



NETENT

NET ENTERTAINMENT
ANNUAL REPORT 2011

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Net Entertainment in brief

Net Entertainment is a leading global supplier of digitally distributed gaming systems that are used by many of the world's most successful gaming operators. The Net Entertainment Casino™ is a complete gaming system that includes a full range of high quality games and a powerful administration tool. The game creates the ultimate gaming experience for the player, while the administrative tool makes it possible for Net Entertainment's customers and operators to optimize their business and profitability. The operators receive a customized solution offering an efficient launch of Net Entertainment's product portfolio.

LEGAL DISCLAIMER

This annual report contains predictive statements, and actual results may differ significantly from those anticipated. In addition to the factors discussed, the actual results may be affected by the development of customers, competitors, the effect of economic and trade conditions, national and transnational laws and regulations, tax laws, the effect of copyright on computer systems, technological development, exchange rate and interest rates fluctuations and political risks.

A year of new initiatives which ensures continued sustainable growth

Net Entertainment's
revenues increased by

16%

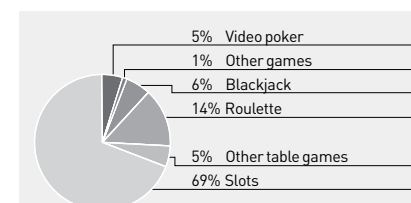
Average annual
growth since 2006

34%

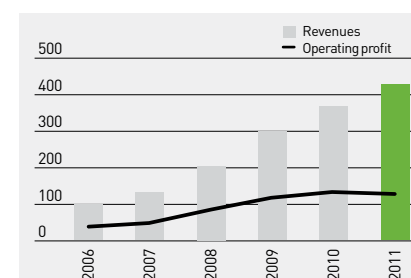
The number of gam-
ing transactions in 2011
increased by

42%

- Revenues for the full year increased by 16.1 % to SEK 427.6 (368.3) million
- Operating profit amounted to SEK 129.7 (136.4) million
- Operating margin was 30.3 (37.0) %, 31.9 % excluding costs amounting to SEK 6.7 million related to former senior executives
- Profit after tax amounted to SEK 115.6 (120.5) million
- Earnings per share amounted to SEK 2.92 (3.05) before and after dilution
- Seven new license agreements were signed, including G.Matica and Sky Betting & Gaming. Eleven new customers' casinos were launched
- Proposed transfer to shareholders is SEK 2.00 (2.00) per share



Net Entertainment's revenue split per game, 2011



Revenues and operating profit, 2006-2011 MSEK

2011

January - March

The number of gaming transactions reached an all-time high of 1.9 billion, an increase of 32 percent compared to 2010.

April - June

Net Entertainment launched Frankenstein. The first game released in collaboration with Universal Studios.

July - September

The Italian market was regulated and the game Mega Fortune paid out EUR 11.7 million, the largest online jackpot ever.

October - December

An agreement was signed with UK-based Sky Betting & Gaming, mobile games were launched and the system was adapted for establishment in Denmark. A decision was made to launch a Live Casino product around the end of 2012.

A world-class game portfolio with leading technology

”
Net Entertainment always strives to deliver the best games with maximum gaming entertainment.

Net Entertainment is a supplier of gaming systems to several of the world's largest gaming operators. In total, the Company has approximately 60 customers. The brand is characterized by quality, innovation and technology leadership. The gaming system consists of high quality casino games and an advanced administration tool. The key to success is a combination of the Company's portfolio excellence, which creates prerequisites to maximize the experience for players, and proactive account management which supports the operators by optimizing their casino business. Net Entertainment and the Company's customers, the operators, work from a partnership model where the player is the main focus. The business is based on the player finding both entertainment and excitement when they play casino, something that Net Entertainment

creates by maximizing the gaming experience by offering some of the world's most appreciated casino games. The operator can use Net Entertainment's management tool to optimize their casino business by offering bonuses and other incentives to players. When a customer agreement is signed with an operator, a set-up fee is generally paid and then a continuous percentage of the operator's casino revenue is paid to Net Entertainment. If the operator is successful, Net Entertainment is successful, and vice versa. Net Entertainment always strives to deliver the best games with maximum gaming entertainment. This is achieved by developing innovative games that match the player's profile and preferences.

Slots

Slot games are Net Entertainment's most popular games. Game titles such as Jack and the Beanstalk, Jack Hammer, Robin Hood and Frankenstein are currently some of the world's best known online casino games, created by Net Entertainment.

Table games

Table games are also very popular among players, especially Blackjack and Roulette, which have existed for several hundred years.

Video poker

Video Poker is similar to a slot game which is often appreciated among poker players. A classic five card poker game that is often played in Italy and Scandinavia.

Mini-games

Net Entertainment's mini-games are smaller versions of slot games and table games. These games are often placed on other parts of the customer's website such as in the sports section or among the poker games. This allows Net Entertainment to reach more players.

Lottery games

Net Entertainment has several varieties of scratch cards that have been well received by players. Scratch cards have grown substantially offline and have recently become popular online.

Other games

In addition to the classic casino games, Net Entertainment also offers games such as horse racing and Keno. These games are based on the same underlying random number generators and mathematical algorithms and are suitable for players who wishes for something other than the classic casino games.

Mobile games

Mobile games are the latest addition to Net Entertainment's portfolio. Now players can play casino games wherever they are; on the subway, on the bus or at home on the couch. The experience is comparable with a standard computer.

Slots



Table games



Video poker



Mini games



Lottery games



Other games



Mobile games



Success factors

Innovation and quality

Graphics, animation, sound and mathematics contribute to the entertainment and excitement, which increases the loyalty of existing players. It also increase gaming activity and attracts new players. Maximizing player experience is always the starting point when Net Entertainment develops a new game.

Optimizing the business

Through Net Entertainment's administration tool, the operator can offer bonuses, tournaments and other promotions to further enhance the entertainment value and increase player activity. The administration tool allows operators to optimize their casino operations and profits.

A powerful platform

Net Entertainment managed 8.6 billion transactions in 2011. As the industry matures, players' demands also increase and downtime is unacceptable. Net Entertainment therefore places great importance and focus on stability, availability and capacity in order to make operations even more reliable.



History

Net Entertainment originally came from the land-based casino world. When the Internet was introduced and online gaming began to take off in the mid 1990s there was no commercial casino solution on the market and Net Entertainment was founded for this purpose. The Company became a pioneer within online casino and is today among the world's largest suppliers of online casino games and systems.

- 2011 Mobile games were launched and Net Entertainment entered Italy as a regulated market
- 2010 First platinum game, Gonzo's Quest was launched
- 2009 Listing on the Nasdaq OMX Stockholm
- 2008 Four new Tier 1 operators were signed
- 2007 Spin-off from Cherry Företagen to NGM Equity
- 2005 Net Entertainment obtained a class 4 license on Malta
- 2002 Net Entertainment Casino™ was launched
- 2000 The first casino was launched
- 1996 Net Entertainment was founded



Successful initiatives to secure continued sustainable growth



Year 2011 was a year of new markets and product initiatives to secure continued sustainable growth for Net Entertainment. The market share increased to 22.4 percent during the year compared to 19.3 percent during 2010. In euros, revenues increased 22.2 percent which should be compared with approximately 9 percent for the global online casino market. Our firm focus on customer closeness, product and technology leadership has supported us in providing a great business value for our partners which has also strengthened our position as one of the industry's most prominent suppliers within online casino.

Initiatives on new markets

We have seen a rapid maturity of our industry during the past years which has led to an increase in countries wanting to regulate their local online casino market, especially in Europe. We follow the regulatory developments closely and will continue to evaluate each market from a strategic and financial perspective. In July, we were among the first to establish operations on the newly regulated Italian market which, according to external evaluators, is expected to become one of the largest markets for online gaming in Europe. Denmark regulated their local market during January 2012, and we were again one of the first to bring our portfolio of online casino games to the Danish players together with our partners.

New products

Net Entertainment launched a number of successful games during 2011 which has been well received by the players. The number of games transactions increased by 42 percent during 2011 to 8.6 billion, which is a result of our firm focus to provide our partners and their players with the ultimate gaming experience in combination with having a diversified product portfolio.

The total amount of gaming transactions achieved for 2011 corresponds to 146 times more transactions than the number of share trades on Nasdaq OMX Stockholm during 2011 which further proves the high capacity our system and platform offer.

As a commitment to further strengthening the portfolio offering to our partners we developed and launched the first mobile games according to plan by the end of 2011. Net Entertainment have put significant development focus in meeting player demands for availability, quality and usability and we are very proud of the positive feedback received from our partners and their players. During 2011 we also decided to launch our own Live Casino product which is a natural complement to our existing product portfolio, which we plan to release to the market around year-end 2012.

Customers

Net Entertainment's growth in 2011 was generated from organic growth and in total we signed seven customer agreements during 2011, including Tier 1 operators G.Matica focusing on the Italian market and Sky Betting and Gaming focusing on the UK market. Agreements were also signed with Unibet, Betsson, Bet24 and Sportingbet (including Scandicbookmaker and Danbook) for delivery of Net Entertainment's casino on the Danish market. In total, eleven new customers were launched with Net Entertainment's casino during the year.

All in all, 2011 was a fantastic year for Net Entertainment with continued strong organic growth in combination with strategic initiatives, and I am very excited about the future which holds great opportunities for the Company.

Björn Krantz

Acting President and CEO during the period August 2011 to February 2012.

Product and operational leadership will ensure an exciting future

Opportunities, growth, creativity and innovation are truly words that imbue Net Entertainment's business. The Company has experienced a fantastic journey and it is going to be a pleasure to take Net Entertainment into the future and take advantage of the opportunities. Net Entertainment will continue to set the standard on the market and drive it forward through a continued close relationship with customers combined with product and technology leadership.

Organization

The employees at Net Entertainment have made an enormous effort in recent years. Net Entertainment is a Company with strong growth, and in total the number of employees was 231 at the end of 2011 compared to 182 in 2010 which has been necessary in order to take advantage of, and realize the Company's strategic initiatives and objectives. During 2011 an extensive culture and value program was initiated which now becomes a very important base for our continued work to sustain strong growth for the future. To build a strong culture is a very important task and I look forward to engaging in the continued implementation. The gaming industry is dynamic which places further requirements to invest in the organization with an objective to secure continued profitable growth.

Regulation

The ongoing regulation of online gaming in Europe increases the demands on operators as well as suppliers which have a natural impact on how we do business. Regulation is considered to be positive for Net Entertainment and the gaming industry as a whole, and we must continue to be swift despite that so far, no common standard exists for adaption and certification of systems and games on each market. At the same time we see cost synergies between regulated markets

that vary depending on the extent of the requirements made by the authorities. Net Entertainment has the prerequisites, both organizationally and financially, to take advantage of these opportunities which will ultimately be necessary for continued success. We also follow the development of markets outside Europe, such as in North America and Asia which are considered interesting for the Company.

Future outlook

Net Entertainment is well positioned for continued positive development. The strong development of smart phones and tablets, combined with consumers' increasing demands for access and mobility makes the timing right for a launch of Net Entertainment's mobile games. Focus on quality and innovation also enables prerequisites for a positive launch of Live Casino which is expected to be released to the market around year-end 2012. Live Casino is today the fastest growing games segment within casino and is expected to contribute positively to Net Entertainment's development in the future. The Company's strategy to strengthen its position in the UK which today is Europe's largest market for online gaming stays firm and positive discussions are ongoing with leading operators on this market. To be able to deliver a broader product portfolio creates strong customer value which I am convinced will have a positive impact on both ours and our partners' future growth.

With Net Entertainment's focus on customer closeness, product and technology leadership the Company is well positioned for the future and it will be very exciting to take the Company to new ground together with our skilled and motivated employees.

Per Eriksson

President and CEO, from March 2012.



Better games



Driving the online casino market through **better games**

Net Entertainment was founded in 1996 in response to rapidly growing internet consumption and is today one of the world leaders within games and system development for online casino. Several of the world's largest gaming operators currently use Net Entertainment's casino solution. Entertainment and innovation in games development, combined with security and reliability in the Company's platform and IT operations is at the heart of the business. Net Entertainment's ambition is to be the leader in the casino industry. The Company aims to create a world class gaming portfolio combined with technology leadership which has been the key to the Company's success. Net Entertainment's offering is designed to meet the players' and operators' needs and preferences. The Company today offers more than 100 games through the Company's powerful platform, which can manage millions of transactions every day. The administration tool is designed to optimize the operator's business and manage the daily operation of the casino. Net Entertainment is constantly developing new games and features to ensure that the players stay with the operator, while new players are added to the player base.

Net Entertainment's casino

Casino games are all about entertainment and excitement, some play for fun and relaxation while others play for the chance to win money. The game portfolio can be divided into seven categories: Slots, Table Games, Video Poker, Mini Games, Lottery Games, Mobile Games and Other Games. Initially, the distribution channel has been through a standard computer, but the world has recently become increasingly mobile, and today several of Net Entertainment's

games are available via mobile phones and tablets. The games are designed to maximize the total experience for players, which has a positive effect on the operators' performance. Factors that determine the success of a game are graphics and mathematics. The graphics, animations and sound in the games contribute to the overall entertainment, and mathematics adjust the excitement in the form of how often a player wins and the size of their winnings. Finding an equilibrium in the mathematics, combined with high-quality entertainment, is the secret behind the perfect casino game.

Continuous analysis

The games are becoming ever more complex and require advanced technology and expertise. It is our ambition to lead games development and to better understand what drives players. Net Entertainment continuously analyses players via the Company's system. By understanding the players' behaviour and preferences, games can be developed that provide the optimal experience for each player segment. When the players' demands are being met, conditions are created for sustainable growth and profitability for the operator, and thus for Net Entertainment.

By recruiting the best talent within graphics and design, combined with highly educated mathematicians, Net Entertainment has created a foundation for continued success.

Net Entertainment also offers a jackpot network where the Company pools the liquidity of several operators in order to create large jackpots. Over the years, hundreds of million SEK have been paid out. In 2011, the world's single largest online jackpot ever was paid out by Net Entertainment's slot

game, Mega Fortune. The jackpot amounted to approximately SEK 107 million. The event is now recorded in the Guinness Book of Records.

The platform and management tool

Net Entertainment's platform is the foundation of the Company's system, the brain and engine, which managed 8.6 billion gaming transactions in 2011. This corresponds to 146 times the number of share trades on the Nasdaq OMX Stockholm during 2011. The platform allows for IT operations, security, games, the operators and players to interact, which is crucial for a functioning and successful casino system.

The administration tool enables the operator to optimize casino operations. Each game session must be an experience for the player. Among other things, the tool allows the operator to monitor its casino in real time and analyse the players' behaviour and preferences. With this information, the casino can then target special offers and bonuses towards players to further enhance the entertainment value and player activity.

THE WORLD IS YOURS

Service

Innovation and quality characterize all parts of the business. The Company has several account managers, whose job it is to ensure that the operator's casino is optimized. Net Entertainment's priority is the highest possible service and support for the operators. The delivery of the casino means the beginning of a long-term partnership in which the account managers help create and maintain a successful casino business. The Company makes use of a broad approach and works on all levels to assist the operators.

With extensive experience, Net Entertainment provides the operator with invaluable tips, recommendations and training to contribute to more effective marketing, evaluation of the players' behaviour, and regular monitoring. The goal is to help the operator take maximum advantage of the casino's full potential.

Mobile games

In recent years, the development of mobile phones has exploded as so-called smart phones have been introduced to the market. Over time, a shift in gaming is expected from traditional desktop and laptop computers to more gaming on tablets and mobile phones. Net Entertainment's brand is associated with quality. The strategy is to meet the high demands of the players and offer casino games via mobile phones and tablets with the same experience as on a computer. In this, Net Entertainment has been successful.



Total bets 2011

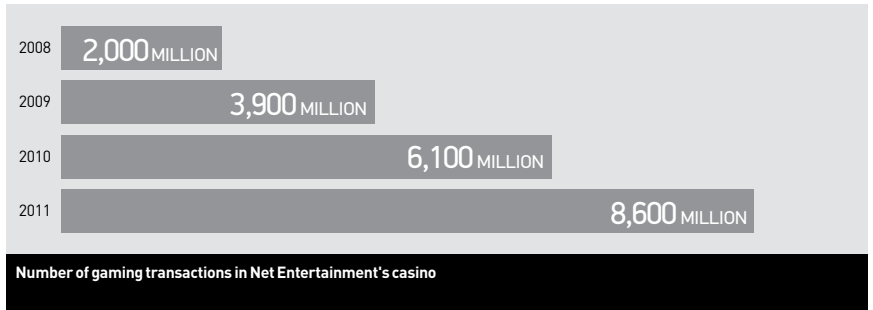
SEK 134,000,000,000

The world's largest online jackpot ever

SEK 107,000,000

Number of game transactions 2011

8,600,000,000



Success breeds success – if the operator is successful Net Entertainment is successful; and vice versa – a constant incentive to develop the world's best products.

A common interest: The player



Business concept

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

Financial objective

- Net Entertainment's objective is to grow faster than the market.
- Estimated global online casino market: 9% growth in 2011¹
- Net Entertainment's growth 2011: 16%, corresponding to 22% in local currency (Euro)

Strategy

- In order to maintain strong growth and sustainable profitability, Net Entertainment will:
- Maintain and strengthen its position as a leading casino supplier
 - Continue to focus on innovation, product quality and technology leadership
 - Add mobile games in order to increase player availability
 - Add Live Casino to compliment the existing product portfolio
 - Expand into regulated markets
 - Preserve and develop core expertise
 - Invest in order to create organizational readiness for new business opportunities
 - Maintain a strong customer closeness, with a commercial focus

Business model

Net Entertainment always strives to deliver the best games with maximum gaming entertainment. By continuously analyzing players and their behaviour games can be developed that meet players' profiles and preferences. To understand the player and customize the products based on players' wishes and needs.

To successfully achieve this objective, Net Entertainment enters into partnerships with the operators, in which the revenue model is based on the operator paying a percentage of its casino revenues to Net Entertainment; a royalty charge based on how much revenues the gaming system generates for the operator.

The delivery of high quality games that are appreciated by the player, creates value for both the operator and Net Entertainment. Net Entertainment's administration tool allows the operator to develop and maintain a successful casino operation.

Growth factors

New games and features

Net Entertainment continuously releases new high-quality games that attract new players and create incentives for existing players to stay with the operator and continue playing.

Regulation

Deregulation and re-regulation of national gaming legislation is taking place in a large number of European countries. This means that new markets are opening up for online gaming, which contributes both to existing customers growth and new agreements being signed. Net Entertainment is involved in the

ongoing deregulation of the European online market, and markets outside Europe are also monitored; such as North America and Asia.

Migration from land-based casinos

Online gaming currently represents only 8 percent of the total gaming market¹. This proportion is constantly growing and more and more players choose to play online.

New customers

Net Entertainment is currently one of the world's largest suppliers of online casino. Several major operators want Net Entertainment's casino and discussions on potential col-

laborations are ongoing. Also, re-regulation in various countries is increasing interest among new major operators, since there are good opportunities to take part in the high growth and profitability.

Product development

Net Entertainment closely follows developments in the gaming market and what players want. The development of new products, such as mobile games and Live Casino, is part of our daily activities.

¹ H2 Gambling Capital, December 2011

Responsible gaming is important for the gaming industry. Putting the player in the centre of all areas of the business also involves preventing gambling-related problems. Online gaming is about entertainment and excitement and can also be profitable, but gambling also carries the risk that the player loses control, which can have unfortunate consequences.

Net Entertainment and the gaming industry take responsibility

Net Entertainment has no direct contact with players but takes gambling related problems very seriously. The Company has a class 4 license in Malta and thus meets all requirements of the gaming authority, the Lotteries and Gaming Authority (LGA). The Company also has a license issued by the Alderney Gambling Control Commission. All new games are approved by the LGA and the Alderney authorities before they are released. Credibility and trust are important and in the long run benefit Net Entertainment and its customers. These accreditations create conditions for this. Net Entertainment is also connected to the organization G4 (Global Gambling Guidance Group). By developing responsible gaming software and training programmes for employees of gaming companies, and by offering help lines and personal counselling, G4 endeavours to minimize the damage and problems that may arise as a result of gambling addiction. Net Entertainment's casino has the full support of the organization's guidelines.

Regulatory consumer protection

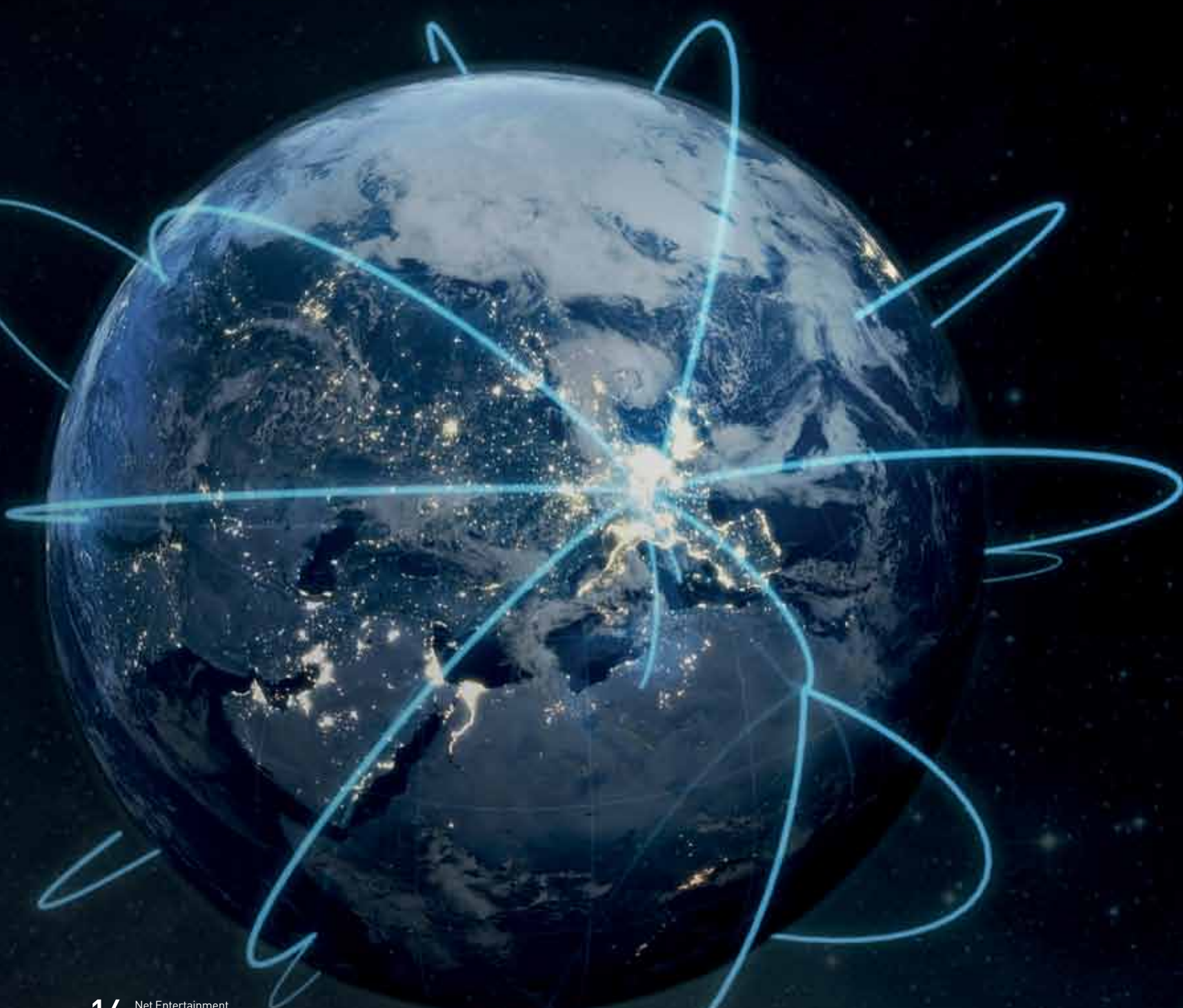
- Protect minors and vulnerable people
- Protect players' rights
- Promote responsible gaming in a safe environment
- Ensure the reliability of games and gaming devices
- Keeping online games free of criminal activities

The game system is, among other things, developed with features that give the gaming operator the option of allowing end users to restrict their play to certain maximum amounts or block certain features; e.g. autoplay. The system can also be configured to require a certain period

of time between two gaming sessions. All Net Entertainment's games display a clock that makes it easier for the player to maintain their sense of time.

The player must be assured that their money is in good hands, and that there is total randomness in games on an operator's website, and that it is possible to win. Net Entertainment's games and platform are tested for randomness by an accredited independent testing institute. This is a requirement from the gaming authorities in the markets where Net Entertainment works. eCOGRA is another professional organization that every year examines Net Entertainment's development environment, checks and ensures that the software is maintained and operated in a safe and reliable manner, and that the Company continually implements randomness testing by independent testing institutes.





New regulated markets and new distribution channels, such as mobile games and Live Casino in combination with an increasing player base enable growth in the future.

Net Entertainment's market

The total gross gaming yield, which represents operators' revenues net of player winnings, for all forms of gaming is expected to reach approximately EUR 280 billion for 2011 where online gaming only currently accounts for 8 percent of this market.¹ This portion is constantly increasing as broadband penetration increases, but also because an increasing number of people are realising the benefits of playing online instead of playing in physical casinos. Although the market has matured, online gaming is still a relatively new phenomenon and new opportunities are always around the corner. The online gaming market is composed of three groups of stakeholders - suppliers (game and system developers such as Net Entertainment), gaming operators (the supplier's customers) and end-users/players. The online market covers a wide range of game types, of which betting, casino and poker constitute the largest game segments.

Net Entertainment's market strategy is to focus on online casino games, a segment that has demonstrated solid growth and profitability. Net Entertainment is one of the world's largest and most successful suppliers within this segment, and has many of the world's largest gaming operators as customers. In 2011, estimated gross gaming yield for online

gaming amounted to EUR 22.5 billion, an increase of 5 percent compared to 2010. Casino represents approximately 24 percent of the total online gaming market.¹

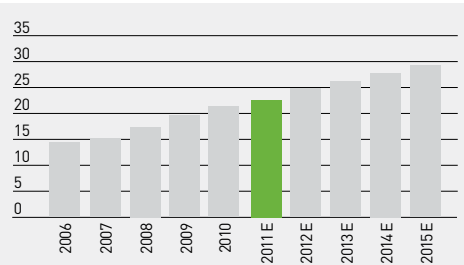
Driving forces for continued growth

The market for online gaming is constantly changing with new opportunities. Historically, growth has primarily been affected by increased broadband penetration and players moving from land-based casinos to play online instead. These factors remain, but new growth factors continue to emerge, such as the re-regulation of markets and new products, such as mobile games. In addition, new technology, combined with experience, allows Net Entertainment to develop more complex and more entertaining games. It is not only graphics that are becoming more advanced, but also the underlying mathematics.

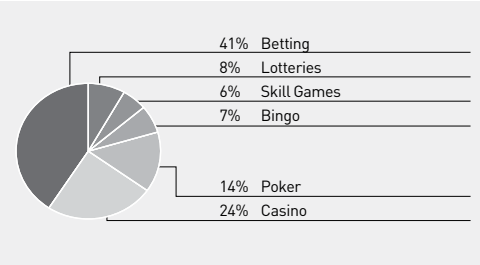
The requirements for both operators and suppliers are steadily increasing in terms of system stability and availability. The expectations from the end users of online games are currently comparable to the requirements placed on TV and telephony. With the latest generation of mobile games, users can now play online games wherever they are, whenever they want. This not only contributes to greater market potential, it also leads to different consumer behaviour.

Increase in gross gaming yield for global online casino 2010-2011¹

9%



The online gaming market¹
Global gross gaming yield online 2006 - 2015
BEUR



Game segments¹
The gaming segment's estimated share of the online gaming market in 2011

¹Source: H2 Gambling Capital, December 2011

Online casino is growing, but Net Entertainment is growing faster!

The drivers of online games

Increased broad-band penetration

New technology for games and system development

New distribution channels, such as smart phones and tablets

Migration from land-based casinos to online casinos

New player groups

Regulation of online gaming

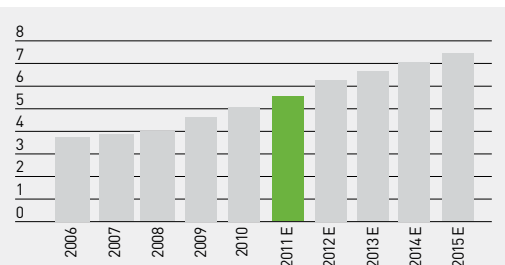
The global market growth for online casino was 9 percent year 2011 compared to the previous year. The corresponding growth of Net Entertainment in the same period is 16 percent or 22 percent in local currency (Euro). Net Entertainment's main market, online casino, has shown strong growth, which is expected to continue. Today, the casino constitutes about 24 percent of the online market¹. In 2011, the online casino market is estimated to have generated a gross gaming yield of EUR 5.5 billion.¹

Net Entertainment's objective is to grow faster than the market. With the quality Net Entertainment's gaming system provides, the Company is well positioned in the market to continue growing with sustainable profitability.

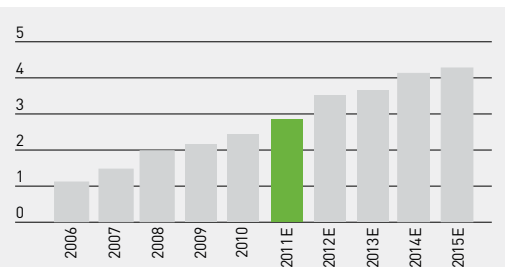
Mobile games

The mobile market for online games is gaining in popularity. The overall growth for sports betting, casino, bingo, poker and lottery games via mobile phones is expected to grow by an average of 21 percent per year from 2011 to 2015¹. Net Entertainment launched their first mobile game to the market in the fourth quarter of 2011.

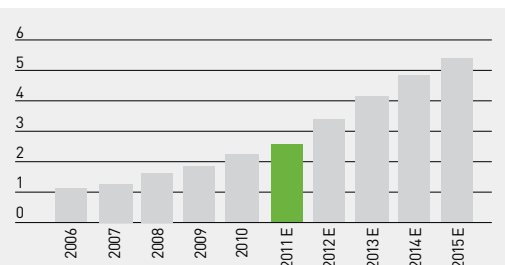
¹ Source: H2 Gambling Capital, December 2011



The global online casino market¹
Gross gaming yield of global online casino 2006 – 2015 BEUR



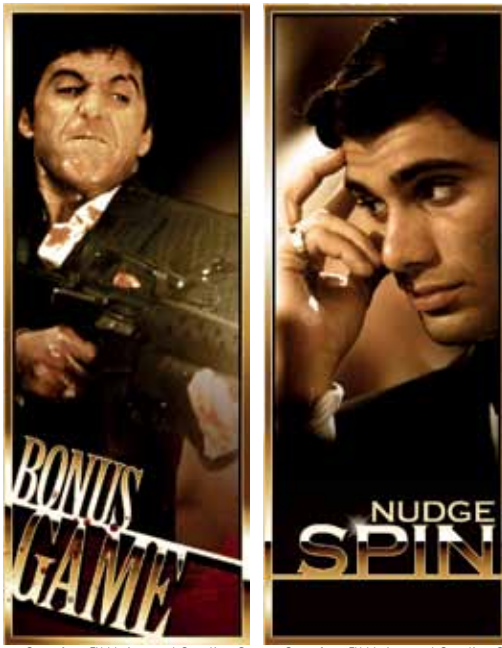
The European online casino market¹
Gross gaming yield online casino in Europe 2006 – 2015 BEUR



Mobile gaming¹
Global gross gaming yield online 2006 – 2015 BEUR

Expected average annual growth in gross gaming yield for mobile games 2011-2015¹

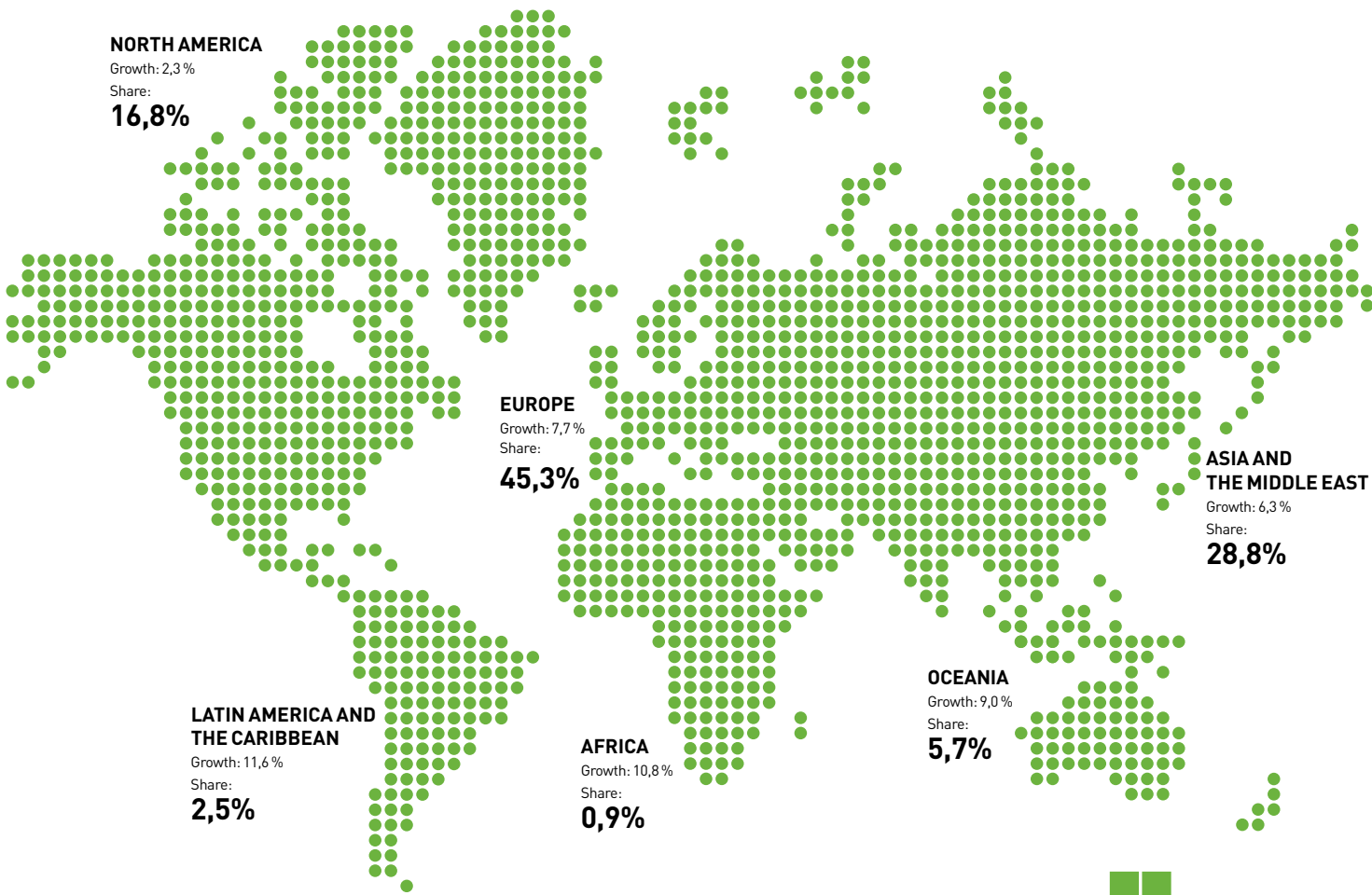
21%



In partnership with Universal Studios, Net Entertainment is developing the slot game Scarface, one of history's most famous movie titles.

Geographical distribution 2011 and the expected average annual growth 2011-2015

Net Entertainment's home market is by far the largest, with good expected growth.¹



Since North America banned online gambling in 2006, Europe has been by far the largest market with over 45 percent share of total gross gaming yield for online gaming¹. Online gaming is a global phenomenon and growth is expected to be good in most regions. Africa, Latin America and the Caribbean are expected to be the fastest growth markets by 2015, albeit from historically low levels. In North America, discussions are in progress on re-regulating online gaming, which would provide interesting opportunities for the Company. Discussions are still at an early stage and it is difficult to predict the outcome. Discussions are also ongoing in several European countries on a possible re-regulation. Net Entertainment is monitoring these discussions closely.

Asia and the Middle East are less developed in terms of online gaming; partly due to cultural differences compared to the western world. Meanwhile, online gaming is becoming more common in these regions, which is why positive growth is predicted in the coming years. Expanding into new markets has changed and has become more complicated with the current regulation in Europe. Net Entertainment has the prerequisites needed for establishment in regulated markets, both financially and organizationally. Expansion into new markets also places high demands on both game developers and game operators to develop new interesting games, adapted to local conditions.

¹Source: H2 Gambling Capital, December 2011

“ In North America, discussions are in progress on re-regulating online gambling, which would provide interesting opportunities for the Company.

Regulation of the online gaming market in Europe

Italy was first, followed by Denmark - more countries will follow

The online gaming market is being regulated in several countries, within and outside Europe. The regulatory changes provide greater opportunities for the gaming industry and Net Entertainment. Accessibility to new players, combined with broader marketing channels makes for greater potential and revenue streams.

Net Entertainment is at the forefront of establishment in regulated markets. Before establishing in a newly regulated market, the Company's products and services undergo a full review by the gaming authority in the region. The games are certified by independent testing companies in order to be compatible with the requirements for technical standards and random number generation in the games Net Entertainment offers.

Net Entertainment was one of the first casino suppliers to penetrate the Italian market, which was regulated in 2011 and also Denmark in early 2012.

Competition

Net Entertainment is among the largest suppliers in the world. Growth and profitability are hallmarks of the casino market, which is dominated by a few players. Net Entertainment is a pure B2B Company and focuses solely on casinos, which has also become a success factor for the Company. Most competitors offer a broad product portfolio that includes poker, betting and bingo.

recent case, which gives member states greater freedom to introduce limitations on offers of international gaming services. The EU's member states have increased opportunities to secure tax revenue, provided that the licensing system creates good conditions for competition, and is formally open to all operators who meet certain basic conditions.

Net Entertainment also assesses the pros-

Net Entertainment's share of the online casino market in Europe 2011

22%

Net Entertainment's share of the online casino market in Europe 2010

19%

The global online market 2011¹
Growth on the global online market amounted to 5 percent in 2011.

22.5 BEUR

Global online casino¹
The casino market represents about 24 percent of the global online market.

5.5 BEUR

Net Entertainment's share of global online casino
This market share is based on the gross gaming yield of Net Entertainment's customers in relation to the global casino market online

8.8%

Regulation

National gaming legislation is being deregulated and re-regulated in a large number of European countries. In particular, the development of a national licensing system was prompted by the European Court's

recent case, which gives member states greater freedom to introduce limitations on offers of international gaming services. The EU's member states have increased opportunities to secure tax revenue,

provided that the licensing system creates good conditions for competition, and is formally open to all operators who meet certain basic conditions.

Net Entertainment also assesses the pros-

pects for further expansion. The main reason is that the Company can continue to win new market share by delivering a superior product. Good products and effective product development ensures the conditions

for being able to win new business. By broadening the product range, Net Entertainment can reach new markets and broaden its customer base.



ITALY

In July 2011, the Italian gambling market online was regulated. Legislation relating to online casino games for end customers is initially limited to table games. Net Entertainment's ambition is to launch slot machines as soon as the Italian gaming authority allows it.



SWEDEN

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



GERMANY

In Germany, the sixteen states are preparing a federal legal framework with the aim that it will take effect during spring 2012. Simultaneously the state Schleswig-Holstein has adopted new legislation which has been approved by the EU commission for betting and online casino.



DENMARK

In January 2012 the Danish market for online games was regulated. The legal framework includes sports and horse betting, online casino and poker. The casino games include blackjack, roulette, slots, baccarat and punto banco. Net Entertainment launched a number of customers on the local market in January 2012.



SPAIN

Spain has introduced a federal gaming legislation which is expected to take effect during the third quarter 2012. At the same time the autonomous regions can admit their own legal framework. Madrid has utilized this right and has granted licenses to two land-based operators



FRANCE

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

The atmosphere in Net Entertainment is characterised by creativity and a passion for entertainment and gaming. The Company is constantly changing; new markets, new customers and new products require the best skills.

Great employees – Great success

At Net Entertainment it is not a cliché that the employees are the most important resource. Our employees are taking Net Entertainment into the future and are the reason why the Company has become one of the most reputable casino providers in the world. Performance, development, responsibility and team spirit are Net Entertainment's focus areas.

Having the right employees is what matters. In order to keep the customers happy, a value is created – a value that beats our competitors. Value is created by personnel who, with their expertise, experience and individuality will generate a powerful momentum in operational activities. Expertise is important. Net Entertainment's success largely depends on how well we attract, utilise and develop expertise. Employees are an essential component of Net Entertainment's delivery of value. They also represent Net Entertainment and are therefore part of the brand.

Constant change and development

The gaming industry is constantly changing, new markets are regulated and opened to online gaming. New technology means that new products can be developed and the players have ever-higher demands for entertainment,

which increases the complexity of the games developed. Net Entertainment is a dynamic organization and a creative workplace where innovation, new ideas and initiatives are crucial to the Company's future. It is important that employees develop in their profession, while still retaining a wholistic sense of the Company. With the right combination of skill and strong team spirit, the Company can continue to be a leader in both technology and gaming entertainment.

The corporate culture

Net Entertainment's culture is imbued with creativity and passion for gaming. Creating entertainment requires acceptance and openness to innovation and playfulness. With the rapid growth the Company is undergoing, the size of our office space almost doubled in 2011, which now contains several so-called creative rooms. These are decorated in the style of the games' appearance in order to promote innovation and fresh ideas.

Regardless of whether an employee works as a graphic artist, salesperson, tester or within IT operations, community is vital to the Company's development. Our

The average age of Net Entertainment

35 years of age

Absence in Net Entertainment

2%

Net Entertainment's values



strength is based on the collective expertise and experience of the Company's employees. For us, it is important that employees are happy in their role, feel committed to the Company and community, and contribute to Net Entertainment's success.

Leadership

For Net Entertainment, leadership means that managers, along with other employees, drive the Company forward and simultaneously understand and convey Net Entertainment's vision, objectives, and strategy, both externally and internally. As Net Entertainment grows, the responsibility of the managers and their roles becomes ever more important. Net Entertainment holds a leadership forum every month in order to establish a common

management culture based on the Company's core values. We invest in our managers and many development activities have been implemented during the year.

A broad range of skills

In order to offer successful casino games and a solid technological platform with high capacity and being the world's most successful casino supplier, a broad range of skills are required. Employees from 18 nationalities work at Net Entertainment and they have backgrounds ranging from computer games and the IT industry to the telecom and finance sectors. The innovation and experience from different organizations and working styles that new employees bring with them contribute positively to the Company's development in a variety of ways.

Employees of 18 nationalities

India	Pakistan
China	Canada
England	Sweden
Ireland	Australia
Italy	USA
Greece	Spain
Holland	Germany
Malta	Iraq
Finland	France

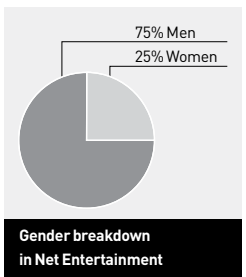
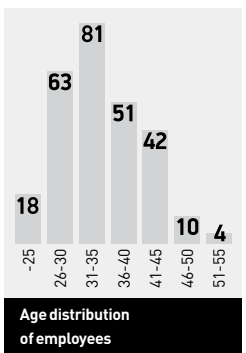
An attractive workplace = a key success factor

To ensure future success, Net Entertainment needs to be able to attract dedicated, highly skilled

employees who enjoy working in a high pace international environment.

The fact that the employees will be part of one of the largest and most successful providers of online casino games is a great opportunity for personal development. Net Entertainment encourages initiative and the desire to develop your ideas. There is access to the latest technology and tools needed to develop strong ideas all the way to commercial success.

Net Entertainment's corporate culture is characterised by a high degree of professionalism and team spirit. It is a natural result of the specialist skills and high degree of creativity that the Company's employees possess. With a defined approach, based on collaboration, a team spirit and engagement is created that benefits both the individual employees as well as Net Entertainment.





BOARD OF DIRECTORS & AUDITORS

SENIOR EXECUTIVES

PONTUS LINDWALL Board member Born in 1965 Elected in 2011 Independent in relation to senior executives and major owners. Pontus is the Chairman of the Board of Directors in Betsson AB, a customer and former Parent Company of Net Entertainment. Pontus Lindwall is the Chairman of the Board of Betsson AB (publ) and a Board Member of Solporten Fastighets AB and Mostphotos AB. Pontus holds a Master of Engineering from the Royal Institute of Technology in Stockholm. Shareholding*: 841,000 B shares. Shareholding in endowment insurance*: 339,500 A shares and 120,070 B shares.	PETER HAMBERG Board member Born in 1973 Elected in 2009 Independent in relation to the Company and senior executives. Peter Hamberg is closely related to one of the Company's major shareholders. Peter Hamberg is the CEO and a Board Member of Hamberg Förvaltnings AB and a Board Member of Solporten Fastighets AB. Peter has a Bachelor's degree in international business administration from San Francisco State University, USA. Share holding*: 121,000 B shares. Shareholding in endowment insurance*: 24,000 B shares.	MIKAEL GOTTSCHLICH Board member Born in 1961 Elected in 2008 Independent in relation to the Company, senior executives and major owners Mikael Gottschlich is the Chairman of the Board of Sentat Asset Management AB and a Board Member of CKT Capital, including subsidiaries and PROACT AB (publ). Michael has also been CEO of MG Instrument AB, Arkivator AB and LGP Telecom. Shareholding*: 300,000 B shares. Shareholding in endowment insurance*: -	FREDRIK ERBING Board member Born in 1967 Elected in 2008 Independent in relation to the Company, senior executives and major owners Fredrik Erbing works as Vice President and Business Unit Manager at Acando AB. Fredrik holds Master of Engineering from the Royal Institute of Technology in Stockholm. Shareholding*: 20,000 B shares. Shareholding in endowment insurance*: 20,000 B shares.	VIGO CARLUND Chairman of the Board Born in 1946 Elected in 2008 Independent in relation to the Company, senior executives and major owners Vigo Carlund is the Chairman of the Board of Korsnäs AB, Los Naranjos SL and a Board Member of Investment AB Kinnevik, Academic Work Solutions AB and iZettle AB. Shareholding*: - Shareholding in endowment insurance*: 450,000 B shares.	NICLAS ERIKSSON Board member Born in 1964 Elected in 2008 Independent in relation to the Company, senior executives and major owners Niclas Eriksson is Chairman of the Board in Kungstadsens Fastighets AB and a Board Member of Vasastaden Holding AB, Vassholmen AB, Isogenica Ltd and Central Asia Gold. Niclas holds a Master of Financial Economics. Shareholding*: 25,000 B shares. Shareholding in endowment insurance*: -	AUDITORS At the annual general meeting held on April 10 2008, Deloitte AB was elected as the Company's auditors for the period until the 2012 Annual General Meeting, with Therése Kjellberg (authorised public accountant and member of FAR SRS) as the chief auditor.	CLAES TELLMAN Communications Director Born in 1956 Employed since 2011 Claes Tellman has more than 20 years' experience within communication and marketing. Claes has previously worked as communications director at Svenska Spel and Coca-Cola and as CEO of Casino Cosmopol. Claes has an MBA from Stockholm School of Economics. Shareholding*: - Shareholding in endowment insurance*: - Share option rights: 50 000.	MARIA Z FURENMO HR Director Born in 1964 Employed since 2011 Maria has extensive experience from HR related work within growth companies and change management within larger companies. Maria has previously worked as HR director at Nordnet, PostNet, Torget.se, Cell Network and most recently at Outokompu. Maria holds a B.Sc. in Business Administration and a degree in Human Resources from the University of Stockholm. Shareholding*: 500 B shares. Shareholding in endowment insurance*: - Share option rights: 50 000.	BJÖRN KRANTZ Managing Director and Chief of GMO Born in 1970 Employed since 2009 Björn Krantz has more than 15 years of international experience in the fields of sales and marketing management. Björn has several years' experience from the telecom industry, including Swedia Networks in London and Ericsson in Sweden, London, USA and Austria, most recently as head of sales and business development for Ericsson, Central Europe. Björn has a degree in Mechanics & Electronics and has also studied at the IHM Business School. Shareholding*: - Shareholding in endowment insurance*: - Share option rights: 100 000.	SIMON HAMMON Chief Product Officer Born in 1983 Employed since 2011 Simon has detailed knowledge of the gaming cycle from being the Operations and Product Development Director in his own online business. Experience includes platform, game development, network operations and affiliate management within the bingo and casino sphere. Simon holds a LLB in Law from the University of Durham. Shareholding*: - Shareholding in endowment insurance*: - Share option rights:-	PER ERIKSSON President and CEO Born in 1961 Employed since 2012 Per Eriksson has worked within the IT industry for over 26 years and most recently worked as the President and CEO at Dustin Group. Prior to this, Per was Head of Dell EMC for Europe, Middle East and Africa and the CEO of Dell Nordic. Per has a B.Sc. in Business Administration from the University of Stockholm. Shareholding*: - 4 000 B-shares. Shareholding in endowment insurance*: - Share option rights: -	MARIA HEDENGREN Chief Financial Officer Born in 1970 Employed since 2011 Maria has a wide range of experience from various finance positions, mainly within the IT industry. Maria worked as an auditor at Arthur Andersen in Sweden and in the United States before joining Resco AB (publ) as CFO. Maria also held several senior finance positions at Lawson Software and most recently as Head of Group Control at IBS before joining Net Entertainment. Maria is educated at the University of Gothenburg, School of Business, Economics and Law. Shareholding*: 560 B shares. Shareholding in endowment insurance*: - Share option rights:-	BERTIL LUNDELL Chief Technology Officer Born in 1965 Employed since 2011 Bertil has a long experience from working at various management positions in international product oriented software companies, including as manager at Sungard Front ARENA, Global Research and Development Director for Pointsec Mobile Technologies AB (former Protect Data AB) and manager for Check Point Software Technologies, Sweden. Bertil holds a Masters in Computer Science and Technology from the Royal Institute of Technology in Stockholm. Shareholding*: - Shareholding in endowment insurance*: - Share option rights: 80 000.
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*1 The specified shareholdings of board members and senior executives include holdings through families and companies as of March 2012.

In 2011, the world's stock markets were affected by the economic turmoil both within and outside Europe, and the OMX Stockholm Mid Cap PI Index fell by 24.9 percent.

Net Entertainment's share resisted the general stock market decline in 2011

Analysts

ABG Sundal Collier,
Stockholm
Martin Arnell

Carnegie Investment Bank,
Stockholm
Christian Hellman

Danske Bank,
Stockholm
Bile Daar

Erik Penser,
Stockholm
Mikael Holm

Handelsbanken
Capital Markets,
Stockholm
Rasmus Engberg

SEB Enskilda,
Stockholm
Christopher Lyrhem

The gaming industry is generally more resistant to general economic downturns in terms of financial development, but was impacted negatively from a share perspective during the year. Net Entertainment's share price has resisted the general stock market downturn relatively well, but declined by 8.6 percent in 2011. Investor relations activities have continued during the year and the Company met the majority of investors in Sweden and in Europe.

Share price performance and turnover

In 2011, the share price fell from SEK 70.00 to SEK 64.00, a decrease of 8.6 percent. The Nasdaq OMX Stockholm Mid Cap_PI index fell by 24.9. The OMX Stockholm Consumer Services_PI index fell by 7.5 percent. Net Entertainment's market value, i.e. the value of all outstanding shares, amounted to SEK 2,531 (2,769) million as of December 31



2011. In 2011, 13.9 million shares were traded, which resulted in an average daily turnover of about 55,000 shares.

Investor relations

Net Entertainment views communication and transparency as very important in order to be able to maintain good relations with shareholders, potential investors, and analysts. The Company places great emphasis on investor relations with the purpose of informing the capital market of Net Entertainment's activities, development and financial position in order to increase knowledge and interest in the Company, but also to obtain a fair valuation.

Net Entertainment takes part in the many investor relations activities such as seminars and investor presentations in Europe. In addition to this, Net Entertainment participates in all major gaming trade shows such as EIG, which is held in Milan, and ICE in London.



Share option rights program 2011-2014

At the end of 2011, the total outstanding share option rights amounted to 353,100 corresponding to the same number of shares. In the case of full subscription of these share option rights the Parent Company's equity will increase by SEK 24.8 million.

The share option rights were issued at market value determined at SEK 7.20 which generated SEK 2.5 million to equity for the Group. The strike price for the shares is determined at SEK 70.20 which represents 130 percent of the average share price during the measurement period in May 2011. Subscription of shares can be made during the period August 1 to October 1, 2014. An additional 160,000 share option rights were held by the wholly owned subsidiary Mobile Entertainment ME AB. These were cancelled during 2011.

Share option rights program 2009-2012

At the end of 2010, the total outstanding share option rights amounted to 586,225 corresponding to the same number of shares. In the case of full subscription of these share option rights the Parent Company's equity will increase by SEK 42.0 million.

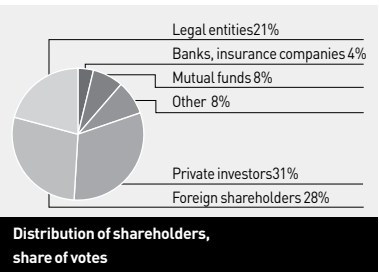
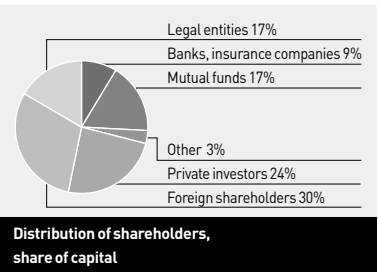
The share option rights were issued at market value determined at SEK 7.10 which generated SEK 4.2 million to equity for the Group. The strike price for the shares amounts at SEK 71.70 which represents 130 percent of the average share price during the measurement period in May 2009. Subscription of shares can be made during the period May 15 to July 15, 2012. 43,000 share option rights have been cancelled in 2010.

Dividend policy and proposed dividends 2011

It is the ambition of Net Entertainment's Board of Directors that the Company's ordinary dividend shall grow in line with the Company's earnings per share, with due consideration for the Company's long-term capital requirements. However, the ambition is that the dividend shall be at least 50 percent of net profit after tax, after taking the Company's long-term capital requirements into account.

The Board of Directors proposes that no dividend is to be paid for the fiscal year 2011. The Board proposes to the Annual General Meeting to allocate SEK 79.1 (79.1) million to shareholders, which corresponds to SEK 2.00 (2.00) per share through a share redemption program. The record date for the share redemption program is scheduled to 26 April 2012. The complete proposal and an information folder will be available three weeks prior to the annual general meeting

The information will be available for shareholders at the Company and on the website www.netent.com as from 28 March 2012. The information will also be sent free of charge to those shareholders who so request and provide their postal address.



Shareholders	A-shares	B-shares	Holdings	Holdings	Votes
Per Hamberg	1 700 000	1 823 478	3 523 478	8.9%	20.9%
Rolf Lundström	1 152 500	1 432 191	2 584 691	6.5%	14.4%
Lars Kling	797 000	501 810	1 298 810	3.3%	9.4%
Svenska Handelsbanken SA	700 000	30	700 030	1.8%	7.8%
Berit Anita Lindwall	561 000	122 595	683 595	1.7%	6.4%
EFG Bank	360 000	1 986 966	2 346 966	5.9%	6.2%
Banque Carnegie Luxembourg	339 500	49 000	388 500	1.0%	3.8%
Knutsson Holdings AB	0	2 600 000	2 600 000	6.6%	2.9%
SIX SIS AG, W8IMY	0	1 820 289	1 820 289	4.6%	2.0%
Swiss Life	0	1 775 000	1 775 000	4.5%	2.0%
Total, ten largest shareholders	5 610 000	12 111 359	17 721 359	44.8%	75.8%
Other shareholders	0	21 832 357	21 832 357	55.2%	24.2%
Total	5 610 000	33 943 716	39 553 716	100.0%	100.0%

Share holdings indicated include holdings by family and companies

Ten largest shareholders according to Euroclear Sweden AB as of December 31 2011

	2011	2010	2009
Earnings per share	2.92	3.05	2.72
Transfer to shareholders ¹	2.00	2.00	2.00
Transfer to shareholders as % of after tax profits	68	66	74
Outstanding shares at year-end, millions	39.6	39.6	39.6
Average number of outstanding shares, millions	39.6	39.6	39.6
Closing share price, SEK	64.00	70.00	60.75
Direct return ²	3.1	2.9	3.3
Total return, Net Entertainment shares in % ³	-5.7%	18.5	156.2
P/E ratio	21.9	23.1	22.3
Number of shares traded per year, millions	13.9	10.8	19.3
Turnover rate in %	35.0	27.4	48.8
Market value at year-end, SEK millions	2 531.4	2 768.8	2 402.9
Number of shareholders	3 131	3 408	3 745

¹ The Board's proposal for 2011

² Transfer to shareholders divided by share price at year-end

³ Percentage change in closing price 2011 plus transfer to shareholders in 2011 compared to the final day of trading in 2010

Key data for Net Entertainment's share

Five-year summary

CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK thousands	2011	2010	2009	2008	2007
Operating revenues	427,618	368,280	300,050	205,573	132,020
Operating profit before depreciation/amortization	175,536	167,370	142,480	103,316	58,419
Depreciation/amortisation	-45,823	-30,959	-22,298	-15,513	-7,839
Profit after depreciation/amortization	129,713	136,411	120,182	87,803	50,580
Net financial income/expense	-719	-4,972	-2,966	-1,850	224
Profit after financial income/expense	128,994	131,439	117,216	85,953	50,804
Profit after tax	115,614	120,467	107,677	79,967	45,911

CONDENSED CONSOLIDATED BALANCE SHEETS

SEK thousands	2011	2010	2009	2008	2007
ASSETS					
Non-current assets	183,554	131,492	79,674	42,202	30,124
Current receivables	184,630	128,343	63,999	54,679	42,055
Cash and cash equivalents	74,234	47,034	105,009	65,132	25,915
Total current assets	258,864	175,377	169,008	119,811	67,970
TOTAL ASSETS	442,418	306,869	248,682	162,013	98,094
EQUITY AND LIABILITIES					
Shareholders' equity	237,983	199,845	174,018	116,493	53,145
Long-term liabilities	-	-	-	1,676	2,195
Current liabilities	204,435	107,024	74,664	43,844	42,754
Total liabilities	204,435	107,024	74,664	45,520	44,949
TOTAL EQUITY AND LIABILITIES	442,418	306,869	248,682	162,013	98,094

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK thousands	2011	2010	2009	2008	2007
Cash flows from operating activities	203,251	119,629	150,042	89,073	35,879
Cash flows from investing activities	-99,044	-93,822	-62,136	-23,414	-13,439
Cash flows from financial activities	-76,565	-79,107	-45,280	-29,665	-9,889
Cash flow for the year	27,642	-53,300	42,626	35,994	12,551
Liquid assets at the beginning of the year	47,034	105,009	65,132	25,915	13,053
Exchange rate differences in cash and cash equivalents	-442	-4,675	-2,749	3,223	311
Liquid assets at the end of the year	74,234	47,034	105,009	65,132	25,915

KEY FIGURES

Group	2011	2010	2009	2008	2007
Operating margin (percent)	30.3	37.0	40.1	42.7	38.3
Profit margin (percent)	30.2	35.7	39.1	41.8	38.5
Interest coverage ratio (multiple)	778	4,533	2,494	297	273
Equity/assets ratio (percent)	53.8	65.1	70.0	71.9	62.4
Quick ratio (percent)	126.6	163.9	226.4	273.3	184.0
Net interest-bearing liabilities (SEK thousands)	-74,234	-47,034	-105,009	-65,132	-25,915
Net Debt/equity ratio (multiple)	-0.3	-0.2	-0.6	-0.6	-0.5
Average number of employees	220	152	110	70	60
Employees at year-end	231	182	133	85	67
Employees and consultants at year-end	324	284	187	132	77
Earnings per share	2.92	3.05	2.72	2.02	1.16
Shareholders' equity per share	6.02	5.05	4.40	2.95	1.34
Dividends per share (proposed for 2011)	2.00	2.00	2.00	1.25	0.75
Average number of outstanding shares	39,553,716	39,553,716	39,553,716	39,553,716	39,553,716
Number of shares at year-end	39,553,716	39,553,716	39,553,716	39,553,716	39,553,716

Definitions

OPERATING MARGIN Operating profit in relation to revenues.	NUMBER OF EMPLOYEES AT YEAR-END Number of employees during the year.
PROFIT MARGIN Profit after financial items divided by revenues.	NUMBER OF EMPLOYEES AND CONSULTANTS AT YEAR-END Number of employees and subcontractors at year-end.
INTEREST COVERAGE RATIO (MULTIPLE) Profit after financial items, plus interest expense, divided by interest expense.	EARNINGS PER SHARE Profit pro the year divided by the average number of shares outstanding during the year.
EQUITY/ASSETS RATIO Equity at the end of year as a percentage of total assets at the end of year.	SHAREHOLDERS' EQUITY PER SHARE Shareholders' equity divided by the number of shares outstanding at the end of the year.
QUICK RATIO Current assets divided by current liabilities.	DIVIDEND PER SHARE Implemented/proposed dividend divided by the number of shares outstanding during the year.
NET INTEREST-BEARING LIABILITIES Net of interest-bearing provisions and liabilities less financial assets including cash and cash equivalents.	AVERAGE NUMBER OF OUTSTANDING SHARES Weighted average number of shares outstanding during the period, adjusted for bonus issue and share split.
NET DEBT/EQUITY RATIO (MULTIPLE) Net of interest-bearing earnings and liabilities minus financial assets including cash and cash equivalents divided by shareholders' equity.	NUMBER OF SHARES OUTSTANDING The number of shares outstanding at year-end, adjusted for bonus issue and share split.
AVERAGE NUMBER OF EMPLOYEES Average number of employees converted into full-time equivalents.	

Management Report

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 administration tool 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 the revenues generated for the operators 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.

The majority of technical development and operations are managed at the Group’s Parent Company in Stockholm, Sweden. Product management, sales, customer support and marketing are managed from the Malta office. The Company also has an office in Gibraltar. Development is also carried out in Gothenburg in Sweden and in India and the Ukraine. Net Entertainment also manage IT operations on Alderney.

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 encouraged to stay on the operator’s site.

The market for online gaming is expected to maintain

good growth and Net Entertainment’s objective is to grow faster than the market.

Important events during the year

- Seven new license agreements were signed, including G.Matica and Sky Betting & Gaming. Eleven new customers casinos’ were launched
- The number of game transactions amounted to 8.6 billion, an increase of 41.7 percent compared to 2010
- Net Entertainment launched Frankenstein, the first game in collaboration with Universal Studios and initiated development of Scarface
- The Italian market for online gaming was regulated and Net Entertainment was among the first suppliers to enter the local market
- Net Entertainment adjusted the system and the games to meet the requirements on the Danish market which regulated online gaming in January 2012
- A decision was made to launch an in-house developed Live Casino product with a planned launch around the end of 2012
- Net Entertainment completed the development of mobile games which were launched during the end of 2011

MARKET

The online gaming market has shown positive growth in recent years. Growth continued during 2011 albeit at a somewhat lower pace. The global gross gaming yield for online gaming, including all game segments, is estimated to amount to EUR 22.5 billion in 2011. In coming years, Europe is expected to represent close to half of the global gross gaming yield, making it the single largest gaming market¹.

Deregulation and reregulation of national gaming laws is taking place in many European countries. The development of national licensing systems is partly driven by rulings in the European Court of Justice which have given the member states a somewhat larger freedom to implement limitations regarding the offering of remote gaming cross borders. EU member states are now given increased opportunities to secure tax revenues provided the licensing systems create good competitive conditions that are formally open for all operators who meet certain requirements.

However, it is important to highlight that the Europe-

¹ H2 Gaming Capital, December 2011

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

Net Entertainment closely monitors the development on all markets that are undergoing regulation. A selection of markets is stated below.

Italy was previously a regulated market, limited to sports and horse betting, tournament poker, skill games, and scratch tickets available online via licensed operators. In July a new legal framework took effect which also includes cash game poker, bingo and online casino games. The legislation for online casino games to end users is initially limited to table games. Net Entertainments ambition is to launch slots as soon as the Italian gaming authority allows it.

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

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

Spain has introduced a federal gaming legislation which is expected to take effect during the third quarter 2012. At the same time the autonomous regions can admit their own legal framework. Madrid has utilized this right and has granted licenses to two land based operators.

In Germany, the 16 states are preparing a federal legal framework with the ambition that it will take effect during spring 2012. Simultaneously the state Schleswig-Holstein has adopted a new legislation which has been approved by the EU-commission under which private operators are awarded licenses for betting and online casino.

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

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.

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

NEW AGREEMENTS AND CUSTOMERS

During 2011 a total of seven new customer agreements were signed, including Sky Betting & Gaming and G.Matica.

Sky Betting & Gaming is focused on the UK market and 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.

G.Matica is an Italian based operator founded in 2004 already holding a license from the Italian gaming authority AAMS to offer online sports betting, poker and casino in Italy. G.Matica is a land based operator with an existing online presence.

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

CUSTOMERS TO BE LAUNCHED

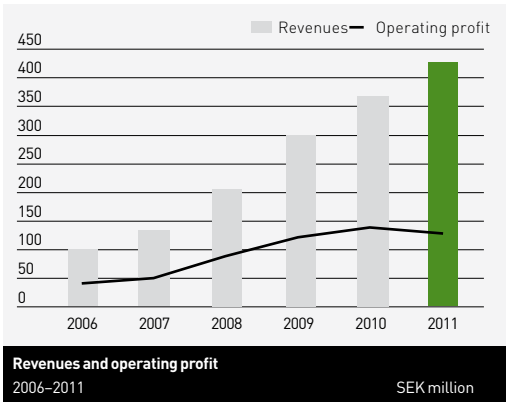
At the end of 2011, the Company held agreements with a number of operators that have not yet launched, including bwin.it, G.Matica and Sky Betting & Gaming.

bwin.it is part of the bwin.party Group which is the world’s largest listed online gaming operator. On the Italian market bwin.party is a leading operator, offering online poker, sports betting and lotteries with a significant market share.

REVENUES AND PROFITABILITY

Revenues for 2011 increased by 16.1 percent to SEK 427.6 million from SEK 368.3 million. Operating profit decreased to SEK 129.7 million from SEK 136 million and the operating margin was 30.3 percent compared to 37.0 percent the previous year.

Revenues and operating profit for the most recent six years are presented in the diagram below.



Revenues - Volume, Price and currency development

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

Revenues increased by 16.1 percent for the full year 2011. Net Entertainment’s revenue increase compared with the corresponding period last year is a combination of existing customers’ growth and revenues from the launch of new customers. During 2011, eleven new customers have been launched.

Royalty revenues were positively affected by significantly higher volumes during the entire twelve month period compared to the corresponding period a year earlier. The average royalty level has been stable during 2011 compared to 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 reported in Euros and then translated into the Swedish Krona for the Group’s reporting. During 2011 the Swedish Krona was 5.3 percent stronger than in 2010. In Euros, total revenues increased by 22.2 percent for the full year 2011 compared to 16.1 percent in SEK. The revenue increase compared to the corresponding period the previous year is thus attributable to increased volumes from existing customers and the launch of new customers.

The number of game transactions continues to grow and amounted to 8.6 billion transactions, an increase of 41.7 percent compared to 2010. This corresponds to 146 times more than the number of share trades on Nasdaq OMX Stockholm in 2011. The increase of the number of game transactions has primarily been within the slot games. Since the bet per transaction is lower for slots

compared to other casino games the revenues do not follow a corresponding development as the number of game transactions.

PROFITABILITY

Operating profit for 2011 decreased by 4.9 percent to SEK 129.7 (136.4) million. Operating expenses during 2011 have increased compared to previous year due to the Company’s expansion and strengthening of the organization within areas such as sales, product management, development, and IT operations to meet increased demands from the market and authorities. The strengthening of the organization is enabled mostly through own personnel but also through external recourses in the form of outsourcing both within and outside Europe and subcontractors. In addition, the regulation of the online market creates new requirements which affect costs, as do new product areas such as mobile games, Live Casino and platform development.

The operating margin amounted to 30.3 percent during 2011 compared to 37.0 percent the previous year. The margin is affected by the currency development as well as the effect on operating expenses from the strengthened organization and to what extent development costs are capitalized.

During the third quarter 2011, costs amounting to SEK 6.7 million affected operating profit due to the departure of senior executives. Excluding this cost the Company’s operating margin was 31.9 percent for the full year 2011.

The financial net amounted to SEK -0.7 (-5.0) million and consists of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities as well as the return on cash and cash equivalents. The volatility in the Swedish Krona has periodically led to effects on inter-company balances which are items included in the financial net.

The Group had an effective tax rate of 10.4 (8.3) percent for 2011. The effective tax rate is affected by in which country where the Group conducts operations where the profit is generated and can vary from one reporting period to the next.

CAPITAL INVESTMENTS

The Group’s expenditure for capitalized development projects as intangible assets amounted to SEK 77.5 (67.6) million. Investments in property, plant, and equipment amounted to SEK 21.5 (26.2) million.

Investments in intangible assets consist of development of new games, technical adjustments in the platform such as new functionality, increased capacity and adjustments for requirements on regulated markets. Among larger development projects, the projects mobile adjustment, regulation of the Danish and Italian market, Live Casino, platinum games and so called branded games.

Investments in property, plant, and equipment are primarily servers and other computer equipment. The in-

vestment pace is driven by both the increased transaction volume and the increased requirements for system availability. During 2011 the Company has opened a new office in Gothenburg and expanded the office area in Stockholm which has led to investments in furniture, fixtures and equipment. During 2011 investments has also been made in building a test studio for Live Casino.

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

The Group’s cash flow from operating activities amounted to SEK 203.3 (119.6) million. The improvement of SEK 83.6 million is mainly due to changes in managing Funds held on behalf of licensees during 2010 and 2011. The change during the fiscal year 2010 affected cash flow negatively for the comparative year by SEK -46.4 million as Funds held on behalf of licensees on the client account can no longer be considered as cash and cash equivalents and the change during 2011 regarding postponed transfer to the client account which affected cash flow positively by SEK 30 million during 2011. The remaining increase is mainly derived from improved cash flow from operating activities.

Cash flow from investing activities amounted SEK -99.0 (-93.8) million. Cash flow from financing activities was SEK -76.6 (-79.1) and mainly consisted of transfer to shareholders amounting to SEK 79.1 million according to decision made on the Annual General Meeting on April 13, 2011.

The Group’s cash and cash equivalents amounted to SEK 74.2 (47.0) million on December 31 2011. In addition, there are available credit lines of SEK 40 million that have not been used.

PERSONNEL AND ORGANIZATION

At the end of the period, the number of employees amounted to 231 versus 182 people one year ago. Including external recourses such as dedicated persons with contract suppliers and subcontractors, Net Entertainment employed 324 (284) persons.

During 2011 the Company’s new CFO, Maria Heden-gren, has commenced her position. Maria has an extensive experience from IT related businesses, most recently working at IBS, an international supplier of ERP systems.

During the year Per Eriksson was appointed President and CEO of Net Entertainment with a start date on March 1, 2012. Per previously served as CEO and President of Dustin Group AB. Prior to that, Per has had a long career within Dell, where he left as Head of Dell EMC, (Europe, Middle East and Africa).

PARENT COMPANY

The Parent Company’s revenues amounted to SEK 308.1 (248.9) million. Operating profit amounted SEK 22.6 (22.4) million. The operating margin was 7.3 (9.0) percent. Currency effects on inter-company transactions are included in financial items and for the fourth quarter anticipated

dividend from subsidiaries. Profit after tax was SEK 84.8 (81.9) million in 2011.

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. The operating margin during 2011 has been affected negatively due to an increasing cost base as the business grows while the Parent Company’s revenues have not increased to the same extent, as parts of the expansion of the organization has not been directly related to the services provided to subsidiaries.

Cash and cash equivalents in the Parent Company at the end of the period amounted to SEK 25.1 (33.8) million.

Investments in property, plant and equipment amounted to SEK 13.8 (9.7) million for the period January-December 2011.

RISK FACTORS

Specified below are some of the business and industry related risk factors that could have consequences for Net Entertainment’s future development. The risk factors are not arranged in order of importance or potential economic impact on the Company’s income, profit, or financial position. Neither should these be seen as exhaustive, but merely as constituting illustrative starting points. For financial risk factors that affect the Company’s business, see note 25.

Political decisions

Net Entertainment is a supplier of digitally distributed gaming systems, which means that the business is strongly dependent on the legal situation regarding these types of games. Since most of the Company’s customers are active in Europe, the legal situation in the EU is of particular interest.

Net Entertainment is legally established in the EU. This provides the Company with constitutional protection for business activities that observe national rights, EU rights, and the overarching WTO system. Despite this, business is dependent on the legal and political conditions that apply to customers, i.e. purchasers of digitally distributed gaming systems. The development of the EU legal protection that customers have against protectionist national monopoly systems is of particular importance.

In principle, the market for all types of gaming services is regulated by national legislation that determines how gaming activities may be conducted. Since Net Entertainment is a subcontractor without its own operator business, the Company is only affected indirectly by the regulations that apply to the gaming market. Changes in the customers’ circumstances can also change Net Entertainment’s conditions for growth, profitability, and how products are designed.

The European Court has dealt with national gaming regulations in a variety of rulings. Currently, EU law allows its member countries relatively free choice in regulating gaming. However, the regulations must meet EU law's requirements for proportionality and non-discrimination. They must meet the basic requirements of consistency and structure. For example, national regulation must not exclude private foreign agents on public health grounds if the state allows comprehensive promotion of public gaming companies with the purpose of strengthening the Public Treasury. Those who argue against gaming monopolies argue that gaming monopolies cannot be justified for health or safety reasons when they are operated for profit.

In recent years, the European Court and national courts have made important rulings that affect the market for entertainment gaming. Some rulings have contributed to opening up markets for private operators, while other decisions have been more protectionist oriented. In 2009, the European Court gave member states increased flexibility to maintain protectionist monopoly systems. Through a series of rulings in September 2010, the European Court has confirmed the principle that in EU law, established companies also have the right to offer and provide online gaming. Any limitations imposed by a member state must be cohesive, systematic, and consistent. National restrictions must always be proportional in relation to the purpose that motivates the restriction.

It may be noted that the gaming market has not been the subject of specific harmonization measures within the EU. Some legal documents in the form of directives, regulations, or decisions have not been adopted by EU political institutions.

Deregulation and reregulation of national gaming laws is taking place in many European countries where Italy, France and Denmark has recently regulated online gaming. The development of national licensing systems is partly driven by rulings in the European Court of Justice which have given the member states a somewhat larger freedom to implement limitations regarding the offering of remote gaming across borders. EU member states are now given increased opportunities to secure tax revenues provided the licensing systems create good competitive conditions that are formally open for all operators who meet certain requirements.

Net Entertainment has a "class 4 license" in Malta that covers delivery and technical operation of casino games for gaming operators licensed in Malta. Malta is a member of the EU, and thus governed by European law. Malta is one of the few countries in the EU that chose to allow the gaming sector to be exposed to competition through a national licensing system. Net Entertainment also has a category 2 license on Alderney.

Political decisions and court rulings in the EU area with the purpose of making it difficult for private gaming operators on the national market, primarily in Sweden,

Malta, and the UK, as well as Norway outside the EU, can dramatically affect Net Entertainment's customers' business, and thus the Company's business, in a negative way. A liberalisation of the gaming market in these markets might also have a positive impact on Net Entertainment's customers, and thus for Net Entertainment.

In the current situation, it is difficult to predict how the legal situation in the EU will develop, and thus impact the commercial conditions for gaming operators, and ultimately game developers such as Net Entertainment. Therefore, it must be particularly noted that the current legal developments in the various member states, in combination with an emerging practice in EU law, means that Net Entertainment seems, at least in the case of the EU market, in a relatively unpredictable legal environment, meaning that there is a difficult to quantify risk that Net Entertainment's business may be negatively affected by legal developments in the future.

In October 2006, a law came into effect in the USA that forbids enabling gaming for people in the USA. The law has had a big impact on the ability of operators to conduct gaming business in the USA, and has also been a barrier to banks and other financial institutions to provide payment transactions for Internet-based gaming. In connection with the law coming into effect, Net Entertainment ceased cooperation with operators targeting players on the American market, in order to avoid legal risks associated with this market. At the moment, Net Entertainment does not offer its products or services to gaming operators who in turn offer games to players in the USA.

Operations subject to official approval and other legal aspects

By order of the Maltese lottery inspection (Lotteries and Gaming Authority, LGA), Net Entertainment's subsidiary Net Entertainment Malta Ltd holds a "class 4 license", which means that the Company can offer gaming systems under the license, and that Net Entertainment and its products are approved by LGA. It is of very great importance for Net Entertainment's business that the permit is maintained and extended. Extension for another five years was obtained in November 2010.

Net Entertainment also has a category 2 license on Alderney which enables the Company to offer its casino solution to gaming operators that are licensed by the gaming authority on Alderney. This license is also of great importance to maintain for the Company. The Alderney license is valid until further notice.

Certain member states in the EU, including Sweden, have bans against promoting lottery that is organised from a foreign country. "Promotion" is considered a broad concept, and thus can include a wide variety of activities. That Net Entertainment's activities, namely delivering software and providing hosting for gaming operators, should be able to be considered "promotion" seems far-fetched, but how far this "promotion" extends is unclear. This consti-

tutes an example of how Net Entertainment operates in an unpredictable legal environment, as mentioned above.

Service disruptions

Net Entertainment is responsible for the operation of the licensed customer system through the Company's various operation centres in different places in the world. Like all Internet-based services, the system can sometimes suffer from operational interruptions. These can be caused for 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. Any operational interruption or technical problem with the Company's servers could therefore result in lost income, loss of confidence in the Company, and possible claims for damages. The Company is constantly working to minimize the risk of operational interruptions by ensuring high technical security in the system, among other things. Net Entertainment provides no product guarantee in the customer contract, which also contains clauses that limit the Company's liability for damages in case of an operational interruption.

Gambling addiction

Despite the fact that Net Entertainment does not conduct any gaming operator activities, people who are suffering from gambling addictions could sue companies within the Net Entertainment corporation in their capacity as a supplier of the underlying software and enabler of gaming. Even if such claims appear to be unfounded, and would likely be refused by a court, they can result in substantial expenses and loss of confidence in Net Entertainment, which could ultimately lead to reduced income.

Dependence on key personnel and skilled employees

Net Entertainment's success is dependent on the ability to maintain a high level of technical skills with staff, and to be able to retain and recruit staff with extensive knowledge in game development and technology in the communities where Net Entertainment conducts business. In addition, the business is dependent on certain key people at the management level. Because of the high rate of development, the loss of certain key people or staff within game development and technology may temporarily have a negative impact on the Company's profit and financial development. Net Entertainment actively works to acquire an engaged and loyal staff through continuing education and opportunities for advancement within the organization, among other things.

Dependence on large customers

The loss of some of the Company's customers may have a negative impact on Net Entertainment's income and

profit. As the number of large customers increases, the dependence on individual large customers gradually decreases.

Competition

The Company competes with a number of agents with much greater financial and operational resources than Net Entertainment. The market is very attractive, and new agents may come to establish themselves. However, the threshold for becoming established on the market for game development is high. If Net Entertainment cannot successfully respond to such competition, this may negatively impact the Company's profit and financial position. The Company's goal is to maintain and develop its position in the market as a world-leading supplier of digitally distributed gaming systems, and as a respected agent on the market. By continuing to focus on the development of games with high entertainment value, in combination with a powerful administrative tool and related services, Net Entertainment hopes to be able to retain existing customers and attract new ones.

Intellectual property rights

Net Entertainment's most important intellectual property rights mainly consist of the copyrights for the software, in particular Net Entertainment Casino™, and related materials that are developed and continue to be developed within the corporation. Therefore, it is very important that anything developed within the corporation remains Net Entertainment's property. Through contracts with employees and consultants, it is ensured that the copyright for developed products falls to Net Entertainment. Along with Net Entertainment's success, the Company has at various times been sued for allegedly infringing on intellectual property rights. Although the Company has not lost in any such claim, there is a risk of negative impact in the future if a court rules against the Company. Each case involves varying degrees of expenses for legal advisors.

Exchange rate fluctuations

The corporation's profit and financial position are exposed to exchange rate fluctuations, since most of the income is in Euros (EUR) and the majority of the expenses are in Swedish kronor (SEK). Net Entertainment's current policy is not to hedge changes in value in exchange rates. A strengthening in the value of SEK in relation to EUR negatively impacts the Company's profit. The fulfilment of Net Entertainment's financial goals may be affected by future changes in exchange rates.

Profit is also affected by changes in exchange rate when profit from foreign subsidiaries is converted to Swedish kronor. Furthermore, the corporation's equity is affected by changes in exchange rates when assets and liabilities of foreign subsidiaries are converted to Swedish kronor.

Tax situation

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. Comprehensive assessments are required to be able to establish the appropriation for income tax. There are many transactions and calculations where the final tax is uncertain at the time when the transactions and calculations are implemented. With the help of legal experts, the Company has assessed how tax regulations affect the business in order to ensure a correct tax situation. This also applies to indirect taxes. The Company reports and pays to the tax authorities the amount of tax that the Company considers correct. However, these figures may prove to be inadequate in the event that the tax authorities interpret the tax rules more restrictively than the assessment the Company has made and believes is correct.

Corporate Governance Report

Net Entertainment NE AB is a Swedish public limited liability Company listed on Nasdaq OMX Stockholm. The basis for the Company’s management, leadership, and control by shareholders, the Board of Directors, and the CEO are applicable external laws and rules, as well as internal regulations such as policies and instructions. The most prominent laws and regulations are the Swedish Companies Act, the Swedish Code of Corporate Governance (“the Code”), Nasdaq OMX Stockholm’s listing requirements as specified in “Rules for issuers”. The Company has not committed any violations of the rules on the exchange where the Company’s shares are admitted to trade or of generally accepted principles in the market.

Also, the Articles of Association have a central role in the corporate governance by defining the Company’s name, the domicile of the Board of Directors, business direction, information concerning share capital and voting rights for shares, as well as how conversion of A-shares to B-shares may occur. The Company’s Articles of Association do not contain any specific rules regarding amendments to the Articles of Association.

Due to legislative amendments, a corporate governance report is a legal requirement for all Swedish companies whose shares are traded on the Swedish regulated market and whose fiscal years begin after 28 February 2009, i.e. Net Entertainment from the fiscal year 2010. The Company’s auditor shall review the corporate governance report. An additional legal requirement is that the Audit Committee shall have an independent member who also has accounting or auditing skills.

The Swedish Companies Act contains basic rules about a limited liability Company’s organization. The purpose of the Code is to provide guiding rules for good corporate governance and to supplement the legislation in a number of areas. The Annual Accounts Act places requirements on how corporate governance reports shall be created. The Code allows for companies to deviate from these rules if, in individual cases, it can be considered to result in better corporate governance for the Company (according to the principle “comply or explain”). If a Company finds that a certain rule or recommendation in the Code is not appropriate to comply with due to the Company’s special circumstances, the Company may deviate from this rule, provided that the deviation is disclosed and justified, and that the chosen

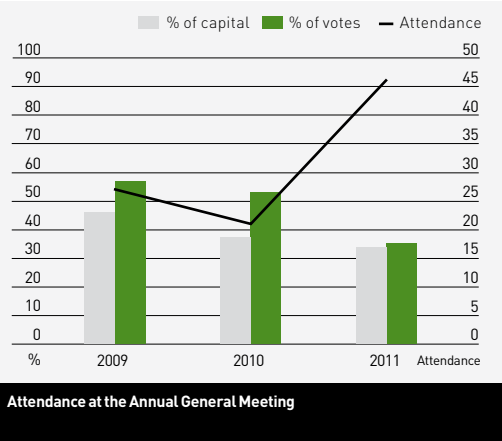
alternative solution is specified. The Company follows the Code without deviations.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is Net Entertainment’s highest governing body, in which shareholders exercise their influence in the Company. The AGM has a senior position in relation to the Board of Directors and the Chief Executive Officer. To be entitled to vote for their shares at the AGM, shareholders must be recorded in the share register five work days before the meeting, including Saturdays, and announce their participation to the Company no later than the day which is stated in the summons. Shareholders who cannot attend personally can participate through a representative. Decisions at the meeting are normally made by a simple majority of votes. However, certain types of resolutions require sanction by a higher proportion of the votes and shares represented at the AGM as dictated by the Swedish Companies Act.

The AGM shall be held within six months from the end of the fiscal year. The time and place is announced in connection with the third quarter earnings report at the latest. Information on how a shareholder can have a matter raised at the meeting, and by when such a request must be received by the Company in order to make sure it is brought up in the AGM, is announced on the Company’s website at the latest by the third quarter earnings report. The summons to the AGM is announced at least four weeks prior to the meeting, and will then be available on the website.

At the AGM, a presentation of the Company’s develop-



ment over the past year is given, and resolutions will be made on a number of central matters. The AGM approves the annual accounts for the previous fiscal year, decides on discharge from liability for the Board of Directors and CEO, elects the Board of Directors and auditors, decides on compensation for the Board of Directors and auditor, decides how the Nominating Committee shall be appointed, and handles other formal matters such as any changes in the articles of association. Extraordinary General Meetings may be held when warranted.

Each A share carries ten votes and each B share carries one vote. Each voting shareholder in Net Entertainment may vote for the full number of owned and represented shares without limitations in voting rights.

Annual General Meeting 2011

The AGM 2011 was held on April 13 at Stockholm Konserthus. At the meeting, 34.3 percent of all votes and 34.6 percent of all shares were represented. The AGM was attended by all members of the Board of Directors, the Company’s auditor, the CEO, and all other senior executives. Of the four members of the Nominating Committee, three were present.

At the AGM, resolutions were made on ordinary matters, and also on a share split and automatic redemption procedure concerning a transfer to the shareholders of SEK 2.00 per share, and authorization for the Board of Directors to decide on a new issue of at most 4,300,000 shares of series A and/or series B, with the purpose of increasing the Company’s financial flexibility, as well as the ability to make payments with its own financial instruments in connection with any Company acquisitions and acquisitions of businesses that the Company may transact. For more information, view the website.

The website contains all required documents for the meeting, as well as the minutes of the meeting and the Articles of Association.

AGM 2012

The AGM 2012 will take place on 18 April at Spårvagnshal-larna in Stockholm at 15.00. The summons to the AGM is shown on the Company’s website at www.netent.com/agm, where the required documents are also available before the meeting.

Net Entertainments ten largest sharehol-ders according to Euroclear Sweden AB at December 31 2011	Percent of capital	Percent of votes
Per Hamberg	8.9	20.9
Rolf Lundström	6.5	14.4
Lars Kling	3.3	9.4
Svenska Handelsbanken SA	1.8	7.8
Berit Anita Lindwall	1.7	6.4
EFG Bank	5.9	6.2
Banque Carnegie Luxembourg	1.0	3.8
Knutsson Holdings AB	6.6	2.9
SIX SIS AG, W8IMY	4.6	2.0
Swiss Life	4.5	2.0
Shareholdings include holdings through families and companies.		

NOMINATING COMMITTEE

The AGM decides on how the Nominating Committee shall be appointed.

At the AGM in April 2011, it was decided that the Chair-man of the Board of Directors, Vigo Carlund, shall convene a Nominating Committee consisting of a representative from each of the three largest shareholders as of 31 Au-gust 2011 who, together with the Chairman of the Board of Directors, shall be members of the Nominating Commit-tee for the AGM 2012. In September 2011, Per Hamberg (appointed by the Hamberg family), Christoffer Lundström (Provobis Invest AB) and Eugen Steiner (the Kling family) were appointed as members of the Nominating Commit-tee. Per Hamberg was appointed Chairman of the Nomi-nating Committee. The composition of the Nominating Committee is based on the list of registered shareholders provided by Euroclear Sweden and other reliable owner-ship information as of the last business day in August.

The Nominating Committee has prepared a proposal to be submitted to the AGM 2012 for resolutions regarding the Chairman of the Meeting, the Chairman of the Board of Directors and other members of the Board of Directors, auditors in appropriate cases, remuneration to the Board of Directors and the auditors, as well as principles for ap-pointment of the Nominating Committee. The Nominating Committee’s mandate period runs until the new Nominating Committee is appointed in accordance with the resolution on selection of the Nominating Committee for the AGM 2012.

The composition of the Nominating Committee meets the Code’s requirements for independent members.

In its work, the Nominating Committee has participa-ted in the assessment of the Board of Directors and its work as well as the Chairman of the Board report on the Company’s activities, goals, and strategies, in order to make correct assessments concerning the composition of the Board of Directors. In addition, the Nominating Committee has analyzed the skills and experience of the members of the Board of Directors, and compared them with the needs that have been identified. The Nominating Committee has noted that the members of the Board of Directors hold a wide range of extensive experience in business activities, technology, the gaming industry and financial markets, etc. Since the Annual General Meeting 2011 the Nominating Committee has met on five occasions.

The Nominating Committee’s proposal, its justified opinion on the proposed Board of Directors and supple-mentary information regarding the nominated members of the Board of Directors are announced in connection with the summons to the AGM and will be presented at the AGM 2012 together with a report of the Nominating Committee’s work.

Members of the Nominating committee
Per Hamberg (Appointed by the Hamberg family)
Christoffer Lundström (Provobis Invest AB)
Eugen Steiner (Kling family)
Vigo Carlund, Chairman of the Board of Directors

THE BOARD OF DIRECTORS

The Board of Directors is elected by the shareholders at the AGM with a mandate period from the AGM until the end of the next AGM. The Company’s Articles of Associa-tion do not contain specific provisions on the appointment and dismissal of board members. The Board of Directors manages the shareholders’ interests by establishing go-als and strategies for the business, evaluating the execu-tive management and securing systems for monitoring and control of established goals. It is also the task of the Board of Directors to ensure that there is sufficient con-trol over the Company’s compliance with laws and other regulations that apply to the Company’s business, that the necessary ethical guidelines are established for the Company’s conduct and to ensure that the Company’s communications are open, as well as accurate, relevant and reliable.

Between AGMs, the Board of Directors is the Company’s highest governing body.

According to the articles of association, Net Enter-tainment’s Board of Directors shall consist of three to nine members and no deputies. The AGM decides the exact number of members.

The members of the Board of Directors shall devote their time and attention to Net Entertainment and acquire the necessary knowledge to defend the Company and its shareholders.

At the AGM in April 2011, six members were elected: Vigo Carlund, Fredrik Erbing, Niclas Eriksson, Mikael Gottschlich, Peter Hamberg and Pontus Lindwall. For a further description of the members, refer to page 22.

All but one member are independent in relation to the Company and its management, and five members to lar-ger shareholders. Pontus Lindwall was not independent in relation to the Company during the period April-Octo-ber 2011 as he was the CEO at the Company until October 2006. The evaluation of the members of the Board of Di-rectors’ independence is based on the Code’s rules, which apply from 1 February 2010.

At the Board meetings, Vigo Carlund and Peter Ham-berg have been present at all meetings, Fredrik Erbing and Pontus Lindwall were absent from one meeting, Nic-las Eriksson was absent from three meetings and Michael Gottschlich was absent from four meetings.

The Chairman of the Board of directors

The Chairman of the Board of directors is appointed by the AGM. Vigo Carlund was appointed Chairman of the Board of directors by the AGM 2011.

The Chairman organizes the work of the Board of Di-rectors so that it is conducted efficiently and is such that the Board of Directors fulfils its commitments. This also includes organizing and leading the work of the Board of Directors in order to create the best possible conditions for the work, ensuring that new members of the Board of Directors go through the necessary introductory training,

that the Board of Directors regularly updates and deepens its knowledge of the Company, the industry, and its de-velopment, is responsible for contacts with the owners, and communicates its opinions to the Board of Directors. The Chairman also ensures that the Board of Directors receives sufficient information and support for decisions in its work and, in consultation with the CEO, establishes proposals for the agendas of Board meetings. The Chair-man of the Board of Directors verifies that the Board of Directors decisions are implemented and is responsible for ensuring that the Board of Directors’ work is evaluated annually and that the Nominating Committee is informed of the evaluation. The Chairman is also a support for the CEO.

The work of the Board of Directors

The Board of Directors is regulated by the rules of proce-dure, in addition to laws and recommendations. The rules of procedure are established by the Board of Directors and reviewed annually through Board decisions.

The rules of procedure are divided into different sec-tions in order to clarify and regulate the Board of Direc-tors’ work and tasks. The parts consist of the Board of Directors’ rules of procedure and instructions to the CEO and Audit Committee. The Remuneration Committee is composed of the entire Board of Directors.

The rules of procedure describe which items shall be found on the agenda at each Board meeting, the annual cycle of items over the business year and the agenda for statutory Board meetings. The rules of procedure include the Board of Directors’ general duties, distribution of work within the Board of Directors, how Board meetings shall be recorded and provision of information to the Board of Directors before the Board meeting and between Board meetings.

Before each Board meeting, the members receive written material about the matters to be discussed at the Board meeting. Also, each month, a monthly report is distributed containing operational and financial deve-lopments.

In 2011, the Board of Directors held 22 meetings, in-cluding the constituting meeting, four for the approval of interim reports, and ten extra Board meetings. In connec-tion with the Board meeting in June, a strategy meeting was held,in which the executive management presented an in-depth analysis of the industry development and the proposed strategic direction for continued growth and de-velopment. This meeting was held in Sweden.

The key points at the Board meeting in 2011 were matters concerning strategy, taxes, approval of business plans and budgets, forecasts, key policies, annual report, earnings report and interim reports, recruitment of CEO and investments. Among investment matters, most nota-ble were adaptations to various geographic markets and the investment in a Live Casino product. Other matters addressed by the Board of Directors were financial goals,

vision, and mission, as well as financial policy.

Also present at the Board meetings were the CEO and the CFO who also took the minutes for the meetings. The CEO reports on operational developments at each ordinary Board meeting and the CFO reports on financial developments. In addition, various senior executives participated in presentations on different agenda items.

At the Board meeting in February 2012, the head auditor, Therese Kjellberg, Deloitte, reported her conclusions from the audit for 2011. During the meeting, the members of the Board of Directors had the opportunity to ask the auditor questions without Company management being present.

The Chairman of the Board of Directors annually evaluates the work of the Board of Directors through a systematic and structured process with the purpose of developing the Board of Directors' work and efficiency. The Board of Directors continually evaluates the CEO's work and the Board of Directors addresses this evaluation without anyone from the Company management being present.

Attendance, meetings 2011	Board of Directors	Audit committee	Remuneration committee
Vigo Carlund	22 of 22	-	1 of 1
Pontus Lindwall	16 of 17	-	- of 1
Fredrik Erbing	21 of 22	5 of 5	1 of 1
Niclas Eriksson	19 of 22	-	1 of 1
Mikael Gottschlich	18 of 22	5 of 5	- of 1
Peter Hamberg	22 of 22	5 of 5	1 of 1

Audit Committee

The Board of Directors has established an Audit Committee which, since April 2011, has consisted of Fredrik Erbing (Chairman), Peter Hamberg and Mikael Gottschlich. CFO Maria Hedengren is an adjunct to the Committee, and functions as its secretary. The Company's auditors attend the Committee's meetings for presentations and debriefing.

The Audit Committee is responsible for monitoring and quality assurance of the Company's financial reporting. In terms of financial reporting, the Audit Committee monitors the efficiency of the Company's internal controls and risk management. The Committee keeps itself informed of the audit of the annual accounts and the consolidated financial statements and reviews and monitors the auditor's impartiality and independence and pays special attention if the auditor provides the Company with services other than auditing services. The Committee is also responsible for the Board of Directors' ongoing communication with the Company's auditors, establishing guidelines for what services may be procured by the auditors in addition to regular audits, evaluation of the audit process, counseling the Nominating Committee when preparing proposals to the auditors and audit fees. In addition, the Committee has established an annual plan for its work,

an updated risk analysis for the business with special focus on financial reporting, approved the auditor's audit plan, read and evaluated the auditor's review, evaluated the internal controls and the process improvement work performed by the Company in that regard, considered the Finance policy and discussed the risks and their connection to internal control and accounting issues. During the year, special attention has been devoted to further development of the Finance department and controller function.

The Audit Committee met five times in 2011. The auditor attended all meetings.

Remuneration Committee

The Remuneration Committee consists of all six members of the Board of Directors. The Chairman of the Board of Directors is the Chairman of the Committee. All members were independent in relation to the Company except for Pontus Lindwall during the period April-October 2011 as he was the CEO of the Company up until October 2006. During the period April-October 2011 no meetings were held in the Remuneration Committee and Pontus Lindwall did therefore not participate in any decisions where he could be considered biased.

The Remuneration Committee deals with matters concerning remuneration and benefits for senior executives, including the CEO. The Remuneration Committee prepares matters for decision by the Board of Directors concerning the CEO's remuneration and benefits, as well as matters of principle for all senior executives. The Committee makes decisions on matters of remuneration concerning other senior executives, and other matters of lesser importance. The Board of Directors also decides on matters of principle concerning remuneration to senior executives and salary for the CEO. The Board of Directors has established guidelines for remuneration to senior executives that are presented to and approved by the AGM. The guidelines for remuneration to senior executives are monitored and evaluated annually, including programs that are ongoing, and that ended during the year, for variable remuneration for the Company management. The current remuneration policy is attached to the minutes from the AGM, which is available on the website.

The Remuneration Committee met once in 2011 where all members of the Board of Directors were present except for Michael Gottschlich and once in the beginning of 2012 where all members participated.

Instructions for the CEO

The Board of Directors has prepared and established instructions regarding the CEO's tasks and responsibilities, as well as obligations to the Board of Directors. The CEO is responsible for managing and developing the Company and dealing with the ongoing management of the Company's business affairs within the framework of the Swedish Companies Act, the Company's business

plan, instructions for the CEO and guidelines and instructions announced by the Board of Directors. In the internal work, the CEO shall monitor that the Company's organization is businesslike and efficient, ensure that the internal controls are effective and efficient, implement the Company's strategy and goals and process and suggest qualitative and quantitative goals for the Company's various business units. For the Board of Directors, the CEO shall continuously and before each ordinary Board meeting create, compile, and present data that the Board of Directors requests for assessment of the Company's economic situation, such as reports, key figures and comments, proposals for a business plan, a marketing plan, budgets, forecasts, financial statements, interim reports and annual reports.

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration to the Board of Directors

Remuneration to the Board of Directors is proposed by the Nominating Committee and decided by the AGM, and is paid to members of the Board of Directors who are not employed by the Company.

Monetary data regarding remuneration distributed to the Board of Directors per fiscal year is shown in note 6 on page 59.

REMUNERATION TO THE BOARD OF DIRECTORS 2009-2011, kSEK			
Decided at the AGM	2011	2010	2009
Chairman of the Board of Directors	550	650	500
(including fees for assignments in foreign subsidiaries)	(-)	(100)	-
Members of the Board of Directors	220	220	200
Chairman of the Audit Committee	270	50	-

Remuneration to senior executives

In order to achieve good long-term value growth for shareholders, Net Entertainment seeks to offer its employees competitive remuneration and an attractive workplace that makes it possible to recruit and retain the right employees. For senior executives, the Board of Directors has prepared guidelines for remuneration as outlined below. The Board of Directors has, with support from the third sentence in the introduction to the guidelines, deviated from the guidelines to senior management for variable compensation of the Acting CEO for 2011. There are specific reasons for this that are related to the extended responsibilities of the role as CEO brought in, as compared to the former position.

Monetary data regarding remuneration distributed to employees and senior executives is shown in note 6 on page 59.

Guidelines adopted by the AGM 2011

These guidelines shall be applied for the CEO of Net Entertainment NE AB and other senior executives of the Company. The principles in these guidelines are relevant to employment contracts entered into after the Annual General Meeting and in such cases amendments are made in existing contracts after the Annual General Meeting. The Board of Directors shall be able to deviate from the guidelines provided that there are special grounds in a specific case.

It is of fundamental importance for the Company and its shareholders that the principles for remuneration and other conditions of employment of senior executives from both a short-term and long-term perspective are competitive and create good conditions for retaining and motivating skilled employees and attracting new employees when needed. In order to achieve this, it is important that the Company has fair and internally balanced conditions, while maintaining market competitiveness. The employment conditions for senior executives should contain a well-balanced combination of fixed and variable salary, share-based incentive programs, retirement benefits and conditions for termination of employment.

Remuneration should be based on performance and should therefore contain a combination of fixed and variable salary such that variable remuneration constitutes an appropriately large part of the total remuneration.

The fixed salary shall be competitive, individual and shall be based on the individual's responsibility, role, skills, and experience in relevant positions.

An annual variable salary shall be measured and paid on an annual basis. The annual variable salary shall be capped at 100 percent of the fixed salary and shall be based on actual achievements in relation to the established financial and operational goals. Goals for variable salary are determined annually by the Board of Directors with regard to variable salary for the CEO and by the CEO with regard to variable salary for other people in senior management, in order to ensure that they are in line with the Company's business strategy and objectives. The conditions for variable salary shall include the minimum level of performance in relation to goals for which no variable salary is received.

In order to ensure long-term commitment, continued employment, and competitive remuneration from an international perspective, annual variable salary may be supplemented with long-term cash incentive programs with deferred payment between 12 and 24 months. Such incentive programs are used selectively and are based on objectives related to the current fiscal year. Long-term cash incentive programs require continued employment until a pre-agreed date in order for payment to be made. Long-term cash incentive programs shall be capped at 50 percent of the annual fixed salary and shall otherwise follow the same principles that apply to the Company's annual variable salary as above.

Persons within the sales organization may have vari-

able remuneration in the form of commissions based on successful sales. In certain situations, when a particularly good sales result has been achieved, the commission may add up to an amount that exceeds 100 percent of the fixed salary. For persons with commission remuneration, the variable salary according to the two preceding paragraphs is limited to 50 and 25 percent of the fixed salary.

The Board of Directors has the right to reclaim variable pay paid on the basis of information that later proved to be evidently erroneous.

Leading employees are invited to participate in an ongoing share-based program to motivate long-term work. In order to strengthen loyalty to the Company, a share-based incentive program in the form of share option rights may be issued under competitive conditions combined with cash remuneration, which is payable in connection with the use of share option rights to employees who are still employed at the time of redemption. Such remuneration may not exceed 50 percent, net after tax, of the premium paid for the share option rights.

Retirement benefits for the CEO and other persons in the Company's management shall be competitive and shall be based on defined benefit pension plans, where the premium shall be capped at 33 percent of the pensionable salary. Other benefits, such as Company car, remuneration for health insurance, etc. shall constitute a minor part of the total remuneration and shall be consistent with what is competitive.

The CEO and other individuals in the Company's management team have a notice period of six months. Other individuals in the Company's management team shall have notice periods of between three and six months. Severance pay, including dismissal pay, shall not exceed 18 months' salary.

Guidelines determined by the Board of Directors and proposed to the AGM 2012

For the AGM 2012 the Board of Directors has proposed the following changes and clarifications to the guidelines for remuneration to senior executives;

The annual variable salary shall be maximized to 50 percent of the fixed salary. Previous guidelines were maximized to 100 percent.

Persons within the sales organization may have variable compensation in the form of commission-based completed sales. Provision for sales persons can amount to a maximum of 100 percent of the fixed salary, which can be obtained through particularly good sales performance. This is not a change from previous guidelines but a clarification.

Leading employees are offered to participate in the ongoing share based incentive program in the form of a share option rights or share purchase plan issued under market conditions to motivate long term employment and promote increased community of interest with the Company's shareholders. Previous guidelines only covered

share option rights in the category of share-based incentive programs. The CEO may have a notice period of no more than twelve months. Other members of the Company' management may have a notice period of no more than six months. In addition to the notice period there may be severance pay. Notice period and severance pay shall not together exceed the equivalent of a total of 18 months' salary.

AUDIT

Auditors are elected by the AGM, and review the Company's accounts and management on behalf of the AGM. According to the articles of association, Net Entertainment shall have one or two auditors. Deloitte AB were elected as auditors at the AGM in April 2008 for the period until the AGM 2012. Therese Kjellberg was appointed chief auditor. At the AGM 2012 an auditor for the period up until the AGM 2013 will be appointed.

The auditor has presented her conclusions of the synoptic review of the interim report for January - September 2011, the audit for the entire year 2011, and internal control for the audit committee and the Board of Directors. The auditor also met with the Board of Directors and the audit committee without anyone from the Company management present.

In addition to the audit, the auditor has had a limited number of other tasks for Net Entertainment. These have been audit-related services concerning accounting and reporting, and well as assisting with establishing the Company's tax returns. In the previous year, assignment relating to the initial public offering in 2009 has taken place. Remuneration to the auditor is stated in note 23 on page 63.

INTERNAL CONTROL: THE BOARD OF DIRECTORS' DESCRIPTION OF THE MOST IMPORTANT ELEMENTS IN THE COMPANY'S SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

The Board of Directors' responsibility for internal governance and control is regulated in the Swedish Companies Act the Annual Accounts Act, and the Code. In the Annual Accounts Act, it is required that the Company annually describe the Company's system for internal control and risk management regarding financial reporting. The Board of Directors has overall responsibility for financial reporting. The Board of Directors' and the committees' division of labor is regulated in the Board of Directors' rules of procedure.

The Audit Committee has an important role in preparing the Board of Directors' work to ensure the quality of financial reporting. The preparation involves matters on internal control and compliance, control of reported values, estimates, assessments and other matters that could affect the quality of the financial reports. The Committee also has continuous contact with the auditor.

Net Entertainment applies the established framework

for internal control COSO (Committee of Sponsoring Organizations of the Treadway Commission). The principles of COSO consist of five interrelated components: control environment, risk assessment, control activities, information and communication and review process.

The Board of Directors' rules of procedure specify which reports and what information of a financial nature shall be distributed to the Board of Directors at each ordinary Board meeting and in between. The CEO ensures that the Board of Directors receives the reports required in order for the Board of Directors to be able to continuously assess Net Entertainment's economic position.

The quality of the external financial reporting is ensured through a number of measures and procedures. All interim reports are subject to processing by the Board of Directors before being released, along with the earnings report and annual report. The CEO is responsible for all information provided, such as press releases, presentations for meetings with analysts, media, and owners and investors. In addition to the annual report, the auditor also reviews interim earnings report for the third quarter.

Internal control refers to the process that is influenced by the Board of Directors, the Company managements, and other staff, and is designed to provide a reasonable assurance that the goals of the Company are achieved with regard to

- efficient and effective operations,
- reliable financial reporting, and
- compliance with applicable laws and regulations.

The basis of the internal controls related to the financial reporting consists of the overall control environment that the Board of Directors and the management have established and communicated. The Board of Directors and the management operate based on this, which creates discipline and structure for other parts of the process. These parts include risk assessment, control activities, including both general and more specific controls with the purpose of preventing, detecting, and correcting errors and discrepancies, systems for internal and external information and communication, and monitoring from the Board of Directors and the Company management and further down the organization in order to ensure the quality of the process. An important part of the control environment is that the organizational structure, decision making, and authority are clearly defined and communicated in the form of regulatory documents and internal policies, guidelines, manuals and valuations.

Control environment

In the development of processes, Net Entertainment has considered the control environment and the risk assessment performed. A well-designed internal control not only creates conditions for reliable financial reporting, but probably contributes to a healthy and sustainable business

with greater profitability as a result. Work on the design of internal processes and monitoring of these is continuously ongoing within Net Entertainment and is becoming increasingly important as the Company grows. This is especially important regarding the systems Net Entertainment develops and operates on behalf of licensees.

The Board of Directors has prepared and established instructions for the CEO and instructions for financial reporting to the Board of Directors at Net Entertainment regarding the ongoing work with internal control that is delegated to the CEO. In turn, the CEO delegates authority to the people that report to him, both directly and through established guidelines and manuals within the Company. The Company's corporate values are an important element here, which provides guidance for daily operations.

The Company's finance function reports to the audit committee and to the Company's Chief Financial Officer and works to develop and improve the internal control regarding financial reporting in the Company, both proactively with a focus on the internal controls environment, and by reviewing how the internal controls work. Constant development of internal controls is important for a rapidly growing Company like Net Entertainment. During 2011 the work to further develop the internal control has continued. To increase clarity and to implement additional internal control activities as a natural part of the continuous work on financial reporting, a re-organization was carried out so that the areas of responsibilities between the controlling function and the accounting department were changed. The usage of the new system for time and project follow-up has also been further developed. The Group has a department with special responsibility for regulatory compliance, as well as quality and processes. Regulatory compliance in this respect also refers to industry specific regulation from gaming authorities in different countries. In 2011 a new role for security control has been recruited in this department.

Internal governance instruments for financial reporting primarily consist of the Company's Finance Policy, Information Policy, Economic Handbook, and authorization instructions that define accounting and reporting rules, as well as the Company's definition of processes and minimum requirements for good internal control regarding financial reporting. Guidelines for financial reporting are updated when there are changes in the legal requirements, listing requirements and / or accounting standards that are relevant to the Company. In addition, the Company has prepared policies regarding trading of Company shares, IT and information security, dividend, drugs and gambling, and more.

Risk assessment

Risks regarding financial reporting are evaluated and monitored by the Board of Directors through the Audit Committee. Net Entertainment has implemented a structured risk assessment process in order to enable identification

of the significant risks that affect the internal controls regarding financial reporting, as well as identification of the risks that exist. These risks are mainly attributed to the areas such as regulated activity, the billing process, development expenditure and taxes and the Company's significant liquid funds. During the risk assessment, particular attention has been paid to the risk of irregularities and favoritism by other parties at the Company's expense and risk of loss or misappropriation of assets. At the same time, the risk assessment has a greater focus on key processes and items.

Matters are prepared by the Audit Committee before consideration by the Board of Directors. The risk assessment results in control goals that support the basic requirements of financial reporting being fulfilled. The risk assessment is updated annually by the Company, and the results are reported to the Audit Committee and the Board of Directors.

Control activities

The most significant risks identified regarding financial reporting are managed through the control structures of processes. Control activities are designed and documented at the process level and include both general and more specific controls with the purpose of preventing, detecting, and correcting errors and discrepancies. When designing control activities, it is ensured that they are performed correctly and on time. So-called general IT controls are designed for the system that support the processes that affect internal control regarding financial reporting. The design of processes and control activities within IT is also affected by regulations specified by the gaming authorities, such as the Lotteries and Gaming Authority of Malta (LGA), and external reviews in connection with control of such regulatory compliance. Such reviews are implemented both by certified auditing agencies for certification in relation to requirements from authorities and by the Company's external auditors. Control activities include from the review and monitoring of performance outcomes to specific account reconciliations.

Areas that are covered by control activities are, for example:

- proper authorization of business transactions
- business systems that affect financial reporting, including verification management
- the accounting process, including year-end reports and consolidated annual accounts and their compliance with applicable regulations in the form of generally accepted accounting principles, applicable laws and regulations and requirements for listed companies, but also in order to ensure proper decision making for the Board of Directors and management
- significant and unusual or complicated business transactions, as well as business transactions or valuations of assets or liabilities that contain significant elements of judgement.

Information and communication

Information and communication concerning internal governance instruments for financial reporting are available for all affected employees on the Company's internal network. Net Entertainment has information and communication channels with the purpose of promoting completeness and accuracy of financial reporting. Only a limited number of persons within the functions Finance, IR and CEO staff have access to information that is considered confidential, such as budgets, forecasts, economic outcome reporting, Board material and compensation. Access to such confidential information is in accordance with the powers which the Company's personnel have been awarded in the organization. Important guidelines and manuals of importance for financial reporting are updated and communicated to affected employees in connection with the introduction of new employees and possible changes to all affected personnel. There are both formal and informal communication channels to senior executives and the Board of Directors for information from employees. The employees can also contact the Board of Directors via e-mail and be anonymous to senior executives if they so wish, a so-called whistle blower policy. For external communication there are guidelines for the Company with high standards for accurate and relevant information to the market. The Board of Directors annually establishes an information policy for the Company which among other things provides guidelines for contacts with analysts and media. In connection with the introduction of new employees, the employees are informed of the guidelines and laws that apply to the Company regarding for example managing insider information and trading with the Company's shares. Prior to each quarterly earnings report a reminder is sent about the share trading rules.

Review process

The Board of Directors continuously evaluates the information that the Company management provides. The review process includes both monitoring of monthly financial reports for budget and goals and reporting at Board meetings. Through the Audit Committee, the Board of Directors reviews and assesses the internal control's organization and function. The Audit Committee's work includes, among other things, ensuring that measures are taken regarding deficiencies and proposals for measures that are identified through internal control activities and the external audit. The Company's policies and instructions are evaluated and updated at least annually with regards to effectiveness and functionality or more often if needed.

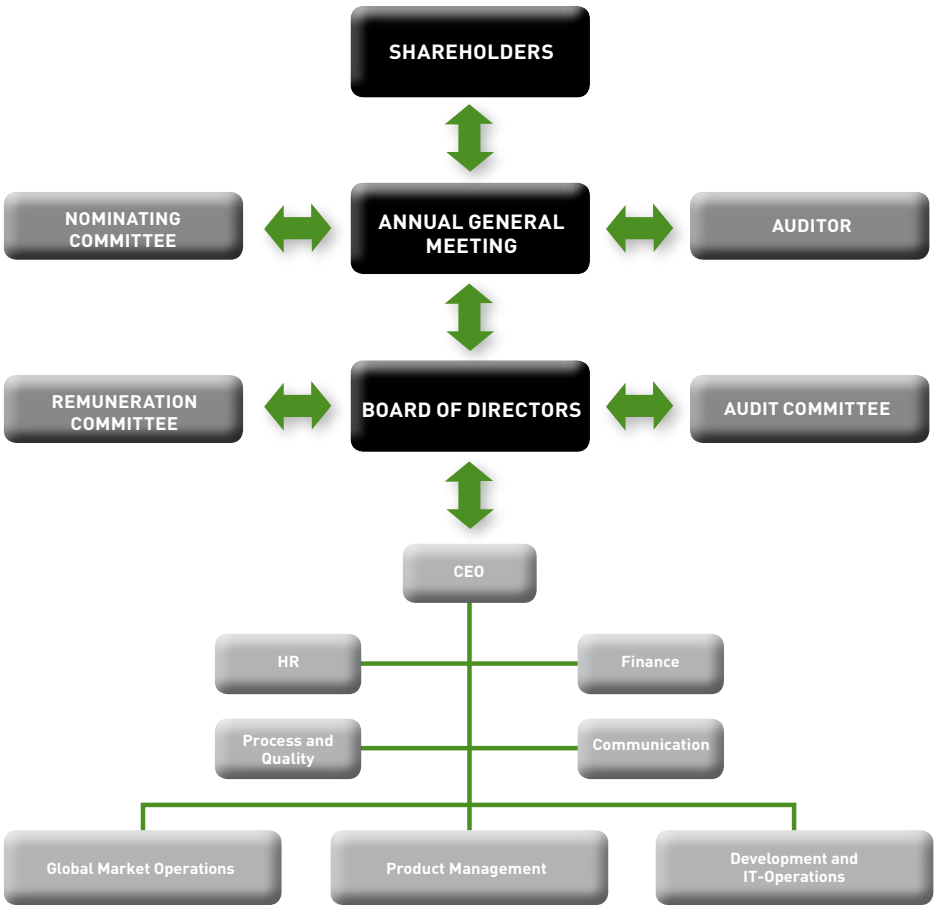
The Company's CFO presents the results of the work on internal controls as a recurring point on the agenda for the Audit Committee's meetings. The results of the Audit Committee's work in the form of observations, recommendations, and proposals for decisions and measures are continuously reported to the Board of Directors.

Internal audit

According to the Code, in companies that do not have a separate review function (internal audit), the Board of Directors shall annually evaluate the need for such a function and justify the conclusion in the description of the internal control. There is no such separate review function in Net Entertainment. The responsibility for further development and management of the system for internal control occurs in the organization together with existing functions for quality, processes and regulatory compliance. It is the Board of Directors' assessment that there is no need to create a separate review function due to the limited scope and complexity of the business. The extent is limited to 324 persons employed at the end of 2011 and operations mainly located in Malta and Stockholm and IT operations

and development units in an additional two countries. To ensure adequate risk management, governance, ethics, quality, compliance and efficiency the finance function is used with the support from external specialists in specific matters. The Audit Committee has a recurring point on the agenda for its meetings to get statements from the CFO on how work is progressing regarding improvement of internal controls on financial reporting and places requirements on improvements based on for example the risk analysis and dialog with the Company's auditors. Separate from the economy function a quality function exists that reports directly to the CEO and whose purpose is to ensure further development of the Company's processes regarding quality assurance, regulatory compliance and disaster management.

ORGANIZATIONAL STRUCTURE



THE SHARE

The share capital in Net Entertainment amounts to SEK 1,190,566.85 divided into 5,610,000 shares of series A, with ten votes per share, and 33,943,716 shares of series B, with one vote per share. Owners of shares of series A have the right to convert one or more shares of series A to shares of series B, through written request to the Board of Directors, within the framework for the maximum number of shares of series B that may be issued according to the articles of association. All classes of shares have equal rights to Net Entertainment’s assets and earnings. In the event of liquidation, the shareholders have the right to a portion of the surplus in relation to the number of shares that the shareholder owns. Shareholders can vote for the full number of shares represented at the AGM. As far as the Company knows, there are no limitations that prohibit the transfer of the Company’s shares, either legal or agreements between shareholders.

Net Entertainment has not issued convertible debt instruments.

As of 31 December 2011, Per Hamberg owned, directly or indirectly, 8.9 percent of the shares, and 20.9 percent of the votes, and Rolf Lundström owned 6.5 percent of the shares, and 14.4 percent of the votes.

SHARE OPTION RIGHTS
PROGRAM 2011-2014

The Annual General Meeting on April 13, 2011 resolved to introduce a long-term incentive program intended for senior management and key employees within Net Entertainment. The resolution entailed the issue of a maximum of 740,000 share option rights to personnel with permanent employment within Net Entertainment to subscribe for an equal amount of shares in Net Entertainment NE AB.

At the end of the subscription period 353,100 share option rights had been subscribed to, corresponding to 62.5 percent of the offer which amounted to a total of 565,000 share option rights, offered to employees. The share option rights were issued at market value determined to SEK 7.20 which generated SEK 2.5 million to equity for the Group. The strike price for the shares is determined to SEK 70.20 which represents 130 percent of the average share price during the measurement period in May 2011. Subscription of shares can be made during the period August 1 to October 1, 2014. An additional 160,000 share option rights were held by the wholly owned subsidiary Mobile Entertainment ME AB. These were cancelled in 2011.

At the end 2011, the total outstanding share option rights amounted to 353,100 corresponding to the same number of shares. In the case of full subscription of these share option rights the Parent Company’s equity will increase by SEK 24.8 million.

To stimulate participation in the program the Board of Directors has decided to offer a loyalty compensation which will be paid no later than September 1, 2014 to the

participants in the program who are still employed at Net Entertainment at the date of payment and have not resigned or been dismissed. The compensation can amount to a maximum of 50 percent of paid premium for the share option rights net after tax or a total of SEK 2.4 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 2009-2012

At the end of 2011, there were a total of 586,225 share option rights outstanding representing the same number of shares. In the event that full subscription occurs based on these share option rights, SEK 42.0 million will be contributed to the Parent Company’s equity. The share option rights were issued within the framework of an incentive program, and were subscribed at a market price established at SEK 7.10, of which SEK 4.2 million is contributed to equity for the corporation. The subscription price for shares was established at SEK 71.70, which constitutes 130 percent of the average share market price during the period of 12–26 May 2009. Subscription of shares may occur during the period of 15 May–15 July 2012. 43,000 share option rights have been cancelled in 2010.

With the purpose of stimulating participation in the program, the Board of Directors has decided to submit a loyalty remuneration to be paid no later than 15 June 2012 to the participants in the program who, at the time of payment, are still employees of Net Entertainment and have not resigned. The remuneration may add up to an amount that corresponds to a maximum of 50 percent, net after tax, of the premium paid for the share option rights which on the balance day represented a commitment of no more than SEK 0.8 million including social expenses as paid by the Company. This commitment is accrued for in the accounts on an ongoing basis considering forecasted employee turnover and interest.

MANDATE FOR NEW SHARE ISSUE

At the AGM 2011, the Board of Directors was authorized, on one or more occasions before the next AGM, with or without deviation from the shareholders’ preferential rights, to decide on issuance of new shares, convertibles and/or share option rights that entail the issuance of, conversion to, or new subscription of a total of at most 4,300,000 shares of series A and/or series B (corresponding to an increase of about 10 percent of the capital) for cash payment and/or with provision of capital contribution, set-off, or otherwise with conditions. The use of the authorization may not lead to the proportion of shares of series A exceeding 14.2 percent of the total number of shares.

The purpose of the authorization is to increase the Company’s financial flexibility and to be able to make payments with its own financial instruments in connection with any acquisitions of companies or businesses that the

Company may come to implement. In the event of issuance without preferential rights for the shareholders, the basis of the established issue price shall be the shares’ market value at the time of issue, subject to market-based issue discount.

EVENTS AFTER THE END OF THE PERIOD

Net Entertainment signed agreements with several customers for establishment in Denmark which has regulated online gaming. On January 1 2012 Net Entertainment launched these customers on the local Danish market.

FUTURE OUTLOOK

Net Entertainment’s positive growth thus far has primarily been generated by increased volumes from the Company’s existing customer base. Reregulation of the market for online gaming is taking place in several countries in Europe where Net Entertainment has launched several customers in Italy during 2011 and in Denmark during January 2012. In addition, new revenue streams from product launches such as mobile games and later on Live Casino, is expected to contribute positively to the Company’s growth going forward. The combination of the existing customer base, regulation of markets, integration of new customers and new games and products create a positive future outlook for the Company. The cost for doing business increases gradually and is driven by several factors where regulatory adjustments is one of them. The strategic initiatives create opportunities and continued competitiveness.

PROPOSED DIVIDEND

The Board of Directors proposes that no dividend is paid for the fiscal year 2011.

The Board of Directors proposes to the AGM to allo-

cate SEK 79.1 (79.1) million to shareholders, which corresponds to SEK 2.00 (2.00) per share through a share redemption program. The record date for the share redemption program is scheduled to 26 April 2012.

The complete proposal will be available three weeks prior to the AGM as well as an information folder. The information will be available for shareholders at the Company and on the website www.netent.com as from 28 March 2012. The information will also be sent free of charge to those shareholders who so request and provide their postal address.

THE BOARD OF DIRECTOR’S PROPOSED
ALLOCATION OF PROFIT IN THE PARENT COMPANY

The following profits are at the disposal of the AGM (SEK)	
Opening profit brought forward	20,106,729
Share premium reserve	6,015,820
Profit/loss for the year	84,830,734
	110,953,283

of Directors proposes	
That the following amount should be carried forward	110,953,283

Proforma after transfer to the shareholders	
Opening profit brought forward incl. profit/loss for the year	110,953,283
Transfer to shareholders	-79,107,432
	31,845,851

The Group’s and the Company’s result and position are shown in the following income statements and balance sheets, cash flow statements and equity statements and related notes and supplementary information which form an integrated part of this annual report.

Income statements and statements of total income

Group

SEK thousands	Note	2011	2010
Revenues	3, 4	426,838	368,170
Other revenues	5	780	110
Total operating revenues		427,618	368,280
OPERATING EXPENSES			
Personnel expenses	6	-146,547	-98,219
Depreciation/amortization	12, 13	-45,823	-30,959
Other operating expenses	23	-105,535	-102,691
Total operating expenses		-297,905	-231,869
Operating profit		129,713	136,411
FINANCIAL ITEMS			
Financial income	8	6,640	1,270
Financial expense	9	-7,359	-6,242
Total financial items		-719	-4,972
Profit before tax		128,994	131,439
Income tax	10	-13,380	-10,972
Profit for the year		115,614	120,467
Earnings per share before dilution (SEK)	11	2.92	3.05
Earnings per share after dilution (SEK)	11	2.92	3.05
Number of shares at period's end		39,553,716	39,553,716
Average number of shares		39,553,716	39,553,716
Effective tax rate		10.4%	8.3%
Profit for the period attributable to:			
Parent Company shareholders		115,614	120,467
Statement of total income – Group		2011	2010
Profit for the period		115,614	120,467
OTHER TOTAL INCOME			
Exchange differences arising from the translation of foreign operations		-911	-15,532
Sum of other total income for the period, net after tax		-911	-15,532
Total income for the period		114,703	104,935
Proposed/implemented transfer to shareholders/dividend per share		2.00	2.00

Balance sheets

Group

SEK thousands	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
FIXED ASSETS			
Intangible fixed assets	12	133,142	87,021
Tangible fixed assets	13	50,412	44,471
TOTAL FIXED ASSETS		183,554	131,492
CURRENT ASSETS			
Accounts receivable	15	3,680	5,473
Prepaid expenses and accrued income	16	54,788	47,111
Other receivables	17	38,473	29,351
Funds held on behalf of licensees		87,689	46,408
Cash and cash equivalents	18	74,234	47,034
TOTAL CURRENT ASSETS		258,864	175,377
TOTAL ASSETS		442,418	306,869
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	19		
Share capital		1,191	1,191
Other capital contributed		40,904	38,362
Reserves		-7,469	-6,558
Retained earnings incl. profit for the year		203,357	166,850
TOTAL EQUITY		237,983	199,845
CURRENT LIABILITIES			
Accounts payable		33,498	19,458
Current tax liabilities		18,512	11,262
Other liabilities	20	118,710	49,845
Accrued expenses and deferred income	21	33,715	26,459
TOTAL CURRENT LIABILITIES		204,435	107,024
TOTAL EQUITY AND LIABILITIES		442,418	306,869
Pledged assets		None	None
Contingent liabilities		None	None

Cash flow statements

Group

SEK thousands	Note	2011	2010
OPERATING ACTIVITIES			
Operating profit		129,713	136,411
Adjustments for non-cash items			
– Depreciation/amortization	12, 13	45,823	30,959
– Other		-430	-4,922
Interest received		420	167
Interest paid		-166	-29
Income taxes paid		-6,060	-8,538
Cash flow from operating activities before changes in working capital		169,300	154,048
Increase / decrease in accounts receivable		1,793	-1,631
Increase / decrease in other receivables		-58,080	-62,713
Increase / decrease in trade payables		14,040	7,450
Increase / decrease in other current liabilities		76,198	22,475
Cash flows from operating activities		203,251	119,629
INVESTING ACTIVITIES			
Acquisition of intangible assets	12	-77,539	-67,645
Acquisition of tangible fixed assets	13	-21,505	-26,177
Cash flow from investing activities		-99,044	-93,822
FINANCING ACTIVITIES			
Received premium for share option rights		2,542	-
Transfer to shareholders		-79,107	-79,107
Cash flows from financing activities		-76,565	-79,107
CASH FLOW FOR THE YEAR		27,642	-53,300
Cash and liquid assets at beginning of period		47,034	105,009
Exchange rate differences in cash and cash equivalents		-442	-4,675
Cash and cash equivalents at year-end	18	74,234	47,034

Changes in equity

Group

SEK thousands	Share capital	Other capital contributed	Reserves	Retained earnings incl profit for the year	Total equity
2010					
Opening equity Jan 1, 2010	1,191	38,362	8,975	125,490	174,018
Profit for the year	-	-	-	120,467	120,467
Exchange differences arising from the translation of foreign operations	-	-	-15,532	-	-15,532
Total income for 2010	-	-	-15,532	120,467	104,935
Transfer to shareholders	-	-	-	-79,107	-79,107
Closing equity Dec 31, 2010	1,191	38,362	-6,558	166,850	199,845

SEK thousands	Share capital	Other capital contributed	Reserves	Retained earnings incl profit for the year	Total equity
2011					
Opening equity Jan 1, 2011	1,191	38,362	-6,558	166,850	199,845
Profit for the year	-	-	-	115,614	115,614
Exchange differences arising from the translation of foreign operations	-	-	-911	-	-911
Total income for 2011	-	-	-911	115,614	114,703
Premium received for share option rights	-	2,542	-	-	2,542
Transfer to shareholders	-	-	-	-79,107	-79,107
Closing equity Dec 31, 2011	1,191	40,904	-7,469	203,357	237,983

There is no minority interest in the Group. All equity is therefore attributable to Parent Company shareholders.

Income statements and statements of total income

Parent Company

SEK thousands	Note	2011	2010
Revenues	3, 4	307,623	248,754
Other revenues	5	506	109
Total operating revenues		308,129	248,863
OPERATING EXPENSES			
Personnel expenses	6	-167,148	-118,521
Depreciation/amortization	12, 13	-8,957	-8,094
Other operating expenses	23	-109,469	-99,821
Total operating expenses		-285,574	-226,436
Operating profit		22,555	22,427
FINANCIAL ITEMS			
Profit/loss from interests in Group companies	7	68,870	68,506
Interest and similar income	8	5,492	518
Interest and similar expense	9	-5,861	-4,157
Total financial items		68,501	64,867
Profit before tax		91,056	87,294
Tax	10	-6,225	-5,359
Profit for the year		84,831	81,935
Earnings per share before dilution (SEK)	11	2.14	2.07
Earnings per share after dilution (SEK)	11	2.14	2.07
Number of shares at period's end		39,553,716	39,553,716
Average number of shares		39,553,716	39,553,716
Effective tax rate		6.8%	6.1%

Statement of total income –Parent Company	2011	2010
Profit for the period	84,831	81,935
OTHER TOTAL INCOME		
Sum of other total income for the period, net after tax	-	-
Total income for the period	84,831	81,935
Proposed/implemented transfer to shareholders/dividend per share	2.00	2.00

Balance sheets

Parent Company

SEK thousands	Note	Dec 31, 2011	Dec 31, 2010
ASSETS			
FIXED ASSETS			
Intangible fixed assets	12		
Games and gaming systems		-	-
Total intangible fixed assets		-	-
Tangible fixed assets	13		
Equipment and fittings		27,983	23,136
Total tangible fixed assets		27,983	23,136
Financial fixed assets			
Participating interests in Group companies	14	512	512
Total financial fixed assets		512	512
TOTAL FIXED ASSETS		28,495	23,648
CURRENT ASSETS			
Current receivables			
Accounts receivable	15	28	2
Receivables from Group companies	24	180,224	235,068
Other receivables	17	8,476	5,980
Prepaid expenses and accrued income	16	6,580	3,762
Total current receivables		195,308	244,812
Cash and bank balances	18	25,050	33,760
TOTAL CURRENT ASSETS		220,358	278,572
TOTAL ASSETS		248,853	302,220

SEK thousands	Note	Dec 31, 2011	Dec 31, 2010
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	19		
Restricted equity			
Share capital		1,191	1,191
Statutory reserve		38	38
Total restricted equity		1,229	1,229
Unrestricted equity			
Share premium reserve		6,015	3,473
Retained earnings		20,107	17,279
Profit for the year		84,831	81,935
Total unrestricted equity		110,953	102,687
TOTAL EQUITY		112,182	103,916
CURRENT LIABILITIES			
Accounts payable		28,773	16,789
Liabilities to Group companies	24	69,181	149,417
Tax liabilities		6,127	5,928
Other liabilities	20	3,177	2,501
Accrued expenses and deferred income	21	29,413	23,669
TOTAL CURRENT LIABILITIES		136,671	198,304
TOTAL EQUITY AND LIABILITIES		248,853	302,220
Pledged assets		None	None
Contingent liabilities		None	None

Cash flow statements

Parent Company

SEK thousands	Note	2011	2010
OPERATING ACTIVITIES			
Operating profit		22,555	22,427
Adjustments for non-cash items			
– Depreciation/amortization	12, 13	8,957	8,094
– Other		-327	-3,731
Interest received		123	116
Interest paid		-166	-24
Income taxes paid		-6,026	-1,001
Cash flow from operating activities before changes in working capital		25,116	25,881
Increase / decrease in accounts receivable		-26	1,261
Increase / decrease in other receivables		76,735	169,866
Increase / decrease in trade payables		11,983	6,477
Increase / decrease in other current liabilities		-32,149	-135,264
Cash flow from operating activities		81,659	68,221
INVESTING ACTIVITIES			
Acquisition of tangible fixed assets	13	-13,804	-9,651
Cash flow from investing activities		-13,804	-9,651
FINANCING ACTIVITIES			
Received premium for share option rights		2,542	-
Transfer to shareholders/dividend		-79,107	-79,107
Cash flow from financing activities		-76,565	-79,107
CASH FLOW FOR THE YEAR		-8,710	-20,537
Cash and cash equivalents at beginning of year		33,760	54,297
Cash and cash equivalents at year-end	18	25,050	33,760

Changes in equity

Parent Company

SEK thousands	Share capital	Other capital contributed	Share premium reserve	Reserves	Retained earnings incl profit for the year	Total equity
Opening equity Jan 1, 2010	1,191	38	3,473	15,244	81,143	101,089
Profit for the year	-	-	-	-	81,935	81,935
Total income for 2010	-	-	-	-	81,935	81,935
Allocation adopted by Annual General Meeting	-	-	-	2,036	-81,143	-79,107
Closing equity Dec 31, 2010	1,191	38	3,473	17,279	81,935	103,916
Opening equity Jan 1, 2011	1,191	38	3,473	17,279	81,935	103,916
Profit for the year	-	-	-	-	84,831	84,831
Total income for 2011	-	-	-	-	84,831	84,831
Received premium for share option rights	-	-	2,542	-	-	2,542
Allocation adopted by Annual General Meeting	-	-	-	2,828	-81,935	-79,107
Closing equity Dec 31, 2011	1,191	38	6,015	20,107	84,831	112,182

Notes to financial statements

NOTE 1 GENERAL INFORMATION

Net Entertainment NE AB (Parent Company, corporate registration number 556532-6443) and its subsidiaries (together, the Group or the Company) 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 royalty, based on the gaming yield generated by the Group’s customers and setup fees when new agreements are signed. Net Entertainment is a pure development Company and thus does not conduct any gaming operations of its own. The Company’s brand is internationally recognized and associated with innovation, service, and quality.

All technical development is carried out at the Group’s Stockholm office and all commercial operations: sales, marketing, and product management are carried out from the Malta office. The Company also has an office in Gibraltar. Development is also carried out in Gothenburg, Sweden and in India and the Ukraine. Net Entertainment also manage IT operations on Alderney.

The Parent Company is listed on NASDAQ OMX Stockholm (NET-B.ST) This annual report was approved for publication by the Board of Directors on March 15, 2012. The Statements of Income and Balance Sheets shall be adopted at the Annual General Meeting on April 18, 2012.

NOTE 2 ACCOUNTING AND VALUATION PRINCIPLES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee, as endorsed by the EU. The consolidated financial statements are also prepared in accordance with the Swedish Annual Accounts Act, the Swedish recommendation RFR 1 “Supplementary Accounting Rules for Groups” and applicable statements issued by the Swedish Financial Reporting Board. The accounting policies have been applied in the reporting for all companies within the Group and in the consolidation for each time period which is presented in the Group’s financial statements.

Preparation of the Group’s financial reports

The Parent Company’s functional currency is the Swedish krona, which is also the reporting currency for the Parent Company and the Group. This means that the financial reports are presented in SEK.

All figures are expressed in thousand Swedish kronor unless otherwise stated. SEK million is an abbreviation of million Swedish kronor. Amounts and figures in brackets are comparable figures for the same period in the previous year.

Assets and liabilities are reported using the historical cost basis of

accounting, apart from some financial assets and liabilities which are measured at fair value.

The most important accounting principles in the preparation of these consolidated financial statements are stated below. These principles have been applied consistently for all the years presented, unless otherwise stated.

The Parent Company applies the same principles as the Group, with the exception that the Parent Company’s report has been prepared in accordance with RFR 2 Accounting for Legal Entities. This results in certain differences caused by the requirements of the Annual Accounts Act or by tax considerations. The accounting principles for the Parent Company are stated below in the section ‘Parent Company Accounting Principles’.

Standards, Amendments and Interpretations effective for 2011

These new, amended or revised standards have been applied from 2011:

Standards

- Amendments to IAS 24 Related Party Disclosures (Revised definition and partial exemption for government-related entities)
- Amendments to IAS 32 Financial instruments: Classification (Classification of Rights Issues)
- Improvements to IFRSs issued 2010

Interpretations

- Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Prepayments of a Minimum Funding Requirement)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

All new, amended or revised standards and Interpretations above have been adopted but has not had any significant impact on the amounts presented in these financial statements. However they might affect the accounting for future transactions and events

Standards, revised Standards and Interpretations in issue not yet effective that has not been early adopted by the Group

Amendments to IFRS 7 Financial Instruments: Disclosures increase the disclosure requirements of transfer transactions of Financial Assets. These amendments are designated to give a greater transparency of the risk exposure of a Financial Asset that has been transferred to a third party but where the Company to some extent retains exposure in the asset. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Other amendments to IFRS 7 increase the disclosure requirements when offsetting Financial Assets and Financial Liabilities. Management’s assessment is that the amendments to IFRS 7 will not have any significant impact on the consolidated financial statements.

IFRS 9 Financial Instruments issued in November 2009 introduces new requirements regarding classification and measurement of Financial Assets. In October 2010 IFRS 9 was revised with requirements for the classification and measurement of financial liabilities and derecognition. The amendment to IFRS 9 issued in December 2011 implies that IFRS 9 shall be effective to annual periods beginning on or after 1 January 2015. In

December 2011 IFRS 7 was amended which implies increased disclosure requirements in the period when IFRS 9 is applied for the first time. Management is currently analysing the impact of the application of IFRS 9 Financial Instruments.

In May 2011 IASB issued a package of five standards on consolidation, joint arrangements, associates and disclosures; three new standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests of Other Entities and amendments to two existing standards, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. Amendments have also been made to IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income), IAS 12 Income taxes, IAS 19 Employee benefits and IAS 32 Financial Instruments: Presentation.

According to Management’s assessment, other new and amended standards and interpretations will not have any significant impact on the consolidated financial statements in the period of initial application.

CLASSIFICATIONS

Assets are classified as current assets if they are expected to be sold or are intended to be sold or used in the Company’s normal operating cycle, if they are held primarily for trading purposes, if they are expected to be sold within twelve months after the balance sheet date or if they are cash or cash equivalents. All other assets are classified as fixed assets. Liabilities are classified as current liabilities if they are expected to be settled in the Company’s normal operating cycle, if they are owned primarily for trading purposes, if they are expected to be settled within twelve months after the balance sheet date or if the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. All other liabilities are classified as long-term liabilities.

CONSOLIDATED STATEMENTS

The consolidated financial statements include the Parent Company and companies in which the Parent Company directly or indirectly owns more than half of the voting rights or has control.

Principles of consolidation

The consolidated accounts have been prepared in accordance with the purchase method. Acquisition-related costs are expensed in the periods in which they occur. The cost of an acquisition is measured as the fair value of the assets given, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference between the cost of acquisition of the shares and the fair value at the time of acquisition of the Group’s share of the identifiable net assets acquired is recognised as consolidated goodwill. If the difference is negative, the amount is immediately recognised in the income statement.

Subsidiaries’ revenue, expenses, assets and liabilities are included in the consolidated financial statements from the date on which control arises (acquisition date) until and including the date on which control ceases. Intra-group receivables and liabilities, and transactions among group companies and any associated gains, are eliminated in their entirety.

Translation of foreign operations

Operations which do not have the Sweden krona as their functional currency are translated to SEK using the current method. All assets, provisions and other liabilities are translated at the closing day rate, and income statement items are translated at the average rate. Exchange rate differences arising during this conversion, translation differences are recognized via total income in equity. Foreign operations are sold at their accumulated translation differences, less any hedging in the consolidated financial statements.

Revenues

Net Entertainment’s revenues are largely dependent on the licensing of online gaming products/services. Revenue consists of the fair value of what is received or will be received for services sold in the Group’s operating activities. Revenue is recognised excluding VAT and discounts, and after elimination of internal Group sales. All invoicing takes place monthly in arrears.

Net Entertainment Casino™ generates license revenues according to a royalty model and the amount is determined by the earnings generated by the product for the customer and is recognised for the period the customer uses the product.

The Group reports revenue when its amount can be reliably measured and it is likely that the Company will reap financial benefits in the future. The revenue amount cannot be measured in a reliable manner until all sales commitments are fulfilled or have lapsed. The Group bases its assessments and estimates on historical outcomes and takes into account the type of customer, type of transaction and special circumstances in each individual case. If there are any circumstances that might change the original assessment of the revenue amount, the estimates are reviewed. These reviews can result in increases or decreases of the estimated revenue or expenses and affect the revenue during the period when the circumstances that caused the change came to the knowledge of the Company management.

Other revenues

Revenues from activities which do not come under ordinary operations are reported as other income. This item mainly includes recovered amortized receivables, exchange gains from operations and profit from the sale of fixed assets.

Financial income/expenses

Interest revenues and expenses are reported in the period they are incurred.

Other operating expenses

Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are reported as other operating expenses. This item mainly includes exchange losses from operations and losses on the sale of fixed assets.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. In the case of the Group, the chief operating decision maker has been identified as the Chief Executive Officer who makes strategic decisions. The Company’s only product (segment) is systems for casino games

Pooled Jackpots

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

Cash flow statement

The cash flow statement is prepared using the indirect method. The recognised cash flow only covers transactions that result in incoming or

outgoing payments. This means that discrepancies may occur compared with changes in individual items in the balance sheet.

Intangible assets

Development expenditure is capitalized to the extent that it is expected to result in future economic benefits. Only expenditure associated with the development phase of online gaming products, gaming systems and gaming platforms are capitalized and recognised as an asset from the date on which the decision is made to complete the project and when conditions allow this. The carrying amount includes direct expenditure for salaries, purchased services, materials and indirect expenses that can be reasonably and consistently attributed to the asset.

Development expenses are recognized in the balance sheet at cost, less deductions for accumulated amortisation and impairment losses. Regular assessments are made of the projects’ income-generating capacity in order to identify any impairment requirements. Intangible fixed assets also include acquired gaming agreements, concessions and trademarks. These intangible assets are reported in the balance sheet at acquisition value, less accumulated amortization and impairment losses.

All of the Company’s intangible assets have a known useful life.

Tangible assets

Items of property, plant and equipment are recognised as assets in the balance sheet when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably. Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Repairs and maintenance are recognised as expenses in the period incurred.

Depreciation/amortization and impairment

Depreciation/amortization is based on the original acquisition cost less the estimated residual value and allowance for impairment. Depreciation/amortization is applied on a straight-line basis over the asset’s estimated useful life. The following useful life for assets (years) are used:

- Trademarks, domain names, 3-5 years.
- Gaming agreements and concessions, 3–5 years.
- Capitalized development expenses for games, gaming systems and gaming platforms are based on class of asset and amount to a maximum of 3 years.
- Computer and server equipment, 4–5 years.
- PCs (work stations for developers etc.) 1–3 years.
- Office equipment, 3–7 years.

The residual value and useful life of an asset are reviewed annually. If the carrying amount of tangible, intangible or financial fixed assets in the Group appears excessive, impairment is identified and quantified by reference to the recoverable value of individual or naturally related types of assets, measured as the higher of net selling price and value in use. The value in use is measured as expected future discounted cash flow. Impairment loss is the difference between the carrying amount and the recoverable value. When a previously recognised impairment loss is no longer warranted, it is reversed. A reversal may not be higher than a value that does not exceed the carrying amount that would have been recognised [net of amortization or depreciation] had no impairment loss been recognised.

Financial instruments

Financial assets can be classified in the following categories: (a) financial assets measured at fair value in the income statement, (b) loan receivables and accounts receivable and (c) available-for-sale financial assets. The classification is dependent upon the purpose for which the financial asset was acquired. The classification of the financial assets is determined at the time of initial accounting.

The Group does not have any assets which fall under the categories (a) or (c).

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives with fixed payments or payments that can be defined and are not listed in an active market. They are included in current assets with the exception of items with an expiry date of more than 12 months from the closing date, which are classified as fixed assets. In this category, Accounts receivable as well as Cash or cash equivalents are recognized in the balance sheet (see notes 15 and 18).

Accounts receivable

Accounts receivable are initially measured at fair value and then at accumulated acquisition value with application of the effective interest method, less any provision for impairment. Provision for impairment on accounts receivable is made when there is direct evidence that the Group will not be able to collect all the amounts due under the original terms of the receivable. The amount of a provision is the difference between the asset’s carrying value and the current value of assessed future cash flows, discounted using the original effective interest rate and the adjustment is recognised in the income statement in sales costs. When an accounts receivable cannot be collected, it is completely written off accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other short-term investments with an expiry date within three months of the acquisition date.

Shareholders’ equity

Shareholders’ equity consists of registered share capital, other paid-in capital, hedge reserves, retained earnings and profit for the year. Ordinary shares are classified as equity. Transaction expenses that can be directly attributed to issues of new shares or options are recognised, net after tax, in equity as a deduction from the issue amount. Other than the shares’ quota value, other capital contributed refers to amounts received from new share issue, shareholder contribution and group contribution. Translation reserves relate to translation differences attributable to translation of foreign subsidiary operations into Net Entertainment’s reporting currency.

Accounts payable

Accounts payable are initially recognised at fair value and then at the accumulated acquisition value using the effective interest method.

Other financial liabilities

Financial liabilities not held for trading are initially valued at fair value and then at amortized cost. Accumulated acquisition value is measured on the basis of the effective interest calculated when the liability was recognised. This means that surplus and deficit values and transaction costs are accrued over the liability’s maturity.

Financial investments

Financial investments are either financial assets or short-term investments, depending on the purpose of the holding. If their maturity or expected period of ownership exceeds one year they are financial fixed assets, and if it is less than one year they are short-term investments. Financial investments comprising shares are either financial assets measured at fair value in the income statement or available-for-sale financial assets.

Interest-bearing securities acquired to be held until maturity are classified as held-to-maturity financial assets and are measured at amortized cost. Interest-bearing securities, not acquired to be held until

maturity, are classified as “available-for-sale” financial assets. When financial assets are measured at fair value in the income statement, any changes in value are recognized in net finance income/expense.

Hedge accounting

Net Entertainment does not regularly hedge the risk exposure in terms of exchange rate fluctuations from future cash flows with financial instruments. By way of exception, hedging can occur for identified flows, which was carried out in 2010. No currency forward contracts exist at the end of each fiscal year.

All existing derivatives are recognised at fair value in the balance sheets. For derivative instruments qualifying as cash flow hedge, the effective portion of the changes in the fair value is recognised in separate equity categories until such time that the hedged item is recognised in the income statement. For derivative instruments that do not meet the criteria for hedge accounting, and for ineffective portions of derivatives qualifying for hedge accounting, changes in fair value are recognised in the income statement as other interest income/expenses.

Taxes

Total tax expense consists of current tax and deferred tax. Current tax is tax (paid or received) that relates to the current year. This also includes adjustment of current tax attributable to prior periods.

Income tax liabilities and receivables are valued at their nominal amount according to tax regulations and tax rates that have been approved or announced and which are likely to be adopted. For items reported in the income statement, related tax effects are also reported in the income statement.

Tax effects of items recognized via total income against equity or directly against equity, are recognized against other total income or against equity.

Deferred tax is calculated using the balance sheet method based on temporary differences arising between the reported value and tax value of the assets and liabilities, and applying the tax rates and regulations approved or announced at the balance sheet date and which are expected to apply when the deferred tax receivable concerned is realised or the deferred tax liability is settled. Temporary differences are not considered for goodwill related to consolidation or in differences attributable to shares in subsidiaries and associated companies that are not expected to be taxed within the foreseeable future. Untaxed reserves including deferred tax liabilities are reported in legal entities. Deferred tax assets relating to deductible temporary differences and loss carryforwards are only reported to the extent that it will be possible to utilise them in the future and that they will result in lower future tax payments.

Leases

Leases are classified either as finance or operating leases in the consolidated income statement. Leasing of fixed assets where the Group is essentially exposed to the same risks and rewards as in direct ownership is classified as finance leasing. The leased asset is recognised in fixed assets and the corresponding rental liability falls under interest-bearing liabilities. Leasing of assets where the lessor essentially remains the owner of the asset is classified as operating leasing and the leasing charges (after deduction of any incentive from the lessor) are expensed on a straight-line basis over the leasing period. Details of operating leases and rental agreements are shown in note 22.

Dividends

Dividends are recognised as a liability in the period in which they are approved by the Annual General Meeting.

Employee benefits

Pension costs and pension commitments

The Group has various pension plans in different countries. The pension plans are normally financed by payments from the relevant Group

companies and in some cases from employees. As all pension plans are defined-contribution the Group has no legal or informal obligations once the contributions have been paid. The Group’s outgoing payments for defined-contribution pension plans are reported as an expense during the period in which the employees performed the services to which the contribution relates.

Remuneration after termination of employment

The Group has no obligations to employees after they have retired or finished in their posts.

Termination benefits

Compensation is paid when an employee’s job is terminated by Net Entertainment before the normal retiring date or when an employee voluntarily accepts severance pay. The Group recognises severance pay when it is demonstrably committed to either terminating the employment of employees in accordance with a detailed formal plan without the possibility of retraction, or providing termination benefits as a result of an offer which is made to encourage voluntary departure.

Bonus plans

The Group recognises a liability and an expense for bonus based on various qualitative and quantitative standards. The Group provides a provision for bonuses if there is a legal obligation or an informal obligation owing to previous practice.

Provisions

A provision is recognized in the balance sheet when the Group has a present obligation (legal or informal) as a result of a past event and an outflow of resources will probably be required to settle the obligation and a reliable estimate of the amount can be made. In a situation where the effect of when the payment takes place is important, provisions are measured by discounting expected future cash flows at an interest rate before tax, so that it reflects the present market value of the expenditure required to settle the amount and, if applicable, the risks associated with the liability. A restructuring provision is recognised when the Group has defined a detailed, formal restructuring plan and the restructuring has either commenced or has been officially approved. No provision is made for future operating expenses.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation arising from past events and its existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation which is not reported as a liability or a provision due to the fact that it is not probable that an outflow of resources will be required to settle the obligation.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company complies with the same accounting principles as the Group with the exception of that which is stated below.

Interests in subsidiaries are reported at acquisition value with deductions for possible depreciation. Acquisition-related expenses for the subsidiaries, which are expensed in the consolidated financial statements, are included as part of the acquisition value for shares in subsidiaries.

Shareholder contributions are recognized directly in the equity of the recipient Company and capitalised in the contributor’s shares and participating interests. These assets are subsequently subject to impairment testing. Group contributions made or received for the purpose of minimizing the Group’s total tax are recognised directly as financial income after deduction for their current tax effect.

Dividends from subsidiaries are recognised when the right to receive dividends is considered to be reliable.

The Parent Company recognises the deferred tax liability on untaxed

reserves as part of the untaxed reserves because of the connection between accounting and taxation.

The amendments in RFR 2 Accounting for legal entities, which has come into effect and applies to the fiscal year 2011, has meant that group contribution is no longer reported against equity. A Group contribution which the Parent Company obtains from a subsidiary is reported in accordance with the same principles as normal dividend from subsidiaries and is reported as financial income. Group contributions from the Parent Company to subsidiaries is reported in the income statement as a financial item.

The amendments in RFR 2 regarding group contribution and other amendments in RFR 2 has not had any significant effect on the Parent Company's financial reports.

KEY ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions about the future. These estimates are used when preparing the financial reports. By definition, these predictions rarely match the actual results. They are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are deemed reasonable in the circumstances.

Taxes

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

Impairment tests

Every year, the Group's assets are tested to determine if any impairment has occurred in accordance with IAS 36. The Group has invested considerable amounts in the development of gaming platforms and their carrying amounts are compared to the present value estimated from expected future discounted cash flows.

Development expenses are recognised in the balance sheet at cost, less deductions for accumulated amortisation and impairment losses. Regular assessments are made of the projects' income-generating capacity in order to identify any impairment requirements.

NOTE 3 REVENUES				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
– License revenues, royalties	426,838	368,170	18,697	15,592
– Consulting revenues	-	-	267,992	231,297
– Invoiced expenses	-	-	20,934	1,865
Total	426,838	368,170	307,623	248,754

NOTE 4 SEGMENT REPORTING

The corporate management has identified the CEO as the chief operating decision maker.

Segments are defined as it can generate revenue and incur expenses. Defined segments within the Group are used for follow-up purposes to make strategic decisions. In its reporting to the chief operating decision maker, the Group has identified one reportable segment. The segment that has been identified is the system for casino games. The CEO assesses the business performance based on the operating segment. Geographically, Net Entertainment's customers (gaming operators, betting companies) offer gaming to their customers (players) in many different countries. The domicile of Net Entertainment's direct customers' (websites) is determined by reasons completely different to proximity to the local market, for instance appropriate gaming legislation or other reasons. The advantage of the Internet is that it is a global, cross-border form of distribution, where gaming site owners can be domiciled anywhere in the world and still serve many local markets around the world. Net Entertainment Group operations are spread geographically for legal reasons. The geographical information below regarding revenues and assets have been distributed based on where the Group's customers have their headquarters and where the Group has its assets.

GEOGRAPHICAL BREAKDOWN		
	2011	2010
Revenue		
Sweden	-	-
Malta	80%	82%
Other Countries	20%	18%
Fixed Assets		
Sweden	15%	18%
Malta	79%	76%
Alderney	6%	6%

The distribution per customer is presented to give a picture of the dependency of specific customers.

CUSTOMERS		
	2011	2010
Customer I	20%	24%
Customer II	13%	15%
Customer III	9%	13%

NOTE 5 OTHER REVENUES				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
– Exchange differences, operations	763	-	489	-
– Other	17	110	17	109
Total	780	110	506	109

NOTE 6 EMPLOYEE BENEFITS

AVERAGE NUMBER OF EMPLOYEES				
	2011		2010	
	Average number of employees	Of which men	Average number of employees	Of which men
Sweden	198	76%	139	79%
Malta	22	83%	13	74%
Group total	220	77%	152	78%

REMUNERATION TO SENIOR EXECUTIVES		
	2011	2010
Members of the Board, current		
Vigo Carlund, Chairman of the Board	440	220
Fredrik Erbing	253	270
Niclas Eriksson	220	220
Mikael Gottschlich	220	220
Peter Hamberg	220	220
Pontus Lindwall	147	-
Members of the Board, previous		
Rolf Blom, former Chairman of the Board	200	654
Summa	1,700	1,804

The table shows the remuneration expensed in each fiscal year.

SALARIES AND SOCIAL SECURITY EXPENSES				
	2011		2010	
	Salaries	Social security expenses (of which pension costs)	Salaries	Social security expenses (of which pension costs)
Board of Directors and the CEO	6,018	3,406 (1,188)	6,437	2,981 (1,191)
Other employees Sweden	101,603	45,036 (11,458)	68,360	29,336 (8,682)
Total Parent Company	107,621	48,442 (12,646)	74,797	32,317 (9,873)
Other employees Malta	11,997	459 (83)	8,740	715 (242)
Total Group	119,618	48,901 (12,729)	83,537	33,032 (10,115)

Presented salaries and social security expenses represents amounts expensed as well as capitalized as development costs.

	2011			2010		
	No. of men	No. of women	Women	No. of men	No. of women	Women
Board of Directors	6	-	0%	6	-	0%
Other senior executives	6	2	33%	5	-	0%
Total Group Board of Directors and senior executives	12	2	17%	11	-	0%

REMUNERATION TO THE BOARD OF DIRECTORS

Remuneration to the Board of Directors are approved by the Annual General Meeting. At the Annual General Meeting April 13, 2011 it was resolved, for the period up until the end of the next Annual General Meeting 2012, that remuneration would be paid of SEK 1,700 thousand of which SEK 550 thousand to the Chairman of the Board and SEK 220 thousand to each Board member and an addition of SEK 50 thousand to the Chairman of the Audit committee.

REMUNERATION TO SENIOR EXECUTIVES

During 2011, the remuneration to the CEO amounted to SEK 4,318 (4,633) thousand, of which SEK 313 (1,570) thousand was variable compensation, and pension costs of SEK 1,188 (1,191) thousand. Other benefits, such as health care insurance amounted to SEK 2 (7) thousand. Accrued costs relating to the departure of the former CEO at the end of 2011, amounted to SEK 3,985 thousand including social security contribution.

The notice period for termination of employment is six months if initiated by the CEO and twelve months if initiated by the Company.

Remuneration to other senior executives during 2011 amounted to SEK 7,823 (2,698) thousand, of which SEK 637 (344) thousand was variable compensation and pension costs of SEK 1,396 (668) thousand. Senior executives consisted of 11 (6) persons during 2011, of which several only for a portion of the year.

The notice period for other senior executives varies between 3–6 months and is mutual. In one case, severance pay corresponding to an additional two months' salary is applicable which is deductible against salary from new employment. Other benefits, such as health care insurance, amounted to SEK 16 (7) thousand.

NOTE 7 EARNINGS FROM SHARES IN SUBSIDIARIES		
	PARENT COMPANY	
	2011	2010
Anticipated dividend from subsidiaries	68,870	68,506
Total	68,870	68,506

NOTE 8 FINANCIAL INCOME				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Interest income	422	167	123	116
Exchange rate differences	6,218	1,103	5,369	402
Total	6,640	1,270	5,492	518

NOTE 9 FINANCIAL EXPENSES				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Interest expense	166	29	166	24
Exchange rate differences	7,193	6,213	5,695	4,133
Total	7,359	6,242	5,861	4,157

NOTE 10 INCOME TAX				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
CURRENT TAX				
Sweden	6,225	5,359	6,225	5,359
Outside Sweden	9,431	4,465	-	-
Total current tax	15,656	9,824	6,225	5,359
DEFERRED TAX				
Outside Sweden	-2,276	1,148	-	-
Total deferred tax	-2,276	1,148	-	-
Total tax expense				
	13,380	10,972	6,225	5,359
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Difference between actual tax expense and tax expense based on present tax rate				
Recognised profit before tax	128,994	131,439	91,056	87,294
Tax according to present tax rate 26.3%	33,925	34,568	23,948	22,958
Difference in tax rates in foreign operations	-22,592	-23,926	-	-
Tax effect from non-taxable items	-	-	-18,113	-18,017
Tax attributable to prior years	-6	1	-6	90
Tax effect from non-deductible items	2,053	328	396	328
Recognised tax expense	13,380	10,972	6,225	5,359
Specification of deferred tax expense				
Tax on temporary differences	-2,276	1,148	-	-
	-2,276	1,148	-	-

NOTE 11 EARNINGS PER SHARE				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Profit after tax attributable to Parent Company shareholders [SEK thousand]	115,614	120,467	84,831	81,935
No. of shares	39,554	39,554	39,554	39,554
Earnings per share [SEK]	2.92	3.05	2.14	2.07

Earnings per share is calculated based on the average number of shares. The number of shares have been calculated in accordance with IAS 33 Earnings per share.

At the end of 2011 the total outstanding share option rights amounted to 939,325 corresponding to the same number of shares. The share option rights have been issued as part of two long-term incentive programs in accordance with the resolutions on the Annual General Meetings on April 29, 2009 and April 13, 2011. The potential shares the issue of the share option rights are considered, when calculating the number of shares and earnings per share after dilution, to the extent they affect dilution in accordance with IAS 33 Earnings per share. As the share price on the closing day is below the strike price of SEK 71.70 and 70.20 the potential shares have no dilutive effect and are therefore not included in the number of shares after dilution.

NOTE 12 INTANGIBLE ASSETS				
GROUP				
	Gaming products, systems and platforms	Gaming contracts and licenses	Trade-marks	Total
2010				
Opening acquisition value	89,878	1,615	147	91,640
Capitalized development expenses for the year	67,645	-	-	67,645
Translation difference	-12,364	-	-	-12,364
Closing accumulated acquisition value	145,159	1,615	147	146,921
Opening amortization				
Amortization during the year	42,146	1,615	147	43,908
Translation difference	19,477	-	-	19,477
Closing accumulated amortization	-3,485	-	-	-3,485
Closing residual value according to plan Dec 31, 2010	58,138	1,615	147	59,900
	87,021	-	-	87,021
2011				
Opening acquisition value	145,159	1,615	147	146,921
Capitalized development expenses for the year	77,539	-	-	77,539
Translation difference	-1,531	-	-	-1,531
Closing accumulated acquisition value	221,167	1,615	147	222,929
Opening amortization				
Amortization during the year	58,138	1,615	147	59,900
Translation difference	30,401	-	-	30,401
Closing accumulated amortization	-514	-	-	-514
Closing residual value according to plan Dec 31, 2011	88,025	1,615	147	89,787
	133,142	-	-	133,142

PARENT COMPANY				
	Gaming products, systems and platforms	Gaming contracts and licenses	Trade-marks	Total
2010				
Opening acquisition value	24,433	1,615	147	26,195
Closing accumulated acquisition value	24,433	1,615	147	26,195
Opening amortization				
Amortization during the year	23,447	1,615	147	25,209
Closing accumulated amortization	986	-	-	986
Closing residual value according to plan Dec 31, 2010	24,433	1,615	147	26,195
	-	-	-	-
2011				
Opening acquisition value	24,433	1,615	147	26,195
Closing accumulated acquisition value	24,433	1,615	147	26,195
Opening amortization				
Amortization during the year	24,433	1,615	147	26,195
Closing accumulated amortization	-	-	-	-
Closing residual value according to plan Dec 31, 2011	24,433	1,615	147	26,195
	-	-	-	-

NOTE 13 TANGIBLE FIXED ASSETS				
	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
EQUIPMENT AND FITTINGS				
Opening acquisition value	63,165	42,240	32,311	24,687
Acquisitions for the year	13,648	24,149	5,942	7,624
Translation differences	-272	-3,224	-	-
Closing accumulated acquisition value	76,541	63,165	38,253	32,311
Opening depreciation				
Depreciation during the year	24,549	15,024	15,030	8,820
Translation differences	13,908	10,582	7,507	6,210
Closing accumulated depreciation	-60	-1,057	-	-
	38,397	24,549	22,537	15,030
Closing residual value according to plan				
	38,145	38,616	15,716	17,281

NOTE 14 PARTICIPATING INTERESTS IN GROUP COMPANIES						
PARENT COMPANY	Corp. Reg. No.	Reg. HQ	Share %	No. of shares	Carrying amount 2011	Carrying amount 2010
Name						
Mobile Entertainment ME AB	556185-1758	Stockholm	100%	1,000	89	89
- Net Entertainment Malta Holding Ltd.		Malta	0.01%	1		
- Net Entertainment Malta Ltd.		Malta	0.01%	1		
- Net Entertainment Malta Services Ltd.		Malta	0.03%	1		
- Net Entertainment International Ltd		Malta	0.08%	1		
- Merit Media Marketing Ltd		Malta	0.08%	1		
Net Entertainment Malta Holding Ltd.	C 37769	Malta	99.99%	3,999	423	423
- Net Entertainment Malta Ltd.		Malta	99.99%	3,999		
- Net Entertainment Malta Services Ltd.		Malta	99.97%	2,999		
- Merit Media Marketing Ltd		Malta	99.92%	1,199		
- Net Entertainment International Ltd		Malta	99.92%	1,199		
- NE Services Ltd		Gibraltar	100%	2,000		
- Net Entertainment Alderney Ltd		Alderney	100%	1,000		
Summa					512	512
					PARENT COMPANY	
					2011	2010
Changes in participations in Group companies						
Opening acquisition value				512		512
Closing carrying amount				512		512

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Leasehold improvements				
Opening acquisition value	6,884	4,856	6,884	4,856
Acquisitions for the year	7,861	2,028	7,861	2,028
Closing accumulated acquisition value	14,745	6,884	14,745	6,884
Opening depreciation				
Depreciation during the year	1,029	130	1,029	130
Closing accumulated depreciation	1,449	899	1,449	899
	2,478	1,029	2,478	1,029
Closing residual value according to plan				
	12,267	5,855	12,267	5,855

NOTE 15 ACCOUNTS RECEIVABLE

The carrying amounts for accounts receivable comply with the fair values and corresponds to nominal amounts. No receivables have been placed as security for liabilities or contingent liabilities.

On December 31, 2011, accounts receivable due totaled SEK 2,991 (4,463) thousand with no indication of impairment identified. This applies to a number of independent customers that have not previously had payment difficulties. Acknowledged bad debts during the period and an age analysis of consolidated accounts receivable are presented below. The analysis of bad debt only contains receivables in which no impairment have been identified. Credit risks are detailed in note 26.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Per January 1	2,629	-	-	-
Provision for bad debt	401	2,629	-	-
Customer losses in the income statement	-2,658	-	-	-
Per December 31	372	2,629	-	-
Age analysis accounts receivable				
0–30 days	3,669	3,309	17	2
30–60 days	3	2,164	3	-
Older than 60 days	8	-	8	-
Total	3,680	5,473	28	2

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Accrued license/royalty income	41,218	34,928	-	-
Prepaid IT-services	5,556	5,633	825	-
Prepaid rent	3,976	2,234	3,654	1,993
Prepaid license fees	1,133	1,126	283	749
Other prepaid expenses	2,905	3,190	1,818	1,020
Total	54,788	47,111	6,580	3,762

NOTE 17 OTHER RECEIVABLES

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
VAT	7,659	5,266	7,659	5,181
Receivables from operators	29,995	23,266	-	-
Other	819	819	812	799
Receivables from Group companies	-	-	180,224	235,068
Total	38,473	29,351	188,695	241,048

NOTE 18 CASH AND CASH EQUIVALENTS

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Cash and bank balances	74,234	47,034	25,050	33,760
Total	74,234	47,034	25,050	33,760

NOTE 19 SHAREHOLDERS' EQUITY

	2011		2010	
	No. of shares	Share capital	No. of shares	Share capital
Share capital distribution				
Shares, series A (10 votes per share)	5,610,000	168	5,610,000	168
Shares, series B (1 vote per share)	33,943,716	1,023	33,943,716	1,023
Total number of shares	39,553,716	1,191	39,553,716	1,191
Quotient value per share SEK 0.0301				

GROUP

Other capital contributed

This pertains to shareholders' equity contributed by the owners, Group contributions and premiums for issued share option rights.

RESERVES

Translation reserve

The translation reserve comprises all exchange-rate differences that arise from the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency in which the consolidated financial statements are presented. At year end, the accumulated translation differences were SEK -7,469 (-6,558) thousand.

Specification reserves	Translation difference
Opening balance Jan 1, 2010	8,975
Translation differences for the year	-15,532
Closing balance Dec 31, 2010	-6,558
Translation differences for the year	-912
Closing balance Dec 31, 2011	-7,469

RETAINED EARNINGS INCL. PROFIT FOR THE YEAR

Retained earnings including profit for the year comprise earnings in the Parent Company and its subsidiaries, as well as the portion of untaxed reserves attributable to shareholders' equity.

PROPOSED/COMPLETED TRANSFER TO SHAREHOLDERS

The Board of Directors proposes that no dividend is paid for the fiscal year 2011.

The Board of Directors proposes to the Annual General Meeting to allocate SEK 79.1 (79.1) million to shareholders, which corresponds to SEK 2.00 (2.00) per share. The Board of Directors intends to propose that the transfer be handled through a share redemption program.

NOTE 20 OTHER CURRENT LIABILITIES

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Other current liabilities				
Processed Jack-Pot	115,399	46,409	-	-
Employee income tax withheld	3,311	2,886	3,177	2,501
Other	0	550	-	-
Liabilities to Group companies	-	-	69,181	149,417
Total	118,710	49,845	72,358	151,918

NOTE 21 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Accrued wages and salaries	8,153	4,893	7,131	3,732
Vacation pay liability	7,555	6,243	7,187	6,054
Social security contributions	5,200	4,105	5,200	4,105
Payroll tax	2,851	1,826	2,851	1,826
Other	9,956	9,392	7,044	7,952
Total	33,715	26,459	29,413	23,669

NOTE 22 LEASING

Leasing expenses for vehicles, rent of premises and other rented equipment as well as those which fall under the heading operational leasing amounted to:

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Expensed lease payments and rental charges	12,295	8,940	10,444	8,003
Total	12,295	8,940	10,444	8,003

Future minimum charges for non-cancellable operating leases and rental agreements:

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Within one year	14,439		13,189	
Two to five years	52,497		51,683	
After five years	-		-	
Total	66,936		64,872	

NOTE 23 AUDITORS' FEES

Deloitte AB were elected auditors by the 2008 Annual General Meeting for a period of four years. Deloitte AB are auditors for Net Entertainment NE AB and the Swedish subsidiary. In addition to the auditing assignment, Net Entertainment has also used Deloitte AB for consultation on taxation, VAT, accounting matters and analyses.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Deloitte				
Auditing assignments	793	909	486	559
Other assignments than the auditing assignment	62	83	62	83
Tax consultations	219	133	20	20
Other service	38	27	38	27
Total	1,112	1,152	606	689

NOTE 24 RELATED PARTY TRANSACTIONS

	PARENT COMPANY	
	2011	2010
Purchase of services from related parties		
Purchase from subsidiaries	-	-
- share of total operating expenses	-	-
Sale of services to related parties		
Sales to subsidiaries	307,623	248,754
- share of total revenue	99.99%	99.96%
Liability to related parties		
Liability to subsidiaries	69,181	149,417
Receivable from related parties		
Receivable from subsidiaries	180,224	235,068

The Parent Company is related to its subsidiaries. Sold services pertain mainly to consulting services, license fees, hosting and forward invoiced expenses. Related party transactions are priced on the basis of fair market conditions.

The foreign subsidiaries are related to WH Law, as the Board Member in these subsidiaries, Dr. Olga Finkel, is also Managing Partner at WH Law. Remuneration to WH Law has amounted to SEK 1,102 (2,040) thousand.

NOTE 25 FINANCIAL RISKS

The Group's financial activities are pursued on the basis of a low-risk financial policy as established by the Board of Directors. Financial activities and the management of financial risks are coordinated via the Parent Company Net Entertainment NE AB, which is also responsible for the investment of excess liquidity. According to the finance policy placement of cash and cash equivalents may take place with a maturity of up to six months with no more than 25 percent of the excess liquidity bound on longer terms than three months.

The wholly owned operating subsidiaries are themselves responsible for managing their financial risks within the framework set by the Board of Directors and following coordination with the Parent Company.

MARKET RISK

Group earnings are exposed to changes in exchange rates since most sales are in Euros, and expenses are in SEK (transaction exposure). Earnings are also affected by exchange rate fluctuations when foreign subsidiaries' earnings are translated to SEK (translation exposure). Moreover, exchange rate movements affect Group equity when assets and liabilities in foreign subsidiaries are translated to SEK (translation exposure). At the present time there is no hedging of equity in foreign subsidiaries.

If the SEK had weakened/strengthened by 10 percent in relation to the Euro with all other variables constant, earnings for the year as of December 31, 2011, would have been SEK 33,3 (29,6) million higher/lower. Of the Group's total costs 2011, 77 (85) percent is in SEK.

Net Entertainment does not regularly hedge the risk exposure in terms of exchange rate fluctuations from future cash flows with financial instruments. By way of exception, hedging can occur for identified flows.

INTEREST RATE RISKS

Net Entertainment is largely a debt-free Company, which means that the interest rate risk to which Group revenue and cash flows are exposed, is low. Changes in the interest rate position affect the Group's return on cash and cash equivalents. The risk in these changes is deemed immaterial.

CREDIT RISK

The Group does not have any significant concentration of credit risks. The Group has set guidelines for safeguarding the sale of services to customers with a suitable credit background. No credit limits were exceeded during the reporting period and management does not expect any material losses resulting from failed payments from these other parties. Through short lead time and credit term, which gives a short customer credit time, the credit risk is further reduced.

Maximum credit risk exposure corresponds to the reported value of financial assets.

LIQUIDITY RISK

Liquidity risk is managed by means of the Group holding sufficient cash and cash equivalents in order to finance the operation. Management also monitors rolling forecasts for the Group's liquidity reserve, which consist of cash and cash equivalents (note 18) on the basis of expected cash flows.

Group financial liabilities essentially consist of accounts payable, where the contractual expiry date falls within 12 months. Accounts payable usually have a credit of 30 days

CAPITAL RISK MANAGEMENT

The aim of Net Entertainment with regard to the capital structure is to secure the Group's ability to continue its operations, so that it can continue to generate return for its shareholders and maintain an optimum capital structure in order to keep the capital costs down.

In order to maintain or adjust the capital structure, Net Entertainment can change the allocation paid to the shareholders, repay capital to the shareholders, issue new shares or sell assets to reduce liabilities.

Net Entertainment assesses the capital on the basis of net debt/equity ratio and quick ratio.

The net debt/equity ratio (multiple) at the end of the reporting period amounted to -0.3 [-0.2] whilst the quick ratio amounted to 127 [164] percent.

NOTE 26 EVENTS AFTER THE END OF THE FISCAL YEAR

Net Entertainment signed agreements with several customers for establishment in Denmark which has regulated online gaming. On January 1 2012 Net Entertainment launched these customers on the local Danish market.

The Board of Directors and the CEO certifies that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union, and generally accepted accounting principles in Sweden and gives a true and fair view of the Group's financial position and results of operations and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, financial position and results of operations and describes the material risks and uncertainties that the companies in the Group face.

Stockholm March 15, 2012		
Vigo Carlund Chairman of the Board of Directors	Pontus Lindwall Member of the Board of Directors	Fredrik Erbing Member of the Board of Directors
Niclas Eriksson Member of the Board of Directors	Mikael Gottschlich Member of the Board of Directors	Peter Hamberg Member of the Board of Directors
Per Eriksson President and CEO		
Our audit report was submitted on March 15, 2012		
Deloitte AB		
Therése Kjellberg Authorized Public Accountant		

Audit Report

To the annual meeting of the shareholders of Net Entertainment NE AB (publ)
Corporate identity number 556532-6443

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Net Entertainment NE AB (publ) for the financial year 2011-01-01 – 2011-12-31. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 26-65.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and

present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the Company’s profit or loss and the administration of the Board of Directors and the Managing Director of Net Entertainment NE AB (publ) for the financial year 2011-01-01 – 2011-12-31.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the Company’s profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor’s responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company’s profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors’ proposed appropriations of the Company’s profit or loss, we examined the Board of Directors’ reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the Company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 15 March 2012

Thérèse Kjellberg
Authorized Public Accountant

Annual General Meeting and other information

ANNUAL GENERAL MEETING

Net Entertainment NE AB will hold its Annual General Meeting on Wednesday 18 April 2012 at 15.00 CET at Spårvagnshallarna, Birger Jarls-gatan 57A, Stockholm, Sweden. Notification of the Annual General Meeting is published on Net Entertainment’s website www.netent.com/agm.

Right of attendance and registration

Shareholders wishing to attend the Annual General Meeting must be recorded in the register of shareholders maintained by Euroclear Sweden AB on Thursday April 12, 2012, and also notify Net Entertainment of their intention to attend no later than Thursday April 12, 2012.

Shareholders must send written notice of attendance with their name, personal/corporate identity number, address, email address, telephone number and number of shares to Net Entertainment NE AB, Attn: AGM, Luntmakargatan 18, 3tr, SE111 37, Stockholm, Sweden, by fax at +46 8-57 85 45 10, by email to agm@netent.com or on Net Entertainment’s website at www.netent.com/agm.

Share registration

Shareholders whose shares are registered in the name of a nominee must temporarily register their shares in their own names to be entitled to participate in the Meeting. Such registration must be affected no later than 12 April 2012. This means that shareholders must notify their nominee well in advance of that date.

OTHER INFORMATION

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

Annual General Meeting 2012	April 18, 2012
Interim report: January–March 2012	April 26, 2012
Interim report: April–June 2012	July 13, 2012
Interim report: July–September 2012	October 25, 2012
Earnings report 2012 and quarterly report for the fourth quarter	February 7, 2013

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

Net Entertainment’s principal method of distributing financial reports is by electronic means. Financial reports, press releases and other information are available for viewing on Net Entertainment’s website (www.netent.com) where it is also possible to subscribe to reports and press releases via email. Financial reports are available on the website from the date of publication. Printed copies of the Annual Report are sent by regular post upon request. For further information, please contact Per Eriksson, CEO, or Maria Hedengren, CFO, on +46 8-57 85 45 00, or email investor@netent.com.

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