

Q3

INTERIM REPORT
JANUARY – SEPTEMBER 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™

Q3

INTERIM REPORT JANUARY–SEPTEMBER 2016

Third quarter 2016

- Revenues for the third quarter increased by 27.7% to SEK 357.4 (279.8) million
- Operating profit amounted to SEK 129.4 (105.3) million, an increase of 22.9%
- Operating margin was 36.2 (37.6)%
- Profit after tax amounted to SEK 119.2 (97.6) million, an increase of 22.2%
- Earnings per share amounted to SEK 0.50 (0.41) after dilution
- 11 new customer agreements were signed, 8 new customers' casinos were launched

First nine months 2016

- Revenues for the first nine months increased by 30.3% to SEK 1,054.8 (809.3) million
- Operating profit amounted to SEK 380.0 (279.8) million, an increase of 35.8%
- Operating margin was 36.0 (34.6)%
- Profit after tax amounted to SEK 354.5 (258.3) million, an increase of 37.2%
- Earnings per share amounted to SEK 1.48 (1.08) after dilution
- 32 new customer agreements were signed and 22 new customers' casinos were launched

Important events in the third quarter

- NetEnt launched games with Rank Group in the UK
- NetEnt games were launched with several operators in Romania
- Mobile live casino was rolled out to customers for the first time

Quote from Per Eriksson, President and CEO

- "NetEnt's growth strategy keeps delivering results – we grow on new markets, with new products and with more customers. During the quarter we launched our games on the regulated market in Romania and we rolled out our live casino product for mobile. The UK continues to be an important growth driver but the weaker pound had an estimated negative effect of about three percentage points on revenue growth compared to the same quarter last year. Our ambition to achieve continued strong sales growth in 2016 remains."*

Summary in figures (kSEK)	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Operating revenues	357,389	279,790	1,054,807	809,291	1,132,425
Operating expenses	-227,945	-174,474	-674,824	-529,464	-730,814
Operating profit	129,444	105,316	379,983	279,827	401,611
Operating margin	36.2%	37.6%	36.0%	34.6%	35.5%
Cash flow from operating activities	178,585	121,932	465,389	350,367	488,761
Cash flow for the period	132,451	94,688	-2,122	58,696	152,480
Cash and cash equivalents at end of period	412,776	316,784	412,776	316,784	402,058

Comments by Per Eriksson, President and CEO

Continued strong growth in the third quarter

The third quarter featured continued large demand for our products and high growth. Revenues amounted to SEK 357 million and operating profit was SEK 129 million. Compared to the same period last year, revenues increased by 28 percent and operating profit rose by 23 percent. The operating margin was 36.2 percent and cash flow generation was strong. Cash flow after investments amounted to SEK 132 million in the quarter, representing an increase of 56 percent compared to last year. We signed eleven new customer agreements and launched our games with eight new customers. The number of gaming transactions in our systems was 8.6 billion in the quarter, an increase of 31 percent compared to last year.

Sustainability and growth on regulated markets

Promoting responsible gaming is fundamental to NetEnt and a condition for the licenses that we hold. We are pleased to see that more countries regulate online gaming. This leads to better sustainability for the entire industry and also gives us a competitive edge over smaller competitors. During the quarter we launched our games with several operators in Romania, which is in line with our growth strategy to expand on regulated markets. Since our market entry in Spain last summer, we have launched our games with more than 10 operators and certified over 60 of our games. The Spanish market has shown strong growth this year, which is starting to be reflected in our revenues. Great Britain continues to be an important growth driver but the weaker pound had an estimated negative effect of about three percentage points on revenue growth compared to the same quarter last year. In August we launched our games with Rank Group, one of the largest operators in the UK. In the US, NetEnt continues to gain market shares on the online casino market in New Jersey and we hope that Pennsylvania will soon be the next state to open up for online casino gaming. We also aim to enter the Canadian market and as a first step we will apply for a license in the province of British Columbia in the fourth quarter.

New innovative products launched

Mobile gaming continues to be an important growth factor. Revenues from mobile increased by 83 percent compared to last year and accounted for 40 percent of revenues in the quarter. In September we rolled out NetEnt Live Mobile, our latest innovative product that really enhances the player experience and improves the way that operators use live casino. We have applied the latest technology in streaming, sound and video, and as a mobile player, this is about the closest you can get to a real-life casino experience. Following successful game releases of Guns N Roses and Jimi Hendrix earlier this year, in September we launched the third game in the trilogy NetEnt Rocks, Motörhead, which is off to a really strong start so far.

Future outlook

We see growing demand for our products and our ambition to achieve continued strong sales growth in 2016 remains. We increase the number of employees, develop our platform, adapt the Company to new regulated markets and integrate more and more customers. As previously communicated, we foresee higher costs and larger investments in 2016 than last year – we keep investing to enable continued strong growth going forward.



*Per Eriksson,
President and CEO*

New agreements and customers

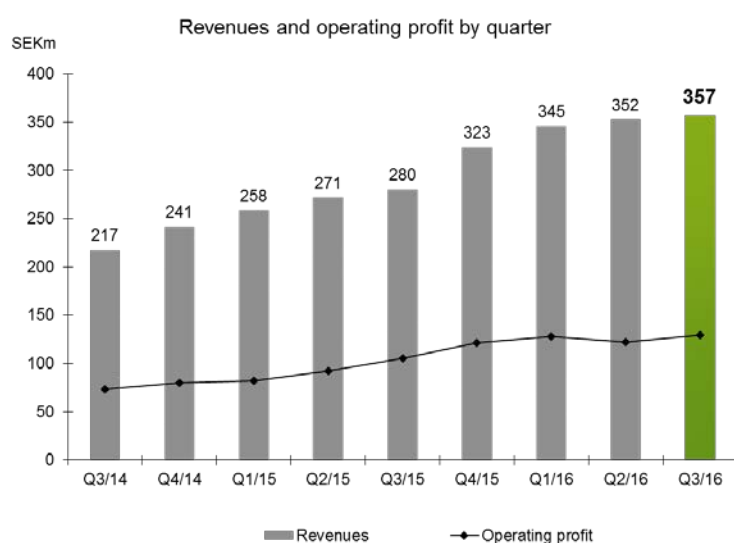
In the third quarter, 11 new license agreements were signed and eight new customers' casinos were launched.

Customers to be launched

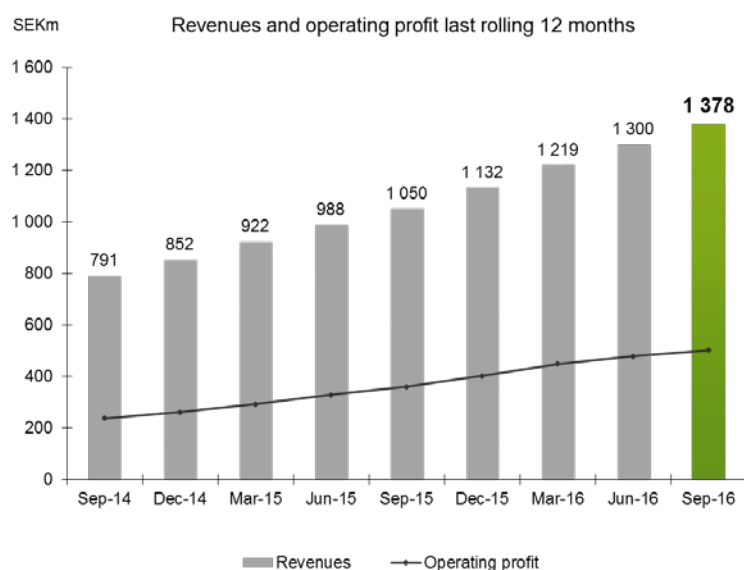
At the end of the third quarter, the Company held agreements with 32 new customers that had not yet been launched.

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 third quarter

Revenues amounted to SEK 357.4 (279.8) million in the third quarter, an increase of 27.7 percent compared to the corresponding period in 2015 (26.6 percent in euro terms). The revenue increase was driven by a combination of growth from existing customers, new games and new customers. 11 new customer agreements were signed and eight new customers went live during the quarter. The average royalty level was stable in the third quarter compared to last year.

The number of game transactions amounted to 8.6 billion in the third quarter, representing an increase of 30.8 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 that is the most popular. Slot games represented 89 percent of game win (player bets minus player wins) in the third quarter.

Revenues are affected by the development of the Swedish krona in relation to other currencies. The main part of revenues is invoiced and accounted for in euros, then translated and reported in Swedish krona. Great Britain is one of the largest markets for NetEnt and accounts for a significant part of the Company's growth. British player bets are often made in pounds and some of the licensing revenues are invoiced in pounds, which means that the British pound has become a more important currency for NetEnt.

During the third quarter of 2016, the Swedish krona weakened by 0.8 percent against the euro compared to the same period last year and by 2.6 percent compared to the previous quarter. The British pound weakened by 14.8 percent against the krona compared to the same quarter last year and by 5.0 percent compared to the previous quarter. The estimated negative effect from the weaker pound on revenue growth year-on-year was around 3 percentage points in both euro and Swedish kronor in the quarter.

Costs and profitability in the third quarter

Operating profit for the third quarter rose by 22.9 percent to SEK 129.4 (105.3) million. Operating expenses increased by 30.6% 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 31.4% 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 46.4% in the third quarter. The increase was driven by a higher number of external consultants, increased marketing activities, increased volume-based royalty costs related to branded games, as well as higher office rents in Malta and Poland. Depreciation and amortization decreased 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 represented 44 percent in the third quarter of 2016.

The operating margin was 36.2 percent in the third quarter compared to 37.6 percent the previous year.

Financial items amounted to SEK 0.2 (0.4) million for the third 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 (7.7) percent in the third 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.

Seasonal variations

The third quarter is usually affected by vacations, which often lead to somewhat lower increases in both revenues and personnel costs. Historically, NetEnt's business has not shown any other significant seasonal variations.

Investments

The Group's investments in intangible assets amounted to SEK 36.6 (22.7) million while investments in property, plant, and equipment totaled SEK 9.5 (14.4) million in the third 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 third quarter were the development of a mobile solution for live casino, the ongoing platform enhancement and new games development.

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 IT equipment in order to meet the organizational expansion.

Cash and cash equivalents, financing and financial position

The Group's cash flow from operating activities amounted to SEK 178.6 (121.9) million in the third quarter. The increase compared to the previous year was mainly driven by higher operating profit, but also by an improvement in working capital.

Cash flow from investing activities amounted to SEK -46,1 (-37,1) million in the third quarter. Further details about the investing activities can be found in the section named Investments above.

The Group's cash and cash equivalents amounted to SEK 412.8 (316.8) million at the end of the quarter. The Group's available credit lines were SEK 50 million of which none had been utilized at the end of the period. Cash held on behalf of licensees was SEK 102.9 (74.5) million as of September 30, 2016.

Events after the end of the period

In October, NetEnt signed a licensing agreement with Merkur Gaming Italia, a subsidiary of Gauselmann, regarding distribution of games to land-based gaming machines in Italy.

In October, NetEnt also announced that Therese Hillman has been recruited as new CFO. She will start her new role on January 9, 2017, replacing Maria Hedengren, who is leaving the Company as previously communicated.

Summary of the first nine months of 2016

Revenues during the period January-September amounted to SEK 1,054.8 (809.3) million, an increase of 30.3 percent (30.3 percent in euros) compared to the same period in 2015. Operating profit rose by 35.8 percent to SEK 380.0 (279.8) million and the operating margin was 36.0 (34.6) percent. The increased operating profit can be explained by growing revenues from new and existing customers, as well as the launch of new games. NetEnt signed 32 new license agreements during the nine-month period while 22 new customers were launched. The average royalty level was stable in the first nine months compared to the same period in the previous year.

The Group's acquisitions of intangible assets amounted to SEK 112.4 (71.1) million for the first nine months. Investments in property, plant, and equipment amounted to SEK 44.5 (35.5) million. The Group's cash flow from operating activities for the first nine months amounted to SEK 465.4 (350.4) million. SEK 320.2 million was distributed to shareholders through an automatic redemption program and in conjunction with this, the NetEnt share was split 6:1.

The Annual General Meeting in April resolved to introduce a long-term incentive program intended for all employees within the NetEnt Group. In June, 1,448,020 options were issued, with the right to subscribe for an equal amount of shares in NetEnt AB. The options were issued at SEK 6.58 per option – the fair market value as calculated by Ernst & Young. This resulted in an increase in Group equity by SEK 9.5 million. The strike price for the shares was determined at SEK 109.70 and subscription of shares can be made during the period August 1 to October 1, 2019. In the case of full subscription at the given terms, the Parent Company's equity will increase by SEK 158.9 million. More information about the incentive program can be found on NetEnt's corporate website, at www.netent.com/agm.

Market

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 34.5 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 7.6 billion in 2015, an increase of 9% for the year (*source: H2 Gambling Capital, June 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. The market in Denmark was regulated in 2012 and NetEnt's games are live with several customers, including Danske Spil.

The online gaming markets are regulated in Portugal, Romania and Bulgaria. In Romania, NetEnt has obtained a gaming license and launched games with several operators. In 2017, new gaming legislation is expected in the Netherlands and in Czech Republic.

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 is also expected to 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 and Michigan. 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. NetEnt is continuously monitoring developments in other US states that are close to regulating and the Company intends to launch its products on these markets if the conditions are right. In Canada, the market is regulated and open for online casino in several provinces such as Ontario, British Columbia and Quebec. NetEnt also intends to enter Canada and as a first step, the Company will apply for a license in British Columbia during the fourth quarter.

About NetEnt

NetEnt 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 900 people in Stockholm, Malta, Kiev, Krakow, Gothenburg, Gibraltar and New Jersey. For more information, please visit www.netent.com.

Personnel and organization

At the end of the period, the number of employees was 657 (513). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 912 (686) 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 180.4 (123.4) million and operating profit was SEK 11.5 (4.5) million in the third quarter. The operating margin was 6.4 (3.6) 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 9.0 (3.6) 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 242.3 (150.2) million at the end of the period.

Investments in property, plant and equipment for the Parent Company amounted to SEK 6.4 (13.1) million and investments in intangible assets were SEK 0.4 (1.2) 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. Information according to IAS, 34, Interim Financial Reporting, is provided in notes and elsewhere in the interim report. The new and revised standards, which have been applied as of 2016, have not affected the financial statements of the Group. ESMA's guidelines regarding "alternative performance measures" have been applied since July 3, 2016, which means that financial measures not defined by IFRS need to be explained. 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. 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.

Presentation of interim report

On Friday, October 21, 2016, at 9.00 a.m. the interim report will be presented by CEO Per Eriksson live via audio webcast. The presentation can be followed in real-time on NetEnt's website at

<https://www.netent.com/en/section/invest/>.

Financial information

NetEnt intends to distribute financial reports on the dates below.

Earnings report and report for the fourth quarter 2016	February 16, 2017
Interim report January – March 2017	April 20, 2017
Annual General Meeting 2017	April 21, 2017
Interim Report January – June 2017	July 13, 2017
Interim report January – September 2017	October 27, 2017
Earnings report and report for the fourth quarter 2017	February 15, 2018

Financial reports, press releases, and other information are available from the date of publication on NetEnt's website 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, October 20th, 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

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Publication

This information is information that NetEnt AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on October 21, 2016.

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.

Review report

Introduction

We have reviewed the interim report for NetEnt AB (publ) for the period January 1 - September 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, 20th October 2016

Deloitte AB

Erik Olin

Authorized Public Accountant

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

INCOME STATEMENT (kSEK)	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Revenues	356,450	279,211	1,052,577	806,821	1,129,405
Other revenues	939	579	2,230	2,470	3,020
Total operating revenues	357,389	279,790	1,054,807	809,291	1,132,425
Personnel expenses	-98,452	-74,897	-301,274	-237,329	-334,097
Depreciation, amortization and impairments	-34,719	-34,821	-102,250	-102,289	-138,285
Other operating expenses	-94,774	-64,756	-271,300	-189,846	-258,432
Total operating expenses	-227,945	-174,474	-674,824	-529,464	-730,814
Operating profit	129,444	105,316	379,983	279,827	401,611
Financial items	159	389	5,427	454	1,675
Profit before tax	129,603	105,705	385,410	280,281	403,286
Tax on the period's profit	-10,355	-8,140	-30,941	-21,975	-29,294
Profit for the period	119,248	97,566	354,469	258,306	373,992
Earnings per share before dilution (SEK)	0.50	0.41	1.48	1.08	1.56
Earnings per share after dilution (SEK)	0.50	0.41	1.48	1.08	1.56
Average number of shares ⁽¹⁾					
- before dilution	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
- after dilution	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Operating margin	36.2%	37.6%	36.0%	34.6%	35.5%
Effective tax rate	8.0%	7.7%	8.0%	7.8%	7.3%
Profit for the period attributable to Parent Company shareholders	119,248	97,566	354,469	258,306	373,992
STATEMENT OF TOTAL INCOME					
Profit for the period	119,248	97,566	354,469	258,306	373,992
Other total income					
Other total income Items that may be reclassified to net income					
Exchange differences arising from the translation of foreign operations	11,724	9,193	21,313	-2,565	-20,957
Sum of other total income for the period, net after tax	11,724	9,193	21,313	-2,565	-20,957
Total income for the period	130,972	106,759	375,782	255,741	353,035

(1) Defined by IFRS, adjusted for split 6:1 that occurred in May, 2016.

Condensed consolidated balance sheets

ASSETS	2016-09-30	2015-09-30	2015-12-31
Intangible assets	237,232	186,557	183,294
Property, plant, and equipment	98,302	78,559	83,662
Other long-term receivables	19,264	18,823	18,270
Total non-current assets	354,798	283,939	285,226
Accounts receivable	35,903	29,165	35,101
Current tax receivables	3,556	-	5,973
Other receivables	63,977	63,724	63,492
Prepaid expenses and accrued revenues	157,154	123,725	148,322
Funds held on behalf of licensees	102,915	74,544	24,570
Cash and cash equivalents	412,776	316,784	402,058
Total current assets	776,281	607,942	679,516
TOTAL ASSETS	1,131,079	891,881	964,742

EQUITY AND LIABILITIES	2016-09-30	2015-09-30	2015-12-31
Share capital	1,205	1,205	1,205
Other capital contributed	90,384	80,856	80,856
Reserves	12,865	9,944	-8,448
Retained earnings including profit for the period	674,842	524,862	640,548
Total equity	779,296	616,867	714,161
Deferred tax liability	12,259	12,196	11,418
Total long-term liabilities	12,259	12,196	11,418
Accounts payable	43,902	27,334	33,534
Current tax liabilities	42,411	27,665	30,284
Other liabilities	167,396	135,436	90,555
Accrued expenses and prepaid revenues	85,815	72,384	84,790
Total current liabilities	339,524	262,818	239,163
TOTAL EQUITY AND LIABILITIES	1,131,079	891,881	964,742

Condensed consolidated cash flow statements

(kSEK)	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Operating profit	129,444	105,316	379,983	279,827	401,611
<i>Adjustment for items not included in cash flows.</i>					
Depreciation, amortization and impairments	34,719	34,821	102,250	102,289	138,285
Other	-2,148	795	-4,991	1,399	2,434
Interest received	-	1	1	19	124
Interest paid	-160	-119	-620	-379	-521
Tax paid	-3,552	-3,385	-23,337	-9,644	-12,652
Cash flow from operating activities before changes in working capital	158,303	137,429	453,286	373,511	529,281
Changes in working capital	20,282	-15,497	12,103	-23,144	-40,520
Cash flow from operating activities	178,585	121,932	465,389	350,367	488,761
Acquisition of intangible assets	-36,602	-22,749	-112,401	-71,058	-99,766
Acquisition of property, plant, and equipment	-9,527	-14,365	-44,464	-35,538	-51,439
Cash flow from investing activities	-46,129	-37,114	-156,865	-106,596	-151,205
New issue of shares	-	9,869	-	9,869	9,869
Received premium for share option rights	-5	-	-9,528	4,589	4,589
Transfer to shareholders	-	-	-320,174	-199,534	-199,534
Cash flow from financing activities	-5	9,869	-310,646	-185,076	-185,076
Cash flow for the period	132,451	94,688	-2,122	58,696	152,480
Cash and cash equivalents at beginning of period	275,358	219,265	402,058	258,057	258,057
Exchange rate differences in cash and cash equivalents	4,967	2,831	12,840	31	-8,479
Cash and cash equivalents at end of period	412,776	316,784	412,776	316,784	402,058

Condensed consolidated changes in equity

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
2015					
Opening equity 2015-01-01	1,201	66,401	12,509	466,090	546,201
Received premium for share option rights	-	4,589	-	-	4,589
Transfer to shareholders	-	-	-	-199,534	-199,534
New share issue	3	9,866	-	-	9,869
Total income for the period Jan-Dec	-	-	-20,957	373,992	353,035
Closing equity 2015-12-31	1,205	80,856	-8,448	640,548	714,161

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
2016					
Opening equity 2016-01-01	1,205	80,856	-8,448	640,548	714,161
Received premium for share option rights	-	9,528	-	-	9,528
Transfer to shareholders	-	-	-	-320,174	-320,174
Total income for the period Jan-Sep	-	-	21,313	354,469	375,782
Closing equity 2016-06-30	1,205	90,384	12,865	674,842	779,296

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

The Company presents some financial measures in this interim report, which are not defined by IFRS. The Company believes that these measures provide valuable additional information to investors and management for evaluating the Company's financial performance and financial position. It should be noted that these measures, as defined, may not be comparable to similarly titled measures used by other companies. These non-IFRS measures should not be considered as substitutes to financial reporting measures prepared in accordance with IFRS. The tables below show measures that are not defined by IFRS.

Consolidated key data and figures for the Group

	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Operating revenues (kSEK)	357,389	279,790	1,054,807	809,291	1,132,435
Operating revenues (kEUR)	37,538	29,659	112,536	86,348	121,035
Operating margin (percent)	36.2	37.6	36.0	34.6	35.5
EBITDA margin (percent)	45.9	50.1	45.7	47.2	47.7
Return on equity, rolling 12 months (percent)	63.1	59.0	63.1	59.0	61.2
Equity/assets ratio (percent)	68.9	69.2	68.9	69.2	74.0
Quick ratio (percent)	228.6	231.3	228.6	231.3	284.1
Net interest-bearing liabilities (kSEK) (2)	-412,776	-316,784	-412,776	-316,784	-402,058
Net debt/equity ratio (multiple)	-0.5	-0.5	-0.5	-0.5	-0.6
Average number of employees	641	496	598	480	489
Employees at period's end	657	513	657	513	529
Employees and external resources at period's end	912	686	912	686	718
Earnings per share before dilution (SEK) (2)	0.50	0.41	1.48	1.08	1.56
Earnings per share after dilution (SEK) (2)	0.50	0.41	1.48	1.08	1.56
Equity per share before dilution (SEK)	3.25	2.57	3.25	2.57	2.97
Equity per share after dilution (SEK)	3.25	2.57	3.25	2.57	2.97
Average number of outstanding shares before dilution (2)	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Average number of outstanding shares after dilution (2)	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Number of outstanding shares at period's end before dilution (2)	240,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Number of outstanding shares at period's end after dilution (2)	242,563,940	240,130,860	242,563,940	240,130,860	240,130,860

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

(2) Defined by IFRS, adjusted for split 6:1 that occurred in May, 2016.

(3) Adjusted for split 6:1 that occurred in May, 2016.

Consolidated key data and figures by quarter for the Group

	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3
Operating revenues (SEKm)	357.4	352.1	345.4	323.1	279.8	271.2	258.3	241.1	217.2
Operating revenues (EURm)	37.5	38.0	37.0	34.7	29.7	29.2	27.5	26.1	23.6
Operating profit (SEKm)	129.4	122.4	128.1	121.8	105.3	92.7	81.8	80.3	73.4
Operating margin (percent)	36.2	34.8	37.1	37.7	37.6	34.2	31.7	33.3	33.8
EBITDA-margin (percent)	45.9	44.4	46.8	48.8	50.1	46.7	44.7	47.1	48.9
Growth in SEK vs prior year (percent)	27.7	29.8	33.7	34.0	28.8	32.3	37.1	33.8	41.8
Growth in EUR vs prior year (percent)	26.6	30.2	34.5	33.0	25.8	28.2	29.8	27.8	33.8
Growth in SEK vs prior quarter (percent)	1.5	1.9	6.9	15.5	3.2	5.0	7.1	11.0	6.0
Growth in EUR vs prior quarter (percent)	-1.1	2.5	6.8	17.0	1.7	5.9	5.6	10.6	3.7
Cash and cash equivalents (excl. funds held on behalf of licensees, SEKm)	412.8	275.4	486.5	402.1	316.8	219.3	325.9	258.1	210.2
Funds held on behalf of licensees (SEKm)	102.9	63.9	2.0	24.6	74.5	32.9	104.9	79.1	55.3
Equity/assets ratio (percent)	68.9	68.9	79.2	74.0	69.2	69.4	67.8	67.9	69.6
Return on equity rolling 12 months (percent)	63.1	63.7	63.2	61.2	59.0	57.6	54.6	54.0	53.7
Net debt/equity ratio (multiple)	-0.5	-0.4	-0.6	-0.6	-0.5	-0.4	-0.5	-0.5	-0.5
Share price at end of period (3)	78.50	83.00	76.40	82.42	77.58	53.67	50.67	43.83	32.25
Earnings per share after dilution (SEK) (2)	0.50	0.47	0.51	0.48	0.41	0.36	0.31	0.32	0.28
Book equity per share (SEK) (3)	3.25	2.70	3.49	2.97	2.57	2.09	2.56	2.28	1.92
Cash flow from operations per share (SEK) (3)	0.74	0.66	0.54	0.58	0.51	0.52	0.43	0.35	0.37
Average number of employees	641	604	551	516	496	481	466	446	410

Reconciliation to IFRS

(SEKm)	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3
EBITDA									
Profit for the period	119.2	113.5	121.7	115.7	97.6	86.5	74.2	77.1	67.5
Tax on profit for the period	10.4	10.0	10.6	7.3	8.1	6.7	7.2	7.3	5.9
Financial items	-0.2	-1.1	-4.2	-1.2	-0.4	-0.5	0.4	-4.1	0.0
Depreciation & Amortization	34.7	33.9	33.6	36.0	34.8	33.9	33.6	33.3	32.7
EBITDA	164.2	156.3	161.8	157.8	140.1	126.6	115.4	113.6	106.1
Net interest-bearing liabilities									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	412.8	275.4	486.5	402.1	316.8	219.3	325.9	258.1	210.2
Net interest-bearing liabilities (1)	-412.8	-275.4	-486.5	-402.1	-316.8	-219.3	-325.9	-258.1	-210.2
Quick ratio									
Total current assets	776.3	605.2	756.9	679.2	607.9	443.9	626.1	521.6	409.9
Total current liabilities	339.5	281.2	208.7	239.2	262.8	208.8	278.6	245.4	193.4
Quick ratio (percent)	228.6	215.3	362.8	284.1	231.3	212.9	224.7	212.6	212.0

- (1) A negative figure means that the Group has a net cash position (cash and no interest-bearing liabilities).
(2) Defined by IFRS, adjusted for split 6:1 that occurred in May, 2016.
(3) Adjusted for split 6:1 that occurred in May, 2016.

Definitions

Operating profit

Operating revenues minus operating costs. Measures the Company's operating result before interest and taxes. Commonly used by investors, analysts and management to evaluate the profitability of the Company.

Operating margin

Operating profit in relation to operating revenues. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the Company.

EBITDA-margin

Operating profit excluding depreciation and amortization in relation to operating revenues. This is a measure of profitability commonly used by investors, analysts and management to evaluate the profitability of the Company.

Growth in SEK compared to prior year

Percentage change of operating revenues in SEK, compared to the previous year. Commonly used by investors, analysts and management to evaluate the growth of the Company.

Growth in EUR compared to prior year

Percentage change of operating revenues in EUR, compared to the previous year. Commonly used by investors, analysts and management to evaluate the growth of the Company. The Company aims to grow faster than the market.

Growth in SEK compared to prior quarter

Percentage change of operating revenues in SEK, compared to the previous quarter. Commonly used by investors, analysts and management to evaluate the growth of the Company.

Growth in EUR compared to prior quarter

Percentage change of operating revenues in EUR, compared to the previous quarter. Commonly used by investors, analysts and management to evaluate the growth of the Company.

Average shareholders' equity

Calculated as shareholders' equity at the start of the year, plus outgoing equity at the end of the year, divided by two.

Return on equity

Period's profit/loss (rolling twelve months) in relation to average shareholder equity for last twelve months. This is a measure of capital returns that is commonly used by investors, analysts and management to evaluate the Company's ability to generate returns on the capital provided by its shareholders.

Financial items

Calculated as financial income minus financial expenses, adjusted for currency effects.

Equity/assets ratio

Equity at the end of period as a percentage of total assets at the end of period. This is a measure commonly used by investors, analysts and management to evaluate the capital structure of the Company and its ability to meet its short- and long-term obligations.

Quick ratio

Current assets in relation to current liabilities. This is a measure commonly used by investors, analysts and management to evaluate the short-term liquidity of the Company.

Net interest-bearing liabilities

Net of interest-bearing provisions and liabilities less financial assets and cash and cash equivalents. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the Company and its ability to return cash to shareholders.

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. This is a measure commonly used by investors, analysts and management to evaluate the financial position of the Company and its ability to return cash to shareholders.

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

INCOME STATEMENT	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Operating revenues	180,410	123,391	534,312	385,984	539,462
Other external expenses	-76,501	-46,020	-219,021	-133,471	-191,352
Personnel expenses	-85,454	-67,186	-268,048	-218,147	-296,593
Depreciation and amortization	-6,963	-5,712	-19,904	-16,320	-22,391
Operating profit	11,492	4,473	27,339	18,046	29,126
Financial items	410	493	9,533	1,434	408,814
Transfer to untaxed reserves	-	-	-	-	3,703
Profit before tax	11,902	4,966	36,872	19,480	441,643
Tax on the period's profit	-2,854	-1,376	-8,522	-4,784	-8,758
Profit for the period	9,048	3,590	28,350	14,696	432,885

(kSEK)

STATEMENT OF TOTAL INCOME

Profit for the period	9,048	3,590	28,350	14,696	432,885
Other total income	-	-	-	-	-
Sum of other total income for the period, net after tax	-	-	-	-	-
Total income for the period	9,048	3,590	28,350	14,696	432,885

Condensed Parent Company balance sheet

ASSETS	2016-09-30	2015-09-30	2015-12-31
Intangible assets	6,096	9,363	8,511
Property, plant, and equipment	32,200	29,473	29,296
Shares in subsidiaries	2,308	2,308	2,308
Total non-current assets	40,604	41,144	40,115
Accounts receivable	156	79	1
Receivables from Group companies	12,063	66,974	473,461
Current tax receivables	3,556	7,015	5,973
Other receivables	12,544	8,030	10,568
Prepaid expenses and accrued revenues	21,461	13,579	12,415
Cash and cash equivalents	242,275	150,152	82,107
Total current assets	292,055	245,829	584,525
TOTAL ASSETS	332,659	286,973	624,640

(kSEK)

EQUITY AND LIABILITIES	2016-09-30	2015-09-30	2015-12-31
Share capital	1,205	1,201	1,205
Statutory reserve	38	38	38
Share premium reserve	55,495	21,354	45,967
Retained earnings	88,098	-	-24,613
Profit for the period	28,350	14,696	432,885
Total equity	173,186	37,293	455,482
Untaxed reserves	27,649	31,352	27,649
Accounts payable	33,338	21,236	25,011
Liabilities to Group companies	21,261	136,688	51,471
Other liabilities	5,859	4,642	5,408
Accrued expenses and prepaid revenues	71,366	55,762	59,619
Total current liabilities	131,824	218,328	141,509
TOTAL EQUITY AND LIABILITIES	332,659	286,973	624,640

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 released in the third quarter are *When Pigs Fly*, *Atlantis* and *Motörhead*.

