) million and the operating margin was 29.7 (27.6) 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 21 new license agreements during the nine-month period and 22 new customers have been launched.

Operating costs have increased during the first nine 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 new games.

The Group's investments in intangible assets amounted to SEK 61.3 (77.1) million for the first nine months. Investments in property, plant, and equipment amounted to SEK 23.0 (23.8) million.

The Group's cash flow from operating activities for the first nine months amounted to SEK 281.3 (171.5) million. Cash flow from financing activities amounted to SEK -93.9 (-90.9) million and primarily consist of transfer to shareholders and the new share issue of 351,000 B-shares due to the incentive program 2011-2014 which ended during the third quarter.

## 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. The UK is currently re-regulating online gaming where NetEnt has applied for a license. The re-regulation in the UK is expected to be finalized during the second half of 2014.

The Italian gaming authority AAMS has started an initiative to reduce unlicensed online gaming earlier this year. As previously communicated NetEnt is working closely with AAMS where both parties are now actively trying to get unlicensed operators, with a focus on Italian players, to acquire a local license. NetEnt does not intend to deliver the company's products to unlicensed operators in Italy after the end 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 about NetEnt's markets please view the market section in the annual report 2013.

## EVENTS AFTER THE END OF THE PERIOD

There are no significant events that have taken place after the period to report.

## 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 428 (333). Including external recourses such as dedicated persons with contract suppliers and subcontractors, NetEnt employed 564 (436) persons.

## PARENT COMPANY

The parent company's revenues for the third quarter amounted to SEK 109.1 (91.4) million. Operating profit amounted to SEK 9.7 (10.2) million for the third quarter. The operating margin was 8.9 (11.2) percent. Operating 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 7.4 (8.7) million for the third 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.

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

The parent company's revenues for the period January – September amounted to SEK 339.6 (286.7) million. Operating profit amounted to SEK 29.0 (17.6) million and the operating profit was 8.5 (6.1) percent. Profit after tax amounted to SEK 22.9 (14.2) million.

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 146.3 (19.0) million.

Investments in property, plant and equipment amounted to SEK 11.7 (5.3) million for the nine month period January-September 2014. The parent company's investments in intangible assets amounted to SEK 2.0 (9.3) million for the first nine months 2014 and primarily consist of software investments.

## 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 its 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 and the company's view has not changed per September 30 2014.

## NOMINATING COMMITTEE

In accordance with the principles resolved by the Annual General Meeting 2014 for appointment of nominating committee, Per Hamberg (appointed by the Hamberg family), Christoffer Lundström (Provobis Invest AB) and Martin Wattin (Kling family) have been appointed to, together with the Chairman of the Board of Directors Vigo Carlund, form nominating committee for the Annual General Meeting 2015.

The nominating committee is to prepare proposals for decisions at the Annual General Meeting in 2015 regarding the Chairman of the meeting, Chairman and other members of the Board of Directors, auditor when applicable, remuneration for the Board of Directors and auditor, and principles for appointment of the nominating committee. The period in office of the nominating committee runs until a new nominating committee is appointed in accordance with decisions on appointment of a nominating committee at the annual general meeting in 2015.

Shareholders can submit proposals to the nominating committee until December 3<sup>rd</sup> 2014 at: Nominating Committee, Net Entertainment NE AB, Luntmakargatan 18, SE-111 37 Stockholm, Sweden and [nomination@netent.com](mailto:nomination@netent.com). The nominating committee's proposal will be published at the latest in connection with the notice for the Annual General Meeting.



## ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on April 29 2015.

## PRESENTATION OF INTERIM REPORT

On Thursday, October 23 at 9.00 the report will be presented by CEO Per Eriksson via a live webcast. The presentation can be followed live on NetEnt' website [www.netent.com](http://www.netent.com).

## FINANCIAL INFORMATION

NetEnt intends to distribute financial reports on the dates below.

Earnings report and report for the fourth quarter 2014	February 12, 2015
Interim report January – March 2015	April 28, 2015
Annual General Meeting	April 29, 2015
Interim Report January – June 2015	July 10, 2015
Interim report January – September 2015	October 22, 2015
Earnings report and report for the fourth quarter 2015	February 11, 2016

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 October 22, 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

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## 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 October 23, 2014 at 7.30 am.

## REVIEW REPORT

### INTRODUCTION

We have reviewed the interim report for Net Entertainment NE AB (publ) for the period January 1 - September 30, 2014. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### SCOPE OF REVIEW

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

### CONCLUSION

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

Stockholm 22 October 2014

Deloitte AB

Therese Kjellberg

Authorized Public Accountant

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

INCOME STATEMENTS	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Revenues	216,992	152,485	609,676	449,234	628,961
Other revenues	224	650	921	1,364	1,785
<b>Total operating revenues</b>	<b>217,216</b>	<b>153,135</b>	<b>610,597</b>	<b>450,598</b>	<b>630,746</b>
Personnel expenses	-58,578	-45,214	-179,061	-141,243	-193,104
Depreciation, amortization and impairments	-32,747	-26,853	-95,261	-74,356	-103,140
Other operating expenses	-52,504	-36,572	-154,940	-110,845	-154,754
<b>Total operating expenses</b>	<b>-143,829</b>	<b>-108,639</b>	<b>-429,262</b>	<b>-326,444</b>	<b>-450,998</b>
<b>Operating profit</b>	<b>73,387</b>	<b>44,495</b>	<b>181,335</b>	<b>124,154</b>	<b>179,748</b>
Financial items	-14	-817	271	-1,267	2,950
<b>Profit before tax</b>	<b>73,373</b>	<b>43,678</b>	<b>181,606</b>	<b>122,887</b>	<b>182,698</b>
Tax on the period's profit <sup>1</sup>	-5,868	-3,459	-15,488	-9,253	-15,559
<b>Profit for the period</b>	<b>67,505</b>	<b>40,219</b>	<b>166,118</b>	<b>113,634</b>	<b>167,139</b>
Earnings per share before dilution (SEK)	1.69	1.02	4.16	2.87	4.23
Earnings per share after dilution (SEK)	1.69	1.01	4.16	2.86	4.21
Average number of shares					
- before dilution	39,906,816	39,553,716	39,906,816	39,553,716	39,553,716
- after dilution	39,966,652	39,695,377	39,961,250	39,665,648	39,691,174
Operating margin	33.8%	29.1%	29.7%	27.6%	28.5%
Effective tax rate <sup>1</sup>	8.0%	7.9%	8.5%	7.5%	8.5%
Profit for the period attributable to parent company shareholders	67,505	40,219	166,118	113,634	167,139

### STATEMENTS OF TOTAL INCOME

<b>Profit for the period</b>	<b>67,505</b>	<b>40,219</b>	<b>166,118</b>	<b>113,634</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	-476	-2,447	7,523	2,118	8,328
<b>Sum of other total income for the period, net after tax</b>	<b>-476</b>	<b>-2,447</b>	<b>7,523</b>	<b>2,118</b>	<b>8,328</b>
<b>Total income for the period</b>	<b>67,029</b>	<b>37,773</b>	<b>173,641</b>	<b>115,752</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>2014-09-30</b>	<b>2013-09-30</b>	<b>2013-12-31</b>
Intangible assets	189,316	189,660	197,596
Property, plant, and equipment	62,550	54,782	59,795
<b>Total non-current assets</b>	<b>251,866</b>	<b>244,442</b>	<b>257,391</b>
Accounts receivable	9,383	10,611	8,102
Other receivables	48,044	41,364	52,995
Prepaid expenses and accrued revenues	86,970	69,258	83,330
Funds held on behalf of licensees	55,268	67,063	25,238
Cash and cash equivalents	210,243	61,061	105,829
<b>Total current assets</b>	<b>409,908</b>	<b>249,357</b>	<b>275,494</b>
<b>TOTAL ASSETS</b>	<b>661,774</b>	<b>493,799</b>	<b>532,885</b>

<b>EQUITY AND LIABILITIES</b>	<b>2014-09-30</b>	<b>2013-09-30</b>	<b>2013-12-31</b>
Share capital	1,201	1,191	1,191
Other capital contributed	66,401	41,624	41,624
Reserves	3,864	-9,869	-3,659
Retained earnings including profit for the period <sup>1</sup>	388,967	288,005	341,510
<b>Total equity</b>	<b>460,433</b>	<b>320,951</b>	<b>380,666</b>
Deferred tax liability <sup>1</sup>	7,941	3,520	7,478
<b>Total long-term liabilities</b>	<b>7,941</b>	<b>3,520</b>	<b>7,478</b>
Accounts payable	26,836	21,955	31,270
Current tax liabilities	9,452	7,660	6,604
Other liabilities	105,840	96,885	63,619
Accrued expenses and prepaid revenues	51,272	42,828	43,248
<b>Total current liabilities</b>	<b>193,400</b>	<b>169,328</b>	<b>144,741</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>661,774</b>	<b>493,799</b>	<b>532,885</b>

<sup>1</sup> January - September 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>Jul-Sep 2014</b>	<b>Jul-Sep 2013</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2013</b>	<b>Jan-Dec 2013</b>
Operating profit	73,387	44,495	181,335	124,154	179,748
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	32,747	26,853	95,261	74,356	103,140
Other	13	-2,853	-684	-807	-811
Interest received	7	16	747	193	346
Interest paid	-121	-136	-398	-563	-605
Tax paid	-2,994	-2,035	-11,718	-11,239	-14,729
<b>Cash flows from operating activities before changes in working capital</b>	<b>103,039</b>	<b>66,340</b>	<b>264,543</b>	<b>186,094</b>	<b>267,089</b>
Changes in working capital	-13,670	-10,936	16,765	-14,581	-17,159
<b>Cash flows from operating activities</b>	<b>89,369</b>	<b>55,404</b>	<b>281,308</b>	<b>171,513</b>	<b>249,930</b>
Acquisition of intangible assets	-17,980	-23,519	-61,298	-77,073	-102,481
Acquisition of property, plant, and equipment	-4,740	-9,036	-23,001	-23,839	-33,876
<b>Cash flows from investing activities</b>	<b>-22,720</b>	<b>-32,555</b>	<b>-84,299</b>	<b>-100,912</b>	<b>-136,357</b>
New issue of shares	24,788	-	24,788	-	-
Utilized line of credit	-	-	-	-1,874	-1,874
Transfer to shareholders	-	-	-118,661	-88,996	-88,996
<b>Cash flows from financing activities</b>	<b>24,788</b>	<b>-</b>	<b>-93,874</b>	<b>-90,870</b>	<b>-90,870</b>
<b>Cash flow for the period</b>	<b>91,437</b>	<b>22,849</b>	<b>103,135</b>	<b>-20,269</b>	<b>22,703</b>
Cash and cash equivalents at beginning of period	119,047	37,577	105,829	81,230	81,230
Exchange rate differences in cash and cash equivalents	-241	635	1,279	-100	1,896
<b>Cash and cash equivalents at end of period</b>	<b>210,243</b>	<b>61,061</b>	<b>210,243</b>	<b>61,061</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	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 2014-01-01	1,191	41,624	-3,659	341,510	380,666
Transfer to shareholders	-	-	-	-118,661	-118,661
Issue of new shares	11	24,777	-	-	24,788
Total income for the period Jan-Sep	-	-	7,523	166,118	173,641
<b>Closing equity 2014-09-30</b>	<b>1,201</b>	<b>66,401</b>	<b>3,864</b>	<b>388,966</b>	<b>460,433</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

	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Operating revenues (SEK thousands)	217,216	153,135	610,597	450,598	630,746
Operating euro based revenues (EUR thousands)	23,584	17,632	67,534	52,505	72,924
Operating margin (percent)	33.8	29.1	29.7	27.6	28.5
Profit margin (percent)	33.8	28.5	29.7	27.3	29.0
EBITDA margin (percent)	48.9	46.6	45.3	44.1	44.8
Return on shareholders' equity, roll 12 months (percent)	51.4	48.4	51.4	48.4	52.0
Equity/assets ratio (percent)	69.6	65.0	69.6	65.0	71.4
Quick ratio (percent)	211.9	147.3	211.9	147.3	190.3
Net interest-bearing liabilities (SEK thousands) <sup>1</sup>	-210,243	-61,061	-210,243	-61,061	-105,829
Net debt/equity ratio (multiple)	-0.5	-0.2	-0.5	-0.2	-0.3
Average number of employees	410	329	386	321	328
Employees at period's end	428	333	428	333	356
Employees and external resources at period's end	564	436	564	436	461
Earnings per share before dilution	1.69	1.02	4.16	2.87	4.23
Earnings per share after dilution	1.69	1.01	4.16	2.86	4.21
Equity per share (SEK) before dilution	11.54	8.11	11.54	8.11	9.62
Equity per share (SEK) after dilution	11.52	8.09	11.52	8.09	9.59
Average number of outstanding shares before dilution	39,906,816	39,553,716	39,906,816	39,553,716	39,553,716
Average number of outstanding shares after dilution	39,966,652	39,695,377	39,961,250	39,665,648	39,691,174
Number of outstanding shares at the period's end before dilution	39,906,816	39,553,716	39,906,816	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			Q3
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Operating revenues (SEK millions)	217.2	205.0	188.4	180.1	153.1	148.7	148.8	144.7	122.5
Operating eurobased revenues (EUR millions)	23.6	22.7	21.2	20.4	17.6	17.4	17.5	16.8	14.6
Operating profit (SEK million)	73.4	56.7	51.2	55.6	44.5	38.7	41.0	37.2	36.1
Operating margin (percent)	33.8	27.7	27.2	30.9	29.1	26.0	27.5	25.7	29.5
EBITDA-margin (percent)	48.9	43.6	43.0	46.8	46.6	42.8	42.7	40.2	45.0
Growth SEK vs prior year (percent)	41.8	37.8	26.7	24.5	25.0	12.6	16.7	19.5	9.9
Growth EUR vs prior year (percent)	33.8	31.0	21.1	21.9	21.1	16.8	22.2	25.9	19.7
Growth in SEK vs prior quarter (percent)	6.0	8.8	4.6	17.6	3.0	0.0	2.8	18.1	-7.3
Growth in EUR vs prior quarter (percent)	3.7	7.2	3.9	15.8	1.5	-0.8	4.5	15.0	-2.1
Cash and cash equivalents (excl. funds held on behalf of licensees)	210.2	119.0	147.8	105.8	61.1	37.6	117.2	81.2	57.5
Funds held on behalf of licensees	55.3	38.3	34.5	25.2	67.1	31.5	54.4	114.0	87.7
Equity/assets ratio (percent)	69.6	66.5	72.1	71.4	65.0	65.9	65.3	53.3	56.5
Return on shareholders' equity roll 12 months (percent)	53.7	51.4	50.8	51.2	48.4	48.0	49.4	51.5	55.9
Net debt/equity ratio (multiple)	-0.5	-0.3	-0.3	-0.3	-0.2	-0.1	-0.4	-0.3	-0.2
Earnings per share	1.69	1.32	1.16	1.35	1.01	1.00	0.85	0.86	0.78
Equity per share (SEK)	11.54	9.32	10.79	9.62	8.11	7.16	8.14	7.44	6.36
Cash flow per share (SEK)	2.29	-0.77	1.07	1.09	0.58	-2.02	0.93	0.62	0.54
Average number of employees	410	390	358	351	329	322	311	291	251

## 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	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Operating revenues	109,137	91,434	339,611	286,664	393,498
Other external expenses	-38,772	-30,706	-122,207	-102,129	-138,827
Personnel expenses	-56,007	-47,194	-175,081	-157,211	-209,977
Depreciation and amortization	-4,617	-3,303	-13,332	-9,754	-13,524
<b>Operating profit</b>	<b>9,741</b>	<b>10,231</b>	<b>28,991</b>	<b>17,570</b>	<b>31,170</b>
Financial items	-26	14	716	1,061	80,790
Transfer to untaxed reserves	-	-	-	-	-11,027
<b>Profit before tax</b>	<b>9,715</b>	<b>10,245</b>	<b>29,707</b>	<b>18,631</b>	<b>100,933</b>
Tax on the period's profit	-2,271	-2,414	-6,804	-4,464	-5,176
<b>Profit for the period</b>	<b>7,444</b>	<b>7,831</b>	<b>22,903</b>	<b>14,167</b>	<b>95,757</b>

**STATEMENT OF TOTAL INCOME**

<b>Profit for the period</b>	<b>7,444</b>	<b>7,831</b>	<b>22,903</b>	<b>14,167</b>	<b>95,757</b>
Other total income	-	-	-	-	-
<b>Sum of other total income for the period, net after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income for the period</b>	<b>7,444</b>	<b>7,831</b>	<b>22,903</b>	<b>14,167</b>	<b>95,757</b>

**CONDENSED PARENT COMPANY BALANCE SHEET**

<b>ASSETS</b>	<b>2014-09-30</b>	<b>2013-09-30</b>	<b>2013-12-31</b>
Intangible assets	13,080	9,770	15,855
Property, plant, and equipment	27,895	22,731	24,761
Shares in subsidiary	1,678	1,669	1,678
<b>Total non-current assets</b>	<b>42,653</b>	<b>34,170</b>	<b>42,294</b>
Accounts receivable	87	111	9
Receivables from Group companies	41,981	195,680	103,649
Current tax receivables	5,868	-	-
Other receivables	7,412	7,434	8,700
Prepaid expenses and accrued revenues	8,213	7,114	7,714
Cash and cash equivalents	146,276	18,981	55,507
<b>Total current assets</b>	<b>209,837</b>	<b>229,320</b>	<b>175,579</b>
<b>TOTAL ASSETS</b>	<b>252,490</b>	<b>263,490</b>	<b>217,873</b>
<b>EQUITY AND LIABILITIES</b>	<b>2014-09-30</b>	<b>2013-09-30</b>	<b>2013-12-31</b>
Share capital	1,201	1,191	1,191
Statutory reserve	38	38	38
Share premium reserve	31,513	6,735	6,735
Retained earnings	922	23,826	23,826
Profit for the period	22,903	14,167	95,757
<b>Total equity</b>	<b>56,577</b>	<b>45,957</b>	<b>127,547</b>
<b>Untaxed reserves</b>	<b>22,723</b>	<b>11,696</b>	<b>22,723</b>
Accounts payable	24,638	15,400	26,241
Liabilities to Group companies	101,103	149,040	1,535
Other liabilities	3,868	3,370	3,372
Accrued expenses and prepaid revenues	43,581	38,027	36,455
<b>Total current liabilities</b>	<b>173,190</b>	<b>205,837</b>	<b>67,603</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>252,490</b>	<b>263,490</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 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 Lost Island™ and Attraction™.

