

# ANNUAL REPORT 2015



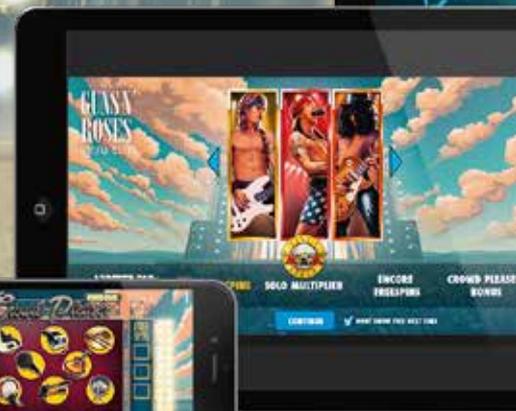
**NETENT**  
BETTER GAMING™

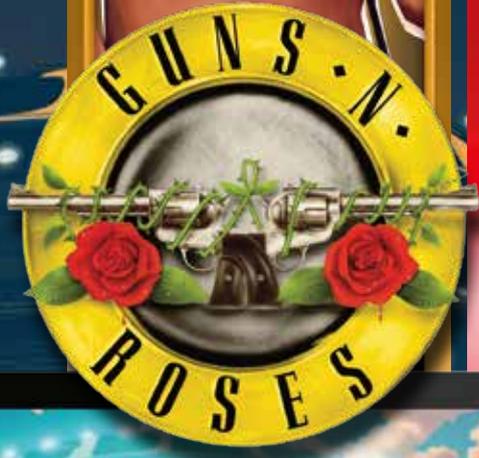
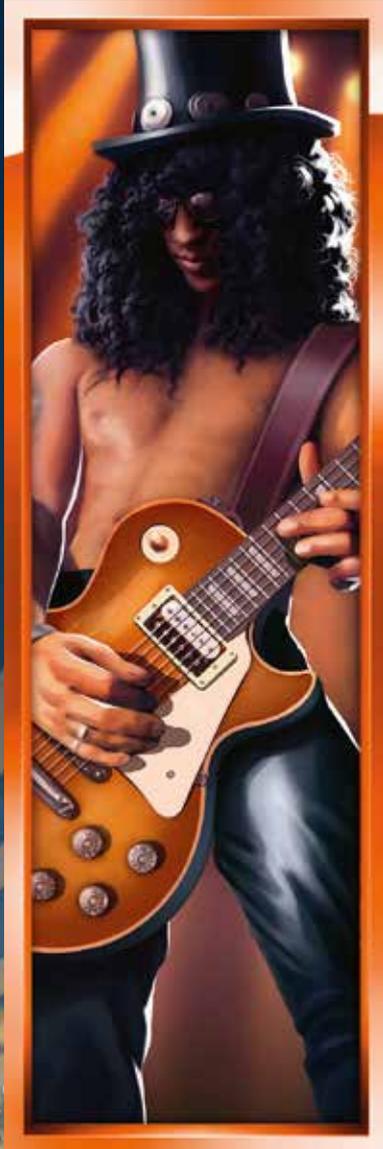
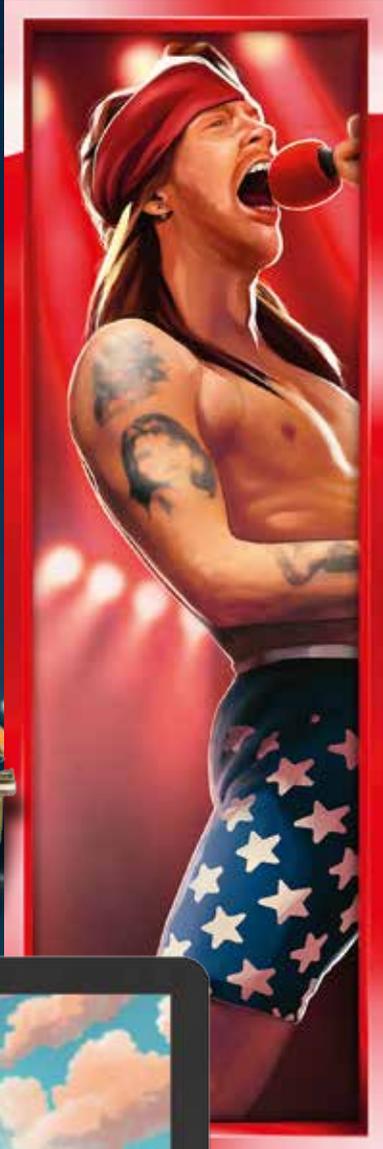
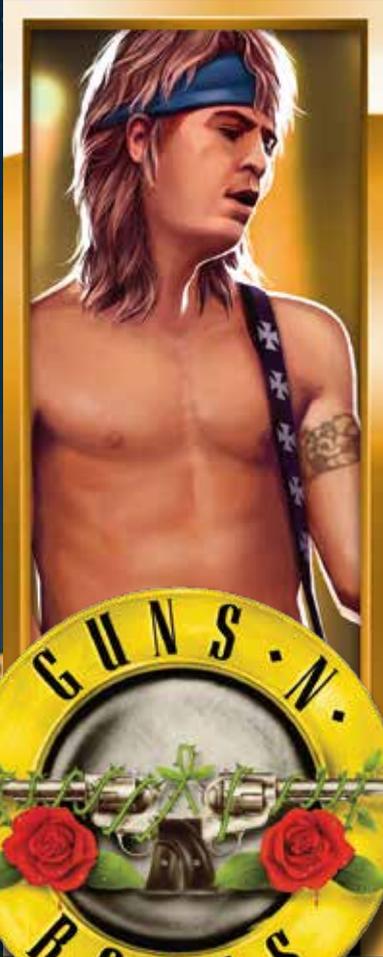
“Guns N’ Roses is the first game in the series NetEnt Rocks – for 2016 games with Jimi Hendrix and Motörhead are also in the pipeline.

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The administration report for NetEnt AB (publ) 556532-6443 and the financial statements consist of pages 46–87. The annual report is published in both Swedish and English. The Swedish version is the original and has been audited by NetEnt's independent auditors.





CONGRATULATIONS!  
YOU WON  
CROWD PLEASER BONUS





# A leading provider of digital entertainment

NetEnt is a leading provider of digital casino entertainment, and its business idea is to develop games and system solutions that enable online casino operators worldwide to offer their customers the best gaming experience.



## World-leading customers





## A comprehensive gaming system

NetEnt and its customers – the casino operators – work according to a partnership model.

NetEnt offers a comprehensive gaming system comprising world-class casino games and a powerful technological platform. The gaming operators pay a monthly license fee to NetEnt calculated as a percentage of the game win generated by NetEnt’s games.

NetEnt takes responsibility for all technical operations and monitoring of gaming transactions through hosting, so that the gaming operators can focus on their core business. NetEnt also plays an active part in the integration work among new customers. The gaming system is integrated with each licensee so the games form a natural, integral part of the operator’s website.

## Innovative games of the highest quality

The operator that offers the best gaming experience is in demand from players. NetEnt is a leader in casino game development and constantly renews its offering with new games and functions to attract players and constantly improve the gaming experience, hence strengthening loyalty. NetEnt’s game portfolio includes around 200 innovative game titles of the highest quality, offered in 25 languages in total.

Innovative game titles around

**200**

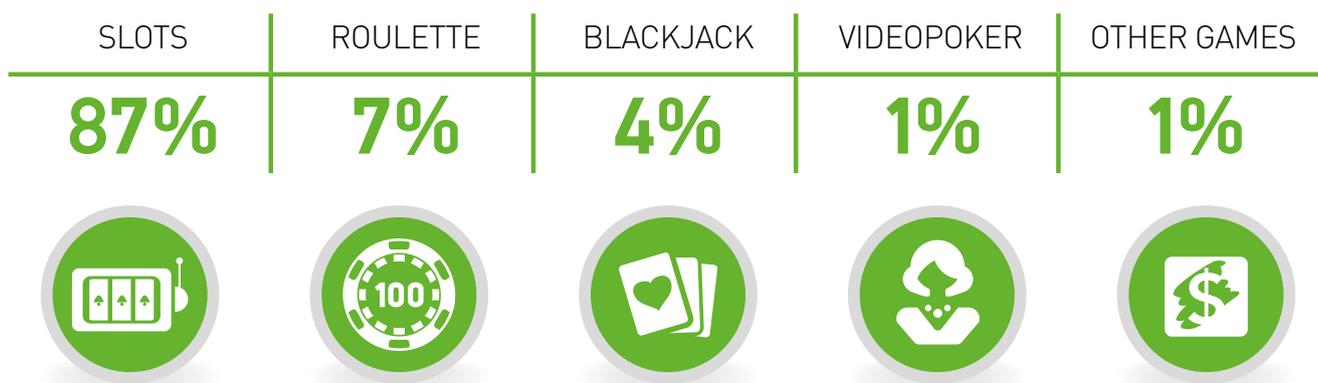
Number of languages

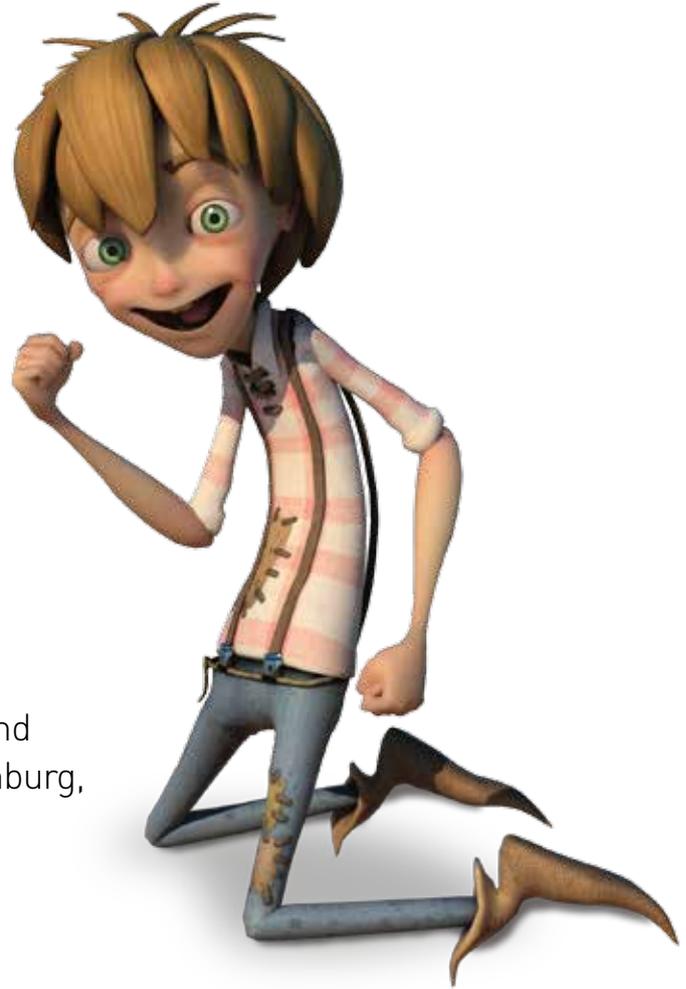
**25**

## Distribution in all available channels

We have a multichannel distribution strategy, meaning that our games are offered through all available channels demanded by players such as desktop, smartphones, tablets and sometimes also physical gaming machines.

### Game win in NetEnt’s games, 2015





- **Know-how**
- **Creativity**
- **Shared values**

NetEnt employs over **700** people from around **50** different countries in Stockholm, Gothenburg, Kiev, Gibraltar, New Jersey and Malta.

### Seven industry awards in 2015



**SLOT PROVIDER OF THE YEAR X 2**



**MOBILE SUPPLIER OF THE YEAR**



**INNOVATION IN MOBILE**



**GAME OF THE YEAR**



**DIGITAL INDUSTRY SUPPLIER OF THE YEAR**



**WOMEN IN GAMING – HIDDEN TALENT**

### History

NetEnt was founded in 1996 and has its roots in the traditional land-based casino world through what was then Cherryföretagen. In 1963 AB Restaurang Rouletter was founded by Bill Lindwall and Rolf Lundström. In 1968, a partnership was established with AB Roulett konsult & Spelautomater, founded by Per Hamberg and Lars Kling. The operations attained national reach and in 1972 the name Cherry was registered, with the cherry logo. After a couple of eventful decades, Bill Lindwall's

son, Pontus Lindwall, founded NetEnt in 1996. The Company was one of the pioneers involved in creating a new industry when online gaming started to take off in the mid-1990s, and the first online casino was launched in 2000. In 2007 the Company was spun off and listed on NGM Equity and in 2009 NetEnt moved to the main list of the Stockholm stock exchange.

The company was founded

**1996**

The company was listed on the Stockholm stock exchange

**2009**



Number of employees,  
including consultants

>700



Women



38%

Men



62%



Employees  
from around  
50 countries



Share of women in  
the senior manage-  
ment team

50%

# New record levels for both revenues and profit



Total revenues for the year, SEK

1,132,424,894

Number of gaming transactions in 2015

27,728,093,974

## Key events of the year

### Q1

- Licensing agreements were signed with 11 new customers, including Danske Spil in Denmark, Codere in Spain and Gamesys in the UK.
- Seven new casinos were launched, including Rational Group's Full Tilt.
- Gaming licenses were obtained in the UK.
- Collaboration with Guns N' Roses for a new game commenced.

### Q2

- Launches with bwin.party, Gamesys, PokerStars and Danske Spil took place.
- A patent agreement was entered with IGT for the North American market.
- Gaming licenses were obtained in Spain and several customers were launched in the country.
- The first two customer agreements in New Jersey, US, were signed, with bwin/Borgata and Caesars Interactive Entertainment.
- NetEnt's games were launched for the first time in land-based gaming machines, in William Hill's betting shops in the UK.
- The transition to game development in HTML5 was completed. From now on, all newly released games have been developed in that standard.
- The Company changes names to NetEnt AB (publ).

**“ An important milestone during the year was that NetEnt’s games were launched in the state of New Jersey.**

REVENUE GROWTH  
**33.0%**

OPERATING MARGIN  
**35.5%**

Key figures	2015	2014	2013	2012
Revenues (SEKm)	1,132.4	851.7	630.7	526.7
Growth, %	33.0	35.0	19.8	23.2
Operating profit (SEKm)	401.6	261.7	179.7	153.1
Operating margin, %	35.5	30.7	28.5	29.1
Profit after tax (SEKm)	374.0	243.2	167.1	136.1
Earnings per share (SEK)	9.34	6.10	4.23	3.44
Distribution to shareholders/ share (SEK)	8.00	5.00	3.00	2.25
Cash flow after investments (SEKm)	337.6	243.7	113.6	83.8
Return on equity, %	61.2	52.5	49.5	50.9
Net cash position at year end (SEKm)	402.1	258.1	105.8	79.4



NetEnt's share price rose 88 percent in 2015.

**Q3**

- A customer agreement was signed with gaming operator Gala Coral.
- A customer agreement was signed with Golden Nugget in New Jersey.
- Special authorization to launch online casino games with Borgata and bwin.party in the state of New Jersey (transactional waiver) was obtained from the regulator.
- Games were launched with Borgata in New Jersey.
- NetEnt was named Digital Industry Supplier of the Year at the Global Gaming Awards in Las Vegas.

**Q4**

- Games were launched with several customers in New Jersey and a customer agreement was signed with Resorts Casino.
- An agreement was signed with Gamesys US for the delivery of games to Tropicana and Virgin Casino in New Jersey.
- Games were launched with Gala Coral.
- The establishment of a new game development studio commenced in Krakow, Poland.
- Nasdaq Stockholm announced that the NetEnt share would be moved up to the large-cap list as of January 1, 2016.



# With innovation and quality we will continue to grow

NetEnt has delivered strong growth in the past few years – revenues and profit have more than doubled since 2012. At the end of the year, the share moved up to the large cap list of the Stockholm stock exchange. Per Eriksson is President and CEO of NetEnt.

## **2015 was yet another fantastic year for NetEnt, with record-high revenues, earnings and cash flow. What are the reasons for the strong growth?**

Our strong growth is driven by rising demand for digital entertainment, especially in mobile. Our focus on driving innovation and product development means that we can constantly be one step ahead and scale up our business to meet demand.

We deliver on our long-term strategy for profitable growth through new products, new customers and new markets. In 2015 we signed up 43 new customers and went live with 37 new customers, while at the same time underlying growth for our existing customers was solid. The UK market and mobile games remain particularly important growth factors.

launched games with many of them at the end of the year. The fact that our games are now live on the regulated North American market is an important milestone that will support our future growth.

## **NetEnt has become a leading provider of digital casino games and systems. The market share in Europe is estimated at around 30 percent and in the annual customer survey, 99 percent of all of NetEnt's customers stated that the company has a top reputation in the industry. What's the secret to NetEnt's success?**

Innovation and quality are key words for us. We continue to focus on creating really thrilling and entertaining games, with customers and players in focus. Satisfied customers are the foundation of our long-term growth, and our

Grande, a creative and thrilling game inspired by the colorful Mexican piñata concept. We also developed seven customized games in 2015, compared with three such games in 2014. A particularly interesting project in this context is Koi Princess – a game released in November which we developed together with William Hill. This is the first time we have jointly developed a game with a customer. The game was launched in all online channels simultaneously and also in gaming machines in William Hill's betting shops around the UK. This is true "multichannel" delivery.

Our success isn't just about the games, but also about maintaining high quality in our customer operations and services. We take care of the gaming transactions on behalf of our customers through hosting. Our IT infrastructure enables our games to be available around the clock, seven days a week. During the year we handled a total of 27.7 billion gaming transactions in our systems, equaling over 50,000 transactions per minute and 16 times more transactions than on the New York stock exchange for the year.

## **“ Growing market share in the UK, new customers, mobile growth and our focus on North America are factors supporting continued high growth.**

We are really pleased that the mobile segment is enjoying such sharp growth because during the year we completed the transition of our game development process to HTML5, which will bring synergies and support innovation and quality in our game development going forward. We are currently developing a mobile solution for Live Casino – a product segment that we believe offers great potential. In terms of new markets, our expansion in New Jersey is proceeding according to plan, and during the year we signed customer agreements with all major online operators in the state and

ambition is always to work closely for shared success as business partners. An important success factor in my view has been the simple fact that we stick to our promises. We release at least one new game per month and can present launch dates and information about the games far in advance. This enables customers to plan their marketing initiatives.

In 2015 we launched 15 new games and won seven prestigious industry awards for both innovation and quality. In November we won an impressive prize at the EGR Operator Awards – for best game of the year with Spiñata

## **What challenges do you see to your future success?**

The major challenge actually comes from within, from ourselves – if we lose momentum and become complacent, we will no longer be a market leader. It is therefore crucial that we constantly stimulate the creativity of our staff. We live and breathe innovation, but innovation doesn't just happen on its own. My task is to facilitate innovation and to create an environment where magic can happen.

NetEnt has a strong corporate culture that features creativity, quality and passion to attain our common goals. In our work approach, we attempt to strike the right balance between innovation and discipline – we usually describe ourselves as a challenger company. With our digital business model we challenge the traditional gaming industry while at the same time

constantly challenging ourselves to do things better and faster. We value smart solutions and an open climate so that we don't get stuck in hierarchical structures that slow us down. As a natural part of this, we seek a diversity of competence. Our staff represent 47 nationalities and women make up half of our senior management team. At the same time we are working actively to achieve the same balance throughout the organization by 2020.

**There is a lot to suggest that the Swedish gaming market will be reregulated in 2018. What is your view of the growing number of regulated markets?**

At NetEnt we welcome regulation because this leads to a safer environment for both players and gaming companies. We want people to play our games for the right reasons – to have fun – and look forward to new, sustainable gaming regulation in Sweden and elsewhere in

Europe. Our strategy is to expand on regulated markets and, for many years, we have invested resources to build up an organization with the capacity to obtain and maintain licenses and certifications, providing us with a competitive edge compared to smaller competitors. We already had licenses and certifications in place in several European countries and in 2015 we obtained gaming licenses in the UK and Spain. We were also granted special authorization, in the form of a transactional waiver, from the New Jersey regulator, to go live with our games with several operators pending the processing of our complete license application.

**How do you view future developments?**

The trend is clear – people are spending an increasing amount of time online, with a growing share of their disposable income going to digital entertainment, including casino games. NetEnt will continue to focus on premium

products in digital casino, products that help our customers achieve success. Growing market share in the UK, new customers that are yet to be launched, growth in mobile and our focus on North America shall support continued high growth in 2016. Going forward, we also see great growth potential in Live Casino, retail and on the Asian market.

We are pleased to round off 2015 with the Board's proposal for a sharp increase in dividend, to SEK 8 per share. Our growth and profitability track record, and the confidence of the stock market, have led us to kick off 2016 by moving up to the large cap list of the Stockholm stock exchange, and during the year NetEnt will also celebrate its 20th anniversary. I am proud and delighted to lead NetEnt, and about the energy and dedication in our organization. In brief – I'm highly positive about future developments.





**MISSION:**

**Creating value by providing leading-edge digital casino solutions that enable the ultimate entertainment experience**

**VISION:**

**Driving the digital casino market through better gaming solutions**

# Financial targets

NetEnt's financial targets and strategies are about profitable growth and return for shareholders. We operate on a market undergoing structural growth, and we are gaining market share. The ability to grow further has become a key part of our culture.



## Financial targets

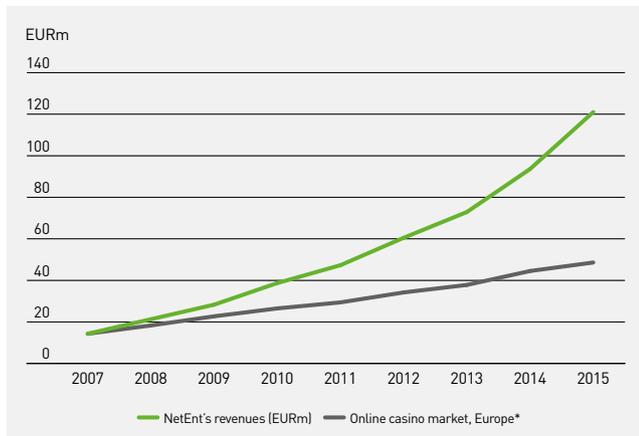
NetEnt's overall objective is to further strengthen its market position, drive the development and **grow faster than the market**.

NetEnt's ambition is for **dividend to amount to a minimum of 50 percent of profit after tax**, subject to the Company's long-term capital requirement.

### Outcome

Since 2007, NetEnt has increased its revenues by **31 percent** on average, while at the same time the online casino market in Europe has grown **17 percent** annually. In 2015 our revenues grew **33 percent** while market growth in Europe has been estimated at **9 percent**.

Historical growth, NetEnt vs. European market

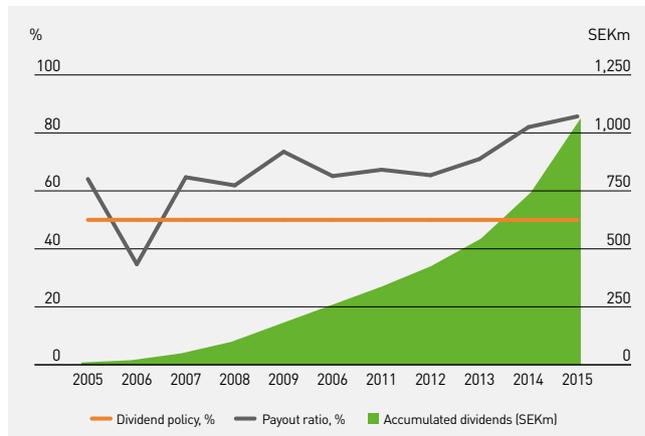


\* Rebased to NetEnt's revenues in 2007

### Outcome

Since 2007 NetEnt's dividend has been **71 percent** of net profit on average. For 2015, a dividend of **SEK 8 per share** has been proposed, equaling **86 percent** of net profit.

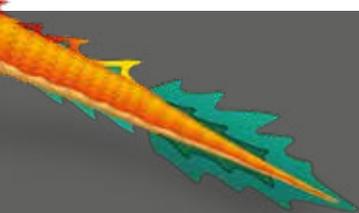
Historical dividends





Number of active customers

130



“ Working in collaboration with NetEnt on Koi Princess was a very interesting, exciting and rewarding experience. Both teams worked exceptionally well together, sharing the wealth of experience with each other, helping create one of the strongest slots of the year for William Hill.

William Mathieson, Head of Gaming Development, William Hill

## A business partner for our customers

Satisfied and successful customers are the key to success for us. Together with our customers, we drive the industry forward through constant development.

With proven know-how in digital casino entertainment, market-leading technology and a strong brand, our ambition is to be a prioritized business partner for our customers.

In 2015 we took our collaboration with William Hill to the next level when, for the first time, we launched our games in physical gaming machines in their betting shops around the UK. We also jointly developed a game called Koi Princess – a thrilling game inspired by Japanese manga and anime, which was released in November.

# Growth strategies

NetEnt will continue to focus on the digital casino segment and be the leading niche player driving the market through innovation and quality.

## STRATEGIES

## ACTIVITIES AND ACHIEVEMENTS IN 2015

### Geographic expansion

Geographic expansion on prioritized markets. Europe still has top priority, followed by North America and then Asia.

- Licenses were obtained in Spain and the UK
- Several operators were launched in Spain
- Expansion in the UK continued and the country is now NetEnt's second largest market in terms of revenues
- Market entry in the state of New Jersey

### Innovation and quality

Games, platforms and other processes in the Company shall be characterized by innovation and the ambition to always deliver the highest quality.

- In 2015 we released 15 new games with a range of new game functions
- We won three prestigious awards at the eGaming Review B2B Awards i London – in the categories "Innovation in Mobile", "Slot Provider" and "Mobile Supplier"
- At the Global Gaming Awards we won an award in the category "Digital Industry Supplier of the Year"
- At the EGR Operator Awards we won the award for best game of the year with Spiñata Grande
- Recurring internal innovation projects such as Innovation Week and NetEnt X

### Business partner mindset

We shall be a close business partner and grow together with both existing and new customers.

- Constant focus on improving customer satisfaction in an ongoing dialog with customers
- As a result of the collaboration with William Hill, our games became available in an offline environment for the first time– at betting shops in the UK, and we also developed a game jointly with William Hill.
- We signed 43 new customer agreements and launched 37 new customers
- In our annual customer survey, 99 percent of all of our customers stated that NetEnt has a top reputation in the industry

### Corporate culture

A corporate culture that promotes rapid growth. We strive for a dynamic, creative and goal-oriented culture based on our core values: Together We Win, Think Ahead Be Ahead, We act SpeedSmart, Passion in All We Do

- NetEnt grew by 197 employees who attended an introductory program focusing on NetEnt's corporate culture
- Constant improvement efforts based on employee surveys carried out three times per year
- During the year, several leadership training courses were given for managers at the Company, with core values forming a key component
- NetEnt was ranked in the top 5 percent among all listed companies in terms of female leadership and gender equality, according to AllBright

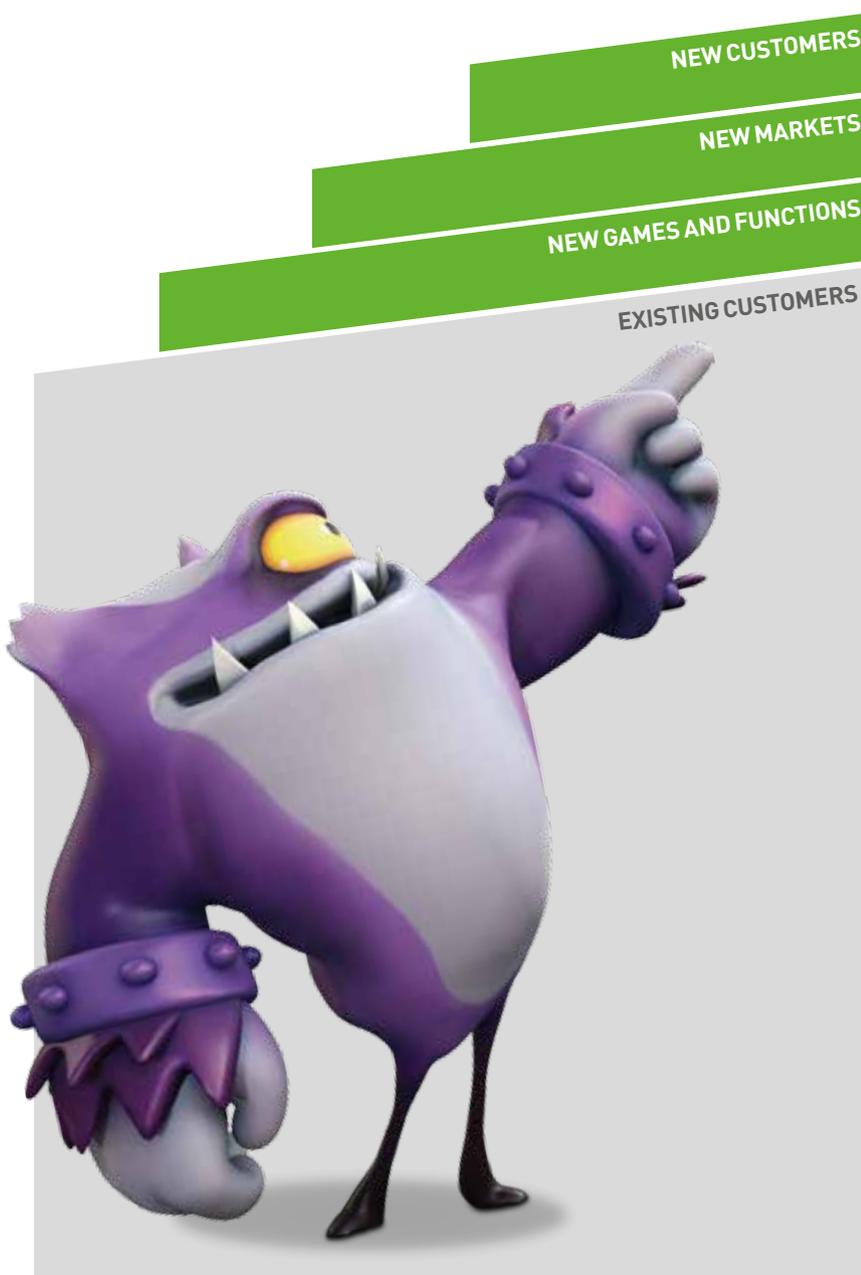
### Agile product offering

To the extent possible, our new games shall be launched simultaneously for all customers in all channels and on all markets. Our platform shall manage growing volumes, increased complexity and be possible to integrate smoothly with new customers.

- We have a comprehensive casino platform with games and administration tools – in 2015 a major platform upgrade was initiated
- In 2015 we managed 27.7 billion gaming transactions in our systems
- We completed the transition of our game development to HTML5 in 2015
- We integrated and launched the casinos of 37 new customers – much more than in the previous year

“ Based on our strategies, we will continue to grow as a leading provider of gaming and system solutions for the world’s most successful online casino operators.

## NETENT’S MAJOR GROWTH POTENTIAL



## A SELECTION OF MILESTONES

**2002** NetEnt Casino Module is launched.

**2003** NetEnt delivers Casino Modules to several customers. Revenues grow sharply and the Company becomes profitable.

**2004** NetEnt delivers a substantial number of Casino Modules to international customers.

**2005** NetEnt obtains a gaming license in Malta.

**2007** NetEnt is spun off and listed on NGM Equity.

**2009** NetEnt moves to the main list of the Stockholm stock exchange.

**2010** The game Gonzo’s Quest is launched and the Company receives a Category 2 license on Alderney.

**2011** NetEnt launches mobile games for the first time and enters the newly regulated Italian market.

**2012** The Danish market is regulated and NetEnt obtains certification and launches games with several customers.

**2013** Several key customer agreements are signed with gaming operators in the UK and NetEnt also signs a framework agreement with GTECH. Live Casino is launched among a number of customers, as well as several mobile games.

**2014** New customer agreements are entered with, among others, bwin.party, Betfair and Rational Group, as well as a collaboration agreement with platform supplier GameAccount Network.

**2015** NetEnt launches games with a number of leading operators in the state of New Jersey, USA. Gaming licenses are obtained in the UK and Spain. In Spain, our games are launched for the first time with several operators. Danske Spil, the Danish state-owned gaming company, is welcomed as a new customer during the year. For the first time, NetEnt’s games are made available in land-based gaming machines, at William Hill in the UK. NetEnt completes the transition to game development entirely in HTML5 – a common development standard for both desktop and mobile. At the end of the year, the NetEnt share moves up to the large cap list of the Stockholm stock exchange.

## GROWTH STRATEGIES



# 5

customer agreements were signed in New Jersey in 2015



“Geographic expansion on prioritized markets is a cornerstone in NetEnt’s growth strategy.”

# Geographic expansion

In 2015 a milestone was reached when the Company’s games, for the first time, were launched on the regulated US market, in the state of New Jersey. An office was opened and new customer agreements were signed with

all major gaming operators in the state. NetEnt intends to enter other US states if and when they follow New Jersey and open up for online casino. The objective is also to enter the Canadian market.

The global online gaming market continues to grow sharply. The underlying structural growth is supported by megatrends such as globalization, digitalization and mobile development, with a rapid rise in the use of smartphones and tablets for digital entertainment. Reregulation means that new geographic markets are opened up, while at the same time consumer willingness and confidence to shop, play and pay online are steadily on the rise.

## Changes and new opportunities in online gaming

Global gross game win for real-money online gaming, in all types of games, has been estimated at EUR 35.0 billion in 2015, an increase of 8 percent from 2014. The corresponding size of the global online casino market is estimated at EUR 7.7 billion for 2015, representing 9 percent growth from 2014. Online penetration for all gaming forms is calculated at 10 percent, and 6 percent for the casino segment (source: H2 Gambling Capital, January 2016).

### A growing market

The trend is clear – people are spending an increasing amount of time online, with a growing share of their disposable income going to online shopping and entertainment, including casino games. The global online gaming market also benefits from steady migration from land-based to online gaming. Other favorable factors are reregulation, technological improvement, an increased number of market entities and a broader offering, as well as greater acceptance of online gaming as a natural part of the entertainment industry. H2GC estimates that the online casino market in Europe will grow by 7 percent on average annually until 2020, and by 10 percent globally.

### Mobile development

In the past few years, the mobile gaming trend has increased sharply and so far, it does not appear that the growth has occurred at the expense of desktop gaming. Mobile gaming is still one of the most exciting and

fastest-growing segments of the gaming industry. It drives innovation, synergies and presents new growth opportunities because new groups of players can be reached. According to H2GC, mobile gaming accounted for around 29 percent of all online gaming globally in 2015, and this market segment is expected to grow by 16 percent annually on average until 2020.

NetEnt has been developing mobile games since 2011 and mobile games have continually increased in terms of volume, technical content and availability. During 2015 the transition to game development in HTML5 – a common standard for desktop and mobile games – was completed, and since May all new games have been developed using this standard. Previously, desktop games were developed in Flash. Revenues from mobile games increased sharply during the year, and in the fourth quarter of 2015 the segment accounted for more than 30 percent of gross gaming yield in our games, compared to 17 percent in the same period of the previous year.

### NetEnt's market position

NetEnt focuses on premium solutions for the digital casino market, which has shown both strong growth and profitability in the past few years. NetEnt has increased revenues by an average of 31 percent annually in the past eight years, while the online casino market in Europe has grown by 17 percent annually over the same period. As the market size increases, so does competition too,



**NetEnt has increased sales by 31 percent annually since 2007, while the market in Europe has grown 17 percent annually in the same period.**



**EUROPE**

Growth forecast 2015–2020: **7%**.  
Share of market 2015:

**52%**

**ASIA & THE MIDDLE EAST**

Growth forecast 2015–2020: **8%**.  
Share of market 2015:

**23%**

**NORTH AMERICA**

Growth forecast 2015–2020: **21%**.  
Share of market 2015:

**16%**

**OTHER MARKETS**

Growth forecast 2015–2020: **8%**.  
Share of market 2015:

**9%**

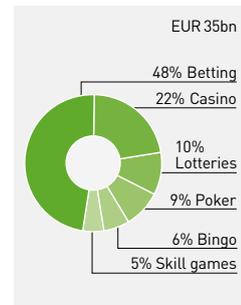
Source: H2 Gambling Capital, January 2016. The figures refer to online casino.

**“**  
**NetEnt has increased its market share in the past few years. In Europe, the Company’s market share is estimated at more than 30 percent.**

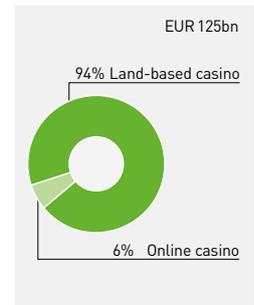
both from large companies and small game developers targeting a niche or geographic submarket. NetEnt has nevertheless managed to increase its market share thanks to an attractive offering that is appreciated by operators and players alike. Also, the Company fulfills the strict requirements imposed by gaming authorities on the various regulated markets.

Among suppliers, the online gaming market is dominated by a handful of companies. Most of them offer a broader product portfolio than NetEnt, which focuses on casino games, and many of them also focus on the poker market. NetEnt’s main competitors are Playtech and Microgaming, but there are also several smaller competitors. In 2015, NetEnt’s global market share was an estimated 17 percent, and 32 percent in Europe, based on market data from H2GC. The market share has increased steadily in the past few years (see diagram on page 19). The future of online gaming continues to look bright, and NetEnt is in a good position to continue gaining market share.

Global breakdown online games



The global casino market – our potential<sup>1</sup>



Historical growth for NetEnt in Mobile  
Share of gross game win since Q4 2013

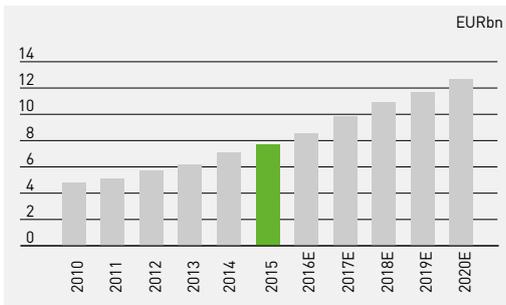


<sup>1</sup>The figures refer to gross game win  
Source: H2 Gambling Capital, January 2016

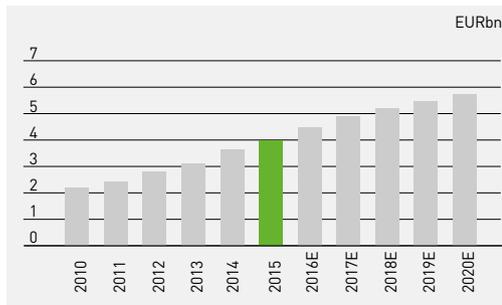


“ Live Casino, with real dealers, is broadcast from NetEnt’s studio in Malta by videolink in real time, around the clock.

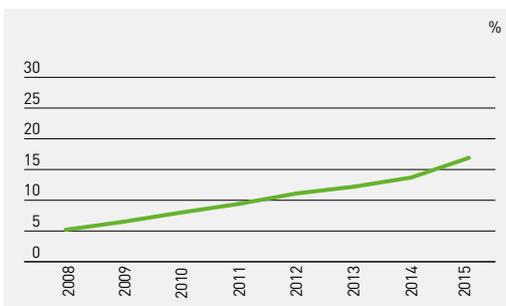
The online casino market, global  
Gross game win online casino



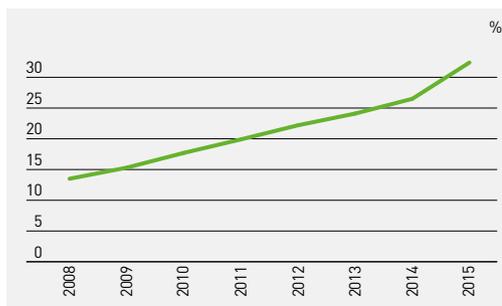
The online casino market, Europe  
Gross game win online casino



NetEnt’s market share, global



NetEnt’s market share, Europe



Source: H2 Gambling Capital, January 2016

**Growth drivers  
– online gaming**

- Globalization enables rapid spreading of trends and products
- Migration from land-based to online gaming
- Mobile development
- Greater interest and confidence in online consumption and payment
- Increased consumption of digital entertainment
- Extended broadband penetration and new groups of players
- Reregulation of online gaming markets
- New market entities and broadened offering
- New technology for games and systems development

# Regulation creates good conditions for NetEnt

One of NetEnt’s most important strengths is knowledge and experience from regulated markets, and familiarity with the usual process towards regulation on a market.



For several years, NetEnt has been investing in technology and expertise to adapt the Company to regulated markets, and holds licenses and certifications in a number of European markets. NetEnt’s growth strategy includes expansion on regulated markets. Commercially sound regulation in terms of taxation and product specifications provide good conditions for regulated markets to take over online gaming from unregulated market alternatives.

Becoming a certified company on a regulated market requires expertise and resources, which increases the entry barriers and benefits NetEnt in relation to smaller competitors. Regulated markets create better conditions for consumer protection and responsible gaming, while at the same time knowledge about the products can increase, which usually has a positive impact on demand. In addition, reregulation often accelerates developments towards online gaming being increasingly perceived as a natural part of the entertainment industry.

### Regulation of the online gaming market presents new opportunities

The online gaming market is growing rapidly, and its cross-border nature means that gaming laws in many countries need adapting to ensure consumer protection, game security, tax revenues and clear conditions for the companies operating on the market.

Since the US prohibited real-money gambling online in 2006, Europe has clearly been the largest online gaming market, and in 2015 it is estimated that Europe accounted for around 48 percent of all global online gaming. In the EU, each individual member state is currently free to introduce its own provisions, although the EU urges laws and regulation that drive game migration to regulated market alternatives. Many EU countries have reregulated online gaming in their jurisdictions in order to promote increased consumer protection and to support long-term tax revenues.

Source: H2GC January 2016

### Malta – gaming center of Europe

Since Malta joined the EU in 2004, the country has established itself as the gaming center of Europe, thanks to competitive terms compared to other countries that issue gaming licenses.

In April 2004, the Malta Gaming Authority published a regulatory instrument by the name of “Remote Gaming Regulations” (LN176/2004). The legislation comprises many different game categories and game platforms. The purpose is to help achieve a more secure environment for both online players and gaming companies.

The Malta Gaming Authority enables the gaming industry to consolidate the distribution of services from Malta through regulation and bilateral agreements with other EU/EEA member states, not just to companies licensed in Malta, but also to those that are primarily regulated by foreign gaming authorities such as Italy and Denmark.

There are four different license categories in Malta, which are granted for periods of five years. NetEnt has a class 4 license, which was renewed in 2015 and hence extends to 2020. NetEnt’s business-critical and strategic functions such as market strategy, product strategy, sales, customer support and the Live Casino studio are located in Malta. This is a strategic location because Malta is the hub of the gaming industry in Europe. A cluster of industry expertise has moved to Malta, and most of NetEnt’s European customers have their operations there.





## Licenses and certification

Developments in and current status of regulated markets of interest to NetEnt.

**Significant licenses and certification** Besides the most important license in **Malta**, NetEnt also holds licenses in **Gibraltar** and **Alderney**, which in a similar manner enable the delivery of services to other EU countries. **Italy and Denmark**, which have been reregulated in the past few years, are important markets for NetEnt. In Denmark the online gaming market was regulated in January 2012, and in Italy online slot games were permitted in December 2012. In both cases, NetEnt obtained certifications and revenues increased substantially after the new regulations were introduced.

**The UK** introduced new legislation at the end of 2014 (Gambling Licensing and Advertising Act 2014) requiring that all companies offering gaming services in the country, irrespective of legal domicile, must hold a license from the UK Gambling Commission. In addition, a gaming tax of 15 percent was introduced for online games that take place in the UK. NetEnt obtained gaming licenses in the country in 2015.

**Spain** introduced new gaming laws in 2012 already, but in 2014 the parliament resolved to also allow slot games – an important product category for NetEnt. In 2015

NetEnt also obtained gaming licenses in Spain.

**In the US** some states have reregulated to permit online games, such as Nevada (poker), Delaware (all game types) and New Jersey (all game types). Also, positive initiatives are under way to reregulate in other states too, such as Pennsylvania. During the year NetEnt applied for a license in New Jersey and was granted special authorization, known as a transactional waiver, to launch several customers pending the processing of the Company's complete license application.

**The Swedish government** appointed a special commission of inquiry in September 2015, commissioned to submit proposals for new gaming regulation in March 2017. According to the government, the new legislation may come into effect in 2018.

**In the Netherlands** parliament is expected to decide on reregulation of the online gaming market in 2016.

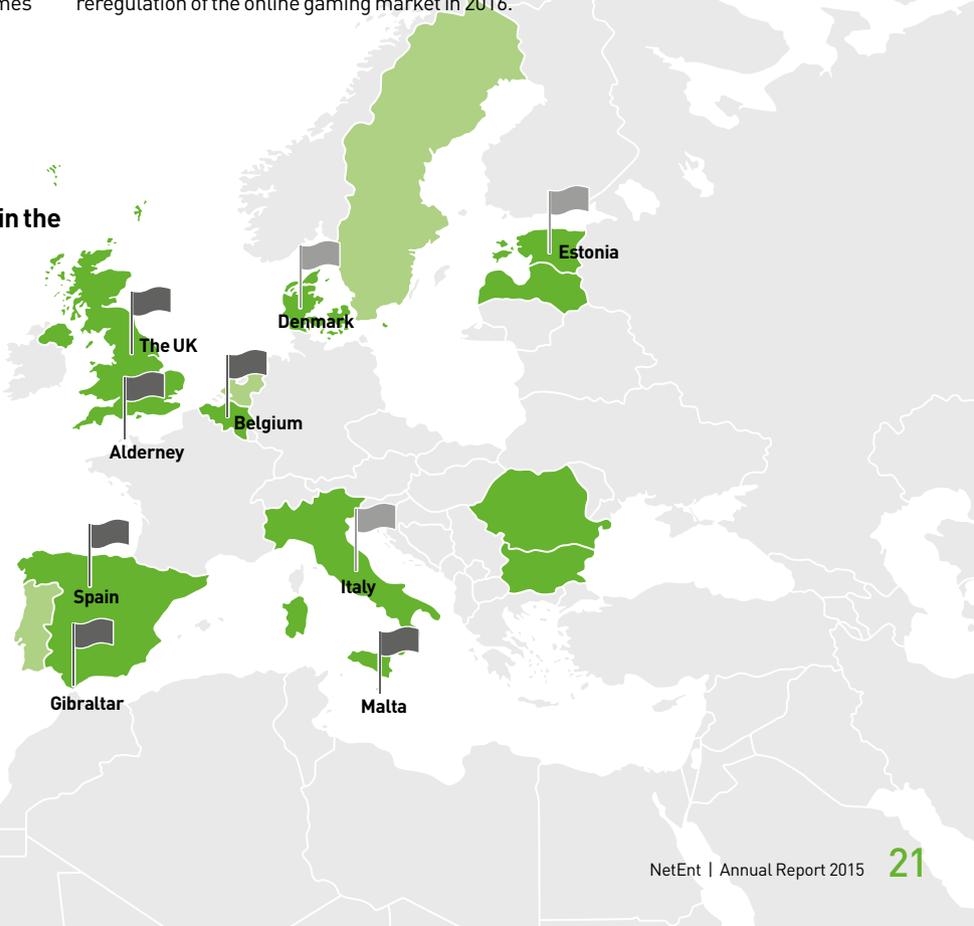
● **Regulated markets**

● **Markets where regulation might be in the cards**

🚩 **NetEnt's licenses and certifications**  
Malta, Alderney, Gibraltar, Belgium, the UK, Spain, New Jersey<sup>1)</sup>

🚩 **Certifications**  
Denmark, Italy, Estonia

<sup>1)</sup> Special authorization – transactional waiver. In 2015 NetEnt was granted special authorization to launch games with several operators from the regulator in New Jersey, pending the processing of the Company's complete license application.





**“ NetEnt helps casino operators to stand out from competitors and deliver a superior, high-performance gaming experience, which strengthens the operator’s profitability.**



“ The ability to quickly adapt the product and product development function is an important success factor for NetEnt.



## Dynamic and flexible product offering

NetEnt's market is changing and evolving rapidly. The ability to quickly adapt the product and product development function is an important factor for NetEnt to be able to stay at the cutting edge and continue to drive the market going forward.

To the extent possible, our new games shall be launched simultaneously for all customers in all channels and on all markets. Our platform shall manage

growing volumes, increased complexity and integrate easily with new customers.

- In 2015 we managed 27.7 billion gaming transactions in our systems
- We completed the transition of our game development to HTML5 in 2015
- We integrated and launched 37 casinos of new customers – many more than in the previous year.

# NetEnt's offering

NetEnt offers a comprehensive online casino solution to gaming operators – a complete gaming module that includes around 200 world-class innovative game titles, and a powerful technological platform.

The gaming system is integrated with each licensee so the games form a natural, integral part of the website of the operator.

The product also contains an advanced administration tool that enables the operator to simply use

various specially designed functions to develop a successful casino operation. NetEnt takes care of all technical operation and monitoring of gaming transactions for its customers, known as hosting.



## Game portfolio

NetEnt's game portfolio includes around 200 game titles in seven categories, offered in various channels such as desktop, tablets and smartphones. During the year, the first games were also launched in land-based gaming machines.

### Features of a good game

First and foremost, a good game should give a thrilling, entertaining gaming experience. What is considered "good" differs of course from player to player. It is therefore important to have a game portfolio that is well-balanced, so that different groups of players can find their favorites. For example, some players

want the chance to win a large jackpot, while others would rather win small amounts more frequently.

It is also very important to players that the games are stable, i.e. that the gaming transactions and technology work and that randomness cannot be manipulated.

On average, the payout ratio for winnings on NetEnt's games is around 97 percent, which makes them attractive. In other words, the player knows that only a few percent of bets placed are kept by the operators, and that the chances of winning are therefore much higher than in most classic, land-based gaming forms.



### Video Slots

**Examples of games:** Starburst, Spiñata Grande, Gonzos Quest and Koi Princess.

**Features:** The most popular category. Offers a high level of gaming experience, often graphically advanced productions.



### Branded Games

**Examples of games:** Guns n' Roses™, Dracula™, The Invisible Man™, Aliens™, South Park™, Scarface™ and Frankenstein™

**Features:** Innovative games in collaboration with internationally renowned brands.



### Live Casino

**Examples of games:** Live Roulette, Live Blackjack Common Draw, Live Roulette Auto and VIP Roulette.

**Features:** Live Casino is broadcast in real time over videolink and uses real dealers instead of a random generator. It is as close to a physical and real casino experience one can get. The possibility of chatting with the dealer makes Live Casino a more social experience than other games.



### Table Games

**Examples of games:** Roulette Pro, Roulette French Pro, Blackjack Pro and European Roulette.

**Features:** Online table games work in the same way as at a land-based casino.



### Video Poker

**Examples of games:** Jacks or Better, Joker Wild and Deuces Wild.

**Features:** Slot games with a gaming concept based on card combinations that occur in poker.



### Lottery and Other

**Examples of games:** Triple Wins, The Lost Pyramid, Seven Gold Scratch, Bonus Keno, Golden Derby and Bingo.

**Features:** Scratch cards, Keno and Bingo.



### Mini Games

**Examples of games:** Mini Blackjack, Mini Gooool, Cash Bomb and Starburst Mini.

**Features:** Intended for cross-selling through exposure on sites other than in the operators' casino sections.



### Pooled Jackpots

**Examples of games:** Mega Fortune™, Hall of Gods™, Arabian Nights™ and Mega Fortune Dreams

**Features:** Major global, pooled jackpots that are particularly attractive to players.

## GROWTH STRATEGIES



Share of revenues  
from mobile games

# 30%



“ NetEnt was one of the first providers of high-quality mobile games. Mobile is the core of our strategy and we are convinced that NetEnt can continue to support our explosive growth.

Johan Styren, CEO Leo Vegas



# Innovation and quality

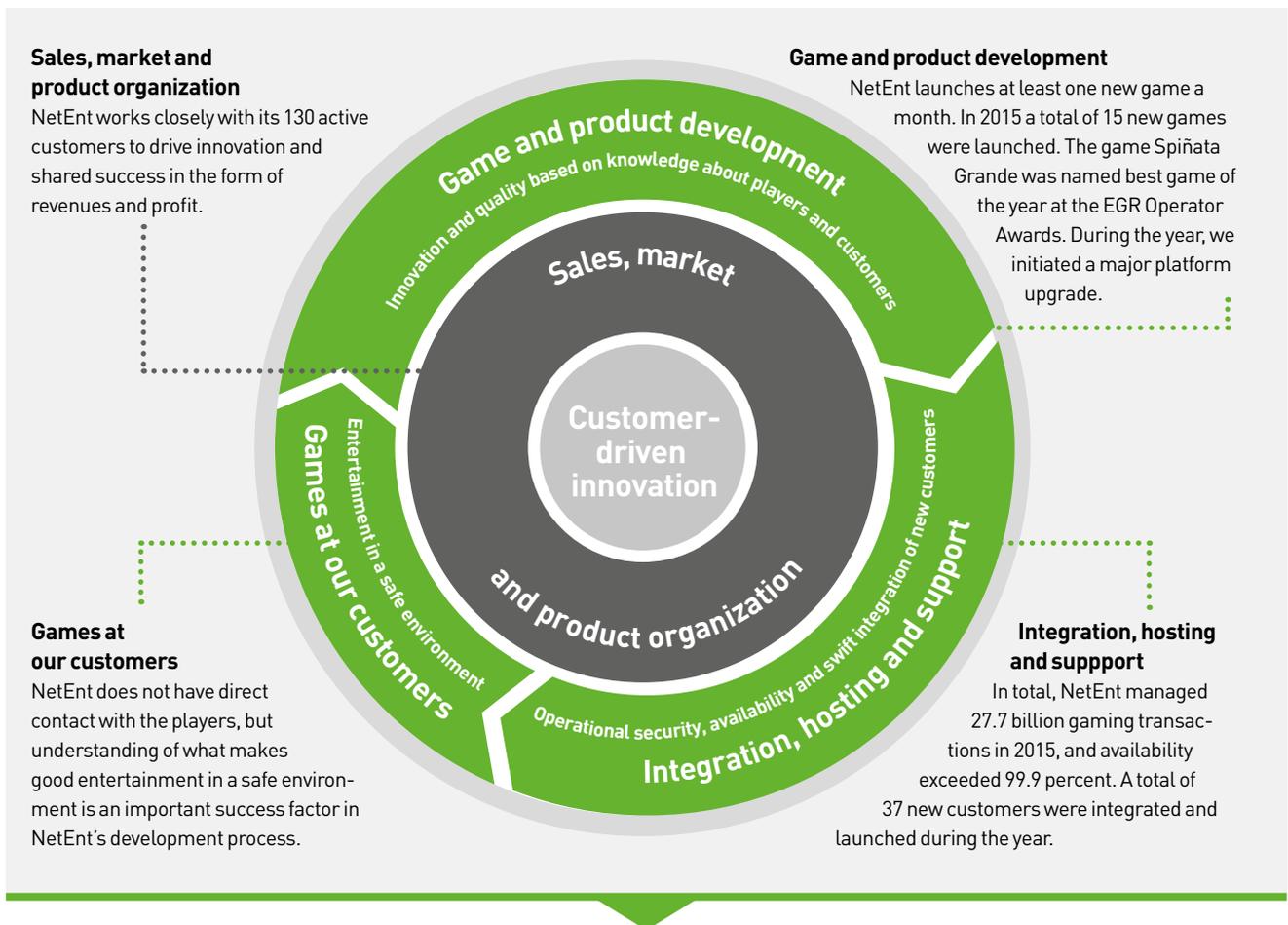
Cutting-edge expertise in technology, and in-depth knowledge about the market, customers and players, form the basis of our product development work. We create innovative gaming solutions with the highest focus on quality.

An example of the ability to develop and renew the offering is that NetEnt has been part of driving mobile developments in online casino ever since the first mobile games were launched. At the end of 2014 the first game

was released that had been fully developed in HTML5 for both desktop and mobile, and since May 2015 all new games we launch have been entirely developed in this programming standard. The transition of our game development process will generate economies of scale, supporting NetEnt's position as the leading provider of mobile games for online casino. Year after year, NetEnt has been honored with industry awards for innovation and quality in mobile games.

# NetEnt's business model

By acting in close proximity to the customer and constantly developing the product portfolio and platform, while at the same time optimizing all parts of our business, we create a world-class offering and long-term value for our shareholders.



## To shareholders

NetEnt's ambition is for dividend to amount to a minimum of 50 percent of profit after tax, subject to the Company's long-term capital requirement. The Board of Directors has proposed a dividend of SEK 8 per share for 2015, equaling a total of SEK 320 million. This equals 86 percent of profit after tax.

Dividend to shareholders

>50%

# From concept to game

Creating entertaining and thrilling games is at the core of NetEnt's business, and the objective of new game development is always to deliver an exceptional gaming experience. The work is driven by operator and player preferences in terms of quality, innovation, user-friendliness and availability.



## Business-critical functions in Malta

NetEnt's business-critical and strategic functions such as product and market strategy, sales, account management and customer support are located in Malta. This is a natural choice of location because Malta is the hub of the European gaming industry and is home to the majority of NetEnt's European customers. The organization in Malta links customer demand and ideas in terms of games, game development, platform and operation.

A productive, close dialog with operators is important because customers can often have different preferences depending on positioning, marketing and geographic market. As NetEnt does not market its games directly to players, close cooperation with the operators is also important for the game to be given the right type of

marketing, campaigns and positioning on gaming sites. A game that is appreciated by the player creates value for both the operator and NetEnt.

During the year, we developed a game together with one of our major customers for the first time.

## The creative process

Devising a new game is a creative process involving a number of different competencies. The concept for a new game is realized in a development process according to a defined workflow, in which product management in Malta initiates and assumes overall responsibility for the game project. Theme, graphics, mechanics and mathematics combined are important parameters for the success of the game. The mathematical element is



**Game development requires precision and thorough technological expertise, combined with an instinctive sense of what makes good entertainment.**

mainly about creating random wins based on set rules, in which the games can have varying volatility, i.e. frequent small wins or more infrequent large wins.

Game development itself is conducted at one of our three game development studios in Stockholm, Gothenburg or Kiev in Ukraine. At the end of the year we also embarked on establishing a game development studio in Krakow, Poland. On the development side, NetEnt has been working for many years with a subcontractor in India.

The game designer creates a big picture of the ideas and thoughts that will form the basis of the game. An art director sketches a graphic concept with the atmosphere and characters to be included in the game. Then, graphic designers and system developers proceed with the game environment and create, for example, 3D graphics and animations. Other project members develop sound, and a number of programmers are also involved to create the various functions of the game – all under project management and in close collaboration with the product management team. Key words are management by goals and teamwork.

All games released after May 2015 are made in HTML5, meaning that the same programming standard is used for both desktop and mobile. Before, two parallel ver-

sions were usually developed, but to develop the games in one common standard is more cost-efficient.

The development projects take place in close cooperation between everybody involved, and take between three and six months depending on the complexity of the game. Great emphasis is put on every detail. For major games based on well-known brands - for example from Universal Studios - short trailers are also produced. One example of this type of production is a new game based on the rock band Guns N Roses, released in January 2016.

**Review and verification**

All games are verified internally during a testing and quality assurance process that runs in parallel with game development, followed by independent review and verification. Even once the games have been launched, they are regularly tested by independent accredited test institutes to ensure total gaming integrity and that the random number generator works as defined in the game rules.

The documentation regarding each game, e.g. game rules, is particularly important and forms the basis for the game's certification. It must be possible to show in detail all background facts and any changes to a game to the relevant gaming authority.

Number of new games during the year

15

Number of game development studios

3



NetEnt's comprehensive casino platform with the administration tool forms an important part of the customer offering. The platform manages the gaming transactions and helps the operator to develop a successful casino operation.

# The administration tool optimizes customers' business

An important part of our offering is our comprehensive casino platform with games and an administration tool. It is a technically autonomous system, but is perceived by players to be a part of the operator's online casino. The platform manages the gaming transactions and features an advanced administration tool that enables the operator to develop a successful and effective casino operation. Some important functions offered by the administration tool are:

- Quick access to precise information
- Powerful reporting engine for follow-up analysis
- Monitoring and evaluation of games
- Tool for management and control of the casino operations in real time
- User-friendly software for operating casino tournaments and bonus and loyalty programs
- Easy access to transaction information
- Risk monitoring to identify and prevent fraud and potential money laundering

## Integration of new customers

The delivery of a casino to a new customer is the beginning of a long-term partnership in which our goal is to help create a successful casino business for the operator. The operator is provided with a customized system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimizing installation-to-operation times.

NetEnt plays an active part in the integration work among new customers. With extensive experience and expertise from casino operations, we act in close partnership in order to provide operators with the support they need at different levels. This may mean developing tools for more effective marketing, player behavior evaluation

and regular follow-up between the operator and NetEnt's account manager. In this way, operations can be optimized, revenues maximized and costs controlled.

## Enhancing the platform

The platform is also being continuously enhanced to ensure operational security with a growing customer base, create new functionality and to enable rapid, efficient and synchronized distribution of new games to operators on different markets and through different distribution channels. The IT infrastructure is of strategic importance and both customers and regulating authorities impose stringent requirements on operational security, functionality and storage capacity.

## System availability at over 99.9 percent

NetEnt takes responsibility for all technical operations such as monitoring game transactions for its customers - known as hosting - so that the operators can focus on their core operations. All customer systems are operated from our data centers in Malta, Gibraltar, Costa Rica, Alderney, the Netherlands, Denmark and New Jersey (USA). The platform, which manages on average 50,000 gaming transactions per minute, around the clock, can be compared to, for instance, a stock trading system. The number of transactions in NetEnt's systems were 16 times higher than the number of transactions on the New York stock exchange in 2015. Many employees in the operations department also have experience from stock exchange operations, telecommunications or other transaction-intensive environments.

NetEnt's operations department continually monitors the systems and provides technical support. Also, regular system upgrades are included, to ensure that the operator can always provide a good service and availability to players.



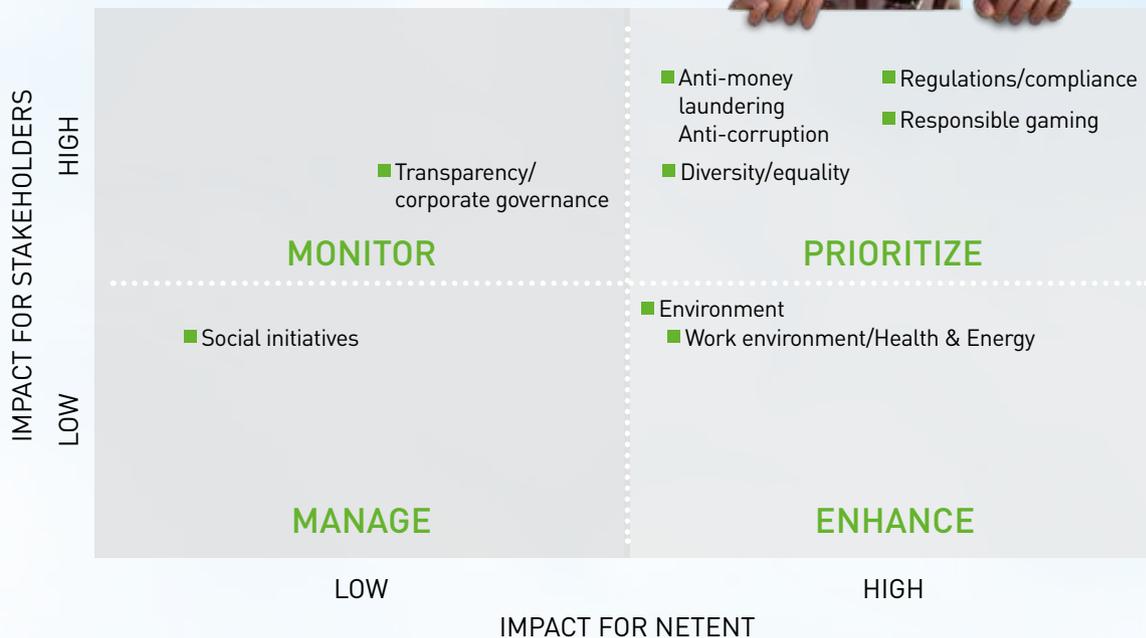
**In 2015 NetEnt handled as many as 27.7 billion gaming transactions, with system availability of over 99.9 percent.**

We believe in social responsibility with regards to our business environment. Our ambition is not just about our customers; we also want to be a positive force for players, employees, suppliers, shareholders and society at large.

# CSR at NetEnt

## Key areas in 2015

The focus of NetEnt's sustainability approach is on the aspects which the Company's stakeholders – both internal and external – find to be most important to the Company's operations. The following issues have been defined as the most essential.



**The most essential areas of CSR among stakeholders and in the strategies formulated by NetEnt's management are:**

- Regulations and compliance
- Responsible gaming
- Anti-corruption and anti-money laundering
- Diversity and gender equality

NetEnt has prepared action plans and strategies in these areas. We have also initiated the preparation of strategies for Environment and Health & Energy, because we see reasons to develop these areas too (see next page).



# CSR at NetEnt is divided into the six following areas:



## Responsible gaming

Promoting responsible gaming is fundamental to NetEnt and a condition for the licenses it holds.

NetEnt and its employees are committed to delivering digital entertainment, and it is important that people play for the right reason – to have fun. It is therefore important that NetEnt always promotes responsible gaming.

Although NetEnt has no direct contact with the individual players, the Company works actively and in close cooperation with other market participants to prevent gaming-related problems. For some people, gaming can turn into an addiction that threatens physical, psychological and social wellbeing. The Public Health Agency of Sweden [2014]<sup>1)</sup> estimates that around 2 percent of the population aged between 16 and 84 experience problems with their gaming.

### Product design with player-safety functions

NetEnt's product design is aimed at helping customers promote responsible gaming. This means that the games are designed with functions that enable the operators to allow the players to stay in control of their gaming, for example by setting an upper limit to their bets, reducing playing speed or by turning off certain functions, such as autoplay. All of NetEnt's games also feature a clock that makes it easier for the player to keep an accurate sense

of time. There is also the possibility of inserting blocks on playing for longer than a certain period of time, or activating an alert function that reminds of playing time and losses.

### Guidance and training

All of NetEnt's employees are trained in responsible gaming, and those with special responsibility undergo in-depth training. Formal guidance in the area is also provided through the following policies and processes.

- NetEnt Responsible Gaming Policy: Comprehensive guide for all employees regarding questions relating to responsible gaming.
- NetEnt Self-Exclusion Procedure: Describes how NetEnt shall proceed when a player expresses a desire to be closed off from further playing.
- NetEnt Regulatory Training Policy: Presents which requirements are imposed for staff training in responsible gaming.
- Player Communication Guideline: Guide for communication with players in the event of players contacting NetEnt directly regarding gaming problems.

<sup>1)</sup> Swedish Ministry of Finance, ESO 2015:1



## NetEnt follows the consumer protection guidelines of the Global Gambling Guidance Group.

### eCOGRA

Players can rest assured that the games meet set requirements, are random, and that wins are possible. At the same time, players should also be aware that it is possible to lose.

NetEnt's games and platform are regularly tested for randomness by independent accredited testing agencies, which is one of the requirements set by the gaming authorities in the markets where the Company operates. NetEnt is verified by the international testing agency eCOGRA (e-Commerce and Online Gaming Regulation and Assurance) which is a London-based industry organization that works to promote safe and responsible gaming. Each year eCOGRA examines NetEnt's development environment, verifies and ensures that the software is securely and reliably maintained and operated, and that the Company is continually tested by other independent agencies. eCOGRA also reviews, in more general terms, how the operations and games meet the institution's responsible gaming requirements.

### Global Gambling Guidance Group (G4)

NetEnt is certified for responsible gaming according to the Global Gambling Guidance Group (G4). By developing responsible gaming software and training programs for the employees of gaming companies, and by offering help lines and personal counseling, G4 works to minimize the damage and problems that arise from

gambling addiction. NetEnt is regularly examined by G4 to ensure that the Company's operations and products support the following consumer protection guidelines of the organization:

- Protecting minors and at-risk individuals
- Protecting players' rights
- Promoting responsible gaming in a safe environment, for instance through built-in player safety functions
- Ensuring the reliability of games and gaming devices
- Keeping online casino games free from criminal activity, such as money laundering
- Compulsory training for employees in responsible gaming

### Preventive work on our markets

In order to support preventive work and the treatment of gambling addiction, NetEnt has undertaken to make annual donations to the Responsible Gambling Trust in the UK – a leading organization in the work to reduce gaming-related problems in society.





## Regulations and compliance

Regulations mean healthy developments for the gaming industry.

Commercially sound provisions regarding taxes and products provide solid fundamentals for regulated markets to grow and develop. NetEnt's strategy includes expansion on regulated markets and, for many years, the Company has invested resources to build up an organization with the capacity to obtain and maintain licenses and certifications.

NetEnt welcomes regulation because this leads to a safer environment for both players and gaming companies. NetEnt is a member of the Swedish online gaming industry association (BOS), which represents gaming companies and game developers. In the past few years, the most important issue for BOS has been to promote a new, sustainable game regulation in Sweden, which should replace the obsolete monopoly with a licensing system.



## Anti-corruption and anti-money laundering

Zero tolerance, clear guidelines and staff training.

Money laundering is a major problem in the world today. The IMF estimates its global size at between 2 and 5 percent of entire global GDP, which would make it the third largest sector in the global economy after agriculture and oil.

NetEnt has zero tolerance and clear guidelines against money laundering (AML policy) and against corruption

(Anti-Bribery policy), as well as a handbook counteracting money laundering and terrorist financing (Handbook for AML/CFT). All of NetEnt's staff undergo training in anti-corruption and anti-money laundering in order to learn about the topic in general, legislation that exists in the area, and how they are expected to act in suspected cases of money laundering. Also, background checks are performed when new employees are hired.

NetEnt's compliance function serves as support for the organization in matters regarding laws, regulations and directives, and ensures the Company's compliance with policies and processes. The compliance department also assists with customer due diligence. In order for all employees to feel secure in reporting deviations from the Company's rules, there is a confidential and efficient whistle-blowing procedure in place.



## Diversity and equality

Equal opportunity for everybody is a key feature at NetEnt.

At NetEnt, we believe that diversity gives a broader spectrum of perspective and experience, which improves the innovative environment at the Company. Diversity also strengthens and promotes our corporate culture, which is a key success factor for the Company.

NetEnt strives to offer equal opportunity for all staff irrespective of gender, age, ethnicity, sexual orientation or religion. All evaluations of existing and new employees are exclusively based on factors such as competence, experience and attitude. Almost 50 nationalities were represented among NetEnt's staff in 2015. The Group-wide language is English, and in most cases knowledge

of Swedish is not required for employment.

An important part of our employee strategy is the objective to achieve a 50/50 balance between male and female employees by 2020. The male/female breakdown in the senior management team is 50/50 compared with an average of 19 percent women for all listed Swedish companies. A number of activities is conducted each year to improve female representation at the Company. According to AllBright's latest survey, NetEnt ranked number twelve out of all of the 266 companies listed on the Stockholm stock exchange when it comes to female leadership representation.



## Environment

A relatively low environmental impact can be reduced further.

From an environmental perspective, NetEnt's digital business model is a better alternative than traditional, physical casino environments that consume more resources than online casino. The Company's electricity consumption is the greatest burden on the environment, and is mainly attributable to different types of technical equipment such as servers, PCs and monitors.

As far as possible, travel should be avoided in favor of video or phone meetings, which also supports the

efficiency and profitability of the business. In 2016, efforts will start on measuring electricity consumption and carbon dioxide emissions, and finding improvement measures for NetEnt in this area.

In terms of operating the offices, the Company strives to be green with measures such as recycling and the reduction of paper and disposables. As the Company grows and needs new premises, the environmental aspect is considered when evaluating the options.



## Work environment and society

Dedicated employees who feel good are crucial to NetEnt's ability to reach its goals, and this also contributes towards a better society.

Dedicated and energized employees who feel good are crucial to NetEnt's ability to reach its goals, and this also contributes towards a better society. NetEnt prioritizes measures to ensure that staff thrive and develop at work. There is a great focus on the regular employee survey that is conducted three times a year and followed up with analysis and measures to improve the work environment.

There is an emphasis on personal development, and NetEnt aims to offer good advancement and internal career opportunities.

Health and energy is a particularly important part of the Company's employee strategy – employees are encouraged to have a healthy lifestyle with exercise, healthy

eating habits and mental balance, through wellness benefits and many shared activities and initiatives. During the year, a "health and energy inspirer" was appointed to serve as an employee health coach, both at the overall company strategic level, and the individual level, in matters of health and mental balance.

NetEnt wants to be involved in supporting community engagement and encourages its employees to undertake charitable initiatives, which are sometimes also matched by financial support from the Company.



### Stakeholder dialog

NetEnt’s most important stakeholders are customers and indirectly players, employees, shareholders/investors, suppliers and the societies in which the Company operates. NetEnt keeps a regular dialog with these stakeholders.



Stakeholders	Focus in sustainability	Examples of measures and communication
<b>Customers and indirectly players</b>	<ul style="list-style-type: none"> <li>Product quality and service</li> <li>Randomness</li> <li>Player safety</li> <li>Functions for responsible gaming</li> </ul>	<ul style="list-style-type: none"> <li>Regular customer surveys and dialog</li> <li>Certification for responsible and safe play according to eCOGRA and G4</li> <li>Product design with player safety functions</li> <li>Internal policies</li> <li>Collaboration with responsible gaming organizations</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Developing work position</li> <li>Stimulating work environment</li> <li>Skills development</li> <li>Health</li> <li>Diversity and equality</li> </ul>	<ul style="list-style-type: none"> <li>Regular employee surveys with follow-up and improvement measures</li> <li>Wellness contributions, shared activities and health coach</li> <li>Agreement signed in 2015 for relocation to new, centrally located and sustainable premises in Stockholm</li> <li>Supporting UN Global Compact</li> <li>Strategic work for improved equality</li> </ul>
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>Long-term sustainable returns</li> <li>Business ethics in general</li> </ul>	<ul style="list-style-type: none"> <li>Financial communication through reports, press releases, online and investor meetings</li> <li>Supporting UN Global Compact</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>The work situation for consultants and subcontractors such as the collaboration partner in India</li> <li>Promotion of sound business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing dialog and evaluation</li> <li>Our collaboration partner in development in India regularly participates in the Company’s joint activities</li> <li>Our collaboration partner in India is highly ranked in the country in terms of HR policy and staff turnover</li> <li>Supporting UN Global Compact</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>Welcoming regulations</li> <li>Environmental awareness in the business</li> <li>Anti-corruption work</li> <li>Counteracting money laundering and terrorist financing</li> <li>Promoting of diversity and sound business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Internal policies and training for all employees</li> <li>Compliance function</li> <li>Customer due diligence</li> <li>Whistle-blowing procedures</li> <li>Employee strategy focusing on gender equality</li> <li>Support of social initiatives with employees</li> <li>Supporting UN Global Compact</li> </ul>

<p><b>TOGETHER WE WIN</b></p>	<p><b>THINK AHEAD BE AHEAD</b></p>	<p><b>WE ACT SPEEDSMART</b></p>	<p>Number of new employees in 2015</p> <p><b>197</b></p> <p><b>PASSION IN ALL WE DO</b></p>

# Culture and values for rapid growth

NetEnt operates in an industry that is constantly changing and evolving. New technology, new markets and new competitors constantly require complex and ground-breaking games and system solutions. In order to achieve success in such circumstances, an innovative, dynamic and opportunity-focused corporate culture is needed that attracts the industry's top talent.

Our core values form the basis of our corporate culture and guide staff in their daily work. Our work approach

means striving for both great initiative and discipline, and we usually describe ourselves as a "challenger company" with a value-driven leadership.

We challenge a traditional industry with our digital business model, and we constantly attempt to challenge ourselves, at all levels, by asking ourselves – is there a smarter and faster way of working to reach our short- and long-term goals? We call this working speedsmart.

A key success factor for NetEnt is its strong corporate culture, which drives innovation and attracts the best talent of the industry.

# Strong corporate culture that drives innovation

With the right expertise, a strong team spirit and shared values, we can continue to deliver the best gaming experience to our customers' players. NetEnt has a strong corporate culture featuring innovation, quality, collaboration and passion for what we do – in which our values are key. Common qualities of our employees are that they are ambitious, autonomous and curious individuals who take initiative and thrive in a fast-growing, international work environment.

NetEnt's employees represent almost 50 nationalities and many have backgrounds ranging from computer games and the IT industry to the telecom and finance sectors. Skills and experience from different organizations and cultures contribute positively to the Company's development. Many employees make a career out of growing with the Company, and internal recruitment is often prioritized.

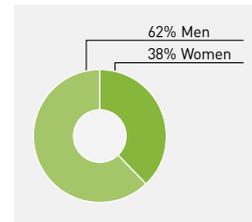
In order to remain a world-leading provider of digital gaming solutions, know-how, experience and dedicated staff are essential. NetEnt constantly needs to recruit skilled individuals and is also seeing an increase in the number of applications as the Company becomes more well-known and successful. During the year, we hired a total of 197 people for all of our offices. In the introductory phase for new employees, great importance is attached to conveying and anchoring NetEnt's core values and corporate culture.

### Core values

NetEnt's core values (see page 37) aim to provide guidance in daily work and ensure the conduct needed for rapid growth, high quality and innovative solutions. To be sufficiently agile, it is important that all staff have a sense of responsibility for taking own initiatives for constant improvement of the business.

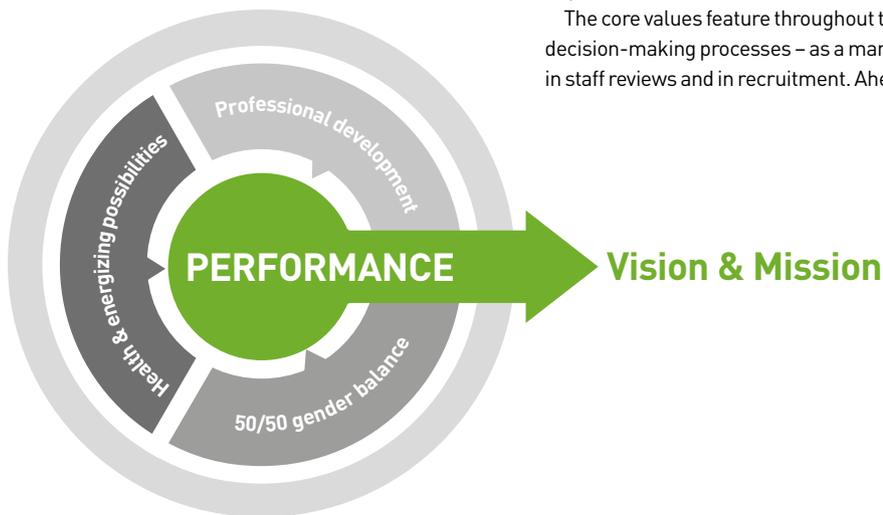
The core values feature throughout the Company's decision-making processes – as a management tool, in staff reviews and in recruitment. Ahead of hiring new

Gender breakdown at NetEnt, Dec 31, 2015



Share of women in management

50%





**Know-how, experience and dedicated staff are essential factors to remain an industry leader.**

employees, special interviews are conducted to ensure that our culture and the attitude of the candidates are well-aligned, which has led to fewer terminated trial employment periods than before.

**Talent strategy**

Our talent strategy shall encourage employee performance. In order to create conditions for performance, good opportunities are provided for professional development, a healthy lifestyle and an inclusive work environment which, over time, leads to a more even gender balance.

Driven, talented people want to develop and appreciate being given support when needed. A healthy lifestyle facilitates sustainable high performance, and several surveys show that investing in gender balance also benefits a company’s financial results.

The talent strategy and the factors described above form the basis of a variety of activities designed to boost employee performance at the Company, and for each of the areas there is a sponsor in Group management.

**Leadership and development**

Leadership at NetEnt means responsibility for driving the operations forward based on the Company’s vision, goals and strategies. The Company has managers of varying age and experience, who share an ambition to develop themselves, their leadership, their staff and the Company. Great emphasis is placed on hiring new managers, and on their support and development. For many years, NetEnt has also had a compulsory leadership program for all managers at the Company. The program is part of the managers’ onboarding, and places great emphasis on the Company’s core values, knowledge about NetEnt and staff management and development.

It is important for employees to always be one step ahead, and the Company offers different types of skills development. Once a year, an innovation week is organized at the Company, with daily activities and workshops regarding creativity and innovation. All employees are encouraged to create innovative ideas for a competition. The first prize is usually a trip to Las Vegas. Another activity to encourage ideas and innovation is NetEnt X, which takes place once a month. A team works with an idea for 24 hours, which is subsequently presented to colleagues at the office.

NetEnt’s All-In reward system is a concept based on “gamification” that encourages staff performance and loyalty. Employees can collect virtual coins which can then be exchanged for goods and services, or be donated to charity. Employees who feel good can also perform better. NetEnt offers its staff wellness benefits and regularly organizes activities to inspire a healthy lifestyle with exercise, healthy eating habits and mental balance.

**Gender balance**

Access to the right talent is crucial to NetEnt’s successes. With an active strategy to achieve a workplace with 50 percent women, we can ultimately access a bigger talent pool and create even better conditions for innovation and creativity. NetEnt shall serve as a role model in the IT and gaming industry and aims to achieve a 50/50 gender balance over time.

In 2015 the gender breakdown was 38 percent women and 62 percent men for the entire company, but was 50/50 in Group management. In the 2015 AllBright report – an annual ranking of all companies listed on the Stockholm stock exchange in terms of the share of women in leading positions – NetEnt ranked as number 12 out of all listed companies.

Number of employees

718

Average age

35

Absence due to illness

3.1%

Number of nationalities

47

2015 was a volatile year on the global markets, ending with modest gains for the main share indices. The year featured worries about the economic trend in China and an imminent rate hike from the Federal Reserve, while the ECB instead announced extended stimulus measures. For NetEnt, 2015 was yet another fantastic year. Its share price gained 88 percent and market capitalization at year-end was almost SEK 20 billion.

# Yet another year with a sharp surge in share price

## Analyst coverage

**ABG Sundal Collier**  
Anders Hillerborg

**Carnegie**  
Mikael Laséen

**Danske Bank**  
Sharish Aziz

**DnB**  
Martin Arnell

**Handelsbanken**  
Rasmus Engberg

**Nordea**  
Christian Hellman

**SEB Enskilda**  
Olof Larshammar

NetEnt's share has been listed on Nasdaq Stockholm since 2009 and is traded under the ticker NET B. As of January 1, 2016, the share is included in the large cap segment, which includes companies with a market capitalization exceeding EUR 1 billion.

## New share issue

The Annual General Meeting in 2012 resolved to introduce a long-term incentive program intended for senior management and key employees in the Group. Following the decision, 114,994 share option rights were issued, entitling the holders to subscribe for as many new shares in NetEnt. The strike price for the shares was set at SEK 85.83 and share subscription could take place during the period August 1 to October 1, 2015. At the end of the period, all options had been exercised, and hence the number of shares in NetEnt AB (publ) increased by 114,994 series B shares during the year.

## Share capital

Following the new share issue, the total number of

shares outstanding of NetEnt amounts to 40,021,810, of which 5,610,000 shares are of series A and 34,411,810 are of series B, equaling a total of 90,511,810 votes. Share capital amounts to SEK 1,204,656 following the change in the number of shares. The new share issue added SEK 9.9 million of equity to the Parent Company and the Group. The quotient value per share is SEK 0.03.

## Trading volume and share price performance

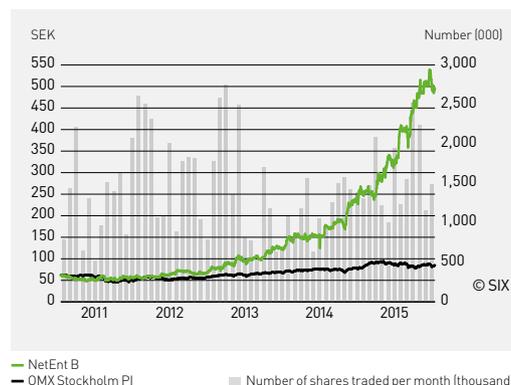
The last price paid on the final business day of the year was SEK 494.5, giving a total market capitalization for NetEnt of SEK 19.8 billion at the end of 2015. In 2015, 19,115,382 shares were traded to a total value of SEK 7.1 billion, equaling 56 percent of the total number of outstanding B shares in NetEnt. The average daily volume of shares traded during the year was 76,157, equaling an average daily value traded of SEK 28.4 million. Around 90 percent of the volumes are traded on the Stockholm stock exchange, the rest takes place on other market-places such as Turquoise and BATS Chi-X Europe.



Share price performance and trading volume 2015



Share price performance and trading volume 2010 – 2015



The share price gained SEK 231.5 in 2015, equaling 88.0 percent. The highest price paid during the year was SEK 554.0, and the lowest price paid was SEK 239.5. At the same time, the Nasdaq Stockholm Mid Cap PI index gained 38.5 percent, while the Nasdaq Stockholm Consumer Services PI gained 1.3 percent.

### Stock option program 2015–2018

The Annual General Meeting on April 29, 2015 resolved to introduce a new long-term incentive program for senior management and key employees in the NetEnt Group. At the end of the subscription period in June 2015, a total of 164,050 options had been subscribed for, equaling 82 percent of the offer. The share options were issued at a market valuation of SEK 27.97 per option (option premium) according to a valuation carried out by Ernst & Young, which contributed SEK 4.6 million to Group equity. The strike price for the shares was set at SEK 426.40 and share subscription can take place during the period August 1 to October 1, 2018. If these share options are fully subscribed, SEK 70.0 million will be contributed to Parent Company equity.

### Shareholders

The number of shareholders in NetEnt at December 31, 2015 amounted to 8,589 (5,541) according to Euroclear. NetEnt's ten largest owners held shares equaling 40.1 percent of capital and 73.5 percent of votes in the Company. Institutional ownership amounted to 58 percent of the capital.

### Investor relations

NetEnt views communication and transparency as highly important for maintaining good relations with shareholders, potential investors, analysts and the media. The Company places great emphasis on IR communication with a view to informing the capital market about NetEnt's business, development, financial results and position – in order to increase knowledge about and interest in the Company, and to promote an accurate market valuation of the Company's shares.

NetEnt participates in many investor relations activities, such as seminars and investor presentations both in Europe and beyond. In addition, NetEnt takes part in all major gaming exhibitions such as EIG and ICE. In September, a capital markets day was held in Stockholm, which was well attended by investors, analysts and journalists.

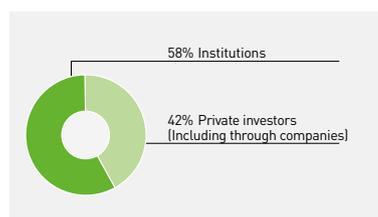
### Dividend policy

The Board's ambition is for NetEnt's ordinary dividend to grow in line with the Company's earnings per share. The objective is for the dividend to amount to a minimum of 50 percent of net profit after tax, subject to the Company's long-term capital requirement.

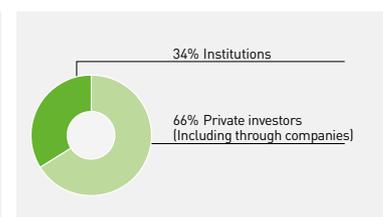
### Proposed dividend for 2015

The Board of Directors proposes to the AGM a distribution of SEK 320.2 million (199.5) to shareholders, which corresponds to SEK 8.00 (5.00) per share. The Board intends to propose that such cash distribution occurs through a share redemption program. The complete proposal will be presented well in advance of the annual general meeting.

Distribution of ownership, share of capital  
December 31, 2015



Distribution of ownership, share of votes  
December 31, 2015



The ten largest shareholders according to Euroclear Sweden AB at December 31, 2015

Shareholders	A shares	B shares	Holding	Holding	Votes
Per Hamberg	1,700,000	836,400	2,536,400	6.3%	19.7%
Rolf Lundström	1,152,500	1,432,191	2,584,691	6.5%	14.3%
Michael Knutsson	1,000,000	1,750,000	2,750,000	6.9%	13.0%
Berit Lindwall	604,000	122,595	726,595	1.8%	6.8%
Lars Kling	342,000	544,733	886,733	2.2%	4.4%
Banque Carnegie Luxembourg	351,500	174,950	526,450	1.3%	4.1%
BP2S Paris/EFG Bank AG	260,000	502,966	762,966	1.9%	3.4%
Lannebo Fonder	–	2,486,539	2,486,539	6.2%	2.7%
Svenska Handelsbanken AB for PB	200,000	1,024,181	1,224,181	3.1%	3.3%
Skandia Liv	–	1,565,195	1,565,195	3.9%	1.7%
<b>The ten largest shareholders, total</b>	<b>5,610,000</b>	<b>10,439,750</b>	<b>16,049,750</b>	<b>40.1%</b>	<b>73.5%</b>
Other shareholders	–	23,972,060	23,972,060	59.9%	26.5%
<b>Total</b>	<b>5,610,000</b>	<b>34,411,810</b>	<b>40,021,810</b>	<b>100.0%</b>	<b>100.0%</b>

The stated shareholdings include holdings through family and companies.

### Key data, NetEnt's share

	2015	2014	2013
Earnings per share, fully diluted (SEK)	9.34	6.09	4.21
Distribution to shareholders, SEK/share <sup>1</sup>	8.00	5.00	3.00
Distribution, share of profit after tax, %	86%	82%	71%
Outstanding shares at year end, million	40.0	39.9	39.6
Average number of shares, million	40.0	39.9	39.6
Last price paid 2015, SEK	494.5	263.0	135.5
Highest price paid 2015, SEK	554	265	135.5
Lowest price paid 2015, SEK	239.5	127	76.75
Dividend yield <sup>2</sup>	1.6%	1.9%	2.2%
Total return, NetEnt share <sup>3</sup>	89.9%	95.9%	72.2%
Market capitalization at year-end, SEKm	19,791	10,495.5	5,359.5
Number of shareholders	8,589	5,541	4,624

<sup>1</sup> Board's proposal for 2015

<sup>2</sup> Distribution divided by share price at year-end

<sup>3</sup> Percentage change in share price during the year, plus dividend distributed

NetEnt's scalable business model and strong market position on an attractive growth market have historically led to a strong cash flow and high dividends to shareholders.

# Four strong reasons to invest in NetEnt

## Attractive market

The global online gaming market continues to grow rapidly. The underlying structural growth is supported by megatrends such as globalization, digitalization and mobile growth. Consumer patterns are changing in favor of online games, and reregulation opens up new geographic markets. Online casino only accounts for 6 percent of all casino games globally while the remainder still takes place offline. The current migration from offline to online provides for a bright future outlook for the market. Also, demand in the past has not proven to be cyclical.

## Strong market position

NetEnt has been a pioneer on the digital casino market since its inception in 1996, and has over 130 active customers today, including most major gaming companies in Europe. In the past eight years, NetEnt has grown much faster than the market and currently has a market share of an estimated 32 percent in Europe and 17 percent globally.

## Scalable business model with barriers to entry

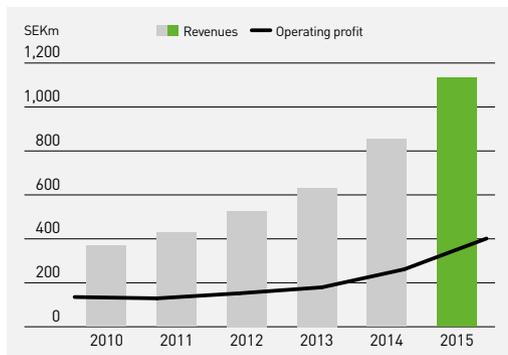
NetEnt's premium solutions for digital casino and award-winning game portfolio provide economies of scale and facilitate successful business for gaming operators. Thanks to its experience, expertise and size, NetEnt can deliver synchronized game launches for different distribution channels and geographic markets according to timetables determined far in advance. This creates entry barriers to new, smaller competitors.

## Strong cash flow and dividends for shareholders

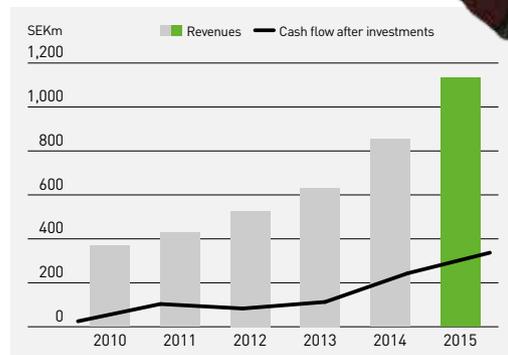
NetEnt's business generates a strong cash flow. The Company's capabilities and focus on generating profitable growth, combined with stable and relatively predictable investments, support sustained high dividends for shareholders.



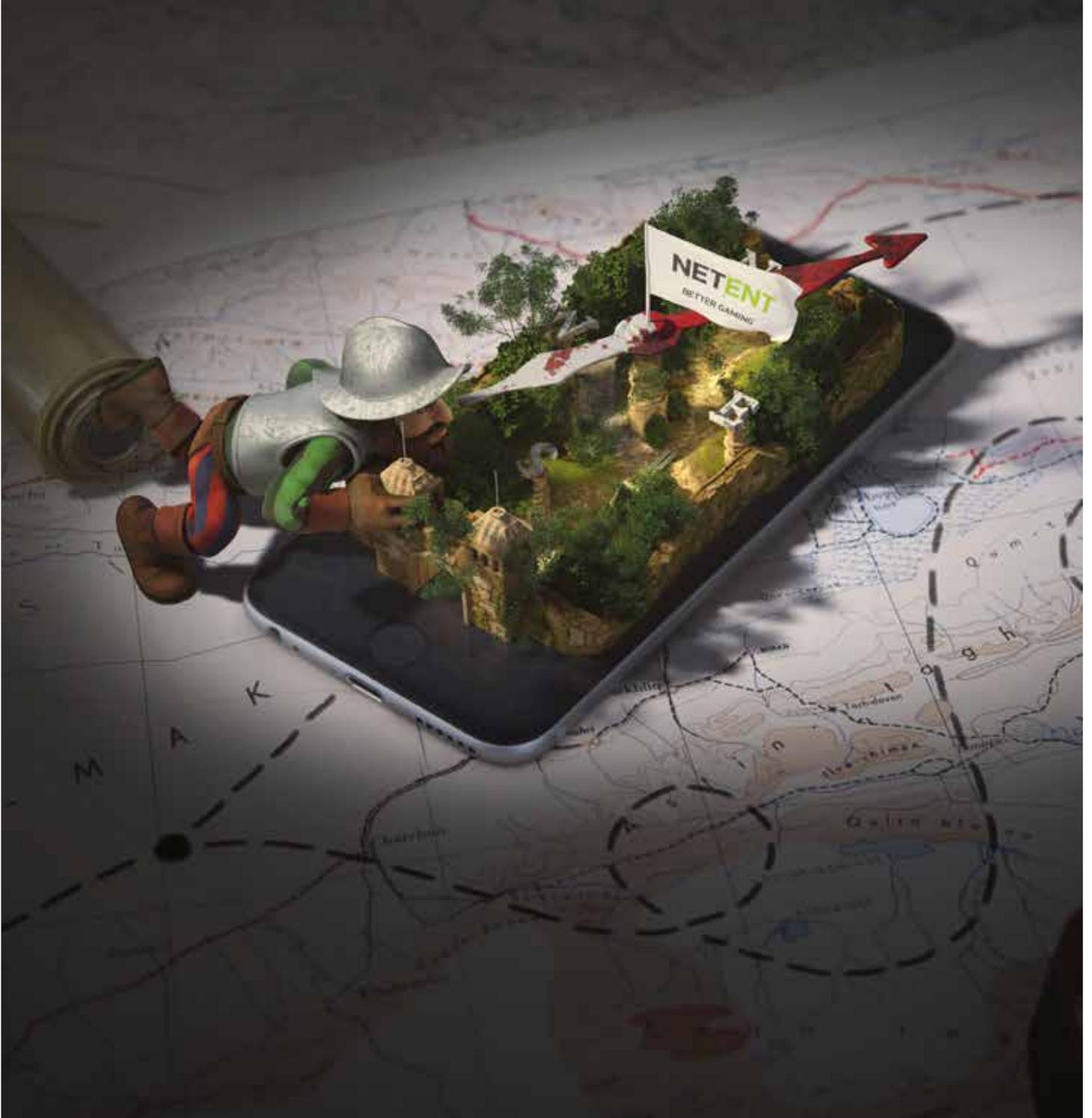
Revenues and operating profit, NetEnt



Revenues and cash flow after investments, NetEnt



**“ NetEnt has over 20 years’ experience in digital casino entertainment. Few or no others have such experience and knowledge about our industry.**



# Five-year summary

## CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK thousands	2015	2014	2013	2012	2011
Operating revenues	1,132,425	851,663	630,746	526,671	427,618
<b>Operating profit before depreciation/ amortization and impairment</b>	<b>539,896</b>	<b>390,176</b>	<b>282,888</b>	<b>227,314</b>	<b>175,536</b>
Depreciation/amortization and impairment	-138,285	-128,511	-103,140	-74,257	-45,823
<b>Operating profit</b>	<b>401,611</b>	<b>261,665</b>	<b>179,748</b>	<b>153,057</b>	<b>129,713</b>
Net financial income/expense	1,675	4,370	2,950	-1,794	-719
<b>Profit before tax</b>	<b>403,286</b>	<b>266,035</b>	<b>182,698</b>	<b>151,263</b>	<b>128,994</b>
<b>Profit for the year</b>	<b>373,992</b>	<b>243,242</b>	<b>167,139</b>	<b>136,142</b>	<b>117,584</b>

## CONDENSED CONSOLIDATED BALANCE SHEETS

SEK thousands	2015	2014	2013	2012	2011
<b>ASSETS</b>					
Non-current assets	285,226	282,370	257,391	216,375	183,554
Current receivables	277,458	263,582	169,665	254,216	184,630
Cash and cash equivalents	402,058	258,057	105,829	81,230	74,234
<b>Total current assets</b>	<b>679,516</b>	<b>521,639</b>	<b>275,494</b>	<b>335,446</b>	<b>258,864</b>
<b>Total assets</b>	<b>964,742</b>	<b>804,009</b>	<b>532,885</b>	<b>551,821</b>	<b>442,418</b>
<b>EQUITY AND LIABILITIES</b>					
Equity	714,161	546,201	380,666	294,194	240,875
Non-current liabilities	11,418	12,390	7,478	3,513	481
Current liabilities	239,163	245,418	144,741	254,114	201,062
<b>Total liabilities</b>	<b>250,581</b>	<b>257,808</b>	<b>152,219</b>	<b>257,627</b>	<b>201,543</b>
<b>Total equity and liabilities</b>	<b>964,742</b>	<b>804,009</b>	<b>532,885</b>	<b>551,821</b>	<b>442,418</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK thousands	2015	2014	2013	2012	2011
Cash flow from operating activities	488,761	364,897	249,930	195,422	203,251
Cash flow from investing activities	151,205	-121,195	-136,357	-111,577	-99,044
Cash flow from financing activities	185,076	-93,874	-90,870	-76,513	-76,565
<b>CASH FLOW FOR THE YEAR</b>	<b>152,840</b>	<b>149,828</b>	<b>22,703</b>	<b>7,332</b>	<b>27,642</b>
Opening cash and cash equivalents	258,057	105,829	81,230	74,234	47,034
Exchange rate difference in cash and cash equivalents	-8,479	2,400	1,896	-336	-442
<b>Closing cash and cash equivalents</b>	<b>402,058</b>	<b>258,057</b>	<b>105,829</b>	<b>81,230</b>	<b>74,234</b>

## KEY FIGURES

Group	2015	2014	2013	2012	2011
Operating margin (percent)	35.5	30.7	28.5	29.1	30.3
Profit margin (percent)	35.6	31.2	29.0	28.7	30.2
Equity/assets ratio (percent)	74.0	67.9	71.4	53.3	54.4
Net interest-bearing liabilities (SEK thousands)	-402,058	-258,057	-105,829	-79,356	-74,234
Average number of employees	489	401	328	257	220
Employees at year-end	529	456	356	301	231
Employees and consultants at year-end	718	591	461	403	324
Earnings per share, basic (SEK)	9.34	6.10	4.23	3.44	2.97
Earnings per share, diluted (SEK)	9.34	6.09	4.21	3.44	2.97
Book equity per share (SEK)	17.84	13.69	9.62	7.44	6.09
Distribution to shareholders per share (SEK)	8.00*	5.00	3.00	2.25	2.00
Average number of shares outstanding	40,021,810	39,906,816	39,553,716	39,553,716	39,553,716
Number of outstanding shares at year-end	40,021,810	39,966,274	39,553,716	39,553,716	39,553,716

\* Proposed for 2015

## Definitions

### OPERATING MARGIN

Operating profit in relation to revenues.

### PROFIT MARGIN

Profit after financial income/expense in relation to revenues.

### EQUITY/ASSETS RATIO

Equity at the end of the year as a percentage of the balance sheet total at the end of the year.

### NET INTEREST-BEARING LIABILITIES

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

### AVERAGE NUMBER OF EMPLOYEES

Average number of employees converted into full-time equivalents.

### EMPLOYEES AT YEAR-END

The number of employees at the end of the year.

### EMPLOYEES AND CONSULTANTS AT YEAR-END

The number of employees and subcontractors at year-end.

### EARNINGS PER SHARE

Profit after tax in relation to the average number of shares outstanding during the year.

### EQUITY PER SHARE

Shareholders' equity in relation to the number of shares outstanding at the end of the year.

### DIVIDEND PER SHARE

Proposed/conducted dividend. "Dividend" here also means distribution to shareholders.

### AVERAGE NUMBER OF SHARES OUTSTANDING

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

### NUMBER OF SHARES OUTSTANDING

Number of outstanding shares at year-end adjusted for bonus issue and share split.

# Administration report

The Board of Directors and the CEO of NetEnt AB (publ), corporate identity number 556532-6443, hereby submit the annual report for the 2015 financial year.

## INFORMATION ABOUT THE OPERATIONS

NetEnt is a leading supplier of digitally distributed gaming systems used by some of the world's most successful gaming operators. NetEnt Casino Module is a comprehensive gaming system comprising a full suite of high-quality games and a powerful administration tool. The games create a superior gaming experience for the player while the administration tool enables NetEnt's customers – the operators – to optimize their business and profitability. Operators are provided with a customized system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimizing installation-to-operation times. Revenues consist of license fees determined by the revenues generated by the Company's products, and setup fees when new agreements are signed.

NetEnt is a pure operating and development company and thus does not conduct any gaming operations of its own. The Company's brand is internationally reputed and associated with innovation, service, and quality.

The Parent Company of the Group is based in Stockholm, where a certain amount of development and infrastructure coordination is carried out, while product management, sales, operations, customer support and marketing are managed out of Malta. The Company also has offices in Gothenburg, Gibraltar, Kiev (Ukraine) and New Jersey (USA), as well as an IT operations site in Alderney. In the fall of 2015, the establishment of a new game development studio in Krakow, Poland commenced. Development work is also conducted through a collaboration partner in India.

Since 2009 the Parent Company has been listed on the Stockholm stock exchange – NASDAQ Stockholm, with the ticker NET B.

## BUSINESS MODEL AND OBJECTIVES

NetEnt is a digital entertainment company. The Company's business model is to develop games and system solutions that enable operators of online casinos to achieve success by offering their customers the ultimate gaming experience. By doing so, NetEnt shall generate sustainable profit growth and dividends for its shareholders. The online gaming market is expected to maintain solid growth and NetEnt's objective is to grow faster than the market.

## IMPORTANT EVENTS IN 2015

- Operations were established in New Jersey, USA, where several major customers were launched. Special state authorization (known as a transactional waiver) was obtained for launch, while processing of the Company's application for a license continues.
- A total of 43 license agreements with new customers were entered, including with the Danish state gaming company Danske Spil.
- In total, the casinos of 37 new customers were launched. Several customers were launched on the new regulated market in Spain.
- Gaming licenses were obtained in the UK and Spain.
- For the first time ever, NetEnt's games were made available in land-based gaming machines, at William Hill's betting shops around the UK.

## MARKET

The online gaming market has shown healthy growth in recent years. It is estimated that global gross game win for online games, including all game segments, amounted to EUR 35.0 billion in 2015, an increase of 8 percent from 2014. The corresponding size of the global online casino market is estimated at EUR 7.7 billion for 2015, representing 9 percent growth from 2014 (source: H2 Gambling Capital, January 2016).

Europe is by far the largest gaming market and is expected to account for close to half of global game win in the next few years. Reregulation of national gaming legislation is taking place in several European countries.

NetEnt closely monitors developments on all markets that are undergoing regulation.

In Spain, the online casino market is now regulated and NetEnt obtained a local gaming license and launched several Spanish operators in June 2015.

In the UK, which is Europe's largest gaming market, new gaming laws were introduced in November 2014, according to which all operators that approach British players must have a local UK gaming license and pay gambling tax in the UK, irrespective of the country in which the operator is based. In 2015 NetEnt obtained a license from the UK gaming authority.

The Italian market was reregulated a few years back and NetEnt has a close cooperation with the regulator for getting unlicensed operators, with a focus on Italian players, to acquire a local license.

In Portugal preparations are under way for regulation and licensing in the near future, and in the Netherlands market regulation is expected in 2017.

The Swedish government appointed a special commission of inquiry in September 2015, commissioned to submit proposals for new gaming regulation in 2017, and according to the government, the new legislation may come into effect in 2018.

The majority of NetEnt's customers are currently in Europe and the Company will continue to focus on the European market, while at the same time the entry into North America will contribute to growth in the longer term. In the US several states have reregulated to permit online games, such as Nevada (poker), Delaware (all game types) and New Jersey (all game types). Also, positive initiatives are under way to reregulate in other states too, such as in Pennsylvania. During the year NetEnt applied for a license in New Jersey and was granted special authorization to launch several customers pending the processing of the Company's complete license application. NetEnt is monitoring developments in other US states for potential expansion ahead, as well as in Canada, where the market is regulated in several provinces such as Ontario, British Columbia and Quebec.

**NEW AGREEMENTS AND CUSTOMERS**

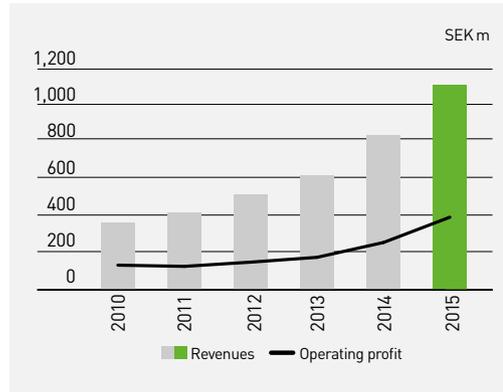
In 2015 agreements with 43 new customers were entered, including with Danske Spil, Codere, Gamesys, Gala Coral, bwin/Borgata, Caesars Interactive, Golden Nugget and Resorts Casino. Some customer agreements were terminated with smaller entities that did not reach the minimum revenue requirement imposed by NetEnt.

**Customers yet to be launched**

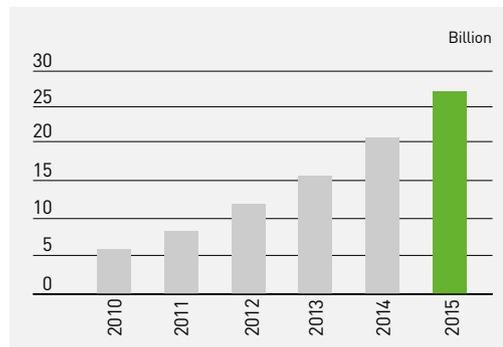
At the end of 2015 NetEnt held agreements with 24 customers not yet launched.

**REVENUES AND PROFIT**

Revenues and operating profit for the last six years are presented below.



**NUMBER OF GAMING TRANSACTIONS**



**Revenues – volume, price and currency trend**

Revenues for full-year 2015 amounted to SEK 1,132.4 million (851.7), which is an increase of 33.0 percent compared with 2014. The reason for the increase in revenues is higher volumes than in the previous year, thanks to several successful game launches, increased volumes from mobile games, as well as new customers and markets. NetEnt entered 43 new customer agreements and launched 37 new customers in the full year.

The number of gaming transactions in 2015 was 27.7 billion, which is an increase of 29.5 percent compared to the previous year. The increase in the number of gaming transactions is driven by underlying market growth combined with new customers launched, but also by the types of game that are most popular. The slot gaming category represented around 87 percent of gross game win (players' bets less their wins) in 2015. The average royalty level was stable during the year. In 2015 the SEK depreciated against the EUR by an average of 2.9 percent compared with full-year 2014, which had a positive effect on revenues and profit. In EUR, total revenues increased 29.3 percent compared with 2014.

## Expenses and profit

Operating profit rose by 53.5 percent to SEK 401.6 million (261.7) and the operating margin was 35.5 percent (30.7). The positive margin trend is primarily a result of increased revenues and greater scalability in the business.

Profit after tax was SEK 374.0 million (243.2), an increase of 53.8 percent from the previous year. Operating expenses increased by 23.9 percent from the previous year to SEK 730.8 million following expansion and strengthening of the organization in areas such as sales, product management, development and operation. Personnel expenses rose 33.8 percent during the year. The expansion also led to increased operating and maintenance costs, such as IT expenses and costs for establishing operations on new markets. Other operating expenses rose 22.0 percent from 2014, while depreciation/amortization rose 7.6 percent.

Net financial income/expense, which amounted to SEK 1.7 million (4.4), mainly consisted of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities that mainly consist of intra-Group transactions and interest on cash and cash equivalents. Currency fluctuations affected at times intra-Group transactions and are included in net financial income/expense. The Group had an effective tax rate of 7.3 percent (8.6) in 2015.

## INVESTMENTS

The Group's investment in intangible assets amounted to SEK 99.8 million (84.4) in 2015, while investments in property, plant and equipment totaled SEK 51.4 million (36.8).

Investments in intangible assets consist of development of new games for mobile devices and desktop, technical adjustments to the platform such as new functionality, increased capacity, adjustments for requirements on regulated markets and software licenses. Major development projects during the year related to games, new regulated markets and a platform project.

Investments in property, plant and equipment are primarily servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new product launches. Investments are also made in computer equipment in line with the growing organization.

## CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

Consolidated cash flow from operating activities amounted to SEK 488.8 million (364.9) for full-year 2015. Cash flow from financing activities amounted to SEK -185.1 million (-93.9), and consisted mainly of distribution to shareholders as well as a new share issue of B shares in connection with the 2012-2015 option program which

expired during the year, see separate description of the new share issue below.

Investments in relation to operating profit fell from the previous year, which had a positive effect on cash flow for the year.

The Group's cash and cash equivalents amounted to SEK 402.1 million (258.1) at December 31, 2015. Unutilized credit available to the Group amounted to SEK 50 million at December 31, 2015.

## PERSONNEL AND ORGANIZATION

At the end of the year, the number of employees amounted to 529 (456). Including external resources such as dedicated consultants, NetEnt employed 718 (591) people. The number of employees and consultants is defined here as full-time equivalents.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

In January NetEnt won the prize in the category "Casino content supplier" at the EGR Nordic Awards and in January the new Guns N' Roses slot game was also released. In February NetEnt was named "Slot provider of the year" at the International Gaming Awards and won the prize for "Casino solutions provider of the year" at the Gaming Intelligence Awards 2016 in London.

In March 2016 NetEnt was issued with the ruling of the Administrative Court of Appeal regarding a previously announced dispute with the Swedish Tax Agency. The Administrative Court of Appeal approved NetEnt's appeal and reversed the ruling of the Administrative Court and the Swedish Tax Agency's review decision in the case. NetEnt will receive SEK 1.8 million in compensation for legal expenses, but otherwise the ruling has no impact on the Group's reported earnings or financial position.

## PARENT COMPANY

The Parent Company's revenues for 2015 amounted to SEK 539.5 million (467.1). Operating profit amounted to SEK 29.1 million (42.3) and the operating margin was 5.4 percent (9.1). Profit after tax was SEK 432.9 million (174.0). The operating margin is mainly affected by how high a share of Parent Company expenses are invoiced onto other Group companies, and the intra-Group price level. The price level is governed based on independent benchmark studies for similar services, and can vary over time if the general price level on the market has changed.

Parent Company investments in property, plant and equipment amounted to SEK 16.4 million (14.5) for full-year 2015. Parent Company investments in intangible fixed assets amounted to SEK 2.2 million (4.1) for the full year and primarily consist of software purchasing.

Cash and cash equivalents in the Parent Company at the end of the period amounted to SEK 82.1 million (217.6).

## Risk factors

Specified below are some of the business- and industry-related risk factors that could have consequences for NetEnt's future development. The risk factors are not arranged in order of importance or potential financial impact on the Company's revenues, profit or financial position. For financial risk factors that affect the Company's business, see Note 26.

### POLITICAL DECISIONS

NetEnt is a supplier of digitally distributed gaming systems for casino games online. The business is highly dependent on the legal landscape for this type of game, primarily in the EU since the majority of the Company's customers are based in Europe.

NetEnt is legally based in the EU, which provides the Company with constitutional protection for business activities that follow from national law, EU law, and the overarching WTO system. Nonetheless, the operations are dependent on the legal and political conditions that apply to customers, i.e. the gaming operators. Developments in terms of the protection provided by EU law which customers have against national protectionist monopoly systems are of particular importance.

The market for basically all types of gaming services is regulated by national legislation that determines how gaming operations may be conducted. The European Court has dealt with national gaming regulations in a variety of rulings. Currently, EU law allows its Member States relative freedom of choice in the regulation of gaming. However, the regulations must meet the requirements of EU law regarding proportionality and nondiscrimination. They must meet the fundamental requirements regarding consistency and a systematic approach. For example, national regulation may not exclude private foreign entities on public health grounds if the government allows comprehensive promotion of public gaming companies at the same time. Those who argue against gaming monopolies express that gaming monopolies cannot be justified for health or safety reasons when they are operated for profit.

In recent years, the European Court and national courts have issued important rulings that affect the entertainment gaming market. Some rulings have contributed to opening up markets to private operators, while other decisions have been more protectionist. In 2009, the European Court gave Member States greater scope to preserve protectionist monopoly systems. Through a series of rulings in 2010, the European Court confirmed the principle that companies that are legally established in the EU have the right to also offer and provide online

gaming. Any limitations imposed by a Member State must be consistent, systematic, and harmonized. National restrictions must always be proportional in relation to the purpose that motivates the restriction.

It is notable that the gaming market has not been subject to specific harmonization measures in the EU. No legal instruments in the form of directives, regulations or decisions have been adopted by political EU institutions.

Deregulation and reregulation of national gaming laws are taking place in many European countries with, for example, Denmark and Spain having recently regulated online gaming. The development of national licensing systems has partly been prompted by recent case law in the European Court, which has provided Member States with slightly more freedom to implement limitations on offering cross-border gaming services. EU Member States have been given greater possibilities of securing tax revenues provided the licensing systems create sound competitive conditions and are formally open for all operators who meet certain criteria.

NetEnt has a "class 4 license" in Malta that covers delivery and technical operation of casino games for gaming operators licensed in Malta. Malta is a member of the EU, and is thus governed by EU law. Malta is one of the few countries in the EU that has opted to allow the gaming sector to be exposed to competition through a national licensing system. NetEnt also has a category 2 license in Alderney and licenses in Gibraltar, Belgium, the UK and Spain.

Political decisions and court rulings in the EU with the purpose of making it difficult for private gaming operators on national markets, primarily in Sweden, Malta, Italy, the UK and Norway outside the EU, could have severely negative consequences for NetEnt's customers and the Company's operations. A liberalization of the gaming market in these markets could likewise have a positive impact on the Company's customers, and thus on NetEnt.

In the current situation, it is difficult to predict how the legal landscape in the EU will develop, and thus affect the commercial conditions for gaming operators, and ultimately game developers such as NetEnt. Therefore, it must be pointed out in particular that, because of the current legal developments in the various Member States, in combination with emerging practice in EU law, NetEnt is operating in a relatively unpredictable legal environment, at least in terms of the EU market, and there is hence a risk (which is difficult to quantify) of NetEnt's operations being negatively affected by legal developments in the future.

### **OPERATIONS THAT REQUIRE A LICENSE AND OTHER LEGAL ASPECTS**

Following a decision by the Malta Gaming Authority (MGA), NetEnt's subsidiary NetEnt Malta Ltd holds a "class 4 license", which means that the Company can offer gaming systems to its customers under the license, and that its products are MGA-approved. It is of great importance to NetEnt's business that the license is maintained and extended.

The license is issued with a five-year term and was extended in 2015. NetEnt also has a category 2 license in Alderney which enables the Company to offer its casino solution to gaming operators that are licensed by the gaming authority in Alderney. This license is valid until further notice and retaining it is of great importance to the Company. The gaming authority in Alderney, AGCC, performs regular inspections of NetEnt's business. If AGCC were to find that NetEnt no longer fulfills the license requirements, the authority can revoke the license. In Gibraltar, NetEnt has what is known as a Remote Gambling Licence, which is extended each year. In 2015 NetEnt obtained local gaming licenses from the gaming authorities of the UK and Spain. NetEnt already held a license in Belgium and certifications in Denmark, Italy and Estonia. It is of great importance to NetEnt's operations that the aforementioned licenses and certifications are retained.

Certain EU Member States – including Sweden – have bans on promoting lotteries organized from another country. "Promotion" is considered a broad concept, and can thus encompass a number of different activities. That NetEnt's business, namely delivering software and providing hosting for gaming operators from another country where the business is licensed and legal, could be considered "promotion" seems less probable. However, the extent of the concept of "promotion" in this respect is unclear.

Gaming authorities in different countries can also adopt a restrictive approach in relation to other markets to which licensed gaming operators and gaming system providers make games available, for example, if the authorities believe that a country is not applying adequate measures to prevent money laundering or terrorist financing.

The factors described above illustrate how NetEnt operates in an unpredictable legal environment.

### **OPERATIONAL DISRUPTION**

NetEnt is responsible for the operation of licensed customer systems through its operation centers in Malta, Gibraltar, Alderney, Costa Rica and Denmark. Like all online services, the system can sometimes suffer from operational disruptions. These can occur for many different reasons, and may be either within or beyond NetEnt's control. In the event of operational disruption, the Company's product is entirely or partially unavailable to the end user, which affects the gaming operator's revenues and thus license revenues for NetEnt. Any operational disruption or technical problem with the Company's servers could therefore result in lost revenues, loss of confidence in the Company, and possible claims for damages. The Company is constantly working to minimize the risk of operational disruption by, for instance, ensuring high technical security in the system.

### **GAMBLING ADDICTION**

Despite the fact that NetEnt does not conduct any gaming operator activities with direct contact with players, people suffering from gambling addictions could sue companies in the NetEnt Group in their capacity of game and system supplier. Even if such claims appear to be unfounded, and would likely be rejected by a court, they could involve considerable expenses and loss of confidence in NetEnt, which could ultimately lead to reduced revenues.

### **DEPENDENCE ON KEY PERSONNEL AND SKILLED EMPLOYEES**

NetEnt's success depends on its ability to hire and retain expert, talented employees in all functions in the regions where NetEnt conducts business, for example commercial experience, understanding of operator and player preferences, game development and technology. The business is also dependent on certain key people at management level. Because of the high rate of market change, the loss of experienced personnel within business-critical areas could temporarily have a negative impact on the Company's profit and financial performance. NetEnt works actively to recruit dedicated and loyal staff through continuing education, corporate culture and opportunities for advancement within the organization.

### **DEPENDENCE ON LARGE CUSTOMERS**

The loss of some of the Company's customers could have a negative impact on NetEnt's revenues and profit. As the number of customers increases, dependence on individual large customers gradually decreases. See Note 4 on page 80.

**COMPETITION**

The Company competes with a number of entities with much greater financial and operational resources than NetEnt. The market is highly attractive, and new competitors may enter the market. However, the barriers to becoming established on the game development market are high. If NetEnt cannot successfully respond to such competition, this could negatively affect the Company's profit and financial position. The Company's ambition is to maintain and develop its position on the market as a world-leading supplier of digitally distributed gaming systems, and to be a respected market participant. By continuing to focus on developing high quality games with great entertainment value, in combination with a powerful administration tool and related services, NetEnt hopes to be able to retain existing customers and attract new ones.

**INTELLECTUAL PROPERTY RIGHTS**

NetEnt's most important intellectual property rights mainly consist of the copyrights for the software and the games developed by the Company, and related materials that are under constant development in the Group. Therefore, it is crucial that the assets developed in the Group remain NetEnt's property. Through contracts with employees and subcontractors, it is ensured that the copyright for developed products accrues to NetEnt. Furthermore, the Group continuously protects its intellectual property rights through, for instance, registering patterns protection and trademarks. There is no guarantee that NetEnt's rights will not infringe on those of competitors, or that NetEnt's rights will not be breached or contested by competitors. The prospect cannot be ruled out either of legal action being taken against NetEnt by competitors for alleged infringement on competitors' rights, both in Europe and North America. If this happened, there would be a risk of the Company suffering substantial liability for damages, which would have a negative impact on the Company's conditions for conducting its business. Lawsuits often involve varying degrees of expenses for the Company in the form of fees for legal advice, even if the legal action does not ultimately lead to a court case. In addition, NetEnt is dependent on specific know-how and the prospect cannot be ruled out of competitors developing equivalent expertise or of NetEnt failing to efficiently protect its know-how.

**PRODUCT FAULTS AND SECURITY**

There is no guarantee that NetEnt's games cannot contain technical faults that could be exploited by players and lead to a poorer gaming outcome, and consequently lower license revenues in NetEnt's games, or cause legal expenses linked to the Company's responsibility for the products working as prescribed by product descriptions and certifications. The existence of technical faults could also eventually harm confidence in the Company's products. Moreover, the prospect cannot be ruled out either of NetEnt's customers or the Company being subjected to hacking or similar types of cybercrime. NetEnt applies industry practice in systems and processes in order to maintain a high level of IT security. The Company continually monitors game transactions in its systems so that it may detect any irregularities and swiftly take action. IT security and operation are an important area in which the Company constantly invests resources to develop and adapt protection to technological developments.

**EXCHANGE RATE FLUCTUATIONS**

The Group's profit and financial position are affected by exchange rate fluctuations, since the majority of revenues are invoiced in EUR while costs largely occur in SEK. NetEnt's current policy is not to hedge changes in exchange rates. An appreciation of the SEK vs. the EUR negatively affects the Company's profit. The fulfillment of NetEnt's financial goals may be affected by future changes in exchange rates. The Group's consolidated profit, equity, assets and liabilities are also affected by exchange rate fluctuations when the profit of foreign subsidiaries is translated into SEK for the Group's consolidated financial reporting.

**THE STATE OF THE ECONOMY**

In the past, NetEnt's revenues have not been negatively affected by a weaker economy. However, the online gaming industry is affected to a certain extent by the general state of the economy. A recession can lead to a reduction in the disposable income of consumers and consequently in demand for digital entertainment, including online casino games. It cannot be ruled out that NetEnt's revenues and profit could be negatively affected in any such future recession. However, this risk is mitigated by the fact that NetEnt's products are distributed to a large number of markets that do not follow the same business cycle.

### **TAX STATUS**

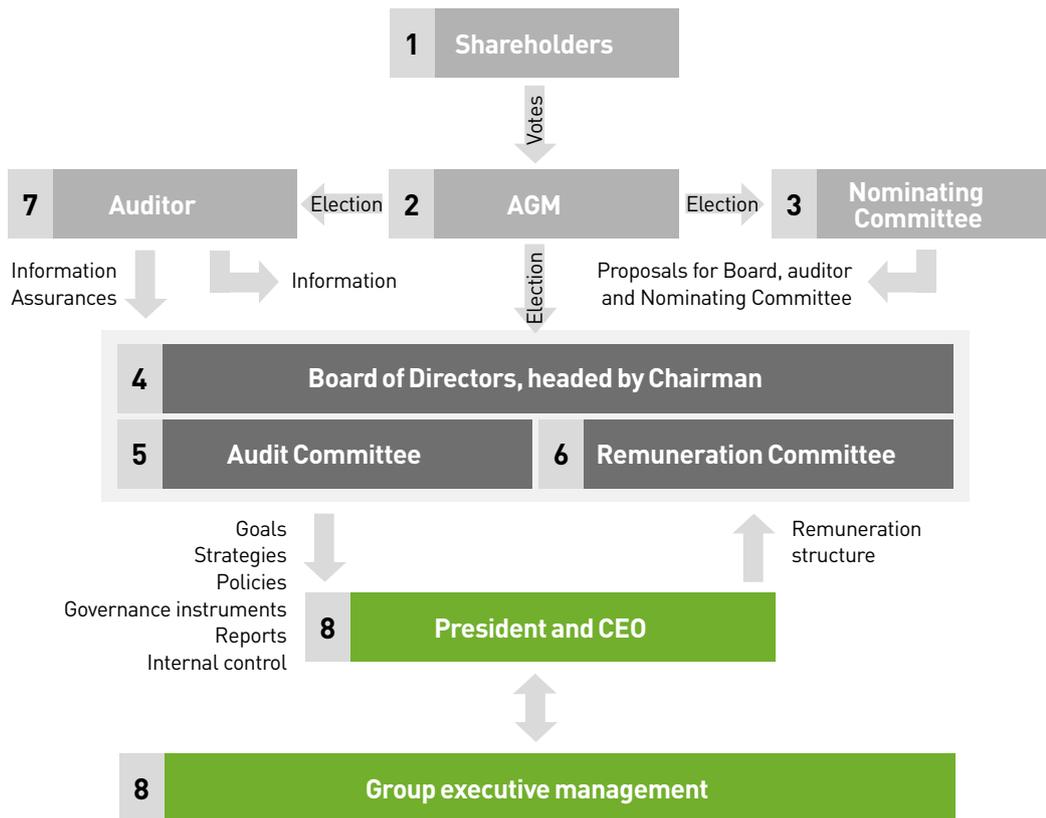
The Group's tax expense is affected by which of the countries where the Group conducts operations is the one in which profit is generated, and the tax rules of each country. Comprehensive assessments are required to establish the income tax provision. There are many transactions and calculations for which the final tax is uncertain at the time when the transactions and calculations are conducted. NetEnt has, alongside external experts, assessed how tax regulations affect the operations in order to ensure an accurate tax status. This also applies to indirect taxes. NetEnt reports and pays to the tax authorities the amount of tax that NetEnt and hired external experts consider correct. However, these figures may prove to be inadequate in the event of the tax authorities applying a different interpretation of the tax rules than that performed by NetEnt and which it believes is correct.

After a tax audit of NetEnt AB (publ) concerning financial years 2007–2010, the Swedish Tax Agency decided to impose additional taxes on the Company in the amount of approximately SEK 92.1 million. In its decision, the Swedish Tax Agency stated that the internal pricing used by the Group between the Sweden-based Parent Company and the Malta-based operations was not justified. NetEnt contested the Swedish Tax Agency's ruling, and in March 2016 the Administrative Court of Appeal approved NetEnt's appeal and reversed the earlier ruling of the Administrative Court and the Swedish Tax Agency's review decision in the case. NetEnt will receive SEK 1.8 million in compensation for legal expenses, but otherwise the ruling has no impact on the Group's reported earnings or financial position.

# Corporate governance report

NetEnt AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm, Large Cap. The Company applies the stock exchange's rules for issuers and the Swedish Code of Corporate Governance (the Code), and hereby submits the 2015 corporate governance report. The report was prepared in accordance with the Swedish Companies Act, the Annual Accounts Act, the Code and other applicable Swedish and foreign laws and regulations. NetEnt has no divergences to report. The report is part of the administration report and has been reviewed by the Company's auditor. The review is reported in the auditor's report on page 88.

## THE CORPORATE GOVERNANCE MODEL OF THE NETENT GROUP



**Important external regulations**

- The Companies Act
- The Annual Accounts Act
- The stock exchange's (Nasdaq Stockholm's) rules for issuers
- The Swedish Code of Corporate Governance (the Code)

**Important internal regulations**

- Articles of association
- Rules of procedure for the Board of Directors
- Information security policy, Finance policy, Financial handbook, etc.
- Policies for anti-bribery, money laundering prevention, etc.
- Internal control and risk management procedures
- IR and insider policy

### Corporate governance foundation

NetEnt endeavors to apply strict standards and efficient processes so that its entire operations create long-term value for shareholders and other stakeholders. This requires maintaining an efficient organizational structure, internal control and risk management systems, and transparent internal and external reporting. There have been no material changes in corporate governance from the preceding year.

## 1 Shares and shareholders

The share capital of NetEnt AB (publ) AB consists of A shares and B shares. The total number of shares is 40,021,810 shares, divided into 5,610,000 A shares and 34,411,810 B shares, equaling 90,511,810 votes in total. One A share entitles to ten votes and one B share entitles to one vote when voting at the AGM. The two share classes have equal rights to the Company's assets and profit. At the AGM shareholders can vote for the full number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the Board of Directors, within the limits of the maximum number of B shares that may be issued according to the articles of association. At December 31, 2015, the number of shareholders was 8,589. The largest shareholders at the end of 2015 were Per Hamberg with 6.3 percent of share capital and 19.7 percent of the votes, and Rolf Lundström with 6.5 percent of the capital and 14.3 percent of the votes. NetEnt's ten largest owners held shares equaling 40.1 percent of capital and 73.5 percent of votes in the Company.

## 2 Annual General Meeting

The Annual General Meeting (AGM) is NetEnt's highest governing body at which shareholders exercise their influence in the Company. The AGM of the Company is held within six months from the end of the financial year. Date, time and location are announced no later than in connection with the third quarter earnings report. Information on how a shareholder can have a matter addressed at the meeting, and by when such a request must be received by the Company in order to ensure it is brought up at the AGM, is announced on NetEnt's website no later than when the third quarter earnings report has been published. Notice of the AGM is announced at least four weeks prior to the meeting, and will subsequently be available on the Company's website.

To be entitled to vote at the AGM, shareholders must be recorded in the share register on the fifth business day before the meeting, including Saturdays that are not Swedish public holidays, and notify the Company of their participation no later than the date stated in the notice of the meeting. Shareholders who cannot attend in person may participate through representatives.

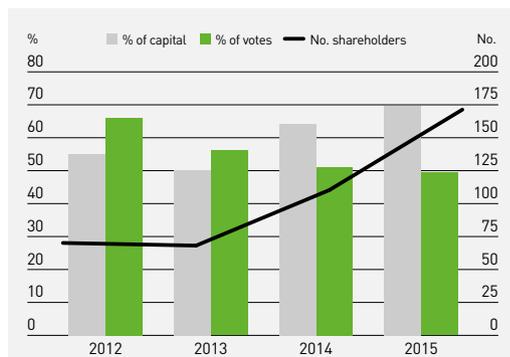
Decisions at the meeting are normally made by a simple majority of votes. However, certain types of resolutions require approval by a higher proportion of the votes and shares represented at the meeting, according to the Swedish Companies Act. Extraordinary General Meetings may be held as needed.

### Annual General Meeting 2015

The AGM 2015 was held on April 29 at Spårvagnshal-larna in Stockholm. 69.6 percent of the total number of votes and 49.3 percent of the total number of shares were represented at the AGM. All members of the Board of Directors, the Company's auditor, the CEO and a number of other senior executives attended the AGM. Two of the Nominating Committee's three members were present. The AGM decided on a new company name for NetEnt AB (publ) from the former Net Entertainment NE AB (publ) and elected a new Board member, Jenny Rosberg. Decisions were also taken on routine subjects and distribution to shareholders in the amount of SEK 5.00 per share in the form of an automatic redemption procedure, and on splitting the Company's shares as part of that process. Also, the AGM decided on a new incentive program with share option rights for senior executives and key individuals at the Company – see page 67 and Note 11 for more details about the option program.

For more information about the AGM 2015, go to NetEnt's website ([www.netent.com](http://www.netent.com)), where all documents for the AGM are available, as well as the AGM minutes and articles of association.

Attendance at NetEnt's AGM



### The AGM decides on

- Adopting the annual financial statements and consolidated financial statements
- Appropriation of profit and dividend
- Discharging from liability the Board of Directors and CEO
- Election of Board members and, where appropriate, auditors
- Remuneration for the Board and auditors
- Guidelines for senior executive remuneration
- Any other issues (important or formal)

### Annual general meeting 2016

The AGM 2016 will take place on April 21 at 3 p.m. at Berns in Stockholm. Notice of the meeting will be provided on the Company's website ([www.netent.com/aggm](http://www.netent.com/aggm)) well ahead of the meeting, together with all required documents for the AGM.

### 3 Nominating Committee

The AGM decides on how the Nominating Committee shall be appointed. At the AGM in April 2015, it was decided that the Chairman of the Board of Directors, Vigo Carlund, shall convene a Nominating Committee consisting of one representative from each of the three largest shareholders at August 31, 2015 who, together with the Chairman of the Board, shall be members of the Nominating Committee ahead of the AGM 2016. The composition of the Nominating Committee is based on the excerpt from Euroclear of registered shareholders, and other reliable ownership information as of the last business day in August. The new Nominating Committee was presented in a press release in October 2015. Per Hamberg (Hamberg family), Christoffer Lundström (Provobis Property & Leisure AB) and Fredrik Carlsson (Knutsson family), together with Chairman of the board Vigo Carlund, make up the new Nominating Committee.

The Nominating Committee has prepared proposals to the AGM 2016 for resolutions regarding the chair of the meeting, the Chairman of the Board and other members of the Board of Directors, auditors where appropriate, remuneration for the Board of Directors and the auditors, as well as principles for appointing the Nominating Committee. The Nominating Committee's mandate period runs until the new Nominating Committee is appointed in accordance with the resolution on selecting the Nominating Committee, decided at the AGM 2016. The composition of the Nominating Committee meets the Code's requirements for independent members. Following the AGM 2015 and until the end of the year, the Nominating Committee met twice.

#### The duties of the Nominating Committee include submitting proposals to the following AGM regarding:

- Chair of the meeting
- Members of the Board of Directors
- Chairman of the Board of Directors
- Board fees
- Committee remuneration
- Amendments to the instructions for the Nominating Committee, if needed
- Auditor and audit fees when decisions are to be made on this at the following AGM

### NOMINATING COMMITTEE AHEAD OF THE AGM 2016

In its work, the Nominating Committee has evaluated the Board of Directors and its work, as well as the Chairman of the Board's report on the Company's activities, goals and strategies, in order to make correct assessments concerning the composition of the Board of Directors. In addition, the Nominating Committee has analyzed the skills and experience of the members of the Board of Directors, as well as the gender balance, and compared them with identified needs. The Nominating Committee is of the opinion that the members of the Board of Directors hold a wide range of extensive experience from business activities, technology, the gaming industry and financial markets. The Board of Directors presently consists of two female members and six male members. The Nominating Committee's proposal, its justified opinion on the proposed Board of Directors, and supplementary information regarding the nominated members of the Board of Directors are announced in connection with the notice of the AGM, and will be presented at the AGM 2016 together with a report on the Nominating Committee's work.

### 4 Board of Directors

#### Board duties

The Board of Directors has overarching responsibility for NetEnt's organization and administration by establishing business goals and strategies, evaluating the executive management and securing systems for monitoring and control of established goals. It is also incumbent upon the Board of Directors to ensure that there is sufficient control over the Company's compliance with laws and other regulations applicable to the Company's business, and that requisite ethical guidelines are established for the Company's conduct. The Board of Directors shall also ensure that the Company's communication is accurate, relevant, reliable and transparent. Between AGMs, the Board of Directors is the Company's highest governing body.

#### Members of the Nominating committee

Per Hamberg (appointed by the Hamberg family), Chair

Christoffer Lundström (Provobis Invest AB)

Fredrik Carlsson (Knutsson family)

Vigo Carlund, Chairman of the Board of Directors

### Board composition

The Board of Directors is elected by the shareholders at the AGM with a mandate period extending from the AGM until the end of the following AGM. NetEnt's articles of association do not contain specific provisions on the appointment and dismissal of Board members. According to the articles of association, the Board of Directors shall comprise three to nine members and no deputies. The AGM decides the exact number of members. The members of the Board of Directors shall devote requisite time and attention to NetEnt, and acquire the necessary knowledge to safeguard the interests of the Company and its shareholders.

### Independence

The Board of Directors is considered to meet the independence requirements. Peter Hamberg is not independent in relation to major shareholders because he is a close relative of one of the Company's largest shareholders. Michael Knutsson is not independent in relation to the major shareholders because he is a large shareholder of the Company. Pontus Lindwall is not independent in relation to the Company because he is the Chairman of the Board of Betsson AB – a customer and previously the parent company of NetEnt.

### Rules of procedure and Board meetings

The work of the Board of Directors is regulated by the rules of procedure, in addition to laws and recommendations. The rules of procedure are adopted by the Board of Directors and reviewed annually. The rules of procedure are divided into different sections in order to clarify and

regulate the Board of Directors' work and duties. The sections consist of the Board of Directors' rules of procedure and instructions for the CEO and Audit Committee. The Remuneration Committee consists of the entire Board of Directors.

The rules of procedure comprise the Board's general obligations, distribution of duties within the Board, how Board meetings shall be recorded, and provision of information to the Board of Directors before and between Board meetings. Before each Board meeting, members receive written documentation about the matters to be discussed at the Board meeting. Also, each month, a monthly report is distributed on operational and financial performance.

### Chairman of the Board of Directors

The Chairman of the Board of Directors is appointed by the AGM. The Chairman organizes and heads the work of the Board of Directors so that it is conducted efficiently, and such that the Board of Directors honors its obligations. Vigo Carlund was appointed Chairman of the Board of Directors by the AGM 2015.

### Board work in 2015

The Board's rules of procedure describe which items shall be on the agenda at each Board meeting, the annual cycle of items over the financial year, and the agenda for inaugural Board meetings. In 2015, the Board of Directors held 12 meetings, including the inaugural meeting, three for adopting interim reports and one for adopting the earnings report. Two meetings were held per capsulam. All meetings held during the year followed an agenda

### At the AGM in April 2015, the following members were elected

Meeting attendance	Board of Directors	Audit Committee	Remuneration Committee
Vigo Carlund, Chairman	12 of 12	-	2 of 2
Pontus Lindwall	11 of 12	-	2 of 2
Fredrik Erbing	12 of 12	4 of 4	1 of 2
Maria Redin	12 of 12	4 of 4	2 of 2
Mikael Gottschlich	10 of 12	2 of 4	1 of 2
Peter Hamberg	12 of 12	-	1 of 2
Michael Knutsson	12 of 12	-	2 of 2
Jenny Rosberg*	8 of 8	-	1 of 1

\*Elected to the Board at the AGM on April 29.

For a further description of the members, see page 62.

### Board remuneration 2013–2015, SEK thousand

Decided at the AGM	2015	2014	2013
Chairman of the Board of Directors	610	600	590
Chair of the Audit Committee	330	320	310
Member of the Board of Directors	255	250	240

### The Chairman's duties include ensuring that:

- new Board members undergo the requisite introductory training
- the Board regularly updates and deepens its knowledge of the Company, the industry, and its performance
- the Board of Directors fulfills its duties
- the Board of Directors receives adequate information and source materials for decision-making in its work
- Board decisions are efficiently executed
- the Board conducts an evaluation of its own work and that the Nominating Committee is informed of the evaluation
- together with the CEO, the agenda of Board meetings is adopted
- contact with the owners occurs regularly and the opinions of the latter are communicated to the Board of Directors. In addition, the Chairman shall serve as support for the CEO.

which, together with the documentation for each agenda item, was provided to Board members ahead of the meetings. Also present at Board meetings are the CEO and the CFO, who also records the minutes. The CEO reports on operational performance at each ordinary Board meeting, and the CFO reports on financial performance. In addition, various senior executives, and auditors if needed, deliver presentations on various specialist topics.

The key points at the Board meetings in 2015 were matters concerning strategy, taxes, business risk management process, approval of business plan, budget, forecasts, key policies such as for anti-bribery, anti-money-laundering, annual report, earnings report and interim reports. A decision was made on the establishment of a new game development studio in Krakow, Poland. A decision was also made to relocate to new, larger business premises in Stockholm. Other matters addressed by the Board of Directors are CSR, the focus on the North American market, financial targets, vision and mission, as well as financial policy.

**Ensuring quality in financial reporting**

The rules of procedure annually resolved by the Board contain detailed instructions regarding which financial reports and financial information shall be submitted to the Board. Besides the year-end report, interim reports

and annual report, the Board reviews and evaluates comprehensive financial information, pertaining both to the Group as a whole and various Group entities.

The Board also reviews, primarily through the Audit Committee of the Board, the most material accounting policies applied in the Group as regards financial reporting, as well as material amendments to reporting policies. Minutes are recorded at all Audit Committee meetings and the minutes are available to all Board members and to the auditors.

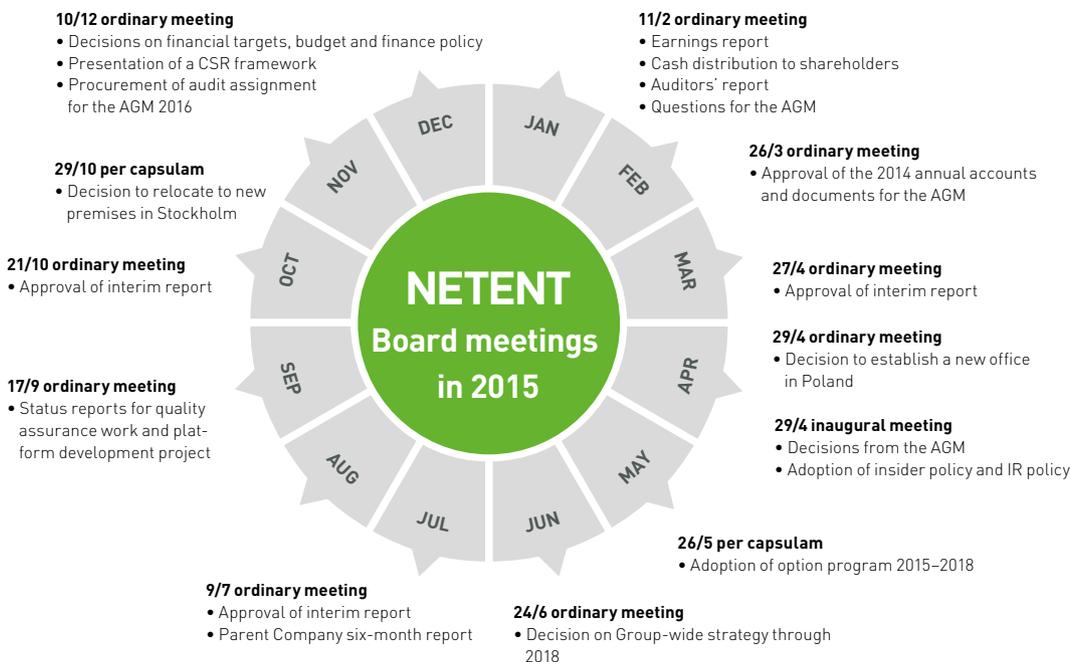
At the Board meeting in February 2015, the chief auditor, Therese Kjellberg of Deloitte, reported her conclusions from the 2014 audit. At the meeting, the members of the Board had the opportunity to ask the auditor questions without the presence of Company management.

**Evaluation of Board work**

The Chairman of the Board of Directors annually evaluates the work of the Board through a systematic and structured process, with the purpose of developing the Board's work and efficiency. Board evaluation includes rating the know-how and dedication exhibited by each Board member. The Board of Directors continually evaluates the CEO's work, and the Board addresses this matter without the presence of any Company management members.

**Board meetings in 2015**

Recurring items at ordinary Board meetings have been the status report of the CEO, feedback from the Committees, risk report, financial report and other current projects and matters, including addressing forecasts, policies and taxes.



### Board remuneration

Remuneration for the Board of Directors is proposed by the Nominating Committee and decided by the AGM, and is paid to Board members who are not employed by the Company. Monetary data regarding remuneration for the Board of Directors by financial year is shown in the table on page 56.

## BOARD COMMITTEES

### 5 Audit Committee

The Audit Committee is responsible for monitoring and quality assurance of the Company's financial reporting. In terms of financial reporting, the Audit Committee monitors the efficiency of the Company's internal controls and risk management. The Committee keeps itself informed of the audit of interim reports, the annual financial statements and the consolidated financial statements, reviews and monitors the auditor's impartiality and independence, and pays particular attention if the auditor provides the Company with services other than audit services. The Committee is also responsible for the Board's ongoing communication with the Company's auditors, establishing guidelines for which services may be procured by the auditors in addition to the audit, evaluation of the audit process, advising the Nominating Committee when preparing auditor proposals, and fees for the audit assignment.

Moreover, the Committee has: established an annual plan for its work and an updated risk analysis for the business with a special focus on financial reporting and the link to internal controls; approved the auditor's audit plan; read and evaluated the auditor's review; evaluated the internal controls and the process improvement work performed by the Company in that regard; and consid-

ered the Finance policy, the Financial handbook and other policies, and accounting issues. During the year, particular attention was paid to the current appeal of the decision from the tax audit regarding the 2007–2010 financial years, the risk management procedure, valuation of intangible assets, sustainability reporting and audit procurement for election at the AGM 2016, as well as reporting and follow-up of the IT audit. The Audit Committee has also evaluated and commenced the introduction of an internal audit process focusing on financial reporting based on a combination of a self-assessment of the finance function and a review assisted by an independent external firm of auditors.

The Audit Committee met four times in 2015. All meetings were attended by the auditor.

### 6 Remuneration Committee

The Remuneration Committee is responsible for matters pertaining to remuneration and benefits for senior executives, including those of the CEO, and matters of principle for all senior executives. The Board of Directors establishes guidelines for senior executive remuneration that are presented to and approved by the AGM. The guidelines for senior executive remuneration are monitored and evaluated annually, including variable remuneration programs for the Company management that are in progress and that ended during the year. The current remuneration policy is appended to the AGM minutes, which are available on the website.

The Remuneration Committee consists of all eight Board members. The Chairman of the Board of Directors is the chair of the Committee. All members were independent in relation to the Company except for Pontus

### The Board addresses and decides on Group-wide matters such as:

- Principal goals
- Strategic direction
- Material matters pertaining to financing, investment, acquisitions and divestments
- Monitoring and control of operations, provision of information and organizational matters, including evaluating Group executive management
- Choice of and, if needed, dismissal of the CEO of the Company
- Approval of financial reports and appropriation of profits
- Overarching responsibility for preparing efficient internal control and risk management systems
- Key policies

### Audit Committee members

Fredrik Erbing (Chair)

Maria Redin

Mikael Gottschlich (replaced by Jenny Rosberg ahead of the meeting in February 2016)

### The duties of the Audit Committee include:

- Reviewing financial reports
- Monitoring the efficiency of internal controls, including risk management, with respect to financial reporting
- Keeping informed of the external audit
- Reviewing and, as appropriate, granting prior approval when external auditors are appointed for assignments other than audit services
- Evaluating the objectivity and independence of external auditors
- Follow-up on previous matters

Lindwall as he is chairman of the board of Betsson AB, a customer and the former parent company of NetEnt. Pontus Lindwall did however not participate in any decisions in which he could be considered biased.

The Remuneration Committee met twice in 2015.

## 7 Audit

Auditors are elected by the AGM and review the Company's accounts and administration on behalf of the AGM. According to the Articles of Association, NetEnt AB (publ) shall have one or two auditors. Deloitte AB was elected auditor at the AGM in April 2015 for the period until the AGM 2016 and Erik Olin was appointed new chief auditor. The auditor has presented his conclusions of the synoptic review of the interim report for January–September 2015, the audit for the 2015 full year, and internal control for the Audit Committee and the Board of Directors. The auditor also met with the Board of Directors and the Audit Committee without the presence of anyone from the Company management. In addition to the audit, the auditor has had a limited number of other assignments for the Company. These have been audit-related services concerning accounting and reporting, as well as assisting with establishing the Company's tax returns. Remuneration for the auditor is set out in Note 24 on page 85.

## 8 CEO and Group management

NetEnt's Group management is thoroughly experienced and works to create a platform for profitable growth, in line with NetEnt's strategy. Besides the CEO, Group management includes seven more people, four of whom are women.

A dynamic Group management team with in-depth knowledge about industry conditions is crucial for pursuing profitable growth.

The CEO is appointed by and receives instructions from the Board of Directors. In turn, the CEO appoints other Group management members and is responsible for the ongoing administration of the Group's operations in accordance with the guidelines and instructions of the Board. Group management meetings are held once every two weeks to review results, update forecasts and plans, and to discuss strategic matters.

### Instructions for the CEO

The Board of Directors has prepared and adopted instructions regarding the CEO's duties and responsibilities, as well as obligations towards the Board of Directors. The CEO is responsible for managing and developing the Company and running the ongoing administration of the Company's affairs within the framework of the Swedish Companies Act, the Company's strategy plan, instructions for the CEO, and guidelines and instructions provided by the Board. In the internal work, the CEO shall: monitor to ensure that the Company's organization is professional and efficient; ensure that internal controls are appropriate and efficient; implement the Company's strategy and goals; and process and suggest qualitative and quantitative goals for the Company's various business units.

For the Board of Directors, the CEO shall, continuously and before each ordinary Board meeting, prepare, compile, and present data requested by the Board of Directors for assessing the Company's financial situation, such as reports, key figures and comments, proposals for the business plan, budgets, forecasts, year-end report, interim reports and annual reports.

### The duties of the Remuneration Committee include:

- Preparing and evaluating guidelines for Group management remuneration
- Preparing and evaluating goals and policies for variable remuneration
- Preparing terms and conditions for pensions, termination of employment, severance pay and other benefits for Company management
- Preparing and evaluating NetEnt's long-term incentive program

### Auditors

**Deloitte AB**  
**Erik Olin**  
Chief Auditor  
**Born:** 1973.  
Auditor of the Company since 2015.  
Authorized public accountant and member of FAR SRS.  
**Other audit assignments:** CLX Communications, IAR Systems, Micro Systemation, Microsoft Sweden and TeliaSonera Sweden.  
**Previous audit assignments:** Connecta AB, Tata Consultancy Services.

### Important matters addressed by the CEO and Group management in 2015 included:

- Growth strategy
- Establishment in New Jersey, USA
- Establishment of a new development studio in Poland
- Relocation to new premises in Stockholm
- Leadership development
- Risk management
- CSR/Sustainability

## Senior executive remuneration

In order to achieve attractive long-term value growth for shareholders, NetEnt seeks to offer its employees competitive remuneration and an attractive workplace that enable hiring and retaining the right competence. For senior executives, the Board of Directors has prepared guidelines for remuneration, as outlined below. Monetary data regarding remuneration for employees and senior executives is set out in Note 6.

### **GUIDELINES ADOPTED BY THE AGM 2015**

#### **Main principles**

These guidelines shall be applied for the CEO of NetEnt AB (publ) and other senior executives of the Company. The principles in these guidelines apply to employment contracts, entered into after the Annual General Meeting and, in cases where amendments are made to existing contracts, after the Annual General Meeting. The Board of Directors shall be able to diverge from the guidelines provided that there are special grounds in a specific case.

It is of fundamental importance for the Company and its shareholders that the remuneration principles and other employment terms for senior executives are, in both a short-term and long-term perspective, competitive and create sound conditions for retaining and motivating skilled employees and attracting new ones when needed. In order to achieve this, it is important that conditions at the Company are fair and well-balanced, while at the same time market competitive. Employment terms for senior executives should contain a well-balanced combination of fixed and variable salary, share-based incentive programs, retirement benefits, and terms and conditions for employment termination.

Remuneration should be performance-based, and therefore contain a combination of fixed and variable salary, such that variable remuneration constitutes an appropriate proportion of total remuneration.

#### **Fixed and variable salary**

Fixed salary shall be market-based, competitive, individual, and based on the individual's responsibility, role, skills, and experience in relevant positions. Annual variable salary shall be measured and paid on an annual basis. Annual variable salary shall be capped at 60 percent of fixed salary, and be based on actual achievements in relation to established financial and operational goals. Goals for variable salary are determined annually by the Board of Directors for the CEO, and by the CEO in terms of variable salary for other executives, in order to ensure that they are in line with the Company's business strategy and objectives. Variable salary terms shall include a minimum level of performance in relation to goals, for which no variable salary is received.

#### **Long-term incentive program**

In order to secure long-term commitment, continued employment and competitive remuneration from an international perspective, annual variable salary may be supplemented with long-term cash incentive programs with deferred payment between 12 and 24 months. Such incentive programs are used selectively and are based on objectives related to the current financial year. Long-term cash incentive programs require continued employment until a predetermined date in order for payment to be made. Long-term cash incentive programs shall be capped at 60 percent of annual fixed salary, and shall otherwise follow the same principles that apply to the Company's annual variable salary as above.

The Board is entitled to reclaim variable remuneration disbursed on the basis of information that later proved to be evidently erroneous.

Key employees are invited to participate in an ongoing share-based incentive program in the form of share option rights or other share-based incentive programs issued at market price to motivate long-term engagement and better align their interests with those of shareholders. In order to strengthen loyalty to the Company, share-based incentive programs in the form of share option rights issued on market terms can be combined with cash remuneration, which is payable in connection with the redemption period during which the share option rights can be exercised. Such payment can be made to employees who are still employed at the time of redemption and shall, net of tax, not exceed 70 percent of the premium paid for the share option right.

**Retirement benefits and employment termination**

Retirement benefits for the CEO and other members of Company management shall be competitive and based on defined contribution pension plans, in which the premium shall be capped at 33 percent of pensionable salary. Other benefits, such as company cars, health insurance, etc. shall constitute a minor part of total remuneration, and be in line with market conditions.

The CEO can have a maximum notice period of twelve months. Other members of Company management can have a maximum notice period of six months. In addition to salary during the notice period, severance pay may be paid. However, salary during the notice period and severance pay shall in total not exceed the equivalent of 18 months' salary.

**GUIDELINES DETERMINED BY THE BOARD OF DIRECTORS AND PROPOSED TO THE AGM 2016**

For the 2016 AGM, the Board of Directors has proposed that the annual variable salary for the CEO shall be a maximum of 65 percent. The Board of Directors has also proposed that it shall be possible for the pension premium to amount to 35 percent of pensionable salary for the CEO and other members of Company management. Otherwise, the Board has proposed to adopt the same guidelines for remuneration for senior executives as in the preceding year.

## ADMINISTRATION REPORT

### Board of Directors and auditors



In the picture, from left to right: Pontus Lindwall, Maria Redin, Peter Hamberg, Vigo Carlund, Mikael Gottschlich, Jenny Rosberg, Michael Knutsson, Fredrik Erbing.

#### VIGO CARLUND

**Chairman.** Born 1946. Elected 2008, Chairman since 2011. Other board assignments: iZettle AB and Los Naranjos S.L. Previous positions include CEO of Investment AB Kinnevik, Korsnäs AB and Transcom WorldWide AB, and chairman of Tele 2 AB.  
**Shareholding:** 601,000 B shares. Independent in relation to the Company, executive management and major shareholders of the Company.

#### FREDRIKERBING

**Member of the Board of Directors.** Born 1967. Elected 2008, Fredrik Erbing is Vice President at Acando AB. Fredrik holds an MSc. in Engineering from the Royal Institute of Technology in Stockholm.  
**Shareholding:** 20,000 B shares. Shareholding in endowment policy: 20,000 B shares. Independent in relation to the Company, executive management and major shareholders of the Company.

#### MIKAEL GOTTSCHLICH

**Member of the Board of Directors.** Born 1961. Elected 2008, Mikael Gottschlich is chairman of CKT Capital with subsidiaries and board member of Interoc AB with subsidiaries, and O'learys Trademark AB with subsidiaries. Mikael was also formerly CEO of MG Instrument AB, Arkivator AB and LGP Telecom.  
**Shareholding:** 642,415 B shares. Independent in relation to the Company, executive management and major shareholders of the Company.

#### PETER HAMBERG

**Member of the Board of Directors.** Born 1973. Elected 2009, Peter Hamberg is CEO and board member of Hamberg Förvaltnings AB and board member of C-RAD AB and Solporten Fastighets AB. Peter holds a Bachelor's degree in international business administration from San Francisco State University, USA.  
**Shareholding:** 203,000 A shares and 133,400 B shares. Independent in relation to the Company and executive management. Peter Hamberg is a close relative of one of the Company's major shareholders.

#### MICHAEL KNUTSSON

**Member of the Board of Directors.** Born 1961. Elected 2012, Michael Knutsson is CEO of Knutsson Holdings AB and board member of Pata-Pata AB.  
**Shareholding:** 1,000,000 A shares, 1,650,000 B shares. Independent in relation to the Company and executive management, not independent in relation to major shareholders.

#### PONTUS LINDWALL

**Member of the Board of Directors.** Born 1965. Elected 2011, Pontus Lindwall founded NetEnt and is chairman of Betsson AB (publ) and Mostphotos AB, and board member of Solporten Fastighets AB. Pontus holds an MSc. in Engineering from the Royal Institute of Technology in Stockholm.  
**Shareholding:** 841,000 B shares. Shareholding in endowment policy: 351,500 A shares and 120,070 B shares. Independent in relation to senior executives and owners. Pontus is chairman of Betsson AB, which is a customer and the former parent company of NetEnt.

#### MARIA REDIN

**Member of the Board of Directors.** Born 1978. Elected 2012. Maria Redin is CFO of MTG. Maria holds a BSc. in Business Administration from the University of Gothenburg.  
**Shareholding:** 1,980 B shares. Independent in relation to the Company, executive management and major shareholders of the Company.

#### JENNY ROSBERG

**Member of the Board of Directors.** Born 1966. Elected 2015. Jenny Rosberg is CEO and board member of ROPA Management AB and board member of East Capital Explorer AB and Claremont AB. Jenny holds an MBA from the Stockholm School of Economics. Independent in relation to the Company, executive management and major shareholders.  
**Shareholding:** 2,100 B shares.

#### AUDITORS

At the Annual General Meeting held on April 29, 2015, Deloitte AB was elected as auditor to the Company for the period until the 2016 Annual General Meeting. Erik Olin (authorized public accountant and member of FAR SRS) is the chief auditor.

\*The stated shareholdings at December 31, 2015, include holdings through family and companies.



In the picture, from left to right: Enrico Bradamante, Maria Hedengren, Anna Romboli, Per Eriksson, Simon Hammon, Karin Palmquist, Ludvig Kolmodin, Åsa Bredin.

**PER ERIKSSON**

**President and CEO.** Born 1961, employed since 2012. Per Eriksson has been active in the IT industry for over 27 years and was most recently President and CEO of Dustin Group. Prior to that, he headed Dell EMC in Europe, the Middle East, and Africa, and was CEO of Dell Nordic. Per holds a BSc. in Business Administration from Stockholm University. **Shareholding:** 33,923 B shares. **Share option rights:** 40,000

**ENRICO BRADAMANTE**

**MD of NetEnt Malta Ltd and head of European Market Operations.** Born 1969, employed since 2012. Enrico has worked in the IT industry for over 19 years and comes most recently from Kodak, where he held several executive positions, such as head of Document Imaging and VP Commercial Business in Europe, the Middle East and Africa. Enrico holds an MBA from INSEAD and an MSc. in Engineering from the University of Trieste. **Shareholding:** 0 **Share option rights:** 1,000

**ÅSA BREDIN**

**Chief Development Officer.** Born 1972, employed since 2015. Åsa has extensive experience in development and programming and has previously held senior positions at King, Betsson and Oracle. She holds an MSc. in computer sciences from the University of Lund. **Shareholding:** 128 B shares. **Share option rights:** 0

**SIMON HAMMON**

**Chief Product Officer.** Born 1983, employed since 2011. Simon has solid knowledge of the gaming industry from having been business and product development manager of his own company, and possessing experience in platform and game development, network operations and managing affiliates in bingo and casino. Simon holds an LLB Bachelor of Laws from the University of Durham. **Shareholding:** 0 **Share option rights:** 2,375

**MARIA HEDENGRÉN**

**Chief Financial Officer.** Born 1970, employed since 2011. Extensive experience from several senior positions in finance, mainly in the IT industry. Maria was formerly CFO of Resco AB (publ) and auditor at Arthur Andersen in Sweden and the United States and has held senior positions at Lawson Software and IBS. A graduate of the University of Gothenburg, School of Business, Economics and Law. **Shareholding:** 3,500 B shares. **Share option rights:** 7,000

**LUDVIG KOLMODIN**

**Chief Information Officer.** Born 1972, employed since 2009. Ludvig has more than 15 years of international experience in system development, IT operation and project management, primarily in the telecom industry as head of IT operations for the mobile operator 3, as well as within the banking sector. Ludvig holds an MSc. in systems analysis and design from Mid Sweden University in Sundsvall. **Shareholding:** 0 **Share option rights:** 6,000

**KARIN PALMQUIST**

**HR Director.** Born 1960, employed since June 2015. Karin has many years of experience from development, change and leadership work. She joined NetEnt from PwC, where she was Human Capital Leader of Learning & Development. Karin has previously held senior positions at Gula Tidningen and Dale Carnegie and conducted her own consulting business with customers in Europe, the US and China. **Shareholding:** 120 B-shares. **Share option rights:** 5,000

**ANNA ROMBOLI**

**Communications Director.** Born 1973, employed since 2014. Anna has over 15 years of experience from business development in branding, communication and PR. Formerly VP Brand & Communications at Vervyday, and several years of consulting experience in PR and brand strategy. Anna holds an MBA from the University of Gothenburg, School of Business, Economics and Law. **Shareholding:** 0 **Share option rights:** 35,000

\*The stated shareholdings at December 31, 2015, include holdings through family and companies.

## Internal control of financial reporting

NetEnt's control system has been devised to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and ordinances, accounting standards and other requirements for listed companies.

Internal control refers to the process that is influenced by the Board of Directors, Company management and other staff, and is designed to provide reasonable assurance that the goals of the Company are achieved in terms of

- appropriate and efficient operations,
- reliable financial reporting, and
- compliance with applicable laws and regulations.

NetEnt applies the established framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework encompasses five principal areas: control environment, risk assessment, control activities, monitoring/improvement and communication.

### CONTROL ENVIRONMENT

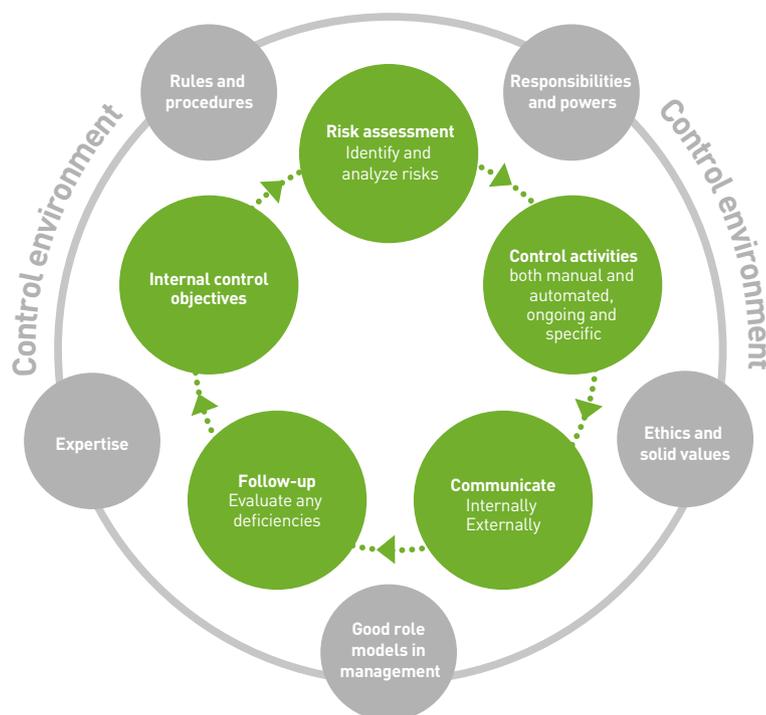
The foundation of NetEnt's control system is the control environment, which determines the individual and collective approaches in the Group. It is defined through policies and procedures, manuals and codes, and is upheld

with the help of NetEnt's organizational structure with clear responsibilities and powers based on shared values. Soundly devised internal control not only creates conditions for reliable financial reporting, but also contributes to a healthy and sustainable business with greater profitability as a result. Work on the design of internal processes and monitoring thereof is becoming increasingly important as the Company grows. This is particularly important in terms of the systems that NetEnt develops and operates on behalf of licensees.

NetEnt's Board bears overarching responsibility for establishing an efficient internal control system. The responsibility for establishing an efficient control environment has been delegated to the CEO. The CEO delegates powers to those reporting to him, both directly and through established guidelines and manuals at the Company. Corporate values are an important element in this respect, providing guidance for daily work.

The Company's finance function reports to the Audit Committee and to the Company's Chief Financial Officer, and works to develop and improve internal control in financial reporting in the Group, both proactively with a focus on the internal control environment, and by reviewing how internal control works.

Constant development of internal control is important for a rapidly growing company like NetEnt.



In 2015 work progressed on optimizing the ERP system and enhancing accounting processes and internal control procedures.

NetEnt reviews its internal control processes in accordance with a recurring time cycle each year, and makes changes to the extent required. In turn, the Audit Committee, with the Company's auditor, regularly review selected control processes.

Moreover, the Group has a function comprising people with specific responsibility for compliance, as well as quality and processes. "Compliance" here refers to industry-specific regulation from gaming authorities in various countries and compliance in the context of anti-bribery and anti-money laundering.

#### Internal governance instruments

Internal governance instruments for financial reporting primarily consist of the Group's finance policy, information policy, financial handbook, and authorization instructions that define accounting and reporting rules, as well as the Group's definition of processes and minimum requirements for sound internal control in financial reporting. In addition, the Company has policies regarding, for example, trade in the Company's shares, IT and information security, dividend, anti-bribery, prevention of money laundering and terrorist financing, drugs and gambling.

#### RISK ASSESSMENT

Each year, NetEnt conducts a structured risk assessment to identify risks that affect the internal control of financial reporting, and to identify where these risks are present. Risks in financial reporting are evaluated and monitored by the Board of Directors through the Audit Committee. The main risks to the Company are attributable to areas such as regulated activity, the invoicing process and revenue recognition, development expenditure and taxes, and the Company's substantial cash and cash equivalents. During the risk assessment, particular attention has been paid to the risk of irregularities and undue favoring of other parties at the Company's expense, and the risk of loss or misappropriation of assets. Matters are prepared by the Audit Committee before consideration by the Board of Directors. The risk assessment results in control objectives that support meeting the fundamental financial reporting requirements. The risk assessment is updated annually by the Company, and is reported to the Audit Committee.

Moreover, the Company has a risk management process designed to constantly identify, prioritize and manage material business risks at large. The risk landscape is in some respects similar to the risk assessment for financial reporting, but includes other risks such as the availability of competent staff and political decisions. The

Audit Committee shall continually monitor this process and report regularly to the Board of Directors. For a complete description of NetEnt's risks, see the Risk factors section on pages 49–52 and Note 26 on page 85.

#### CONTROL ACTIVITIES

The most material risks identified in terms of financial reporting are managed through control structures in processes. Control activities are devised and documented at the process level, and include both overarching and more specific controls with the purpose of preventing, detecting and correcting errors and discrepancies. When devising control activities, accurate and timely performance thereof is ensured. Control activities span everything from the review and monitoring of performance outcomes to specific account reconciliations.

General IT controls are established for the systems that support the processes that affect internal control regarding financial reporting. The design of processes and control activities within IT is also affected by regulations issued by the gaming authorities, such as Malta Gaming Authority (MGA), Alderney Gambling Control Commission (AGCC), Gibraltar Regulatory Authority (GRA) and external reviews in connection with licenses and certifications. Such reviews are conducted both by independent auditing agencies for certification in relation to requirements from authorities, and by the Company's external auditors.

Areas that are covered by control activities include:

- due authorization of business transactions,
- ERP systems that affect financial reporting, including verification management,
- the accounting process, including year-end reports and consolidated financial statements and their compliance with applicable regulations in the form of generally accepted accounting principles, prevailing laws and regulations, and requirements for listed companies. The process is also designed to ensure proper information for decision making for the Board of Directors and management,
- significant and unusual or complex business transactions, as well as business transactions or valuations of assets or liabilities that contain significant elements of judgment,
- all new employees are subject to prior background screening.

#### MONITORING

Monitoring of control activities is continually conducted to ensure that risks have been satisfactorily observed and addressed. Monitoring encompasses both formal and informal procedures applied by at the Company. Such procedures include monitoring results vs. budget and plans,

analyses and key figures. The Board of Directors continuously evaluates the information provided by Company management. The process includes both reconciliation of monthly financial reports vs. budget and goals, and reporting at Board meetings. Through the Audit Committee, the Board of Directors reviews and assesses the internal control's organization and function. The Company's policies and instructions are evaluated and updated annually at a minimum with respect to appropriateness and functionality – or more often as needed.

The Company's CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

#### INFORMATION AND COMMUNICATION

Information and communication about internal governance instruments for financial reporting are available for all employees concerned on the Company's intranet. NetEnt has information and communication channels with the purpose of promoting complete and accurate financial reporting. Only a limited number of people in the functions Finance, IR, and the CEO's office have access to information that is confidential in nature such as budgets, forecasts, financial outcome reporting, Board material and remuneration. Access to such confidential information is in accordance with the powers bestowed upon the Company's staff in the organization.

Important guidelines and manuals of importance to financial reporting are updated and communicated to those concerned in connection with the introduction of new employees and, in the event of potential changes, to all affected staff. There are both formal and informal

communication channels to senior executives and the Board of Directors for information from employees. In order for all employees to feel secure in reporting deviations from the Company's rules, there is a confidential and efficient whistle-blowing procedure in place. For external communication, there are guidelines for the Company with stringent demands on accurate and relevant information for the market. The Board of Directors annually adopts an information policy for the Company, which includes guidelines for contacts with analysts and the media.

In connection with the introduction of new employees, the latter are informed of the laws and guidelines followed by the Company regarding for example managing insider information and trading in the Company's shares. Prior to each quarterly earnings report, a reminder is sent about the rules to all staff.

#### INTERNAL AUDIT

The Company already had an internal audit function in place regarding anti-money laundering procedures. In 2015 the Company also adopted a framework and process for the internal audit of the finance function and financial reporting, based on a combination of a self-assessment of the finance function and an independent review assisted by an independent external firm of auditors. For certain special reviews, external initiatives can be taken. Moreover, the Company has a compliance function that reports its observations on a regular basis directly to the CEO, and which convenes with the Audit Committee at least once a year without the presence of Company management. The function was established to secure enhancement of the Company's processes and procedures for industry-specific compliance.

## The share, future outlook and appropriation of profits

#### THE SHARE

The share capital of NetEnt AB (publ) consists of A shares and B shares. The total number of shares is 40,021,810 shares, divided into 5,610,000 A shares and 34,411,810 B shares, equaling 90,511,810 votes in total. One A share gives ten votes and one B share entitles to one vote when voting at the AGM. The two share classes have equal rights to the Company's assets and profit. At the AGM shareholders can vote for the full number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the

Board of Directors, within the bounds of the maximum number of B shares that may be issued according to the articles of association.

At December 31, 2015, the number of shareholders was 8,589. The largest shareholders at the end of 2015 were Per Hamberg with 6.3 percent of share capital and 19.7 percent of the votes, and Rolf Lundström with 6.5 percent of the shares and 14.3 percent of the votes. NetEnt's ten largest owners held shares equaling 40.1 percent of capital and 73.5 percent of votes in the Company.

### New share issue

The Annual General Meeting in 2012 resolved to introduce a long-term incentive program intended for senior management and key employees in the Group. Following the decision, 114,994 share option rights were issued, entitling the holders to subscribe for as many new shares in NetEnt. The strike price for the options was set at SEK 85.83 and share subscription could take place during the period August 1 to October 1, 2015. During that period, all options were exercised, meaning that the number of shares in NetEnt AB (publ) increased by 114,994 series B shares. Following the increase the number of shares in the Company totals 40,021,810 shares, of which 5,610,000 are series A shares and 34,411,810 series B shares, equaling a total of 90,511,810 votes. Share capital amounts to SEK 1,204,656.48 following the change in the number of shares. SEK 9.9 million was added to Parent Company and Group equity by this new share issue.

### 2015–2018 program

The Annual General Meeting on April 29, 2015 resolved to introduce a new long-term incentive program for senior executives and key people in the NetEnt Group. The resolution entailed the issue of a maximum of 200,000 share option rights to personnel with permanent employment at NetEnt, with the right to subscribe for an equal number of shares in NetEnt AB.

At the close of the offer in June 2015, a total of 164,050 options had been subscribed for, equaling 82 percent of the offer. The share options were issued at a market price of SEK 27.97 per option (option premium) according to a valuation carried out by Ernst & Young, which contributed SEK 4.6 million to Group equity. The subscription price for the shares was set at SEK 426.40 and share subscription can take place during the period August 1 to October 1, 2018. To stimulate participation in the program, the board intends to provide loyalty remuneration to be paid out one month prior to vesting of the share options. Remuneration will only be paid out subject to participants still being employed by the Group on the payout date and subject to the fulfillment of certain other conditions. The net cash payment can be a maximum of 70 percent of the premium paid.

### FUTURE OUTLOOK

#### Growth

NetEnt sees growing demand for the Company's products and a series of investments have been made in the past few years in new markets, games and technical solutions. With this in mind, NetEnt's ambition is to achieve sustained high sales growth in 2016.

### COSTS AND INVESTMENTS

NetEnt's cost base increases as the Company grows. To adapt resources and accommodate an expanding customer base and greater demand for the Company's products, there is a continued need to increase the number of employees in the Company in 2016. NetEnt is creating new games, developing the platform, adapting the Company to new regulated markets and integrating new customers. Also, the Company is opening a new game development studio in Krakow and relocating to larger premises in Stockholm. On the whole, the Company therefore expects higher costs and a greater investment need in 2016 than in prior years.

### Proposed distribution to shareholders

The Board of Directors proposes to the AGM to distribute SEK 320.2 million (199.5) to shareholders, which corresponds to SEK 8.00 (5.00) per share. The Board intends to propose that such distribution occurs through a share redemption program. The record date for the share redemption program is scheduled for May 6, 2016.

The complete proposal and an information folder will be available at the latest three weeks prior to the AGM. The information will be available to shareholders at the Company and on the website [www.netent.com](http://www.netent.com) as of March 31, 2016, and will be sent free of charge to those shareholders who so request and provide their postal address.

### The Board of Directors' proposed appropriation of profit in the Parent Company

The following is at the disposal of the AGM (SEK)	
Retained earnings	-24,613,000
Share premium reserve	45,967,576
Profit for the year	432,885,799
	<b>454,240,375</b>
The Board of Directors proposes:	
That the following be carried forward	454,240,375
Pro forma after distribution to shareholders	
Retained earnings incl. profit for the year	454,240,375
Distribution to shareholders	-320,174,480
	<b>134,065,895</b>

The Group's and the Company's profit and position in general are presented in the following income statements and balance sheets, cash flow statements and statements of equity with related notes and supplementary information which form an integral part of this annual report.

# Income statements

## Group

SEK thousands	Note	2015	2014
<b>REVENUES</b>			
Revenues	3, 4	1,129,405	850,410
Other revenues	5	3,020	1,253
<b>Total operating revenues</b>		<b>1,132,425</b>	<b>851,663</b>
<b>OPERATING EXPENSES</b>			
Personnel expenses	6	-334,097	-249,698
Depreciation/amortization and impairment	12, 13	-138,285	-128,511
Other operating expenses	24	-258,432	-211,789
<b>Total operating expenses</b>		<b>-730,814</b>	<b>-589,998</b>
<b>Operating profit</b>		<b>401,611</b>	<b>261,665</b>
<b>FINANCIAL ITEMS</b>			
Financial income	8	14,100	13,679
Financial expense	9	-12,425	-9,309
<b>Net financial items</b>		<b>1,675</b>	<b>4,370</b>
<b>Profit before tax</b>		<b>403,286</b>	<b>266,035</b>
Income tax for the year	10	-29,294	-22,793
<b>PROFIT FOR THE YEAR</b>		<b>373,992</b>	<b>243,242</b>
Earnings per share, basic (SEK)	11	9.34	6.10
Earnings per share, diluted (SEK)	11	9.34	6.09
Closing number of shares		40,021,810	39,906,816
Average number of shares		40,021,810	39,669,908
Effective tax rate		7.3%	8.6%
<b>Profit for the period attributable to:</b>			
Parent Company shareholders		373,992	243,242

Statement of comprehensive income – Group	2015	2014
Comprehensive income for the period attributable to Parent Company shareholders	373,992	243,242
<b>STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reversed to profit</b>		
Exchange differences arising from the translation of foreign operations	-20,957	16,168
Sum of other comprehensive income for the year, net after tax	-20,957	16,168
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>353,035</b>	<b>259,410</b>
Proposed/actual distribution to shareholders/dividend per share (SEK)	8.00	5.00

# Balance sheets

## Group

SEK thousands	Note	31/12/2015	31/12/2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	183,294	193,136
Property, plant and equipment	13	83,662	70,203
Other non-current receivables	17	18,270	19,031
<b>TOTAL NON-CURRENT ASSETS</b>		<b>285,226</b>	<b>282,370</b>
<b>CURRENT ASSETS</b>			
Accounts receivable	15	35,101	15,190
Current tax receivable		5,973	–
Other receivables	17	63,492	64,868
Prepaid expenses and accrued income	16	148,322	104,407
Funds held on behalf of licensees		24,570	79,117
Cash and cash equivalents	18	402,058	258,057
<b>TOTAL CURRENT ASSETS</b>		<b>679,516</b>	<b>521,639</b>
<b>TOTAL ASSETS</b>		<b>964,742</b>	<b>804,009</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	19	1,205	1,201
Other capital contributed		80,856	66,401
Reserves		–8,448	12,509
Retained earnings incl. profit for the year		640,548	466,090
<b>TOTAL EQUITY</b>		<b>714,161</b>	<b>546,201</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	10	11,418	12,390
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,418</b>	<b>12,390</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		33,534	29,070
Current tax liabilities		30,284	11,515
Other liabilities	21	90,555	143,036
Accrued expenses and prepaid income	22	84,790	61,797
<b>TOTAL CURRENT LIABILITIES</b>		<b>239,163</b>	<b>245,418</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>964,742</b>	<b>804,009</b>
<b>Pledged assets</b>		<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	28	<b>–</b>	<b>94,400</b>

# Cash flow statements

## Group

SEK thousands	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Operating profit		401,611	261,665
Adjustments for non-cash items			
– Depreciation/amortization and impairment	12, 13	138,285	128,511
– Other		2,434	294
– Interest received		124	954
Interest paid		–521	–515
Income tax paid		–12,652	–14,745
<b>Cash flow from operating activities before changes in working capital</b>		<b>529,281</b>	<b>376,163</b>
Increase/decrease in accounts receivable		–19,911	–6,281
Increase/decrease in current receivables		–6,191	–92,572
Increase/decrease in accounts payable		4,464	–2,378
Increase/decrease in other current liabilities		–18,882	89,964
<b>Cash flow from operating activities</b>		<b>488,761</b>	<b>364,896</b>
<b>INVESTING ACTIVITIES</b>			
Investment in intangible assets	12	–99,766	–84,430
Investment in property, plant and equipment	13	–51,439	–36,765
<b>Cash flow from investing activities</b>		<b>–151,205</b>	<b>–121,195</b>
<b>FINANCING ACTIVITIES</b>			
New share issue		9,869	24,788
Distribution to shareholders/dividend		–199,534	–118,661
Premium received for share option rights		4,589	–
<b>Cash flow from financing activities</b>		<b>–185,076</b>	<b>–93,873</b>
<b>CASH FLOW FOR THE YEAR</b>			
Opening cash and cash equivalents		258,057	105,829
Exchange rate difference in cash and cash equivalents		–8,479	2,400
<b>Closing cash and cash equivalents</b>	18	<b>402,058</b>	<b>258,057</b>

# Changes in equity

## Group

SEK thousands	Share capital	Other	Reserves	Retained earnings incl. profit for the year	Total equity
<b>2015</b>					
<b>Opening equity 01/01/2015</b>	<b>1,201</b>	<b>66,401</b>	<b>12,509</b>	<b>466,090</b>	<b>546,200</b>
Profit for the year	-	-	-	373,992	373,992
Exchange rate differences arising from the translation of foreign operations	-	-	-20,957	-	-20,957
<b>Total comprehensive income for 2015</b>	<b>-</b>	<b>-</b>	<b>-20,957</b>	<b>373,992</b>	<b>353,036</b>
New share issue	3	9,866	-	-	9,869
Premium received for share option rights	-	4,589	-	-	4,589
Distribution to shareholders	-	-	-	-199,534	-199,534
<b>Closing equity 31/12/2015</b>	<b>1,205*</b>	<b>80,856</b>	<b>-8,448</b>	<b>640,548</b>	<b>714,161</b>

\* Amounts rounded off in SEK thousand.

SEK thousands	Share capital	Other	Reserves	Retained earnings incl. profit for the year	Total equity
<b>2014</b>					
<b>Opening equity 01/01/2014</b>	<b>1,191</b>	<b>41,624</b>	<b>-3,659</b>	<b>341,510</b>	<b>380,665</b>
Profit for the year	-	-	-	243,242	243,242
Exchange rate differences arising from the translation of foreign operations	-	-	16,168	-	16,168
<b>Total comprehensive income for 2014</b>	<b>-</b>	<b>-</b>	<b>16,168</b>	<b>243,242</b>	<b>259,410</b>
New share issue	11	24,777	-	-	24,787
Distribution to shareholders	-	-	-	-118,661	-118,661
<b>Closing equity 31/12/2014</b>	<b>1,201*</b>	<b>66,401</b>	<b>12,509</b>	<b>466,090</b>	<b>546,200</b>

\* Amounts rounded off in SEK thousand.

There is no minority interest in the Group. All equity is therefore attributable to Parent Company shareholders.

# Income statements

## Parent company

SEK thousands	Note	2015	2014
<b>REVENUES</b>			
Net sales	3, 4	538,828	466,961
Other revenues	5	634	102
<b>Total operating revenues</b>		<b>539,462</b>	<b>467,063</b>
<b>OPERATING EXPENSES</b>			
Personnel expenses	6	-296,593	-243,202
Depreciation/amortization and impairment	12, 13	-22,391	-18,103
Other operating expenses	23, 24	-191,352	-163,438
<b>Total operating expenses</b>		<b>-510,336</b>	<b>-424,743</b>
<b>Operating profit</b>		<b>29,126</b>	<b>42,320</b>
<b>FINANCIAL ITEMS</b>			
Profit from participations in Group companies	7	408,537	147,948
Other interest income and similar profit/loss items	8	2,182	2,017
Interest expense and similar profit/loss items	9	-1,905	-1,837
<b>Net financial items</b>		<b>408,814</b>	<b>148,128</b>
<b>Profit after financial items</b>		<b>437,940</b>	<b>190,448</b>
<b>APPROPRIATIONS</b>			
Provisions to accrual fund		-	-11,816
Accelerated depreciation		3,703	3,185
<b>Total appropriations</b>		<b>3,703</b>	<b>-8,631</b>
<b>Profit before tax</b>		<b>441,643</b>	<b>181,817</b>
Income tax for the year	10	-8,758	-7,818
<b>PROFIT FOR THE YEAR</b>		<b>432,885</b>	<b>173,999</b>
Closing number of shares		40,021,810	39,906,816
Average number of shares		40,021,810	39,669,908
Effective tax rate		2.0%	4.1%

Statement of comprehensive income – Parent Company	2015	2014
<b>PROFIT FOR THE YEAR</b>	<b>432,885</b>	<b>173,999</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Sum of other comprehensive income for the year, net after tax	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>432,885</b>	<b>173,999</b>
Proposed/actual distribution to shareholders (SEK)	8.00	5.00

# Balance sheets

## Parent company

SEK thousands	Note	31/12/2015	31/12/2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible fixed assets</b>	12		
Licenses and ERP systems		8,511	13,443
<b>Total intangible fixed assets</b>		<b>8,511</b>	<b>13,443</b>
<b>Property, plant and equipment</b>	13		
Plant and equipment		29,296	27,607
<b>Total property, plant and equipment</b>		<b>29,296</b>	<b>27,607</b>
<b>Financial assets</b>			
Participations in Group companies	14	2,308	1,678
<b>Total financial assets</b>		<b>2,308</b>	<b>1,678</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>40,115</b>	<b>42,728</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Accounts receivable	15	1	1
Receivables from Group companies	25	473,461	150,605
Current taxes receivable		5,973	3,003
Other receivables	17	10,568	8,722
Prepaid expenses and accrued income	16	12,415	9,822
<b>Total current receivables</b>		<b>502,418</b>	<b>172,153</b>
Cash and bank balances	18	82,107	217,631
<b>TOTAL CURRENT ASSETS</b>		<b>584,525</b>	<b>389,784</b>
<b>TOTAL ASSETS</b>		<b>624,640</b>	<b>432,512</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital		1,205	1,201
Statutory reserve		38	38
<b>Total restricted equity</b>		<b>1,243</b>	<b>1,239</b>
<b>UNRESTRICTED EQUITY</b>			
Share premium reserve		45,967	31,513
Retained earnings		-24,613	922
Profit for the year		432,885	173,999
<b>Total unrestricted equity</b>		<b>454,239</b>	<b>206,434</b>
<b>TOTAL EQUITY</b>		<b>455,482</b>	<b>207,673</b>
<b>UNTAXED RESERVES</b>			
Accrual funds	20	29,021	29,021
Accelerated depreciation	20	-1,372	2,331
<b>TOTAL UNTAXED RESERVES</b>		<b>27,649</b>	<b>31,352</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		25,011	26,401
Liabilities to Group companies	25	51,471	119,364
Other liabilities	21	5,408	4,646
Accrued expenses and deferred income	22	59,619	43,076
<b>TOTAL CURRENT LIABILITIES</b>		<b>141,509</b>	<b>193,487</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>624,640</b>	<b>432,512</b>
<b>Pledged assets</b>		<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	28	<b>1,688</b>	<b>97,832</b>

# Cash flow statements

Parent company

SEK thousands	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Operating profit		29,126	42,320
Adjustments for non-cash items			
– Depreciation/amortization and impairment	12, 13	22,391	18,103
– Other		757	568
Interest received		3	127
Interest paid		-482	-515
Income tax paid		-11,728	-5,074
<b>Cash flow from operating activities before changes in working capital</b>		<b>40,067</b>	<b>55,529</b>
Increase/decrease in accounts receivable		-	-8
Increase/decrease in current receivables		81,247	93,130
Increase/decrease in accounts payable		-397	-829
Increase/decrease in other current liabilities		-51,587	126,712
<b>Cash flow from operating activities</b>		<b>69,330</b>	<b>274,534</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiary	14	-630	-
Investment in intangible fixed assets	12	-2,154	-4,075
Investment in property, plant and equipment	13	-16,994	-14,462
<b>Cash flow from investing activities</b>		<b>-19,778</b>	<b>-18,537</b>
<b>FINANCING ACTIVITIES</b>			
New issue of shares		9,869	24,788
Premium received for share option rights		4,589	-
Distribution to shareholders/dividend		-199,534	-118,661
<b>Cash flow from financing activities</b>		<b>-185,076</b>	<b>-93,873</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-135,524</b>	<b>162,124</b>
Opening cash and cash equivalents		217,631	55,507
<b>Closing cash and cash equivalents</b>	18	<b>82,107</b>	<b>217,631</b>

# Changes in equity

## Parent company

SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
<b>Opening equity 01/01/2015</b>	<b>1,201</b>	<b>38</b>	<b>31,513</b>	<b>922</b>	<b>173,999</b>	<b>207,673</b>
Profit for the year	-	-	-	-	432,885	432,885
<b>Total comprehensive income</b>	-	-	-	-	<b>432,885</b>	<b>432,885</b>
New share issue	3	-	9 866	-	-	9 869
Premium received for share option rights	-	-	4 589	-	-	4 589
Allocation according to the AGM	-	-	-	-25,535	-173,999	-199,534
<b>Closing equity 12/31/2015</b>	<b>1,205*</b>	<b>38</b>	<b>45,967</b>	<b>-24,613</b>	<b>432,885</b>	<b>455,482</b>

\* Amounts rounded off in SEK thousands.

SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
<b>Opening equity 01/01/2014</b>	<b>1,191</b>	<b>38</b>	<b>6,735</b>	<b>23,826</b>	<b>95,757</b>	<b>127,547</b>
Profit for the year	-	-	-	-	173,999	173,999
<b>Total comprehensive income</b>	-	-	-	-	<b>173,999</b>	<b>173,999</b>
New share issue	11	-	24,777	-	-	24,788
Allocation according to the AGM	-	-	-	-22,904	-95,758	-118,661
<b>Closing equity 31/12/2014</b>	<b>1,201*</b>	<b>38</b>	<b>31,513</b>	<b>922</b>	<b>173,999</b>	<b>207,673</b>

\* Amounts rounded off in SEK thousands.

# Notes to the financial statements

## NOTE 1 GENERAL INFORMATION

NetEnt AB (publ), the Parent Company with corporate identity number 556532-6443 and its subsidiaries (together, the Group or the Company) is a leading supplier of digitally distributed gaming systems used by some of the world's most successful gaming operators. NetEnt Casino Module is a comprehensive gaming system comprising a full suite of high-quality games and a powerful administration tool. The games create a superior gaming experience for the player while the administration tool enables NetEnt's customers – the gaming operators – to optimize their business and profitability. Operators are provided with a customized system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimizing installation-to-operation times. Revenues consist of license fees determined by the revenues generated by the Company's products, and setup fees when new agreements are signed. NetEnt is a pure operating and development Company and thus does not conduct any gaming operations of its own. The Company's brand is internationally reputed and associated with innovation, service, and quality.

The Parent Company of the Group is based in Stockholm, where a certain amount of development and infrastructure coordination is carried out, while product management, sales, operations, customer support and marketing are managed out of Malta. The Company also has offices in Gothenburg, Gibraltar, Kiev (Ukraine) and New Jersey (USA), as well as an IT operations site in Alderney. Development work is also conducted through a collaboration partner in India. Information about Group composition is provided in Note 14. There are no material minority interests.

Since 2009 the Parent Company has been listed on the Stockholm stock exchange – NASDAQ Stockholm, with the ticker NET B.

This annual report was approved for publication by the Board of Directors on March 17, 2016. The income statement and balance sheet will be adopted at the AGM on April 21, 2016.

## NOTE 2 ACCOUNTING AND VALUATION PRINCIPLES

### BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the European Commission for application within the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary Accounting Rules for Groups" has also been applied.

The accounting principles have been consistently applied by all Group companies in their reporting, and in consolidation during all periods of time presented in the consolidated financial statements.

### Conditions for preparing the consolidated financial statements

The Parent Company's functional currency is the Swedish krona (SEK), which is also the presentation currency for the Parent Company and the Group. The financial statements are thus presented in SEK.

All figures are expressed in SEKK (thousands of Swedish kronor) unless otherwise stated. SEKKm is an abbreviation for million Swedish kro-

nor. Amounts and figures in brackets refer to comparable figures for the same period of the previous year.

Assets and liabilities are recognized at acquisition cost, apart from some financial assets and liabilities which are measured at fair value.

The most important accounting principles applied in the preparation of these consolidated financial statements are stated below. These policies have been applied consistently for all the years presented, unless otherwise stated.

The Parent Company applies the same principles as the Group, with the exception of Parent Company financial statements having been prepared in accordance with RFR 2 "Accounting for Legal Entities". This results in certain differences caused by the requirements of the Annual Accounts Act or by tax considerations. The accounting principles for the Parent Company are provided below in the section "Parent Company Accounting Policies".

### Standards, amendments and interpretations effective for 2015

No new, amended or revised standards and interpretations that came into effect in 2015 have had any material impact on the Group's financial statements.

### Standards, amendments to standards in issue not yet effective and not adopted early by the Group

The International Accounting Standards Board (IASB) has issued the following new and amended standards which have not yet come into effect:

IFRS 15 "Revenue from contracts with customers" regulates revenue recognition. The principles on which IFRS 15 is based are to provide users of financial statements with more informative and relevant information regarding the company's revenues. According to the extended disclosure obligation, the following shall be provided: information regarding revenue type, timing of settlement, uncertainty related to revenue recognition and cash flow attributable to the company's customer contracts. Revenue shall, according to IFRS 15, be recognized when the customer gains control of the sold product or service and is able to utilize or benefit from the product or service. IFRS 15 applies to financial years starting on or after January 1, 2018 with early application permitted. The Group has not yet evaluated the effects of introducing the standard.

IFRS 16 "Leases" introduces a "right of use model" and entails, for the lessee, that largely all leases shall be reported in the balance sheet. Classification into operating and finance leases shall thus not be done. Leases with a term of 12 months or less, and leases of a negligible amount, are exempted. In the income statement, depreciation on the asset and interest expense on the liability are reported. IFRS 16 Leases was issued on January 13, 2016 and will replace IAS 17 Leases. IFRS 16 is applicable to financial years starting on or after 1 January 2019 with early application permitted, provided that IFRS 15 is applied simultaneously. The Group has not yet evaluated the effects of introducing the standard.

IFRS 9 "Financial Instruments" addresses classification, valuation and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that deal with the classification and valuation of financial instruments. The standard will apply to financial years starting on or after January 1, 2018. Earlier application is permitted.

However, these new standards have not yet been adopted by the EU, and the entry into force may thus change.

In the opinion of Company management, other new or revised standards and interpretations not yet effective in 2015 are not expected to have any material effect on the consolidated financial statements for the period to which they are initially applied.

#### CLASSIFICATION

Assets are classified as current assets if they are expected to be sold or are intended to be sold or used in the Company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be sold within twelve months after the balance sheet date or if they are cash or cash equivalents. All other assets are classified as non-current assets. Liabilities are classified as current liabilities if they are expected to be settled in the Company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be settled within twelve months after the balance sheet date or if the Company lacks an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. All other liabilities are classified as non-current liabilities.

#### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and companies in which the Parent Company directly or indirectly has more than half of the voting rights or otherwise has control.

#### Principles of consolidation

The consolidated financial statements were prepared in accordance with the purchase method. Acquisition-related costs are expensed in the periods in which they arise. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference between the acquisition cost of the shares and the fair value at the time of acquisition of the Group's share of the identifiable net assets acquired is recognized as consolidated goodwill. If the difference is negative, the amount is immediately recognized as revenues in the income statement.

Subsidiaries' income and expense, and assets and liabilities, are included in the consolidated financial statements from the date on which control arises (acquisition date) through the date on which it ceases. Intra-Group receivables and liabilities, and transactions among Group companies and any associated gains, are eliminated in their entirety.

#### Translation of foreign operations

Operations that do not have the Swedish krona as their functional currency are translated to SEK as follows. All assets, provisions and other liabilities are translated at the closing day rate, and income statement items are translated at the average rate. Exchange rate differences arising in translation – translation differences – are recognized through comprehensive income in equity. Foreign operations are sold at their accumulated translation differences, less any currency hedging in the consolidated income statement.

#### REVENUES

NetEnt's revenues largely comprise the licensing of online gaming products/services, and consist of the fair value of what has been received or will be received for services sold in the Group's operating activities. Revenue is recognized excluding VAT and discounts, and after elimination of intra-Group sales. All invoicing takes place monthly in arrears. NetEnt Casino™ generates license revenues according to a royalty model and the amount is determined by the earnings generated by the product for the customer and is recognized in the period during which the customer uses the product.

The Group recognizes revenue when its amount can be reliably measured and it is probable that future financial benefits will accrue to the Company. The amount of revenue cannot be reliably measured until all sales commitments are fulfilled or have expired. The Group bases its assessments and estimates on historical outcomes and thus observes the type of customer, type of transaction and particular circumstances in each individual case. If any circumstances arise that might change the original assessment of the amount of revenue, the estimates are reviewed. Such reviews can result in increases or decreases of estimated income or expense and affect income during the period in which the circumstances that caused the change became known to Company management.

#### Other revenues

Revenue from activities not included in the ordinary operations is recognized as other revenues. This item mainly includes recovered amortized receivables, exchange gains from operations and profit from the sale of non-current assets.

#### Financial income/expense

Interest income and interest expense are reported as distributed over their maturity with application of the effective interest method. Effective interest is the interest that makes the present value of all future incoming and outgoing payments during the fixed-interest period equal to the carrying amount of the receivable or liability.

#### Other external expenses

Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are recognized as other operating expenses. This item mainly includes exchange losses from operations and losses on the sale of non-current assets.

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting submitted to the chief executive decision maker. The chief executive decision maker is the function responsible for allocation of resources and performance assessment of the operating segments. In the Group, this function has been identified as the Group management, which makes strategic decisions. The Company's only product (and thus segment) is casino game systems.

#### Pooled jackpots

Funds for pooled jackpots are recognized in the balance sheet as current receivables. A corresponding amount is recognized in liabilities in the balance sheet as other current liabilities. In the cash flow statement, the build-up of jackpot funds and outgoing payment of winnings are included in changes in working capital. The funds relating to pooled jackpots are managed by a type of bank account excluded from the Company's cash and cash equivalents.

#### Cash flow statement

The cash flow statement was prepared using the indirect method. The recognized cash flow only covers transactions that involve incoming or outgoing payments. This means that discrepancies may occur compared with changes in individual items in the balance sheet.

#### Intangible assets

Development expenditure is capitalized to the extent that it is expected to generate future financial benefits. Only expenditure arising in the development phase of online gaming products, gaming systems and gaming platforms is capitalized and recognized as an asset from the date on which the decision is made to complete the project, and when circumstances permit this. The carrying amount includes direct expenditure for salaries, purchased services, materials and indirect expenses that can be reasonably and consistently attributed to the asset.

## NOTES

In the balance sheet, recognized development expenditure is entered at acquisition cost, less deductions for accumulated amortization and impairment losses. Regular assessments are made of the projects' revenue-generating capacity in order to identify any need for impairment. Intangible assets also include acquired gaming agreements, software licenses, concessions and trademarks. These intangible assets are recognized in the balance sheet at acquisition cost, less accumulated amortization and impairment losses.

All of the Company's intangible assets have a known economic useful life.

### Property, plant and equipment

Property, plant and equipment are recognized as assets in the balance sheet when it is probable that future financial benefits will accrue to the Company and the cost of the asset can be reliably measured. Property, plant and equipment are recognized at acquisition cost less accumulated depreciation and any impairment losses. Repairs and maintenance are recognized as expenses in the period incurred.

### Depreciation/amortization and impairment

Depreciation/amortization is based on the original acquisition cost less the estimated residual value and allowance for impairment conducted. Depreciation/ amortization is performed on a straight-line basis over the asset's estimated useful life. The following economic useful lives (years) are used:

- Trademarks, domain names, licenses 2–5 years.
- Gaming agreements and concessions, 3–5 years.
- Capitalized development expenditure for games, gaming systems and gaming platforms is based on class of asset and amounts to a maximum of 3 years.
- Computer and server equipment, 4–5 years.
- PCs (workstations for developers, etc.) 1–3 years.
- Office equipment, 1–7 years.

The residual value and economic useful life of an asset are reviewed annually. If there is any indication that the carrying amounts of property, plant and equipment, intangible fixed assets or financial assets in the Group are excessive, an analysis is performed in which the recoverable amount of the smallest cash-generating unit is established as the higher of net selling price and value in use. The value in use is measured as expected future discounted cash flow. Impairment loss is the difference between the carrying amount and the recoverable amount. When a previously recognized impairment loss is no longer warranted, it is reversed. A reversal may not be higher than an amount that does not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized. Intangible assets not yet completed are impairment tested annually at minimum.

### Other financial assets

Financial assets can be classified into the following categories: (a) financial assets measured at fair value in the income statement, (b) loans receivable and accounts receivable, and (c) financial assets available for sale. The classification is dependent upon the purpose for which the financial asset was acquired. The classification of the financial assets is determined in initial accounting.

The Group does not have any assets that fall into the categories (a) or (c).

### Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives with determined or determinable payments, and are not listed on an active market. They are included in current assets with the exception of items falling due more than 12 months following the closing date, which are classified as non-current assets. In this category, accounts receivable as well as cash and cash equivalents and certain other receivables are recognized in the balance sheet (see Notes 15, 17 and 18).

### Accounts receivable

Accounts receivable are initially measured at fair value and then at amortized cost with application of the effective interest method, less any provision for impairment. A provision for impairment of accounts receivable is made when there is objective evidence of the inability of the Group to obtain all the amounts due under the original terms of the receivable. The size of a provision is determined by the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate, and the adjustment is recognized in the income statement in selling expenses. When accounts receivable cannot be collected, they are completely written off from accounts receivable.

### Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other current investments maturing within three months of the acquisition date.

### Equity

Equity consists of registered share capital, other contributed capital, translation reserves, retained earnings and profit for the year. Ordinary shares are classified as equity. Transaction expenses that can be directly attributed to issues of new shares or options are recognized, net after tax, in equity as a deduction from the issue proceeds. Other than the shares' quotient value, other capital contributed refers to amounts received from new share issues, shareholder contributions, amounts received from issuing options, and Group contributions. Translation reserve refers to translation differences attributable to the translation of foreign subsidiary operations into NetEnt's presentation currency.

### Accounts payable

Accounts payable are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

### Other financial liabilities

Financial liabilities not held for trading are initially measured at fair value and subsequently at amortized cost. Amortized cost is determined based on the effective interest calculated when the liability was recognized. Surplus and deficit values and transaction expenses are hence distributed over the term of the liability.

### Taxes

Tax in the income statement consists of current tax and deferred tax. Current tax is tax (paid or received) that relates to the current year. This also includes adjustment of current tax attributable to prior periods. Income tax liabilities and receivables are measured at their nominal amounts and according to the tax regulations and tax rates decided or announced and which are highly likely to be adopted. For items recognized in the income statement, related tax effects are thus also recognized in the income statement. Tax effects of items recognized through comprehensive income in equity or directly in equity, are recognized in other comprehensive income or equity.

Deferred tax is calculated using the balance sheet method based on temporary differences arising between the carrying amounts and values for tax purposes of assets and liabilities, applying the tax rates and regulations decided or announced at the balance sheet date and which are expected to apply when the deferred tax receivable concerned is realized or the deferred tax liability is settled. Temporary differences are not considered in consolidated goodwill or in differences attributable to participations in subsidiaries and associates that are not expected to be taxed within the foreseeable future. In legal entities, untaxed reserves including deferred tax liabilities are recognized. Deferred taxes receivable relating to deductible temporary differences and loss carry-forwards are only recognized to the extent that it is probable they will be utilized and result in lower future tax payments.

**Leases**

Leases are classifieded in the consolidated financial statements either as finance or operating leases. Leases of non-current assets for which the Group is essentially exposed to the same risks and rewards as in direct ownership are classified as finance leases. The leased asset is recognized in non-current assets and the corresponding rent liability falls under interest-bearing liabilities. Leases of assets for which the lessor essentially remains the owner are classified as operating leases and the leasing charge is expensed on a straight-line basis over the term of the lease. The scope of operating leases and rental agreements is provided in Note 23.

**Dividends or distributions to shareholders**

Dividends are recognized as a liability after they are approved by the Annual General Meeting.

**Employee benefits****Pension expenses and pension commitments**

The Group has various pension plans in different countries. The pension plans are financed by payments from the relevant Group companies and, in some cases, from employees. As all pension plans are defined-contribution, the Group has no legal or informal obligations once the contributions have been paid. The Group's outgoing payments for defined-contribution pension plans are expensed in the period in which the employees performed the services to which the charge relates.

**Benefits after termination of employment**

The Group has no obligations to employees after they have retired or their employment with the Company is at an end.

**Severance benefits**

Severance remuneration is payable when an employee's position is terminated by NetEnt before the normal date of retirement, or when an employee voluntarily departs in exchange for such remuneration. The Group recognizes severance pay when it is demonstrably committed to either terminating the employment of employees in accordance with a detailed formal plan without the possibility of retraction, or providing termination benefits ensuing from an offer made to encourage voluntary departure.

**Bonus plans**

The Group recognizes a liability and an expense for bonus based on various qualitative and quantitative measures. The Group makes a provision for earned bonuses if there is a legal obligation or an informal obligation owing to previous practice.

**Provisions**

A provision is recognized in the balance sheet when the Group has an existing legal or informal obligation owing to a past event, and an outflow of financial resources will probably be required to settle the obligation and the amount can be reliably estimated. In a situation where the effect of the point in time at which the payment takes place is important, provisions are calculated by discounting expected future cash flows at an interest rate before tax that reflects current market assessments of the time value of the money and, if applicable, the risks associated with the liability. A restructuring provision is recognized when the Group has defined a detailed, formal restructuring plan and the restructuring has either commenced or has been officially announced. No provision is made for future operating expenses.

**Contingent liabilities**

A contingent liability is recognized when there is a possible obligation arising from past events and its existence is confirmed only by one or more uncertain future events, or when there is an obligation which is not recognized as a liability or a provision due to the improbability of an outflow of resources being required to settle it.

**PARENT COMPANY ACCOUNTING POLICIES**

The Parent Company complies with the same accounting principles as the Group, with the exceptions stated below.

Participations in subsidiaries are recognized at acquisition cost less any impairment losses. Acquisition-related expenses for the subsidiaries, which are expensed in the consolidated financial statements, are included as part of the acquisition cost of participations in subsidiaries.

Shareholder contributions are recognized directly in the equity of the recipient and capitalized in the contributor's shares and participations. These assets are subsequently subject to impairment testing. Group contributions received for the purpose of minimizing the total tax of the Group are recognized as an appropriation.

Dividends from subsidiaries are recognized when the right to receive dividends is considered to be reliable.

The Parent Company recognizes the deferred tax liability on untaxed reserves as part of the untaxed reserves because of the connection between accounting and taxation.

The amendments to RFR 2 have not had any considerable effect on the Parent Company's financial statements.

**KEY ESTIMATES AND ASSUMPTIONS**

The Group makes estimates and assumptions about the future. The resulting estimates used for accounting purposes will, by definition, rarely match the actual outcome. The estimates and assumptions that entail a considerable risk of substantial adjustments in the carrying amounts of assets and liabilities in the next financial year are outlined below. They are regularly evaluated and are based on past experience and other factors, including expectations of future events that are deemed reasonable in the prevailing circumstances.

**Taxes**

The Group's tax expense is primarily affected by the distribution of profit between Sweden and the countries in which the Group operates and the tax regulations of each country. Comprehensive assessments are required to establish the income tax provision. There are many transactions and calculations for which the final tax is uncertain at the time when the transactions and calculations are conducted. The Company has, alongside legal experts, assessed how tax regulations affect the operations in order to ensure an accurate tax status. This also applies to indirect taxes. The Company recognizes and pays to the tax authorities the tax amounts that the Company deems accurate. However, these amounts may prove insufficient if tax authorities apply a more restrictive interpretation of tax regulations than the assessment made by the Company and which the latter considers to be accurate (see Note 28).

**Impairment testing**

Each year, Group assets are impairment tested according to IAS 36. The Group has invested considerable amounts in the development of gaming platforms and their carrying amounts are compared with expected future discounted cash flows calculated on present values. The Group has identified one cash-generating unit, Casino Module, with a carrying amount of SEK 173.6 million (175.9). The impairment test is based on detailed assumptions for the next three years. A discount rate after tax of 5.8 percent (6.0) has been used for the cash-generating unit for discounting estimated cash flows after tax. Even when a much higher discount rate is used, the impairment test does not show any need for impairment. Intangible assets not yet ready for use are impairment tested annually at minimum.

In the balance sheet, recognized development expenditure is entered at acquisition cost, less deductions for accumulated amortization and impairment losses. Regular valuations are performed of the projects' revenue-generating capacity in order to identify any impairment requirements (see Note 12).

## NOTES

### NOTE 3 REVENUES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
License revenues, royalties	1,129,405	850,410	-	46,275
Consulting revenues	-	-	538,828	420,686
<b>Total</b>	<b>1,129,405</b>	<b>850,410</b>	<b>538,828</b>	<b>466,961</b>

### NOTE 4 SEGMENT REPORTING

The chief executive decision maker is the function responsible for allocation of resources and performance assessment of the operating segment. In the Group, this function has been identified as the Group management.

Segments are defined by their ability to generate income and incur expenses. Defined segments in the Group are used for follow-up purposes to make strategic decisions. In its reporting to the chief decision maker, the Group has identified one segment for follow-up.

#### The identified segment is casino game systems.

Group management assesses the operations based on the operating segment. With respect to geographic breakdown of operations, NetEnt's customers (gaming operators) offer games to their customers (players) in many different countries. The domicile of NetEnt's direct customers (the websites) is determined by reasons completely different to proximity to the local market, such as appropriate gaming legislation, tax-related reasons, or other reasons. The advantage of the internet is that it is a global, cross-border form of distribution, in which those owning a gaming site can be domiciled anywhere in the world and still serve many local markets around the globe.

The operations of the NetEnt Group are geographically diversified based on legal requirements, regulations and strategic decisions.

The geographical information provided below regarding revenues and assets has been broken down based on the countries in which the Group's customers are domiciled, and where the Group's assets are found.

#### GEOGRAPHIC BREAKDOWN

	2015	2014
<b>Revenues</b>		
Sweden	-	-
Malta	58.9%	66.6%
Other countries	41.1%	33.4%
<b>Non-current assets</b>		
Sweden	14.2%	14.5%
Malta	75.3%	79.4%
Alderney	1.6%	2.5%
Gibraltar	6.8%	2.1%
Ukraine	0.2%	0.7%
USA	1.9%	-

The distribution by customer is provided to show dependence on specific customers.

#### CUSTOMERS (REVENUE BREAKDOWN)

	2015	2014
Customer I	12%	13%
Customer II	7%	9%
Customer III	3%	4%

### NOTE 5 OTHER REVENUE

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
- Exchange rate differences, operations	2,942	1,253	574	102
- Other	78	-	59	-
<b>Total</b>	<b>3,020</b>	<b>1,253</b>	<b>634</b>	<b>102</b>

### NOTE 6 EMPLOYEE BENEFITS

#### Average number of employees

	2015		2014	
	Average number of employees	Of whom male	Average number of employees	Of whom male
Sweden	321	72%	272	73%
Malta	154	41%	119	43%
Ukraine	5	45%	6	54%
Gibraltar	8	57%	4	60%
USA	1	100%	-	-
<b>Group total</b>	<b>489</b>	<b>62%</b>	<b>401</b>	<b>69%</b>

#### BOARD FEES

	2015	2014
Vigo Carlund, Chairman	607	597
Fredrik Erbing	327	317
Mikael Gottschlich	253	247
Peter Hamberg	253	247
Pontus Lindwall	253	247
Michael Knutsson	253	247
Maria Redin	253	247
Jenny Rosberg	170	-
<b>Total</b>	<b>2,370</b>	<b>2,147</b>

#### SALARIES AND SOCIAL SECURITY EXPENSES

	2015		2014	
	Salaries	Social security expenses (of which pension expenses)	Salaries	Social security expenses (of which pension expenses)
Board and President and CEO	7,585	2,881	6,281	2,508
		(536)		(534)
Other employees, Sweden	183,722	85,049	151,231	64,629
		(24,246)		(19,315)
<b>Total Parent Company</b>	<b>191,308</b>	<b>87,930</b>	<b>157,512</b>	<b>67,137</b>
		(24,782)		(19,850)
Other employees, Malta	54,301	3,689	40,948	2,269
		(667)		(342)
Other employees, Ukraine	3,035	215	2,061	289
		(22)		(22)
Other employees, Gibraltar	7,906	428	3,082	148
		(241)		(70)
Other employees, USA	3,986	200	-	-
		(30)		
<b>Total Group</b>	<b>260,535</b>	<b>92,461</b>	<b>203,604</b>	<b>69,843</b>
		(25,742)		(20,284)

Presented salaries and social security expenses include both amounts expensed and capitalization of development expenditure.

## NUMBER AND PERCENTAGE OF WOMEN IN EXECUTIVE POSITIONS AT YEAR END

	2015			2014		
	No. men	No. women	Per-centage women	No. men	No. women	Per-centage women
Board of Directors	6	2	25%	6	1	14%
Other senior executives	4	4	50%	4	4	50%
<b>Total Group Board of Directors and management group</b>	<b>10</b>	<b>6</b>	<b>38%</b>	<b>10</b>	<b>5</b>	<b>33%</b>

## BOARD REMUNERATION

The Annual General Meeting determines remuneration for Board members. At the Annual General Meeting on April 29, 2015, it was resolved, for the period until the 2016 Annual General Meeting, that Board fees would be paid to a total amount of SEK 2,470 thousand, of which SEK 610 thousand to the Chairman of the Board and SEK 255 thousand each to other Board members, with an addition of SEK 75 thousand for the chair of the Audit Committee.

## SENIOR EXECUTIVE REMUNERATION

In 2015, CEO remuneration totaled SEK 5,215 thousand (4,455), of which SEK 1,670 thousand (1,100) was variable remuneration, and pension benefits of SEK 976 thousand (911). Of pension benefits, SEK 440 thousand (376) refers to payments into a Company-owned endowment policy for pension commitments for the present and former CEO, see Note 28 for further information. Other benefits pertaining to health insurance totaled SEK 17 thousand (16).

The notice period for the CEO is six months on the part of the CEO and 12 months on the part of the Company.

Remuneration for other senior executives in 2015 totaled SEK 21,086 thousand (15,837), of which SEK 3,391 thousand (2,058) was variable remuneration and pension benefits totaling SEK 1,726 thousand (1,650). Social security expenses were SEK 2,426 (2,302) million. Senior executives consisted of 10 (8) different individuals, some of them for only part of the year.

The notice period for other senior executives varies between 3 and 6 months and is mutual. Other benefits pertaining to health insurance totaled SEK 28 thousand (23).

## LOYALTY REMUNERATION

Key employees are invited to participate in an ongoing share-based incentive program in the form of share option rights or other share-based incentive programs issued at market price to motivate long-term engagement and better align their interests with those of shareholders. In order to strengthen loyalty to the Company, share-based incentive programs in the form of share option rights issued on market terms can be combined with cash remuneration, which is payable in connection with the redemption period during which share option rights can be exercised, to employees who are still employed at the time of redemption. Such remuneration may not exceed 70 percent, net after tax, of the premium paid for the share option right. The Company's cost of loyalty remuneration is recognized on an ongoing basis over the vesting period.

## NOTE 7 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	PARENT COMPANY	
	2015	2014
Anticipated distribution from subsidiaries	408,537	147,948
<b>Total</b>	<b>408,537</b>	<b>147,948</b>

## NOTE 8 FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Interest income	124	954	3	127
Exchange rate differences	13,976	12,725	2,179	1,890
<b>Total</b>	<b>14,100</b>	<b>13,679</b>	<b>2,182</b>	<b>2,017</b>

## NOTE 9 FINANCIAL EXPENSE

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Interest expense	521	515	482	515
Exchange rate differences	11,904	8,794	1,423	1,322
<b>Total</b>	<b>12,425</b>	<b>9,309</b>	<b>1,905</b>	<b>1,837</b>

## NOTE 10 INCOME TAX

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Current tax</b>				
Sweden	8,758	7,818	8,758	7,818
Outside Sweden	20,783	11,258	-	-
<b>Total current tax</b>	<b>29,541</b>	<b>19,076</b>	<b>8,758</b>	<b>7,818</b>
<b>Deferred tax</b>				
Sweden	-815	1,899	-	-
Outside Sweden	568	1,818	-	-
<b>Total deferred tax</b>	<b>-247</b>	<b>3,717</b>	<b>-</b>	<b>-</b>
<b>Total tax expense</b>	<b>29,294</b>	<b>22,793</b>	<b>8,758</b>	<b>7,818</b>

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Difference between real tax expense and tax expense based on applicable tax rate</b>				
Recognized profit before tax	403,286	266,035	441,643	181,817
Tax according to applicable tax rate 22.0% (22.0%)	88,723	58,528	97,161	40,000
Difference in tax rate in foreign operations	-50,049	-33,627	-	-
Effect from changed tax rate	-	-	-	-
Non-taxable income	-	-	-89,878	-32,549
Tax attributable to prior years	-	-	-	-
Tax effect from non-deductible items	-9,379	-2,108	1,475	367
<b>Recognized tax expense</b>	<b>29,294</b>	<b>22,793</b>	<b>8,758</b>	<b>7,818</b>
<b>Specification of deferred tax expense</b>				
Tax on appropriations	-815	1,899	-	-
Tax on temporary differences	568	1,818	-	-
<b>Recognized deferred tax expense</b>	<b>-247</b>	<b>3,717</b>	<b>-</b>	<b>-</b>

## Specification of deferred tax liability

Tax on appropriations	6,083	6,898	-	-
Tax on temporary differences	5,335	5,492	-	-
<b>Recognized deferred tax liability</b>	<b>11,418</b>	<b>12,390</b>	<b>-</b>	<b>-</b>

As at December 31, 2015, there were no (0) recognized or unrecognized tax deficits.

## NOTES

### NOTE 11 EARNINGS PER SHARE

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Profit after tax attributable to Parent Company shareholders (SEK thousand)	373,992	243,242	432,885	173,999
Average number of shares (thousand)	40,022	39,907	40,022	39,907
Average number of shares (thousand), diluted	40,022	39,966	40,022	39,966
Earnings per share (SEK)	9.34	6.10	-	-
Earnings per share (SEK), diluted	9.34	6.09	-	-

Earnings per share are calculated based on the average number of shares. The number of shares has been calculated in accordance with IAS 33 Earnings per share.

The Annual General Meeting on April 29, 2015 resolved to introduce a new long-term incentive program for senior executives and key people in the NetEnt Group. The resolution entailed the issue of a maximum of 200,000 share option rights to personnel with permanent employment at NetEnt, with the right to subscribe for an equal number of shares in NetEnt AB. At the close of the offer in June 2015, a total of 164,050 options had been subscribed for, equaling 82 percent of the offer. The share options were issued at a market price of SEK 27.97 per option according to a valuation carried out by Ernst & Young, which contributed SEK 4.6 million to Group equity. The redemption price for the shares was set at SEK 426.40 and share subscription can take place during the period August 1 to October 1, 2018. The potential shares that the share options constitute are considered when calculating the number of shares and diluted earnings per share in accordance with IAS 33 Earnings per share. The average share price during the year was SEK 371.21, which does not exceed the subscription price of SEK 426.40. The potential shares therefore do not have a dilution effect.

### NOTE 12 INTANGIBLE ASSETS

GROUP	Gaming products, agreements and gaming systems and gaming platforms		Gaming agreements and concessions		Licenses and ERP systems		Total
	2015	2014	2015	2014	2015	2014	
<b>2014</b>							
Opening acquisition cost	403,157	1,615	18,356	423,128			
Capitalized development 2014	78,356	-	6,074	84,430			
Sales for the year	-7,781	-	-	-7,781			
Translation difference	27,533	-	94	27,627			
<b>Closing accumulated acquisition cost</b>	<b>501,265</b>	<b>1,615</b>	<b>24,524</b>	<b>527,404</b>			
Opening amortization	221,417	1,615	2,500	225,532			
Amortization and impairment 2014	97,384	-	2,580	99,964			
Sales for the year	-7,781	-	-	-7,781			
Translation difference	16,497	-	56	16,553			
<b>Closing accumulated amortization and impairment</b>	<b>327,517</b>	<b>1,615</b>	<b>5,136</b>	<b>334,268</b>			
<b>Closing residual value according to plan 31/12/2014</b>	<b>173,749</b>	<b>0</b>	<b>19,387</b>	<b>193,136</b>			
<b>2015</b>							
Opening acquisition cost	501,265	1,615	24,524	527,404			
Capitalized development 2015	98,444	-	1,322	99,766			
Translation difference	-21,430	-	-28	-21,458			
<b>Closing accumulated acquisition cost</b>	<b>578,279</b>	<b>1,615</b>	<b>25,818</b>	<b>605,712</b>			
Opening amortization	327,517	1,615	5,136	334,268			
Amortization and impairment 2015	100,555	-	1,812	102,367			
Translation difference	-14,199	-	-18	-14,217			
<b>Closing accumulated amortization and impairment</b>	<b>413,873</b>	<b>1,615</b>	<b>6,930</b>	<b>422,418</b>			
<b>Closing residual value according to plan 31/12/2015</b>	<b>164,407</b>	<b>0</b>	<b>18,887</b>	<b>183,294</b>			

### PARENT COMPANY

	Gaming products, agreements and gaming systems and gaming platforms		Gaming agreements and concessions		Licenses and ERP systems		Total
	2015	2014	2015	2014	2015	2014	
<b>2014</b>							
Opening acquisition cost			24,433	1,615	18,356	44,404	
Investments for the year					4,075	4,075	
<b>Closing accumulated acquisition cost</b>	<b>24,433</b>	<b>1,615</b>	<b>22,431</b>	<b>48,479</b>			
Opening amortization			24,433	1,615	2,501	28,549	
Amortization for the year					6,487	6,487	
<b>Closing accumulated amortization</b>	<b>24,433</b>	<b>1,615</b>	<b>8,988</b>	<b>35,036</b>			
<b>Closing residual value according to plan 31/12/2014</b>	<b>0</b>	<b>0</b>	<b>13,443</b>	<b>13,443</b>			
<b>2015</b>							
Opening acquisition cost			24,433	1,615	22,431	48,479	
Investments for the year					2,154	2,154	
<b>Closing accumulated acquisition cost</b>	<b>24,433</b>	<b>1,615</b>	<b>24,585</b>	<b>50,633</b>			
Opening amortization			24,433	1,615	8,988	35,036	
Amortization for the year					7,086	7,086	
<b>Closing accumulated amortization</b>	<b>24,433</b>	<b>1,615</b>	<b>16,074</b>	<b>42,122</b>			
<b>Closing residual value according to plan 31/12/2015</b>	<b>0</b>	<b>0</b>	<b>8,511</b>	<b>8,511</b>			

### NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Plant and equipment</b>				
Opening acquisition cost	172,630	131,554	71,092	57,480
Acquisitions for the year	50,072	35,915	16,002	13,612
Translation differences	-4,925	5,161	-	-
Sales and disposals	-27	-	-27	-
<b>Closing accumulated acquisition cost</b>	<b>217,750</b>	<b>172,630</b>	<b>87,067</b>	<b>71,092</b>
Opening depreciation	108,608	80,114	49,666	41,074
Depreciation for the year	32,497	25,524	11,997	8,592
Translation differences	-2,842	2,970	-	-
Sales and disposals	-27	-	-27	-
<b>Closing accumulated depreciation</b>	<b>138,236</b>	<b>108,608</b>	<b>61,636</b>	<b>49,666</b>
<b>Closing residual value according to plan</b>	<b>79,514</b>	<b>64,022</b>	<b>25,431</b>	<b>21,426</b>
<b>Leasehold improvement</b>				
Opening depreciation	16,484	15,634	16,484	15,634
Acquisitions for the year	1,367	850	991	850
Translation differences	-9	-	-	-
<b>Closing accumulated acquisition cost</b>	<b>17,842</b>	<b>16,484</b>	<b>17,475</b>	<b>16,484</b>
Opening depreciation	10,302	7,278	10,302	7,278
Depreciation for the year	3,394	3,024	3,307	3,024
Translation differences	-2	-	-	-
<b>Closing accumulated depreciation</b>	<b>13,694</b>	<b>10,302</b>	<b>13,609</b>	<b>10,302</b>
<b>Closing residual value according to plan</b>	<b>4,148</b>	<b>6,182</b>	<b>3,866</b>	<b>6,182</b>

**NOTE 14 PARTICIPATIONS IN GROUP COMPANIES, GROUP AND PARENT COMPANY**

PARENT COMPANY	Corp. id no.	Domiciliation	Ownership holding %	No. shares or participations	Book value 2015	Book value 2014
<b>Name</b>						
NetEnt Technology AB	556185-1758	Stockholm	100%	1,000	89	89
- NetEnt Malta Holding Ltd.		Malta	0.01%	1	-	-
- NetEnt Malta Ltd.		Malta	0.01%	1	-	-
- NetEnt Product Services Ltd.		Malta	0.03%	1	-	-
- NetEnt International Ltd.		Malta	0.08%	1	-	-
- NetEnt Gaming Solutions PLC		Malta	0.08%	1	-	-
NetEnt Malta Holding Ltd.	C 37769	Malta	99.99%	3,999	423	423
- NetEnt Malta Ltd.		Malta	99.99%	3,999	-	-
- NetEnt Product Services Ltd.		Malta	99.97%	2,999	-	-
- NetEnt International Ltd.		Malta	99.92%	1,199	-	-
- NetEnt Gaming Solutions PLC		Malta	99.92%	1,199	-	-
- NE Services Ltd.		Gibraltar	100%	2,000	-	-
NetEnt Alderney Ltd.		Alderney	100%	1,000	9	9
Net Entertainment Ukraine LLC	380 906 40	Ukraine	100%	-	1,157	1,157
NetEnt Americas Holding Inc.	562 75 84	USA	100%	5,000	630	-
- NetEnt Americas LLC						
<b>Total</b>					<b>2,308</b>	<b>1,678</b>

	PARENT COMPANY	
	2015	2014
<b>Changes in participations in Group company</b>		
Opening acquisition cost	1,678	1,678
Acquisition NetEnt Americas Holding Inc.	630	-
<b>Closing book value</b>	<b>2,308</b>	<b>1,678</b>

**NOTE 15 ACCOUNTS RECEIVABLE**

The carrying amounts for accounts receivable coincide with the fair values and are matched by nominal amounts. No receivables have been pledged as collateral for liabilities or contingent liabilities.

At December 31, 2015, total accounts receivable were 37,429 (15,190). Of these, 36,716 were past due (15,190). A provision for uncertain receivables was made in the amount of 2,327 during the year (0). This applies to a number of independent customers that have not previously had payment difficulties. Confirmed bad debt losses during the period and an age analysis of consolidated accounts receivable are presented below. The age analysis contains total accounts receivable including receivables that have also been provisioned as uncertain. Credit risks are described in more detail in Note 26.

**MATURITY ANALYSIS OF NON-IMPAIRED ACCOUNTS RECEIVABLE**

SEK thousands	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Receivables not past due	713	-	-	-
1-30 days	22,841	9,042	-	-
31-90 days	7,165	3,564	-	1
91-180 days	6,091	1,171	-	-
Over 181 days	618	1,413	1	-
<b>Total</b>	<b>37,429</b>	<b>15,190</b>	<b>1</b>	<b>1</b>

**PROVISION FOR UNCERTAIN RECEIVABLES**

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Provision for uncertain receivables</b>				
Per 1 January	-	0	-	-
Provision for uncertain receivables during the year	2,327	-	-	-
Bad debt losses recognized in the year	-	-	-	-
<b>Closing provision</b>	<b>2,327</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME**

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Accrued license/royalty revenues	5,135	86,204	-	-
Prepaid IT services	3,409	3,509	1,243	1,137
Prepaid rent	5,421	3,890	4,493	3,588
Prepaid license expenses	123,111	2,616	3,635	2,159
Other prepaid expenses	11,245	8,188	3,045	2,938
<b>Total</b>	<b>148,322</b>	<b>104,407</b>	<b>12,415</b>	<b>9,822</b>

**NOTE 17 OTHER RECEIVABLES**

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
VAT	10,040	8,243	9,510	7,761
Receivables from operators	52,352	52,726	-	-
Other	1,100	3,899	1,058	961
<b>Total</b>	<b>63,492</b>	<b>64,868</b>	<b>10,568</b>	<b>8,722</b>

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
<b>Other non-current receivables</b>				
Deposit Spain	18,270	19,031	-	-
<b>Total</b>	<b>18,270</b>	<b>19,031</b>	<b>0</b>	<b>0</b>

The item refers to a deposit of EUR 2 million paid as part of the Spanish licensing procedure. The deposit extends over the lifespan of the license and is thus classified as a non-current receivable in the balance sheet.

## NOTES

### NOTE 18 CASH AND CASH EQUIVALENTS

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Cash and bank balances	402,058	258,057	82,107	217,631
<b>Total</b>	<b>402,058</b>	<b>258,057</b>	<b>82,107</b>	<b>217,631</b>

Credit available to the Group amounted to SEK 50 million, none of which was utilized at December 31, 2015. The Group does not apply a so-called cash pool with automatic transfer of the Group's liquidity to the Parent Company, which leads to short-term utilization of overdraft facilities potentially occurring in the Parent Company, despite the liquidity of the Group as a whole being generally sound.

### NOTE 19 EQUITY

	31/12/2015		31/12/2014	
	No. shares	Share capital	No. shares	Share capital
<b>Share capital composition</b>				
Shares, series A (10 votes per share)	5,610,000	169	5,610,000	169
Shares, series B (1 vote per share)	34,411,810	1,036	34,296,816	1,032
<b>Total number of shares</b>	<b>40,021,810</b>	<b>1,205</b>	<b>39,906,816</b>	<b>1,201</b>

Quotient value per share 3.01 öre.

#### GROUP

##### Other capital contributed

This pertains to equity contributed by previous owners through shareholder contributions and premiums for issued share options.

##### Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency in which the consolidated financial statements are presented. At year end, accumulated translation differences were SEK -8,448 (12,509) thousand.

Specification reserves	Translation difference
<b>Opening balance 01/01/2014</b>	<b>-3,659</b>
Translation difference for the year	16,168
<b>Closing balance 31/12/2014</b>	<b>12,509</b>
<b>Opening balance 01/01/2015</b>	<b>12,509</b>
Translation difference for the year	-20,957
<b>Closing balance 31/12/2015</b>	<b>-8,448</b>

##### Retained earnings incl. profit for the year

Retained earnings including profit for the year include earned profits in the Parent Company and its subsidiaries, as well as the part of untaxed reserves attributable to shareholders' equity.

##### PROPOSED/CONDUCTED DISTRIBUTION TO SHAREHOLDERS

The Board of Directors proposes to the AGM that no dividend be paid for the 2015 financial year.

The Board proposes that the AGM resolves to distribute SEK 320.2 million (199.5) to shareholders, equaling SEK 8.00 (5.00) per share, through a share redemption program.

### NOTE 20 UNTAXED RESERVES

	PARENT COMPANY	
	31/12/2015	31/12/2014
<b>Untaxed reserves</b>		
Depreciation/amortization in excess of plan	-1,372	2,331
Accrual fund, fiscal 13	9,547	9,547
Accrual fund, fiscal 14	7,658	7,658
Accrual fund, fiscal 15	11,816	11,816
<b>Total</b>	<b>27,649</b>	<b>31,352</b>

### NOTE 21 OTHER LIABILITIES

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
<b>Other current liabilities</b>				
Accumulated jackpot	83,908	137,526	-	-
Personnel tax	6,647	5,510	5,408	4,646
<b>Total</b>	<b>90,555</b>	<b>143,036</b>	<b>5,408</b>	<b>4,646</b>

### NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Accrued employee benefits	27,869	14,012	19,876	11,010
Vacation pay liability	16,564	13,903	15,608	12,974
Social security expenses	10,075	8,406	10,083	8,406
Employer's contribution	10,187	4,462	10,187	4,462
Other	20,095	21,014	3,865	6,224
<b>Total</b>	<b>84,790</b>	<b>61,797</b>	<b>59,619</b>	<b>43,076</b>

### NOTE 23 LEASING

Rents for premises and other rented equipment, and that are included in the concept of operating leases, amounted to:

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Expensed lease payments and rental charges	19,107	16,394	13,327	12,191
<b>Total</b>	<b>19,107</b>	<b>16,394</b>	<b>13,327</b>	<b>12,191</b>

Future minimum lease charges for non-terminable operating leases and rental agreements are expected to be as follows:

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Within one year	25,469	17,838	20,115	14,433
Two-five years	143,231	17,233	139,331	14,389
After five years	112,021	0	112,021	0
<b>Total</b>	<b>280,721</b>	<b>35,071</b>	<b>271,467</b>	<b>28,822</b>

**NOTE 24 AUDITOR REMUNERATION**

Deloitte AB was elected auditor to the Company by the 2015 Annual General Meeting. Deloitte conducts the audit for NetEnt AB and its subsidiaries. In addition to the auditing assignment, NetEnt has also used Deloitte AB for consultation on taxation, VAT, accounting matters and analyses.

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
<b>Deloitte</b>				
Audit assignment	1,182	1,089	517	570
Audit services besides the audit assignment	140	35	140	35
Tax advisory	290	382	18	18
Other services	–	115	–	115
<b>Total</b>	<b>1,612</b>	<b>1,621</b>	<b>675</b>	<b>738</b>

**NOTE 25 TRANSACTIONS WITH RELATED PARTIES****RELATIONS****Group**

The Company's largest shareholder, Per Hamberg, controls around 20 percent of the votes in NetEnt, and thus has a controlling influence in the Company. Per Hamberg is also the largest shareholder of Betsson AB, a customer of NetEnt, in which Board member of the Company Pontus Lindwall is also the chairman.

One of the board members of the Maltese subsidiaries in which the operating activities are conducted is Dr Ruth Galea; moreover Dr Olga Finkel is Key Official of NetEnt Malta Ltd. Dr Ruth Galea and Dr Olga Finkel are both Managing Partners at WH Law, and WH Law is thus considered to be a related party to the Group.

Information about Board members and Group management of NetEnt is provided on pages 62–63.

**Parent Company**

The subsidiaries over which the Parent Company exercises controlling influence are described in Note 14 Participations in Group companies.

**TRANSACTIONS AND OUTSTANDING BALANCES****Group**

The Group's transactions with Betsson AB comprise license revenues for CasinoModule and the transactions are priced in line with the market. Remuneration to WH Law has been paid in the amount of SEK 974 thousand (1,202), and the transactions are priced on market terms. At 31/12/2015, there were no outstanding receivables from Betsson. There were no outstanding liabilities to WH Law at 31/12/2015.

Remuneration for the Board and Group management is described in Note 6.

	PARENT COMPANY	
	2015	2014
<b>Purchase of services from related parties</b>		
Purchases from subsidiaries	17,439	10,438
– % of total operating expenses	3.42%	2.46%
<b>Sale of services to related parties</b>		
Sale to subsidiaries	538,828	466,961
– % of total income	99.88%	99.98%
<b>Liability to related parties</b>		
Liability to subsidiaries	51,471	119,364
<b>Receivables from related parties</b>		
Receivables from subsidiaries	473,461	150,605

**NOTE 26 FINANCIAL RISKS**

The Group's financial activities are conducted on the basis of a low-risk finance policy as established by the Board of Directors. Financial activities and the management of financial risks are coordinated through the Parent Company NetEnt AB, which is also responsible for the investment of excess liquidity. According to the finance policy, cash and cash equivalents can be invested to maturities up to six months with no more than 25 percent of the excess liquidity tied up for longer than three months.

The wholly owned operating subsidiaries are themselves responsible for managing their financial risks within the framework set by the Board of Directors and following coordination with the Parent Company.

**MARKET RISK**

Group earnings are exposed to fluctuations in exchange rates since most sales are in euro, and expenses are in Swedish kronor (transaction exposure). Earnings are also affected by exchange rate fluctuations when foreign subsidiaries' earnings are translated into Swedish kronor (translation exposure). Moreover, exchange rate fluctuations affect Group equity when assets and liabilities in foreign subsidiaries are translated into Swedish kronor (translation exposure). At present, equity in foreign subsidiaries is not hedged.

If the SEK had depreciated/appreciated by 10 percent in relation to the EUR, with all other variables constant, earnings for the year as at December 31, 2015, would have been SEK 82.8 million (60.5) higher/lower. Of the Group's total expenses, 56 percent (67) are in Swedish kronor. As a rule, NetEnt does not hedge risk exposure in terms of exchange rate fluctuations from future cash flows with financial instruments. By way of exception, identified flows can be hedged.

**INTEREST RATE RISKS**

At December 31, zero (0) of total available credit lines of SEK 50 million had been utilized. The interest rate risk to which the Group's income and cash flow are exposed is low. Changes in interest rates affect return on cash and cash equivalents obtained by the Group. The risk in such changes is deemed negligible.

**CREDIT RISK**

The Group does not have any significant concentration of credit risks. The Group has set guidelines for ensuring sales of services to customers with a suitable credit background. No credit limits were breached during the reporting period and management does not expect any material losses resulting from failed payments from these counterparties. Through short lead times and credit terms, providing a short customer credit term, the credit risk is further reduced. Maximum credit risk exposure is matched by the carrying amount of financial assets. In 2014, the Group paid a deposit to the Spanish gaming authority in accordance with the Spanish licensing procedure. This deposit may constitute a credit risk, since the term of the deposit is not entirely set. Group management considers the risk associated with the deposit to be low.

**Financial assets and liabilities recognized at amortized cost**

A calculation of fair value based on discounted future cash flows, in which the discount rate that reflects the counterparty's credit risk is the most significant input data, is not considered to give any significant difference from the carrying amount of financial assets and financial liabilities included in level 2. For all financial assets and liabilities, the carrying amount is therefore considered to be a good approximation of fair value.

**LIQUIDITY RISK**

Liquidity risk is managed by means of the Group holding sufficient cash and cash equivalents to finance the operations. Management also carefully monitors rolling forecasts for the Group's liquidity reserve, which consists of cash and cash equivalents (Note 18) on the basis of expected

## NOTES

cash flows. Group financial liabilities essentially consist of accounts payable, for which the contractual due date falls within 12 months.

Accounts payable usually have a 30-day term of credit.

### CAPITAL MANAGEMENT

At December 31, 2015, the Group had no (0) external liabilities for financing the operations. Capital consists of equity and the Company's dividend policy in the form of the share redemption program.

### NOTE 27 EVENTS AFTER THE END OF THE PERIOD

In January NetEnt won the prize in the category "Casino content supplier" at the EGR Nordic Awards and in January the new Guns N' Roses slot game was also released. In February NetEnt was named "Slot provider of the year" at the International Gaming Awards and won the prize for "Casino solutions provider of the year" at the Gaming Intelligence Awards 2016 in London.

In March 2016 NetEnt was issued with the ruling of the Administrative Court of Appeal regarding a previously announced dispute with the Swedish Tax Agency. The Administrative Court of Appeal approved NetEnt's appeal and reversed the ruling of the Administrative Court and the Swedish Tax Agency's review decision in the case. NetEnt will receive SEK 1.8 million in compensation for legal expenses, but otherwise the ruling has no impact on the Group's reported earnings or financial position.

### NOTE 28 CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Pension commitments	-	-	1,688	3,432
Swedish Tax Agency's decision on additional taxation, including tax surcharges and assessed interest	-	94,400	-	94,400
<b>Total</b>	<b>-</b>	<b>94,400</b>	<b>1,688</b>	<b>97,832</b>

Pension commitments regard provisions for direct pensions for the current and previous CEOs. These commitments have not been included in the balance sheet and are covered by the value of Company-owned endowment policies. The Company has no capital value risk in such commitments.

After a tax audit of NetEnt AB (publ) concerning financial years 2007-2010, the Swedish Tax Agency decided to impose additional taxes on the Company in the amount of approximately SEK 94.4 million, including accrued interest. The amount has previously been reported as a contingent liability. In its decision, the Swedish Tax Agency stated that the internal pricing used by the Group between the Sweden-based Parent Company and the Malta-based operations was not justified. NetEnt contested the Swedish Tax Agency's ruling, and in March 2015 the Administrative Court of Appeal approved NetEnt's appeal and reversed the earlier ruling of the Administrative Court and the Swedish Tax Agency's review decision in the case. NetEnt and its expert legal advisors have, throughout the entire process, been of the opinion that the Company has complied with the taxation rules applicable to its business, and did thus not make any provisions to this end. According to the ruling of the Administrative Court of Appeal, NetEnt will receive SEK 1.8 million in compensation for legal expenses, but otherwise the ruling has no impact on the Group's reported earnings or financial position.

The Board of Directors and the CEO assure that the annual accounts and consolidated accounts have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and sound accounting practice, and provide a true and fair presentation of the Group's and the Company's position and results, and that the Administration report for the Group and Company provides an accurate overview of the developments of the Group's and the Company's business, position and results, and describes significant risks and uncertainty factors with which the companies within the Group are faced.

Stockholm, March 17, 2016

Vigo Carlund  
Chairman of the Board of Directors

Fredrik Erbing  
Member of the Board of Directors

Maria Redin  
Member of the Board of Directors

Michael Knutsson  
Member of the Board of Directors

Mikael Gottschlich  
Member of the Board of Directors

Peter Hamberg  
Member of the Board of Directors

Jenny Rosberg  
Member of the Board of Directors

Pontus Lindwall  
Member of the Board of Directors

Per Eriksson  
President and CEO

Our audit report was submitted on March 17, 2016

Deloitte AB

Erik Olin  
Authorized Public Accountant

# Auditor's report

To the annual meeting of the shareholders of NetEnt AB (publ)  
Corporate identity number 556532-6443

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of NetEnt AB (publ) for the financial year 01/01/2015 – 31/12/2015. The annual accounts and consolidated accounts of the Company are included in the printed version on pages 46–87.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have

been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of NetEnt AB (publ) for the financial year 01/01/2015 – 31/12/2015.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 17, 2016

Erik Olin  
Authorized Public Accountant  
Deloitte AB

# Annual General Meeting and other information

## ANNUAL GENERAL MEETING

The Annual General Meeting of NetEnt AB (publ) for the financial year January 1 – December 31, 2015 will be held in Stockholm on Thursday, April 21, 2016 at Berns, Näckströmögatan 8. Notice of the Annual General Meeting is published on NetEnt's website, [www.netent.com/agm](http://www.netent.com/agm).

### Right to attend and registration

Shareholders wishing to attend the Annual General Meeting must be entered in the register of shareholders held by Euroclear Sweden AB on April 15, 2016, and also notify NetEnt of their intention to attend no later than April 15, 2016. Shareholders must register to attend the AGM in writing, stating their name, personal/corporate identity number, address, telephone number, e-mail address and shareholding to the following address:  
NetEnt AB (publ), Att: ANNUAL GENERAL MEETING  
Luntmakargatan 18, 3rd floor, 111 37 Stockholm, Sweden  
or by e-mail to [agm@netent.com](mailto:agm@netent.com), or via NetEnt's website at [www.netent.com/agm](http://www.netent.com/agm)

### Share registration

Shareholders whose shares are nominee-registered through a bank's notary department or other nominee, must temporarily register the shares in their own name, in order to be entitled to participate in the meeting. Such registration must be done no later than April 15, 2016, so shareholders must notify their nominee well in advance of that date.

## OTHER INFORMATION

NetEnt intends to release financial reports on the dates below:

Interim report January–March 2016	April 19, 2016
Interim report January–June 2016	July 14, 2016
Interim report January–September 2016	October 21, 2015
Earnings report for 2016 and fourth quarter report	February 8, 2017

Financial reports, press releases and other information are available from the date of publication on NetEnt's website, [www.netent.com](http://www.netent.com). NetEnt's principal method of distributing financial reports is electronically. Financial reports, press releases and other information are available for viewing on NetEnt's website ([www.netent.com](http://www.netent.com)), where it is also possible to subscribe to reports and press releases via e-mail. Financial reports are available on the website as of when they have been published. Printed copies of the annual report are sent upon request.

For further information please contact Per Eriksson, CEO, or Maria Hedengren, CFO, tel. +46 (8) 578 54 500, or e-mail: [ir@netent.com](mailto:ir@netent.com).

## Addresses

### Parent Company and Development

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111 37 STOCKHOLM  
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Tel.: +46 (0) 8 578 54 500  
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### Global Market Operations

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