

# Q1

INTERIM REPORT  
JANUARY–MARCH 2016



\* Please note that this is a translation for information purposes only – in case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

**NETENT**  
BETTER GAMING™

# Q1

## INTERIM REPORT JANUARY–MARCH 2016

### First quarter 2016

- Revenues for the first quarter increased by 33.7% to SEK 345.4 (258.3) million
- Operating profit amounted to SEK 128.1 (81.8) million, an increase of 56.6%
- Operating margin was 37.1 (31.7)%
- Profit after tax amounted to SEK 121.7 (74.2) million, an increase of 64.1%
- Earnings per share amounted to SEK 3.04 (1.86) after dilution
- 9 new license agreements were signed, 8 new customers' casinos were launched

### Important events in the first quarter

- License agreement signed and games launched with PokerStars in New Jersey
- NetEnt became associated member of World Lottery Association (WLA)
- Administrative Court of Appeal ruled in NetEnt's favor in tax dispute
- Guns N Roses slot game was released
- NetEnt won prestigious awards at International Gaming Awards, Gaming Intelligence Awards and EGR Nordic Awards

### Quote from Per Eriksson, President and CEO

- "We have had a strong start to the year with high growth in revenues, profits and cash flow. In January we released the slot game Guns N Roses, which became our most successful game release so far. The game is part of our new concept NetEnt Rocks, which also includes upcoming games based on music and graphics of Jimi Hendrix and Motörhead. We have an exciting year ahead of us and I am positive about the future."*

Summary in figures (kSEK)	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Operating revenues	345,350	258,286	1,132,425
Operating expenses	-217,214	-176,463	-730,814
<b>Operating profit</b>	<b>128,136</b>	<b>81,823</b>	<b>401,611</b>
Operating margin	37.1%	31.7%	35.5%
Cash flow from operating activities	128,770	103,078	488,761
Cash flow for the period	82,396	69,475	152,480
Cash and cash equivalents at end of period	486,537	325,861	402,058

## Comments from Per Eriksson, President and CEO

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We have had a strong start to the year with high growth in revenues, profits and cash flow. Revenues for the first quarter increased by 33.7 percent and operating profit increased by 56.6 percent, compared to the first quarter of last year. The operating margin was 37.1 percent, a significant improvement from the same period last year thanks to rising revenues and economies of scale. The number of gaming transactions was 8.9 billion in the first quarter, representing an increase of 37 percent compared to the previous year.

We follow our growth strategy and the expansion in Europe and North America continues. We signed nine new license agreements and launched eight new customers' casinos in the first quarter. We also extended our collaboration with PokerStars and went live with our games on their site in the state of New Jersey. We have successfully signed up all gaming operators in New Jersey and have quickly gained market share and traction with our games there, which is good for our future growth not only in New Jersey, but also in other US states if and when they decide to reregulate the online gaming market. Mobile games and the UK market continue to contribute significantly to our growth. Revenues from the UK almost doubled compared to the same period last year and mobile games represented 33 percent of our gamewin in the quarter, a sharp increase from the level of 21 percent last year.

In March NetEnt became associated member of the World Lottery Association (WLA), a member-based organization that promotes the interests of state-authorized lotteries and gaming operators around the world. The membership will support our efforts to gain business in this strategically important market segment.

NetEnt continues to drive the market for digital casino entertainment by creating innovative games of the highest quality. We won several prestigious industry awards in the quarter and participated as usual at ICE - the largest trade show of the year in the European gaming industry. In January we released the much-anticipated slot game Guns N Roses, which became our most successful game release so far. The game is part of our new concept NetEnt Rocks, which also includes upcoming games based on music and graphics of Jimi Hendrix and Motörhead. We have an exciting year ahead of us and I am positive about the future.

*Per Eriksson, President and CEO,  
NetEnt*



## Future outlook

### Growth

NetEnt sees growing demand for the Company's products. Several investments related to new markets and gaming solutions have been carried out in the past years. With this in mind, NetEnt's ambition is to achieve continued strong sales growth in 2016.

### Costs and investments

NetEnt's cost base increases as the Company grows. In order to adapt the resource base and to meet a growing number of customers and larger demand for the Company's products, there is an ongoing need to increase the number of employees in the Company in 2016. NetEnt continues to create more games, develop its platform, adapt the Company to new regulated markets and integrate new customers. The Company is also opening a new office in Krakow and moving to larger offices in Stockholm. Taken together, the Company foresees higher costs and larger investments in 2016 than in the previous year.

## New agreements and customers

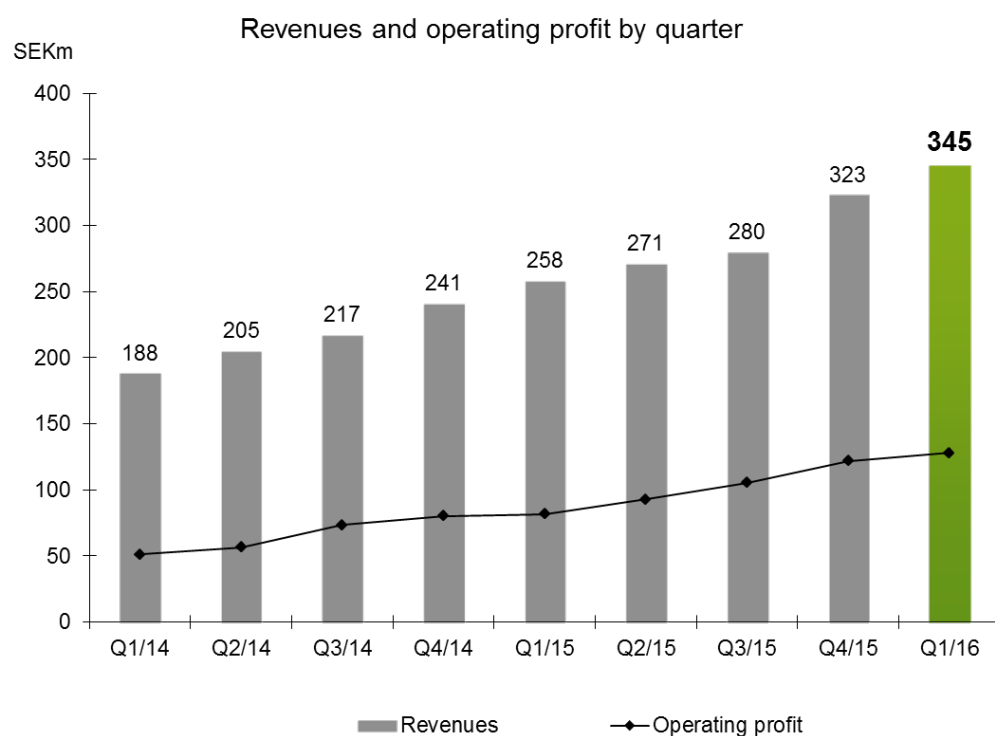
In the first quarter, nine new license agreements were signed and eight new customers' casinos were launched.

### Customers to be launched

At the end of the first quarter, the Company held agreements with 25 new customers that had not yet launched, including Gamesys/Tropicana in New Jersey.

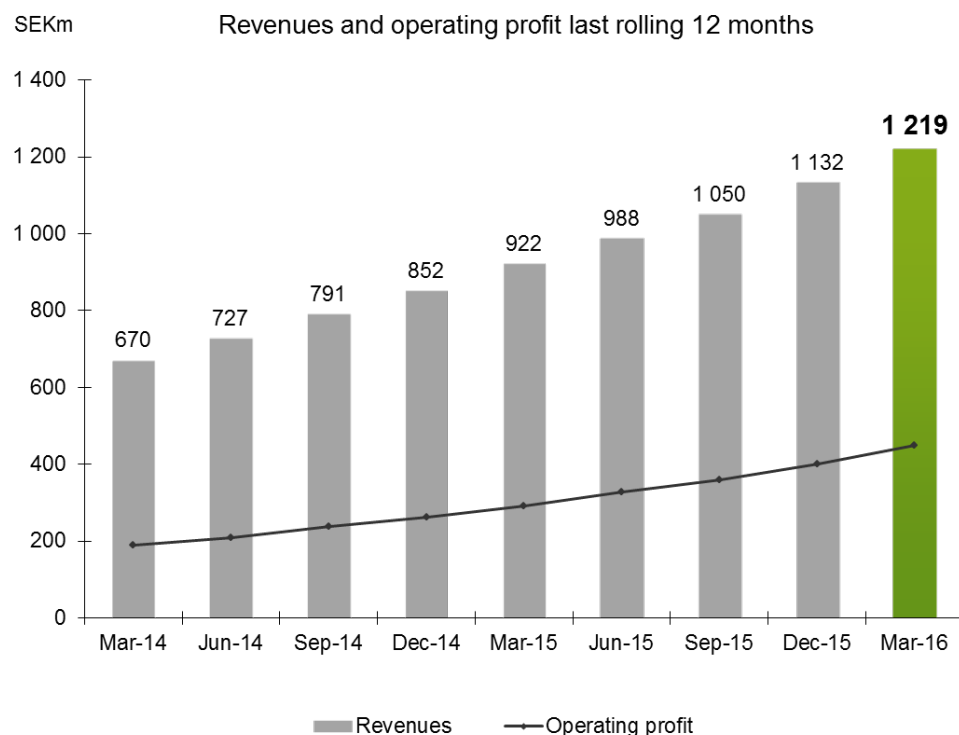
## Revenues and profitability

Revenues and operating profit by quarter are shown in the chart below.





Revenues and operating profit for the last rolling twelve months is presented below.



### Revenues – volume, price and currency development in the first quarter

Revenues amounted to SEK 345.4 (258.3) million in the first quarter, an increase of 33.7 percent compared to the corresponding period in 2015 (34.5 percent in euro terms). The revenue increase was driven by a combination of growth from existing customers, new games and new customers. Nine new license agreements were signed and eight new customers went live during the quarter. The average royalty level was stable in the first quarter compared to last year.

The number of game transactions amounted to 8.9 billion in the first quarter, representing an increase of 37.0 percent compared to the previous year. The increased number of game transactions is primarily a result of underlying market growth in combination with newly launched customers, but also depends on what type of game is most popular. Slot games represented 88 percent of game win (player bet minus player win) in the first quarter.

Revenues are affected by the development of the Swedish krona in relation to other currencies. The main part of revenues is first invoiced and accounted for in euros, then translated and reported in Swedish krona. During the first quarter of 2016, the Swedish krona strengthened by 0.6 percent against the euro compared to the same period last year while it weakened by 0.2 percent compared to the previous quarter.

### Costs and profitability in the first quarter

Operating profit for the first quarter rose by 56.6 percent to SEK 128.1 (81.8) million. Operating expenses increased by 23.1% compared to the previous year due to expansion and strengthening of the organization. The strengthening of the organization is enabled mainly through own personnel but also through external resources in the form of subcontractors and outsourcing outside of Europe. Personnel expenses increased by 22.4% compared to the same quarter last year. The expansion also leads to increased operating and maintenance costs such as IT costs as well as costs related to entering new markets. Other operating expenses increased by 36.2%

in the first quarter while depreciation and amortization increased by 0.3% compared to the previous year. Amortization of development projects is linear with equal amounts each month starting from the launch date while revenues increase gradually with a lag, which means that the positive margin effect from newly launched projects is not immediately visible. Additionally, depreciation and amortization are affected by the development of the Swedish krona versus the euro as they are booked in euros but then translated to SEK for the group's financial reporting. Except for depreciation and amortization, the main part of the group's costs occurs in SEK but the share of costs reported in other currencies is increasing as the organization expands and represented 43 percent in the first quarter of 2016.

The operating margin was 37.1 percent in the first quarter compared to 31.7 percent the previous year. The positive margin development was primarily a result of growing revenues and increased scalability of the business.

Net financial items amounted to SEK 4.2 (-0.4) million for the first quarter and mainly consist of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities consisting mainly of intercompany transactions as well as the interest earned on cash and cash equivalents. Exchange rate fluctuations periodically also lead to effects on inter-company balances that are included in the financial items.

The group had an effective tax rate of 8.0 (8.8) percent in the first quarter. The effective tax rate mainly depends on where – of the countries in which the Company operates - profit is generated and this can vary between reporting periods.

### **Administrative Court of Appeal ruling in dispute with the Swedish Tax Agency**

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 had not been 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 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 amount has been booked and had a positive effect on results in the first quarter.

## **Investments**

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The group's investments in intangible assets amounted to SEK 35.1 (23.0) million while investments in property, plant, and equipment totaled SEK 11.3 (10.6) million in the first quarter.

Investments in intangible assets consist of development of new games for mobile units and desktop, technical adjustments of the platform such as new functionality, increased capacity, adjustments related to regulatory requirements and software licenses. Notable larger development projects in the first quarter were games development and the ongoing platform upgrade.

The growing number of customers and new markets also requires investments in hardware. Investments in property, plant and equipment are primarily made up of servers and other computer hardware to meet new technical standards and sustain capacity and performance as the business expands and new products are being introduced. Investments also include new computer equipment in order to meet the organizational expansion.

## Cash and cash equivalents, financing and financial position

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The group's cash flow from operating activities amounted to SEK 128.8 (103.1) million in the first quarter. The increase compared to the previous year is mainly driven by the higher operating profit.

Cash flow from investing activities amounted to SEK -46.4 (-33.6) million in the first quarter. Further details about the investing activities can be found in the section Investments above.

The Group's cash and cash equivalents amounted to SEK 486.5 (325.9) million as of March 31, 2016. The Group's available credit lines were SEK 50 million of which none had been utilized at the end of the quarter. Cash held on behalf of licensees was SEK 2.0 (104.9) million as of March 31, 2016.

## Events after the end of the period

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

## Market

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The online gaming market has shown positive growth in recent years. The global gross gaming yield for online gaming, including all game segments, has been estimated at EUR 35.0 billion for 2015, an increase of 8 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 7.7 billion in 2015, an increase of 9% for the year (*source: H2 Gambling Capital, January 2016*).

Europe is by far the largest gaming market and is expected to represent close to half of the gross gaming yield in the coming years. Deregulation and reregulation of national gaming laws is taking place in many European countries. NetEnt closely monitors the development on all markets that are undergoing regulation. In Spain the online casino market is now regulated and NetEnt was granted local operating licenses and launched games with several operators in 2015. In Great Britain, the largest gaming market in Europe, new regulation was introduced in 2014. As a result of this, all operators offering gaming services to British players need to have a British gaming license and pay gaming taxes in Britain, regardless of where the operator is based. NetEnt obtained local licenses from the UK Gambling Commission in 2015. The Italian market was reregulated a few years ago and NetEnt has developed a close collaboration with the Italian regulator, where both parties are actively trying to get unlicensed operators, with a focus on Italian players, to acquire a local license. Portugal is preparing for regulation and licensing within the near future and in the Netherlands, regulation of the market is expected to take place in 2017. In September 2015, the Swedish government initiated the process to reregulate the online gaming market and a new law proposal is expected to be announced in 2017 and, if approved by the parliament, come into force during 2018.

Today the majority of NetEnt's customers are located in Europe and the Company will continue to focus on the European market, but expansion into North America will also contribute to long-term growth. In the US, a few states have opened up for online gaming: Nevada (poker), Delaware (all games) and New Jersey (all games). Political steps towards reregulation have also been taken in other states, for example in Pennsylvania. NetEnt has applied for a license in New Jersey and has been granted transactional waivers to launch games with several operators in the state, while its full license application is being reviewed. In Canada, the market is regulated and open for online casino in several provinces such as Ontario, British Columbia and Quebec. NetEnt is continuously monitoring developments on markets in North America that have regulated or are close to regulating and the Company intends to launch its products on these markets if the conditions are right.

## About NetEnt

NetEnt AB (publ), previously Net Entertainment NE AB (publ), is a leading digital entertainment company, providing premium gaming solutions to the world's most successful online casino operators. Since its inception in 1996, NetEnt has been a true pioneer in driving the market with thrilling games powered by a cutting-edge platform. NetEnt is committed to helping customers stay ahead of the competition, is listed on Nasdaq Stockholm (NET-B) and employs more than 700 people in Stockholm, Malta, Kiev, Gothenburg, Gibraltar and New Jersey. For more information, please visit [www.netent.com](http://www.netent.com).

## Personnel and organization

At the end of the period, the number of employees was 572 (471). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 786 (635) persons. These numbers are defined as the number of full-time employee equivalents for the period.

## Parent Company

The Parent Company's revenues amounted to SEK 170.2 (135.6) million and operating profit was SEK 8.8 (12.9) million in the first quarter. The operating margin was 5.2 (9.5) percent. Operating profit is primarily affected by the proportion of the Parent Company's costs that are billed to other group companies and the intercompany pricing applied. The price level is controlled by independent comparative studies of similar services and can vary over time if the general price level on the market has changed.

Financial items include currency effects on inter-company transactions and dividends. Profit after tax was SEK 10.9 (10.3) million for the period.

Revenues in the Parent Company come from services provided to subsidiaries. Product development costs are not capitalized in the Parent Company as the development projects are ordered and owned by subsidiaries in Malta.

Cash and cash equivalents in the Parent Company amounted to SEK 43.4 (224.2) million at the end of the period.

Investments in property, plant and equipment for the Parent Company amounted to SEK 3.1 (7.2) million and investments in intangible assets were SEK 1.3 (0.4) million for the period, the latter primarily consisting of software investments.

## Accounting policies

NetEnt prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The group's interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The new and revised standards, which have been applied as of 2016, have not affected the financial statements of the group. The Parent Company applies the same accounting principles as the group, with the addition of considering the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The same accounting and valuation principles have been applied as in the 2015 annual report. For further information on the principles, please see the annual report at [www.netent.com](http://www.netent.com). Amounts are expressed in kSEK (thousands of Swedish kronor) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year. SEKm stands for millions of Swedish kronor.

## Risks and uncertainties

NetEnt's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. The management's general view of the risks that may affect operations has not changed compared to the description given in the most recently published annual report. For a detailed description of the risk profile, see NetEnt's 2015 annual report, pages 49-52 and pages 85-86.



### **Nominating committee**

In accordance with the principles resolved by the Annual General Meeting 2015 regarding appointment of the nominating committee, Per Hamberg (appointed by the Hamberg family), Christoffer Lundström (appointed by Provobis Property & Leisure AB) and Fredrik Carlsson (appointed by the Knutsson family) have been appointed to form the nominating committee for the Annual General Meeting 2016, together with the Chairman of the Board of Directors, Vigo Carlund. The nominating committee has prepared proposals for decisions at the Annual General Meeting 2016 regarding the chairman of the meeting, chairman and other members of the board of directors, auditor, remuneration for the board of directors and auditor, as well as principles for appointment of the nominating committee. The nominating committee's term of office runs until a new nominating committee is appointed in accordance with decisions regarding appointment of a nominating committee at the annual general meeting in 2016.

### **Proposed cash distribution to shareholders**

The Board proposes to the Annual General Meeting to distribute SEK 320.2 (199.5) million to shareholders, which corresponds to SEK 8.00 (5.00) per share. The Board proposes the transfer to be handled through a share redemption program.

### **Annual general meeting**

The next Annual General Meeting will be held on Thursday April 21, 2016, at 3:00 p.m. at Berns, Näckströmsgatan 8, Stockholm, Sweden. The summons to the AGM, nominating committee's proposal and other documentation ahead of the AGM are available on NetEnt's website at [www.netent.com/agm](http://www.netent.com/agm).

### **Presentation of interim report**

On Tuesday, April 19, 2016, at 9.00 a.m. the interim report will be presented by CEO Per Eriksson live via webcast. The presentation can be followed in real-time on NetEnt's website at [www.netent.com](http://www.netent.com).

### **Financial information**

NetEnt intends to distribute financial reports on the dates below.

Annual General Meeting 2016	April 21, 2016
Interim report January – June 2016	July 14, 2016
Interim report January – September 2016	October 21, 2016
Year-end report and report for the fourth quarter 2016	February 15, 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).

The Board of Directors and the CEO certify that the report gives a true and fair view of the operations, position, and results of the Group and Parent Company and describes principal risks and uncertainties facing NetEnt and its group companies.

Stockholm, April 18<sup>th</sup>, 2016

Vigo Carlund  
Chairman of the Board

Fredrik Erbing  
Board Member

Mikael Gottschlich  
Board Member

Peter Hamberg  
Board Member

Michael Knutsson  
Board Member

Pontus Lindwall  
Board Member

Maria Redin  
Board Member

Jenny Rosberg  
Board Member

Per Eriksson  
President and CEO

Questions may be directed to

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This interim report has not been subject to special review by the Company's auditor.

### Legal disclaimer

Certain statements in this report are forward-looking and the actual outcomes may be materially different. In addition to the factors discussed, other factors could have an impact on actual outcomes. Such factors include developments for customers, competitors, the impact of economic and market conditions, national and international legislation and regulations, fiscal regulations, the effectiveness of copyright for computer systems, technological developments, exchange rates fluctuations and interest rates and political risks.

### Publication

The information in this earnings report is such information that NetEnt AB (publ) is required to publicly disclose under the Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on April 19, 2016 at 7.30 a.m. CET.

## Condensed consolidated income statement and statement of total income for the Group

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
<b>INCOME STATEMENT (kSEK)</b>			
Revenues	344,661	256,955	1,129,405
Other revenues	689	1,331	3,020
<b>Total operating revenues</b>	<b>345,350</b>	<b>258,286</b>	<b>1,132,425</b>
Personnel expenses	-97,881	-79,978	-334,097
Depreciation, amortization and impairments	-33,648	-33,560	-138,285
Other operating expenses	-85,685	-62,925	-258,432
<b>Total operating expenses</b>	<b>-217,214</b>	<b>-176,463</b>	<b>-730,814</b>
<b>Operating profit</b>	<b>128,136</b>	<b>81,823</b>	<b>401,611</b>
Financial items	4,218	-448	1,675
<b>Profit before tax</b>	<b>132,354</b>	<b>81,375</b>	<b>403,286</b>
Tax on the period's profit	-10,622	-7,171	-29,294
<b>Profit for the period</b>	<b>121,732</b>	<b>74,204</b>	<b>373,992</b>
Earnings per share before dilution (SEK)	3.04	1.86	9.34
Earnings per share after dilution (SEK)	3.04	1.86	9.34
Average number of shares			
- before dilution	40,021,810	39,906,816	40,021,810
- after dilution	40,033,739	39,983,932	40,021,810
Operating margin	37.1%	31.7%	35.5%
Effective tax rate	8.0%	8.8%	7.3%
Profit for the period attributable to Parent Company shareholders	121,732	74,204	373,992
<b>STATEMENT OF TOTAL INCOME</b>			
<b>Profit for the period</b>	<b>121,732</b>	<b>74,204</b>	<b>373,992</b>
<b>Other total income</b>			
<b>Other total income Items that may be reclassified to net income</b>			
Exchange differences arising from the translation of foreign operations	1,043	-8,323	-20,957
<b>Sum of other total income for the period, net after tax</b>	<b>1,043</b>	<b>-8,323</b>	<b>-20,957</b>
<b>Total income for the period</b>	<b>122,775</b>	<b>65,881</b>	<b>353,035</b>

## Condensed consolidated balance sheets

<b>ASSETS</b>	<b>2016-03-31</b>	<b>2015-03-31</b>	<b>2015-12-31</b>
Intangible assets	196,295	186,613	183,294
Property, plant, and equipment	85,495	71,327	83,662
Other long-term receivables	18,465	18,573	18,270
<b>Total non-current assets</b>	<b>300,255</b>	<b>276,513</b>	<b>285,226</b>
Accounts receivable	39,955	11,421	35,101
Current tax receivables	4,031	0	5,973
Other receivables	64,875	65,036	63,492
Prepaid expenses and accrued revenues	159,560	118,935	148,322
Funds held on behalf of licensees	1,964	104,886	24,570
Cash and cash equivalents	486,537	325,861	402,058
<b>Total current assets</b>	<b>756,922</b>	<b>626,139</b>	<b>679,516</b>
<b>TOTAL ASSETS</b>	<b>1,057,177</b>	<b>902,652</b>	<b>964,742</b>

(kSEK)

<b>EQUITY AND LIABILITIES</b>	<b>2016-03-31</b>	<b>2015-03-31</b>	<b>2015-12-31</b>
Share capital	1,205	1,201	1,205
Other capital contributed	80,856	66,401	80,856
Reserves	-7,405	4,186	-8,448
Retained earnings including profit for the period	762,280	540,294	640,548
<b>Total equity</b>	<b>836,936</b>	<b>612,082</b>	<b>714,161</b>
Deferred tax liability	11,582	11,962	11,418
<b>Total long-term liabilities</b>	<b>11,582</b>	<b>11,962</b>	<b>11,418</b>
Accounts payable	29,380	31,303	33,534
Current tax liabilities	29,948	11,990	30,284
Other liabilities	67,510	172,253	90,555
Accrued expenses and prepaid revenues	81,821	63,062	84,790
<b>Total current liabilities</b>	<b>208,659</b>	<b>278,608</b>	<b>239,163</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,057,177</b>	<b>902,652</b>	<b>964,742</b>

## Condensed consolidated cash flow statements

(kSEK)	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Operating profit	128,136	81,823	401,611
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortization and impairments	33,647	33,560	138,285
Other	156	73	2,434
Interest received	1	18	124
Interest paid	-132	-140	-521
Tax paid	-16,276	-3,254	-12,652
<b>Cash flow from operating activities before changes in working capital</b>	<b>145,532</b>	<b>112,080</b>	<b>529,281</b>
Changes in working capital	-16,762	- 9,002	-40,520
<b>Cash flow from operating activities</b>	<b>128,770</b>	<b>103,078</b>	<b>488,761</b>
Acquisition of intangible assets	-35,066	-22,956	-99,766
Acquisition of property, plant, and equipment	-11,308	-10,647	-51,439
<b>Cash flow from investing activities</b>	<b>-46,374</b>	<b>-33,603</b>	<b>-151,205</b>
New issue of shares	-	-	9,869
Received premium for share option rights	-	-	4,589
Transfer to shareholders	-	-	-199,534
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-185,076</b>
<b>Cash flow for the period</b>	<b>82,396</b>	<b>69,475</b>	<b>152,480</b>
Cash and cash equivalents at beginning of period	402,058	258,057	258,057
Exchange rate differences in cash and cash equivalents	2,083	-1,671	-8,479
<b>Cash and cash equivalents at end of period</b>	<b>486,537</b>	<b>325,861</b>	<b>402,058</b>



## Condensed consolidated changes in equity

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
<b>2015</b>					
Opening equity 2015-01-01	1,201	66,401	12,509	466,090	546,201
Total income for the period Jan-Mar	-	-	-8,323	74,204	65,881
Received premium for share option rights	-	4,589	-	-	4,589
Transfer to shareholders	-	-	-	-199,534	-199,534
Total income for the period Apr-Jun	-	-	-3,435	86,537	83,102
New share issue	3	9,866	-	-	9,869
Total income for the period Jul-Sep	-	-	9,193	97,566	106,759
Total income for the period Oct-Dec	-	-	-18,392	115,686	97,294
<b>Closing equity 2015-12-31</b>	<b>1,205</b>	<b>80,856</b>	<b>-8,448</b>	<b>640,548</b>	<b>714,161</b>

(kSEK)

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
<b>2016</b>					
Opening equity 2016-01-01	1,205	80,856	-8,448	640,548	714,161
Total income for the period Jan-Mar	-	-	1,043	121,732	122,775
<b>Closing equity 2016-03-31</b>	<b>1,205</b>	<b>80,856</b>	<b>-7,405</b>	<b>762,280</b>	<b>836,936</b>

There is no minority interest in the Group. Thus, all equity is attributed to the Parent Company's shareholders.

## Consolidated key data and figures for the Group

	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Operating revenues (SEK thousands)	345,350	258,286	1,132,435
Operating revenues (EUR thousands)	37,036	27,537	121,035
Operating margin (percent)	37.1	31.7	35.5
Profit margin (percent)	38.3	31.5	35.6
EBITDA margin (percent)	46.8	44.7	47.7
Return on equity, rolling 12 months (percent)	63.2	54.6	61.2
Equity/assets ratio (percent)	79.2	67.8	74.0
Quick ratio (percent)	362.8	224.7	284.1
Net interest-bearing liabilities (SEK thousands) <sup>1</sup>	-486,537	-325,861	-402,058
Net debt/equity ratio (multiple)	-0.6	-0.5	-0.6
Average number of employees	551	466	489
Employees at period's end	572	471	529
Employees and external resources at period's end	786	635	718
Earnings per share before dilution (SEK)	3.04	1.86	9.34
Earnings per share after dilution (SEK)	3.04	1.86	9.34
Equity per share before dilution (SEK)	20.91	15.34	17.84
Equity per share after dilution (SEK)	20.91	15.31	17.84
Average number of outstanding shares before dilution	40,021,810	39,906,816	40,021,810
Average number of outstanding shares after dilution	40,033,739	39,983,932	40,021,810
Number of outstanding shares at period's end before dilution	40,021,810	39,906,816	40,021,810
Number of outstanding shares at period's end after dilution	40,185,860	40,021,810	40,021,810

<sup>1</sup> A negative figure means that the Group has a net cash position (cash and no interest-bearing liabilities)

## Consolidated key data and figures by quarter for the Group

	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1
Operating revenues (SEKm)	345.4	323.1	279.8	271.2	258.3	241.1	217.2	205.0	188.4
Operating revenues (EURm)	37.0	34.7	29.7	29.2	27.5	26.1	23.6	22.7	21.2
Operating profit (SEKm)	128.1	121.8	105.3	92.7	81.8	80.3	73.4	56.7	51.2
Operating margin (percent)	37.1	37.7	37.6	34.2	31.7	33.3	33.8	27.7	27.2
EBITDA-margin (percent)	46.8	48.8	50.1	46.7	44.7	47.1	48.9	43.6	43.0
Growth in SEK vs prior year (percent)	33.7	34.0	28.8	32.3	37.1	33.8	41.8	37.8	26.7
Growth in EUR vs prior year (percent)	34.5	33.0	25.8	28.2	29.8	27.8	33.8	31.0	21.1
Growth in SEK vs prior quarter (percent)	6.9	15.5	3.2	5.0	7.1	11.0	6.0	8.8	4.6
Growth in EUR vs prior quarter (percent)	6.8	17.0	1.7	5.9	5.6	10.6	3.7	7.2	3.9
Cash and cash equivalents (excl. funds held on behalf of licensees, SEKm)	486.5	402.1	316.8	219.3	325.9	258.1	210.2	119.0	147.8
Funds held on behalf of licensees (SEKm)	2.0	24.6	74.5	32.9	104.9	79.1	55.3	38.3	34.5
Equity/assets ratio (percent)	79.2	74.0	69.2	69.4	67.8	67.9	69.6	66.5	72.1
Return on equity rolling 12 months (percent)	63.2	61.2	59.0	57.6	54.6	54.0	53.7	51.4	50.8
Net debt/equity ratio (multiple)	-0.6	-0.6	-0.5	-0.4	-0.5	-0.5	-0.5	-0.3	-0.3
Earnings per share (SEK)	3.04	2.89	2.44	2.16	1.86	1.93	1.69	1.32	1.16
Equity per share (SEK)	20.91	17.84	15.41	12.54	15.34	13.69	11.54	9.32	10.79
Cash flow per share (SEK)	2.06	2.34	2.37	-2.64	1.74	1.17	2.29	-0.77	1.07
Average number of employees	551	516	496	481	466	446	410	390	358

## Definitions

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***Operating margin***

Operating profit in relation to operating revenues.

***Profit margin***

Profit after financial items in relation to operating revenues.

***EBITDA-margin***

Operating profit excluding depreciation and amortization in relation to operating revenues.

***Return on equity***

Period's profit/loss (rolling twelve months) in relation to average shareholder equity for last twelve months.

***Equity/assets ratio***

Equity at the end of period as a percentage of total assets at the end of period.

***Quick ratio***

Current assets in relation to current liabilities.

***Net interest-bearing liabilities***

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

***Net debt/equity ratio (multiple)***

Net of interest-bearing earnings and liabilities minus financial assets and cash and cash equivalents divided by shareholder's equity.

***Average number of employees***

The average number of employees during the period, defined as full-time equivalents.

***Number of employees at end of period***

The number of employees at the end of the period, defined as full-time equivalents.

***Number of employees and external resources at end of period***

The number of employees and external resources such as dedicated persons with contracted suppliers and subcontractors at the end of the period, defined as full-time equivalents.

***Earnings per share before dilution***

Profit for the period divided by the average number of shares outstanding during the period, before dilution from options.

***Earnings per share after dilution***

Profit for the period divided by the average number of shares outstanding during the period, after dilution from options.

***Equity per share***

Shareholders' equity divided by the number of shares outstanding at the end of the period.

***Average number of shares outstanding***

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

***Number of shares outstanding***

The number of shares outstanding adjusted for bonus issue and share split.

## Condensed Parent Company income statement

<b>INCOME STATEMENT</b>	<b>Jan-Mar 2016</b>	<b>Jan-Mar 2015</b>	<b>Jan-Dec 2015</b>
Operating revenues	170,155	135,648	539,462
Other external expenses	-65,441	-43,106	-191,352
Personnel expenses	-89,642	-74,532	-296,593
Depreciation and amortization	-6,263	-5,152	-22,391
<b>Operating profit</b>	<b>8,809</b>	<b>12,858</b>	<b>29,126</b>
Financial items	5,079	585	408,814
Transfer to untaxed reserves	-	-	3,703
<b>Profit before tax</b>	<b>13,888</b>	<b>13,443</b>	<b>441,643</b>
Tax on the period's profit	-3,032	-3,108	-8,758
<b>Profit for the period</b>	<b>10,856</b>	<b>10,335</b>	<b>432,885</b>

(kSEK)

## STATEMENT OF TOTAL INCOME

<b>Profit for the period</b>	<b>10,856</b>	<b>10,335</b>	<b>432,885</b>
Other total income	-	-	-
<b>Sum of other total income for the period, net after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income for the period</b>	<b>10,856</b>	<b>10,335</b>	<b>432,885</b>



## Condensed Parent Company balance sheet

<b>ASSETS</b>	<b>2016-03-31</b>	<b>2015-03-31</b>	<b>2015-12-31</b>
Intangible assets	8,030	12,086	8,511
Property, plant, and equipment	27,943	31,178	29,296
Shares in subsidiaries	2,308	2,308	2,308
<b>Total non-current assets</b>	<b>38,281</b>	<b>45,572</b>	<b>40,115</b>
Accounts receivable	1	1	1
Receivables from Group companies	468,368	48,826	473,461
Current tax receivables	4,031	2,827	5,973
Other receivables	11,794	9,742	10,568
Prepaid expenses and accrued revenues	28,892	17,348	12,415
Cash and cash equivalents	43,365	224,245	82,107
<b>Total current assets</b>	<b>556,451</b>	<b>302,989</b>	<b>584,525</b>
<b>TOTAL ASSETS</b>	<b>594,732</b>	<b>348,561</b>	<b>624,640</b>

(kSEK)

<b>EQUITY AND LIABILITIES</b>	<b>2016-03-31</b>	<b>2015-03-31</b>	<b>2015-12-31</b>
Share capital	1,205	1,201	1,205
Statutory reserve	38	38	38
Share premium reserve	45,967	31,513	45,967
Retained earnings	408,272	174,921	-24,613
Profit for the period	10,856	10,335	432,885
<b>Total equity</b>	<b>466,338</b>	<b>218,008</b>	<b>455,482</b>
<b>Untaxed reserves</b>	<b>27,649</b>	<b>31,352</b>	<b>27,649</b>
Accounts payable	21,622	25,848	25,011
Liabilities to Group companies	2,913	16,513	51,471
Other liabilities	7,836	6,106	5,408
Accrued expenses and prepaid revenues	68,374	50,734	59,619
<b>Total current liabilities</b>	<b>100,745</b>	<b>99,201</b>	<b>141,509</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>594,732</b>	<b>348,561</b>	<b>624,640</b>

## Netent's business idea

NetEnt operates in the digital entertainment industry and its business idea is to develop premium games and system solutions that enable online casino operators to offer their players the ultimate gaming experience.

## Netent's business model

NetEnt is a B2B company developing and distributing premium software (games and gaming solutions) to online casino operators globally. Revenues are generated according to a licensing model based on revenue-sharing with customers. Customers, the gaming operators, pay a monthly license fee to NetEnt, which is based on a certain percentage share of the gross game win that is generated in the customers' online casinos. NetEnt takes responsibility for all technical operations such as monitoring gaming transactions for its customers, known as hosting, so that the operators can focus on their core operations. NetEnt also plays an active part in the integration work for new customers.

## Netent's strategies

NetEnt continuously develops its offering to be at the forefront in terms of technology, innovation and quality. The Company shall be a close business partner for its customers and the growth strategy is based on growth through both existing and new customers, new products, services and new markets. NetEnt shall participate in the re-regulation of the gaming market and expand globally on prioritized markets. Europe is top priority, followed by North America and Asia. NetEnt constantly aims to optimize efficiency in all parts of the operations and shall attract, preserve and develop core expertise. The Company strives to have a corporate culture that supports fast growth and should be ready to invest in new business opportunities.

## NetEnt's products

NetEnt offers a comprehensive gaming system comprising a full suite of world-class casino games and a powerful technological platform. The games are of high quality and provide players with an ultimate gaming experience, while the platform manages over two billion transactions per month. The product also includes an advanced administration tool that enables the operator to develop successful casino operations. The gaming system is tailored to each licensee so the games form a natural, integral part of the operator's gaming site. NetEnt's game portfolio comprises almost 200 games in categories such as Video Slots, Branded Games, Live Casino, Table Games, Pooled Jackpots, Video Poker, Mini Games and Lottery/other. The games are offered in various channels such as desktop, tablets and mobile phones. Three new games that were released in the first quarter are Guns N Roses, Aloha and Drive/Multiplier Mayhem.

