

**NET ENTERTAINMENT**  
INTERIM REPORT JANUARY-MARCH 2013



**NET|ENT**

\* 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.

**BETTER GAMES™**

## INTERIM REPORT JANUARY – MARCH 2013

### FIRST QUARTER 2013

- Revenues for the first quarter increased by 16.7 % to SEK 148.8 (127.5) million
- Operating profit amounted to SEK 41.0 (40.1) million
- Operating margin was 27.5 (31.4) %
- Profit after tax amounted to SEK 32.9 (34.6) million
- Earnings per share amounted to SEK 0.83 (0.88) before and after dilution
- Six license agreements with new customers were signed, three new customers' casinos were launched

### IMPORTANT EVENTS IN THE FIRST QUARTER

- Agreements were signed with Bonza Gaming and 888. Bonza Gaming was launched
- Five agreements signed with existing customers for delivery of Live Casino. In total, four customers launched by the end of the quarter
- Continued strong growth in Italy which was Net Entertainment's second largest market in the first quarter
- Five agreements signed with existing customer for delivery of Mobile Touch™

### QUOTE FROM CEO, PER ERIKSSON

- Net Entertainment continues to show good growth and profitability during the first quarter. The Company signed six new agreements and the number of contract within Live Casino and mobile games continue to increase. In addition, the Company continues to invest in the organization, systems and product development for future growth on a market with great opportunities.

SUMMARY IN FIGURES	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Operating revenues	148,756	127,474	526,671
Operating expenses	-107,801	-87,408	-373,614
<b>Operating profit</b>	<b>40,955</b>	<b>40,066</b>	<b>153,057</b>
Operating margin	27.5%	31.4%	29.1%
Cash flows from operating activities	69,521	43,486	195,422
Cash flows for the period	36,758	10,321	7,332
Cash and cash equivalents at end of period	117,165	84,885	81,230

## COMMENTS FROM PER ERIKSSON, PRESIDENT AND CEO

The first quarter showed continued good growth and a stable development for the Company's product launches. Revenues increased by 16.7 percent (22.2 percent in euros) to SEK 148.8 (127.5) million during the quarter, primarily thanks to increased volumes from the Company's existing customers but also from set-up fees from new customer agreements. In January we also saw a somewhat positive impact from the jackpot game Mega Fortune which reached new record levels with a jackpot amounting to SEK 17.8 MEUR. The number of game transactions also reached a new record of 3.9 billion transactions in the first quarter which is an increase of approximately 30 percent compared to last year.

Net Entertainment continues to strengthen its position by offering the best games and technical expertise on the market. I am proud that Net Entertainment signed six new customer agreements during the quarter, including operator 888 and Bonza Gaming for Facebook in the UK. Under the terms of the agreement with Bonza Gaming, Net Entertainment will deliver a wide range of slot games and other casino gaming for real-money gaming on Facebook. Online operator 888 is one of the most well reputed operators in the world and the agreement means that Net Entertainment will deliver some of the Company's online and mobile games to 888 on a global basis. The platform integration with 888 is ongoing.

During the quarter Net Entertainment signed five new agreements with existing customers for Live Casino and has therefore signed 16 contracts in total of which four are live. The customer integrations are complex and have taken somewhat longer than expected. Within mobile games the demand is high and the Company continues to see very positive results. Today Net Entertainment has signed 39 contracts for mobile of which 25 are launched.

We continue to follow our strategy, preparing for future growth and continue to do investments in customers, products and systems. Several initiatives, including Live Casino and the entry in Great Britain are still in very early stages and hinder our profitability short-term. The operating profit for the first quarter amounted to 27.5 percent (31.4), which lies in the upper range of our expectations, primarily a result of lower recruitment pace, fewer consultants and somewhat higher set-up fees due to a customer integration that started earlier than planned. In addition, depreciation was also somewhat lower than expected.

In February the gaming exhibition ICE took place where several of Net Entertainment's games attracted great interest, including Live Casino and the new slot game South Park which will be launched on the market later this year.

The Company entered the Italian market about a year ago and it is with great pleasure I can confirm that Italy was Net Entertainment's second largest market in the first quarter. The Company actively works to further strengthen its position on the British market, which is the largest in Europe. Net Entertainment has several Tier 1 customers signed that focuses on the British market. The Company has signed agreements with 888 and Paddy Power where a few games have been launched and more are on the way. As we have previously stated, the integration phase for our games with these large global operators is complex.

Discussions are ongoing in a number of countries in Europe and the US. We are looking at what opportunities can open up in the US, but do not underestimate the challenges that such an effort would mean. We continuously monitor the potential on new markets that is about to regulate and carefully evaluate when and how Net Entertainment can take action.

## FUTURE OUTLOOK

### GROWTH

During 2012 Net Entertainment launched several new interesting products and signed agreements with 16 new operators. Live Casino, slot games in Italy, new customers in Great Britain and mobile games are some of the most important. These efforts are in an early stage with a gradual ramp-up and expected to contribute noticeable revenues for the Company, but not until they reach full capacity.

### COSTS AND INVESTMENTS

The operating margin was in the upper range of the Company's expectations during the first quarter which primarily was a result of lower recruitment pace, fewer consultants and somewhat higher set-up fees. In addition, depreciation was somewhat lower than expected which mainly was a result of delayed launch of Live Casino that took place in mid-February. During coming quarters Net Entertainment will continue to strengthen the organization to meet a growing customer base, higher demand for the Company's products and demands from regulated markets. Depreciation is also expected to continue to increase in coming quarters as new products and platform functionality is launched with the Company's customers.

## NEW AGREEMENTS AND CUSTOMERS

During the first quarter six new agreements were signed with new customers, including 888 and Bonza Gaming.

888 is one of the largest and most reputable gaming operators in the world. 888 is licensed by the gaming authorities in Gibraltar where the company's main office is located. 888's B2C revenues amounted to EUR 284 million in 2011 where casino represented approximately 52 percent.

Bonza Gaming is a joint venture between social gaming publisher Plumbie and online gaming operator Sportingbet. Under the terms of the agreement Net Entertainment will deliver a wide range of slot and casino games to Bonza Gaming, who in turn will offer real money gaming to Facebook users through their first application Bonza Slots..

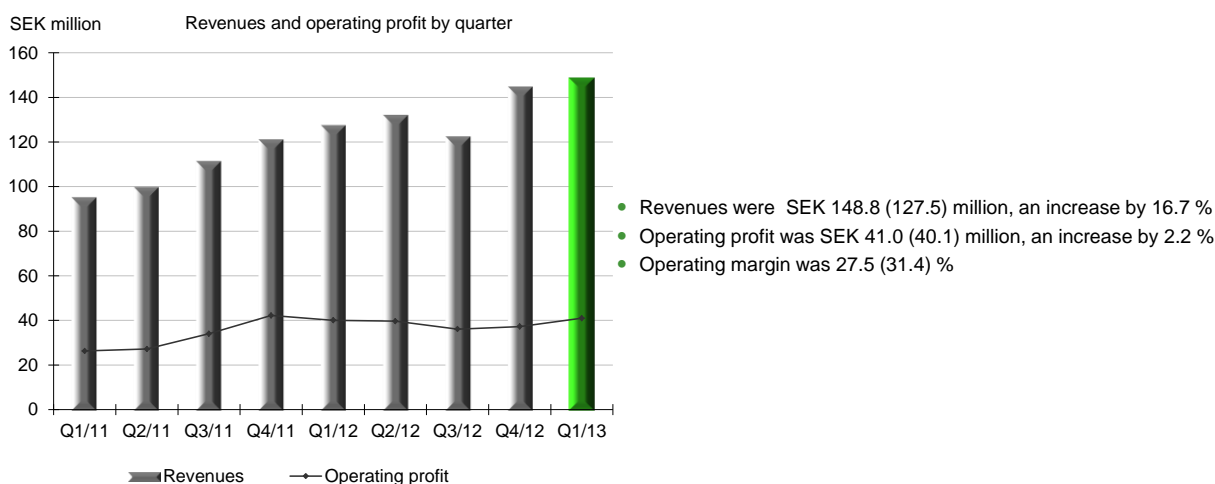
## CUSTOMERS TO BE LAUNCHED

At the end of the quarter, the Company held agreements with eleven new customers that have not yet launched, including Sky Betting & Gaming and 888.

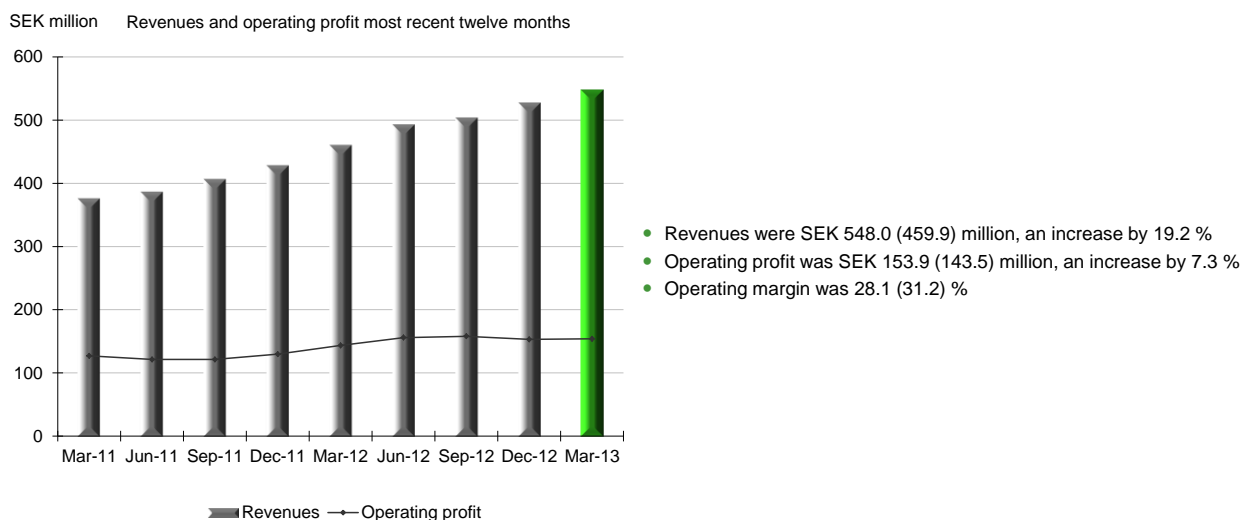
Sky Betting & Gaming is focused on the UK market. Sky Betting & Gaming has a broad offering of services within betting and games via SkyBet, SkyPoker, SkyVegas and SkyBingo. The Company is licensed in Alderney and is owned by BskyB Group PLC.

## 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

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 amounted to SEK 148.7 (127.5) million during the first quarter, an increase of 16.7 percent compared to the corresponding period 2012. Net Entertainment's revenue increase compared with the corresponding period the previous year comes from a combination of existing customers' growth, launch of new games and revenues from the launch of new customers. During the first quarter, revenues were mainly positively affected by increased volumes from existing customers but also from set-up fees from new customer agreements. In January, jackpot game Mega Fortune had a positive effect on revenues which reached a new world record with a jackpot win of 17.8 MEUR. Three new customer's casinos were launched during the quarter. During the most recent twelve month period, 14 new customers have been launched. Revenues were positively affected by higher volumes compared to the corresponding period last year. The average royalty level has also increased 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 first quarter 2013, the Swedish Krona strengthened by 4.0 percent towards the Euro compared to the same period 2012 and was strengthened by 1.5 percent compared to previous quarter. In Euros, revenues increased by 22.2 percent for the first quarter compared to the corresponding period last year.

The number of game transactions amounted to 3.9 billion during the first quarter, which is an increase of approximately 30 percent compared to previous year. The increase of the number of game transactions has primarily been within the slot games. Since the bet per transaction is lower for slot games compared to other casino games the revenues do not follow a corresponding development as the number of game transactions.

## COSTS AND PROFITABILITY

Operating profit for the first quarter increased by 2.2 percent to SEK 41.0 (40.1) million. Operating expenses have increased during the first quarter compared to previous year due to the Company's expansion and strengthening of the organization to meet increased demands from the market, gaming authorities and the Company's recent launch of Live Casino. 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 increase of personnel, game transactions, the number of markets and customers affect e.g. certification of new games on regulated markets, hosting costs, license costs and hardware purchases. The establishment in Kiev, Gothenburg and the Live Casino studio in Malta also affect the cost levels, as do increased depreciation and amortization. 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 primarily larger projects within new markets such as Italy, Denmark and Great Britain and new products such as mobile games and Live Casino can take some time.

The operating margin amounted to 27.5 percent compared to 31.4 percent the previous year.

The financial net amounted to SEK -4.4 (-1.4) million for the first quarter and primarily consists of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities consisting mainly of intercompany transactions as well as the return on cash and cash equivalents. The volatility in the Swedish Krona has periodically led to effects on inter-company balances which are items included in the financial net.

The Group had an effective tax rate of 10.0 (10.4) percent in the first quarter. The effective tax rate is mainly affected by in which country where the Group conducts operations where the profit is generated and can vary between reporting periods.

## INVESTMENTS

The Group's expenditure for capitalized development projects as intangible assets amounted to SEK 23.4 (26.4) million during the first quarter. Investments in property, plant, and equipment amounted to SEK 7.4 (6.7) million in the first quarter.

Investments in intangible assets consist of development of new games, technical adjustments in the platform such as new functionality, increased capacity and adjustments for requirements on regulated markets. Among larger development projects in the first quarter, the Live Casino project, establishment on the British market and adjustments of games for the mobile market and certain platform projects were noticeable to mention a few examples.

Investments in property, plant, and equipment 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

The Group's cash flow from operating activities for the first quarter amounted to SEK 69.5 (43.5) million. An improved cash flow from working capital was the largest contributing factor to the increase compared to last year.

Cash flow from investing activities amounted to SEK -30.9 (-33.2) million during the first quarter. Further development of the platform, Live Casino Blackjack and further entry activities on the British market were some of the projects contributing investing activities.

Cash flow from financing activities was SEK -1.9 (-) for the first quarter.

The Group's cash and cash equivalents amounted to SEK 117.2 (84.9) million on March 31. The Group's available credit lines amounted to SEK 40.0 million of which none were used on March 31.

## 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 estimated to amount to EUR 26.2 billion in 2012, an increase of 6.7 percent compared to year 2011. In coming years, Europe is expected to represent close to half of the global gross gaming yield, making it the single largest gaming market.<sup>1</sup>

Deregulation and reregulation of national gaming laws is taking place in many European countries. Net Entertainment closely monitors the development on all markets that are undergoing regulation. A selection of markets is stated below.

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<sup>1</sup> H2 Gaming Capital, December 2012

In July 2011 the Italian online gaming market was regulated. The legislation for casino games to end-users was initially limited to table games. However, in December 2012 the Italian authorities approved slot games.

In January 2012 the Danish market for online gaming was regulated. The legislation includes sports betting, casino and poker. The casino games include blackjack, roulette, slots, baccarat and punto banco.

Spain has introduced a federal gaming legislation. The first licenses were awarded in June 2012. The different states can however admit their own gaming legislation for online gaming. Slots will be likely be allowed over time.

During 2012 Great Britain has communicated that they intend to change the gaming legislation from being based where the games are distributed from, to where the games are consumed. This will mean that operators that today can offer games to British players from foreign jurisdictions will need a British gaming license and will pay tax for the games in Great Britain instead. The change is expected to be approved no later than in December 2014.

In Germany the state Schleswig-Holstein (SH) has admitted a gaming legislation approved by the EU-commission for sports betting and casino games. After a time of political debate between SH and the other 15 states, SH has decided to try and recall the newly admitted gaming legislation and join the more restrictive federal legislation. The situation has created an insecurity regarding the future legal situation in Germany.

In Sweden the government has announced they are preparing changes after criticism from the national audit that the government does not protect consumers enough from gambling addiction. The objective is to propose a legislation before the mandate period ends. It is today unknown if this will mean a more liberal or restrictive legislation.

Holland is expected to admit a new liberal gaming legislation during 2013, but the process has been delayed somewhat due to the shift in government during 2012.

Greece is again a gaming monopoly after licenses have been withdrawn and RNG based gaming distributed via internet are now forbidden.

Belgium presently has a gaming legislation that limits the number of gaming operators to the ones that already have a land-based license for the same products. Some online operators are now offering games online through partnerships with land-based operators.

In the US political initiatives are ongoing on a state level to introduce a new regulation of online gaming. State activity during 2012 has likely been affected by the Department of Justice that have changed their view regarding the Wire Act of 1961, which previously forbid all gaming forms online, to now only forbid sports betting which could open up for other types of games such as casino and poker. US Virgin Islands, Nevada and Delaware have already regulated online gaming in some form. New Jersey has since February an approved legal proposal that will take effect within one year. Illinois and California are trying to introduce new gaming laws.

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 products in combination with continued strong customer closeness. 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.

The majority of 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 potential markets, primarily in North America but also Asia. Net Entertainment carefully follow the development on markets that are about to regulate and intends to launch products on these markets if the prerequisites are right.

## EVENTS AFTER THE END OF THE PERIOD

No important events have occurred after the end of the period.

## 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.

Technical development and infra-structure are managed at the Group's Parent Company in Stockholm and product management, sales, IT-operations, customer support and marketing are managed from the Malta office. The Company also has an office in Gibraltar and an IT-operations site in Alderney. Development is also carried out from the Company's offices in Gothenburg and Kiev and with a partner in India.

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 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 317 versus 243 people one year ago. Including external resources such as dedicated persons with contract suppliers and subcontractors, Net Entertainment employed 421 (352) persons.

## INCENTIVE PROGRAM

### PROGRAM 2012-2015

The Annual General Meeting on April 25, 2012 resolved to introduce a long-term incentive program intended for senior management and key employees within the Net Entertainment Group. 114,994 share option rights were subscribed and at the end of the quarter all the options outstanding corresponded to the same amount of shares. The strike price for the shares was determined to SEK 85.83 and subscription of shares can be made during the period August 1 to October 1, 2015. In the case of full subscription based on the outstanding share option rights the parent company's equity will increase by SEK 9.9 million. For further information about this program please view 2012 annual report.

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 corresponding to SEK 1,0 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.

### PROGRAM 2011-2014

The Annual General Meeting in April 2011 resolved to introduce a long-term incentive program intended for senior management and key employees within Net Entertainment. At the end of the quarter, the total outstanding share option rights amounted to 353,100 corresponding to the same number of shares. The strike price for the shares is determined to SEK 70.20 and subscription of shares can be made during the period August 1 to October 1, 2014. In the case of full subscription of these share option rights the parent company's equity will increase by SEK 24.8 million. Further information about this program can be viewed in the annual report 2011. Like program 2012-2015, participants that are employed within the Group at the end of the program have the opportunity to receive a loyalty compensation according to the same terms as program 2012-2015. The maximum cost for the loyalty compensation connected to program 2011-2014 amounts to SEK 0.8 million.



## PARENT COMPANY

The parent company's revenues for the first quarter amounted to SEK 94.9 (90.3) million. Operating profit amounted to SEK 2.3 (8.3) million for the first quarter. The operating margin was 2.5 (9.2) percent. Currency effects on inter-company transactions are included in financial items. Profit after tax was SEK 1.4 (5.0) 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. Some parts of the 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 83.8 (38.3) million.

Investments in property, plant and equipment amounted to SEK 2.1 (3.8) million for the period January-March 2013.

## ACCOUNTING POLICIES

Net Entertainment 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 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 2012 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

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 2012 Annual Report, pages 35-38 and page 68.

### 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 enables delivery of systems and certain associated services to the Company's customers. The Company also has a category 2 license on Alderney. It is crucial that these licenses are maintained and extended. An extended license for another five years was obtained in November 2010 for the Malta license and the Alderney license is valid until further notice.

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. Like all Internet-based services, the system can suffer from operational interruptions. These can be caused by many different reasons, and may be either within or outside of Net Entertainment's control. In case of operational interruptions, the Company's product is entirely or partially unavailable for the end user, which affects the gaming operator's income and thus the license income for Net Entertainment.

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 (the players) 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 affected by in which country where the Group conducts operations where the profit is generated 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 the tax authorities the tax amounts the Company and its legal experts deem 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.

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 Net Entertainment 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 Net Entertainment Group a different legal interpretation and economic substance than what Net Entertainment and its expert advisors do. Net Entertainment 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. Net Entertainment 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. The Company is now preparing an appeal of the Swedish Tax Agency's decision. Net Entertainment does not currently see grounds to make a provision in the accounts for possible additional taxes related to this matter. The figure SEK 92.1 million has been reported as a contingent liability in the annual report for 2012.

## NOMINATING COMMITTEE

In accordance with the principles resolved by the Annual General Meeting 2012 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 2013.

The nominating committee has prepared a proposal for decisions at the Annual General Meeting in 2013 as regards 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 2013. The Nominating committee's proposal and other documents for the Annual General Meeting 2013 is published on the Company's website [www.netent.com](http://www.netent.com) under Investor/Corporate Governance.

## PROPOSED DIVIDEND

The Board proposes to the Annual General Meeting to allocate SEK 89.0 (79.1) million to shareholders, which corresponds to SEK 2.25 (2.00) per share. The Board intends to propose that the transfer be handled through a share redemption program. The complete proposal will be presented well in advance before the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Spårvagnshallarna in Stockholm on April 25, 2013.

## PRESENTATION OF INTERIM REPORT

On Thursday, April 25 at 9.00 the report will be presented by CEO Per Eriksson at the Company's office at Luntmakargatan 18 in Stockholm. The presentation can be followed live via webcast on Net Entertainment's website [www.netent.com](http://www.netent.com).

## FINANCIAL INFORMATION

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

Annual General Meeting	April 25, 2013
Interim report January-June 2013	July 12, 2013
Interim report January-September 2013	October 24, 2013
Earnings report and report for the fourth quarter 2013	February 13, 2014

Financial reports, press releases, and other information are available from the date of publication on Net Entertainment's website [www.netent.com](http://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 24, 2013

Vigo Carlund  
Chairman of the Board of  
Directors

Fredrik Erbing

Mikael Gottschlich

Peter Hamberg

Michael Knutsson

Pontus Lindwall

Maria Redin

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This Earnings and Quarterly has not been subject to special review by the Company's auditor.

## 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 25, 2013 at 7.30 am.

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

INCOME STATEMENTS	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Revenues	148,497	127,150	525,518
Other revenues	259	324	1,153
<b>Total operating revenues</b>	<b>148,756</b>	<b>127,474</b>	<b>526,671</b>
Personnel expenses	-49,011	-37,232	-161,225
Depreciation, amortization and impairments	-22,536	-16,639	-74,257
Other operating expenses	-36,254	-33,537	-138,132
<b>Total operating expenses</b>	<b>-107,801</b>	<b>-87,408</b>	<b>-373,614</b>
<b>Operating profit</b>	<b>40,955</b>	<b>40,066</b>	<b>153,057</b>
Financial items	-4,415	-1,410	-1,794
<b>Profit before tax</b>	<b>36,540</b>	<b>38,656</b>	<b>151,263</b>
Tax on the period's profit	-3,666	-4,020	-18,008
<b>Profit for the period</b>	<b>32,874</b>	<b>34,636</b>	<b>133,255</b>
Earnings per share before dilution (SEK)	0.83	0.88	3.37
Earnings per share after dilution (SEK)	0.83	0.88	3.37
Average number of shares			
- before dilution	39,621,089	39,553,716	39,553,716
- after dilution	39,553,716	39,553,716	39,553,716
Operating margin	27.5%	31.4%	29.1%
Effective tax rate	10.0%	10.4%	11.9%
Profit for the period attributable to parent company shareholders	32,874	34,636	133,255
<b>STATEMENTS OF TOTAL INCOME</b>			
<b>Profit for the period</b>	<b>32,874</b>	<b>34,636</b>	<b>133,255</b>
<b>Other total income</b>			
Exchange differences arising from the translation of foreign operations	-5,795	-694	-4,301
<b>Sum of other total income for the period, net after tax</b>	<b>-5,795</b>	<b>-694</b>	<b>-4,301</b>
<b>Total income for the period</b>	<b>27,079</b>	<b>33,942</b>	<b>128,954</b>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>ASSETS</b>	<b>2013-03-31</b>	<b>2012-03-31</b>	<b>2012-12-31</b>
Intangible assets	168,666	146,718	167,246
Property, plant, and equipment	49,807	51,498	49,129
<b>Total non-current assets</b>	<b>218,473</b>	<b>198,216</b>	<b>216,375</b>
Accounts receivable	6,071	10,673	16,818
Other receivables	32,705	19,410	59,666
Prepaid expenses and accrued revenues	64,733	55,874	63,698
Funds held on behalf of licensees	54,406	36,441	114,034
Cash and cash equivalents	117,165	84,885	81,230
<b>Total current assets</b>	<b>275,080</b>	<b>207,283</b>	<b>335,446</b>
<b>TOTAL ASSETS</b>	<b>493,553</b>	<b>405,499</b>	<b>551,821</b>

<b>EQUITY AND LIABILITIES</b>	<b>2013-03-31</b>	<b>2012-03-31</b>	<b>2012-12-31</b>
Share capital	1,191	1,191	1,191
Other capital contributed	41,624	40,904	41,624
Reserves	-17,565	-8,163	-11,770
Retained earnings including profit for the period	290,378	237,993	257,505
<b>Total equity</b>	<b>315,628</b>	<b>271,925</b>	<b>288,550</b>
Deferred tax liability	8,945	3,356	9,157
<b>Total long-term liabilities</b>	<b>8,945</b>	<b>3,356</b>	<b>9,157</b>
Liabilities to credit institutions	-	-	1,874
Accounts payable	29,166	30,201	28,650
Current tax liabilities	9,653	9,249	9,537
Other liabilities	87,147	52,430	172,357
Accrued expenses and prepaid revenues	43,014	38,338	41,696
<b>Total current liabilities</b>	<b>168,980</b>	<b>130,218</b>	<b>254,114</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>493,553</b>	<b>405,499</b>	<b>551,821</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Operating profit	40,955	40,066	153,057
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortization and impairments	22,536	16,639	74,257
Other	-3,241	-1,240	-1,550
Interest received	176	-	204
Interest paid	-146	-170	-552
Tax received/paid	-3,763	-9,087	-17,187
<b>Cash flows from operating activities before changes in working capital</b>	<b>56,517</b>	<b>46,208</b>	<b>208,229</b>
Changes in working capital	13,004	-2,722	-12,807
<b>Cash flows from operating activities</b>	<b>69,521</b>	<b>43,486</b>	<b>195,422</b>
Capitalized intangible assets	-23,447	-26,421	-90,980
Acquisition of property, plant, and equipment	-7,442	-6,744	-20,597
<b>Cash flows from investing activities</b>	<b>-30,889</b>	<b>-33,165</b>	<b>-111,577</b>
Utilized line of credit	-1,874	-	1,874
Transfer to shareholders	-	-	-79,107
Received premium for share option rights	-	-	720
<b>Cash flows from financing activities</b>	<b>-1,874</b>	<b>-</b>	<b>-76,513</b>
<b>Cash flow for the period</b>	<b>36,758</b>	<b>10,321</b>	<b>7,332</b>
Cash and cash equivalents at beginning of period	81,230	74,234	74,234
Exchange rate differences in cash and cash equivalents	-823	330	-336
<b>Cash and cash equivalents at end of period</b>	<b>117,165</b>	<b>84,885</b>	<b>81,230</b>

**CONDENSED CONSOLIDATED CHANGES IN EQUITY**

2012	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 2012-01-01	1,191	40,904	-7,469	203,357	237,983
Transfer to shareholders	-	-	-	-79,107	-79,107
Premium received for share option rights	-	720	-	-	720
Total income for the period Jan-Dec	-	-	-4,301	-133,255	128,954
<b>Closing equity 2012-12-31</b>	<b>1,191</b>	<b>41,624</b>	<b>-11,770</b>	<b>257,505</b>	<b>288,550</b>

2013	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity 2013-01-01	1,191	41,624	-11,770	257,505	288,550
Total income for the period Jan-Mar	-	-	-5,795	32,874	27,079
<b>Closing equity 2013-03-31</b>	<b>1,191</b>	<b>41,624</b>	<b>-17,565</b>	<b>290,378</b>	<b>315,628</b>

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



## CONSOLIDATED KEY DATA AND FIGURES

	Jan-Mar 2013	Jan-Mar 2012	Jan-Dec 2012
Operating revenues (SEK thousands)	148,756	127,474	526,671
Operating euro based revenues (EUR thousands)	17,489	14,313	60,500
Operating margin (percent)	27.5	31.4	29.1
Profit margin (percent)	24.6	30.3	28.7
EBITDA margin (percent)	42.7	44.5	43.2
Return on shareholders' equity, roll 12 months (percent)	48.5	57.2	50.6
Equity/assets ratio (percent)	64.0	67.1	52.3
Quick ratio (percent)	162.8	159.2	132.0
Net interest-bearing liabilities (SEK thousands) <sup>1</sup>	-117,165	-84,885	-79,356
Net debt/equity ratio (multiple)	-0.4	-0.3	-0.3
Average number of employees	311	239	257
Employees at period's end	317	243	301
Employees and external resources at period's end	421	352	403
Earnings per share before and after dilution	0.83	0.88	3.37
Equity per share (SEK)	7.98	6.87	7.30
Average number of outstanding shares before dilution	39,553,716	39,553,716	39,553,716
Average number of outstanding shares after dilution	39,621,089	39,553,716	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	40,021,810	39,553,716	39,906,816

<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

	2013 Q1	2012 Q4	Q3	Q2	2011 Q1	Q4	Q3	Q2	Q1
Operating revenues (SEK millions)	148.8	144.7	122.5	132.0	127.5	121.1	111.4	99.9	95.2
Operating eurobased revenues (EUR millions)	17.5	16.8	14.6	14.9	14.3	13.3	12.2	11.1	10.7
Operating profit (SEK million)	41.0	37.2	36.1	39.6	40.1	42.2	34.0	27.2	26.3
Operating margin (percent)	27.5	25.7	29.5	30.0	31.4	34.9	30.5	27.2	27.6
EBITDA-margin (percent)	42.7	40.2	45.0	43.4	44.5	46.9	41.6	37.2	37.0
Growth SEK vs prior year (percent)	16.7	19.5	9.9	32.2	33.9	21.6	21.7	12.0	8.3
Growth EUR vs prior year (percent)	22.2	25.9	19.7	34.2	33.5	23.1	24.1	19.9	21.3
Growth in SEK vs prior quarter (percent)	2.8	18.1	-7.3	3.5	5.3	8.7	11.6	4.8	-4.4
Growth in EUR vs prior quarter (percent)	4.5	15.0	-2.1	3.9	7.6	9.3	9.8	3.4	-0.8
Cash and cash equivalents (excl. funds held on behalf of licensees)	117.2	81.2	57.5	36.5	84.9	74.2	50.0	26.1	71.7
Funds held on behalf of licensees	54.4	114.0	87.7	24.8	36.4	87.7	25.4	57.5	26.2
Equity/assets ratio (percent)	64.0	52.3	56.5	63.1	67.1	53.8	59.7	53.2	69.4
Return on shareholders' equity roll 12 months (percent)	48.5	50.6	56.1	58.8	57.2	55.0	53.8	55.8	60.5
Net debt/equity ratio (multiple)	-0.4	-0.3	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.3
Earnings per share	0.83	0.79	0.78	0.93	0.88	0.93	0.78	0.64	0.58
Equity per share (SEK)	7.98	7.30	6.36	5.78	6.87	6.02	5.23	4.39	5.62
Average number of employees	311	291	251	244	239	229	228	223	200

## 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**

<b>INCOME STATEMENTS</b>	<b>Jan-Mar 2013</b>	<b>Jan-Mar 2012</b>	<b>Jan-Dec 2012</b>
Operating revenues	94,851	90,287	371,101
Other external expenses	-34,530	-35,819	-136,707
Personnel expenses	-54,850	-43,172	-182,957
Depreciation and amortization	-3,132	-2,990	-12,153
<b>Operating profit</b>	<b>2,339</b>	<b>8,306</b>	<b>39,284</b>
Financial items	-391	-1,363	66,937
Transfer to untaxed reserves	-	-	-11,696
<b>Profit before tax</b>	<b>1,948</b>	<b>6,943</b>	<b>94,525</b>
Tax on the period's profit	-576	-1,898	-7,533
<b>Profit for the period</b>	<b>1,372</b>	<b>5,045</b>	<b>86,992</b>

**STATEMENT OF TOTAL INCOME**

<b>Profit for the period</b>	<b>1,372</b>	<b>5,045</b>	<b>86,992</b>
<b>Other total income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sum of other total income for the period. net after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income for the period</b>	<b>1,372</b>	<b>5,045</b>	<b>86,992</b>

**CONDENSED PARENT COMPANY BALANCE SHEET**

<b>ASSETS</b>	<b>2013-03-31</b>	<b>2012-03-31</b>	<b>2012-12-31</b>
Intangible assets	1,593	-	846
Property, plant, and equipment	24,771	30,952	26,528
Shares in subsidiary	1,669	512	1,669
<b>Total non-current assets</b>	<b>28,033</b>	<b>31,464</b>	<b>29,043</b>
Accounts receivable	38	9	9
Receivables from Group companies	170,417	233,751	583,918
Current tax receivables	1,820	-	-
Other receivables	6,526	7,176	6,999
Prepaid expenses and accrued revenues	8,067	8,049	7,274
Cash and cash equivalents	83,759	38,253	1,174
<b>Total current assets</b>	<b>270,627</b>	<b>287,238</b>	<b>599,374</b>
<b>TOTAL ASSETS</b>	<b>298,660</b>	<b>318,702</b>	<b>628,417</b>

<b>EQUITY AND LIABILITIES</b>	<b>2013-03-31</b>	<b>2012-03-31</b>	<b>2012-12-31</b>
Share capital	1,191	1,191	1,191
Statutory reserve	38	38	38
Share premium reserve	6,735	6,015	6,735
Retained earnings	112,822	104,938	25,830
Profit for the period	1,372	5,045	86,992
<b>Total equity</b>	<b>122,158</b>	<b>117,227</b>	<b>120,786</b>
<b>Untaxed reserves</b>	<b>11,696</b>	<b>-</b>	<b>11,696</b>
Liabilities to credit institutions	-	-	1,874
Accounts payable	20,996	26,382	24,107
Liabilities to Group companies	100,676	136,153	428,818
Current tax liabilities	514	1,511	1,375
Other liabilities	3,681	3,338	3,696
Accrued expenses and prepaid revenues	38,939	34,091	36,065
<b>Total current liabilities</b>	<b>164,806</b>	<b>201,475</b>	<b>495,935</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>298,660</b>	<b>318,702</b>	<b>628,417</b>

## 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.

### MULTIPLAYER GAMESMULTIPLAYERSPEL

Net Entertainment has developed blackjack and roulette where several players can participate.

### SERVICERVICE

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 Muse™ and Thief™.

