



NET ENTERTAINMENT

## Earnings report 2008

Quarterly report October-December 2008



## Net Entertainment NE AB (publ)

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#### Quarterly report October–December 2008

#### Full year 2008

- Revenues for the full year increased by 56% to SEK 204.6 (131.1) million
- Operating profit increased by 74 % to SEK 87.8 (50.6) million
- Operating margin was 42.7% (38.3)
- Profit for the year increased by 74% to SEK 80.0 (45.9) million
- Earnings per share amounted to SEK 2.02 (1.16)
- 20 new CasinoModule™ license agreements were signed, with operators such as Victor Chandler, King.com, and Bet-at-home, compared with 18 new agreements in 2007

#### Q4 2008

- Revenues for the fourth quarter increased by 71% to SEK 61.6 (36.0) million
- Operating profit increased by 100 % to SEK 30.5 (15.2) million
- Operating margin was 49.1% (41.9)
- Profit for the period increased by 96% to SEK 27.1 (13.8) million
- Earnings per share amounted to SEK 0.69 (0.35)
- Four new license agreements for CasinoModule™ were signed

#### Other

- Proposed dividend is SEK [1.25] (0.75) per share
- The Company's series B shares began trading at NASDAQ OMX Stockholm on 13 January 2009
- Two breakthrough agreements for CasinoCafé™ were signed in January 2009, thus commercialising the product

#### Comments from Johan Öhman, President and CEO

*“2008 was a record year for Net Entertainment. Our customers and shareholders can be pleased with our strong growth – and it shows no signs of slowing down. December was our best month ever with regards to revenues. Our key products CasinoModule™ and CasinoCafé™ are continuing to sell well; they were improved during the year and are very well regarded by gaming operators around the world.*

*We made a breakthrough in January 2009 when we signed two contracts for CasinoCafé™. One with Delta Invest Ltd in Russia that has more than 500 shops and one with PCP Electronics Ltd. Apart from CasinoCafé™ will be launched for full commercial use during the first half of 2009, Delta Invest Ltd has the potential to be our single largest licensee if its projections holds.*

*We are continuing to employ new staff to further increase our production rate while maintaining our high service level to our gradually increasing customer base. As part of this effort, we started an IT project in late 2008 to further strengthen the operating division; it will generate non-recurring costs. The cost for this as well as launch and delivery of CasinoCafé™ are estimated to amount to about SEK 8-12 million during the first half of 2009. Our goal for 2009 is to deliver 24 new games – almost double of what we delivered in 2008.*

*Net Entertainment is entering 2009 with a product portfolio and customer base that is stronger than ever. And Net Entertainment's accreditation from industry organisation eCogra in 2008 is a quality and credibility stamp that will drive continued new sales. The listing change to NASDAQ OMX Stockholm is expected to increase liquidity and interest in the shares, which benefits the company and stakeholders."*

## About Net Entertainment

Net Entertainment NE AB and its subsidiaries (which together form the Group or the Company) are leading suppliers of digitally distributed online gaming software. The company was established in 1996 and has a customer base of about sixty international gaming companies. 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 recognised and associated with innovation, service, and quality.

All technical development is carried out at the Group's Stockholm office, and all commercial operations such as sales, marketing, and product management are carried out at the Malta office.

The parent company is listed on NASDAQ OMX Stockholm as of 13 January 2009. It was previously listed on the Nordic Growth Market (NGM) Equity since 5 April 2007.

## Business model and objectives

Net Entertainment shall provide robust online gaming systems with exciting games developed using cutting-edge technology and expertise for gaming operators who can thereby expand their product portfolios and gain a competitive advantage that increase their profits.

The European market for online gaming is expected to grow more than 20 percent on average in the coming years. Net Entertainment's financial objective is to grow more than the market with a sustainable operating margin of more than 30 percent.

## Market

The online gaming market has grown strongly in recent years and the global gross gaming yield for online gaming is expected to exceed about USD 20 billion in 2009. In coming years, Europe is expected to represent more than half of the total gaming revenues, making it the single largest gaming market.<sup>1</sup>

Net Entertainment believes that conditions for continued expansion are good in the casino industry; it can also target a wider market by widening its product portfolio. Expansion may take the form of organic growth or be attained through acquisitions or in-licensing.

## New projects and customers

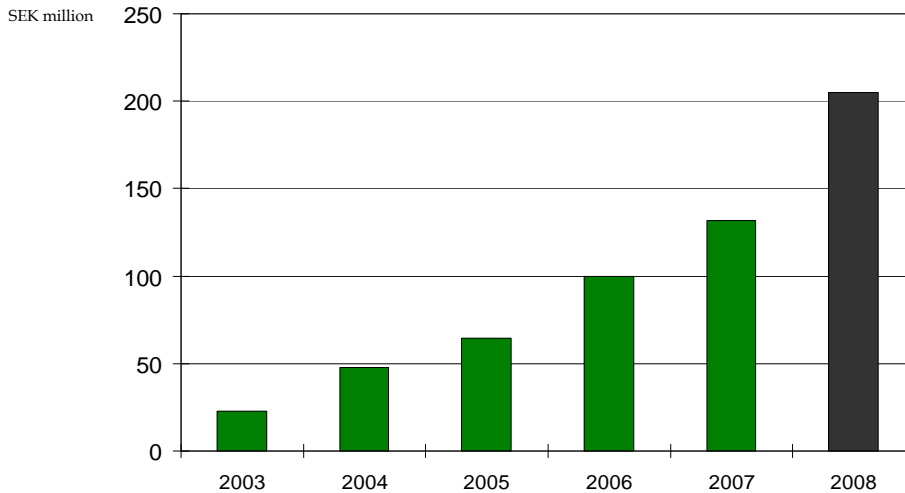
Four new customer agreements were signed during Q4. In total in 2008, 20 new license agreements for CasinoModule™ were signed, with operators such as King.com, VictorChandler, Bet-at-home, and a Tier 1 operator who has chosen to remain anonymous.

*Source: Global Betting and Gaming Consultants*

### Earnings and profitability

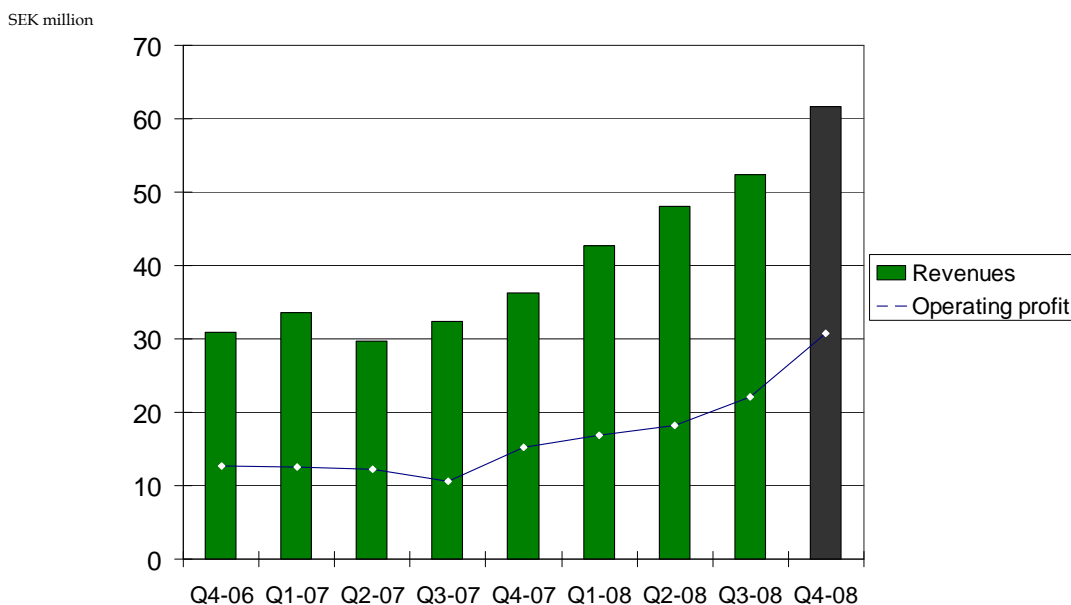
Revenues for 2008 increased to SEK 204.6 (131.1) million, an increase of 56.0 percent compared to 2007. Operating profit rose to SEK 87.8 (50.6) million and the operating margin was 42.7 (38.3) percent.

Revenues during the last six years are portrayed below:



Revenues during Q4 increased to SEK 61.6 (36.0) million, an increase of 70.9 percent compared with the same period last year. Operating profit rose to SEK 30.5 (15.2) million and the operating margin was 49.1 (41.9) percent.

Revenues and operating profit by quarter are portrayed below:



Fourth quarter growth was good as a result of a continued strong market development despite global financial unease. Another successful product release containing new games was launched during Q4, and five new customers launched their casinos, which has further increased the revenue stream. During 2008, 20 (18) new agreements for CasinoModule™ were signed – contributing revenues from license and setup fees. In addition, agreements with a number of smaller operators that did not meet Net Entertainment's

minimum casino sales requirement were cancelled, thus ensuring that the customer base consists of operators that show healthy growth.

Royalty revenues were very favourably affected by the higher volumes for 2008 compared with 2007. This continued during Q4. However, higher volumes have led to a lower average price since the customers have a staggered price system in which a higher volume gives a lower price. Royalty levels for each step remained stable during Q4 and the year. Fluctuations in currency exchange rates had a positive effect on Net Entertainment's revenue growth in 2008, primarily in the fourth quarter compared with the same period last year. About 6 percent of the revenue growth is attributable to currency exchange rate effects during 2008, and 14 percent during Q4. By far the largest part of the revenue growth is thus attributable to higher volumes.

Q4 revenues increased by 17 percent compared to the third quarter. 93 (93) percent of revenues for the full year 2008 consist of CasinoModule™ royalties.

Operating profit for the full year 2008 was up by 74 percent compared with last year, and the operating profit for Q4 increased by 100 percent compared with the same period last year and by 37 percent compared with the previous quarter. Operating expenses rose compared with last year due to an increased development rate to ensure a market-leading position and to broaden the product portfolio. Out-sourced development in the Ukraine and external development resources in Stockholm help to increase the development pace. This has also resulted in an increased volume of intangible assets being capitalised. The Group has also incurred costs related to the listing on the NASDAQ OMX Stockholm.

At the end of the quarter, Net Entertainment had contracts with 16 new customers that have not launched yet.

### Cash and cash equivalents, financing and financial position

The Group's cash flow from operating activities amounted to SEK 89.1 (35.9) million during the year and SEK 26.1 (6.6) million during Q4. Cash flow from investing activities amounted to SEK -23.4 (-13.4) million during the year and SEK -10.5 (-4.0) million during Q4. Cash flow from financing activities amounted to SEK -29.7 (-9.9) million during the year and SEK 0 (0) during the fourth quarter; it relates in both cases to shareholder dividends. At the end of the period, consolidated cash and cash equivalents amounted to SEK 65.1 (25.9) million (SEK 12.2 (5.4) million of which refers to funds held on behalf of licensees). The Group's strong liquidity is attributed to the large cash flow generated by operating activities.

The Group had an effective tax rate of 7.0 (9.6) % during the year. The Group's effective tax rate is primarily affected by the distribution of profit between Sweden and the other countries where the Group operates. Since the profit in Sweden for the year is lower than for the same period last year, the effective tax rate for the Group is lower.

### Capital investments

The Group's capitalisation of development costs as intangible assets amounted to SEK 16.9 (10.5) million during the year and investments in property, plant, and equipment amounted to SEK 6.6 (3.0) million. Capitalisation of development costs in the Q4 totalled SEK 5.4 (3.8) million and investments in property, plant, and equipment totalled SEK 5.1 (0.2) million.

The increased extent of capitalised development expenses is primarily a result of increased activity in this area and the types of work performed, since not everything fulfils the capitalisation requirements as per IAS 38. Fixed asset investments are primarily servers, other computer equipment, consulting costs, and other costs directly attributable to completion of the assets.

## Personnel and organisation

At the end of the period, there were 85 (67) employees. Including consultants, Net Entertainment employed 132 (77) people.

## Parent company

The parent company's revenues for 2008 amounted to SEK 111.0 million compared with SEK 78.1 million last year. Operating profit was SEK 2.3 (4.9) million and profit for the period tax was SEK 57.7 (33.0) million. Financial income in Q4 includes anticipated dividends from the subsidiaries in Malta.

Revenues in the parent company come from services provided to the subsidiaries. No development expenses are capitalised in the parent company; projects are ordered and owned by the subsidiaries in Malta. The original technologies are still owned by the parent company and generate royalties.

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 14.6 (12.5) million.

## Events after the end of the period

On 13 January 2009, the parent company's series B share began trading on NASDAQ OMX Stockholm.

In January 2009, Net Entertainment announced two breakthrough agreements for delivery of CasinoCafé™ to Delta Invest Ltd in Russia and PCP Electronics Ltd in Cyprus. Delta Invest has extensive experience from land based gaming operations and will install CasinoCafé™ in its network of over 500 shops in Russia. PCP Electronics also has extensive experience from land based gaming and operates arcades throughout Cyprus. PCP Electronics intention is to roll-out CasinoCafé™ in 20 arcades in Cyprus over a 12-month period. Roll-out and launch of CasinoCafé™ will begin during the second quarter 2009. CasinoCafé™ is a new product line for Net Entertainment, and it is possible that Delta Invest will become one of the single largest licensees for Net Entertainment if the projections given hold true.

## Proposed dividends

The board proposes to the annual general meeting to allocate SEK 49.4 million to shareholders, which corresponds to SEK 1.25 per share. The board intends to propose that the transfer be handled through a share redemption programme. The complete proposal will be presented well in advance of the AGM.

## Accounting policies

### Preparation of the report

This quarterly report and earnings report are prepared in accordance with IAS 34, Interim Financial Reporting, which complies with Swedish legislation through the application of the Swedish Financial Reporting Board's recommendation RFR 1.1, Supplementary Accounting Rules for Groups and RFR 2:1, Accounting for Legal Entities, in respect to the parent company. The same accounting principles, definitions for key ratio, and calculation methods have been used as in the most recent annual report, with exception for what is stated below.

No new standards have come into effect during 2008 that have an impact on Net Entertainment's financial position or result.

### Changed accounting principles

The Group has previously recognised capitalized development expenses in the income statement as a separate revenue type. From the second quarter 2008, these expenses are instead recognised in net amounts allocated to the type of cost from which they stem, i.e. personnel expenses or other operating

expenses. Historical comparative figures have been recalculated. The change only affects the presentation and structure of financial statements for the Group.

#### *First-time adoption of accounting principles this year*

To reduce risk exposure in terms of exchange rate fluctuations, Net Entertainment began hedging parts of its future cash flow beginning 1 April 2008 through currency forward contracts. In September, Net Entertainment discontinued hedging and all hedging contracts expired in 2008. No currency forward contracts were held as of 31 December 2008.

#### *Derivative instruments*

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

#### *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 2007 Annual Report, pages 27-28 and page 47.

#### *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 operate hosting for its customers. It is crucial that this license is maintained and extended. Since 2005, Net Entertainment is a member of the organisation G4, which works to prevent gaming addiction (this membership is despite the fact that the company itself does not have any gaming operations). CasinoModule™ has been adapted to follow the organisation's guidelines.

In December 2008, the gaming commission appointed by the Swedish government to propose long-term tenable Swedish gaming regulations presented its report. The report contained in brief two alternatives for the government to make a determination about in the future. It is currently impossible to predict the result of the government's work. If the gaming legislation were to change, the operators' (Net Entertainment's customers) response to the changes will determine what, if any, effect the change will have on Net Entertainment.

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*

The Group's results are exposed to changes in exchange rates as the majority of its sales are in Euro, and most costs (transaction exposure) are in Swedish kronor.

Profits and equity are also affected by changes in exchange rates when foreign subsidiaries' profits, assets and liabilities are translated to SEK (translation exposure). Foreign subsidiaries' equity is not hedged.

The Group's operations in Malta have been exempt from VAT. Interpretation of the applicable Maltese VAT regulations has changed during 2007 and may come to affect the Maltese subsidiary. It is currently not possible to gain a definite understanding on whether the changed regulatory interpretation will affect costs, and if so to what degree. Net Entertainment has reported to the Maltese tax authority the VAT amounts that are deemed correct and reasonable by the Company considering the current uncertainty. However, the amounts may be insufficient if the Maltese tax authority interprets the VAT regulations more restrictively than Net Entertainment currently assesses and deem as correct. Net Entertainment is also taking measures to reduce the risk of additional VAT in the future.

### Nominating committee

In accordance with the principles resolved by the Annual General Meeting (AGM) 2008 for appointment of nominating committee, Per Hamberg (the Kling and Hamberg families) and Martin Larsson (the Eriksson, Lundström and Knutsson families as well as himself) have been appointed to, together with the Chairman of the Board of Directors Rolf Blom, form the nominating committee for the AGM 2009.

Shareholders can submit proposals to the nominating committee at: Nominating Committee, Net Entertainment NE AB, Birger Jarlsgatan 57B, SE-113 56 Stockholm, Sweden or [valberedning@netent.com](mailto:valberedning@netent.com). The nominating committee's proposal will be published at the latest in connection with the notice for the AGM. The term of office of the nominating committee runs until a new nominating committee has been appointed in accordance with the resolution on appointment of the nominating committee by the AGM 2009.

### Annual general meeting

The 2009 annual general meeting of Net Entertainment will be held on Wednesday, 29 April 2009 at 3.00 pm in Konferens Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm, Sweden. The notice for the AGM will be available on the company's website at [www.netent.com/stamma](http://www.netent.com/stamma) **four weeks before the meeting**.

Shareholders that wish to have an issue addressed at the AGM must send the request in writing to: Board Chairman, Net Entertainment NE AB, Birger Jarlsgatan 57B, SE-113 56 Stockholm. The request must be received no later than 16 March 2009 to ensure that the issue can be included in the meeting.

### Financial information

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

Annual report 2008 on the website	3 April
Interim report January–March	27 April
Annual general meeting	29 April
Interim report January–June	27 August
Interim report January–September	28 October
Earnings report 2009 and Q4 report	4 February 2010

Financial reports, press releases and other information are published on Net Entertainment's website [www.netent.com](http://www.netent.com). Financial reports are available from the date of publication. The annual report will be available for distribution to shareholders who so request on 15 April 2009.



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

Stockholm, 5 February 2009.

Rolf Blom  
Chairman of the Board

Vigo Carlund

Fredrik Erbing

Niclas Eriksson

Mikael Gottschlich

Johan Öhman  
President and CEO

*Questions may be directed to:*

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

### Legal disclaimer

Certain statements in this 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 6 February 2009, at 8.00 am.

## Consolidated income statement in summary

	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Revenues	61 567	36 028	204 602	131 145
Other revenues	421	292	971	875
Personnel expenses	-15 513	-9 412	-52 630	-36 105
Depreciation and amortisation	-5 160	-2 327	-15 513	-7 839
Other operating expenses	-10 864	-9 367	-49 627	-37 496
<b>Operating profit</b>	<b>30 451</b>	<b>15 214</b>	<b>87 803</b>	<b>50 580</b>
Financial income	1 319	111	2 757	411
Financial expenses	-2 875	-4	-4 607	-187
<b>Profit before tax</b>	<b>28 895</b>	<b>15 321</b>	<b>85 953</b>	<b>50 804</b>
Tax on the period's profit	-1 771	-1 506	-5 986	-4 893
<b>Profit for the period</b>	<b>27 124</b>	<b>13 815</b>	<b>79 967</b>	<b>45 911</b>
<i>Attributable to:</i>				
Parent company shareholders	27 124	13 815	79 967	45 911
Earnings per share (before and after dilution, SEK)	0,69	0,35	2,02	1,16
Number of shares at period's end	39 553 716	39 553 716	39 553 716	39 553 716
Average number of shares	39 553 716	39 553 716	39 553 716	39 553 716

## Parent company income statement in summary

	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Revenue	31 991	15 528	111 005	78 050
Other revenue	-	-2 160	249	874
Capitalized work for own use	-	-	-	4 620
Other external expenses	-16 763	-8 090	-42 601	-32 827
Personnel expenses	-16 948	-9 751	-57 276	-40 509
Depreciation and amortisation	-2 071	-1 361	-8 869	-5 208
Other operating expenses	-48	2 410	-248	-56
<b>Operating profit</b>	<b>-3 839</b>	<b>-3 424</b>	<b>2 260</b>	<b>4 944</b>
Financial income	53 905	29 559	54 781	29 710
Financial expenses	-375	-3	-1 427	-186
<b>Profit after financial items</b>	<b>49 691</b>	<b>26 132</b>	<b>55 614</b>	<b>34 468</b>
Depreciation in excess of plan	2 982	-	2 982	-
<b>Profit before tax</b>	<b>52 673</b>	<b>26 132</b>	<b>58 596</b>	<b>34 468</b>
Tax on the period's profit	753	876	-905	-1 458
<b>Profit for the period</b>	<b>53 426</b>	<b>27 008</b>	<b>57 691</b>	<b>33 010</b>

## Consolidated balance sheet in summary

ASSETS	2008-12-31	2007-12-31
Intangible assets	31 409	24 246
Property, plant, and equipment	10 788	5 860
Other long-term receivables	5	18
<b>Total non-current assets</b>	<b>42 202</b>	<b>30 124</b>
Accounts receivable	11 254	11 143
Prepaid expenses and accrued revenues	30 040	15 874
Current tax recoverable	9 641	-
Other receivables	3 744	2 085
Cash and cash equivalents	65 132	25 915
<b>Total current assets</b>	<b>119 811</b>	<b>55 017</b>
<b>TOTAL ASSETS</b>	<b>162 013</b>	<b>85 141</b>
<b>EQUITY AND LIABILITIES</b>	<b>2008-12-31</b>	<b>2007-12-31</b>
Share capital	1 191	1 191
Other capital contributed	34 200	34 200
Reserves	13 847	801
Retained earnings incl. profit/loss for the period	67 255	16 953
<b>Total equity</b>	<b>116 493</b>	<b>53 145</b>
Deferred tax liabilities	1 676	2 195
<b>Total non-current liabilities</b>	<b>1 676</b>	<b>2 195</b>
Accounts payable	9 541	4 739
Current tax liabilities	-	8 922
Other liabilities	17 147	7 399
Accrued expenses and prepaid revenue	17 156	8 741
<b>Total current liabilities</b>	<b>43 844</b>	<b>29 801</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>162 013</b>	<b>85 141</b>

\*Closing cash and cash equivalents for the period include SEK 12 152 (5 438) 000 which are funds held on behalf of licensees.

## Parent company balance sheet in summary

ASSETS	2008-12-31	2007-12-31
Intangible assets	5 212	12 656
Property, plant, and equipment	4 226	3 635
Shares in subsidiary	183	216
Other long-term receivables	5	5
<b>Total non-current assets</b>	<b>9 626</b>	<b>16 512</b>
Accounts receivable	0	4
Receivables from Group companies	61 225	29 545
Prepaid expenses and accrued revenues	1 972	2 024
Current tax recoverable	985	-
Other receivables	3 744	2 083
Cash and cash equivalents	14 598	12 462
<b>Total current assets</b>	<b>82 524</b>	<b>46 118</b>
<b>TOTAL ASSETS</b>	<b>92 150</b>	<b>62 630</b>
<b>EQUITY AND LIABILITIES</b>	<b>2008-12-31</b>	<b>2007-12-31</b>
Share capital	1 191	1 191
Statutory reserve	38	38
Retained earnings	6 995	3 650
Profit for the period	57 691	33 010
<b>Total equity</b>	<b>65 915</b>	<b>37 889</b>
<b>Untaxed reserves</b>	<b>0</b>	<b>2 982</b>
Accounts payable	9 078	4 503
Liabilities to Group companies	89	1 806
Current tax liabilities	0	6 763
Other liabilities	1 024	924
Accrued expenses and prepaid revenue	16 044	7 762
<b>Total current liabilities</b>	<b>26 235</b>	<b>21 758</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>92 150</b>	<b>62 630</b>

## Consolidated changes in equity for the year in brief

	Share capital	Other capital contributions	Translation difference	Retained earnings incl. profit for the year	Total equity
Opening equity, 1 January 2007	1 187	34 204	-232	-19 069	16 090
Translation differences for the period			1 033		1 033
<b>Total changes in value recognized directly in equity, excl. transactions with company owners</b>			<b>1 033</b>		<b>1 033</b>
Profit for the period				45 911	45 911
<b>Total changes in value, excl. transactions with company owners</b>			<b>1 033</b>	<b>45 911</b>	<b>46 944</b>
Bonus issue	4	-4			0
Dividend for 2006				-9 889	-9 889
<b>Closing equity at 31 December 2007</b>	<b>1 191</b>	<b>34 200</b>	<b>801</b>	<b>16 953</b>	<b>53 145</b>
Translation differences for the period			13 046		13 046
<b>Total changes in value recognized directly in equity, excl. transactions with company owners</b>			<b>13 046</b>		<b>13 046</b>
Profit for the period				79 967	79 967
<b>Total changes in value, excl. transactions with company owners</b>			<b>13 046</b>	<b>79 967</b>	<b>93 013</b>
Dividend for 2007				-29 665	-29 665
<b>Closing equity at 31 December 2008</b>	<b>1 191</b>	<b>34 200</b>	<b>13 847</b>	<b>67 255</b>	<b>116 493</b>

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

## Consolidated cash flow statement in summary

	Jan-Dec 2008	Jan-Dec 2007
Operating profit	87 803	50 580
<i>Adjustments for items not included in cash flow:</i>		
Depreciation/amortisation	15 513	7 839
Other	2 761	561
Interest received	1 192	224
Taxes paid	-24 988	184
<b>Cash flows from operating activities before changes in working capital</b>	<b>82 281</b>	<b>59 388</b>
Changes in working capital	6 792	-23 509
<b>Cash flows from operating activities</b>	<b>89 073</b>	<b>35 879</b>
Capitalized intangible assets	-16 867	-10 460
Acquisition of property, plant, and equipment	-6 560	-3 003
Divestment of other financial assets	13	24
<b>Cash flows from investing activities</b>	<b>-23 414</b>	<b>-13 439</b>
Dividends paid	-29 665	-9 889
<b>Cash flows from financing activities</b>	<b>-29 665</b>	<b>-9 889</b>
<b>Cash flow for the year</b>	<b>39 217</b>	<b>12 862</b>
Cash and liquid assets at beginning of period	25 915	13 053
Exchange rate differences in cash and cash equivalents	3 223	311
Cash and liquid assets at end of period	65 132*	25 915

\*Closing cash and cash equivalents for the period include SEK 12 152 (5 438) 000 which are funds held on behalf of licensees.

## Consolidated key data and figures

	Oct-Dec 2008	Oct-Dec 2007	Jan-Dec 2008	Jan-Dec 2007
Revenues (SEK thousands)	61 988	36 320	205 573	132 020
Operating profit (SEK thousands)	30 451	15 214	87 803	50 580
Profit before tax (SEK thousands)	28 895	15 321	85 953	50 804
Profit for the period (SEK thousands)	27 124	13 815	79 967	45 911
Operating margin (percent)	49,1	41,9	42,7	38,3
EBIT margin (percent)	51,3	42,2	44,1	38,6
Profit margin (percent)	46,6	42,2	41,8	38,5
Return on investment in shareholders' equity (percent)	27,8	29,2	94,3	132,6
Equity/assets ratio (percent)	71,9	54,2	71,9	54,2
Quick ratio (percent)	273,3	159,0	273,3	159,0
Net interest-bearing liabilities (SEK thousands) *	-65 132	-25 915	-65 132	-25 915
Net debt/equity ratio (multiple)	-0,6	-0,5	-0,6	-0,5
Average number of employees	80	60	70	60
Employees at period's end	85	59	85	67
Employees and consultants at period's end	132	77	132	77
Earnings per share	0,69	0,35	2,02	1,16
Equity per share (SEK)	2,95	1,34	2,95	1,34
Cash flow per share (SEK)	0,47	0,54	0,99	0,33
Average number of outstanding shares	39 553 716	39 553 716	39 553 716	39 553 716
Number of outstanding shares at the period's end	39 553 716	39 553 716	39 553 716	39 553 716

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

## Definitions

**Operating margin** - Operating profit in relation to revenues.

**EBIT margin** - Operating profit plus financial income in relation to revenues.

**Profit margin** - Profit before tax items in relation to revenues.

**Return on investment on shareholders' equity** - Year's profit/loss divided by 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 divided by current liabilities, including proposed but not yet adopted dividends.

**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 period-end** - The number of employees at the end of the period.

**Number of employees and consultants at period-end** - The number of employees 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.

**Cash flow per share** - Cash flow for the period divided by the weighted average number of shares outstanding during 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.



## Net Entertainment's products

### Casino

The company's core product, CasinoModule™, is a complete gaming platform consisting of more than 60 casino games and a powerful administration system. Games are divided into four categories: table games, video poker, slot machines, and other games (including scratch cards, keno, etc).

The games are customised 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.

### Multiplayer games

Net Entertainment has developed a poker game for the Turkish market and a multiplayer blackjack game. .

### CasinoCafé™

CasinoCafé™ is a product that allows gaming in a physical environment. A very small initial investment allows an operator to set up a mini casino using standard PCs where gaming can be operated through one-time accounts.

### 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

The company releases a new product every twelve weeks, ensuring that the licensees are always able to offer an exciting new selection of games. Each product release includes 4-6 new games that licensees receive access to within the framework of the existing license agreement.

Two games launched during the fourth quarter were Mega Fortune and Champion of the Track.

