

NET ENTERTAINMENT
INTERIM REPORT JANUARY-MARCH 2011



NETENT

PUSHING THE LIMITS IN GAMING ENTERTAINMENT

GAMING ACTIVITY CONTINUE TO INCREASE

FIRST QUARTER 2011

- Revenues for the first quarter increased by 8.3 % to SEK 95.2 (87.9) million
- Operating profit amounted to SEK 26.3 (35.7) million
- Operating margin was 27.6 (40.7) %
- Profit after tax amounted to SEK 22.9 (31.0) million
- Earnings per share amounted to SEK 0.58 (0.78) before and after dilution
- One new license agreement was signed, and two new customers' casinos were launched

IMPORTANT EVENTS IN THE FIRST QUARTER

Revenue growth for the first quarter was 21.3 percent in local currency compared to the first quarter 2010. The strengthened Swedish currency has held back revenue growth in SEK.

The number of game transactions amounted to 1.9 billion in the first quarter, an increase of 6 percent compared to the previous quarter and 32 percent compared to the same period in 2010.

During 2010 Net Entertainment initiated strategic investments across the entire business. These investments are necessary to strengthen delivery capacity as the company grows, market matures, new customers are added and customers become larger. In addition, the reregulation of the online market creates extensive requirements that must be faced but at the same time creating large business opportunities. During the fourth quarter 2010 development of games and system solutions for mobile terminals was initiated. This market is estimated to show rapid growth and is an important step in Net Entertainment's expansion strategy.

SUMMARY IN FIGURES	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Operating revenues	95 236	89 935	368 280
Operating expenses	-68 946	-52 186	-231 869
Operating profit	26 290	35 749	136 411
Operating margin	27.6 %	40.7 %	37.0 %
Cash flows from operating activities ²	48 933	36 550	119 629
Cash flows for the period	24 624	20 604	-53 300
Cash and cash equivalents at end of period ¹	71 717	122 225	47 034
¹ Funds held on behalf of licensees included in cash and cash equivalents	-	27 354	-

² The management of cash and cash equivalents regarding pooled jackpots has changed in the third quarter 2010 which affect the cash flow. See further information under accounting policies on page 8.

Net Entertainment is a world leading supplier of digitally distributed gaming systems used by several of the world's most successful gaming operators. The Net Entertainment Casino™ is a complete gaming system comprising a full suite of high quality games and a powerful management platform. The games create the ultimate gaming experience for the player while the management platform enables Net Entertainment's customers, the operators, to optimize their business and profitability. Operators are provided a customized system solution that is easily integrated ensuring a short time to market and a cost efficient operation. Net Entertainment is listed on Nasdaq OMX Stockholm (NET-B). More information about Net Entertainment is available at www.netent.com.

COMMENTS FROM JOHAN ÖHMAN, PRESIDENT AND CEO

The revenue growth during the first quarter amounted to 8 percent compared to the same period one year ago. Cleared of currency effects revenues grew by 21 percent. Excluding France, which in June 2010 introduced regulation excluding casino games thereby affecting some of our licensees negatively, revenues grew approximately 20 percent measured in SEK. The gaming activity measured as number of game rounds increased by 32 percent which is an indicator for the long term development of the industry and our company.

The launch date for online casino in Italy remains unclear and may be further delayed. It is likely that the launch is pushed into the second half of 2011. As there is no clear information from the Italian gaming authority (AAMS) we can today only speculate regarding launch dates. We remain positive about the expected business outcome from the Italian market. The activities related to integration and certification has progressed well and is nearing completion.

Our efforts to phase out Swedish consultants and replace them with employees has been successful resulting in a positive net effect for the company. The strategic initiatives are progressing well although we as a result of the further delays in Italy have decided to lower the organizational growth pace going forward. However, despite this our profitability will be affected until such time that revenues are generated from Italy.

During the months to come we will release the platinum games Robin Hood and Frankenstein (our first branded game). We believe both games will be well received among players generating a positive impact on our royalty going forward. Additional platinum games are in various stages of development.

We are working on a number of interesting sales opportunities that we hope will materialize over the months to come. Given a successful outcome this will further solidify Net Entertainment's position in the market as a leading supplier.

We have a positive long term outlook but short term we will see continued effects of the investments made in our company which includes regulatory adaptations for Italy.

NEW AGREEMENTS AND CUSTOMERS

During the first quarter one new customer agreement was signed. Agreements were terminated with smaller customers who did not generate the minimum turnover in the casino that the Company requires.

CUSTOMERS TO BE LAUNCHED

At the end of the quarter, the Company held agreements with Gioco Digitale/bwin.it, Microgame, INTRALOT Interactive, Expekt and JAXX/Mybet that have not yet launched operations.

bwin is the world's largest listed online gaming operator with over 20 million registered users. bwin is through Gioco Digitale and bwin.it the leading operator in the Italian market offering online poker, sports betting and lotteries with a significant market share. The agreement is to deliver Net Entertainment Casino™ to Gioco Digitale as well as to bwin's Italian web site bwin.it.

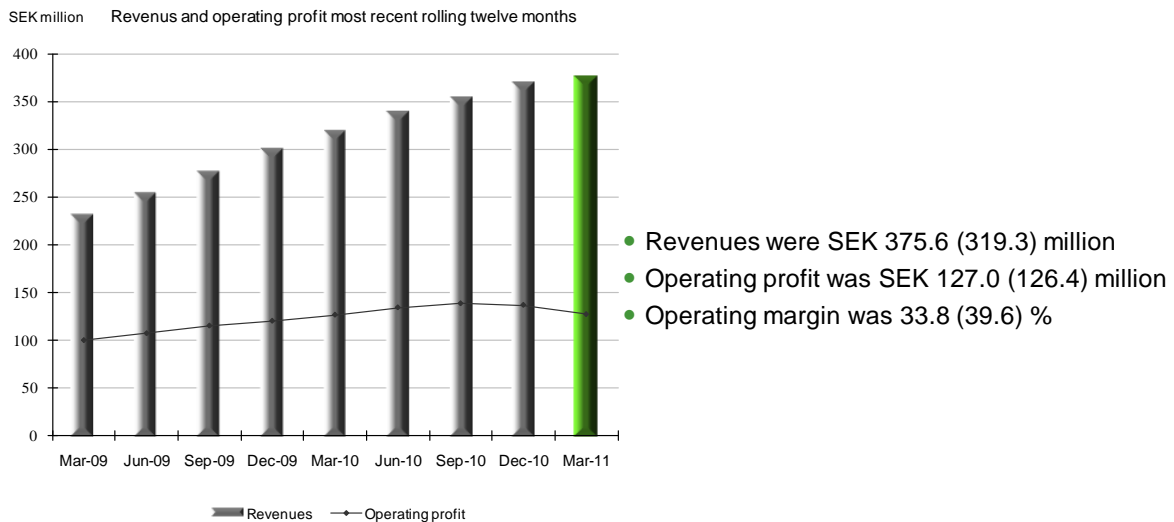
JAXX/Mybet is a European investment company with a strong presence through investments in a number of gaming operators. Under the terms of the agreement Net Entertainment will be JAXX Group's preferred casino partner of choice for both download and instant play casino games. Founded in 1998, the JAXX Group is one of the pioneers in online gaming and has through their gaming sites www.jaxx.com and www.mybet.com, established a significant presence in Europe. JAXX SE has been listed on the German Stock Exchange since 1999, and has more than one million registered players. JAXX Group's revenues for 2009 were 114.5 million Euros.

Microgame was founded in 1996 and is Italy's largest independent remote gaming service provider. During 2009 Microgame's customers generated over 1 billion Euros of gross gaming yield while the revenues amounted to 249 million Euros.

INTRALOT Interactive is a newly established online gaming subsidiary within the INTRALOT Group for online gaming that focuses both on providing its pioneering technology to lotteries and state organizations worldwide and on seeking licensing opportunities for operating in the new liberalized environment, where responsible gaming becomes even more important. INTRALOT is a leading supplier of integrated gaming and transaction processing systems, innovative game content and sports betting management, to state-licensed gaming organizations worldwide. The agreement is to deliver online casino games in Italy under the brand INTRALOT.

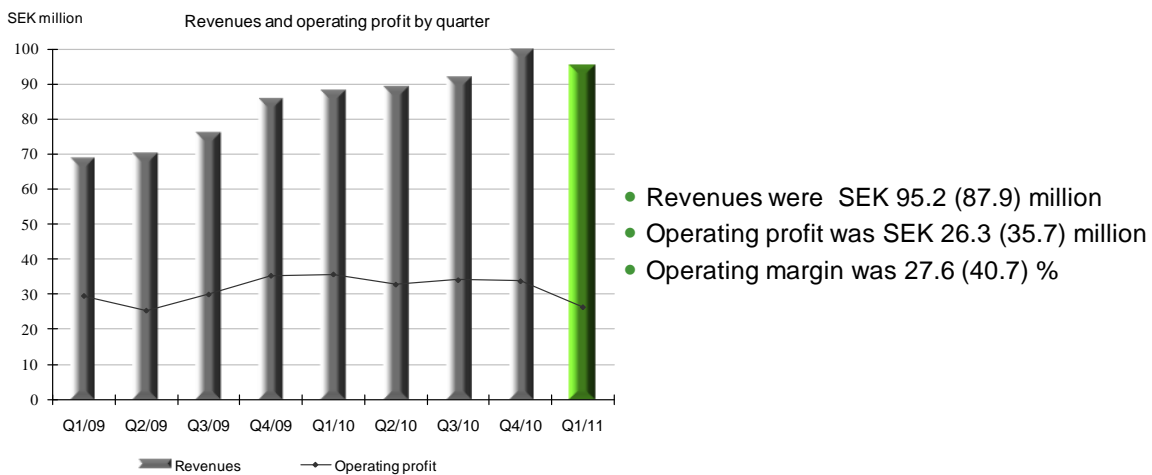
REVENUES AND PROFITABILITY

Revenues and operating profit for the most recent rolling twelve months are presented in the diagram below.



Revenues during the first quarter amounted to SEK 95.2 (87.9) million, an increase of 8.3 percent compared to the same period 2010. Operating profit amounted to SEK 26.3 (35.7) million and the operating margin was 27.6 (40.7) percent.

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



REVENUES – VOLUME, PRICE AND CURRENCY DEVELOPMENT

Net Entertainment’s revenues are affected by changes in volume, price (royalty levels and mix), and currency. The volume is affected by both existing customers’ growth as well as the launch of new customers. The largest part of revenues is derived from royalty revenues and a smaller part from setup-fees as new customer agreements are signed as well as revenues for managing pooled jackpots. 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 reported in Euros and then translated into Swedish currency for the Group’s reporting.

The number of game transactions continues to grow and amounted to 1.9 billion during the first quarter, which is an increase of 32 percent since last year.

The development during the first quarter was the result of continued market growth. Net Entertainment's revenue increase compared with the corresponding period last year is a combination of existing customers' growth and revenues from the launch of new customers. Two new customer's casinos were launched during the quarter. During the most recent twelve month period, nine new customers have been launched.

Royalty revenues were positively affected by significantly higher volumes during the entire twelve month period compared to the corresponding period a year earlier. The average royalty level has increased during the quarter compared to previous year. The reason for this is among others a different pricing structure in new agreements, reflecting the increased complexity in games and systems. Revenues increased 8.3 percent in the first quarter compared to the corresponding period last year. In Euros, revenues increased by 21.3 percent.

Currency fluctuations have been significant since the end of 2008. Since the second quarter 2009 the Krona has strengthened. During the first quarter, the Krona was 10.8 percent stronger compared to the previous year and 3.8 percent compared to previous quarter.

PROFITABILITY

Operating profit for the first quarter decreased 26.5 percent to SEK 26.3 (35.7) million. Operating expenses increased compared to previous year due to the Company's expansion and strengthening of the organization within areas such as sales, development, and IT operations. The expansion of the organization is enabled mostly through own personnel but also through external recourses in the form of outsourcing both within and outside Europe and consultants. The increased development pace for games and platform leads to increased capitalized development costs as well as higher operating expenses to the extent development costs are not capitalizable. Increased complexity and demands regarding IT operations as well as development also affect the cost structure. During the first quarter the share of capitalizable projects have been lower than previous periods which have led to higher operating expenses and a lower operating margin. During the quarter consultants have been replaced by own personnel which has affected the personnel expenses as well as other operating expenses. Preparations for the launch of the Italian market have also affected expenses as the organization and systems are being prepared for launch.

The operating margin amounted to 27.6 percent during the first quarter compared to 40.7 percent the previous year. The margin is affected by the currency development's impact on revenues as well as the effect on operating expenses from the strengthened organization and whether development costs are capitalized or not.

The financial net amounted to SEK -0.8 (-2.3) million for the first quarter consisting of exchange rate effects on cash and cash equivalents, and financial receivables and liabilities and the return on cash and cash equivalents. The volatility in the Swedish currency 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 10.3 (7.3) percent during the first quarter. The effective tax rate is affected by the distribution of profit between Sweden and the countries in which the Group conducts operations and can vary from one reporting period to the next. In the first quarter 2011 the Group's share of profit in Sweden is larger than in 2010.

CAPITAL INVESTMENTS

The Group's expenditure for capitalized development projects as intangible assets amounted to SEK 19.2 (11.5) million for the quarter. Investments in property, plant, and equipment amounted to SEK 5.2 (4.5) million.

The increased investment in intangible assets is due to intensified product development in combination with greater complexity in the games recently developed. Larger projects currently being capitalized are new functionality in the technical platform and adjustments for increased capacity, new games, and adjustments of the systems to the regulatory framework in Italy. Among larger development projects for games, Robin Hood and Frankenstein are noticeable as an example.

Capital investments are primarily servers and other computer equipment. The investment pace is driven by both the increased transaction volume and the increased requirements for system availability.

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

In the third quarter 2010 a change in procedure regarding funds held on behalf of licensees for pooled jackpots was made which are no longer included in Net Entertainment's cash and cash equivalents. See further the section on accounting policies below for more information.

The Group's cash flow from operating activities for the first quarter amounted to SEK 48.9 (36.6) million. The increase is mainly attributable to the change in working capital. Cash flow from investing activities amounted to SEK -24.3 (-15.9) million.

The Group's cash and cash equivalents amounted to SEK 71.7 (122.2) million at the end of the period, of which SEK 0 (27.4) million refers to funds held on behalf of licensees for pooled jackpots. The decline in cash and cash equivalents is mainly attributable to the changed procedure regarding funds held on behalf of licensees. Furthermore, investments financed with own funds contribute to lower cash and cash equivalents.

MARKET

The online gaming market has shown strong growth in recent years. Growth continued during 2011 albeit at a somewhat lower pace. The global gross gaming yield for online gaming is estimated to amount to USD 32.6 billion in 2011 compared to USD 30.0 billion in 2010¹, an increase by 9.0 percent. In coming years, Europe is expected to represent close to half of the global gross gaming yield, making it the single largest gaming market¹.

Deregulation and reregulation of national gaming laws is taking place in many European countries. Italy has created a working licensing system that has however not become operational yet regarding casino and cash poker. France introduced a licensing system in 2010 that includes certain game segments. The development of national licensing systems is partly driven by rulings in the European Court of Justice which have given the member states a somewhat larger freedom to implement limitations regarding the offering of remote gaming across borders. EU member states are now given increased opportunities to secure tax revenues provided the licensing systems create good competitive conditions that are formally open for all operators who meet certain requirements.

However, it is important to highlight that the European Court of Justice has through a number of rulings in September 2010 confirmed the principle that companies legally established within EU also have the right to offer and provide online gaming. Any restrictions imposed by a member state shall be continuous, systematic and coherent. National restrictions must always be proportionate to the purpose that justifies the restriction.

The gross gaming yield for online casino in Italy is expected to amount to USD 794 million year 2015 compared to USD 348 million in 2010². Italy is today a regulated market with sports and horse betting, tournament poker, skill games, and scratch tickets available online via licensed operators. Work is ongoing to extend concessions to also include cash game poker, bingo and casino games. During the first quarter the authorities published the regulatory framework which constitutes the base for the regulation and the process for license applications. Launch of cash game poker, bingo and casino games will likely be delayed to the second half of 2011 but as no official information is available there is an uncertainty. The launch of slot games is further delayed.

France introduced a legal framework in June 2010 where they award licenses to online gaming operators who fulfill the local requirements. This allows private operators to offer betting on sporting events, horse racing, and poker on the Internet. The legal framework, that at the moment does not include casino, involves high taxation which makes it less attractive to private operators.

As a consequence from the rulings in the European Court of Justice in September 2010, the German states have been forced to abolish the gaming monopolies and create legal frameworks which allow a limited number of private operators to conduct gaming operations. There are various proposals of how legal frameworks and taxation shall be structured and it is unclear what the final system will look like.

¹ H2 Gaming Capital, January 2011

² H2 Gaming Capital, January 2011

Denmark is also in the process of introducing a licensing system with the ambition that it will take effect in the beginning of 2012.

Net Entertainment believes that the conditions for continued expansion are good. The key reason for this is that the company can continue to gain market share by delivering a first-class product. Good products and an effective product development secure the conditions for new deals. By extending the product portfolio, Net Entertainment can target a wider market and broaden its customer base.

Net Entertainment's customers are located in Europe, which is the largest geographical market for online gaming. The Company will continue to focus on the European market, but at the same time monitor new markets. The business potential in Asia and USA among others, are estimated positive which could create great opportunities for Net Entertainment. It is however uncertain if these markets will open up for online gaming.

ABOUT NET ENTERTAINMENT

Net Entertainment is a world leading supplier of digitally distributed gaming systems used by some of the world's most successful online gaming operators. The Net Entertainment Casino™ is a complete gaming system comprising a full suite of high quality games and a powerful management platform. The games create the ultimate gaming experience for the player while the management platform enables Net Entertainment's customers, the operators, to optimize their business and profitability. Operators are provided a customized system solution that is easily integrated ensuring short time to market and a cost efficient operation. Revenues consist of royalties based on revenues generated by the company's products and setup fees when new agreements are signed. Net Entertainment is a pure development company and thus does not conduct any gaming operations of its own. The company's brand is internationally recognized and associated with innovation, service, and quality.

All technical development is carried out at the Group's Stockholm office and all commercial operations: sales, marketing, and product management are carried out from the Malta office. The company also has an office in Gibraltar. Development is also carried out in India and the Ukraine.

The parent company is listed on NASDAQ OMX Stockholm (NET-B.ST)

BUSINESS MODEL AND OBJECTIVES

Net Entertainment's business model is to provide gaming operators with leading edge solutions, enabling them to offer the ultimate entertainment experience. This will enable them to profitably grow their business faster than the competition. By doing so, Net Entertainment shall generate sustainable profit and growth for its shareholders.

The gaming operators pay a monthly license fee, calculated using a tiered scale as a percentage of the gross gaming yield generated by the casino. It is therefore in the interest of both the operator and Net Entertainment to increase the operator's gaming revenues. Through the launch of new and unique games with high entertainment value and different kinds of bonus and loyalty schemas, players are stimulated to stay on the operator's site.

The European market for online gaming is expected to maintain good growth and Net Entertainment's objective is to grow faster than the market.

PERSONNEL AND ORGANIZATION

At the end of the period, the number of employees amounted to 206 versus 138 people one year ago. Including external recourses such as dedicated persons with contract suppliers and consultants, Net Entertainment employed 310 (205) persons.

INCENTIVE PROGRAM

PROGRAM 2011-2014

The Annual General Meeting on April 13, 2011 resolved to introduce a long-term incentive program intended for senior management and key employees within Net Entertainment. The resolution entailed the issue of a maximum of 740,000 share option rights to personnel with permanent employment within Net Entertainment to subscribe for an equal amount of shares in Net Entertainment NE AB. The program has not yet been launched.

The share option rights will be issued at market value according to a valuation carried out by Ernst & Young. The strike price for the shares shall amount to 130 percent of the average closing price for the B-share on Nasdaq OMX Stockholm during the period 2 – 13 May 2011, however a subscription price not lower than the B-share's quotient value. Subscription of shares can be made during the period August 1 to October 1, 2014

To stimulate participation in the program the board has resolved to offer a loyalty compensation which will be paid one month prior to maturity of the options to participants who are still employed at the date of payment and have not resigned and meet certain other conditions. The compensation can amount to a maximum of 50 percent of paid premium.

PROGRAM 2009-2012

The Annual General Meeting in April 2009 resolved to introduce a long-term incentive program intended for management and key employees within Net Entertainment. The resolution entailed the issue of a maximum of 760,000 share option rights to personnel with permanent employment within Net Entertainment to subscribe for an equal amount of shares in Net Entertainment NE AB.

The share option rights were issued at market value determined to SEK 7.10 which generated SEK 4.2 million to equity for the group. The strike price for the shares amounts to SEK 71.70 which represents 130 percent of the average share price during the measurement period in May 2009. Subscription of shares can be made during the period May 15 to July 15, 2012. The additional 43,000 share option rights that were held by the wholly owned subsidiary Mobile Entertainment ME AB were cancelled in February 2010.

At the end of the quarter, the total outstanding share option rights amounted to 586,225 corresponding to the same number of shares. In the case of full subscription of these share option rights the parent company's equity will increase by SEK 42.0 million.

To stimulate participation in the program the board has resolved to offer a loyalty compensation which will be paid out no later than June 15, 2012 to participants who are still employed at the date of payment and have not resigned. The compensation can amount to a maximum of 50 percent of paid premium for the share option rights net after tax or a total of SEK 3.9 million including social security costs paid by the Company. This commitment is accrued for in the accounts on an ongoing basis considering forecasted employee turnover and interest.

PARENT COMPANY

The parent company's revenues for the first quarter were SEK 74.9 (50.0) million. Operating profit amounted to SEK 6.8 (0.5) million for the first quarter. Currency effects on inter-company transactions are included in financial items. Profit after tax was SEK 4.4 (-1.9) million for the first quarter.

Revenues in the parent company come from services provided to subsidiaries. No development costs are capitalized in the parent company as projects are ordered and owned by subsidiaries in Malta. The original technologies are still owned by the parent company and generate inter-company royalty revenues.

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 39.5 (54.6) million.

ACCOUNTING POLICIES

Net Entertainment prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. 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 2010 annual report. For further information on the principles, please refer to the annual report on www.netent.com.

Of the new or revised standards that came into effect on December 31, 2010 no changes have had any effect on the financial reports for the Group.

The potential shares issued from the share option rights are considered, when calculating the number of shares and earnings per share after dilution, to the extent that they affect dilution in accordance with IAS 33. According to IAS 33 there is a dilution effect when the quoted stock price exceeds the strike price, taking into consideration the subscription price.

During the third quarter 2010 the procedure for pooled jackpots was changed which has affected the accounting for these. Previously, the funds were separated to specific bank accounts that have been included in Net Entertainment's reported cash and cash equivalents. The new procedure entails a different type of bank account that is excluded from the Company's cash and cash equivalents. In the balance sheet the funds are now reported as current receivables. As before, a corresponding amount is reported under liabilities in the balance sheet as other current liabilities. In the cash flow statement, jackpot funds and payment of winnings are included in changes in working capital. As this is not a change in accounting policies, historical comparable figures have not been affected.

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

Net Entertainment'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 significantly compared with the description given in the most recently published annual report. The description below is a summary. For a detailed description of the risk profile, see Net Entertainment's 2010 Annual Report, pages 31-34 and page 66.

INDUSTRY AND OPERATIONAL RISKS

As specific industry-related operational risks it is noted that since gaming is regulated by law on most national markets, Net Entertainment, as supplier of casino games, and its customers are dependent on the legal situation of the gaming industry, and can be significantly affected by political decisions and legislative changes. Net Entertainment has a Class 4 license on Malta, which means that the Group is permitted to supply its customers with systems and certain associated services. It is crucial that this license is maintained and extended. An extended license for another five years was obtained in November 2010.

Other operational risks include the Group's dependency on access to qualified employees, maintaining larger customer contracts, and protecting internally developed products, intellectual property, and contracts. The Group's competitors and general market fluctuations naturally also affect the company's situation. With Net Entertainment's success the Company has at various times been sued for alleged infringement of intangible rights. Although the company has not lost in any such allegation there could be a risk for a negative effect in the future in the case a court would rule to the company's disadvantage. Each case involves costs in varying extent for legal advisors.

FINANCIAL RISKS AND TAXES

The Group's results are exposed to changes in exchange rates as the majority of the revenues are in Euro, and most costs are in the Swedish Krona. The Group's revenues in Euro are also affected indirectly by the end customer's currency which can be different from the billing currency. Profit and equity are also affected by changes in exchange rates when foreign subsidiaries' earnings, assets and liabilities are translated to SEK. The Group does not hedge its net exposure to currency fluctuations.

The Group's tax expense is primarily affected by the distribution of profit between Sweden and the countries in which the Group conducts operations and tax laws in each respective country. Extensive assessments are required in order to establish the provisions for income tax. There are many transactions and calculations where the final tax is uncertain at the time when the transactions and calculations are taking place. The Company has with legal experts assessed how tax rules affect the business to ensure a correct tax situation. This also applies to indirect taxes. The Company reports and pays tax authorities the tax amounts the Company deems are correct. However, these amounts may be insufficient if tax authorities make more restrictive interpretations of tax regulations than the Company has done and deems as correct.

EVENTS AFTER THE END OF THE PERIOD

No significant events to report have occurred after the end of the period.

REDEMPTION OF SHARES AND TRANSFER TO SHAREHOLDERS

On April 13, 2011 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 2.00 per share. In accordance with the Annual General Meeting's authorization, the Board decided on the subsequent board meeting to set the record date for share split of the Company's shares to April 21, 2011 and the record date for withdrawal of the redemption shares to May 13, 2011. According to the timetable for the redemption procedure trading in redemption shares will be possible between April 27 and May 10. Further cash will be transferred to the holders of redemption shares on May 18 through Euroclear.

PRESENTATION OF INTERIM REPORT

On Thursday April 28, at 9.00 the report will be presented by CEO Johan Öhman at the company's office at Luntmakargatan 18 in Stockholm. The presentation can also be viewed live via webcast on Net Entertainment's website www.netent.com.

FINANCIAL INFORMATION

Net Entertainment intends to distribute financial reports and statements on the dates below.

Interim report January-June 2011	July 15, 2011
Interim report January-September 2011	October 27, 2011
Earnings report and report for the fourth quarter 2011	February 9, 2012

Financial reports, press releases, and other information are available from the date of publication on Net Entertainment's website www.netent.com.

The Board of Directors and the CEO certify that the interim 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 the company and Group companies.

Stockholm April 27, 2011

Vigo Carlund
Chairman of the Board

Fredrik Erbing

Niclas Eriksson

Mikael Gottschlich

Peter Hamberg

Pontus Lindwall

Johan Öhman
President and CEO

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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 April 28, 2011 at 7.30 am.

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

INCOME STATEMENTS	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Revenues	95 012	87 835	368 170
Other revenues	224	100	110
Total operating revenues	95 236	87 935	368 280
Personnel expenses	-33 082	-20 894	-98 219
Depreciation and amortization	-8 975	-6 219	-30 959
Other operating expenses	-26 889	-25 073	-102 691
Total operating expenses	-68 946	-52 186	-231 869
Operating profit	26 290	35 749	136 411
Financial items	-768	-2 301	-4 972
Profit before tax	25 522	33 448	131 439
Tax on the period's profit	-2 634	-2 456	-10 972
Profit for the period	22 888	30 992	120 467
<i>Earnings per share before dilution (SEK)</i>	<i>0.58</i>	<i>0.78</i>	<i>3.05</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.58</i>	<i>0.78</i>	<i>3.05</i>
<i>Average number of shares</i>			
- before dilution	39 553 716	39 553 716	39 553 716
- after dilution	39 553 716	39 614 846	39 553 716
Operating margin	27.6%	40.7%	37.0%
Effective tax rate	10.3%	7.3%	8.3%
Profit for the period attributable to parent company shareholders	22 888	30 992	120 467
STATEMENTS OF TOTAL INCOME			
Profit for the period	22 888	30 992	120 467
Other total income			
Exchange differences arising from the translation of foreign operations	- 528	-5 269	-15 532
Sum of other total income for the period, net after tax	-528	-5 269	-15 532
Total income for the period	22 360	25 723	104 935

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	2011-03-31	2010-03-31	2010-12-31
Intangible assets	100 111	52 491	87 021
Property, plant, and equipment	46 070	33 281	44 471
Total non-current assets	146 181	85 772	131 492
Accounts receivable	1 574	1 995	5 473
Prepaid expenses and accrued revenues	45 018	43 900	47 111
Other receivables	29 318	17 314	29 351
Funds held on behalf of licensees	26 175	-	46 408
Cash and cash equivalents ¹	71 717	122 225	47 034
Total current assets	173 802	185 434	175 377
TOTAL ASSETS	319 983	271 206	306 869

EQUITY AND LIABILITIES	2011-03-31	2010-03-31	2010-12-31
Share capital	1 191	1 191	1 191
Other capital contributed	38 362	38 362	38 362
Reserves	-7 086	3 706	-6 558
Retained earnings including profit for the period	189 738	156 482	166 850
Total equity	222 205	199 741	199 845
Accounts payable	21 982	10 375	19 458
Current tax liabilities	10 146	10 256	11 262
Other liabilities	32 119	31 545	49 845
Accrued expenses and prepaid revenues	33 531	19 289	26 459
Total current liabilities	97 778	71 465	107 024
TOTAL EQUITY AND LIABILITIES	319 983	271 206	306 869

¹ Closing cash and cash equivalents include funds held on behalf of licensees with - 27 354 -

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Operating profit	26 290	35 749	136 411
<i>Adjustment for items not included in cash flows:</i>			
Depreciation and amortization	8 975	6 219	30 959
Other	-865	-616	-4 922
Interest received/paid	156	62	138
Tax received/paid	- 3 751	-1 028	-8 538
Cash flows from operating activities before changes in working capital	30 805	40 386	154 048
Changes in working capital	18 128	-3 836	-34 419
Cash flows from operating activities	48 933	36 550	119 629
Capitalized intangible assets	-19 157	-11 481	-67 645
Acquisition of property, plant, and equipment	-5 152	-4 465	-26 177
Cash flows from investing activities	-24 309	-15 946	-93 822
Transfer to shareholders	-	-	-79 107
Received premium for share option rights	-	-	-
Cash flows from financing activities	-	-	-79 107
Cash flow for the period	24 624	20 604	-53 300
Cash and cash equivalents at beginning of period	47 034	105 009	105 009
Exchange rate differences in cash and cash equivalents	59	-3 388	-4 675
Cash and cash equivalents at end of period¹	71 717	122 225	47 034
¹ Closing cash and cash equivalents include funds held on behalf of licensees with	-	27 354	-

CONDENSED CONSOLIDATED CHANGES IN EQUITY

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
2010					
Opening equity 2010-01-01	1 191	38 362	8 975	125 490	174 018
Total income for the period Jan-Mar	-	-	-5 269	30 992	25 723
Closing equity 2010-03-31	1 191	38 362	3 706	156 482	199 741
Transfer to shareholders	-	-	-	-79 107	-79 107
Total income for the period Apr-Jun	-	-	-3 152	30 405	27 253
Closing equity 2010-06-30	1 191	38 362	554	107 780	147 887
Total income for the period Jul-Sep	-	-	-5 401	30 044	24 644
Closing equity 2010-09-30	1 191	38 362	-4 847	137 825	172 531
Total income for the period Oct-Dec	-	-	-1 711	29 026	27 315
Closing equity 2010-12-31	1 191	38 362	-6 558	166 850	199 845
2011					
Opening equity 2011-01-01	1 191	38 362	-6 558	166 850	199 845
Total income for the period Jan-Mar	-	-	-528	22 888	22 360
Closing equity 2011-03-31	1 191	38 362	-7 086	189 738	222 205

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

CONSOLIDATED KEY DATA AND FIGURES

	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Operating revenues (SEK thousands)	95 236	87 935	368 280
Operating revenues (EUR thousands)	10 718	8 833	38 704
Operating margin (percent)	27.6	40.7	37.0
Profit margin (percent)	26.8	38.0	35.7
EBITDA margin (percent)	37.0	47.7	45.4
Return on shareholders' equity (percent)	10.8	16.6	64.4
Equity/assets ratio (percent)	69.4	73.6	65.1
Quick ratio (percent)	177.8	259.5	163.9
Net interest-bearing liabilities (SEK thousands) ¹	-71 717	-122 225	-47 034
Net debt/equity ratio (multiple)	-0.3	-0.6	-0.2
Average number of employees	200	136	152
Employees at period's end	206	138	182
Employees and external resources at period's end	310	205	284
Earnings per share before and after dilution	0.58	0.78	3.05
Equity per share (SEK)	5.62	5.05	5.05
Average number of outstanding shares before dilution	39 553 716	39 553 716	39 553 716
Average number of outstanding shares after dilution	39 553 716	39 614 846	39 553 716
Number of outstanding shares at the period's end before dilution	39 553 716	39 553 716	39 553 716
Number of outstanding shares at the period's end after dilution	39 553 716	39 677 991	39 553 716

¹ 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

	2011				2010				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Operating revenues (SEK millions)	95.2	99.6	91.6	89.2	87.9	85.4	75.8	70.1	68.7
Operating revenues (EUR millions)	10.7	10.8	9.8	9.2	8.8	8.2	7.3	6.5	6.3
Operating profit (SEK million)	26.3	33.8	34.1	32.8	35.7	35.4	30.0	25.3	29.6
Operating margin (percent)	27.6	33.9	37.2	36.8	40.7	41.4	39.5	36.1	43.0
EBITDA-margin (percent)	37.0	43.2	45.9	45.3	47.7	48.2	46.5	43.5	51.8
Growth in SEK vs previous year (percent)	8.3	16.6	20.8	27.2	28.0	37.8	44.0	45.5	60.7
Growth in EUR vs previous year (percent)	21.3	31.7	35.1	42.3	41.0	34.4	30.7	26.1	39.3
Growth in SEK vs previous quarter (percent)	-4.4	8.8	2.7	1.4	3.0	12.6	8.2	2.0	10.8
Growth in EUR vs previous quarter (percent)	-0.8	10.2	6.0	4.6	7.7	13.1	11.7	3.7	2.7
Cash and cash equivalents (excl. funds held on behalf of licensees)	71.7	47.0	40.8	31.2	94.9	71.8	56.6	53.6	79.1
Funds held on behalf of licensees	26.2	46.4	34.8	35.8	27.4	33.2	40.1	23.7	39.7
Equity/assets ratio (percent)	69.4	65.1	63.8	62.4	73.6	70.0	64.7	64.1	62.7
Return on shareholders' equity (percent)	10.8	15.6	18.8	17.5	16.6	20.6	16.1	17.5	24.7
Net debt/equity ratio (multiple)	-0.3	-0.2	-0.2	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8
Earnings per share	0.58	0.73	0.76	0.77	0.78	0.82	0.53	0.57	0.81
Equity per share (SEK)	5.62	5.05	4.36	3.74	5.05	4.40	3.55	2.96	3.57
Average number of employees	200	179	155	137	136	131	114	103	92

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 in relation to average shareholder equity for the period.

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 consultants 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	Jan-Mar 2011	Jan-Mar 2010	Jan-Dec 2010
Operating revenues	74 914	50 034	248 863
Other external expenses	-28 218	-20 717	-99 821
Personnel expenses	-37 893	-26 726	-118 521
Depreciation and amortization	-2 053	-2 052	-8 094
Operating profit	6 750	539	22 427
Financial items	-725	-2 402	64 867
Profit after financial items	6 025	-1 863	87 294
Tax on the period's profit	-1 659	-	-5 359
Profit for the period	4 366	- 1863	81 935

STATEMENT OF TOTAL INCOME

Profit for the period	4 366	-1 863	81 935
Other total income	-	-	-
Sum of other total income for the period, net after tax	-	-	-
Total income for the period	4 366	-1 863	81 935

CONDENSED PARENT COMPANY BALANCE SHEET

ASSETS	2011-03-31	2010-03-31	2010-12-31
Intangible assets	-	443	-
Property, plant, and equipment	23 203	22 386	23 136
Shares in subsidiary	512	512	512
Total non-current assets	23 715	23 341	23 648
Accounts receivable	1	125	2
Receivables from Group companies	156 323	132 908	235 068
Prepaid expenses and accrued revenues	4 589	5 391	3 762
Other receivables	6 652	4 648	5 980
Cash and cash equivalents	39 464	54 637	33 760
Total current assets	207 029	197 709	278 572
TOTAL ASSETS	230 744	221 050	302 220

EQUITY AND LIABILITIES	2011-03-31	2010-03-31	2010-12-31
Share capital	1 191	1 191	1 191
Statutory reserve	38	38	38
Premium received for share option rights	3 473	3 473	3 473
Retained earnings	99 214	96 387	17 279
Profit for the period	4 366	-1 863	81 935
Total equity	108 282	99 226	103 916
Accounts payable	19 835	9 342	16 789
Liabilities to Group companies	65 389	90 948	149 417
Current tax liabilities	3 875	1 018	5 928
Other liabilities	3 337	2 627	2 501
Accrued expenses and prepaid revenues	30 026	17 889	23 669
Total current liabilities	122 462	121 824	198 304
TOTAL EQUITY AND LIABILITIES	230 744	221 050	302 220

NET ENTERTAINMENT'S PRODUCTS

CASINO

The Net Entertainment 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. Net Entertainment 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 the Company has also developed a downloadable client and a system for games in a physical environment.

MULTIPLAYER GAMES

Net Entertainment has developed a poker game for the Turkish market. The Company has also developed a multiplayer blackjack and roulette for simultaneous playing.

SERVICE

Net Entertainment 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 the Company 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 Alien Robots and Fruit Case

