

NET ENTERTAINMENT

INTERIM REPORT JANUARY-SEPTEMBER 2013



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THIRD QUARTER 2013

- Revenues for the third quarter increased by 25.0 % to SEK 153.1 (122.5) million
- Operating profit amounted to SEK 44.5 (36.1) million
- Operating margin was 29.1 (29.5) %
- Profit after tax amounted to SEK 39.4 (30.8) million
- Earnings per share amounted to SEK 0.99 (0.78) before and after dilution
- Five license agreements with new customers were signed, nine new customers' casinos were launched

FIRST NINE MONTHS 2013

- Revenues for the first nine months increased by 18.0 % to SEK 450.6 (382.0) million
- Operating profit amounted to SEK 124.2 (115.8) million
- Operating margin was 27.6 (30.3) %
- Profit after tax amounted to SEK 111.1 (102.2) million
- Earnings per share amounted to SEK 2.81 (2.58) before dilution and SEK 2.80 (2.58) after dilution
- 17 new license agreements were signed and 14 new customers' casinos were launched

IMPORTANT EVENTS IN THE THIRD QUARTER

- Agreements were signed with Ladbrokes and William Hill, two of the world's largest gaming operators
- Global framework agreement signed with GTECH, a leading platform supplier
- Three agreements were signed with existing customers for delivery of Live Casino. One customer launched Live Casino in the third quarter
- Three agreements were signed with existing customers for delivery of mobile games. Six customer launched mobile games in the third quarter

QUOTE FROM CEO, PER ERIKSSON

- *The third quarter showed strong development as we launched a total of nine new customers and signed agreements with five new customers, including gaming operators Ladbrokes and William Hill, two of the largest operators in the world. In addition we signed a framework agreement with platform supplier GTECH.*

SUMMARY IN FIGURES	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012	Jan-Dec 2012
Operating revenues	153,135	122,472	450,598	381,994	526,671
Operating expenses	-108,639	-86,375	-326,444	-266,187	-373,614
Operating profit	44,495	36,097	124,154	115,807	153,057
Operating margin	29.1%	29.5%	27.6%	30.3%	29.1%
Cash flows from operating activities	55,404	48,066	171,513	148,736	195,422
Cash flows for the period	22,849	21,268	-20,269	-17,102	7,332
Cash and cash equivalents at end of period	61,061	57,456	61,061	57,456	81,230

COMMENTS FROM PER ERIKSSON, PRESIDENT AND CEO

The third quarter showed strong development as we launched a total of nine new customers and signed agreements with five new customers, including gaming operators Ladbrokes and William Hill, two of the largest operators in the world. In addition, we signed a framework agreement with platform supplier GTECH. Revenues showed positive development compared to last year which primarily was a result of good underlying growth with our existing customer base in combination with the addition of 22 new customers that have been signed in the last twelve months.

Net Entertainment has year after year showed proof of the Company's ability to generate good results for our partners, which has led to an increased demand for our products. This, in combination with a high commitment throughout the entire organization, has led to several new agreements with some of the largest operators in Great Britain. I am excited about what the market in Great Britain can generate for Net Entertainment in the future when all operators are fully launched. Discussions are also ongoing with all the large operators that have yet to sign up with Net Entertainment.

Today, Net Entertainment is one of the world's largest suppliers of online casino with approximately 80 customers that offer the Company's games via hundreds of online casinos to players all over the world and the outlook for continued growth is good. The agreement that was signed with GTECH is a framework agreement which allows Net Entertainment to offer the Company's casino portfolio to GTECH's platform. GTECH is one of the world's largest supplier of gaming content to so called WLA operators (World Lottery Association), which are often government owned gaming monopolies where Net Entertainment historically have had a very low market share. The agreement with GTECH means an opportunity to increase the penetration in this market.

Live Casino is a new exciting product that Net Entertainment launched in the beginning of 2013. During the summer a new scalable version of Live Casino blackjack was launched where the tables allow an unlimited number of simultaneous players and during the fourth quarter traditional blackjack will be launched. Currently the product is in an early stage with a total of 22 customers signed for the product of which nine have been launched. When the product reaches full capacity it is expected to generate good revenues for the Company.

Mobile games continue to grow strong but the product is still in an early stage. We see a continued demand from customers to develop more mobile games. We will therefore increase the investments in mobile games to further strengthen Net Entertainment's leading position.

In the third quarter Net Entertainment announced that the Swedish Tax Agency maintains its decision to impose additional taxes of SEK 92.1 million. We are now in the process of appealing the decision.

Net Entertainment has a bright future. During the last quarter we have launched several exciting products, signed agreement with large new operators and I see great potential in new markets that will be regulated going forward.

FUTURE OUTLOOK

GROWTH

Revenues were higher than expected in the third quarter 2013 as setup fees that were expected in the fourth quarter instead occurred already in the third quarter. Net Entertainment has launched several interesting products during 2012 and 2013 and during the most recent twelve months 22 new customer agreements have been signed. Live Casino new customers in Great Britain and mobile games are some of the most important initiatives. These initiatives are in an early stage with a gradual ramp-up and are expected to generate good revenues for the Company, but not until they reach full capacity.

COSTS AND INVESTMENTS

The costs were somewhat lower than expected during the third quarter. The costs in the third quarter are typically affected by seasonality during the summer months due to lower resource costs. The seasonality effect was somewhat stronger this year compared to the Company's expectations. To adapt the resource base and meet an increasing number of customers and a higher demand for the Company's products there is a continued need to increase the number of resources in the Company in coming quarters.

In conjunction with the release of Net Entertainment's earnings report in February 2013 the Company announced that an increased operating margin from the efforts made during 2012 and 2013 is not expected to be visible until towards the fourth quarter 2013, and that the operating margin until then is expected to remain around the same levels as in the fourth quarter 2012. The operating margin was 25.7 percent in the fourth quarter 2012. Due to the margin increase already in the third quarter the Company can no longer say that the margin will increase additionally during the fourth quarter.

Furthermore, costs may also be affected as Net Entertainment signs agreements with larger customers, e.g. in conjunction with the Company's entry in Great Britain, as the complexity and magnitude of customer specific integration work may increase. Customer specific development work is not capitalized and is instead reported directly in the income statement, in accordance with IFRS accounting standards, as opposed to the development projects that Net Entertainment conducts. This can have a negative effect on the operating margin short term but on a longer term it will mean a higher operating margin through lower depreciation levels. The cash flow is not affected by this.

NEW AGREEMENTS AND CUSTOMERS

During the third quarter five new agreements were signed with new customers, including Ladbrokes and William Hill. A framework agreement was also signed with platform supplier GTECH.

Ladbrokes is one of the world's leading betting and gaming companies with origins from 1886. The company is a market leader within bookmaking in Great Britain, Ireland, Belgium and Spain with more than 2,700 betting shops.

William Hill is one of the largest betting and gaming companies in the world with over 17,000 employees. The company's revenues amounted to approximately GBP 1.3 billion in 2012. William Hill was founded in 1934 and has approximately 2,400 betting shops in Great Britain. William Hill Online is one of the market leaders within betting and gaming on the internet in Europe.

GTECH is a leading commercial operator and supplier of gaming related technology to regulated gaming markets across the world. GTECH is one of the largest suppliers of gaming content to so called WLA operators (World Lottery Association). The global framework means that Net Entertainment has an opportunity to offer the Company's online casino product through GTECH's WLA network. Each individual WLA operator will be managed in separate tender processes which Net Entertainment will participate in if they fit the Company commercially and strategically.

CUSTOMERS TO BE LAUNCHED

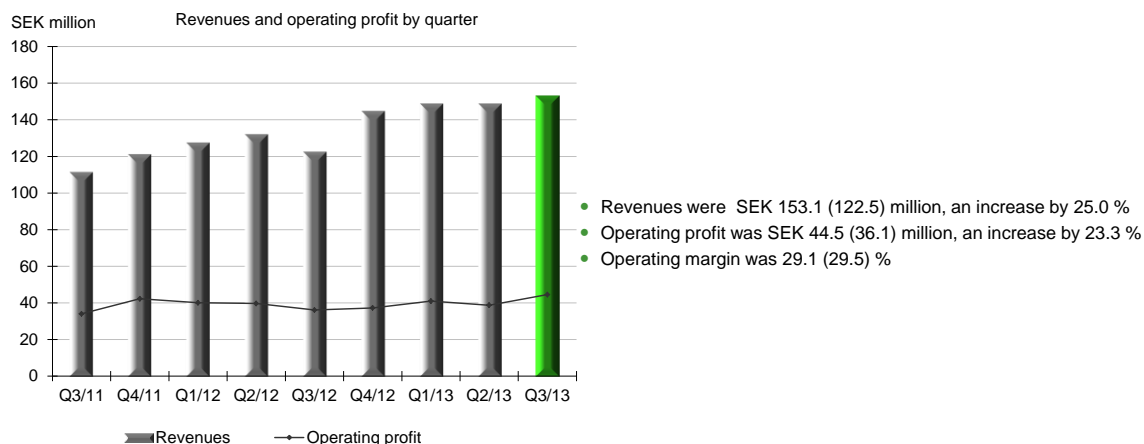
At the end of the quarter, the Company held agreements with eleven new customers that have not yet launched, including Sky Betting & Gaming, Lottomatica, Ladbrokes and William Hill.

Sky Betting & Gaming is focused on the British 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.

Lottomatica Scosse is a fully owned company of GTECH S.p.A., a member of the World Lottery Association (WLA) and recognized as a market leader in the Italian gaming industry. The company has both B2C (business to consumer) operations and global B2B (business to business) operations.

REVENUES AND PROFITABILITY

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



Revenues and operating profit for the most recent rolling twelve months is presented below.



REVENUES – VOLUME, PRICE AND CURRENCY DEVELOPMENT

Revenues amounted to SEK 153.1 (122.5) million during the third quarter, an increase of 25.0 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 third quarter, revenues were positively affected by increased volumes from existing customers but also due to setup fees in conjunction with several new agreements that were signed in the quarter. Nine new customer's casinos were launched during the quarter. During the most recent twelve month period 16 new customers have been launched. The average royalty level has been stable during the quarter compared to the previous year.

Revenues are affected by the development of the Swedish currency in relation to other currencies. The majority of revenues are invoiced in Euros, but also in British pounds and US dollars. Revenues are accounted for in Euros and then translated into the Swedish Krona for the Group's reporting. During the third quarter 2013, the Swedish Krona weakened by 2.8 percent towards the Euro compared to the same period 2012 and was weakened by 1.3 percent compared to previous quarter. In Euros, revenues increased by 21.1 percent for the third quarter compared to the corresponding period last year.

The number of game transactions amounted to 3.8 billion during the third quarter, which is an increase of approximately 36 percent compared to previous year. The increase of the number of game transactions has primarily been within the slot games, which represented approximately 82 percent of game win (player bet minus player win). 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 third quarter increased by 23.3 percent to SEK 44.5 (36.1) million. Operating expenses have increased during the third quarter compared to previous year due to the Company's expansion and strengthening of the organization. The strengthening of the organization is enabled mainly through own personnel but also through external resources in the form of subcontractors and outsourcing outside Europe. The expansion also leads to increased operating cost such as customer specific integration costs, license costs, bandwidth costs and hardware purchases. The cost base has been affected positively during the quarter due to the vacation period and postponed recruitments. Depreciation increased compared to previous year as several large development projects have been completed, such as Live Casino Roulette and new large platform projects. 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 can take some time.

The operating margin amounted to 29.1 percent in the third quarter compared to 29.5 percent the previous year.

The financial net amounted to SEK -0.8 (-2.0) million for the third 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 9.9 (9.7) percent in the third 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 acquisition of intangible assets amounted to SEK 23.5 (19.9) million during the third quarter. Investments in property, plant, and equipment amounted to SEK 9.0 (6.8) million in the third quarter.

Investments in intangible assets consist of development of new games, technical adjustments in the platform such as new functionality, increased capacity, adjustments for requirements on regulated markets and software licenses. Among larger development projects in the third quarter, further development of Live Casino, games for mobile units and for PC, certain platform projects and development of the Company's ERP system were noticeable to mention a few examples.

Investments in property, plant, and equipment are primarily servers and other computer equipment to meet new technical requirements and maintain capacity and performance in conjunction with new platform releases.

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

The Group's cash flow from operating activities for the third quarter amounted to SEK 22.8 (21.3) million. The increase compared to previous year is primarily due to an improved operating profit. A contributing factor to why the increase is not larger is a decreased cash flow from working capital compared to previous year which was mainly due to higher receivables.

Cash flow from investing activities amounted to SEK -32.6 (-26.8) million during the third quarter. Further description of the investing activities can be viewed in the section Investments above.

The Group's cash and cash equivalents amounted to SEK 61.1 (57.5) million on September 30. The Group's available credit lines amounted to SEK 50.0 million of which none had been used on September 30.

SUMMARY OF THE FIRST NINE MONTHS

Revenues during the period January-September amounted to SEK 450.6 (382.0) million, an increase of 18.0 percent (20.0 percent in euro) compared to the same period 2012. Operating profit amounted to SEK 124.2 (115.8) million and the operating margin was 27.6 (30.3) percent. The revenue increase is primarily a result of increased volumes compared to the same period previous year as the Company has launched several successful games. The Company has signed 17 new license agreements during the nine-month period which has generated set-up fees. In addition, 14 new customers have been launched.

Operating costs have increased during the nine-month period compared to the previous year due to expansion and strengthening of the organization within areas such as sales, product management, development and operations. In addition, regulation of the online gaming market has increased the demands from authorities which affect costs as well as initiatives such as Live Casino and the entry in Great Britain.

The Group's acquisitions for intangible assets amounted to SEK 77.1 (71.2) million for the first nine months. Investments in property, plant, and equipment amounted to SEK 23.8 (16.3) million.

The Group's cash flow from operating activities for the first nine months amounted to SEK 171.5 (148.7) million. Cash flow from financing activities amounted to SEK -90.8 (-78.4) million.

The carrying value of financial instruments measured at accrued cost, corresponded to fair value on 30 September 2013.

MARKET

The online gaming market has shown positive growth in recent years. The global gross gaming yield for online gaming, including all game segments, is expected to amount to EUR 26.3 billion in 2013, an increase of 8.3

percent compared to year 2012. Europe is by far the largest gaming market and is expected to represent close to half of the gross gaming yield in coming years.¹

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.

Spain has introduced a federal gaming legislation. The first licenses were awarded in June 2012. Online slot games are however not allowed. The different states can admit their own gaming legislation for online gaming. The government announced during the spring of 2013 that they intend to allow slot games in the future. This process has started but the government has not yet announced when slot games will be introduced.

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 game tax in Great Britain. The change is expected to be approved no later than in December 2014.

In Germany the state Schleswig-Holstein has admitted a gaming legislation approved by the EU-commission for sports betting and casino games. However, after a time of political debate between Schleswig-Holstein and the other 15 states, Schleswig-Holstein 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 government has however announced that a new legislation is not likely before 2015.

Holland has published a new law proposal with a liberal gaming legislation that is expected to be introduced in 2015.

Greece is again a gaming monopoly after licenses have been withdrawn in March 2013 and games based on chance 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. Several states have already regulated online gaming; US Virgin Islands (all games), Nevada (poker) and Delaware (all games). New Jersey has since February an approved legislation that includes all game forms and that will take effect already in November 2013. Illinois and California attempts to introduce new gaming laws are ongoing.

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 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 outside Europe. 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.

¹ H2 Gaming Capital, October 2013

EVENTS AFTER THE END OF THE PERIOD

Net Entertainment signed an agreement with William Hill PLC in September. William Hill is one of the largest gaming operators in the world. During October, a selection of Net Entertainment's games was launched with William Hill.

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 333 versus 265 people one year ago. Including external resources such as dedicated persons with contract suppliers and subcontractors, Net Entertainment employed 436 (376) 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 2012. 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 third quarter amounted to SEK 91.4 (80.4) million. Operating profit amounted to SEK 10.2 (6.0) million for the third quarter. The operating margin was 11.2 (7.5) percent. Currency effects on inter-company transactions are included in financial items. Profit after tax was SEK 7.8 (2.9) million for the third quarter.

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

The parent company's revenues for the period January – September amounted to SEK 286.7 (259.6) million. Operating profit amounted to SEK 17.6 (17.6) million and the operating margin was 6.1 (6.8) percent. Profit after tax amounted to 14.2 (11.1) million for the nine month period.

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 19.0 (7.8) million.

Investments in property, plant and equipment amounted to SEK 5.3 (9.2) million for the period January-September 2013. The parent company's investments in intangible assets amounted to SEK 9.6 (0.0) million for the period January – September 2013 and primarily consist of software and development related to the ongoing adoption of a new ERP system.

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 new and revised standards, IAS 1 Presentation of Financial Statements and IFRS 13 Fair Value Measurement, have not affected the financial statements other than expanded disclosure requirements. The parent company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The same accounting and valuation principles have been applied as in the 2012 annual report. For further information on the principles, please refer to the annual report on 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 normally 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 in the process of appealing the Swedish Tax Agency's decision to the Administrative Court. Net Entertainment does not currently see grounds to make a provision in the accounts for possible additional taxes related to this matter. The amount SEK 92.1 million has been reported as a contingent liability in the annual report for 2012.

NOMINATING COMMITTEE

In accordance with the principles resolved by the Annual General Meeting 2013 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 2014.

The nominating committee is to prepare proposals for decisions at the Annual General Meeting in 2014 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 2014.

Shareholders can submit proposals to the nominating committee until December 3rd 2013 at: Nominating Committee, Net Entertainment NE AB, Luntmakargatan 18, SE-111 37 Stockholm, Sweden and nomination@netent.com. The nominating committee's proposal will be published at the latest in connection with the notice for the Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on April 24 2014.

PRESENTATION OF INTERIM REPORT

On Tuesday, October 22 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.

FINANCIAL INFORMATION

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

Earnings report and report for the fourth quarter 2013	February 13, 2014
Interim report January-March 2014	April 23, 2014
Annual General Meeting 2014	April 24, 2014
Interim report January-June 2014	July 11, 2014
Interim report January-September 2014	October 23, 2014
Earnings report and report for the fourth quarter 2014	February 12, 2015

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

The Board of Directors and the CEO certify that the interim report gives a true and fair view of the operations, position, and results of the Group and parent company and describes principal risks and uncertainties facing the Company and Group companies.

Stockholm October 21, 2013

Vigo Carlund
Chairman of the Board

Fredrik Erbing
Board Member

Mikael Gottschlich
Board Member

Peter Hamberg
Board Member

Michael Knutsson
Board Member

Pontus Lindwall
Board Member

Maria Redin
Board Member

Per Eriksson
President and CEO

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LEGAL DISCLAIMER

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

PUBLICATION

The information in this interim report is such information that Net Entertainment NE AB (publ) is required to publicly disclose under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on October 22, 2013 at 7.30 am.

AUDITORS' REVIEW REPORT

INTRODUCTION

We have reviewed the interim report for Net Entertainment NE AB (publ) for the period 1 January – 30 September 2013. The Board of Directors and the Chief executive officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

Stockholm 21 October 2013
Deloitte AB

Therése Kjellberg
Authorized Public Accountant

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

INCOME STATEMENTS	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012	Jan-Dec 2012
Revenues	152,485	121,918	449,234	380,994	525,518
Other revenues	650	554	1,364	1,000	1,153
Total operating revenues	153,135	122,472	450,598	381,994	526,671
Personnel expenses	-45,214	-36,209	-141,243	-114,915	-161,225
Depreciation, amortization and impairments	-26,853	-19,015	-74,356	-53,286	-74,257
Other operating expenses	-36,572	-31,151	-110,845	-97,985	-138,132
Total operating expenses	-108,639	-86,375	-326,444	-266,186	-373,614
Operating profit	44,495	36,097	124,154	115,808	153,057
Financial items	-817	-1,978	-1,267	-2,030	-1,794
Profit before tax	43,678	34,119	122,887	113,778	151,263
Tax on the period's profit	-4,327	-3,302	-11,824	-11,586	-18,008
Profit for the period	39,351	30,817	111,063	102,191	133,255
Earnings per share before dilution (SEK)	0.99	0.78	2.81	2.58	3.37
Earnings per share after dilution (SEK)	0.99	0.78	2.80	2.58	3.37
Average number of shares					
- before dilution	39,553,716	39,553,716	39,553,716	39,553,716	39,553,716
- after dilution	39,695,377	39,573,407	39,665,648	39,553,716	39,553,716
Operating margin	29.1%	29.5%	27.6%	30.3%	29.1%
Effective tax rate	9.9%	9.7%	9.6%	10.2%	11.9%
Profit for the period attributable to parent company shareholders	39,351	30,817	111,063	102,191	133,255
STATEMENTS OF TOTAL INCOME					
Profit for the period	39,351	30,817	111,063	102,191	133,255
Other total income					
Items that may be reclassified to net income*					
Exchange differences arising from the translation of foreign operations	-2,393	-7,880	2,080	-10,412	-4,301
Sum of other total income for the period, net after tax	-2,393	-7,880	2,080	-10,412	-4,301
Total income for the period	36,958	22,937	113,143	91,779	128,954

*See more information under Accounting Policies

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	2013-09-30	2012-09-30	2012-12-31
Intangible assets	189,660	158,003	167,246
Property, plant, and equipment	54,782	49,778	49,129
Total non-current assets	244,442	207,781	216,375
Accounts receivable	10,611	5,625	16,818
Other receivables	41,364	30,842	59,666
Prepaid expenses and accrued revenues	69,258	55,824	63,698
Funds held on behalf of licensees	67,063	87,667	114,034
Cash and cash equivalents	61,061	57,456	81,230
Total current assets	249,357	237,414	335,446
TOTAL ASSETS	493,799	445,195	551,821

EQUITY AND LIABILITIES	2013-09-30	2012-09-30	2012-12-31
Share capital	1,191	1,191	1,191
Other capital contributed	41,624	41,624	41,624
Reserves	-9,690	-17,881	-11,770
Retained earnings including profit for the period	279,572	226,440	257,505
Total equity	312,697	251,374	288,550
Deferred tax liability	9,203	3,183	9,157
Total long-term liabilities	9,203	3,183	9,157
Liabilities to credit institutions	-	-	1,874
Accounts payable	21,955	23,137	28,650
Current tax liabilities	10,231	11,717	9,537
Other liabilities	96,885	116,222	172,357
Accrued expenses and prepaid revenues	42,828	39,562	41,696
Total current liabilities	171,899	190,638	254,114
TOTAL EQUITY AND LIABILITIES	493,799	445,195	551,821

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012	Jan-Dec 2012
Operating profit	44,495	36,097	124,154	115,808	153,057
<i>Adjustment for items not included in cash flows:</i>					
Depreciation, amortization and impairments	26,853	19,015	74,356	53,286	74,257
Other	-2,853	-2,190	-807	-1,739	-1,550
Interest received	16	-	193	-	204
Interest paid	-136	-63	-563	-289	-552
Tax paid	-2,035	-2,204	-11,239	-16,007	-17,187
Cash flows from operating activities before changes in working capital	66,340	50,657	186,094	151,060	208,229
Changes in working capital	-10,936	-2,591	-14,581	-2,329	-12,807
Cash flows from operating activities	55,404	48,066	171,513	148,731	195,422
Acquisition of intangible assets	-23,519	-19,948	-77,073	-71,125	-90,980
Acquisition of property, plant, and equipment	-9,036	-6,849	-23,839	-16,321	-20,597
Cash flows from investing activities	-32,555	-26,798	-100,912	-87,446	-111,577
Utilized line of credit	-	-	-1,874	-	1,874
Transfer to shareholders	-	-	-88,996	-79,107	-79,107
Received premium for share option rights	-	-	-	720	720
Cash flows from financing activities	-	-	-90,870	-78,387	-76,513
Cash flow for the period	22,849	21,268	-20,269	-17,102	7,332
Cash and cash equivalents at beginning of period	37,577	36,546	81,230	74,234	74,234
Exchange rate differences in cash and cash equivalents	635	-358	100	324	-336
Cash and cash equivalents at end of period	61,061	57,456	61,061	57,456	81,230

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-Sep	-	-	-10,412	102,190	91,778
Closing equity 2012-09-30	1,191	41,624	-17,881	226,440	251,374

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
Transfer to shareholders	-	-	-	-88,996	-88,996
Total income for the period Apr-Jun	-	-	10,267	38,839	49,106
Total income for the period Jul-Sep	-	-	-2,393	39,351	36,958
Closing equity 2013-09-30	1,191	41,624	-9,690	279,572	312,697

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

CONSOLIDATED KEY DATA AND FIGURES

	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012	Jan-Dec 2012
Operating revenues (SEK thousands)	153,135	122,472	450,598	381,994	526,671
Operating euro based revenues (EUR thousands)	17,632	14,565	52,505	43,750	60,500
Operating margin (percent)	29.1	29.5	27.6	30.3	29.1
Profit margin (percent)	28.5	27.9	27.3	29.8	28.7
EBITDA margin (percent)	46.6	45.0	44.1	44.3	43.2
Return on shareholders' equity, roll 12 months (percent)	47.7	56.1	47.7	56.1	50.6
Equity/assets ratio (percent)	63.3	56.5	63.3	56.5	52.3
Quick ratio (percent)	145.1	122.5	145.1	122.5	132.0
Net interest-bearing liabilities (SEK thousands) ¹	-61,061	-57,456	-61,061	-57,456	-79,356
Net debt/equity ratio (multiple)	-0.2	-0.2	-0.2	-0.2	-0.3
Average number of employees	329	251	321	244	257
Employees at period's end	333	265	333	265	301
Employees and external resources at period's end	436	376	436	376	403
Earnings per share before dilution	0.99	0.78	2.81	2.58	3.37
Earnings per share after dilution	0.99	0.78	2.80	2.58	3.37
Equity per share (SEK)	7.91	6.36	7.91	6.36	7.30
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	39,695,377	39,573,407	39,665,648	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	40,021,810	39,906,816	40,021,810	39,906,816	39,906,816

¹ A negative figure means that the Group has a net cash position (positive cash flow and no interest-bearing liabilities)

CONSOLIDATED KEY DATA AND FIGURES BY QUARTER

	2013				2012				2011
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating revenues (SEK millions)	153.1	148.7	148.8	144.7	122.5	132.0	127.5	121.1	111.4
Operating eurobased revenues (EUR millions)	17.6	17.4	17.5	16.8	14.6	14.9	14.3	13.3	12.2
Operating profit (SEK million)	44.5	38.7	41.0	37.2	36.1	39.6	40.1	42.2	34.0
Operating margin (percent)	29.1	26.0	27.5	25.7	29.5	30.0	31.4	34.9	30.5
EBITDA-margin (percent)	46.6	42.8	42.7	40.2	45.0	43.4	44.5	46.9	41.6
Growth SEK vs prior year (percent)	25.0	12.6	16.7	19.5	9.9	32.2	33.9	21.6	21.7
Growth EUR vs prior year (percent)	21.1	16.8	22.3	25.9	19.7	34.2	32.7	23.1	24.1
Growth in SEK vs prior quarter (percent)	3.0	0.0	2.8	18.1	-7.3	3.5	5.3	8.7	11.6
Growth in EUR vs prior quarter (percent)	1.5	-0.8	4.5	15.0	-2.1	3.9	7.6	9.3	9.8
Cash and cash equivalents (excl. funds held on behalf of licensees)	61.1	37.6	117.2	81.2	57.5	36.5	84.9	74.2	50.0
Funds held on behalf of licensees	67.1	31.5	54.4	114.0	87.7	24.8	36.4	87.7	25.4
Equity/assets ratio (percent)	63.3	64.2	64.0	52.3	56.5	63.1	67.1	53.8	59.7
Return on shareholders' equity roll 12 months (percent)	47.7	47.2	48.5	50.6	56.1	58.8	57.2	55.0	53.8
Net debt/equity ratio (multiple)	-0.2	-0.1	-0.4	-0.3	-0.2	-0.2	-0.3	-0.3	-0.2
Earnings per share	0.99	0.98	0.83	0.79	0.78	0.93	0.88	0.93	0.78
Equity per share (SEK)	7.91	6.97	7.98	7.30	6.36	5.78	6.87	6.02	5.23
Cashflow per share (SEK)	0.58	-2.03	0.93	0.62	-1.23	-1.23	0.26	0.63	0.60
Average number of employees	329	322	311	291	251	244	239	229	228

DEFINITIONS

Operating margin

Operating profit in relation to operating revenues.

Profit margin

Profit after financial items in relation to operating revenues.

EBITDA-margin

Operating profit excluding depreciation and amortization in relation to operating revenues.

Return on investment on shareholders' equity

Period's profit/loss (rolling twelve months) in relation to average shareholder equity for last twelve months.

Equity/assets ratio

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

Quick ratio

Current assets in relation to current liabilities.

Net interest-bearing liabilities

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

Net debt/equity ratio (multiple)

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

Average number of employees

The average number of employees during the period.

Number of employees at end of period

The number of employees at the end of the period.

Number of employees and external resources at end of period

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

Earnings per share

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

Equity per share

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

Average number of shares outstanding

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

Number of shares outstanding

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

CONDENSED PARENT COMPANY INCOME STATEMENT

INCOME STATEMENTS	Jul-Sep 2013	Jul-Sep 2012	Jan-Sep 2013	Jan-Sep 2012	Jan-Dec 2012
Operating revenues	91,434	80,389	286,664	259,620	371,101
Other external expenses	-30,706	-30,318	-102,129	-100,171	-136,707
Personnel expenses	-47,194	-41,032	-157,211	-132,848	-182,957
Depreciation and amortization	-3,303	-3,015	-9,754	-9,028	-12,153
Operating profit	10,231	6,024	17,570	17,574	39,284
Financial items	14	-1,793	1,061	-1,945	66,937
Transfer to untaxed reserves	-	-	-	-	-11,696
Profit before tax	10,245	4,231	18,631	15,629	94,525
Tax on the period's profit	-2,414	-1,346	-4,464	-4,527	-7,533
Profit for the period	7,831	2,885	14,167	11,102	86,992

STATEMENT OF TOTAL INCOME

Profit for the period	7,831	2,885	14,167	11,102	86,992
Other total income	-	-	-	-	-
Sum of other total income for the period, net after tax	-	-	-	-	-
Total income for the period	7,831	2,885	14,167	11,102	86,992

CONDENSED PARENT COMPANY BALANCE SHEET

ASSETS	2013-09-30	2012-09-30	2012-12-31
Intangible assets	9,770	-	846
Property, plant, and equipment	22,731	28,149	26,528
Shares in subsidiary	1,669	1,669	1,669
Total non-current assets	34,170	29,818	29,043
Accounts receivable	111	59	9
Receivables from Group companies	195,680	368,102	583,918
Other receivables	7,434	5,266	6,999
Prepaid expenses and accrued revenues	7,114	7,533	7,274
Cash and cash equivalents	18,981	7,757	1,174
Total current assets	229,320	388,716	599,374
TOTAL ASSETS	263,490	418,534	628,417

EQUITY AND LIABILITIES	2013-09-30	2012-09-30	2012-12-31
Share capital	1,191	1,191	1,191
Statutory reserve	38	38	38
Share premium reserve	6,735	6,735	6,735
Retained earnings	23,826	25,830	25,830
Profit for the period	14,167	11,102	86,992
Total equity	45,957	44,896	120,786
Untaxed reserves	11,696	-	11,696
Liabilities to credit institutions	-	-	1,874
Accounts payable	15,400	19,401	24,107
Liabilities to Group companies	149,040	316,278	428,818
Current tax liabilities	-	293	1,375
Other liabilities	3,370	3,217	3,696
Accrued expenses and prepaid revenues	38,027	34,449	36,065
Total current liabilities	205,837	373,638	495,935
TOTAL EQUITY AND LIABILITIES	263,490	418,534	628,417

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 South Park™ och Magic Portals™.

