

**NET ENTERTAINMENT**  
**EARNINGS REPORT 2009**  
**QUARTERLY REPORT**  
**OCTOBER-DECEMBER 2009**  
**BETTER GAMES**

## EARNINGS REPORT 2009 QUARTERLY REPORT OCTOBER - DECEMBER 2009

### FOURTH QUARTER 2009

- Revenues for the fourth quarter increased by 37.8 % to SEK 85.4 (62.0) million
- Operating profit increased by 16.2 % to SEK 35.4 (30.5) million
- Operating margin was 41.4 (49.1) %
- Profit after tax increased by 19.5 % to SEK 32.4 (27.1) million
- Earnings per share amounted to SEK 0.82 (0.69)
- Three new license agreements were signed for CasinoModule™

### FULL YEAR 2009

- Revenues for the full year increased by 46.0 % to SEK 300.1 (205.6) million
- Operating profit increased by 36.9 % to SEK 120.2 (87.8) million
- Operating margin was 40.1 (42.7) %
- Profit after tax increased by 34.7 % to SEK 107.7 (80.0) million
- Earnings per share amounted to SEK 2.72 (2.02)
- Ten new license agreements were signed for CasinoModule™ and 14 new customer's casinos were launched
- Two agreements were signed for CasinoCafé™ in January 2009
- Proposed dividend is SEK 2.00 (1.25) per share

## COMMENTS FROM JOHAN ÖHMAN, PRESIDENT AND CEO

*We saw strong growth at the end of 2009 with a revenue growth of 12 percent during the fourth quarter compared to quarter three. The increase was the result of organic growth by existing licensees. The number of game transactions increased by 23 percent during the same period. Combined, this result shows that there is a strong market development and demand for our products. This positive trend has continued in January.*

*We have a solid order backlog comprising e.g. Expekt and Microgame which, together with Sportingbet rolling out CasinoModule™ on additional geographical markets, will create new license revenues. The implementation of Seamless Wallet is ongoing with our major licensees. This functionality enables operators to place Net Entertainment's games in other parts of the web portal than the casino and thereby offer games to a larger share of their players. This creates a foundation for increased gaming revenues from new player segments. CasinoCafé™ had positive development during the fourth quarter with increasing volumes; however, from a low level. Delta Invest continues the roll-out of CasinoCafé™, which has been slower than expected, with focus primarily on the Ukraine market.*

*The market for online gambling is in transition. Several countries have announced that they will introduce a licensing scheme. Italy is first, followed by Denmark and France. A regulated online gambling market creates new opportunities for both the industry and Net Entertainment as private companies will be able to become licensed. In return, they will be taxed on the profits. A regulated online gaming market will attract new players and thereby create new business opportunities. I view regulation as positive for our business with opportunities to gain new customers and revenues. Prompted by the high pace of market change there are high expectations on suppliers to prepare for new market circumstances. Naturally this may lead to costs being incurred before revenues are realized.*

## NEW AGREEMENTS AND CUSTOMERS

During the fourth quarter three new customer agreements were signed for CasinoModule™. During the full year 2009, 10 (20) new agreements were signed, including Paf, Expekt.com and Microgame. Since the start of 2009, Net Entertainment have focused even more on increasing the number of large customers, which is the reason for the number of new customers being lower in 2009 than in 2008. Agreements have been terminated with a number of smaller customers who did not generate the minimum sales that the company requires.

CasinoModule™ was launched with Paf in July and with Sportingbet in August on their largest markets. Paf runs gambling operations with a license issued by the Åland authorities. Paf's online operations were launched in 1999 and have over 500,000 registered players. The casino was well received by Paf's customers and developed in a financially satisfying manner. Sportingbet was founded in 1998 and has over 200,000 active players. Additional roll-out to other markets is expected to continue gradually. In total, 14 new customers' casinos were launched during the year.

CasinoCafé™ was launched in September for Delta Invest with a first roll-out to approximately 20 shops and prior to this in April for PCP Electronics. The development for CasinoCafé™ with Delta Invest and PCP Electronics has commenced somewhat slower than anticipated due to technical challenges but also due to a slightly resistant market. Discussions are ongoing with the licensees regarding actions to increase the availability and also expanding the offering geographically, to the Ukraine in Delta Invest's case. These discussions have developed well. The recruitment of a local resource is commencing with the purpose to dedicatedly assist Delta Invest, and potential new customers, to approach the market.

At the end of the period, the Company had 13 contracted customers for CasinoModule™ that have not yet launched operations, including Microgame and Expekt.com. The integration is commencing and Microgame will launch its casino as soon as the regulatory structure is in place which was announced to take place in the end of the first quarter 2010. Expekt intends to offer Net Entertainments casino to their customers by the beginning of the second quarter.

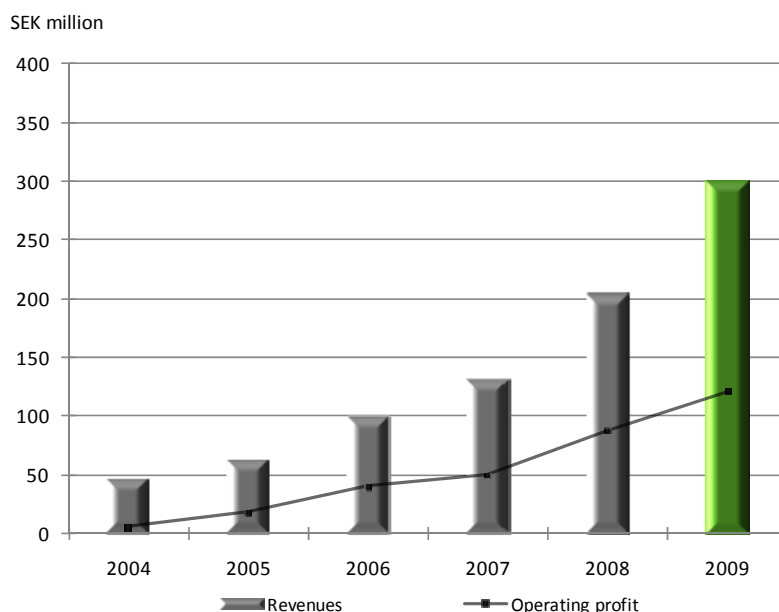
A new functionality in the administration tool, called Seamless Wallet, was completed and launched during the third quarter. The functionality gives a dynamic opportunity for the operators to expand their gaming offering and provide casino games in other parts of their internet portal, for example in the sports book. Through this addition players who usually do not visit the casino can explore and play Net Entertainment's casino games. The integration of Seamless Wallet is in process with the majority of larger customers with an objective to fully be able to take advantage of the functionality by the start of the World Cup in soccer in June 2010.

To further strengthen Net Entertainments offering a downloadable casino was launched during the fourth quarter. This type of online casino works well in markets where the internet penetration is lower since the player downloads the software to the computer instead of playing directly on the operator's website.

Net Entertainment's first operator unique game was launched in August. The game gives the operator an opportunity to differentiate its casino offering. This also strengthens Net Entertainment's ties with the operator and also generates a higher royalty level for Net Entertainment.

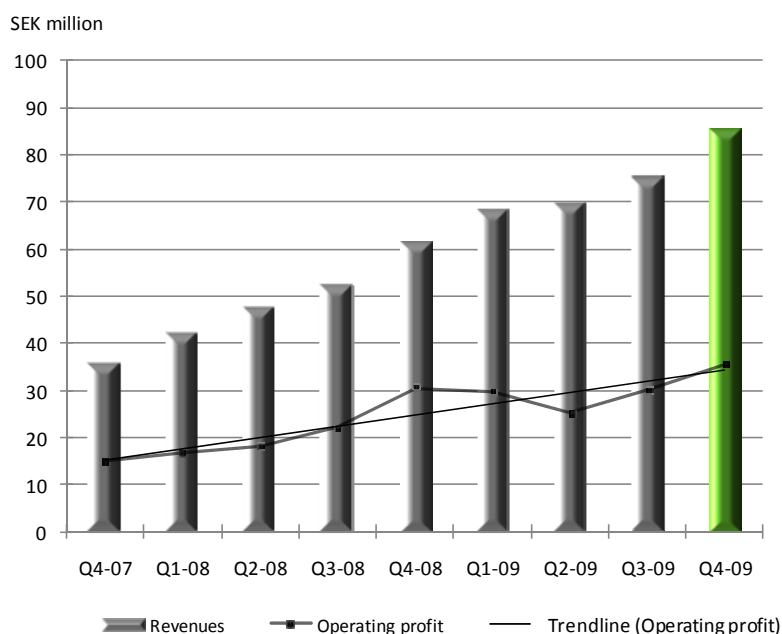
## REVENUES AND PROFITABILITY

Revenues for the full year 2009 increased SEK 94.5 million to SEK 300.1 million from 205.6 million, an increase of 46.0 percent. Operating profit increased to SEK 120.2 million from SEK 87.8 million and the operating margin was 40.1 percent compared to 42.7 percent the previous year. Revenues and operating profit for the past six years are presented in the diagram below.



Revenues during the fourth quarter increased to SEK 85.4 (62.0) million, which is 37.8 percent higher than previous year. Operating profit amounted to SEK 35.4 (30.5) million and the operating margin was 41.4 (49.1) percent.

Revenues and operating profit by quarter are portrayed in the diagram below:



### REVENUES – VOLUME, PRICE AND CURRENCY DEVELOPMENT

Net Entertainment's revenues are affected by changes in volume, price (royalty levels and mix) and currency development. 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 and a smaller part, 1.9 (3.7) percent in 2009, from setup-fees as new customer agreements are signed.

The number of gaming transactions continued to increase and amounted to 1.25 billion game rounds in the fourth quarter, which is an increase by 23 percent since the previous quarter. During 2009 Net Entertainment's system managed 3.9 (2.0) billion game transactions which is 129 times more than the Nasdaq OMX Stockholm's share trading.

Growth during the fourth quarter was the result of continued market growth despite financial unease in the world economy. Net Entertainment's revenue increase compared with the corresponding period last year is due to a combination of existing customers' growth and revenues from the launch of new customers. One new customer's casino was launched during the quarter. Revenues have continued to increase during the end of the quarter to a larger extent than of the corresponding quarter 2008

Royalty revenues from CasinoModule™ were positively affected by higher volumes during the last twelve months compared with the same period last year, a development that continued throughout the fourth quarter of 2009 at a higher pace than earlier this year. However, the higher volumes have also meant a somewhat lower average price since the customers have staggered pricing systems whereby a higher volume generates a lower price. At the same time the average revenue per game transaction is lower. The royalty levels for each step remained stable throughout the quarter. Royalty revenues for the full year 2009 increased 46 percent and 37 percent into the fourth quarter compared to the corresponding period last year. In Euros, which is the main invoicing currency, royalty revenues increased 32 percent for the full year 2009 and 35 percent for the fourth quarter.

Currency fluctuations that began in the fourth quarter 2008 have contributed positively to Net Entertainments revenue growth during 2009 due to the weakened Swedish Krona compared to 2008. However since the second quarter 2009 the Krona has strengthened and the positive currency effect has diminished. Approximately 3 percent of increased revenue in the fourth quarter, compared to the same period last year, was attributable to exchange rate effects. Hence, volume contributed to almost the entire revenue increase compared to the corresponding period previous year. For the full year 2009, 23 percent of the revenue increase was attributable to exchange rate effects, which means volume is by far the largest share of revenue growth.

Royalty revenues for the fourth quarter increased by 11.1 percent compared to the third quarter. The strengthened Swedish currency in relation to the Euro during the fourth quarter had a negative impact on revenues compared to the previous quarter. In Euros, royalty revenues increased with 11.8 percent.

## PROFITABILITY

Operating profit for the full year 2009 increased by 36.9 percent to SEK 120.2 million from SEK 87.8 million previous year. In the fourth quarter operating profit increased 16.2 percent to SEK 35.4 million from SEK 30.5 million. Operating expenses increased during 2009 compared to previous year due to the Company's increased development pace to secure a market-leading position and to broaden the product portfolio. The costs also increased by the non-recurring expenses related to the IT projects and the delivery and launch of CasinoCafé™ previously announced. These expenses amounted to a total of SEK 11 million during 2009 and are attributable to the first three quarters. The increased development pace is enabled through staff recruitments and external consultants in Stockholm and out-sourced development in the Ukraine and India. This has also resulted in an increased volume of intangible assets being capitalized. The organizational improvement measures that have been implemented as a natural step in the Company's development and expansion, especially within IT operations and Group management have also led to a higher cost structure. Through a strong focus on recruitment, consultants have been replaced by own personnel which has a positive impact on personnel costs. The operating margin amounted to 40.1 percent during 2009 versus 42.7 percent previous year. For the fourth quarter the operating margin amounted to 41.4 percent versus 49.1 percent previous year. The difference in the margin in the fourth quarter 2009 compared to one year earlier is explained by an unusual high margin in the fourth quarter 2008 due to among other factors by a positive exchange rate effect on revenues and lower costs.

The financial net, that amounted to SEK 0.1 (-1.6) million for the fourth quarter and SEK -3.0 (-1.9) million for the full year, consists of the return on cash and cash equivalents and exchange rate effects on cash and cash equivalents and financial receivables and liabilities. The magnitude of the return is negatively affected

by the low interest rate level. The volatility in the Swedish currency since the end of 2008 has led to significant effects on inter-company transactions which are items included in the financial net.

The Group had an effective tax rate of 8.6 (6.1) percent during the fourth quarter and for the full year to 8.1 (7.0) percent. 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 and can vary from one reporting period to the next. Since the taxable profit in Sweden for the period is higher than previous periods in 2008 as well as for 2009 the tax expense is higher than previously.

## CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

The Group's cash flow from operating activities amounted to SEK 150.0 million, from SEK 89.1 million for the full year 2009. Cash and cash equivalents were affected by the pay-out of jackpot winnings during the year amounting to in total SEK 99.1 million with a corresponding decrease in other liabilities. In the amount for tax received/paid SEK 7.3 million is the refund received for previously paid income tax included. Cash flow from investing activities amounted to SEK -62.1 (-23.4) million. Cash flow from financing activities amounted to SEK -45.3 (-29.7) million and is related to the transfer of SEK 49.4 million to the shareholders in accordance with the resolution by the Annual General Meeting. The Group's consolidated cash and cash equivalents amounted to SEK 105.0 (65.1) million on December 31, of which SEK 33.2 (12.2) million refers to funds held on behalf of licensees. The Group's strong liquidity is attributed to the large cash flow generated by operating activities.

## CAPITAL INVESTMENTS

The Group's capitalization of development costs as intangible assets amounted to SEK -33.2 (-16.9) million for the full year and investments in property, plant, and equipment amounted to SEK -29.0 (-6.6) million.

Capitalized development costs increased primarily as a result of greater activity in this area and the type of work being carried out, since not all costs meet the IAS 38 requirements for capitalization. Major projects currently being capitalized is related to CasinoCafé™ during the first quarter and Multi Currency, a system for handling of several simultaneous currencies in CasinoModule™ and the development of the game Gonzo's Quest.

Fixed asset investments are primarily servers, other computer equipment and consulting costs and other costs directly attributable to the completion of the assets. Additional investments are furniture, fixtures and equipment in the Company's new and larger office that became operational in October. The investment pace is driven by both the increased transaction volume and the increased requirements for system availability.

## MARKET

The online gaming market has shown strong growth in recent years, a growth that has continued albeit a somewhat lower pace during 2009 due to the global downturn in the economy. However, the market show signs of improvement during the end of 2009. The expectations for growth in 2010 are high, mainly due to global sporting events such as the winter Olympic Games and the World Cup in soccer. The global gross gaming yield for online gaming is expected to amount to USD 31.0 billion in 2010 compared to USD 26.2 billion in 2009<sup>1)</sup>. In the coming years, Europe is expected to represent close to half of the total gaming revenues, making it the single largest gaming market<sup>1)</sup>.

Deregulation and reregulation of national gaming laws is taking place in many European countries. Italy has created a working licensing system. France is soon implementing a licensing system that however is somewhat less attractive for private operators. The development of national licensing systems is partly driven by the rulings in the European Court of Justice which has given the member states a somewhat larger freedom to implement limitations for offering of remote gaming across borders. 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.

1) Source: H2 Gaming Capital, January 2010

The Italian gambling market is expected to generate approximately EUR 20 billion in 2010, making it the single largest market in Europe<sup>1)</sup>. Italy is today a regulated market with sports and horse betting, tournament poker, skill games and scratch tickets available on the internet via licensed operators. In the future, concessions are expected to be extended to also include cash poker games, bingo and casino. Most stakeholders believe the new regulations are to take effect in the beginning of 2010.

France is contemplating to transition from being a monopolistic to a regulated commercial market. In the beginning of October 2009 a legislation was introduced which purpose is to legalize betting on sporting events, horse racing and poker. If the proposal is accepted the new regulation is expected to become effective during the second half of 2010.

Net Entertainment believes that 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. New markets outside Europe offer exciting expansion opportunities. South America and the US that face deregulation could be of particular interest.

*1) Source: H2 Gaming Capital, January 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 core product, CasinoModule™, is a complete gaming platform comprising high quality games and a powerful administration tool. Operators are provided a customized solution that is easily integrated ensuring short time to market and a cost efficient operation. Revenues consist of royalties based on revenues generated by the company's products and setup fees when new agreements are signed. Net Entertainment is a pure development company and thus does not conduct any gaming operations of its own. The company's brand is internationally recognized and associated with innovation, service, and quality.

All technical development is carried out at the Group's Stockholm office and all commercial operations such as 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 13, 2009. Prior to this, the Company's share was listed on the Nordic Growth Market (NGM) Equity since April 2007.

## BUSINESS MODEL AND OBJECTIVES

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

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

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

## PERSONNEL AND ORGANIZATION

At the end of the period, the number of employees amounted to 133 versus 85 people a year ago. Including consultants, Net Entertainment employed 187 (132) people. During 2009 the organization has strengthened with personnel and managers within development, IT operations, project management and sales. In

September Björn Krantz was employed as managing director for the sales company Net Entertainment Malta Ltd. and in February 2010 Sven Grip was appointed acting CTO.

## INCENTIVE PROGRAM

The Annual General Meeting 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.

At the end of the year 586,225 share option rights had been subscribed for, corresponding to 86 percent of the total offered share option rights. 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 amounted to SEK 71.70 which represents 130 percent of the average share price during the period May 12-26, 2009. Subscription of shares can be made during the period May 15 to July 15, 2012. An additional 43,000 share option rights are held by the wholly owned subsidiary Mobile Entertainment ME AB, which will not be used.

At the end of 2009 the total outstanding share option rights amounted to 629,225, 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 45.1 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 6.1 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 quarter were SEK 18.8 million compared to SEK 32.0 million last year. Corresponding figures for the full year amounted to SEK 154.1 million compared to SEK 111.3 million. Operating profit was SEK 2.1 (-3.8) million for the fourth quarter and for the full year SEK 13.3 (2.3) million. In the financial items of SEK 67.0 (53.5) million in the fourth quarter, anticipated dividends from subsidiaries are included by SEK 66.9 (52.8) million. Profit after tax for the fourth quarter was SEK 68.1 (53.4) million and for the full year to SEK 81.1 (57.7) million.

Revenues in the parent company come from services provided to the subsidiaries. No development expenses are capitalized in the parent company as projects are ordered and owned by the subsidiaries in Malta. The original technologies are still owned by the parent company and generate inter-company royalty revenues. These royalty revenues have increased during 2009 and create a larger tax base in the parent company

Cash and cash equivalents in the parent company at the end of the period amounted to SEK 54.3 (14.6) 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 2.1, Accounting for Legal Entities. The same accounting and valuation principles have been used as in the 2008 annual report. For further information on the principles, please refer to the annual report.

On January 1, 2009, the Group began applying IAS 1 (Amendment) Presentation of Financial Statements, which is one of the new or revised standards that came into effect on December 31, 2008 and is relevant to the Group's operations. This revision means that components that have previously been recognized directly in shareholders' equity are now included in a comprehensive income statement, a statement of total comprehensive income. This has affected the presentation of the Group's financial statements. Another



change is the use of the new titles for the statements. Although this is not mandatory, Net Entertainment has decided to use the old titles.

The potential shares the issue of the share option rights are considered, when calculating the number of shares and earnings per share after dilution, to the extent they affect dilution in accordance with IAS 33 Earnings per share. As the share price is currently below the strike price the potential shares have no dilutive effect and are therefore not included in the number of shares after dilution.

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 2008 Annual Report, pages 43-46 and page 70.

### 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. Since 2005, Net Entertainment is a member of the organization G4, which works to prevent gaming addiction and CasinoModule™ has been adapted to follow the organization's guidelines.

In December 2008, the gaming commission appointed by the Swedish government to propose long-term tenable Swedish gaming regulations presented its report. If a legislative proposal is developed from this report, it will come into force in January 2011. However, it is very uncertain whether the findings of the report will be used to develop a proposal. The success of this legislative proposal is highly uncertain following the criticism of the commission's report and the fact that there are about 15 cases currently being examined by the European Court of Justice. 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.

In July 2009 a new legislation took effect in Russia in regards to gambling operations. Net Entertainments agreement with Delta Invest is deemed not to be affected by the new legislation. According to our partner the legislation will not affect their operation negatively to a larger extent.

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 (transaction exposure) 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 (translation exposure). 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 VAT 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 Net Entertainment assesses and deems as correct.

## EVENTS AFTER THE END OF THE PERIOD

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

## FUTURE OUTLOOK

Net Entertainment continuously evaluates the possibility to add more products to the product portfolio, through self development or via acquisitions, and also within other gaming segments than casino. The development pace for new games is increased further to develop in excess of 40 games during 2010. New users, who have not yet played games online, such as women and older people, are important drivers for the underlying market growth and also change the product requirements. Both the technical, as well as the political development is expected to bring increased markets, such as higher internet penetration and the dismantling of monopolies and other re-regulation. Net Entertainment's customers can be found in Europe and the Company will continue to focus on the European market, but at the same time monitor Asia which is deemed to be an important future market for online gaming and the US at a potential re-regulation, as well as South America.

## PROPOSED DIVIDEND

The Board proposes to the Annual General Meeting to allocate SEK 79.1 (49.4) million to shareholders, which corresponds to SEK 2.00 (1.25) per share. The Board intends to propose that the transfer be handled through a share redemption program. The complete proposal will be presented well in advance of the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on April 14, 2010 at 4 pm.

## NOMINATING COMMITTEE

In accordance with the principles resolved by the Annual General Meeting 2009 for appointment of nominating committee, Per Hamberg (appointed by the Hamberg family) and Lena Apler (Provobis Invest AB) and Emil Sunvisson (the 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 2010. Shareholders can submit proposals to the nominating committee at: Nominating Committee, Net Entertainment NE AB, Luntmakargatan 18, 111 37 Stockholm, Sweden and [nomination@netent.com](mailto:nomination@netent.com). The nominating committee's proposal will be published at the latest in connection with the notice for the Annual General Meeting. 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 Annual General Meeting 2010.

## PRESENTATION OF QUARTERLY REPORT

On Friday February 5, 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](http://www.netent.com).

## FINANCIAL INFORMATION

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

Annual general meeting 2010	April 14, 2010
Interim report January - March 2010	April 29, 2010
Interim report April – June 2010	August 26, 2010
Interim report July – September 2010	October 28, 2010
Earnings report 2010 and quarterly report for the fourth quarter	February 10, 2011

Financial reports, press releases and other information are available from the date of publication on Net Entertainment's website [www.netent.com](http://www.netent.com).

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

Stockholm February 4, 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 earnings report and quarterly report under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on February 5, 2010 at 7.30 am.

## CONSOLIDATED INCOME STATEMENTS

Income statement	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Revenues	85 321	61 567	299 722	204 602
Other revenues	94	421	328	971
<b>Total operating revenues</b>	<b>85 415</b>	<b>61 988</b>	<b>300 050</b>	<b>205 573</b>
Personnel expenses	-21 461	-15 513	-71 242	-52 630
Depreciation and amortization	-5 809	-5 160	-22 298	-15 513
Other operating expenses	-22 773	-10 864	-86 328	-49 627
<b>Total operating expenses</b>	<b>-50 043</b>	<b>-31 537</b>	<b>-179 868</b>	<b>-117 770</b>
<b>Operating profit</b>	<b>35 372</b>	<b>30 451</b>	<b>120 182</b>	<b>87 803</b>
Financial items	104	-1 556	-2 966	-1 850
<b>Profit before tax</b>	<b>35 476</b>	<b>28 895</b>	<b>117 216</b>	<b>85 953</b>
Tax on the period's profit	-3 065	-1 771	-9 539	-5 986
<b>Profit for the period</b>	<b>32 411</b>	<b>27 124</b>	<b>107 677</b>	<b>79 967</b>
<i>Earnings per share before dilution (SEK)</i>	<i>0.82</i>	<i>0.69</i>	<i>2.72</i>	<i>2.02</i>
<i>Earnings per share after dilution (SEK)</i>	<i>0.82</i>	<i>0.69</i>	<i>2.72</i>	<i>2.02</i>
<i>Number of shares at period's end</i>	<i>39 553 716</i>	<i>39 553 716</i>	<i>39 553 716</i>	<i>39 553 716</i>
<i>Average number of shares</i>	<i>39 553 716</i>	<i>39 553 716</i>	<i>39 553 716</i>	<i>39 553 716</i>
Effective tax rate	8.6%	6.1%	8.1%	7.0%
Profit for the period attributable to parent company shareholders	32 411	27 124	107 677	79 967
<b>Statement of total income</b>				
<b>Profit for the period</b>	<b>32 411</b>	<b>27 124</b>	<b>107 677</b>	<b>79 967</b>
<b>Other total income</b>				
Exchange differences arising from the translation of foreign operations	1 183	11 014	-4 872	13 046
<b>Sum of other total income for the period, net after tax</b>	<b>1 183</b>	<b>11 014</b>	<b>-4 872</b>	<b>13 046</b>
<b>Total income for the period</b>	<b>33 594</b>	<b>38 138</b>	<b>102 805</b>	<b>93 013</b>

## CONSOLIDATED BALANCE SHEETS

<b>ASSETS</b>	<b>2009-12-31</b>	<b>2008-12-31</b>
Intangible assets	47 732	31 409
Property, plant, and equipment	31 942	10 788
Other long-term receivables	-	5
<b>Total non-current assets</b>	<b>79 674</b>	<b>42 202</b>
Accounts receivable	3 841	11 254
Prepaid expenses and accrued revenues	54 176	30 040
Current tax recoverable	-	9 641
Other receivables	5 982	3 744
Cash and cash equivalents*	105 009	65 132
<b>Total current assets</b>	<b>169 008</b>	<b>119 811</b>
<b>TOTAL ASSETS</b>	<b>248 682</b>	<b>162 013</b>
<b>EQUITY AND LIABILITIES</b>	<b>2009-12-31</b>	<b>2008-12-31</b>
Share capital	1 191	1 191
Other capital contributed	38 362	34 200
Reserves	8 975	13 847
Retained earnings incl. profit for the period	125 490	67 255
<b>Total equity</b>	<b>174 018</b>	<b>116 493</b>
Deferred tax liabilities	-	1 676
<b>Total non-current liabilities</b>	<b>-</b>	<b>1 676</b>
Accounts payable	12 007	9 541
Current tax liabilities	8 828	-
Other liabilities	37 657	17 147
Provisions	16 172	17 156
Accrued expenses and prepaid revenues	<b>74 664</b>	<b>43 844</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>248 682</b>	<b>162 013</b>
*Closing cash and cash equivalents include funds held on behalf of licensees with	33 216	12 152

## CONSOLIDATED CHANGES IN EQUITY

<b>2008</b>	<b>Share capital</b>	<b>Other capital contributed</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Opening equity 2008-01-01	1 191	34 200	801	16 953	53 145
Total income for the period Jan-Mar	-	-	-156	15 416	15 260
<b>Closing equity 2008-03-31</b>	<b>1 191</b>	<b>34 200</b>	<b>645</b>	<b>32 369</b>	<b>68 405</b>
Dividend	-	-	-	-29 665	-29 665
Total income for the period Apr-Jun	-	-	410	17 518	17 928
<b>Closing equity 2008-06-30</b>	<b>1 191</b>	<b>34 200</b>	<b>1 055</b>	<b>20 222</b>	<b>56 668</b>
Total income for the period Jul-Sep	-	-	1 778	19 909	21 687
<b>Closing equity 2008-09-30</b>	<b>1 191</b>	<b>34 200</b>	<b>2 833</b>	<b>40 131</b>	<b>78 355</b>
Total income for the period Oct-Dec	-	-	11 014	27 124	38 138
<b>Closing equity 2008-12-31</b>	<b>1 191</b>	<b>34 200</b>	<b>13 847</b>	<b>67 255</b>	<b>116 493</b>
<b>2009</b>					
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
<b>Closing equity 2009-03-31</b>	<b>1 191</b>	<b>34 200</b>	<b>6 773</b>	<b>99 143</b>	<b>141 307</b>
Transfer to the 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
<b>Closing equity 2009-06-30</b>	<b>1 191</b>	<b>37 673</b>	<b>6 083</b>	<b>72 290</b>	<b>117 237</b>
Premium received for share option rights	-	688	-	-	688
Total income for the period Jul-Sep	-	-	1 709	20 789	22 498
<b>Closing equity 2009-09-30</b>	<b>1 191</b>	<b>38 362</b>	<b>7 792</b>	<b>93 079</b>	<b>140 424</b>
Total income for the period Oct-Dec	-	-	1 183	32 411	33 594
<b>Closing equity 2009-12-31</b>	<b>1 191</b>	<b>38 362</b>	<b>8 975</b>	<b>125 490</b>	<b>174 018</b>

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

## CONSOLIDATED CASH FLOW STATEMENTS

	Jan-Dec 2009	Jan-Dec 2008
Operating profit	120 182	87 803
<i>Adjustments for items not included in cash flow:</i>		
Depreciation and amortization	21 161	15 513
Other	-1 938	2 761
Interest received/paid	264	1 192
Tax received/paid	7 343	-24 988
<b>Cash flows from operating activities before changes in working capital</b>	<b>147 011</b>	<b>82 281</b>
Changes in working capital	3 031	6 792
<b>Cash flows from operating activities</b>	<b>150 042</b>	<b>89 073</b>
Capitalized intangible assets	-33 154	-16 867
Acquisition of property, plant, and equipment	-28 982	-6 560
Divestment of other financial assets	-	13
<b>Cash flows from investing activities</b>	<b>-62 136</b>	<b>-23 414</b>
Transfer to shareholders	-49 442	-29 665
Received premium for share option rights	4 162	-
<b>Cash flows from financing activities</b>	<b>-45 280</b>	<b>-29 665</b>
<b>Cash flow for the period</b>	<b>42 626</b>	<b>35 994</b>
Cash and liquid assets at beginning of period	65 132	25 915
Exchange rate differences in cash and cash equivalents	-2 749	3 223
<b>Cash and liquid assets at end of period*</b>	<b>105 009</b>	<b>65 132</b>
*Closing cash and cash equivalents include funds held on behalf of licensees with	33 216	12 152

## CONSOLIDATED KEY DATA AND FIGURES

	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Revenues (SEK thousands)	85 321	61 567	299 722	204 602
Revenues (SEK thousands)	8 234	6 042	28 312	21 274
Operating margin (percent)	41.4	49.1	40.1	42.7
Profit margin (percent)	41.5	46.6	39.1	41.8
EBITDA margin (percent)	48.2	57.4	47.5	50.3
Return on investment in shareholders' equity (percent)	22.3	32.0	74.1	94.3
Equity/assets ratio (percent)	70.0	71.9	70.0	71.9
Quick ratio (percent)	226.4	273.3	226.4	273.3
Net interest-bearing liabilities (SEK thousands)	-105 009	-65 132	-105 009	-65 132
Net debt/equity ratio (multiple)	-0.6	-0.6	-0.6	-0.6
Average number of employees	131	72	110	70
Employees at period's end	133	77	133	85
Employees and consultants at period's end	187	91	187	132
Earnings per share	0.82	0.69	2.72	2.02
Equity per share (SEK)	4.40	2.95	4.40	2.95
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

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

**EBITDA margin** - Operating profit excluding depreciation and amortization in relation to 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 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

**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



## PARENT COMPANY INCOME STATEMENT

	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Operating revenues	18 766	31 991	154 104	111 254
Other external expenses	10 861	-16 763	-52 603	-42 601
Personnel expenses	-25 618	-16 948	-80 965	-57 276
Depreciation and amortization	-1 930	-2 071	-7 269	-8 869
Other operating expenses	-	-48	-	-248
<b>Operating profit</b>	<b>2 079</b>	<b>-3 839</b>	<b>13 267</b>	<b>2 260</b>
Financial items	66 986	53 530	71 693	53 354
<b>Profit after financial items</b>	<b>69 065</b>	<b>49 691</b>	<b>84 960</b>	<b>55 614</b>
Depreciation in excess of plan	-	2 982	-	2 982
<b>Profit before tax</b>	<b>69 065</b>	<b>52 673</b>	<b>84 960</b>	<b>58 596</b>
Tax on the period's profit	-1 002	753	-3 817	-905
<b>Profit for the period</b>	<b>68 063</b>	<b>53 426</b>	<b>81 143</b>	<b>57 691</b>

## PARENT COMPANY BALANCE SHEET

ASSETS	2009-12-31	2008-12-31
Intangible assets	986	5 212
Property, plant, and equipment	20 593	4 226
Shares in subsidiary	512	183
Other long-term receivables	-	5
<b>Total non-current assets</b>	<b>22 091</b>	<b>9 626</b>
Accounts receivable	1 265	-
Receivables from Group companies	294 351	61 225
Prepaid expenses and accrued revenues	3 872	1 972
Current tax recoverable	-	985
Other receivables	5 982	3 744
Cash and cash equivalents	54 297	14 598
<b>Total current assets</b>	<b>360 067</b>	<b>82 524</b>
<b>TOTAL ASSETS</b>	<b>382 158</b>	<b>92 150</b>
<b>EQUITY AND LIABILITIES</b>	<b>2009-12-31</b>	<b>2008-12-31</b>
Share capital	1 191	1 191
Statutory reserve	38	38
Premium received for share option rights	3 473	-
Retained earnings	15 244	6 995
Profit for the period	81 143	57 691
<b>Total equity</b>	<b>101 089</b>	<b>65 915</b>
Accounts payable	10 312	9 078
Liabilities to Group companies	252 219	89
Current tax liabilities	1 571	-
Other liabilities	1 939	1 024
Accrued expenses and prepaid revenues	15 028	16 044
<b>Total current liabilities</b>	<b>281 069</b>	<b>26 235</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>382 158</b>	<b>92 150</b>

## NET ENTERTAINMENT'S PRODUCTS

### CASINO

The company's core product, CasinoModule™, is a complete gaming platform consisting of more than 90 casino related games and a powerful administration system. Games are divided into four categories: table games, video poker, slot machines, 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.

### MULTIPLAYER GAMES

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

### 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

Releasing new products continuously ensures that the licensees are always able to offer a new and exciting selection of games. During 2009 a total of 19 games have been released and launched with Net Entertainment's customers.

Two new games are Secrets of Horus and Baccarat pro series.



Secrets of Horus is a video slot with an exciting Egyptian theme that fits all players. The player can choose 1-20 different combinations of symbols. To win the player needs at least three of a kind.

Baccarat is a table game that increases in popularity and is becoming more common. The game is relatively new in Europe and the rules are somewhat more complex compared to Black Jack for example. Hence why the game is more popular with the somewhat more experienced player.