

Internal control of financial reporting

NetEnt's control system has been devised to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and ordinances, accounting standards and other requirements for listed companies.

Internal control refers to the process that is influenced by the Board of Directors, Company management and other staff, and is designed to provide reasonable assurance that the goals of the Company are achieved in terms of

- appropriate and efficient operations,
- reliable financial reporting, and
- compliance with applicable laws and regulations.

NetEnt applies the established framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework encompasses five principal areas: control environment, risk assessment, control activities, monitoring/improvement and communication.

CONTROL ENVIRONMENT

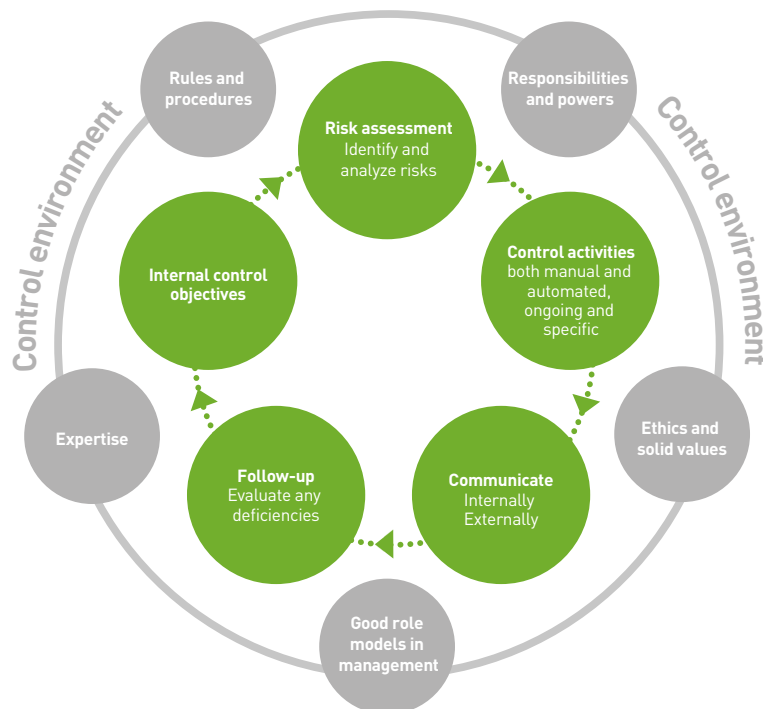
The foundation of NetEnt's control system is the control environment, which determines the individual and collective approaches in the Group. It is defined through policies and procedures, manuals and codes, and is upheld

with the help of NetEnt's organizational structure with clear responsibilities and powers based on shared values. Soundly devised internal control not only creates conditions for reliable financial reporting, but also contributes to a healthy and sustainable business with greater profitability as a result. Work on the design of internal processes and monitoring thereof is becoming increasingly important as the Company grows. This is particularly important in terms of the systems that NetEnt develops and operates on behalf of licensees.

NetEnt's Board bears overarching responsibility for establishing an efficient internal control system. The responsibility for establishing an efficient control environment has been delegated to the CEO. The CEO delegates powers to those reporting to him, both directly and through established guidelines and manuals at the Company. Corporate values are an important element in this respect, providing guidance for daily work.

The Company's finance function reports to the Audit Committee and to the Company's Chief Financial Officer, and works to develop and improve internal control in financial reporting in the Group, both proactively with a focus on the internal control environment, and by reviewing how internal control works.

Constant development of internal control is important for a rapidly growing company like NetEnt.



In 2015 work progressed on optimizing the ERP system and enhancing accounting processes and internal control procedures.

NetEnt reviews its internal control processes in accordance with a recurring time cycle each year, and makes changes to the extent required. In turn, the Audit Committee, with the Company's auditor, regularly review selected control processes.

Moreover, the Group has a function comprising people with specific responsibility for compliance, as well as quality and processes. "Compliance" here refers to industry-specific regulation from gaming authorities in various countries and compliance in the context of anti-bribery and anti-money laundering.

Internal governance instruments

Internal governance instruments for financial reporting primarily consist of the Group's finance policy, information policy, financial handbook, and authorization instructions that define accounting and reporting rules, as well as the Group's definition of processes and minimum requirements for sound internal control in financial reporting. In addition, the Company has policies regarding, for example, trade in the Company's shares, IT and information security, dividend, anti-bribery, prevention of money laundering and terrorist financing, drugs and gambling.

RISK ASSESSMENT

Each year, NetEnt conducts a structured risk assessment to identify risks that affect the internal control of financial reporting, and to identify where these risks are present. Risks in financial reporting are evaluated and monitored by the Board of Directors through the Audit Committee. The main risks to the Company are attributable to areas such as regulated activity, the invoicing process and revenue recognition, development expenditure and taxes, and the Company's substantial cash and cash equivalents. During the risk assessment, particular attention has been paid to the risk of irregularities and undue favoring of other parties at the Company's expense, and the risk of loss or misappropriation of assets. Matters are prepared by the Audit Committee before consideration by the Board of Directors. The risk assessment results in control objectives that support meeting the fundamental financial reporting requirements. The risk assessment is updated annually by the Company, and is reported to the Audit Committee.

Moreover, the Company has a risk management process designed to constantly identify, prioritize and manage material business risks at large. The risk landscape is in some respects similar to the risk assessment for financial reporting, but includes other risks such as the availability of competent staff and political decisions. The

Audit Committee shall continually monitor this process and report regularly to the Board of Directors. For a complete description of NetEnt's risks, see the Risk factors section on pages 49–52 and Note 26 on page 85.

CONTROL ACTIVITIES

The most material risks identified in terms of financial reporting are managed through control structures in processes. Control activities are devised and documented at the process level, and include both overarching and more specific controls with the purpose of preventing, detecting and correcting errors and discrepancies. When devising control activities, accurate and timely performance thereof is ensured. Control activities span everything from the review and monitoring of performance outcomes to specific account reconciliations.

General IT controls are established for the systems that support the processes that affect internal control regarding financial reporting. The design of processes and control activities within IT is also affected by regulations issued by the gaming authorities, such as Malta Gaming Authority (MGA), Alderney Gambling Control Commission (AGCC), Gibraltar Regulatory Authority (GRA) and external reviews in connection with licenses and certifications. Such reviews are conducted both by independent auditing agencies for certification in relation to requirements from authorities, and by the Company's external auditors.

Areas that are covered by control activities include:

- due authorization of business transactions,
- ERP systems that affect financial reporting, including verification management,
- the accounting process, including year-end reports and consolidated financial statements and their compliance with applicable regulations in the form of generally accepted accounting principles, prevailing laws and regulations, and requirements for listed companies. The process is also designed to ensure proper information for decision making for the Board of Directors and management,
- significant and unusual or complex business transactions, as well as business transactions or valuations of assets or liabilities that contain significant elements of judgment,
- all new employees are subject to prior background screening.

MONITORING

Monitoring of control activities is continually conducted to ensure that risks have been satisfactorily observed and addressed. Monitoring encompasses both formal and informal procedures applied by at the Company. Such procedures include monitoring results vs. budget and plans,

analyses and key figures. The Board of Directors continuously evaluates the information provided by Company management. The process includes both reconciliation of monthly financial reports vs. budget and goals, and reporting at Board meetings. Through the Audit Committee, the Board of Directors reviews and assesses the internal control's organization and function. The Company's policies and instructions are evaluated and updated annually at a minimum with respect to appropriateness and functionality – or more often as needed.

The Company's CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

INFORMATION AND COMMUNICATION

Information and communication about internal governance instruments for financial reporting are available for all employees concerned on the Company's intranet. NetEnt has information and communication channels with the purpose of promoting complete and accurate financial reporting. Only a limited number of people in the functions Finance, IR, and the CEO's office have access to information that is confidential in nature such as budgets, forecasts, financial outcome reporting, Board material and remuneration. Access to such confidential information is in accordance with the powers bestowed upon the Company's staff in the organization.

Important guidelines and manuals of importance to financial reporting are updated and communicated to those concerned in connection with the introduction of new employees and, in the event of potential changes, to all affected staff. There are both formal and informal

communication channels to senior executives and the Board of Directors for information from employees. In order for all employees to feel secure in reporting deviations from the Company's rules, there is a confidential and efficient whistle-blowing procedure in place. For external communication, there are guidelines for the Company with stringent demands on accurate and relevant information for the market. The Board of Directors annually adopts an information policy for the Company, which includes guidelines for contacts with analysts and the media.

In connection with the introduction of new employees, the latter are informed of the laws and guidelines followed by the Company regarding for example managing insider information and trading in the Company's shares. Prior to each quarterly earnings report, a reminder is sent about the rules to all staff.

INTERNAL AUDIT

The Company already had an internal audit function in place regarding anti-money laundering procedures. In 2015 the Company also adopted a framework and process for the internal audit of the finance function and financial reporting, based on a combination of a self-assessment of the finance function and an independent review assisted by an independent external firm of auditors. For certain special reviews, external initiatives can be taken. Moreover, the Company has a compliance function that reports its observations on a regular basis directly to the CEO, and which convenes with the Audit Committee at least once a year without the presence of Company management. The function was established to secure enhancement of the Company's processes and procedures for industry-specific compliance.

The share, future outlook and appropriation of profits

THE SHARE

The share capital of NetEnt AB (publ) consists of A shares and B shares. The total number of shares is 40,021,810 shares, divided into 5,610,000 A shares and 34,411,810 B shares, equaling 90,511,810 votes in total. One A share gives ten votes and one B share entitles to one vote when voting at the AGM. The two share classes have equal rights to the Company's assets and profit. At the AGM shareholders can vote for the full number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the

Board of Directors, within the bounds of the maximum number of B shares that may be issued according to the articles of association.

At December 31, 2015, the number of shareholders was 8,589. The largest shareholders at the end of 2015 were Per Hamberg with 6.3 percent of share capital and 19.7 percent of the votes, and Rolf Lundström with 6.5 percent of the shares and 14.3 percent of the votes. NetEnt's ten largest owners held shares equaling 40.1 percent of capital and 73.5 percent of votes in the Company.