

NET ENTERTAINMENT
INTERIM REPORT
JANUARY-SEPTEMBER 2010
BETTER GAMES

INTERIM REPORT JANUARY–SEPTEMBER 2010

NEW MARKETS CREATE LARGE OPPORTUNITIES GOING FORWARD

THIRD QUARTER 2010

- Revenues for the third quarter increased by 20.8 % to SEK 91.6 (75.8) million
- Operating profit increased by 13.8 % to SEK 34.1 (30.0) million
- Operating margin was 37.2 (39.5) %
- Profit after tax amounted to SEK 30.0 (20.8) million
- Earnings per share amounted to SEK 0.76 (0.53) before and after dilution
- Two new license agreements were signed

FIRST NINE MONTHS 2010

- Revenues for the first nine months increased by 25.2 % to SEK 268.7 (214.6) million
- Operating profit increased by 21.0 % to SEK 102.7 (84.8) million
- Operating margin was 38.2 (39.5) %
- Profit after tax amounted to SEK 91.4 (75.3) million
- Earnings per share amounted to SEK 2.31 (1.90) before and after dilution
- Eight new license agreements were signed, including Gioco Digitale/bwin.it, Interwetten, Intralot and Stan James, and eight new customers' casinos were launched

IMPORTANT EVENTS IN THE THIRD QUARTER

Revenue growth for the third quarter was 35.1 percent in local currency compared to the third quarter 2009 and 6.0 percent compared to the previous quarter. The strengthened Swedish currency has held back revenue growth in SEK.

The regulation of casino games online in Italy continued during the quarter. The market is still expected to open at year-end. The integration has continued during the quarter.

Agreements were signed with an operator in South America, which is a region expected to become an important market for online gaming in the future. The integration of Stan James has progressed well and launch is still planned for the fourth quarter.

Net Entertainment has received a license to offer its casino solution to gaming operators who are licensed by the Alderney gaming authority or other reputable gaming authorities. In addition, this gives an opportunity to further strengthen the customer offering by providing alternative hosting if serious disturbances occur, so called disaster recovery.

SUMMARY IN FIGURES	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Operating revenues	91 584	75 844	268 677	214 635	300 050
Operating expenses	-57 492	-45 888	-166 022	-129 825	-179 868
Operating profit	34 092	29 956	102 655	84 810	120 182
Operating margin	37.2 %	39.5 %	38.2 %	39,5 %	40,1 %
Cash flows from operating activities	8 177	34 129	92 497	120 681	150 042
Cash flows for the period	-24 226 ²	22 095	-57 731	34 696	42 626
Cash and cash equivalents at end of period ¹	40 812	96 675	40 812	96 675	105 009
¹ Closing cash and cash equivalents include funds held on behalf of licensees	-	40 111	-	40 111	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 8.

Net Entertainment is a premium 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 solution comprising both a complete management platform and a full suite of high quality games. Operators are provided a customized casino that is easily integrated ensuring 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

We saw good development during the third quarter with a 21 percent revenue growth (35 percent in local currency) which should be compared with the 14 percent market growth predicted by H2 Gaming Capital for the full year of 2010. Our growth was supported by underlying market growth combined with royalty contributions from new licensees and a slightly increased average bet. The impact on Net Entertainment from the regulatory development in France, which had a negative effect on some of our licensees, was cushioned as a result of our pricing model.

A contributing factor behind our successful development is the constant flow of new high quality games whereby our operators can attract and retain high value players. The performance of our most recent games in particular speaks for itself and we have recently completed the development of Boom Brothers which is the next Platinum game to be released in December (following Gonzo's Quest). The announced agreement with Universal will allow us to develop games based on well recognized brands where the first release will be made during the first half of 2011. Net Entertainment is today one of the absolute front-runners in game development which is the result of a dedicated strong organization and focused efforts.

The regulatory development in Italy is progressing well and the first casino licenses are expected to be awarded around year end. Operators holding an existing license in Italy will be first out which will benefit Net Entertainment as several of the licensed operators are existing customers to us. Several other countries are looking at alternatives in the process of regulating online gaming and we are closely following this development which no doubt will change the marketplace going forward introducing both challenges and new business opportunities.

Significant efforts have gone into setting up a hosting facility in Alderney which will be commissioned during the fourth quarter. The Alderney Gaming Commission issued license which was received during the fourth quarter will enable us to better address certain markets such as the UK but equally to provide disaster recovery services to our existing licensees.

NEW AGREEMENTS AND CUSTOMERS

During the third quarter two new customer agreements were signed. One is a leading gaming operator in South America with Brazil as its main focus market. South America is a continent with a large interest in games and a rapidly increasing broadband penetration. The other agreement is with a well reputed operator who offers games online. The customer will offer Net Entertainment's casino software under a license awarded by the local authorities in Belgium.

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 period, the Company held agreements with Stan James, Intralot Interactive, Gioco Digitale/bwin.it, Microgame and Expekt that have not yet launched operations.

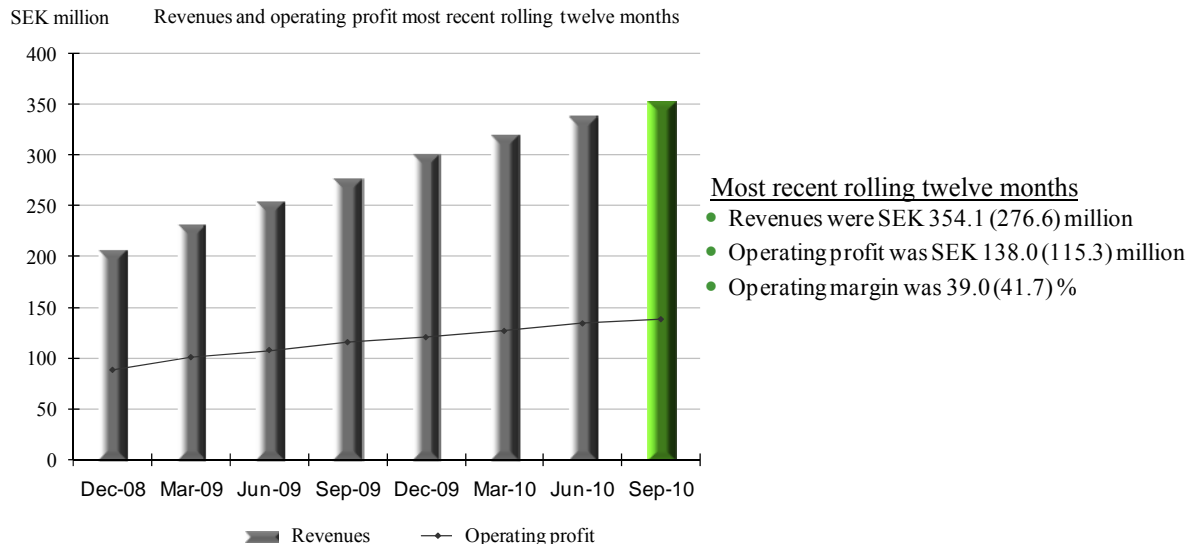
Of particular interest is Stan James who has a strong position in the UK which is Europe's largest market for online casino, a market where Net Entertainment has had a limited presence historically. Launch is planned for the fourth quarter.

Further, Gioco Digitale/bwin.it and Microgame are of great interest considering the reregulation of the Italian market for gaming online.

The launch of Net Entertainment's casino to Expekt's customers has been delayed and is expected during the fourth quarter.

REVENUES AND PROFITABILITY

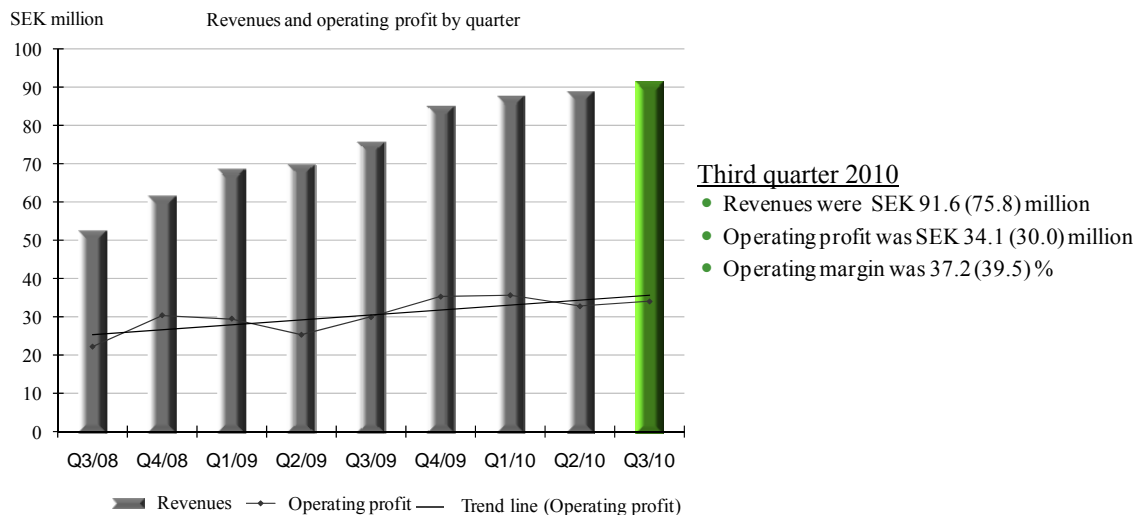
Revenues and operating profit for the most recent rolling twelve months are presented in the diagram below.



Revenues during the third quarter amounted to SEK 91.6 (75.8) million, which is an increase by 20.8 percent compared to the same period 2009. The licensing system that has been introduced in France has had a negative impact on revenues from French players since June. Therefore the loss of revenues has affected all three months in the quarter. The underlying market growth has partly compensated for the loss in France as have Interwetten that was launched in June.

Operating profit amounted to SEK 34.1 (30.0) million and the operating margin was 37.2 (39.5) percent.

Revenues and operating profit by quarter is 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 regarding pooled jackpots. Revenues are affected by the development of the Swedish currency in relation to other currencies. The majority of revenues are invoiced in Euros, but also in British pounds and US dollars. Revenues are reported in Euros and then translated into Swedish currency for the Group's reporting.

The number of gaming transactions amounted to 1.4 billion during the third quarter, which is an increase by 43 percent since last year.

The development during the third quarter was the result of continued market growth, which is also affected by seasonal variation as the summer months traditionally have lower activity levels. 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. One new customer's casino was launched during the quarter. During the most recent twelve month period, nine new customers have been launched.

Royalty revenues were positively affected by higher volumes during the last twelve months compared to the same period last year. The average royalty level has increased somewhat during the quarter. The reason for this is e.g. a different pricing structure in new agreements, reflecting the increased complexity in games and systems, and a positive revenue mix. Revenues for the third quarter increased 20.8 percent compared to the corresponding period last year. In Euros, revenues increased by 35.1 percent.

Currency fluctuations, that have been significant since the fourth quarter 2008, have contributed positively to Net Entertainment's revenue growth during 2009 due to the weakened Swedish Krona compared to 2008. However, since the second quarter 2009 the Krona has strengthened. During the third quarter 2010, the Krona was 10 percent stronger compared to the same period 2009.

PROFITABILITY

Operating profit for the third quarter increased by 13.8 percent to SEK 34.1 (30.0) 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 results in increased

capitalization of intangible assets regarding development 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.

The operating margin was 37.2 percent during the third quarter compared to 39.5 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.

The financial net amounted to SEK -1.0 (-8.7) million for the third quarter, 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 9.3 (1.4) percent during the third quarter. The lower effective tax rate 2009 is due to tax-free income in the parent company during the third quarter. The Group's effective tax rate is also 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 -19.9 (-6.1) million during the third quarter and investments in property, plant, and equipment amounted to SEK -12.5 (-6.6) million.

The increased investment in intangible assets is due to intensified product development. 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.

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 third quarter investments for the hosting facility in Alderney have been made, amounting to SEK 7.6 million.

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 no longer are 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 third quarter amounted to SEK 8.2 (34.1) million. The decline in cash flow is mainly attributable to the changed procedure regarding funds held on behalf of licensees. Cash flow from investing activities amounted to SEK -32.4 (-12.7) million.

The Group's consolidated cash and cash equivalents amounted to SEK 40.8 (96.7) million on September 30, of which SEK 0 (40.1) 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 payment of jackpot winnings amounting to SEK 29.5 million during the quarter versus SEK 10.6 million the corresponding period previous year, a larger transfer to shareholders in 2010 compared to 2009 and investments financed with own funds contributes to lower cash and cash equivalents. The Group's strong liquidity is attributed to the large cash flow generated by operating activities.

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 expected to amount to USD 30.3 billion in 2010 compared to USD 26.6 billion in 2009¹, an increase by 14 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.

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. France has recently introduced

¹ Source: H2 Gaming Capital, September 2010

a licensing system that is somewhat less attractive to private operators due to high taxation and other restrictions. 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 better competitive conditions that are formally open for all operators who meet certain requirements.

However, it is important to highlight that the EU-Court of Justice has through a number of rulings in September confirmed the principle that EU legally established companies have the right to offer and provide also 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 Italian gaming market, for all types of gaming, is expected to generate approximately EUR 19 billion in gross gaming yield in 2010, making it the largest market in Europe¹. 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. The regulatory framework, available since the end of March 2010, has previously been appealed, why the Italian authorities filed a revised framework with the EU Commission which was passed without opposition from the EU or any of the member states in October. This means that the final decrees are likely to be approved in the next few weeks with the expected possible launch of approved games by the end of the year for operators already holding Italian remote gaming licenses. The launch of slot games is still, according to the authorities, delayed until March 2011. Awarding of remote gaming licenses to new operators for Italy is expected to begin in early 2011.

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.

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

Norway has widened its ban against promotion of foreign arranged games, 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. This can be attained through organic growth, acquisitions or via in-licensing.

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 South America in particular which are estimated to show high growth for online gaming in the future. The United States could also be of interest with new legislation.

¹ Source: H2 Gaming Capital, September 2010

ABOUT NET ENTERTAINMENT

Net Entertainment is a premium 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 solution comprising both a complete management platform and a full suite of high quality games. Operators are provided a customized casino 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.

The parent company is listed on NASDAQ OMX Stockholm since January 2009. Prior to this, the Company's share was listed on the Nordic Growth Market (NGM) Equity.

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.

Net Entertainment maintains an annual development pace of approximately 35 new games and has during the nine month period released 25 games.

PERSONNEL AND ORGANIZATION

At the end of the period, the number of employees amounted to 165 versus 121 people one year ago. Including external resources such as dedicated persons with contract suppliers and consultants, Net Entertainment employed 268 (188) people.

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 the quarter, 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 5.4 million including social security costs paid by the Company. This commitment is accrued for in the accounts on an ongoing basis considering forecasted employee turnover and interest.

PARENT COMPANY

The parent company's revenues for the third quarter were SEK 62.6 (44.6) million. Corresponding figure for the first nine months of 2010 was SEK 179.7 (135.3) million. Operating profit amounted to SEK 5.3 (3.9) million for the third quarter and for the first nine months SEK 15.4 (11.2) million. Currency effects on inter-company transactions are included in financial items. Profit after tax was SEK 3.4 (3.5) million for the third quarter and SEK 8.8 (13.1) million for the nine month period.

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 17.5 (24.5) 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 2.3, 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 its 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.

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.

FINANCIAL RISKS AND TAXES

The Group's results are exposed to changes in exchange rates as the majority of its sales are in Euro, and most costs are in Swedish kronor. Profit and equity are also affected by changes in exchange rates when foreign subsidiaries' profits, assets, and liabilities are translated to SEK. The Group does not hedge its exposure to currency fluctuations.

The Group's effective tax rate is primarily affected by the distribution of profit between Sweden and the countries in which the Group conducts operations. 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 carried out.

The provision of the company's services from Malta is exempt from VAT. However, the relevant authority's interpretation of the applicable Maltese VAT regulations relating to the company's liability to Malta VAT on

services purchased was revised in 2007 and 2008 and may come to affect the Maltese subsidiaries' purchases from other group companies. The Company has together with legal experts assessed how the rules affect the operations and has taken measures to reduce the risk of additional VAT in the future. Net Entertainment is reporting and paying to the Maltese tax authorities the VAT amounts that are deemed correct by the company. However, the amounts may be insufficient if the Maltese tax authority interprets the VAT regulations more restrictively than the Company assesses and deems as correct.

EVENTS AFTER THE END OF THE PERIOD

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 for games based on Universal brands. Net Entertainment will pay a royalty compensation to Universal for the brands used.

ELECTION 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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm, Sweden on April 13, 2011.

PRESENTATION OF INTERIM REPORT

On Thursday August 28, 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 via live 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.

Earnings report 2010 and report for the fourth quarter	February 10, 2011
Annual General Meeting	April 13, 2011

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

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

Stockholm October 27, 2010

Rolf Blom
Chairman of the Board

Vigo Carlund

Fredrik Erbing

Niclas Eriksson

Mikael Gottschlich

Peter Hamberg

Johan Öhman
President and CEO

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LEGAL DISCLAIMER

Certain statements in this interim 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

Net Entertainment NE AB (publ) is required to publicly disclose the information in this interim report under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on October 28, 2010 at 7.30 am.

AUDITOR'S REPORT

We have reviewed this interim report for the period January 1, 2010, to September 30, 2010 for Net Entertainment NE AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Stockholm October 27, 2010

Deloitte AB

Therese Kjellberg

Authorized public accountant

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

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
INCOME STATEMENTS					
Revenues	91 584	75 733	268 574	214 401	299 722
Other revenues	0	111	103	234	328
Total operating revenues	91 584	75 844	268 677	214 635	300 050
Personnel expenses	-27 041	-17 916	-71 213	-49 781	-71 242
Depreciation and amortization	-7 905	-5 279	-21 698	-16 489	-22 298
Other operating expenses	-22 547	-22 693	-73 111	-63 555	-86 328
Total operating expenses	-57 492	-45 888	-166 022	-129 825	-179 868
Operating profit	34 092	29 956	102 655	84 810	120 182
Financial items	-977	-8 866	-3 185	-3 070	-2 966
Profit before tax	33 115	21 090	99 470	81 740	117 216
Tax on the period's profit	-3 071	-301	-8 029	-6 474	-9 539
Profit for the period	30 044	20 789	91 441	75 266	107 677
<i>Earnings per share before dilution (SEK)</i>	<i>0.76</i>	<i>0.53</i>	<i>2.31</i>	<i>1.90</i>	<i>2.72</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.76</i>	<i>0.53</i>	<i>2.31</i>	<i>1.90</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	39 553 716
- after dilution	39 553 716	39 553 716	39 553 716	39 553 716	39 553 716
Operating margin	37.2%	39.5%	38.2%	39.5%	40.1%
Effective tax rate	9.3%	1.4%	8.1%	7.9%	8.1%
Profit for the period attributable to parent company shareholders	30 044	20 789	91 441	75 266	107 677
STATEMENTS OF TOTAL INCOME					
Profit for the period	30 044	20 789	91 441	75 266	107 677
Other total income					
Exchange differences arising from the translation of foreign operations	- 5 401	1 709	-13 821	-6 056	-4 872
Sum of other total income for the period, net after tax	- 5 401	1 709	-13 821	-6 056	-4 872
Total income for the period	24 644	22 498	77 620	69 210	102 805

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	2010-09-30	2009-09-30	2009-12-31
Intangible assets	76 208	41 088	47 732
Property, plant, and equipment	43 794	22 288	31 942
Other long-term receivables	-	5	-
Total non-current assets	120 002	63 381	79 674
Accounts receivable	14 815	5 639	3 841
Prepaid expenses and accrued revenues	54 600	47 076	54 176
Other receivables	5 332	4 216	5 982
Funds held on behalf of licensees	34 808	-	-
Cash and cash equivalents ¹	40 812	96 675	105 009
Total current assets	150 367	153 606	169 008
TOTAL ASSETS	270 369	216 987	248 682

EQUITY AND LIABILITIES	2010-09-30	2009-09-30	2009-12-31
Share capital	1 191	1 191	1 191
Other capital contributed	38 362	38 362	38 362
Reserves	-4 847	7 792	8 975
Retained earnings including profit for the period	137 825	93 079	125 490
Total equity	172 531	140 424	174 018
Deferred tax liabilities	-	1 569	-
Total non-current liabilities	-	1 569	-
Accounts payable	17 460	12 325	12 007
Current tax liabilities	14 615	3 966	8 828
Other liabilities	38 491	46 397	37 657
Accrued expenses and prepaid revenues	27 272	12 306	16 172
Total current liabilities	97 838	74 994	74 664
TOTAL EQUITY AND LIABILITIES	270 369	216 987	248 682

¹ Closing cash and cash equivalents include funds held on behalf of licensees with - 40 111 33 216

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Operating profit	34 092	29 956	102 655	84 810	120 182
<i>Adjustment for items not included in cash flows:</i>					
Depreciation and amortization	7 905	5 295	21 698	15 361	21 161
Other	-786	-1 719	-1 511	-2 124	-1 938
Interest received/paid	-4	-9	67	212	264
Tax received/paid	-110	-6 706	-2 242	7 132	7 343
Cash flows from operating activities before changes in working capital	41 097	26 817	120 667	105 391	147 011
Changes in working capital	-32 920	7 312	-28 170	15 290	3 031
Cash flows from operating activities	8 177	34 129	92 497	120 681	150 042
Capitalized intangible assets	-19 937	-6 125	-49 184	-23 315	-33 154
Acquisition of property, plant, and equipment	-12 466	-6 597	-21 937	-17 390	-28 982
Cash flows from investing activities	-32 403	-12 722	-71 121	-40 705	-62 136
Transfer to shareholders	-	-	-79 107	-49 442	-49 442
Received premium for share option rights	-	688	-	4 162	4 162
Cash flows from financing activities	-	688	-79 107	-42 280	-45 280
Cash flow for the period	-24 226	22 095	-57 731	34 696	42 626
Cash and cash equivalents at beginning of period	67 020	77 379	105 009	65 132	65 132
Exchange rate differences in cash and cash equivalents	-1 982	-2 799	-6 466	-3 153	-2 749
Cash and cash equivalents at end of period¹	40 812	96 675	40 812	96 675	105 009
¹ Closing cash and cash equivalents include funds held on behalf of licensees with	-	40 111	-	40 111	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

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

CONSOLIDATED KEY DATA AND FIGURES

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Operating revenues (SEK thousands)	91 584	75 844	268 677	214 635	299 722
Operating revenues (EUR thousands)	9 758	7 254	27 832	20 026	28 312
Operating margin (percent)	37.2	39.5	38.2	39.5	40.1
Profit margin (percent)	36.2	27.8	37.0	38.1	39.1
EBITDA margin (percent)	45.9	46.5	46.3	47.2	47.5
Return on shareholders' equity (percent)	18.8	16.2	52.8	58.6	74.1
Equity/assets ratio (percent)	63.8	64.7	63.8	64.7	70.0
Quick ratio (percent)	153.7	204.8	153.7	204.8	226.4
Net interest-bearing liabilities (SEK thousands) ¹	-40 812	-96 675	-40 812	-96 675	-105 009
Net debt/equity ratio (multiple)	-0.2	-0.7	-0.2	-0.7	-0.6
Average number of employees	155	114	143	103	110
Employees at period's end	165	121	165	121	133
Employees and consultants at period's end	268	188	268	188	187
Earnings per share	0.76	0.53	2.31	1.90	2.72
Equity per share (SEK)	4.36	3.55	4.36	3.55	4.40
Average number of outstanding shares before dilution	39 553 716	39 553 716	39 553 716	39 553 716	39 553 716
Average number of outstanding shares after dilution	39 553 716	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	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	39 553 716

¹ A negative figure means that the Group has a net cash position (positive cash flow and no debt)

CONSOLIDATED KEY DATA AND FIGURES BY QUARTER

	2010		2009				2008		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating revenues (SEK millions)	91.6	89.2	87.9	85.4	75.8	70.1	68.7	62.0	52.7
Operating revenues (EUR millions)	9.8	9.2	8.8	8.2	7.3	6.5	6.3	6.1	5.6
Operating profit (SEK million)	34.1	32.8	35.7	35.4	30.0	25.3	29.6	30.5	22.2
Operating margin (percent)	37.2	36.8	40.7	41.4	39.5	36.1	43.0	49.1	42.1
EBITDA-margin (percent)	45.9	45.3	47.7	48.2	46.5	43.5	51.8	57.4	48.3
Growth in SEK vs previous year (percent)	20.8	27.2	28.0	37.8	44.0	45.5	60.7	72.1	64.7
Growth in EUR vs previous year (percent)	35.1	42.3	41.0	34.4	30.7	26.1	39.3	56.1	61.3
Growth in SEK vs previous quarter (percent)	2.7	1.4	3.0	12.6	8.2	2.0	10.8	17.7	9.3
Growth in EUR vs previous quarter (percent)	6.0	4.6	7.7	13.1	11.7	3.7	2.7	9.9	7.7
Cash and cash equivalents (excl. funds held on behalf of licensees)	40.8	31.2	94.9	71.8	56.6	53.6	79.1	53.0	41.8
Funds held on behalf of licensees	34.8	35.8	27.4	33.2	40.1	23.7	39.7	12.2	4.9
Equity/assets ratio (percent)	63.8	62.4	73.6	70.0	64.7	64.1	62.7	71.9	68.3
Return on shareholders' equity (percent)	18.8	17.5	16.6	20.6	16.1	17.5	24.7	27.8	29.5
Net debt/equity ratio (multiple)	-0.2	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-0.6	-0.6
Earnings per share	0.76	0.77	0.78	0.82	0.53	0.57	0.81	0.69	0.50
Equity per share (SEK)	4.36	3.74	5.05	4.40	3.55	2.96	3.57	2.95	1.98
Average number of employees	155	137	136	131	114	103	92	80	71

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

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
Operating revenues	62 577	44 648	179 728	135 338	154 104
Other external expenses	-27 670	-20 002	-74 763	-63 464	-52 603
Personalkostnader	-27 651	-19 064	-83 484	-55 347	-80 965
Depreciation and amortization	-1 975	-1 647	-6 046	-5 339	-7 269
Operating profit	5 281	3 935	15 435	11 188	13 267
Financial items	-694	-1 411	-3 330	4 706	71 693
Profit after financial items	4 587	2 524	12 105	15 894	84 960
Tax on the period's profit	-1 232	994	-3 283	-2 816	-3 817
Profit for the period	3 355	3 518	8 822	13 078	81 143

STATEMENT OF TOTAL INCOME

Profit for the period	3 355	3 518	8 822	13 078	81 143
Other total income	-	-	-	-	-
Sum of other total income for the period, net after tax	-	-	-	-	-
Total income for the period	3 355	3 518	8 822	13 078	81 143

CONDENSED PARENT COMPANY BALANCE SHEET

ASSETS	2010-09-30	2009-09-30	2009-12-31
Intangible assets	73	1 720	986
Property, plant, and equipment	23 587	10 807	20 593
Shares in subsidiary	512	512	512
Other long-term receivables	-	5	-
Total non-current assets	24 172	13 044	22 091
Accounts receivable	-	729	1 265
Receivables from Group companies	114 844	63 845	294 651
Prepaid expenses and accrued revenues	4 413	2 957	3 872
Current tax recoverable	-	-	-
Other receivables	5 332	4 206	5 982
Cash and cash equivalents	17 543	24 467	54 297
Total current assets	142 132	96 204	360 067
TOTAL ASSETS	166 304	109 248	382 158

EQUITY AND LIABILITIES	2010-09-30	2009-09-30	2009-12-31
Share capital	1 191	1 191	1 191
Statutory reserve	38	38	38
Premium received for share option rights	3 473	3 473	3 473
Retained earnings	17 279	15 244	15 244
Profit for the period	8 822	13 078	81 143
Total equity	30 803	33 024	101 089
Accounts payable	12 550	11 128	10 312
Liabilities to Group companies	92 717	52 323	252 219
Current tax liabilities	3 369	215	1 571
Other liabilities	1 892	1 491	1 939
Accrued expenses and prepaid revenues	24 973	11 067	15 028
Total current liabilities	135 501	76 224	281 069
TOTAL EQUITY AND LIABILITIES	166 304	109 248	382 158

NET ENTERTAINMENT'S PRODUCTS

CASINO

Net Entertainment's 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 Secret Code and Piggy Riches

