

NET ENTERTAINMENT
EARNINGS REPORT 2010
QUARTERLY REPORT OCTOBER-DECEMBER 2010



NETENT

PUSHING THE LIMITS IN GAMING ENTERTAINMENT



EARNINGS REPORT 2010 QUARTERLY REPORT OCTOBER-DECEMBER 2010

INVESTMENTS IN STRATEGIC OPPORTUNITIES

FOURTH QUARTER 2010

- Revenues for the fourth quarter increased by 16.6 % to SEK 99.6 (85.4) million
- Operating profit amounted to SEK 33.8 (35.4) million
- Operating margin was 33.9 (41.4) %
- Profit after tax amounted to SEK 29.0 (32.4) million
- Earnings per share amounted to SEK 0.73 (0.82) before and after dilution
- Three new license agreements were signed, including JAXX/Mybet, and two new customers' casinos were launched

FULL YEAR 2010

- Revenues for the full year increased by 22.7 % to SEK 368.3 (300.1) million
- Operating profit increased by 13.5 % to SEK 136.4 (120.2) million
- Operating margin was 37.0 (40.1) %
- Profit after tax amounted increased by 11.9% to SEK 120.5 (107.7) million
- Earnings per share amounted to SEK 3.05 (2.72) before and after dilution
- Eleven new license agreements were signed, including Gioco Digitale/bwin.it, Interwetten, Intralot, Stan James and JAXX/Mybet, and ten new customers' casinos were launched
- Proposed transfer to shareholders is SEK 2.00 (2.00) per share

IMPORTANT EVENTS IN THE FOURTH QUARTER

Revenue growth for the fourth quarter was 31.7 percent in local currency compared to the fourth quarter 2009 and 10.2 percent compared to the previous quarter. The strengthened Swedish currency has held back revenue growth in SEK.

The number of game transactions amounted to 1.8 billion in the fourth quarter, an increase of 23 percent compared to the previous quarter and 40 percent compared to the same period in 2009. This development is a result of a general increase in activity and is not driven by any particular occurrence.

During 2010 Net Entertainment has made strategic investments across the entire business. These investments are necessary to strengthen delivery capacity as the company grows, market matures, new customers are added and customers become larger. In addition, the reregulation of the online market creates extensive requirements that must be faced but at the same time creating large business opportunities. During the fourth quarter development of games and system solutions for mobile terminals was initiated. This market is estimated to show rapid growth and is an important step in Net Entertainment's expansion strategy.

Stan James was launched in November and has shown a positive development.

SUMMARY IN FIGURES	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Operating revenues	99 603	85 415	368 280	300 050
Operating expenses	-65 847	-50 043	-231 869	-179 868
Operating profit	33 756	35 372	136 411	120 182
Operating margin	33.9 %	41.4 %	37.0 %	40.1 %
Cash flows from operating activities ²	27 133	29 361	119 629	150 042
Cash flows for the period	4 432	7 929	-53 300	42 626
Cash and cash equivalents at end of period ¹	47 034	105 009	47 034	105 009
¹ Closing cash and cash equivalents include funds held on behalf of licensees	-	33 216	-	33 216

² The management of cash and cash equivalents regarding pooled jackpots have changed in the third quarter which effect the cash flow. See further information under accounting policies on page 9.

Net Entertainment is a world leading supplier of digitally distributed gaming systems used by several of the world's most successful 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 a short time to market and a cost efficient operation. Net Entertainment is listed on Nasdaq OMX Stockholm (NET-B). More information about Net Entertainment is available at www.netent.com.

COMMENTS FROM JOHAN ÖHMAN, PRESIDENT AND CEO

Our industry is going through significant change as many countries around the world are in the process of regulating online gaming which affect both operators and suppliers. As a systems supplier Net Entertainment has to invest in adapting its products and offerings to the requirements of each jurisdiction which is both complex and costly. Long term, it is our opinion that regulated markets will generate significant business opportunities as they fuel further market growth and stability.

Revenues for 2010 increased by 23 percent (37 percent in Euro) on a market which according to H2 Gaming Capital grew 12 percent. The growth was the result of continued good development for our customers partly driven by the new games we released during the year. At the same time the business was impacted by currency effects, lost business in France due to regulation (a market which represented a significant share of our revenue base) and a delayed launch of online casino in Italy. We saw a strong increase in gaming activity during the fourth quarter and 2011 has commenced on a similar level.

The Italian authorities have for some time been working on regulating online gaming and after several delays the final decree was published at the beginning of February. It is thereby expected that the market may open around midyear 2011. Italy holds great business potential for our company as we have signed agreements with several of the existing online operators. The effect on revenues is therefore expected to be visible in the second half of 2011. Extensive investments have been made in adapting our software to the Italian regulation which has affected the financials, both as capitalized development but also direct costs. Regulation of online gaming is not isolated to Italy but a trend across Europe as well as the USA and Asia. Overall, Net Entertainment is well positioned to benefit from the global market development for online gaming. We will therefore continue to invest in technology and personnel to meet regulatory requirements and re-enforce our organization which will have a short term impact on our profit margin.

As a result of the efforts made in delivering unique games and offer the best entertainment experience, Net Entertainment is today regarded as one of the leaders in our industry. To capture the strategic opportunities we see on the market, the organization was increased with 49 employees during 2010. The organizational reinforcement is necessary partly for the development of a solution for mobile devices and a new platform with significantly increased capacity needed to meet future demands.

The development of our first branded slot game, Frankenstein, is progressing well and will be released in May. During 2010 we introduced our new 'Smart Range™' concept which comprise games specifically developed for markets with low broadband penetration. Thanks to revolutionary technical design we are able to offer a first class gaming experience despite significant size limitations. Another addition to our games portfolio was a game featuring the largest progressive jackpot online. Our continuous focus in research and product innovation is a key reason why we today are considered the leader within our industry.

The sales activities remains focused on Tier 1 operators and the outcome has been very satisfying with four tier one deals signed during 2010. We see a strong interest in our product and view the chances of closing several interesting deals during 2011 as very promising. We are also well positioned to benefit from the opportunities which arise from the regulation of our market. All in all we have an excellent position for continued strong development.

NEW AGREEMENTS AND CUSTOMERS

During the fourth quarter three new customer agreements were signed, including JAXX/Mybet, a European investment company with a strong presence through investments in several gaming operators. Under the terms of the agreement Net Entertainment will be JAXX Group's preferred casino partner of choice for both download and instant play casino games. Founded in 1998, the JAXX Group is one of the pioneers in online gaming and has through their gaming sites www.jaxx.com and www.mybet.com, established a significant presence in Europe. JAXX SE has been listed on the German Stock Exchange since 1999, and has more than one million registered players. JAXX Group's revenues for 2009 were 114.5 million Euros.

During 2010 a total of eleven new customer agreements have been signed, including Gioco Digitale/bwin.it, Stan James, INTRALOT Interactive, Interwetten and JAXX/Mybet.

bwin is the world's leading listed online gaming operator with over 20 million registered users. bwin is through Gioco Digitale and bwin.it the leading operator in the Italian market offering online poker, sports betting and lotteries with a significant market share. The agreement is to deliver Net Entertainment Casino™ to Gioco Digitale as well as to bwin's Italian web site bwin.it.

Stan James is a global gaming operator who has been one of the market leaders within sports betting since 1973. With more than one million registered players, Stan James is known for pioneering industry innovation, and providing the best customer service in the industry. Stan James has a strong position in the UK which is Europe's largest market for online casino. Stan James casino was launched in November and has thus contributed to the development during the fourth quarter.

INTRALOT Interactive is a newly established online gaming subsidiary within the INTRALOT Group for online gaming that focuses both on providing its pioneering technology to lotteries and state organizations worldwide and on seeking licensing opportunities for operating in the new liberalized environment, where responsible gaming becomes even more important. INTRALOT is a leading supplier of integrated gaming and transaction processing systems, innovative game content and sports betting management, to state-licensed gaming organizations worldwide. The agreement is to deliver online casino games in Italy under the brand INTRALOT.

Interwetten, founded in 1990 in Vienna, is one of Europe's larger sports books having over one million customers in more than 100 countries. Interwetten have historically focused on betting and focuses primarily on Central Europe.

Agreements were terminated with smaller customers who did not generate the minimum turnover that the Company requires.

CUSTOMERS TO BE LAUNCHED

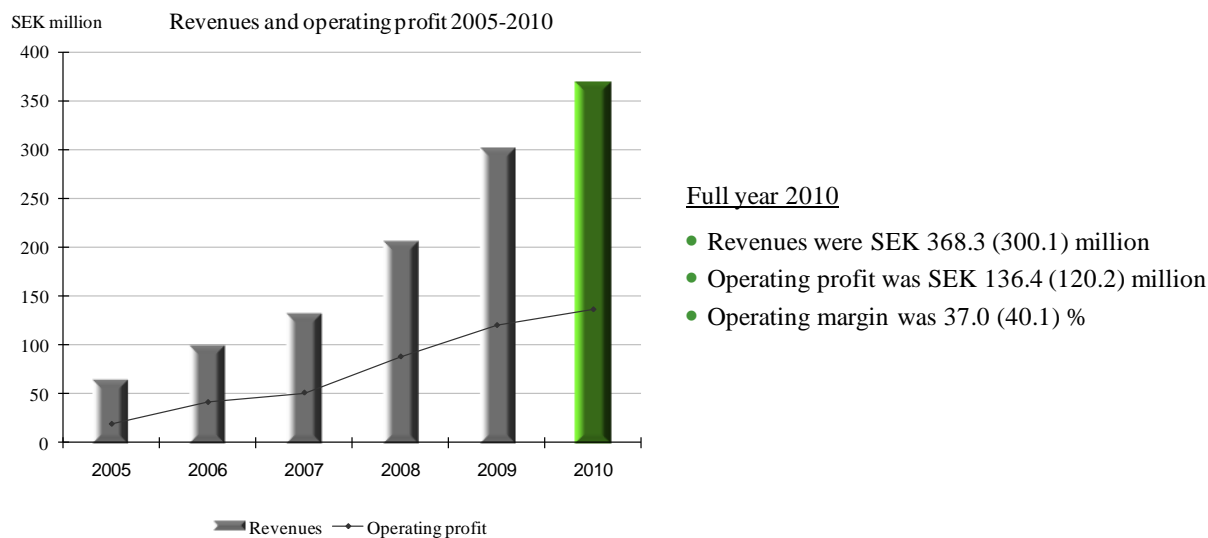
At the end of the year, the Company held agreements with Gioco Digitale/bwin.it, Microgame, INTRALOT Interactive, Expekt and JAXX/Mybet that have not yet launched operations.

Gioco Digitale/bwin.it and Microgame are of great interest considering the reregulation of the Italian market for online gaming. In addition to these customers, Net Entertainment has signed extended agreements with several existing customers for the Italian market. These customers are also to be launched when the regulation permits it.

The launch of Net Entertainment's casino to Expekt's customers has been delayed. A date for launch has not been set.

REVENUES AND PROFITABILITY

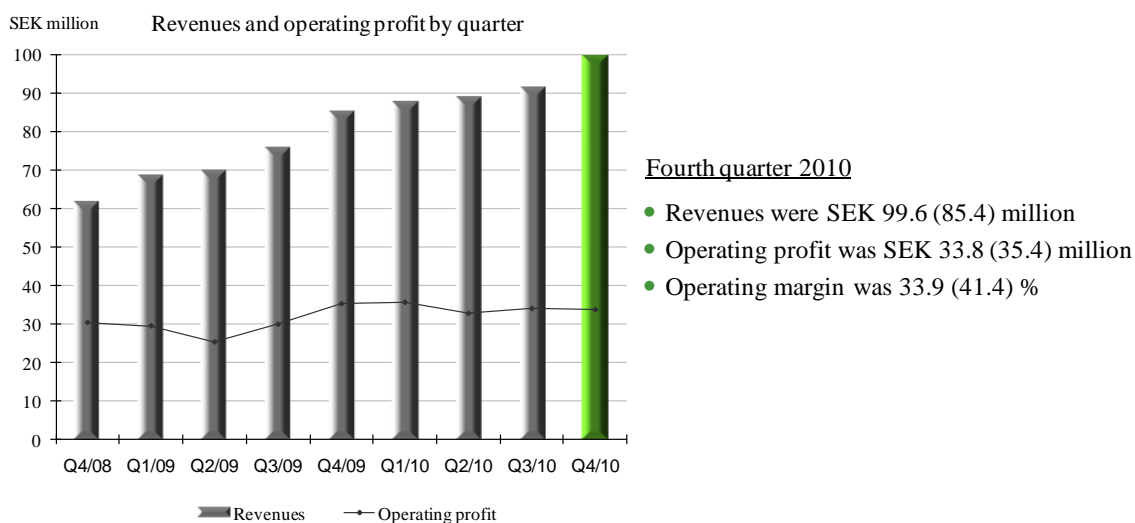
Revenues and operating profit for the most recent six years are presented in the diagram below.



Revenues for the full year 2010 increased by SEK 68.2 million to SEK 368.3 million from SEK 300.1 million, an increase of 22.7 percent. Operating profit increased to SEK 136.4 million from SEK 120.2 million and the operating margin was 37.0 percent versus 40.1 percent the previous year. The licensing system that was introduced in France in June allows betting on sporting events, horse racing and poker but not casino games which affected revenues negatively. However, the lost revenue have been compensated during the year both from increased revenues in other markets and from new customers.

Revenues during the fourth quarter amounted to SEK 99.6 (85.4) million which is an increase of 16.6 percent compared to the same period 2009. Operating profit amounted to SEK 33.8 (35.4) million and the operating margin was 33.9 (41.4) percent. Growth in the underlying market and the customers that were launched during the year have compensated for the loss in France.

Revenues and operating profit by quarter are portrayed 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 are affected by the development of the Swedish currency in relation to other currencies. The majority of revenues, 97.5 (97.5) percent, are invoiced in Euros, but also in British pounds, (1.5 (1.9) percent) and US dollars, (1.0 (0.6) percent). Revenues are reported in Euros and then translated into Swedish currency for the Group's reporting.

The number of gaming transactions continues to grow and amounted to 1.8 billion during the fourth quarter, which is an increase of 40 percent since last year. In 2010, Net Entertainment managed 6.1 (3.9) billion game transactions, an increase of 55 percent.

The development during the fourth quarter was the result of continued market growth. 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. Two new customer's casinos were launched during the quarter. During the most recent twelve month period, ten 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 increased during the quarter. The reason for this is among other different pricing structure in new agreements, reflecting the increased complexity in games and systems. Revenues increased 22.7 percent for the full year of 2010 and 16.6 percent in the fourth quarter compared to the corresponding period last year. In Euros, revenues increased by 37.1 percent for the full year 2010 and 31.7 percent for the fourth quarter.

Currency fluctuations have been significant since the end of 2008. Since the second quarter 2009 the Krona has strengthened. During the fourth quarter 2010, the Krona was 10.9 percent stronger compared to the previous year and 1.7 percent compared to previous quarter. For the full year 2010 the Krona was 10.2 percent stronger compared to 2009.

PROFITABILITY

Operating profit for the full year 2010 increased 13.5 percent to SEK 136.4 (120.2) million. For the fourth quarter operating profit declined by SEK 4.5 percent to SEK 33.8 (35.4) million. Operating expenses increased during 2010 compared to the previous year due to the Company's expansion and strengthening of the organization within areas such as sales, development, and IT operations. The expansion of the organization is enabled through own personnel as well as through external recourses in the form of out-sourcing both within and outside Europe and consultants. The increased development pace for games and platform leads to increased capitalized development costs as well as higher operating expenses to the extent development costs are not capitalizable. Increased complexity and demands regarding IT operations as well as development also affect the cost structure. During the fourth quarter the share of capitalizable projects have been lower than previously during the year which has led to higher operating expenses and a lower operating margin. Preparations for the launch of the Italian market has also affected expenses as the organization and systems have been prepared for launch.

The operating margin was 37.0 percent during 2010 compared to 40.1 percent the previous year. For the fourth quarter the operating margin was 33.9 percent compared to 41.4 percent the year before. The margin is affected by the currency development's impact on revenues as well as the effect on operating expenses from the strengthened organization and whether development costs are capitalized or not.

The financial net amounted to SEK -1.8 (0.1) million for the fourth quarter and SEK -5.0 (-3.0) million for the full year, consisting of the return on cash and cash equivalents, and exchange rate effects on cash and cash equivalents, and financial receivables and liabilities. The volatility in the Swedish currency has periodically led to significant effects on inter-company balances which are items included in the financial net.

The Group had an effective tax rate of 9.2 (8.6) percent during the fourth quarter and 8.3 (8.1) percent for the full year. The Group's effective tax rate is affected by the distribution of profit between Sweden and the countries in which the Group conducts operations 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 67.5 (33.2) million for the full year. Investments in property, plant, and equipment amounted to SEK 26.2 (29.0) million.

The increased investment in intangible assets is due to intensified product development in combination with greater complexity in the games recently developed. Larger projects currently being capitalized are new functionality in the technical platform and adjustments for increased capacity, new games, and adjustments of the systems to the regulatory framework in Italy. Among larger development projects for games, Boom Brothers is noticeable as an example.

Capital investments are primarily servers and other computer equipment. The investment pace is driven by both the increased transaction volume and the increased requirements for system availability. During the year investments for the hosting facility in Alderney have been made, amounting to SEK 7.4 million which is mainly attributable to the second and third quarter.

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

In the third quarter a change in procedure regarding funds held on behalf of licensees for pooled jackpots was made which are no longer included in Net Entertainment's cash and cash equivalents. See further the section on accounting policies below for more information. The change reduced both operating cash flows and cash and cash equivalents by SEK 34.8 million in the third quarter 2010.

The Group's cash flow from operating activities for the full year amounted to SEK 119.6 (150.0) million. The decline is mainly attributable to the changed procedure regarding funds held on behalf of licensees. Cash flow from investing activities amounted to SEK -93.8 (-62.1) million.

Cash flow from financing activities amounted to SEK -79.1 (-45.3) MSEK and mainly consist of transfer to shareholders by SEK -79.1 million which was decided at the annual general meeting on 14 April 2010.

The Group's consolidated cash and cash equivalents amounted to SEK 47.0 (105.0) million on December 31, of which SEK 0 (33.2) million refers to funds held on behalf of licensees for pooled jackpots. The decline in cash and cash equivalents is mainly attributable to the changed procedure regarding funds held on behalf of licensees. Furthermore, larger transfer to shareholders 2010 compared to 2009 and investments financed with own funds contributes to lower cash and cash equivalents. Significant accrual of a new pooled jackpot which was launched during the fourth quarter where the jackpot funds have not been received from participating operators before year-end also reduce cash flow and cash and cash equivalents.

Payment of jackpot winnings amounted to SEK 134.0 million during 2010, of which SEK 67.2 million affected cash flow in 2010 before the change in procedure, versus SEK 99.0 million 2009.

LICENSE AGREEMENT WITH UNIVERSAL

In October, Net Entertainment signed a multi-year licensing agreement with Universal Partnerships & Licensing. The agreement gives Net Entertainment the right to develop leading online games based on properties from Universal which includes some of the world's most classic movie titles. Through the agreement, Net Entertainment can strengthen its product offering further and create additional value as a base for higher compensation. Net Entertainment will pay a royalty compensation to Universal for the brands used.

MARKET

The online gaming market has shown strong growth in recent years. Growth continued during 2010 albeit at a somewhat lower pace. The global gross gaming yield for online gaming is estimated to amount to USD 32.6 billion in 2011 compared to USD 30.0 billion in 2010¹, an increase by 9.0 percent. In coming years, Europe is expected to represent close to half of the global gross gaming yield, making it the single largest gaming market¹.

¹ Source: H2 Gaming Capital, January 2011

Deregulation and reregulation of national gaming laws is taking place in many European countries. Italy has created a working licensing system that has however not become operational yet regarding casino and cash poker. France has during 2010 introduced a licensing system that includes certain games segments. 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.

However, it is important to highlight that the European Court of Justice has through a number of rulings in September 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.

The gross gaming yield for online casino in Italy is expected to amount to USD 794 million year 2015 compared to USD 348 million in 2010¹. Italy is today a regulated market with sports and horse betting, tournament poker, skill games, and scratch tickets available online via licensed operators. Work is ongoing to extend concessions to also include cash game poker, bingo and casino games. In the beginning of February the authorities published the final decree for the games that are subject to the regulation. Two additional decrees remain; the process for license application and a technical addition for regulation of bonuses among others. Launch of cash game poker, bingo and casino games are estimated around midyear. The launch of slot games is further delayed.

In France, operators who fulfill the requirements are awarded licenses, allowing them to offer betting on sporting events, horse racing, and poker on the Internet. This system, that does not include casino, is somewhat less attractive to private operators primarily due to high taxation and other restrictions.

Denmark is also in the process of introducing a licensing system which is expected to take effect during 2011.

Norway has widened its ban against promotion of foreign arranged games since June 2010 by not allowing payment services regarding games via credit and debit cards.

Net Entertainment believes that the conditions for continued expansion are good. The key reason for this is that the company can continue to gain market share by delivering a first-class product. 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 markets, Asia and USA in particular which are estimated to show high growth for online gaming in the future. Recent development in the US where several states have announced a potential regulation of online gaming could also create great opportunities for Net Entertainment if it becomes a reality.

¹ Source: H2 Gaming Capital, January 2011

ABOUT NET ENTERTAINMENT

Net Entertainment is a world leading supplier of digitally distributed gaming systems used by some of the world's most successful online gaming operators. The Net Entertainment Casino™ is a complete gaming system comprising a full suite of high quality games and a powerful management platform. The games create the ultimate gaming experience for the player while the management platform enables Net Entertainment's customers, the operators, to optimize their business and profitability. Operators are provided a customized system solution, that is easily integrated ensuring short time to market and a cost efficient operation. Revenues consist of royalties based on revenues generated by the company's products and setup fees when new agreements are signed. Net Entertainment is a pure development company and thus does not conduct any gaming operations of its own. The company's brand is internationally recognized and associated with innovation, service, and quality.

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 India and the Ukraine.

The parent company is listed on NASDAQ OMX Stockholm (NET-B.ST)

BUSINESS MODEL AND OBJECTIVES

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

The gaming operators pay a monthly license fee, calculated using a tiered scale as a percentage of the gross gaming yield generated by the casino. It is therefore in the interest of both the operator and Net Entertainment to increase the operator's gaming revenues. Through the launch of new and unique games with high entertainment value and different kinds of bonus and loyalty schemas, players are stimulated to stay on the operator's site.

The European market for online gaming is expected to maintain good growth and Net Entertainment's objective is to grow faster than the market.

PERSONNEL AND ORGANIZATION

At the end of the period, the number of employees amounted to 182 versus 133 people one year ago. Including external recourses such as dedicated persons with contract suppliers and consultants, Net Entertainment employed 284 (187) persons.

Sven Grip was employed as Chief of Product and Strategy starting in January 2011 and Maria Z. Furenmo as HR director starting in March 2011.

INCENTIVE PROGRAM

The Annual General Meeting on April 29, 2009 resolved to introduce a long-term incentive program intended for management and key employees within Net Entertainment. The resolution entailed the issue of a maximum of 760,000 share option rights to personnel with permanent employment within Net Entertainment to subscribe for an equal amount of shares in Net Entertainment NE AB.

The share option rights were issued at market value determined to SEK 7.10 which generated SEK 4.2 million to equity for the group. The strike price for the shares amounts to 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. The additional 43,000 share option rights that were held by the wholly owned subsidiary Mobile Entertainment ME AB were cancelled in February 2010.

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.

To stimulate participation in the program the board has resolved to offer a loyalty compensation which will be paid out no later than June 15, 2012 to participants who are still employed at the date of payment and have not resigned. 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 4.3 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.

PARENT COMPANY

The parent company's revenues for the fourth quarter were SEK 69.1 (18.8) million. Corresponding figure for the full year of 2010 was SEK 248.9 million compared to SEK 154.1 million. Operating profit amounted to SEK 7.0 (2.1) million for the fourth quarter and for the full year 2010 SEK 22.4 (13.3) million. 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 73.1 (68.1) million for the fourth quarter and SEK 81.9 (81.1) million for the full year.

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

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 33.8 (54.3) million.

ACCOUNTING POLICIES

Net Entertainment prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The parent company uses the same accounting principles as the Group, with the addition of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The same accounting and valuation principles have been applied as in the 2009 annual report. For further information on the principles, please refer to the annual report on www.netent.com.

Of the new or revised standards that came into effect on December 31, 2009 no changes have had any effect on the financial reports for the Group.

The potential shares issued from the share option rights are considered, when calculating the number of shares and earnings per share after dilution, to the extent that they affect dilution in accordance with IAS 33. According to IAS 33 there is a dilution effect when the quoted stock price exceeds the strike price, taking into consideration the subscription price.

During the third quarter the procedure for pooled jackpots has changed which has 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 is not a change in accounting policies, historical comparable figures have not been affected.

Amounts are expressed in SEK thousands (thousands of Swedish Kronor) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year.

RISKS AND UNCERTAINTIES

Net Entertainment's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. The management's general view of the risks that may affect operations has not changed significantly compared with the description given in the most recently published annual report. The description below is a summary. For a detailed description of the risk profile, see Net Entertainment's 2009 Annual Report, pages 34-36 and page 59.

INDUSTRY AND OPERATIONAL RISKS

As specific industry-related operational risks it is noted that since gaming is regulated by law on most national markets, Net Entertainment, as supplier of casino games, and its customers are dependent on the legal situation of the gaming industry, and can be significantly affected by political decisions and legislative changes. Net Entertainment has a Class 4 license on Malta, which means that the Group is permitted to supply its customers with systems and certain associated services. It is crucial that this license is maintained and extended. An extended license for another five years was obtained in November 2010

Other operational risks include the Group's dependency on access to qualified employees, maintaining larger customer contracts, and protecting internally developed products, intellectual property, and contracts. The Group's competitors and general market fluctuations naturally also affect the company's situation. With Net Entertainment's success the Company has at various times been sued for alleged infringement of intangible rights. Although the company has not lost in any such allegation there could be a risk for a negative effect in the future in the case a court would rule to the company's disadvantage. Each case involves costs in varying extent for legal advisors.

FINANCIAL RISKS AND TAXES

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

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 are correct. However, these amounts may be insufficient if tax authorities make more restrictive interpretations of tax regulations than the Company has done and deems as correct.

EVENTS AFTER THE END OF THE PERIOD

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

FUTURE OUTLOOK

The company's existing customer base combined with the regulation of the online market, not least Italy where a significant market share has been ensured, and the new business opportunities that are now being discussed create a positive future outlook for the Company. New products being developed become more appreciated among players which is a result of extensive research and analysis. An increasingly pleased player base lead to higher revenues for the operators and in turn Net Entertainment. The costs for doing business increase gradually and is driven by several factors where regulatory adjustments is one of them. The strategic investments the company is making create significant opportunities but may in the short run affect profitability negatively.

PROPOSED DIVIDEND

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. The Board intends to propose that the transfer be handled through a share redemption program. The complete proposal will be presented well in advance of the Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on April 13, 2011 at 4.00 pm.

NOMINATING COMMITTEE

In accordance with the principles resolved by the Annual General Meeting 2010 for appointment of nominating committee, Per Hamberg (appointed by the Hamberg family), Anna-Maria Thörnblom Lundström (Provobis Invest AB) and Emil Sunvisson (Kling family) have been appointed to, together with the Chairman of the Board of Directors Rolf Blom, form nominating committee for the Annual General Meeting 2011.

The nominating committee is to prepare proposals for decisions at the Annual General Meeting in 2011 as regards the Chairman of the meeting, Chairman and other members of the Board of Directors, auditor when applicable, remuneration for the Board of Directors and auditor, and principles for appointment of the nominating committee. The period in office of the nominating committee runs until a new nominating committee is appointed in accordance with decisions on appointment of a nominating committee at the annual general meeting in 2011.

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

PRESENTATION OF EARNINGS REPORT

On Thursday February 10, at 9.00 the report will be presented by Johan Öhman, CEO and Bertil Jungmar, CFO at the company's office at Luntmakargatan 18 in Stockholm. The presentation can also be viewed live via webcast on Net Entertainment's web site www.netent.com.

FINANCIAL INFORMATION

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

Annual report 2010 available on web site	March 23, 2011
Annual General Meeting	April 13, 2011
Interim report January-March 2011	April 28, 2011
Interim report January-June 2011	July 15, 2011
Interim report January-September 2011	October 27, 2011
Earnings report and report for the fourth quarter 2011	February 9, 2012

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

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

Stockholm February 9, 2011

Rolf Blom
Chairman of the Board

Vigo Carlund

Fredrik Erbing

Niclas Eriksson

Mikael Gottschlich

Peter Hamberg

Johan Öhman
President and CEO

Questions may be directed to:

Johan Öhman
President and CEO
Phone: +46-8-5785 4500
johan.ohman@netent.com

Bertil Jungmar
CFO
Phone: +46-8-5785 4500
bertil.jungmar@netent.com

Website: www.netent.com

LEGAL DISCLAIMER

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

PUBLICATION

The information in this earnings report and quarterly report is such information that Net Entertainment NE AB (publ) is required to publicly disclose under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on February 10, 2011 at 7.30 am.

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

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
INCOME STATEMENTS				
Revenues	99 596	85 321	368 170	299 722
Other revenues	7	94	110	328
Total operating revenues	99 603	85 415	368 280	300 050
Personnel expenses	-27 006	-21 461	-98 219	-71 242
Depreciation and amortization	-9 261	-5 809	-30 959	-22 298
Other operating expenses	-29 580	-22 773	-102 691	-86 328
Total operating expenses	-65 847	-50 043	-231 869	-179 868
Operating profit	33 756	35 372	136 411	120 182
Financial items	-1 787	104	-4 972	-2 966
Profit before tax	31 969	35 476	131 439	117 216
Tax on the period's profit	-2 943	-3 065	-10 972	-9 539
Profit for the period	29 026	32 411	120 467	107 677
<i>Earnings per share before dilution (SEK)</i>	<i>0.73</i>	<i>0.82</i>	<i>3.05</i>	<i>2.72</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.73</i>	<i>0.82</i>	<i>3.05</i>	<i>2.72</i>
<i>Average number of shares during the period</i>				
- before dilution	39 553 716	39 553 716	39 553 716	39 553 716
- after dilution	39 553 716	39 553 716	39 553 716	39 553 716
Operating margin	33.9%	41.4%	37.0%	40.1%
Effective tax rate	9.2%	8.6%	8.3%	8.1%
Profit for the period attributable to parent company shareholders	29 026	32 411	120 467	107 677
STATEMENTS OF TOTAL INCOME				
Profit for the period	29 026	32 411	120 467	107 677
Other total income				
Exchange differences arising from the translation of foreign operations	-1 711	1 183	-15 532	-4 872
Sum of other total income for the period, net after tax	-1 711	1 183	-15 532	-4 872
Total income for the period	27 315	33 594	104 935	102 805

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	2010-12-31	2009-12-31
Intangible assets	87 021	47 732
Property, plant, and equipment	44 471	31 942
Total non-current assets	131 492	79 674
Accounts receivable	5 473	3 841
Prepaid expenses and accrued revenues	47 111	42 923
Other receivables	29 351	17 235
Funds held on behalf of licensees	46 408	-
Cash and cash equivalents ¹	47 034	105 009
Total current assets	175 377	169 008
TOTAL ASSETS	306 869	248 682
EQUITY AND LIABILITIES	2010-12-31	2009-12-31
Share capital	1 191	1 191
Other capital contributed	38 362	38 362
Reserves	-6 558	8 975
Retained earnings including profit for the period	166 850	125 490
Total equity	199 845	174 018
Accounts payable	19 458	12 007
Current tax liabilities	11 262	8 828
Other liabilities	49 845	37 657
Accrued expenses and prepaid revenues	26 459	16 172
Total current liabilities	107 024	74 664
TOTAL EQUITY AND LIABILITIES	306 869	248 682
¹ Closing cash and cash equivalents include funds held on behalf of licensees with	-	33 216

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Operating profit	33 756	35 372	136 411	120 182
<i>Adjustment for items not included in cash flows:</i>				
Depreciation and amortization	9 261	5 800	30 959	21 161
Other	-3 410	186	-4 922	-1 938
Interest received/paid	71	52	138	264
Tax received/paid	-6 296	210	-8 538	7 343
Cash flows from operating activities before changes in working capital	33 382	41 620	154 048	147 011
Changes in working capital	-6 249	-12 259	-34 419	3 031
Cash flows from operating activities	27 133	29 361	119 629	150 042
Capitalized intangible assets	-18 461	-9 839	-67 645	-33 154
Acquisition of property, plant, and equipment	-4 240	-11 593	-26 177	-28 982
Cash flows from investing activities	-22 701	-21 432	-93 822	-62 136
Transfer to shareholders	-	-	-79 107	-49 442
Received premium for share option rights	-	-	-	4 162
Cash flows from financing activities	-	-	-79 107	-45 280
Cash flow for the period	4 432	7 929	-53 300	42 626
Cash and cash equivalents at beginning of period	40 812	96 675	105 009	65 132
Exchange rate differences in cash and cash equivalents	1 790	405	-4 675	-2 749
Cash and cash equivalents at end of period¹	47 034	105 009	47 034	105 009
¹ Closing cash and cash equivalents include funds held on behalf of licensees with	-	33 216	-	33 216

CONDENSED CONSOLIDATED CHANGES IN EQUITY

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
2009					
Opening equity 2009-01-01	1 191	34 200	13 847	67 255	116 493
Total income for the period Jan-Mar	-	-	-7 074	31 888	24 814
Closing equity 2009-03-31	1 191	34 200	6 773	99 143	141 307
Transfer to shareholders	-	-	-	-49 442	-49 442
Premium received for share option rights	-	3 473	-	-	3 473
Total income for the period Apr-Jun	-	-	-690	22 589	21 899
Closing equity 2009-06-30	1 191	37 673	6 083	72 290	117 237
Premium received for share option rights	-	688	-	-	688
Total income for the period Jul-Sep	-	-	1 709	20 789	22 498
Closing equity 2009-09-30	1 191	38 362	7 792	93 079	140 424
Total income for the period Oct-Dec	-	-	1 183	32 411	33 594
Closing equity 2009-12-31	1 191	38 362	8 975	125 490	174 018
2010					
Opening equity 2010-01-01	1 191	38 362	8 975	125 490	174 018
Total income for the period Jan-Mar	-	-	-5 269	30 992	25 723
Closing equity 2010-03-31	1 191	38 362	3 706	156 482	199 741
Transfer to shareholders	-	-	-	-79 107	-79 107
Total income for the period Apr-Jun	-	-	-3 152	30 405	27 253
Closing equity 2010-06-30	1 191	38 362	554	107 780	147 887
Total income for the period Jul-Sep	-	-	-5 401	30 044	24 644
Closing equity 2010-09-30	1 191	38 362	-4 847	137 825	172 531
Total income for the period Oct-Dec	-	-	-1 711	29 026	27 315
Closing equity 2010-12-31	1 191	38 362	-6 558	166 850	199 845

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

CONSOLIDATED KEY DATA AND FIGURES

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Operating revenues (SEK thousands)	99 603	85 415	368 280	300 050
Operating revenues (EUR thousands)	10 872	8 234	38 704	28 312
Operating margin (percent)	33.9	41.4	37.0	40.1
Profit margin (percent)	32.1	41.5	35.7	39.1
EBITDA margin (percent)	43.2	48.2	45.4	47.5
Return on shareholders' equity (percent)	15.6	22.3	64.4	74.1
Equity/assets ratio (percent)	65.1	70.0	65.1	70.0
Quick ratio (percent)	163.9	226.4	163.9	226.4
Net interest-bearing liabilities (SEK thousands) ¹	-47 034	-105 009	-47 034	-105 009
Net debt/equity ratio (multiple)	-0.2	-0.6	-0.2	-0.6
Average number of employees	179	131	152	110
Employees at period's end	182	133	182	133
Employees and consultants at period's end	284	187	284	187
Earnings per share	0.73	0.82	3.05	2.72
Equity per share (SEK)	5.05	4.40	5.05	4.40
Average number of outstanding shares before dilution	39 553 716	39 553 716	39 553 716	39 553 716
Average number of outstanding shares after dilution	39 553 716	39 553 716	39 553 716	39 553 716
Number of outstanding shares at the period's end before dilution	39 553 716	39 553 716	39 553 716	39 553 716
Number of outstanding shares at the period's end after dilution	39 553 716	39 553 716	39 553 716	39 553 716

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

CONSOLIDATED KEY DATA AND FIGURES BY QUARTER

	2010				2009				2008
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating revenues (SEK millions)	99.6	91.6	89.2	87.9	85.4	75.8	70.1	68.7	62.0
Operating revenues (EUR millions)	10.8	9.8	9.2	8.8	8.2	7.3	6.5	6.3	6.1
Operating profit (SEK million)	33.8	34.1	32.8	35.7	35.4	30.0	25.3	29.6	30.5
Operating margin (percent)	33.9	37.2	36.8	40.7	41.4	39.5	36.1	43.0	49.1
EBITDA-margin (percent)	43.2	45.9	45.3	47.7	48.2	46.5	43.5	51.8	57.4
Growth in SEK vs previous year (percent)	16.6	20.8	27.2	28.0	37.8	44.0	45.5	60.7	72.1
Growth in EUR vs previous year (percent)	31.7	35.1	42.3	41.0	34.4	30.7	26.1	39.3	56.1
Growth in SEK vs previous quarter (percent)	8.8	2.7	1.4	3.0	12.6	8.2	2.0	10.8	17.7
Growth in EUR vs previous quarter (percent)	10.2	6.0	4.6	7.7	13.1	11.7	3.7	2.7	9.9
Cash and cash equivalents (excl. funds held on behalf of licensees)	47.0	40.8	31.2	94.9	71.8	56.6	53.6	79.1	53.0
Funds held on behalf of licensees	46.4	34.8	35.8	27.4	33.2	40.1	23.7	39.7	12.2
Equity/assets ratio (percent)	65.1	63.8	62.4	73.6	70.0	64.7	64.1	62.7	71.9
Return on shareholders' equity (percent)	15.6	18.8	17.5	16.6	20.6	16.1	17.5	24.7	27.8
Net debt/equity ratio (multiple)	-0.2	-0.2	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-0.6
Earnings per share	0.73	0.76	0.77	0.78	0.82	0.53	0.57	0.81	0.69
Equity per share (SEK)	5.05	4.36	3.74	5.05	4.40	3.55	2.96	3.57	2.95
Average number of employees	179	155	137	136	131	114	103	92	80

DEFINITIONS

Operating margin

Operating profit in relation to operating revenues.

Profit margin

Profit after financial items in relation to operating revenues.

EBITDA-margin

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

Return on investment on shareholders' equity

Period's profit/loss in relation to average shareholder equity for the period.

Equity/assets ratio

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

Quick ratio

Current assets in relation to current liabilities.

Net interest-bearing liabilities

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

Net debt/equity ratio (multiple)

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

Average number of employees

The average number of employees during the period.

Number of employees at end of period

The number of employees at the end of the period.

Number of employees and external resources at end of period

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

Earnings per share

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

Equity per share

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

Average number of shares outstanding

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

Number of shares outstanding

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

CONDENSED PARENT COMPANY INCOME STATEMENT

	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Operating revenues	69 135	18 766	248 863	154 104
Other external expenses	-25 058	-10 861	-99 821	-52 603
Personalkostnader	-35 037	-25 618	-118 521	-80 965
Depreciation and amortization	-2 048	-1 930	-8 094	-7 269
Operating profit	6 992	2 079	22 427	13 267
Financial items	68 197	66 986	64 867	71 693
Profit after financial items	75 189	69 065	87 294	84 960
Tax on the period's profit	-2 076	-1 002	-5 359	-3 817
Profit for the period	73 113	68 063	81 935	81 143

STATEMENT OF TOTAL INCOME

Profit for the period	73 113	68 063	81 935	81 143
Other total income	-	-	-	-
Sum of other total income for the period, net after tax	-	-	-	-
Total income for the period	73 113	68 063	81 935	81 143

CONDENSED PARENT COMPANY BALANCE SHEET

ASSETS	2010-12-31	2009-12-31
Intangible assets	-	986
Property, plant, and equipment	23 136	20 593
Shares in subsidiary	512	512
Total non-current assets	23 648	22 091
Accounts receivable	2	1 265
Receivables from Group companies	235 068	294 651
Prepaid expenses and accrued revenues	3 762	3 872
Other receivables	5 980	5 982
Cash and cash equivalents	33 760	54 297
Total current assets	278 572	360 067
TOTAL ASSETS	302 220	382 158

EQUITY AND LIABILITIES	2010-12-31	2009-12-31
Share capital	1 191	1 191
Statutory reserve	38	38
Premium received for share option rights	3 473	3 473
Retained earnings	17 279	15 244
Profit for the period	81 935	81 143
Total equity	103 916	101 089
Accounts payable	16 789	10 312
Liabilities to Group companies	149 417	252 219
Current tax liabilities	5 928	1 571
Other liabilities	2 501	1 939
Accrued expenses and prepaid revenues	23 669	15 028
Total current liabilities	198 304	281 069
TOTAL EQUITY AND LIABILITIES	302 220	382 158

NET ENTERTAINMENT'S PRODUCTS

CASINO

The Net Entertainment Casino™ is a complete gaming system consisting of a powerful administration tool and a full suite of high quality games. Games are divided into four categories: table games, video poker, slot games and other games such as scratch cards and Keno.

The games are customized for each licensee so they become a natural, integral part of the licensee's gaming site. Net Entertainment also provides assistance with graphical design of the website where the games are presented.

Distributing the games is possible through a number of channels where browser based solutions are the most common but the Company has also developed a downloadable client and a system for games in a physical environment.

MULTIPLAYER GAMES

Net Entertainment has developed a poker game for the Turkish market. The Company has also developed a multiplayer blackjack and a roulette for simultaneous playing.

SERVICE

Net Entertainment offers a number of peripheral services including technical support, hosting, account management and system surveillance. This allows the licensees to focus on their core business.

DEVELOPMENT

Extensive analysis and development efforts ensures that the Company can deliver new exciting games and functions. The complexity within casino games is continuously increasing and Net Entertainment is seen as a market leader within its market.

Two new games are Boom Brothers and Jack Hammer

