

**NET ENTERTAINMENT**  
INTERIM REPORT JANUARY-JUNE 2012



**NETENT**

**BETTER GAMES™**

## REVENUES REACHED ALL TIME HIGH

### SECOND QUARTER 2012

- Revenues for the second quarter increased by 32.2 % to SEK 132.0 (99.9) million
- Operating profit amounted to SEK 39.6 (27.2) million
- Operating margin was 30.0 (27.2) %
- Profit after tax amounted to SEK 36.7 (25.1) million
- Earnings per share amounted to SEK 0.93 (0.64) before and after dilution
- Five new license agreements were signed and four new customers' casinos were launched

### FIRST SIX MONTHS 2012

- Revenues for the first six months increased by 33.0 % to SEK 259,5 (195.1) million
- Operating profit amounted to SEK 79.7 (53.5) million
- Operating margin was 30.7 (27.4) %
- Profit after tax amounted to SEK 71.4 (48.0) million
- Earnings per share amounted to SEK 1.80 (1.21) before and after dilution
- Ten new license agreements were signed and eight new customers' casinos were launched

### IMPORTANT EVENTS IN THE SECOND QUARTER

Revenues increased by 32 percent in the second quarter compared to the second quarter 2011. The increase is mainly derived from increased volumes which are primarily driven by existing customers' growth and new customer agreements signed. The amount of set-up fees for the quarter also contributed positively to the revenue increase.

The Italian market continued to contribute positively to the company's revenues during the second quarter. The Italian gaming authority AAMS has announced that slot games online will be allowed in Italy from December 2012.

The number of game transactions amounted to 2.9 billion in the second quarter which is a decrease of approximately 3 percent compared to previous quarter. The decrease is a result from seasonal variations as the summer months traditionally have a lower activity level in combination with exceptionally high activity from two games in the first quarter that have now normalized. However, the average bet level during the quarter increased which affected revenues positively. The game transactions increased by approximately 53 percent compared to the same period 2011.

During the second quarter Net Entertainment signed agreements with five new customers. Two agreements were also signed with existing customers for the Danish market and one agreement for the Italian market.

During the second quarter, development continued on the mobile platform in order to be compatible with android units. This work has progressed well and two customers were initially launched for delivery of NetEnt Touch™ via android.

During the second quarter bwin.it was launched for delivery of Net Entertainment's casino in Italy.

SUMMARY IN FIGURES	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Operating revenues	132,049	99,852	259,523	195,088	427,618
Operating expenses	-92,404	-72,692	-179,812	-141,638	-297,905
<b>Operating profit</b>	<b>39,645</b>	<b>27,160</b>	<b>79,711</b>	53,450	<b>129,713</b>
Operating margin	30.0%	27.2%	30.7%	27.4%	30.3%
Cash flows from operating activities	57,179	51,798	100,670	100,731	203,251
Cash flows for the period	-48,692	-45,463	-38,370	-20,839	27,642
Cash and cash equivalents at end of period	36,546	26,109	36,546	26,109	74,234

## COMMENTS FROM PER ERIKSSON, PRESIDENT AND CEO

Net Entertainment continued to show a solid development during the second quarter. Revenues increased by 32.2 percent and operating profit increased by 46.0 percent compared to the same period last year. Increased volumes with existing customers was the main reason for the revenue increase in combination with set up fees from five new customer agreements, mobile games and agreements with existing customers on regulated markets.

In order to give the company additional prerequisites to act swift and effectively on a dynamic market a reorganization was carried out during the second quarter. The purpose of the changes was primarily to make the decision making process more effective through a flatter organizational hierarchy and meant that certain management positions were eliminated, such as the CTO. The reorganization resulted in non recurring costs of SEK 2.5 million in the second quarter.

Several strategic projects are currently ongoing in Net Entertainment, such as Live Casino, the entry on the UK market and establishment on regulated markets. These projects have not yet started to generate any new revenues to the company, or have not yet reached the full potential, such as in Italy, but are expected to generate significant value for Net Entertainment in the future. As these projects are completed the investments will in certain cases decrease while other projects will require further development to maintain competitiveness. In addition, Net Entertainment will continue to invest as new opportunities arise and we believe that the investments will develop approximately in-line with current levels with the exception of seasonal effects, at least throughout 2012. As the company grows and various authorities imposes new requirements on the company's products and operations in conjunction with regulation the need to further develop Net Entertainments processes, systems and organization remains and we do not currently see a decrease in the need to recruit personnel to the company in general. In addition, we have initiated recruitment of studio personnel for Live Casino where a number of personnel will commence their employment during the third and fourth quarter.

The launch of mobile games has been successful and we see a strong growth within this area, however from low levels as launch took place in December 2011. There is a high interest on the market and the company has signed a total of 17 contracts since launch, of which eleven are live. During the quarter, development of mobile games for android units continued and we have now launched two customers.

The Italian market has continued to perform positively and the Italian gaming authority AAMS has announced that slot games online will be allowed in Italy from December 2012. Net Entertainment will initially launch a selection of slot games when the market opens.

## NEW AGREEMENTS AND CUSTOMERS

Five new customers were signed during the second quarter, including Boylesports, Ireland's largest independent bookmaker. Boylesports Online offer betting, casino, games, poker and bingo online.

In addition, two agreements were signed with existing customers for delivery of Net Entertainment's casino on the Danish market and one agreement on the Italian market.

A number of agreements were terminated with smaller customers that did not generate the minimum turnover which the Company requires.

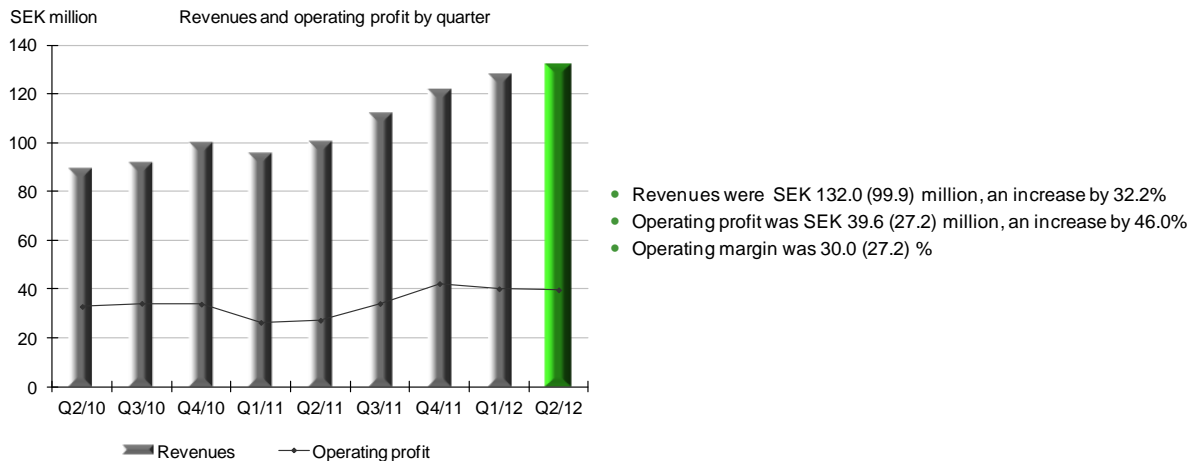
## CUSTOMERS TO BE LAUNCHED

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

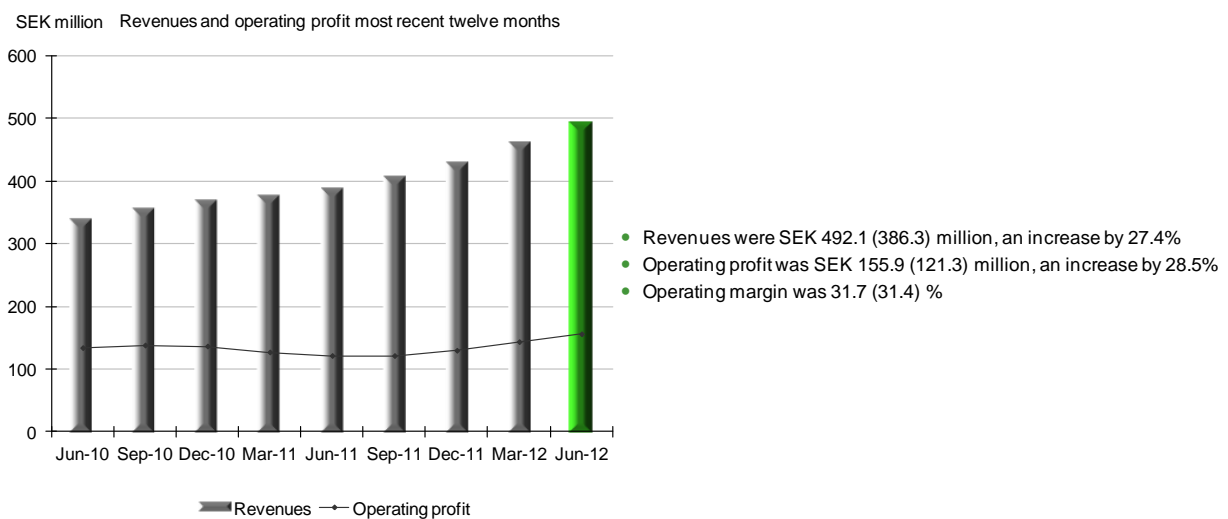
Sky Betting & Gaming is focused on the UK market. Sky Betting & Gaming has a broad offering of services within betting and games via SkyBet, SkyPoker, SkyVegas and SkyBingo. The Company is licensed in Alderney and is owned by BskyB Group PLC.

## 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 are presented 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 increased 32.2 percent in the second quarter compared to the corresponding period last year. Net Entertainment’s revenue increase compared with the corresponding period last year comes from a combination of existing customers’ growth and revenues from the launch of new customers. Four new customer’s casinos were launched during the quarter. During the most recent twelve month period, eight new customers have been launched.

Royalty revenues were positively affected by significantly higher volumes compared to the corresponding period a year earlier in combination with several new contracts which generated a high level of set-up fees. The average royalty level was somewhat lower in the second quarter 2012 compared to the corresponding period 2011. This is mainly a result of higher volumes with the company's customers compared to last year which leads to a somewhat lower average royalty. At the same time the Company has terminated agreements with smaller operators that have not generated the minimum turnover which the Company requires.

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 the Swedish Krona for the Group's reporting. During the second quarter 2012, the Swedish Krona was 1.1 percent stronger than the Euro compared to the previous period 2011 and was weakened by 0.7 percent compared to previous quarter. In Euros, total revenues increased by 34.2 percent for the second quarter compared to the corresponding period last year. The revenue increase in the second quarter compared to the corresponding period the previous year is thus attributable to increased volumes from existing customers, set-up fees and the launch of new customers.

The number of game transactions amounted to 2.9 billion during the second quarter, which is an increase of approximately 53 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 slots compared to other casino games the revenues do not follow a corresponding development as the number of game transactions.

## PROFITABILITY

Operating profit for the second quarter increased by 46.0 percent to SEK 39.6 (27.2) million. Operating expenses have increased during the second quarter compared to previous year due to the Company's expansion and strengthening of the organization within areas such as sales, product management, development, and IT operations to meet increased demands from the market and authorities. The strengthening 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 subcontractors. In addition, the regulation of the online market creates new requirements which affect costs, as do new product areas such as Live Casino and platform development. In order to give the company additional prerequisites to act swift and effectively on a dynamic market a reorganization was carried out during the second quarter. The purpose of the changes was primarily to make the decision making process more effective through a flatter organizational hierarchy and meant that certain management positions were eliminated, such as the CTO. The reorganization resulted in non-recurring costs of SEK 2.5 million in the second quarter.

For the second quarter the operating margin was 30.0 percent compared to 27.2 percent the previous year. Excluding above non-recurring cost of SEK 2.5 million, the operating margin was 31.9 percent.

The financial net amounted to SEK 1.4 (1.4) million for the second quarter and consists of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities 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 10.4 (12.1) percent in the second quarter. The effective tax rate is affected by in which country where the Group conducts operations where the profit is generated and can vary from one reporting period to the next.

## CAPITAL INVESTMENTS

The Group's expenditure for capitalized development projects as intangible assets amounted to SEK 24.8 (18.6) million during the second quarter. Investments in property, plant, and equipment amounted to SEK 2.7 (2.1) million in the second 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, the projects Live Casino, establishment on the UK and Danish market and further development of the mobile platform were noticeable to mention a few examples. These projects represent approximately 65 percent of the total investments in intangible assets during the second quarter.

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 second quarter amounted to SEK 57.2 (51.8) million. The cash flow from operating activities before Changes in working capital was improved by SEK 16.8 million while Changes in working capital compared to previous year decreased by SEK 11.4 million. The decrease is mainly attributable to postponed transfer of jackpot funds from May 2011 which had a positive non recurring impact on cash flow during the second quarter 2011.

Cash flow from investing activities amounted to SEK -27.5 (-20.7) million for the second quarter. Further development of the mobile platform, Live Casino and the entry on the UK and Danish market were some of the contributing factors to the increased investing activities. Cash flow from financing activities was SEK -78.4 (-76.6) which primarily consisted of transfer to shareholders through a share redemption program in May.

The Group's cash and cash equivalents amounted to SEK 36.5 (26.1) million on June 30. In addition, there are available credit lines of SEK 40 million that have not been used.

## SUMMARY OF THE FIRST SIX MONTHS

Revenues during the period January-June amounted to SEK 259.5 (195.1) million, an increase of 33.0 percent compared to the same period 2011. Operating profit amounted to SEK 79.7 (53.5) million and the operating margin was 30.7 (27.4) percent.

The Group's expenditure for capitalized development projects as intangible assets amounted to SEK 51.2 (37.8) million for the first six months. Investments in property, plant, and equipment amounted to SEK 9.5 (7.2) million.

The Group's cash flow from operating activities for the first six months amounted to SEK 100.7 (100.7) million. Cash flow from investing activities amounted to SEK -78.4 (-76.6) million.

## 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 27.0 billion in 2012, an increase of 9.6 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.

Italy was previously a regulated market, limited to sports and horse betting, tournament poker, skill games, and scratch tickets available online via licensed operators. In July a new legal framework took effect which also includes cash game poker, bingo and online casino games. The legislation for online casino games to end users is initially limited to table games. The Italian gaming authority has announced that slot games online will be allowed in Italy from December 2012.

France adopted a legal framework in June 2010 where they grant 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.

In January 2012 a new legislation took effect in Denmark where operators can now offer online games to the local market via a license. Companies who intend to operate on the local market must fulfill the gaming authorities requirements during the fourth quarter 2012. The legal framework includes sports and horse betting, online casino and poker. The casino games include blackjack, roulette, slots, baccarat and punto banco.

---

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

Spain has introduced a federal gaming legislation where the first licenses were awarded in June 2012.

In Germany, the 16 states are preparing a federal legal framework. Simultaneously the state Schleswig-Holstein has adopted a new legislation which has been approved by the EU-commission under which private operators are awarded licenses for betting and online casino. However, after the state elections held in May 2012 discussions are now in progress whether Schleswig-Holstein will merge with the other 15 states to create a common gaming legislation.

In Sweden, discussions of a potential change in regulation regarding online gaming have been initiated. A new legal framework has not been presented however and it is uncertain if a new proposal for re-regulation will be presented before the election in 2014.

As of 1 April 2012 a new gaming authority has been formed, Kansspelautoriteit (KSA) in the Netherlands. The Netherlands expected to re-regulate online gaming during 2012 with a possibility to award licenses to private operators during 2013. The situation has however changed since the change of government in April 2012 which can lead to delays.

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.

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 such as North America and Asia.

## EVENTS AFTER THE END OF THE PERIOD

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

## FUTURE OUTLOOK

Several strategic projects are currently ongoing in Net Entertainment, such as Live Casino, the entry on the UK market and establishment on regulated markets. These projects have not yet started to generate any new revenues to the company, or have not yet reached the full potential, such as in Italy, but are expected to generate significant value for Net Entertainment in the future. As these projects are completed the investments will in certain cases decrease while other projects will require further development to maintain competitiveness. In addition, Net Entertainment will continue to invest as new opportunities arise and we believe that the investments will develop approximately in-line with current levels with the exception of seasonal effects, at least throughout 2012. As the company grows and various authorities imposes new requirements on the company's products and operations in conjunction with regulation the need to further develop Net Entertainments processes, systems and organization remains and we do not currently see a decrease in the need to recruit personnel to the company in general. In addition, we have initiated recruitment of studio personnel for Live Casino where a number of personnel will commence their employment during the third and fourth quarter.

## 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 operations are managed at the Group's Parent Company in Stockholm and product management, sales, 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 in Gothenburg, 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 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 245 versus 229 people one year ago. Including external recourses such as dedicated persons with contract suppliers and subcontractors, Net Entertainment employed 351 (322) persons.

## INCENTIVE PROGRAM

### PROGRAM 2012-2015

The Annual General Meeting on April 18, 2012 resolved to introduce a long-term incentive program intended for senior management and key employees within the Net Entertainment Group. The resolution entailed the issue of a maximum of 350,000 share option rights to personnel with permanent employment within Net Entertainment to subscribe for an equal amount of shares in Net Entertainment NE AB. By the end of the subscription period on 1 June 2012, 114,994 share option rights had been subscribed for corresponding to 33 percent of the total offer.

The share option rights were issued at a market price of SEK 6.26 per option according to a valuation carried out by Ernst & Young which has increased Group equity by SEK 0.7 million. 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 of these share option rights the parent company's equity will increase by SEK 9.9 million.

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 or 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.

### 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. At the end of the quarter, the total outstanding share option rights amounted to 586,225 corresponding to the same number of shares. The strike price for the shares is determined to SEK 71.70 and subscription of shares can be made during the period May 15 to July 15, 2012. In the case of full subscription of these share option rights the parent company's equity will increase by SEK 42.0 million. Further information about this program can be viewed in the annual report 2011.

## PARENT COMPANY

The parent company's revenues for the second quarter amounted to SEK 88.9 (79.7) million. Operating profit amounted to SEK 3.2 (7.9) million. The operating margin was 3.6 (9.9) percent for the second quarter. Currency



effects on inter-company transactions are included in financial items. Profit after tax was SEK 3.2 (7.2) million for the second 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 4.4 (3.6) million.

Investments in property, plant and equipment amounted to SEK 1.1 (2.2) million for the period January-June 2012.

## 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 2011 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 2011 Annual Report, pages 31-34 and page 63-64.

### 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 the 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.

## REDEMPTION OF SHARES AND TRANSFER TO SHAREHOLDERS

On April 18, 2012 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 26, 2012 and the record date for withdrawal of the redemption shares to May 18, 2012. According to the timetable for the redemption procedure trading in redemption shares will be possible between April 30 and May 14. Furthermore, cash was transferred to the holders of redemption shares on May 23 through Euroclear.

## PRESENTATION OF INTERIM REPORT

On Friday, July 13 at 9.00 the report will be presented by CEO Per Eriksson via a live audio webcast. 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.

Interim report January-September 2012	October 25, 2012
Earnings report and report for the fourth quarter 2012	February 7, 2013

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 earnings 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 July 12, 2012

Vigo Carlund  
Chairman of the Board of  
Directors

Fredrik Erbing

Mikael Gottschlich

Peter Hamberg

Michael Knutsson

Pontus Lindwall

Maria Redin

Per Eriksson  
President and CEO

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

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

## LEGAL DISCLAIMER

Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, the effectiveness of copyright for computer systems, technological developments, fluctuations in exchange rates and interest rates and political risks.

## PUBLICATION

The information in this interim report is such information that Net Entertainment NE AB (publ) is required to publicly disclose under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on July 13, 2012 at 7.30 am.

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

INCOME STATEMENTS	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Revenues	131,926	99,769	259,076	194,781	426,838
Other revenues	123	83	447	307	780
<b>Total operating revenues</b>	<b>132,049</b>	<b>99,852</b>	<b>259,523</b>	<b>195,088</b>	<b>427,618</b>
Personnel expenses	-41,473	-37,789	-78,706	-70,871	-146,547
Depreciation and amortization	-17,632	-9,956	-34,271	-18,931	-45,823
Other operating expenses	-33,299	-24,947	-66,835	-51,836	-105,535
<b>Total operating expenses</b>	<b>-92,404</b>	<b>-72,692</b>	<b>-179,812</b>	<b>-141,638</b>	<b>-297,905</b>
<b>Operating profit</b>	<b>39,645</b>	<b>27,160</b>	<b>79,711</b>	<b>53,450</b>	<b>129,713</b>
Financial items	1,357	1,424	-53	656	-719
<b>Profit before tax</b>	<b>41,002</b>	<b>28,584</b>	<b>79,658</b>	<b>54,106</b>	<b>128,994</b>
Tax on the period's profit	-4,265	-3,447	-8,285	-6,081	-13,380
<b>Profit for the period</b>	<b>36,737</b>	<b>25,137</b>	<b>71,373</b>	<b>48,025</b>	<b>115,614</b>
<i>Earnings per share before dilution (SEK)</i>	<i>0.93</i>	<i>0.64</i>	<i>1.80</i>	<i>1.21</i>	<i>2.92</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.93</i>	<i>0.64</i>	<i>1.80</i>	<i>1.21</i>	<i>2.92</i>
<i>Average number of shares</i>					
- before dilution	39,553,716	39,553,716	39 553 716	39,553,716	39,553,716
- after dilution	39,553,716	39,553,716	39 553 716	39,553,716	39,553,716
Operating margin	30.0%	27.2%	30.7%	27.4%	30.3%
Effective tax rate	10.4%	12.1%	10.4%	11.2%	10.4%
Profit for the period attributable to parent company shareholders	36,737	25,137	71,373	48,025	115 614
<b>STATEMENTS OF TOTAL INCOME</b>					
<b>Profit for the period</b>	<b>36,737</b>	<b>25,137</b>	<b>71,373</b>	<b>48,025</b>	<b>115,614</b>
<b>Other total income</b>					
Exchange differences arising from the translation of foreign operations	-1,838	2,959	-2,532	2,431	-911
<b>Sum of other total income for the period. net after tax</b>	<b>-1,838</b>	<b>2,959</b>	<b>-2,532</b>	<b>2,431</b>	<b>-911</b>
<b>Total income for the period</b>	<b>34,899</b>	<b>28,096</b>	<b>68,841</b>	<b>50,456</b>	<b>114,703</b>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>ASSETS</b>	<b>2012-06-30</b>	<b>2011-06-30</b>	<b>2011-12-31</b>
Intangible assets	157,383	114,817	133,142
Property, plant, and equipment	49,058	45,130	50,412
<b>Total non-current assets</b>	<b>206,441</b>	<b>159,947</b>	<b>183,554</b>
Accounts receivable	9,568	2,760	3,680
Prepaid expenses and accrued revenues	58,709	47,530	54,788
Other receivables	26,115	32,501	38,473
Funds held on behalf of licensees <sup>1</sup>	24,798	57,466	87,689
Cash and cash equivalents	36,546	26,109	74,234
<b>Total current assets</b>	<b>155,736</b>	<b>166,366</b>	<b>258,864</b>
<b>TOTAL ASSETS</b>	<b>362,177</b>	<b>326,313</b>	<b>442,418</b>
<b>EQUITY AND LIABILITIES</b>			
	<b>2012-06-30</b>	<b>2011-06-30</b>	<b>2011-12-31</b>
Share capital	1,191	1,191	1,191
Other capital contributed	41,624	40,904	40,904
Reserves	-10,001	-4,127	-7,469
Retained earnings including profit for the period	195,623	135,768	203,357
<b>Total equity</b>	<b>228,437</b>	<b>173,736</b>	<b>237,983</b>
Accounts payable	28,693	20,567	33,498
Current tax liabilities	12,993	12,383	18,512
Other liabilities	48,873	84,190	118,710
Accrued expenses and prepaid revenues	43,181	35,437	33,715
<b>Total current liabilities</b>	<b>133,740</b>	<b>152,577</b>	<b>204,435</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>362,177</b>	<b>326,313</b>	<b>442,418</b>

<sup>1</sup> A reclassification has been made for the second quarter 2011 of SEK 21.4 million from Funds held on behalf of licensees to Cash and cash equivalents in order for the Cash balance to correspond to accessible cash. This is due to postponed date for transfer of cash and cash equivalents to the client fund account from May 2011.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Operating profit	39,645	27,160	79,711	53,450	129,713
<i>Adjustment for items not included in cash flows:</i>					
Depreciation and amortization	17,632	9,956	34,271	18,931	45,823
Other	1,689	1,576	453	711	-430
Interest received/paid	-55	-75	-225	81	254
Interest tax/paid	-4,716	-1,210	-13,803	-4,961	-6,060
<b>Cash flows from operating activities before changes in working capital</b>	<b>54,195</b>	<b>37,407</b>	<b>100,407</b>	<b>68,212</b>	<b>169,300</b>
Changes in working capital	2,984	14,391	263	32,519	33,951
<b>Cash flows from operating activities</b>	<b>57,179</b>	<b>51,798</b>	<b>100,670</b>	<b>100,731</b>	<b>203,251</b>
Capitalized intangible assets	-24,756	-18,630	-51,181	-37,787	-77,539
Acquisition of property, plant, and equipment	-2,728	-2,066	-9,472	-7,218	-21,505
<b>Cash flows from investing activities</b>	<b>-27,484</b>	<b>-20,696</b>	<b>-60,653</b>	<b>-45,005</b>	<b>-99,044</b>
Transfer to shareholders	-79,107	-79,107	-79,107	-79,107	-79,107
Received premium for share option rights	720	2,542	720	2,542	2,542
<b>Cash flows from financing activities</b>	<b>-78,387</b>	<b>-76,565</b>	<b>-78,387</b>	<b>-76,565</b>	<b>-76,565</b>
<b>Cash flow for the period</b>	<b>-48,692</b>	<b>-45,463</b>	<b>-38,370</b>	<b>-20,839</b>	<b>27,642</b>
Cash and cash equivalents at beginning of period	84,885	71,717	74,234	47,034	47,034
Exchange rate differences in cash and cash equivalents	353	-145	682	-86	-442
<b>Cash and cash equivalents at end of period<sup>1</sup></b>	<b>36,546</b>	<b>26,109</b>	<b>36,546</b>	<b>26,109</b>	<b>74,234</b>

<sup>1</sup> A reclassification has been made for the second quarter 2011 of SEK 21.4 million from Funds held on behalf of licensees to Cash and cash equivalents in order for the Cash balance to correspond to accessible cash. This is due to postponed date for transfer of cash and cash equivalents to the client fund account from May 2011.



**CONDENSED CONSOLIDATED CHANGES IN EQUITY**

2011	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
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
<b>Closing equity 2011-03-31</b>	<b>1,191</b>	<b>38,362</b>	<b>-7,086</b>	<b>189,738</b>	<b>222,205</b>
Transfer to shareholders	-	-	-	-79,107	-79,107
Premium received for share option rights	-	2,542	-	-	2,542
Total income for the period Apr-Jun	-	-	2,959	25,137	28,096
<b>Closing equity 2011-06-30</b>	<b>1,191</b>	<b>40,904</b>	<b>-4,127</b>	<b>135,768</b>	<b>173,736</b>
Total income for the period Jul-Sep	-	-	2,295	30,953	33,248
<b>Closing equity 2011-09-30</b>	<b>1,191</b>	<b>40,904</b>	<b>-1,832</b>	<b>166,722</b>	<b>206,985</b>
Total income for the period Oct-Dec	-	-	-5,637	36,636	30,999
<b>Closing equity 2011-12-31</b>	<b>1,191</b>	<b>40,904</b>	<b>-7,469</b>	<b>203,357</b>	<b>237,983</b>

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
Total income for the period Jan-Mar	-	-	-694	34,636	33,942
<b>Closing equity 2012-03-31</b>	<b>1,191</b>	<b>40,904</b>	<b>-8,163</b>	<b>237,993</b>	<b>271,925</b>
Transfer to shareholders	-	-	-	-79,107	-79,107
Premium received for share option rights	-	720	-	-	720
Total income for the period Apr-Jun	-	-	-1,838	36,737	34,899
<b>Closing equity 2012-06-30</b>	<b>1,191</b>	<b>41,624</b>	<b>-10,001</b>	<b>195,622</b>	<b>228,437</b>

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

## CONSOLIDATED KEY DATA AND FIGURES

	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Operating revenues (SEK thousands)	132,049	99,852	127,474	195,088	427,618
Operating euro based revenues (EUR thousands)	14,872	11,083	14,313	21,801	47,281
Operating margin (percent)	30.0	27.2	31.4	27.4	30.3
Profit margin (percent)	31.1	28.6	30.3	27.7	30.2
EBITDA margin (percent)	43.4	37.2	44.5	37.1	41.0
Return on shareholders' equity, rolling 12 months (percent)	58.8	55.8	58.8	55.8	52.8
Equity/assets ratio (percent)	63.1	53.2	67.1	53.2	53.8
Quick ratio (percent)	116.4	109.0	155.2	109.0	126.6
Net interest-bearing liabilities (SEK thousands) <sup>1</sup>	-36,546	-4,663	-84,885	-4,663	-74,234
Net debt/equity ratio (multiple)	-0.2	0.0	-0.3	0.0	-0.3
Average number of employees	244	223	239	211	220
Employees at period's end	245	229	243	229	231
Employees and external resources at period's end	351	322	352	322	324
Earnings per share before and after dilution	0.92	0.64	0.88	1.21	2.92
Equity per share (SEK)	5.78	4.39	6.87	4.39	6.02
Average number of outstanding shares before dilution	39,553,716	39,553,716	39,553,716	39,553,716	39,553,716
Average number of outstanding shares after dilution	39,553,716	39,553,716	39,553,716	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	39,553,716	39,553,716
Number of outstanding shares at the period's end after dilution	39,553,716	39,553,716	39,553,716	39,553,716	39,553,716

<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

	2012				2011				2010
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating revenues (SEK millions)	132.0	127.5	121.1	111.4	99.9	95.2	99.6	91.6	89.2
Operating eurobased revenues (EUR millions)	14.9	14.3	13.3	12.2	11.1	10.7	10.8	9.8	9.2
Operating profit (SEK million)	39.6	40.1	42.2	34.0	27.2	26.3	33.8	34.1	32.8
Operating margin (percent)	30.0	31.4	34.9	30.5	27.2	27.6	33.9	37.2	36.8
EBITDA-margin (percent)	43.4	44.5	46.9	41.6	37.2	37.0	43.2	45.9	45.3
Growth total revenue in SEK vs prior yr (percent)	32.2	33.9	21.6	21.7	12.0	8.3	16.6	20.8	27.2
Growth eurobased revenue vs prior yr (percent)	34.2	32.7	23.1	24.1	19.9	21.3	31.7	35.1	42.3
Growth in SEK vs previous quarter (percent)	3.5	5.3	8.7	11.6	4.8	-4.4	8.8	2.7	1.4
Growth in EUR vs previous quarter (percent)	3.9	7.6	9.3	9.8	3.4	-0.8	10.2	6.0	4.6
Cash and cash equivalents (excl. funds held on behalf of licensees) <sup>2</sup>	36.5	84.9	74.2	50.0	26.1	71.7	47.0	40.8	31.2
Funds held on behalf of licensees <sup>2</sup>	24.8	36.4	87.7	25.4	57.5	26.2	46.4	34.8	35.8
Equity/assets ratio (percent)	63.1	67.1	53.8	59.7	53.2	69.4	65.1	63.8	62.4
Return on shareholders' equity rolling 12 months (percent)	58.8	57.2	55.0	53.8	55.8	60.5	66.9	71.4	69.2
Net debt/equity ratio (multiple)	-0.2	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2	-0.2	-0.5
Earnings per share	0.93	0.88	0.93	0.78	0.64	0.58	0.73	0.76	0.77
Equity per share (SEK)	5.78	6.87	6.02	5.23	4.39	5.62	5.05	4.36	3.74
Average number of employees	244	239	229	228	223	200	179	155	137

## 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 the most recent four quarters

### *Equity/assets ratio*

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

### *Quick ratio*

Current assets in relation to current liabilities.

### *Net interest-bearing liabilities*

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

### *Net debt/equity ratio (multiple)*

Net of interest-bearing earnings and liabilities minus financial assets and cash and cash equivalents divided by shareholder's equity.

### *Average number of employees*

The average number of employees during the period.

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

The number of employees at the end of the period.

### *Number of employees and external resources at end of period*

The number of employees and external resources such as dedicated persons with contracted suppliers and subcontractors at the end of the period.

### *Earnings per share*

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

### *Equity per share*

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

### *Average number of shares outstanding*

The average number of shares outstanding during the period, adjusted for bonus issue and share split.

### *Number of shares outstanding*

The number of shares outstanding, adjusted for bonus issue and share split.

**CONDENSED PARENT COMPANY INCOME STATEMENT**

INCOME STATEMENTS	Apr-jun 2012	Apr-jun 2011	Jan-jun 2012	Jan-jun 2011	Jan-dec 2011
Operating revenues	88,943	79,730	179,230	154,644	308,129
Other external expenses	-34,034	-26,728	-69,853	-54,946	-109,469
Personnel expenses	-48,644	-43,006	-91,816	-80,899	-167,148
Depreciation and amortization	-3,023	-2,079	-6,012	-4,132	-8,957
<b>Operating profit</b>	<b>3,242</b>	<b>7,917</b>	<b>11,549</b>	<b>14,667</b>	<b>22,555</b>
Financial items	1,212	1,630	-152	905	68,501
<b>Profit after financial items</b>	<b>4,454</b>	<b>9,547</b>	<b>11,397</b>	<b>15,572</b>	<b>91,056</b>
Tax on the period's profit	-1,282	-2,305	-3,180	-3,964	-6,225
<b>Profit for the period</b>	<b>3,172</b>	<b>7,242</b>	<b>8,217</b>	<b>11,608</b>	<b>84,831</b>

**STATEMENT OF TOTAL INCOME**

<b>Profit for the period</b>	<b>3,172</b>	<b>7,242</b>	<b>8,217</b>	<b>11,608</b>	<b>84,831</b>
<b>Other total income</b>	-	-	-	-	-
<b>Sum of other total income for the period, net after tax</b>	-	-	-	-	-
<b>Total income for the period</b>	<b>3,172</b>	<b>7,242</b>	<b>8,217</b>	<b>11,608</b>	<b>84,831</b>

**CONDENSED PARENT COMPANY BALANCE SHEET**

<b>ASSETS</b>	<b>2012-06-30</b>	<b>2011-06-30</b>	<b>2011-12-31</b>
Intangible assets	29,452	23,312	27,983
Property, plant, and equipment	512	512	512
<b>Shares in subsidiary</b>	<b>29,964</b>	<b>23,824</b>	<b>28,495</b>
Total non-current assets	9	20	28
Accounts receivable	219,984	197,722	180,224
Receivables from Group companies	7,829	4,859	6,580
Prepaid expenses and accrued revenues	5,308	6,494	8,476
Other receivables	4,368	3,550	25,050
<b>Cash and cash equivalents</b>	<b>237,498</b>	<b>212,645</b>	<b>220,358</b>
<b>TOTAL ASSETS</b>	<b>267,462</b>	<b>236,469</b>	<b>248,853</b>

<b>EQUITY AND LIABILITIES</b>	<b>2012-06-30</b>	<b>2011-06-30</b>	<b>2011-12-31</b>
Share capital	1,191	1,191	1,191
Statutory reserve	38	38	38
Share premium reserve	6,735	6,015	6,015
Retained earnings	25,830	20,107	20,107
Profit for the period	8,217	11,608	84,831
<b>Total equity</b>	<b>42,011</b>	<b>38,959</b>	<b>112,182</b>
Accounts payable	23,064	18,863	28,773
Liabilities to Group companies	159,899	139,256	69,181
Current tax liabilities	870	4,846	6,127
Other liabilities	3,162	3,178	3,177
Accrued expenses and prepaid revenues	38,456	31,367	29,413
<b>Total current liabilities</b>	<b>225,451</b>	<b>197,510</b>	<b>136,671</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>267,462</b>	<b>236,469</b>	<b>248,853</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 GAMES

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

### 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 Scarface™ and Demolition Squad™.

