

NET ENTERTAINMENT
EARNINGS REPORT 2012
QUARTERLY REPORT OCTOBER-DECEMBER 2012



NET|ENT

BETTER GAMES™

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EARNINGS REPORT 2012

QUARTERLY REPORT OCTOBER-DECEMBER 2012

FOURTH QUARTER 2012

- Revenues for the fourth quarter increased by 19.5 % to SEK 144.7 (121.1) million
- Operating profit amounted to SEK 37.2 (42.2) million
- Operating margin was 25.7 (34.9) %
- Profit after tax amounted to SEK 31.1 (36.6) million
- Earnings per share amounted to SEK 0.79 (0.93) before and after dilution
- Five license agreements with new customers were signed and two new customers' casinos were launched

FULL YEAR 2012

- Revenues for the full year increased by 23.2 % to SEK 526.7 (427.6) million
- Operating profit amounted to SEK 153.1 (129.7) million
- Operating margin was 29.1 (30.3) %
- Profit after tax amounted to SEK 133.3 (115.6) million
- Earnings per share amounted to SEK 3.37 (2.92) before and after dilution
- 16 license agreements were signed with new customers and 13 new customers' casinos were launched
- Proposed transfer to shareholders is SEK 2.25 (2.00) per share

IMPORTANT EVENTS IN THE FOURTH QUARTER

- Agreement was signed with Paddy Power. Boylesports and Paddy Power were launched
- Net Entertainment launched slot games on the Italian market
- Live Casino was launched with two beta customers
- The Swedish Tax Agency announced its decision to impose additional taxes on Net Entertainment, amounting to a total of 92.1 MSEK. Net Entertainment find that the Tax Agency's view is unfounded and will appeal the decision

QUOTE FROM CEO, PER ERIKSSON

- Again, Net Entertainment reached a new sales record during the quarter. I am very proud of what the Company has accomplished during the year. Among other things, we launched Live Casino, signed agreements with several Tier 1 customers and launched slot games on the Italian market. We will continue to do significant initiatives in systems, products and the organization. An increased operating margin from the initiatives the Company has made during 2012, and that will continue during 2013, are not expected to become visible until towards the fourth quarter 2013 and thereafter.

SUMMARY IN FIGURES	Oct-Dec 2012	Oct-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Operating revenues	144,677	121,096	526,671	427,618
Operating expenses	-107,429	-78,847	-373,614	-297,905
Operating profit	37,248	42,249	153,057	129,713
Operating margin	25.7%	34.9%	29.1%	30.3%
Cash flows from operating activities	46,692	56,789	195,422	203,251
Cash flows for the period	24,436	24,781	7,332	27,642
Cash and cash equivalents at end of period	81,230	74,234	81,230	74,234

COMMENTS FROM PER ERIKSSON, PRESIDENT AND CEO

Yet again Net Entertainment reached a new sales record during the fourth quarter and I am very proud of what the Company has accomplished during 2012. Revenues increased by 19.5 percent (25.9 percent in euros) during the fourth quarter and the activity among the Company's customers also reached an all-time high with 3.6 billion gaming transactions, an increase of approximately 38 percent compared to last year. The fourth quarter is traditionally the strongest compared to other quarters and the revenues were also positively affected by the jackpot game Mega Fortune which reached a new world jackpot record of EUR 17.8 million.

Despite this, the operating margin was lower in the fourth quarter compared to previous quarters. This is a result of the significant initiatives the Company is making within the organization, within new products and markets. In addition, several initiatives are still in the early stages, such as Live Casino and the UK entry.

From an operational perspective the fourth quarter was a milestone as several of the largest projects to date were completed and launched with our customers. One of the largest projects was Live Casino where beta testing started with two customers during November. Initially Roulette is offered; however, development of Blackjack has already started and is planned to be completed around mid-2013. So far, the Company has signed eleven agreements for delivery of Net Entertainment's Live Casino and launch is expected to occur gradually during the year. Another significant project was the final certification of the Danish market.

Mobile games have proved to be a successful initiative and the demand from the market continues to be high. On average, the gross gaming yield for mobile games increased by approximately 37 percent per month during 2012; however, starting from low levels as only ten games have been launched to date. At the end of 2013 the number of mobile customers is expected to amount to approximately 40.

Net Entertainment has a strong position on the market, particularly in Europe where the market share increased from 22 percent to 27 percent in 2012 despite the fact that the Company has only just started to penetrate the UK market where the Company today has a low market share. We launched two new Tier-1 customers during the fourth quarter, Boylesports and Paddy Power Games, both with a high presence in the UK. During January 2013 we also signed an agreement with 888, also a Tier-1 customer with a focus on the UK.

Regulated markets are something we focus on and several countries in Europe are moving towards regulation. To date, Net Entertainment has adjusted the Company's platform and games for the Italian and Danish regulations and we are carefully monitoring the potential in other markets that are looking at regulation. We believe regulation creates opportunities for increased volumes for Net Entertainment as our customers reach more players. Moreover, regulation also presents challenges for smaller companies trying to establish themselves due to the high investments that are required in each country. This benefits Net Entertainment as we have both the knowledge and financial strength to meet the challenges of regulated markets. However the Company views each new regulated market individually based on the authorities' requirements and commercial market potential.

2013 will be an intense year. We will continue to make significant investments in systems, products and the organization. Sales activities will continue to be focused towards operators in the UK but also towards existing customers for mobile games and Live Casino. I look forward to new challenges and opportunities during 2013.

FUTURE OUTLOOK

GROWTH

Net Entertainment has several interesting product initiatives and customer deals that have recently been launched on the market. These initiatives are expected to generate noticeable revenues for the Company, however not until they reach full capacity.

Live Casino is in an early phase and is currently available with two operators on a very limited number of markets. Launch on additional markets and customers will take place gradually during 2013 and thereafter.

Initially, the delivery of games to UK operators is limited but additional games will be launched gradually during the year. 888 was the latest addition of operators and is expected to launch during the second half of 2013.

We have seen a positive development in Italy from the slot games that were launched during December but it takes some time for the players to find the games with the operators. The Company will launch additional games during 2013.

Long term the outlook for continued high growth is positive driven by both existing customers' growth and above mentioned strategic initiatives.

COSTS AND INVESTMENTS

Net Entertainment's market is constantly changing and the Company has a continued need to strengthen the organization through further recruitment and investments in internal support systems to meet a growing customer base, high demand for the Company's products and demands from regulated markets. An increased number of customers and rules on different markets also set higher demands on Net Entertainment's operations to manage an increasing number of transactions and more players, which lead to increased costs.

Larger development projects during 2013 include development of blackjack for Live Casino, further platform enhancements and adjustments for certain operators in the UK that have a complex platform architecture.

Overall, the investments in the organization and product development will enable continued competitiveness and growth. An increased operating margin from the efforts made during 2012 and that will continue during 2013 is not expected to be visible until towards the fourth quarter 2013 and thereafter. Until then, the Company's operating margin is expected to remain around the same levels as in the fourth quarter 2012.

NEW AGREEMENTS AND CUSTOMERS

During the fourth quarter five new agreements were signed with new customers, including Paddy Power Games.

Paddy Power is an international operator within betting and games with a large presence in Ireland and the UK. Paddy Power offers over 260 games within online betting, blackjack, roulette, video poker and jackpot games. The company is listed on the London Stock Exchange and Irish Stock Exchange and had revenues amounting to EUR 499 million in 2011.

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

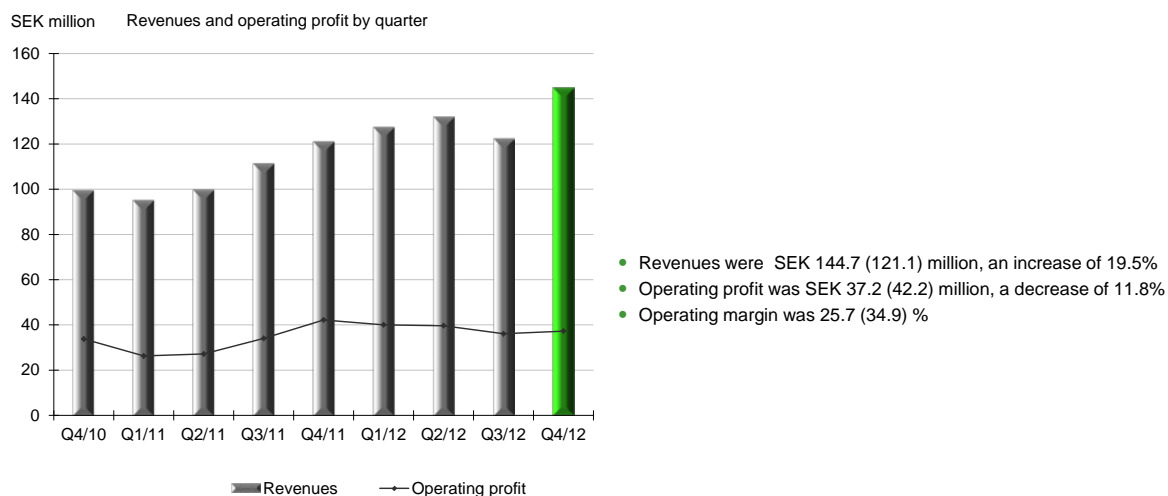
CUSTOMERS TO BE LAUNCHED

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

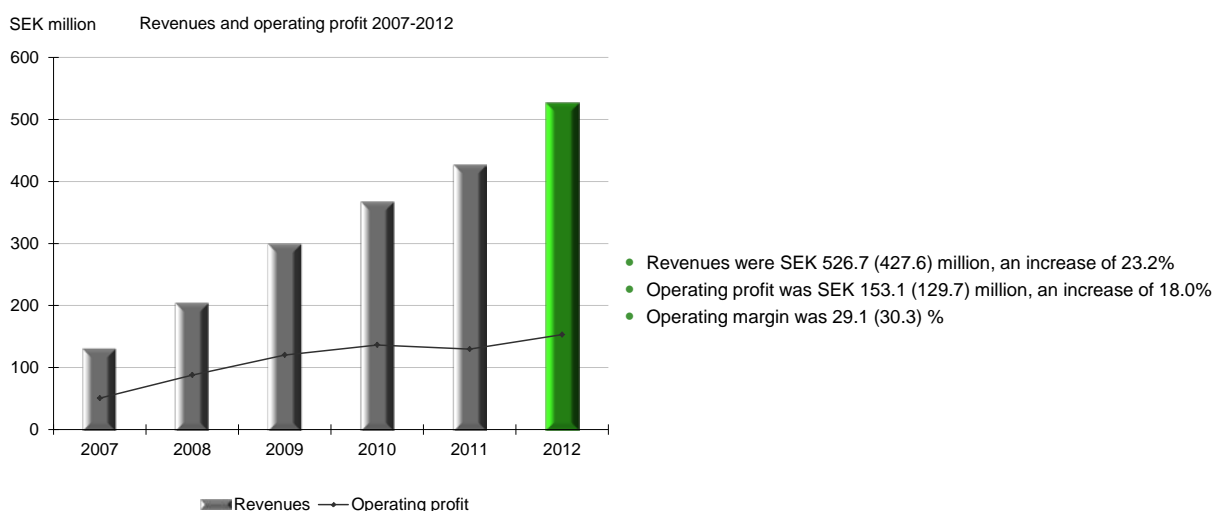
Sky Betting & Gaming is focused on the UK market. Sky Betting & Gaming has a broad offering of services within betting and games via SkyBet, SkyPoker, SkyVegas and SkyBingo. The Company is licensed in Alderney and is owned by BskyB Group PLC.

REVENUES AND PROFITABILITY

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



Revenues and operating profit for the last six years is presented below.



REVENUES – VOLUME, PRICE AND CURRENCY DEVELOPMENT

Net Entertainment's revenues are affected by changes in volume, price (royalty levels and mix), and currency. The volume is affected by both existing customers' growth as well as the launch of new customers. The largest part of revenues is derived from royalty revenues and a smaller part from setup-fees as new customer agreements are signed as well as revenues for managing pooled jackpots. Revenues amounted to SEK 144.7 (121.1) million during the fourth quarter, an increase of 19.5 percent compared to the corresponding period 2011. For the full year 2012 revenues amounted to SEK 526.7 (427.6) million which was an increase of 23.2 percent. 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. Two new customer's casinos were launched during the quarter. During the most recent twelve month period, 13 new customers have been launched. Royalty revenues were positively affected by higher volumes compared to the corresponding period last year. The average royalty level has also increased during the quarter compared to the previous year.

Revenues are affected by the development of the Swedish currency in relation to other currencies. The majority of revenues are invoiced in Euros, but also in British pounds and US dollars. Revenues are accounted for in Euros and then translated into the Swedish Krona for the Group's reporting. During the fourth quarter 2012, the Swedish Krona strengthened by 5.1 percent towards the Euro compared to the same period 2011 and was weakened by 2.2 percent compared to previous quarter. For the full year 2012 the Krona was 3.6 percent stronger than in 2011. In Euros, revenues increased by 25.9 percent for the fourth quarter compared to the corresponding period last year and by 28.0 percent for the full year 2012.

The number of game transactions amounted to 3.6 billion during the fourth quarter, which is an increase of approximately 38 percent compared to previous year. During 2012 Net Entertainment managed 12.3 billion transactions which is an increase of 43 percent. The increase of the number of game transactions has primarily been within the slot games. Since the bet per transaction is lower for slot games compared to other casino games the revenues do not follow a corresponding development as the number of game transactions.

COSTS AND PROFITABILITY

Operating profit for the fourth quarter decreased by 11.8 percent to SEK 37.2 (42.2) million. The operating margin amounted to 25.7 percent compared to 34.9 percent the previous year. For the full year the operating profit increased by 18.0 percent to SEK 153.1 (129.7) million. The operating margin was 29.1 percent during 2012 compared to 30.3 percent the previous year.

The fourth quarter is normally a period of high activity within all areas of the business. The start of Live Casino affected the Company's operating expenses related to the live studio in Malta with personnel, rent and other operating costs. The quarter's costs were also affected by certification in Denmark and slot games in Italy. In addition, a lower share of ongoing projects being capitalized than previous quarters during the year affected costs as they were reported as a cost instead of being capitalized as intangible assets in the balance sheet. A pre-study was also carried out for a new ERP system which resulted in higher costs for the quarter.

Operating expenses have increased during 2012 compared to previous year due to the Company's expansion and strengthening of the organization to meet increased demands from the market and authorities and Live Casino. The strengthening of the organization is enabled mainly through own personnel but also through external recourses in the form of subcontractors and outsourcing outside Europe. The increase of personnel, game transactions, the number of markets and customers affect e.g. certification of new games on regulated markets, hosting costs, license costs and hardware purchases. The establishment in Kiev, Gothenburg and the Live Casino studio in Malta also affect the cost levels, as do increased depreciation and amortization. Depreciation, amortization and impairments increased by 62.1 percent during 2012 compared to 2011 and is primarily a natural result of the increased investment pace during recent years. During the year impairments amounted to a total of SEK 1.3 million and is attributable to a number of games that were terminated. Amortization of development projects are linear with equal amounts each month from the launch date while revenues increase gradually which means that the positive margin effect from primarily larger projects within new markets such as Italy and Denmark and new products such as mobile games can take some time. The financial net amounted to SEK 0.2 (-2.0) million for the fourth quarter and SEK -1.8 (-0.7) million for the full year. The financial net primarily 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 17.1 (8.9) percent in the fourth quarter and 11.9 (10.4) percent for the full year. Of the total tax for the year amounting to SEK 18.0 million, SEK 5.9 million refers to deferred tax expense. The effective tax rate is mainly affected by in which country where the Group conducts operations where the profit is generated and can vary between reporting periods.

INVESTMENTS

The Group's expenditure for capitalized development projects as intangible assets amounted to SEK 19.9 (22.9) million during the fourth quarter and SEK 91.0 (77.5) million for the full year. Investments in property, plant, and equipment amounted to SEK 4.3 (9.1) million in the fourth quarter and SEK 20.6 (21.5) million for the full year.

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 Live Casino project, establishment on the British and Danish market and adjustments of games for the mobile market were noticeable to mention a few examples. These projects represented approximately 63 percent of the total investments in intangible assets during the fourth 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 fourth quarter amounted to SEK 46.7 (56.8) million. For the full year 2012 the cash flow from operating activities amounted to SEK 195.4 (203.3) million, which is a decrease of SEK 7.8 million. During 2011, the date at which the transfer of accrued jackpot balance from the Group's own cash to the client fund account occurs was postponed which had a positive non-recurring impact on cash flow of SEK 33.5 million in 2011. Excluding this non-recurring effect, cash flow from operating activities was thus improved during 2012 by 25.6 million.

Cash flow from investing activities amounted to SEK -24.1 (-32.0) million for the fourth quarter and for the full year 2012 to -111.6 (-99.0) million. Further development of the mobile platform, Live Casino and the entry on the British and Danish market were some of the contributing factors to the increased investing activities compared to previous year.

Cash flow from financing activities was SEK 1.9 (-) for the fourth quarter and -76.5 (-76.6) for the full year 2012 and mainly consisted of transfer to shareholders amounting to SEK 79.1 million according to decision made on the Annual General Meeting on April 18, 2012.

The Group's cash and cash equivalents amounted to SEK 81.2 (74.2) million on December 31. The Group's available credit lines amounted to SEK 40.0 million of which SEK 1.9 million had been used on December 31. The Group does not apply a so-called cash pool with automatic transfer of the Group's liquidity to the parent company, which leads to short-term use of credit lines may occur in the parent company, although the liquidity of the Group as a whole is good.

MARKET

The online gaming market has shown positive growth in recent years. The global gross gaming yield for online gaming, including all game segments, is estimated to amount to EUR 26.2 billion in 2012, an increase of 6.7 percent compared to year 2011. In coming years, Europe is expected to represent close to half of the global gross gaming yield, making it the single largest gaming market.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.

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

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

Spain has introduced a federal gaming legislation. The first licenses were awarded in June 2012. The different states can however admit their own gaming legislation for online gaming. Slots are not yet included in the federal legislation but the gaming authority has started to investigate the operators view on whether slots should be included.

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

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

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

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

Online gaming was regulated in Greece during 2011 with the purpose to improve Greece finances. Focus during 2012 has therefore been to get the operators to pay tax but it is still not possible to apply for a license in the new regulation. Some operators have agreed to pay a retroactive tax from 2010 and may therefore act under a temporary permission. The new gaming legislation has been criticized by the EU-commission.

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

In the US political initiatives are ongoing on a state level to introduce a new regulation of online gaming. State activity during 2012 has likely been affected by the Department of Justice that have changed their view regarding the Wire Act of 1961 to now only include sports betting which could open up for other types of games such as casino and poker. Nevada and Delaware have already regulated online gaming in some form but also US Virgin Islands, New Jersey and California are trying to introduce new gaming laws.

¹ H2 Gaming Capital, December 2012

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

The majority of Net Entertainment's customers are located in Europe, which is the largest geographical market for online gaming. The Company will continue to focus on the European market, but at the same time monitor new potential markets, primarily in North America but also Asia.

EVENTS AFTER THE END OF THE PERIOD

Net Entertainment signed an agreement in January 2013 with one of the largest and most reputable gaming operators in the world, 888 Holdings Public Limited Company (888). Under the terms of the agreement Net Entertainment will supply a wide range of its leading online and mobile casino content to 888's global casino and bingo verticles, including the regulated Italian market. 888's B2C revenues amounted to EUR 284 million year 2011 where casino represented approximately 52 percent.

Net Entertainment signed an agreement in February 2013 with Bonza Gaming, a joint venture between social gaming publisher Plumbee and online gaming operator Sportingbet. Under the terms of the agreement Net Entertainment will deliver a wide range of slot and casino games to Bonza Gaming, who in turn will offer real money gaming to Facebook users through their first application Bonza Slots.

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 301 versus 231 people one year ago. Including external recourses such as dedicated persons with contract suppliers and subcontractors, Net Entertainment employed 403 (324) 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. 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. 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.

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. 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.

PROGRAM 2009-2012

The Annual General Meeting in April 2009 resolved to introduce a long-term incentive program intended for management and key employees within Net Entertainment. The strike price for the shares was determined to SEK 71.70 and subscription of shares was made during the period May 15 to July 15, 2012. No shares were subscribed for during this period as the share price did not exceed the strike price and all share option rights were therefore unused. There are thus no outstanding share option rights at the end of the quarter for this program.

PARENT COMPANY

The parent company's revenues for the fourth quarter amounted to SEK 111.5 (76.9) million. The corresponding figure for 2012 was SEK 371.1 (308.1) million. Operating profit amounted to SEK 21.7 (1.8) million for the fourth quarter and SEK 39.3 (22.6) million. The operating margin was 19.5 (2.4) percent for the fourth quarter and 10.6 (7.3) percent for the full year. Currency effects on inter-company transactions are included in financial items. Profit after tax was SEK 75.9 (68.8) million for the fourth quarter and SEK 87.0 (84.8) million for the full year.

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 1.2 (25.1) million. On December 31 available credit lines amounted to SEK 40.0 million of which SEK 1.9 (-) million had been used. The Group does not apply a so-called cash pool with automatic transfer of the Group's liquidity to the parent company, which leads to short-term use of credit lines may occur in the parent company, although the liquidity of the Group as a whole is generally good.

Investments in property, plant and equipment amounted to SEK 11.5 (13.8) million for the period January-December 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.

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

Other operational risks include the Group's dependency on access to qualified employees, maintaining larger customer contracts, and protecting internally developed products, intellectual property, and contracts. Like all Internet-based services, the system can suffer from operational interruptions. These can be caused by many different reasons, and may be either within or outside of Net Entertainment's control. In case of operational interruptions, the Company's product is entirely or partially unavailable for the end user, which affects the gaming operator's income and thus the license income for Net Entertainment.

The Group's competitors and general market fluctuations naturally also affect the Company's situation. With Net Entertainment's success the Company has at various times been sued for alleged infringement of intangible rights. Although the Company has not lost in any such allegation there could be a risk for a negative effect in the future in the case a court would rule to the Company's disadvantage. Each case involves costs in varying extent for legal advisors.

FINANCIAL RISKS AND TAXES

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

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

After a tax audit in Net Entertainment NE AB concerning fiscal years 2007-2010, the Swedish Tax Agency has announced its decision to impose additional taxes on Net Entertainment in the amount of approximately SEK 92.1 million. The Swedish Tax Agency states in its' decision that the transfer pricing that has been applied between the Swedish based parent company Net Entertainment NE AB and the Malta-based operations is not motivated. Thus, the Swedish Tax Agency gives certain agreements between companies within the Net Entertainment Group a different legal interpretation and economic substance than what Net Entertainment and its expert advisors do. Net Entertainment disputes the assessment that the Swedish Tax Agency has done and consequently also the amounts as it relates to the income tax adjustment and the tax surcharges. Net Entertainment insists that it has followed applicable laws for taxation of its operations, which is also supported by the experts that the Company

has consulted on the subject. The Company will appeal the Swedish Tax Agency's decision. Net Entertainment does not currently see grounds to make a provision in the accounts for possible additional taxes related to this matter. The figure SEK 92.1 million will be reported as a contingent liability in the annual report for 2012.

NOMINATING COMMITTEE

In accordance with the principles resolved by the Annual General Meeting 2012 for appointment of nominating committee, Per Hamberg (appointed by the Hamberg family), Christoffer Lundström (Provobis Invest AB) and Martin Wattin (Kling family) have been appointed to, together with the Chairman of the Board of Directors Vigo Carlund, form nominating committee for the Annual General Meeting 2013.

The nominating committee is to prepare proposals for decisions at the Annual General Meeting in 2013 as regards the Chairman of the meeting, Chairman and other members of the Board of Directors, auditor when applicable, remuneration for the Board of Directors and auditor, and principles for appointment of the nominating committee. The period in office of the nominating committee runs until a new nominating committee is appointed in accordance with decisions on appointment of a nominating committee at the annual general meeting in 2013.

PROPOSED DIVIDEND

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

ANNUAL GENERAL MEETING

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

PRESENTATION OF EARNINGS REPORT

On Thursday, February 14 at 9.00 the report will be presented by CEO Per Eriksson at the Company's office at Luntmakargatan 18 in Stockholm. The presentation can be followed live via webcast on Net Entertainment's website www.netent.com.

FINANCIAL INFORMATION

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

Annual report available on website	Week 14
Interim report January-March 2013	April 25, 2013
Annual General Meeting	April 25, 2013
Interim report January-June 2013	July 12, 2013
Interim report January-September 2013	October 24, 2013
Earnings report and report for the fourth quarter 2013	February 13, 2014

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

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 February 13, 2013

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

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

LEGAL DISCLAIMER

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

PUBLICATION

The information in this earnings 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 February 14, 2013 at 7.30 am.

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

INCOME STATEMENTS	Okt-Dec 2012	Okt-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Revenues	144,524	120,868	525,518	426,838
Other revenues	153	228	1,153	780
Total operating revenues	144,677	121,096	526,671	427,618
Personnel expenses	-46,311	-35,244	-161,225	-146,547
Depreciation, amortization and impairments	-20,971	-14,521	-74,257	-45,823
Other operating expenses	-40,147	-29,082	-138,132	-105,535
Total operating expenses	-107,429	-78,847	-373,614	-297,905
Operating profit	37,248	42,249	153,057	129,713
Financial items	238	-2,021	-1,794	-719
Profit before tax	37,486	40,228	151,263	128,994
Tax on the period's profit	-6,422	-3,592	-18,008	-13,380
Profit for the period	31,064	36,636	133,255	115,614
<i>Earnings per share before dilution (SEK)</i>	0.79	0.93	3.37	2.92
<i>Earnings per share after dilution (SEK)</i>	0.79	0.93	3.37	2.92
Average number of shares				
- before dilution	39,553,716	39,553,716	39,553,716	39,553,716
- after dilution	39,559,548	39,553,716	39,553,716	39,553,716
Operating margin	25.7%	34.9%	29.1%	30.3%
Effective tax rate	17.1%	8.9%	11.9%	10.4%
Profit for the period attributable to parent company shareholders	31,064	36,636	133,255	115,614
STATEMENTS OF TOTAL INCOME				
Profit for the period	31,064	36,636	133,255	115,614
Other total income				
Exchange differences arising from the translation of foreign operations	6,111	-5,637	-4,301	-911
Sum of other total income for the period, net after tax	6,111	-5,637	-4,301	-911
Total income for the period	37,175	30,999	128,954	114,703

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	2012-12-31	2011-12-31
Intangible assets	167,246	133,142
Property, plant, and equipment	49,129	50,412
Total non-current assets	216,375	183,554
Accounts receivable	16,818	3,680
Other receivables	59,666	38,473
Prepaid expenses and accrued revenues	63,698	54,788
Funds held on behalf of licensees	114,034	87,689
Cash and cash equivalents	81,230	74,234
Total current assets	335,446	258,864
TOTAL ASSETS	551,821	442,418

EQUITY AND LIABILITIES	2012-12-31	2011-12-31
Share capital	1,191	1,191
Other capital contributed	41,624	40,904
Reserves	-11,770	-7,469
Retained earnings including profit for the period	257,505	203,357
Total equity	288,550	237,983
Deferred tax liability	9,157	3,373
Total long-term liabilities	9,157	3,373
Liabilities to credit institutions	1,874	-
Accounts payable	28,650	33,498
Current tax liabilities	9,537	15,139
Other liabilities	172,357	118,710
Accrued expenses and prepaid revenues	41,696	33,715
Total current liabilities	254,114	201,062
TOTAL EQUITY AND LIABILITIES	551,821	442,418

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Okt-Dec 2012	Okt-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Operating profit	37,248	42,249	153,057	129,713
<i>Adjustment for items not included in cash flows:</i>				
Depreciation, amortization and impairments	20,971	14,521	74,257	45,823
Other	191	-2,129	-1,550	-430
Interest received/paid	-60	219	-348	254
Tax received/paid	-1,180	162	-17,187	-6,060
Cash flows from operating activities before changes in working capital	57,170	55,022	208,229	169,300
Changes in working capital	-10,478	1,767	-12,807	33,951
Cash flows from operating activities	46,692	56,789	195,422	203,251
Capitalized intangible assets	-19,854	-22,906	-90,980	-77,539
Acquisition of property, plant, and equipment	-4,276	-9,102	-20,597	-21,505
Cash flows from investing activities	-24,130	-32,008	-111,577	-99,044
Utilized line of credit	1,874	-	1,874	-
Transfer to shareholders	-	-	-79,107	-79,107
Received premium for share option rights	-	-	720	2,542
Cash flows from financing activities	1,874	-	-76,513	-76,565
Cash flow for the period	24,436	24,781	7,332	27,642
Cash and cash equivalents at beginning of period	57,456	50,040	74,234	47,034
Exchange rate differences in cash and cash equivalents	-662	-587	-336	-442
Cash and cash equivalents at end of period	81,230	74,234	81,230	74,234

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
Transfer to shareholders	-	-	-	-79,107	-79,107
Premium received for share option rights	-	2,542	-	-	2,542
Total income for the period Jan-Dec	-	-	-911	115,614	114,703
Closing equity 2011-12-31	1,191	40,904	-7,469	203,357	237,983

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

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

CONSOLIDATED KEY DATA AND FIGURES

	Okt-Dec 2012	Okt-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Operating revenues (SEK thousands)	144,677	121,096	526,671	427,618
Operating euro based revenues (EUR thousands)	16,750	13,314	60,500	47,281
Operating margin (percent)	25.7	34.9	29.1	30.3
Profit margin (percent)	25.9	33.2	28.7	30.2
EBITDA margin (percent)	40.2	46.9	43.2	41.0
Return on shareholders' equity (percent)	50.6	55.0	50.6	55.0
Equity/assets ratio (percent)	52.3	53.8	52.3	53.8
Quick ratio (percent)	132.0	128.7	132.0	128.7
Net interest-bearing liabilities (SEK thousands) ¹	-79,356	-74,234	-79,356	-74,234
Net debt/equity ratio (multiple)	-0.3	-0.3	-0.3	-0.3
Average number of employees	291	229	257	220
Employees at period's end	301	231	301	231
Employees and external resources at period's end	403	324	403	324
Earnings per share before and after dilution	0.79	0.93	3.37	2.92
Equity per share (SEK)	7.30	6.02	7.30	6.02
Average number of outstanding shares before dilution	39,553,716	39,553,716	39,553,716	39,553,716
Average number of outstanding shares after dilution	39,559,548	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
Number of outstanding shares at the period's end after dilution	39,906,816	39,553,716	39,906,816	39,553,716

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

CONSOLIDATED KEY DATA AND FIGURES BY QUARTER

	2012				2011				2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating revenues (SEK millions)	144.7	122.5	132.0	127.5	121.1	111.4	99.9	95.2	99.6
Operating eurobased revenues (EUR millions)	16.8	14.6	14.9	14.3	13.3	12.2	11.1	10.7	10.8
Operating profit (SEK million)	37.2	36.1	39.6	40.1	42.2	34.0	27.2	26.3	33.8
Operating margin (percent)	25.7	29.5	30.0	31.4	34.9	30.5	27.2	27.6	33.9
EBITDA-margin (percent)	40.2	45.0	43.4	44.5	46.9	41.6	37.2	37.0	43.2
Growth SEK vs prior year (percent)	19.5	9.9	32.2	33.9	21.6	21.7	12.0	8.3	16.6
Growth EUR vs prior year (percent)	25.9	19.7	34.2	33.5	23.1	24.1	19.9	21.3	31.7
Growth in SEK vs prior quarter (percent)	18.1	-7.3	3.5	5.3	8.7	11.6	4.8	-4.4	8.8
Growth in EUR vs prior quarter (percent)	15.0	-2.1	3.9	7.6	9.3	9.8	3.4	-0.8	10.2
Cash and cash equivalents (excl. funds held on behalf of licensees)	81.2	57.5	36.5	84.9	74.2	50.0	26.1	71.7	47.0
Funds held on behalf of licensees	114.0	87.7	24.8	36.4	87.7	25.4	57.5	26.2	46.4
Equity/assets ratio (percent)	52.3	56.5	63.1	67.1	53.8	59.7	53.2	69.4	65.1
Return on shareholders' equity roll 12 months (percent)	50.6	56.1	58.8	57.2	55.0	53.8	55.8	60.5	66.9
Net debt/equity ratio (multiple)	-0.3	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.3	-0.2
Earnings per share	0.79	0.78	0.93	0.88	0.93	0.78	0.64	0.58	0.73
Equity per share (SEK)	7.30	6.36	5.78	6.87	6.02	5.23	4.39	5.62	5.05
Average number of employees	291	251	244	239	229	228	223	200	179

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	Okt-Dec 2012	Okt-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Operating revenues	111,482	76,908	371,101	308,129
Other external expenses	-36,538	-30,158	-136,707	-109,469
Personnel expenses	-50,109	-42,427	-182,957	-167,148
Depreciation and amortization	-3,125	-2,511	-12,153	-8,957
Operating profit	21,710	1,812	39,284	22,555
Financial items	68,882	67,134	66,937	68,501
Transfer to untaxed reserves	-11,696	-	-11,696	-
Profit before tax	78,896	68,946	94,525	91,056
Tax on the period's profit	-3,006	-103	-7,533	-6,225
Profit for the period	75,890	68,843	86,992	84,831

STATEMENT OF TOTAL INCOME

Profit for the period	75,890	68,843	86,992	84,831
Other total income	-	-	-	-
Sum of other total income for the period. net after tax	-	-	-	-
Total income for the period	75,890	68,843	86,992	84,831

CONDENSED PARENT COMPANY BALANCE SHEET

ASSETS	2012-12-31	2011-12-31
Intangible assets	846	-
Property, plant, and equipment	26,528	27,983
Shares in subsidiary	1,669	512
Total non-current assets	29,043	28,495
Accounts receivable	9	28
Receivables from Group companies	583,918	180,224
Other receivables	6,999	8,476
Prepaid expenses and accrued revenues	7,274	6,580
Cash and cash equivalents	1,174	25,050
Total current assets	599,374	220,358
TOTAL ASSETS	628,417	248,853

EQUITY AND LIABILITIES	2012-12-31	2011-12-31
Share capital	1,191	1,191
Statutory reserve	38	38
Share premium reserve	6,735	6,015
Retained earnings	25,830	20,107
Profit for the period	86,992	84,831
Total equity	120,786	112,182
Untaxed reserves	11,696	-
Liabilities to credit institutions	1,874	-
Accounts payable	24,107	28,773
Liabilities to Group companies	428,818	69,181
Current tax liabilities	1,375	6,127
Other liabilities	3,696	3,177
Accrued expenses and prepaid revenues	36,065	29,413
Total current liabilities	495,935	136,671
TOTAL EQUITY AND LIABILITIES	628,417	248,853

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 Disco Spins™ and Elements™.

