

Q4

EARNINGS REPORT 2016
QUARTERLY REPORT
OCTOBER–DECEMBER 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.

NET|ENT
BETTER GAMING™

Q4

YEAR-END REPORT 2016 QUARTERLY REPORT JANUARY-DECEMBER 2016

Fourth quarter 2016

- Revenues for the fourth quarter increased by 23.9% to SEK 400 (323) million
- Operating profit amounted to SEK 156 (122) million, an increase of 28.1%
- Operating margin was 39.0 (37.7)%
- Profit after tax amounted to SEK 150 (116) million, an increase of 29.6%
- Earnings per share amounted to SEK 0.62 (0.48) after dilution
- 13 new customer agreements were signed, 12 new customers' casinos were launched

Full year 2016

- Revenues for the full year increased by 28.5% to SEK 1,455 (1,132) million
- Operating profit amounted to SEK 536 (402) million, an increase of 33.4%
- Operating margin was 36.8 (35.5)%
- Profit after tax amounted to SEK 504 (374) million, an increase of 34.9%
- Earnings per share amounted to SEK 2.10 (1.56) after dilution
- 45 new customer agreements were signed and 34 new customers' casinos were launched
- Proposed cash distribution to shareholders of SEK 2.25 (1.33) per share
- At the end of 2016, NetEnt had 31 signed customers that had not yet been launched

Important events in the fourth quarter

- Retail deal signed with Gauselmann for gaming machines market in Italy
- Retail agreement entered with Paddy Power for gaming machines in Great Britain
- NetEnt games launched on the regulated markets in Bulgaria and Portugal
- Contract signed with Codere regarding online games distribution in Mexico

Quote from Per Eriksson, President and CEO

- "2016 was another exciting year for NetEnt with new record levels in revenues, earnings and cash flow. The fourth quarter developed well – revenues increased by 23.9 percent and the operating margin improved to 39.0 percent. Great Britain continues to offer great growth potential for us and in December, it became our largest geographical market for the first time. Looking ahead in 2017, we see conditions for continued solid growth, supported by a strong pipeline of new games, UK, mobile, new customers to launch as well as our expansion in North America."

Summary in figures (kSEK)	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating revenues	400,294	323,134	1,455,101	1,132,425
Operating expenses	-244,328	-201,350	-919,152	-730,814
Operating profit	155,966	121,784	535,949	401,611
Operating margin	39.0%	37.7%	36.8%	35.5%
Cash flow from operating activities	158,824	138,394	624,213	488,761
Cash flow for the period	81,244	93,784	79,122	152,480
Cash and cash equivalents at end of period	494,497	402,058	494,497	402,058

Comments by Per Eriksson, President and CEO

Another record year for NetEnt

2016 was another exciting year for NetEnt with new record levels in revenues, earnings and cash flow. The year featured many new customers, new regulated market entries and successful game launches for NetEnt. Revenues for the full year increased by 28.5 percent to 1,455 SEKm. Operating profit and profit before taxes amounted to SEKm 536 and SEKm 546 respectively, and the operating margin improved to 36.8 percent. We believe in corporate social responsibility as a condition for long-term sustainability of our business, and focus on growing on regulated markets. During the year, we became members of the World Lottery Association (WLA), a member-based organization that promotes the interests of state-authorized lotteries around the world. Following new licenses and certifications, our games were launched on the regulated markets in Romania, Bulgaria and Portugal. We signed a total of 45 new customer agreements, the highest number ever, and we launched our games with 34 new customers. During the year, we made several larger investments – we continued to enhance our platform and developed a mobile solution for Live Casino Roulette, which we think will support future growth for us in this segment. The game trilogy NetEnt Rocks was very successful and Guns N' Roses was named best game of the year at the EGR Operator Awards in London. We also launched a range of other innovative, best-in-class games such as Aloha, Drive, Warlords and Little Red Riding Hood, all of which became great successes among customers and players. In addition to offering the best games in the industry, we also manage all gaming transactions for our customers through so-called hosting. Our games are available 24/7, all year around. In 2016, we managed almost 36 billion transactions in our systems, which is 19 times more than the total number of transactions on the New York Stock Exchange during the same period.

High growth and good profitability in the fourth quarter

The fourth quarter developed well, revenues increased by 23.9 percent in SEK and by 18.5 percent in EUR compared to the very strong fourth quarter of 2015. The operating margin improved to 39.0 percent, mainly due to better scalability in the business. Great Britain continues to offer great growth potential for us and in December, it became our largest geographical market for the first time. Mobile games continue to be an important growth driver and accounted for 43 percent of revenues in the quarter. We signed new retail deals for gaming machines with Gauselmann in Italy and Paddy Power in the UK. We also took our first step into Latin America by extending our partnership with Codere to include the regulated online casino market in Mexico.

Future outlook

For the first quarter of 2017, we expect revenues to be in line with the fourth quarter of 2016. For the rest of 2017, we see conditions for continued solid growth supported by a strong pipeline of new games, growing market shares in the UK, mobile growth, new customers to launch, as well as our expansion in North America. We increase the number of employees, enhance our product offering and integrate more customers on new regulated markets. With this in mind, we foresee higher costs and an ongoing need to invest during 2017. These are all projects that will enable continued solid growth for NetEnt going forward.



*Per Eriksson,
President and CEO*

New agreements and customers

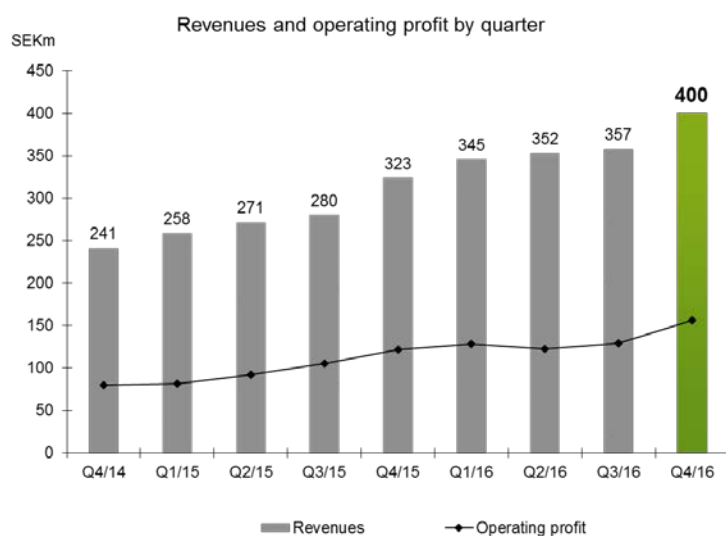
In the fourth quarter, 13 new license agreements were signed and 12 new customers' casinos were launched. At the end of 2016, NetEnt had 168 (134) active customers.

Customers to be launched

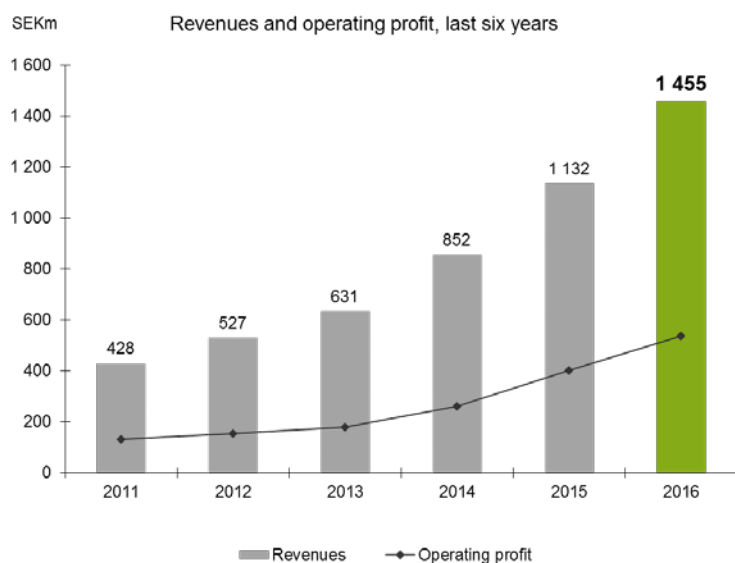
At the end of 2016, NetEnt held agreements with 31 new customers that had not yet been launched.

Revenues and profitability

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



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



Revenues – volume, price and currency development in the fourth quarter

Revenues amounted to SEK 400.3 (323.1) million in the fourth quarter, an increase of 23.9 percent compared to the corresponding period in 2015 (18.5 percent in euro terms). The revenue increase was driven by a combination of growth from existing customers and revenues from new customers. 13 new customer agreements were signed and 12 new customers were launched during the quarter.

The number of game transactions amounted to 9.5 billion in the fourth quarter, representing an increase of 15.2 percent compared to same quarter of the previous year. The increased number of game transactions is primarily driven by a combination of growth from existing customers and newly launched customers. Nearly all of the Company's revenues consist of royalty fees, which are calculated and charged as a percentage of game win (player bets minus wins) generated by NetEnt's games for its customers. The average royalty level was stable in the fourth quarter compared to the previous year.

Slot games represented 89 percent of game win (player bets minus player wins) in the fourth quarter.

Revenues are affected by the development of the Swedish krona in relation to other currencies, particularly EUR and GBP. The main part of revenues is invoiced and accounted for in euros, then translated and reported in Swedish krona. During the fourth quarter of 2016, the Swedish krona weakened by 4.8 percent against the euro compared to the same period in the previous year and by 2.6 percent compared to the previous quarter, which had a positive effect on reported growth in SEK. The British pound weakened by 13.0 percent against the krona compared to the same quarter of last year while it strengthened by 0.3 percent compared to the previous quarter.

Costs and profitability in the fourth quarter

Operating profit in the fourth quarter rose by 28.1 percent to SEK 156.0 (121.8) million. Operating expenses increased by 21.3% compared to the fourth quarter of 2015 due to expansion and strengthening of the organization. The organization is being strengthened mainly with own personnel but also through external resources in the form of subcontractors and outsourcing outside of Europe. Personnel expenses increased by 11.3% 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 45.7% in the fourth quarter compared to the corresponding quarter last year. 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 Stockholm, Malta and Poland. Depreciation and amortization increased by 1.8% 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 SEK versus EUR as they are booked in EUR and 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 46 percent in the fourth quarter of 2016.

The operating margin was 39.0 percent in the fourth quarter compared to 37.7 percent in the corresponding period of the previous year.

Financial items amounted to SEK 4.2 (1.2) million for the fourth quarter and mainly consist of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities consisting primarily 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 6.4 (6.0) percent in the fourth 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 leads 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 41.9 (28.7) million while investments in property, plant, and equipment totaled SEK 35.4 (15.9) million in the fourth 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 fourth quarter were the ongoing platform enhancement and new games development, including a mobile version of Live Casino Black Jack.

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 to meet the organizational expansion. During the fourth quarter, considerable investments were made into office equipment related to the move to new offices in Stockholm.

Cash and cash equivalents, financing and financial position

The Group's cash flow from operating activities amounted to SEK 158.8 (138.4) million in the fourth quarter. The increase compared to the previous year was mainly driven by higher operating profit.

Cash flow from investing activities amounted to SEK -77.3 (-44.6) million in the fourth quarter. Further details about the investing activities can be found in the section about investments above.

The Group's cash and cash equivalents amounted to SEK 494.5 (402.1) million at the end of the year. 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 92.4 (24.6) million on December 31, 2016.

Events after the end of the period

In January, NetEnt's games were launched for the first time on the regulated online gaming market in Mexico, through gaming operator Codere. In February, NetEnt announced that it will develop its first game for Virtual Reality, based on the previous success Gonzo's Quest.

Summary of the full year 2016

Revenues during the period of January 1 to December 31, 2016, amounted to SEK 1,455.1 (1,132.4) million, an increase of 28.5 percent (26.9 percent in euros) compared to the full year 2015. Operating profit rose by 33.4 percent to SEK 535.9 (401.6) million and the operating margin was 36.8 (35.5) percent. The increased operating profit can be explained by growing revenues from both new and existing customers. NetEnt signed 45 (43) new license agreements during the full year 2016 while 34 (37) new customers were launched. The average royalty level was stable during 2016 compared to 2015.

Operating costs increased by 25.8 percent compared to the previous year due to expansion and strengthening of the organization in areas such as sales, product management, development and IT operations. During 2016 the number of employed staff in the Group increased from 718 to 892, including dedicated external consultants and defined as full-time employee equivalents.

The Group's activated development expenditures and acquisitions of intangible assets amounted to SEK 154.3 (99.8) million for the full year. Investments in property, plant, and equipment amounted to SEK 79.9 (51.4) million. The Group's cash flow from operating activities for the full year amounted to SEK 624.2 (488.8) 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. More information about the automatic redemption program can be found on the Company's website, at www.netent.com/agm

Incentive program 2016-2019 - warrants

The Annual General Meeting in April resolved to introduce a long-term incentive program intended for all employees within the NetEnt Group. The resolution entailed the issue of a maximum of 1,600,000 share option rights with the right to subscribe for an equal amount of shares in NetEnt AB. As the option subscription period ended in June, 1,448,020 options had been subscribed for, representing 91 percent of the total offer size. 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 game win for online gaming, including all game segments, has been estimated at EUR 40.0 billion for 2016, an increase of 11 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 10.7 billion in 2016, an increase of 13 percent for the year (*source: H2 Gambling Capital, February 2017*).

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. The online gaming markets have recently been regulated in Portugal, Romania and Bulgaria. In Romania, NetEnt obtained a gaming license and launched its games with several operators during the year. In Bulgaria and Portugal, NetEnt games were certified and launched with customers in 2016. New gaming legislation is expected in the Netherlands and Czech Republic during 2017. Online gaming is regulated in Spain, where NetEnt holds a gaming license and its games have been available with several customers since 2015. In Great Britain, the largest gaming market in Europe, new regulation was introduced in 2014. As a result, 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.

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 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. As a first step to enter Canada, NetEnt applied 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 approximately 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 680 (529). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 892 (718) persons. These numbers are defined as the number of full-time employee equivalents for the period.

Parent Company

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.

The Parent Company's revenues amounted to SEK 203.2 (153.5) million and operating profit was SEK 19.2 (11.1) million in the fourth quarter. The operating margin was 9.4 (7.2) 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 505.0 (418.2) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 23.9 (3.3) million and investments in intangible assets were SEK 0.9 (1.0) million for the period, the latter primarily consisting of software investments. Cash and cash equivalents in the Parent Company amounted to SEK 345.7 (82.1) million at the end of the period.

Revenues in the Parent Company for the full year 2016 amounted to SEK 737.5 (539.5) million. Operating profit was SEK 46.5 (29.1) million and the operating margin was 6.3 (5.4) percent. Profit after tax for the full year was SEK 533.4 (432.9) million. Investments in property, plant and equipment amounted to SEK 40.8 (16.4) million and investments in intangible assets were SEK 4.5 (2.2) million for the period January-December 2016.

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.

Nominating Committee

In accordance with the decision by the Annual General Meeting, the members of the nominating committee of NetEnt should be appointed by the three shareholders/owner groups controlling the largest number of votes in NetEnt at the end of August, which desire to appoint a representative. In addition, the Chairman of the Board of Directors shall be a member of the nominating Committee. The nominating committee ahead of the Annual General Meeting in April 2017 consists of the following members: John Wattin, Chairman (appointed by the Hamberg family), Christoffer Lundström (appointed by Provobis Property & Leisure AB), Fredrik Carlsson (appointed by the Knutsson family) and Vigo Carlund (Chairman of the Board of Directors). Shareholders have had the possibility to submit proposals to the nominating committee before December 2, 2016.

Proposed cash distribution to shareholders

The Board proposes to the Annual General Meeting to transfer SEK 540.3 (320.2) million to shareholders, which corresponds to SEK 2.25 (1.33) per share. The Board intends to propose that the transfer be handled through an automatic share redemption program. The complete proposal will be presented well in advance before the Annual General Meeting. NetEnt's ambition is for cash returns to shareholders to amount to a minimum of 60 percent of net profit after tax, taking the Company's long-term capital requirement into account.

Annual General Meeting

The next Annual General Meeting will be held in Stockholm on April 21, 2017.

Presentation of earnings report

On Thursday, February 16, 2017, at 9.00 a.m. the earnings report will be presented by CEO Per Eriksson live via 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.

Interim report January – March 2017	April 20, 2017
Annual report 2016, published on the website	Week 13
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, February 15th, 2017

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

Per Eriksson
President and CEO
Phone: +46 8 5785 4500
per.eriksson@netent.com

Therese Hillman
CFO
Phone: +46 8 5785 4500
therese.hillman@netent.com

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

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 February 16, 2017.

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.

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

INCOME STATEMENT (kSEK)	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Revenues	399,581	322,584	1,452,158	1,129,405
Other revenues	713	550	2,943	3,020
Total operating revenues	400,294	323,134	1,455,101	1,132,425
Personnel expenses	-107,740	-96,768	-409,014	-334,097
Depreciation, amortization and impairments	-36,644	-35,996	-138,894	-138,285
Other operating expenses	-99,944	-68,586	-371,244	-258,432
Total operating expenses	-244,328	-201,350	-919,152	-730,814
Operating profit	155,966	121,784	535,949	401,611
Financial income	7,809	7,407	35,739	14,100
Financial expense	-3,658	-6,181	-26,161	-12,425
Financial items	4,151	1,221	9,578	1,675
Profit before tax	160,117	123,005	545,527	403,286
Tax on the period's profit	-10,174	-7,319	-41,115	-29,294
Profit for the period	149,943	115,686	504,412	373,992
Earnings per share before dilution (SEK) ⁽¹⁾	0.62	0.48	2.10	1.56
Earnings per share after dilution (SEK) ⁽¹⁾	0.62	0.48	2.10	1.56
Average number of shares ⁽¹⁾				
- before dilution	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
Profit for the period attributable to Parent Company shareholders	149,943	115,686	504,412	373,992
STATEMENT OF TOTAL INCOME				
Profit for the period	149,943	115,686	504,412	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	-5,968	-18,392	15,345	-20,957
Sum of other total income for the period, net after tax	-5,968	-18,392	15,345	-20,957
Total income for the period	143,975	97,294	519,757	353,035

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

Condensed consolidated balance sheets

ASSETS (kSEK)	2016-12-31	2015-12-31
Intangible assets	253,495	183,294
Property, plant, and equipment	120,546	83,662
Other long-term receivables	9,567	18,270
Total non-current assets	383,608	285,226
Accounts receivable	44,306	35,101
Current tax receivables	1,748	5,973
Other receivables	89,379	63,492
Prepaid expenses and accrued revenues	213,247	148,322
Funds held on behalf of licensees	92,398	24,570
Cash and cash equivalents	494,497	402,058
Total current assets	935,575	679,516
TOTAL ASSETS	1,319,183	964,742

EQUITY AND LIABILITIES (kSEK)	2016-12-31	2015-12-31
Share capital	1,205	1,205
Other capital contributed	90,189	80,856
Reserves	6,897	-8,448
Retained earnings including profit for the period	824,785	640,548
Total equity	923,076	714,161
Deferred tax liability	14,269	11,418
Total long-term liabilities	14,269	11,418
Accounts payable	99,700	33,534
Current tax liabilities	25,034	30,284
Other liabilities	164,947	90,555
Accrued expenses and prepaid revenues	92,157	84,790
Total current liabilities	381,838	239,163
TOTAL EQUITY AND LIABILITIES	1,319,183	964,742

Condensed consolidated cash flow statements

(kSEK)	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating profit	155,966	121,784	535,949	401,611
<i>Adjustment for items not included in cash flows:</i>				
Depreciation, amortization and impairments	36,644	35,996	138,894	138,285
Other	836	1,035	-4,155	2,434
Interest received	29	105	30	124
Interest paid	-452	-142	-1,072	-521
Income tax paid	-24,552	-3,008	-47,889	-12,652
Cash flow from operating activities before changes in working capital	168,471	155,770	621,757	529,281
Changes in working capital	-9,647	-17,376	2,456	-40,520
Cash flow from operating activities	158,824	138,394	624,213	488,761
Acquisition of intangible assets	-41,876	-28,708	-154,277	-99,766
Acquisition of property, plant, and equipment	-35,398	-15,901	-79,862	-51,439
Cash flow from investing activities	-77,274	-44,609	-234,139	-151,205
New issue of shares	-	-	-	9,869
Received premium for share option rights	-	-	9,528	4,589
Repurchase of warrants	-306	-	-306	-
Transfer to shareholders	-	-	-320,174	-199,534
Cash flow from financing activities	-306	-	-310,952	-185,076
Cash flow for the period	81,244	93,784	79,122	152,480
Cash and cash equivalents at beginning of period	412,776	316,784	402,058	258,057
FX differences in cash and cash equivalents	477	-8,510	13,317	-8,479
Cash and cash equivalents at end of period	494,497	402,058	494,497	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	-	9,333	-	-	9,333
Transfer to shareholders	-	-	-	-320,174	-320,174
Total income for the period Jan-Dec	-	-	15,345	504,412	519,757
Closing equity 2016-12-31	1,205	90,189	6,897	824,785	923,076

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 some measures that are not defined by IFRS.

Consolidated key data and figures for the Group

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Financial measures defined by IFRS:				
Operating revenues (kSEK)	400,294	323,134	1,455,101	1,132,435
Earnings per shares before dilution (SEK) (2)	0.62	0.48	2.10	1.56
Earnings per shares after dilution (SEK) (2)	0.62	0.48	2.10	1.56
Average number of outstanding shares before dilution (2)	240,130,860	240,130,860	240,130,860	240,130,860
Average number of outstanding shares after dilution (2)	240,130,860	240,272,297	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
Number of outstanding shares at period's end after dilution (2)	242,563,940	241,115,160	242,563,940	241,115,160
Alternative Performance Measures:				
Operating revenues (kEUR)	41,112	34,686	153,647	121,035
Operating margin (percent)	39.0	37.7	36.8	35.5
EBITDA margin (percent)	48.1	48.8	46.4	47.7
Effective tax rate (percent)	6.4	6.0	7.5	7.3
Return on equity, rolling 12 months (percent)	63.1	61.2	63.1	61.2
Equity/assets ratio (percent)	70.0	74.0	70.0	74.0
Quick ratio (percent)	245.0	284.1	245.0	284.1
Net interest-bearing liabilities (kSEK) (1)	-494,497	-402,058	-494,497	-402,058
Net debt/equity ratio (multiple)	-0.5	-0.6	-0.5	-0.6
Equity per share before dilution (SEK)	3.84	2.97	3.84	2.97
Equity per share after dilution (SEK)	3.84	2.97	3.84	2.97
Average number of employees	674	516	618	489
Employees at period's end	680	529	680	529
Employees and external resources at period's end	892	718	892	718

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

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

Consolidated key data and figures by quarter for the Group

	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Financial measures defined by IFRS:									
Operating revenues (kSEK)	400.3	357.4	352.1	345.4	323.1	279.8	271.2	258.3	241.1
Cash and cash equivalents (excl. funds held on behalf of licensees, SEKm)	494.5	412.8	275.4	486.5	402.1	316.8	219.3	325.9	258.1
Funds held on behalf of licensees (SEKm)	92.4	102.9	63.9	2.0	24.6	74.5	32.9	104.9	79.1
Alternative Performance Measures:									
Operating revenues (EURm)	41.1	37.5	38.0	37.0	34.7	29.7	29.2	27.5	26.1
Operating profit (SEKm)	156.0	129.4	122.4	128.1	121.8	105.3	92.7	81.8	80.3
Operating margin (percent)	39.0	36.2	34.8	37.1	37.7	37.6	34.2	31.7	33.3
EBITDA margin (percent)	48.1	45.9	44.4	46.8	48.8	50.1	46.7	44.7	47.1
Growth in SEK vs prior year (percent)	23.9	27.7	29.8	33.7	34.0	28.8	32.3	37.1	33.8
Growth in EUR vs prior year (percent)	18.5	26.6	30.2	34.5	33.0	25.8	28.2	29.8	27.8
Growth in SEK vs prior quarter (percent)	12.0	1.5	1.9	6.9	15.5	3.2	5.0	7.1	11.0
Growth in EUR vs prior quarter (percent)	9.5	-1.1	2.5	6.8	17.0	1.7	5.9	5.6	10.6
Equity/assets ratio (percent)	70.0	68.9	68.9	79.2	74.0	69.2	69.4	67.8	67.9
Return on equity rolling 12 months (percent)	63.1	63.1	63.7	63.2	61.2	59.0	57.6	54.6	54.0
Net debt/equity ratio (multiple)	-0.5	-0.5	-0.4	-0.6	-0.6	-0.5	-0.4	-0.5	-0.5
Share price at end of period (2)	70.30	78.50	83.00	76.40	82.42	77.58	53.67	50.67	43.83
Earnings per share after dilution (SEK) (2)	0.62	0.50	0.47	0.51	0.48	0.41	0.36	0.31	0.32
Book equity per share (SEK) (2)	3.84	3.25	2.70	3.49	2.97	2.57	2.09	2.56	2.28
Cash flow from operations per share (SEK) (2)	0.66	0.74	0.66	0.54	0.58	0.51	0.52	0.43	0.35
Average number of employees	674	641	604	551	516	496	481	466	446

Reconciliation to IFRS

(SEKm)	2016 Kv4	2016 Kv3	2016 Kv2	2016 Kv1	2015 Kv4	2015 Kv3	2015 Kv2	2015 Kv1	2014 Kv3
EBITDA									
Profit for the period	150.0	119.2	113.5	121.7	115.7	97.6	86.5	74.2	77.1
Tax on profit for the period	10.2	10.4	10.0	10.6	7.3	8.1	6.7	7.2	7.3
Financial items	-4.2	-0.2	-1.1	-4.2	-1.2	-0.4	-0.5	0.4	-4.1
Depreciation & Amortization	36.6	34.7	33.9	33.6	36.0	34.8	33.9	33.6	33.3
EBITDA	192.6	164.2	156.3	161.8	157.8	140.1	126.6	115.4	113.6
Net interest-bearing liabilities									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	494.5	412.8	275.4	486.5	402.1	316.8	219.3	325.9	258.1
Net interest-bearing liabilities (1)	-494.5	-412.8	-275.4	-486.5	-402.1	-316.8	-219.3	-325.9	-258.1
Quick ratio									
Total current assets	935.6	776.3	605.2	756.9	679.2	607.9	443.9	626.1	521.6
Total current liabilities	381.8	339.5	281.2	208.7	239.2	262.8	208.8	278.6	245.4
Quick ratio (percent)	245.0	228.6	215.3	362.8	284.1	231.3	212.9	224.7	212.6

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

(2) 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.

Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares outstanding after dilution for the period. This is a measure used by investors, analysts and management to evaluate the financial development of the Company and its ability to generate a positive cash flow.

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	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating revenues	203,210	153,478	737,522	539,462
Other external expenses	-80,520	-57,881	-299,541	-191,352
Personnel expenses	-96,989	-78,446	-365,037	-296,593
Depreciation and amortization	-6,526	-6,071	-26,430	-22,391
Operating profit	19,175	11,080	46,514	29,126
Financial items	486,835	407,380	496,368	408,814
Transfer to untaxed reserves	4,481	3,703	4,481	3,703
Profit before tax	510,491	422,163	547,363	441,643
Tax on the period's profit	-5,449	-3,974	-13,971	-8,758
Profit for the period	505,042	418,189	533,392	432,885

(kSEK)

STATEMENT OF TOTAL INCOME

Profit for the period	505,042	418,189	533,392	432,885
Other total income	-	-	-	-
Sum of other total income for the period, net after tax	-	-	-	-
Total income for the period	505,042	418,189	533,392	432,885

Condensed Parent Company balance sheet

ASSETS	2016-12-31	2015-12-31
Intangible assets	5,791	8,511
Property, plant, and equipment	51,828	29,296
Shares in subsidiaries	4,611	2,308
Total non-current assets	62,230	40,115
Accounts receivable	3	1
Receivables from Group companies	388,228	473,461
Current tax receivables	1,748	5,973
Other receivables	27,955	10,568
Prepaid expenses and accrued revenues	51,327	12,415
Cash and cash equivalents	345,728	82,107
Total current assets	814,989	584,525
TOTAL ASSETS	877,219	624,640

(kSEK)

EQUITY AND LIABILITIES	2016-12-31	2015-12-31
Share capital	1,205	1,205
Statutory reserve	38	38
Share premium reserve	55,299	45,967
Retained earnings	88,098	-24,613
Profit for the period	533,392	432,885
Total equity	678,032	455,482
Untaxed reserves	23,427	27,649
Accounts payable	86,976	25,011
Liabilities to Group companies	9,006	51,471
Other liabilities	6,598	5,408
Accrued expenses and prepaid revenues	73,180	59,619
Total current liabilities	175,760	141,509
TOTAL EQUITY AND LIABILITIES	877,219	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. Two new games released in the fourth quarter are *Warlords* and *Little Red Riding Hood*.

