

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". 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.

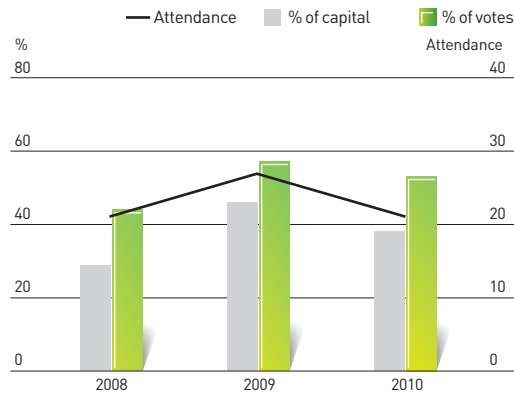
Due to legislative amendments, a corporate governance report is a legal requirement for all Swedish companies whose shares are traded on the Swedish regulated market and whose fiscal years begin after 28 February 2009, i.e. Net Entertainment from the fiscal year 2010. The company's auditor shall review 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 organisation. The Code has the purpose of providing guiding rules for good corporate governance, and supplementing 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 as leading to 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 in regards to the company's special circumstances, the company may deviate from this rule, provided that the deviation is reported and justified, and that the chosen alternative solution is specified

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 shall be held within six months after the end of the fiscal year. Time and place is announced in connection with the third quarterly report at the latest. Information on how a shareholder can have an issue raised at the meeting, and by when such a request must be received by the company in order to make

Attendance at the Annual General Meeting



sure it is brought up on the meeting, is shown on the company's website announced at the latest by the third quarterly report. Summon to the AGM is announced at least four weeks prior to the meeting, and will then be available on the website.

At the AGM, there will be information about the company's development over the past year, and resolutions will be made on a number of central issues. 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 issues such as any changes in the articles of association. Special General Meetings may be held when warranted.

In order to have the right to vote for their shares at the AGM, the shareholders must be registered in the share register maintained by Euroclear Sweden on the day established by the Board of Directors, as well as give notice of participation to the Company no later than the day established by the Board of Directors. The shareholders that can't attend personally have the option of participating through a representative.

Resolutions at the AGM are normally made by a simple majority of votes. However, in certain resolutions at the AGM, the Swedish Companies Act dictates that a proposal shall be approved by a greater proportion of the shares represented and votes cast.

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 shareholder-owned and represented shares without limitations in voting rights.

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AGM 2010

The AGM 2010 was held on 14 April in Konferens Spårvagnshallarna in Stockholm. At the meeting, 52.9 percent of all votes and 37.5 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 the usual issues, and also on a share split and automatic redemption procedure concerning a transfer to the shareholders of SEK 2.00 per share, authorization for the Board of Directors to decide on repurchase and transfer of their own shares, with the purpose of providing the company with flexibility when financing acquisitions of companies or businesses, as well as authorisation 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 come to implement. For more information, see the website.

The website contains all required documents for the meeting, as well as minutes from the meeting and the articles of association.

AGM 2011

The AGM 2011 will take place 13 April at Stockholms Konserthus. 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 shareholders according to Euroclear Sweden AB at December 31 2010	Percent of capital	Percent of votes
Per Hamberg	8,9%	20,9%
Rolf Lundström	6,5%	14,4%
Lars Kling	3,4%	9,5%
Svenska Handelsbanken SA	1,8%	7,8%
Bill Johan Bertil Lindwall	1,4%	6,2%
EFG Private Bank	6,0%	6,2%
Banque Carnegie Luxembourg	1,2%	3,9%
Knutsson Holding AB	6,6%	2,9%
SIX SIS AG, W8IMY	5,0%	2,2%
Swiss Life	4,8%	2,1%

¹⁾ 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 2010, it was decided that the Chairman of the Board of Directors, Rolf Blom, shall convene a nominating committee consisting of a representative from each of the three largest shareholders as of 31 Au-

gust 2010, who, together with the Chairman of the Board, shall be members of the nominating committee for the AGM 2011. In September 2010, Per Hamberg (appointed by the Hamberg family), Anna-Maria Thörnblom Lundström (Provobis Invest AB) and Emil Sunvisson (the Kling family) were appointed as members of the nominating committee. The composition of the nominating committee is based on the list of registered shareholders provided by Euroclear Sweden, and other reliable ownership information as of the last business day in August.

The nominating committee has prepared a proposal to be submitted to the AGM 2011 for resolutions regarding the Chairman of the Meeting, the Chairman of the Board 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 appointment 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 2011.

The composition of the nominating committee meets the Code's requirements for independent members.

In its work, the nominating committee has participated in the assessment of the Board of Directors and its work, as well as the Chairman of the Board's report on the company's activities, goals, and strategies, in order to make correct assessments in issues regarding 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. The nominating committee has met on five occasions.

The nominating committee's proposal, its justified opinion to proposed Board of Directors, and supplementary information regarding the nominated members of Board are announced in connection with the summons to the AGM, and are presented at the AGM 2011 together with a report of the nominating committee's work.

Members of the nominating committee

Per Hamberg (appointed by the Hamberg family),
Anna-Maria Thörnblom Lundström (Provobis Invest AB)
Emil Sunvisson (Kling family),
Rolf Blom, Chairman of the Board

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 Board of Directors manages the shareholders' interests by establishing goals and strategies for

the business, evaluating the operational 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 control over the company's compliance with laws and other rules 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 Entertainment'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 2010, six members were elected: Rolf Blom, Vigo Carlund, Fredrik Erbing, Niclas Eriksson, Mikael Gottschlich and Peter Hamberg. For further description of the members, refer to page 22.

All members are independent in relation to the Company and its management, and five members to larger shareholders. The evaluation of the members of the Board of Directors' independence is based on the Code's rules, which apply from 1 February 2010.

At the Board meetings, all members were present except for Mikael Gottschlich, who was absent at one meeting.

The Chairman of the Board of Directors

The Chairman of the Board of Directors is appointed by the AGM. Rolf Blom was appointed again as the Chairman of the Board of Directors by the AGM 2010.

The Chairman organizes the work of the Board of Directors so that it is conducted efficiently, and such that the Board of Directors fulfils their 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 regularly updates and deepens their knowledge of the company, the industry, and its development, is responsible for contacts with the owners, and communicates the opinions of 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 the Board meetings. The Chairman of the Board of Directors checks that the Board's decisions are implemented, and is responsible for the Board of Directors' being annually evaluated, 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 procedure, 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 sections in order to clarify and regulate the Board of Directors' 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's general duties, distribution of work within the Board, 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 issues to be discussed at the Board meeting. Also, each month, a monthly report is distributed with operational and financial development.

In 2010, the Board of Directors held twelve meetings, including the constituting meeting, three for the approval of interim reports, and two additional Board meetings. In connection with the Board meeting in June, a strategy meeting was held, in which the management presented an in-depth analysis of the industry development and the proposed strategic direction for continued growth and development. This meeting was held in Italy. A visit to the Italian lottery inspection, AAMS, was conducted in order to gain a deeper understanding of the development on the Italian market, and the re-regulation that is taking place there.

The key points at the Board meeting in 2010 were issues concerning strategy, acquisitions, taxes, approval of business plans and budgets, forecasts, key policies, annual report, earnings report and interim reports, and investments. Among investment issues, most notable is the establishment of operational facilities in Alderney. Other issues addressed by the Board of Directors were financial goals, vision, and mission, as well as financial policy.

Also present at the Board meeting were CEO Johan Öhman and CFO Bertil Jungmar, who also took the minutes for the meeting. The CEO reports on the operational development at each ordinary Board meeting, and the CFO reports on the financial development. In addition, various senior executives were present for presentations on different issues.

At the Board meeting in February 2011, the main audi-

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tor, Therese Kjellberg, Deloitte, reported her conclusions from the audit for 2010. During the meeting, the members of the Board 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 through a systematic and structured process, with the purpose of developing the Board's work and efficiency. The Board of Directors continually evaluates the CEO's work, and the Board addresses this issue annually, without anyone from the company management being present.

Attendance, meetings 2010	Board of Directors	Audit committee	Remuneration committee
Rolf Blom	12 of 12	3 of 4	1 of 1
Vigo Carlund	12 of 12	-	1 of 1
Fredrik Erbing	12 of 12	4 of 4	1 of 1
Niclas Eriksson	12 of 12	-	1 of 1
Mikael Gottschlich	11 of 12	2 of 4	1 of 1
Peter Hamberg	12 of 12	-	1 of 1

Audit committee

The Board of Directors has established an audit committee, which, since April 2009, has consisted of Fredrik Erbing (Chairman), Rolf Blom, and Mikael Gottschlich, from having previously consisted of the entire Board. CFO Bertil Jungmar 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 auditing and annual accounts, and the consolidated annual accounts, 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's ongoing communication with the Company's auditors, establishing guidelines for what services may be procured by the auditors in addition to auditing, evaluation of the auditing process, counselling the nominating committee when preparing proposals to the auditors, and auditing 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 auditing plan, read and evaluated the auditor's review, evaluated the internal controls and the amendment work performed by the company in that regard, considered the finance policy, and discussed the risks and connection to internal control and accounting issues. During the year, special attention has been devoted to principles and methods for capitalisation of develop-

ment expenditures, and a model for testing of intangible assets for impairment.

The audit committee met four times in 2010. At the meetings, Mikael Gottschlich was absent for two occasions and Rolf Blom for one occasion. 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.

The remuneration committee deals with issues concerning remuneration and benefits for senior executives, including the CEO. The remuneration committee prepares issues for decision by the Board concerning the CEO's remuneration and benefits, as well as issues of principle for all senior executives. The committee makes decisions on issues of remuneration concerning other senior executives, and issues of lesser importance. The Board of Directors also decides on issues 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 2010, and once in February 2011. All members participated in both meetings.

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. In the internal work, the CEO shall monitor that the Company's organisation 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 busi-

ness plan, 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 2008-20010, KSEK

Decided at the AGM	2010	2009	2008
Chairman of the Board of Directors	650	500	400
(including fees for assignments in foreign)	(100)	-	-
Members of the Board of Directors	220	200	180
Chairman of the audit committee	50	-	-

Remuneration to senior executives

In order to achieve good long-term value growth for shareholders, Net Entertainment seeks to offer its employees a competitive remuneration and 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 reference to the third sentence in the preamble to the guidelines deviated from the guidelines for remuneration to senior executives as regards variable salary. There are special grounds for this that relate to the Company's success as regards customer acquisition on the Italian market.

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

Guidelines adopted by the AGM 2010

These guidelines shall be applied for the CEO of Net Entertainment NE AB ("the Company") and other senior executives of the Company. The principles in these guidelines are relevant for 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 must 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 of 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 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 based on actual outcomes in relation to the established financial and operational goals. Goals for variable salary are determined annually by the Board of Directors with regards to variable salary for the CEO, and by the CEO with regards 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 organisation may have variable remuneration in the form of commissions based on successful sales. In certain situations, when a particularly good sales result was 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.

Senior executives and key 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 a 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 be consistent with what is competitive.

The CEO and other persons in the Company's management have a notice period of 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 2011

These guidelines shall be applied for the CEO of Net Entertainment NE AB ("the Company") and other senior executives of the Company. The principles in these guidelines are relevant for 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 must 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 of termination/severance pay.

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 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 based on actual outcomes in relation to predetermined established

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The Board of Directors shall be entitled to recover variable compensation which has been paid on the bases that later proved to be clearly inaccurate.

Senior employees are invited to participate in an ongoing share-based program to motivate long-term work and promote greater community of interest with the Company's shareholder. 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 a 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 be consistent with what is competitive.

The CEO shall have a notice period of six months.

Other persons within the Company's management shall have a notice period between three to six months. Severance pay, including dismissal pay, shall not exceed 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.

The auditor has presented her conclusions of the synoptic review of the interim report for January - September 2010, the audit for the entire year 2010, 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, tasks concerning the stock exchange listing for 2009 have taken place. Remuneration to the auditor is stated in note 27 on page 65.

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

The Board's 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's and the committee's division of labour is regulated in the Board's 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 issues on internal control and compliance, control of reported values, estimates, assessments, and other material 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 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 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 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 regards 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 in 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 in the organization in order to ensure the quality of the process. An important part of control environment is that organisational 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 prof-

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itability 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 in 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, that provide 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 control environment, and by reviewing how the internal control works. Constant development of internal control is important for a rapidly growing company like Net Entertainment. In 2010, a controlling function was created that works with financial planning and monitoring. A number of processes have been documented with regards to risks and controls, in which identified weaknesses have been strengthened, with the overall purpose of strengthening controls and minimising risks. The company has also targeted recruitment of persons with special responsibility for regulatory compliance, as well as quality and processes. Here, regulatory compliance also refers to industry specific regulation from gaming authorities in different countries.

Internal governance instruments for financial reporting primarily consist of the company's Finance Policy, Information Policy, Economic Handbook, and authorisation 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. In addition to this, the company has developed policies regarding trading of company shares, IT Policy, dividend policy, drug and gambling policy, and more.

Risk assessment

Risks regarding the financial reporting are evaluated and monitored by the Board of Directors through the audit committee. Net Entertainment has implemented a structured risk assessment in order to enable identification of the significant risks that affect the internal control regarding financial reporting, as well as identification of the risks that exist. During risk assessment, particular

attention has been paid to the risk of irregularities and favouritism by other parties at the company's expense and risk of loss or misappropriation of assets. At the same time, 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. A number of items on the income statement and balance sheet have been identified, in which there is an increased risk of error. These risks primarily involve legal matters that regulate the business, development expenses, and taxes, as well as the company's significant cash resources.

The risk assessment results in control goals that support the basic requirements of financial reporting being fulfilled. The risk assessment is updated annually, 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 supports 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 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 the review and monitoring of performance outcomes for specific account reconciliations.

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

- proper authorisation of business transactions
- business systems that affect the 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 about internal governance instruments for financial reporting are available for all affected employees on the company intranet. Net Entertainment has information and communication channels with the purpose of promoting completeness and accuracy of financial reporting. Important guidelines and manuals relevant to financial reporting are updated and communicated continuously to affected employees. There are both formal and informal information channels for the company management and the Board of Directors for important information from employees. For external communication, there are guidelines that ensure that the company complies with the high requirements placed on correct and relevant information to the market. Once a year, the Board of Directors establishes an information policy for the company that specifies the guidelines for contacts with analysts and media, among other things.

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 to Board meetings. There is a process for continuous monitoring and evaluation of compliance with internal policies, guidelines, manuals, and codes, as well as of the appropriateness and functionality in established control activities, and the appropriateness of these. The audit committee's work includes, among other things, ensuring that measures are taken regarding errors and proposals for measures that emerge via internal control activities and the external audit.

The company's CFO has reported the results of the work with internal control 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

In companies that do not have a separate review function (internal audit), according to the Code, the Board of Directors shall annually evaluate the need for such a function, and justify the position 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 organisation 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.

THE SHARE

Share capital in Net Entertainment amount 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. 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 2010, 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

At the end of 2010, 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, MSEK 42.0 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 MSEK 4.2 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 July 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 or total MSEK 4.3 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 2010, the Board of Directors was authorised, 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 authorisation 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 authorisation 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.

Authorisation for repurchase and disposal of own shares

At the AGM 2010, the Board of Directors was authorised, before the next AGM, on one or more occasions, to make the decision to acquire as many shares of series B such that the company's holdings never exceed 10 percent of all shares in the company.

Acquisitions shall occur on Nasdaq OMX Stockholm, and may only occur at a price within the always-applicable current price interval, meaning the interval between the highest purchase price and lowest sale price, or through an acquisition offer targeted at all shareholders, whereby the acquisition shall occur at a price that corresponds to at least the applicable stock market price and at most to 150 percent of the applicable share market price.

In addition, the Board of Directors was authorised, before the next AGM, on one or more occasions, to decide on divestment with deviation from the shareholders' preferential rights of all or part of the company's holdings of

its own shares of series B as payment for acquisition of companies or businesses at a price corresponding to the share market price at the time of transfer. Divestment of all or part of the company's holdings of its own shares of series B shall also be able to occur, on one or more occasions, in order to finance such acquisitions, in which sale of shares shall occur on Nasdaq OMX Stockholm at a price within the always-applicable current price interval.

The authorisation is intended to provide the company with flexibility when financing acquisitions of companies and businesses. No repurchases of its own shares were made during the year.

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 of Directors proposes that no dividend is paid for the fiscal year 2010.

The Board proposes to the AGM to allocate SEK 79.1 (79.1) million to shareholders, which corresponds to SEK 2.00 (2.00 and 1.25 respectively) per share through a share redemption program. The record date for the share redemption program is scheduled to 21 April 2011.

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 23 March 2011. 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	17,279,447
Share premium reserve	3,473,500
Profit/loss for the year	81,934,714
	102,687,661

The Board of Directors proposes:

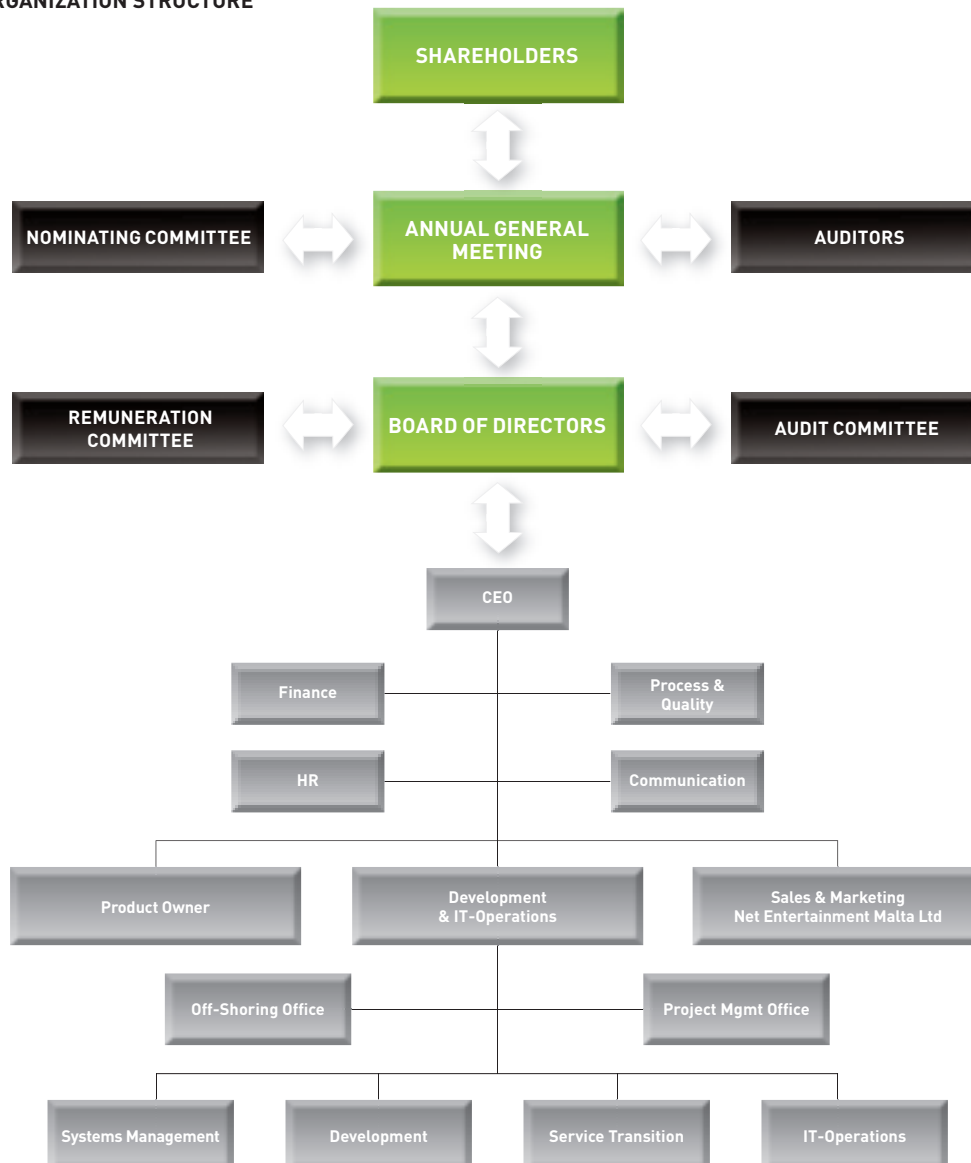
That the following amount should be carried forward	102,687,661
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Proforma after transfer to the shareholders

Opening profit brought forward incl. profit/loss for the year	102,687,661
Transfer to the shareholder	-79,107,432
	23,580,229

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.

ORGANIZATION STRUCTURE



AUDIT REPORT

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Net Entertainment NE AB for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 28-67. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning dis-

charge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit of the parent company be dealt with 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 March 14, 2011

Deloitte AB

Therese Kjellberg
Authorized Public Accountant