

# Q1

INTERIM REPORT  
JANUARY–MARCH 2017



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

**NETENT**  
BETTER GAMING™

# Q1

## INTERIM REPORT JANUARY–MARCH 2017

### First quarter 2017

- Revenues for the first quarter increased by 15.2% to SEK 398 (345) million
- Operating profit amounted to SEK 136 (128) million, an increase of 6.3%
- Operating margin was 34.2 (37.1)%
- Profit after tax amounted to SEK 124 (122) million, an increase of 1.8%
- Earnings per share amounted to SEK 0.52 (0.51) before and after dilution
- 15 new customer agreements were signed, a new record, and six new customers' casinos were launched

### Important events in the first quarter

- Games were launched with Codere on the regulated market in Mexico
- NetEnt announced that it will develop its first VR game and revealed two new branded game titles for 2017: Planet of the Apes and Emojis®
- The Live Casino product offering was strengthened with the launch of Common Draw Black Jack for mobile

### Quote from Per Eriksson, President and CEO

- *"We continued to deliver on our growth strategy in the first quarter and revenues increased in line with our earlier comments about the quarter. For the first time, NetEnt's games were launched on the regulated market in Mexico and the Company announced that the first game for Virtual Reality (VR) will be developed in 2017. For the rest of 2017, we see conditions for continued solid growth supported by new games, increasing market shares in the UK, mobile growth, many new customers to be launched and our ongoing expansion in North America."*

<b>Summary in figures (kSEK)</b>	<b>Jan-Mar 2017</b>	<b>Jan-Mar 2016</b>	<b>Jan-Dec 2016</b>
Operating revenues	397,875	345,350	1,455,101
Operating expenses	-261,639	-217,214	-919,152
<b>Operating profit</b>	<b>136,236</b>	<b>128,136</b>	<b>535,949</b>
<i>Operating margin</i>	<i>34.2%</i>	<i>37.1%</i>	<i>36.8%</i>
Cash flow from operating activities	152,277	128,770	624,213
Cash flow for the period	79,100	82,396	79,122
Cash and cash equivalents at end of period	573,460	486,537	494,497

## Comments by Per Eriksson, President and CEO

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### A good start to 2017

The first quarter of 2017 featured continued growth and exciting product news for NetEnt. Compared to the very strong quarter of last year, revenues increased by 15.2 percent (13.0 percent in euro terms) to 398 SEKm, which corresponds to our earlier comments about the quarter. Operating profit increased by 6.3 percent to 136 SEKm and the operating margin was 34.2 percent, compared to 37.1 percent in the same quarter of last year. Costs increased in the quarter in line with previous communication about the future, mainly due to higher office rents and IT costs. The number of gaming transactions in our games amounted to 9.8 billion in the first quarter, representing an increase of 11 percent compared to the first quarter of last year. During the quarter, we signed 15 new customers, which is the highest number ever, and launched 6 new customers. We follow our growth strategy focusing on regulated markets and the expansion continues both in Europe and outside of Europe. In January, we launched our games on the regulated market in Mexico with Codere, one of the leading operators. The UK continues to contribute significantly to our growth and the potential is still significant, considering our relatively low market share in what is by far Europe's largest gaming market. Mobile games also remain an important growth factor and accounted for 47 percent of revenues in the quarter.

### Exciting product news

At ICE, the gaming industry trade fair in London, we revealed several exciting product news. We announced that we will develop our first game for the fast-growing Virtual Reality (VR) market, based on our previous game success Gonzo's Quest. I am convinced that VR will play an important role in future gaming and I am really pleased that NetEnt is at the forefront of this development. We also revealed two new branded game titles for 2017 – Planet of the Apes and Emojis® – well-known brands that we expect to turn into truly unique and thrilling games. For Live Casino, we showcased our new mobile product, Common Draw Black Jack, which is strengthening our mobile offering. We also revealed an entirely new bonus function called Live Rewards, set to be launched in the second quarter.

### The proposed new gaming legislation in Sweden supports a sustainable gaming industry

In March, the gaming commission presented its proposal for new gaming legislation in Sweden. Overall, the proposal seems to set commercially viable conditions for industry participants while at the same time opening up for new, substantial tax income for the government. We welcome such a new legislation. A modern gaming legislation that leads to a high channelization to regulated gaming forms creates a more secure environment for both players and the industry. We intend to apply for a B2B-license as an industry supplier. Over the years, NetEnt has invested and built up an organization and the expertise to obtain and maintain gaming licenses. NetEnt has licenses and certifications in many European countries such as Denmark, UK, Malta, Portugal, Romania, Bulgaria, Italy, Belgium, Estonia and Spain. Regulated markets are an important part of our growth and sustainability strategies and no other gaming supplier is present on so many regulated markets like we are.

### Future outlook

For the rest of 2017, we see conditions for continued solid growth supported by new games, increasing market shares in the UK, mobile growth, many new customers to launch and our ongoing expansion in North America. We continue to hire more employees and develop our platform. We strengthen the organization to increase our production capacity, enter more regulated markets and integrate a large number of new customers. With this in mind, we foresee an ongoing need to invest during 2017. We do this to enable continued solid growth with increasing economies of scale for NetEnt going forward – the future outlooks remains bright.



*Per Eriksson,  
President and CEO*

## New agreements and customers

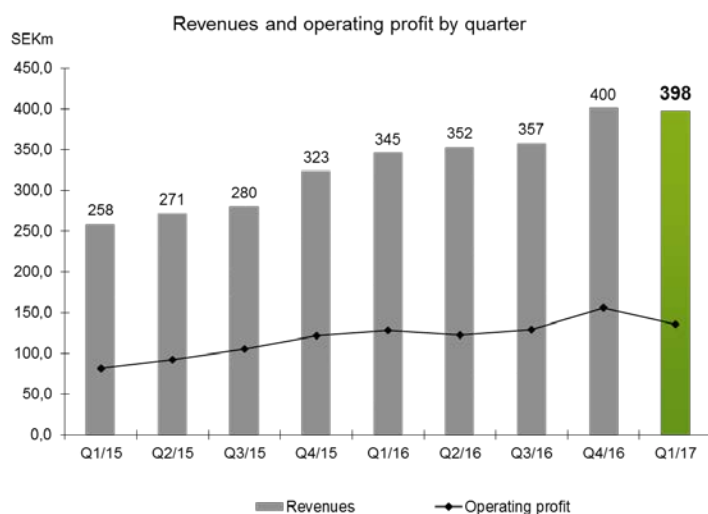
In the first quarter, 15 new license agreements were signed and 6 new customers' casinos were launched.

### Customers to be launched

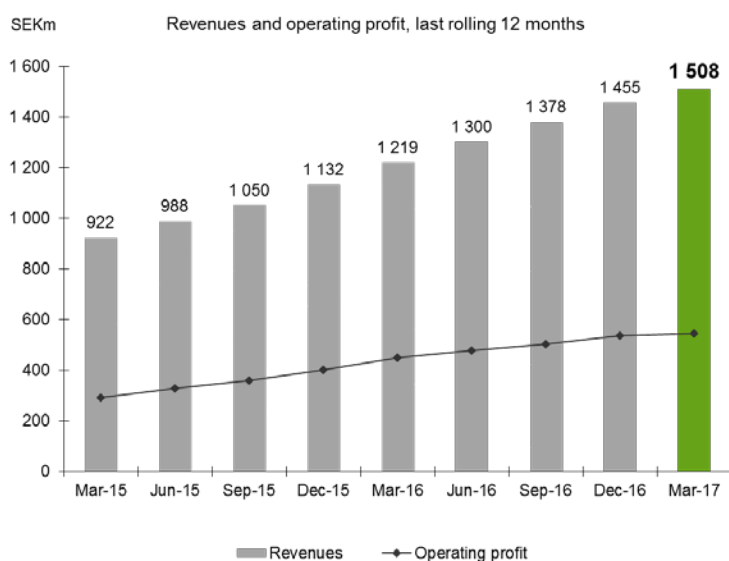
At the end of the first quarter, NetEnt held agreements with 39 new customers that had not yet been launched, which is the highest number ever.

## Revenues and profitability

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



Revenues and operating profit for the last rolling 12 months are illustrated below.



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

Revenues amounted to SEK 397.9 (345.4) million in the first quarter, an increase of 15.2 percent compared to the corresponding period in 2016 (13.0 percent in euro terms). The revenue increase was driven by a combination of growth from existing customers and revenues from new customers. 15 new customer agreements were signed and 6 new customers were launched during the quarter.

The number of game transactions amounted to 9.8 billion in the first quarter, representing an increase of 10.5 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 first quarter compared to the previous year.

Slot games represented 89 percent of game win (player bets minus player wins) in the first 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 first quarter of 2017, the Swedish krona weakened by 1.9 percent against the euro compared to the same period in the previous year but strengthened by 2.6 percent compared to the previous quarter, which had a positive effect on reported growth in SEK. The British pound weakened by 8.7 percent against the krona compared to the same quarter of last year and by 1.6 percent compared to the previous quarter.

### **Costs and profitability in the first quarter**

Operating profit in the first quarter rose by 6.3 percent to SEK 136.2 (128.1) million. Operating expenses increased by 20.5% compared to the first quarter of 2016 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 16.3% 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 29.3% in the first quarter compared to the corresponding quarter last year. The increase was driven by higher office rents in Stockholm and Krakow, and higher IT costs. The Company moved to a new, larger office in Stockholm in the beginning of the year and had double rental costs during January. Depreciation and amortization increased by 9.8% 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 43 percent in the first quarter of 2017.

The operating margin was 34.2 percent in the first quarter compared to 37.1 percent in the corresponding period of the previous year.

Financial items amounted to SEK -1.9 (4.2) million for the first 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 7.7 (8.0) percent in the first quarter. The effective tax rate mainly depends on in which of the countries where the Company operates that 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, while historically the fourth quarter has featured higher sales volumes.

## Investments

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The Group's investments in intangible assets amounted to SEK 36.9 (35.1) million while investments in property, plant, and equipment totaled SEK 36.3 (11.3) million in the first quarter.

Investments in intangible assets consist of development of new games for mobile units and desktop, technical adjustments of the platform such as new functionality, increased capacity, adjustments related to regulatory requirements and software licenses. Notable larger development projects in the first quarter were 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 first quarter continuous investments in the new office in Stockholm has been done according to plan.

## Cash and cash equivalents, financing and financial position

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The Group's cash flow from operating activities amounted to SEK 152.3 (128.8) million in the first quarter. The increase compared to the previous year was mainly driven by higher operating profit.

Cash flow from investing activities amounted to SEK -73.2 (-46.4) million in the first 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 573.5 (486.5) million at the end of the period. The Group's available credit lines were SEK 50 million of which none had been utilized at the end of the quarter. Cash held on behalf of licensees was SEK 86.0 (2.0) million on March 31, 2017.

## Events after the end of the period

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

## Market

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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 Sweden, the gaming commission presented its proposal for new gaming legislation in March and according to the government, the new legislation shall be introduced in the beginning of 2019.

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 has applied for a license in British Columbia.

### **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](http://www.netent.com).

### **Personnel and organization**

At the end of the period, the number of employees was 733 (572). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 958 (786) 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 204.4 (170.2) million and operating profit was SEK 12.6 (8.8) million in the first quarter. The operating margin was 6.2 (5.2) 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 9.9 (10.9) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 26.8 (3.1) million and investments in intangible assets were SEK 0.3 (1.3) million for the period, the latter primarily consisting of software investments. Cash and cash equivalents in the Parent Company amounted to SEK 362.4 (43.4) million at the end of the period.

### **Accounting policies**

NetEnt prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. The new and revised standards, which have been applied as of 2017, have not affected the financial statements of the Group. More information regarding the transition to the new standard "IFRS 15 – Revenues from contracts with customers" can be found in the Annual report for 2016. 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 2016 annual report. For further information on the principles, please see the annual report at [www.netent.com](http://www.netent.com). Amounts are expressed in kSEK (thousands of Swedish kronor) unless otherwise indicated. Amounts or figures in parentheses indicate comparative figures for the corresponding period last year. SEKm stands for millions of Swedish kronor.

### Risks and uncertainties

NetEnt's operations are exposed to certain risks that could have a varying impact on earnings or financial position. These can be divided into industry, operational, and financial risks. The management's general view of the risks that may affect operations has not changed compared to the description given in the most recently published annual report. For a detailed description of the risk profile, see NetEnt's 2016 annual report, pages 58-61 and pages 98-99.

### 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).

### 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 is available on the the Company's website at [www.netent.com/agm](http://www.netent.com/agm). 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 Annual General Meeting for the financial year of 1 January – 31 December 2016 will be held at Berns in Stockholm on April 21, 2017, at 3 p.m. Information and materials are available on the Company's website at [www.netent.com/agm](http://www.netent.com/agm).

### Presentation of earnings report

On Thursday, April 20, 2017, at 9.00 a.m. the interim report will be presented by CEO Per Eriksson live via webcast. The presentation can be followed in real-time on NetEnt's website at <https://www.netent.com/en/section/invest/>.

### Financial information

NetEnt intends to distribute financial reports on the dates below.

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](http://www.netent.com).

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

Stockholm, April 19<sup>th</sup>, 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

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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 April 20, 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

	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>INCOME STATEMENT (kSEK)</b>			
Revenues	396,258	344,661	1,452,158
Other revenues	1,617	689	2,943
<b>Total operating revenues</b>	<b>397,875</b>	<b>345,350</b>	<b>1,455,101</b>
Personnel expenses	-113,873	-97,881	-409,014
Depreciation, amortization and impairments	-36,958	-33,648	-138,894
Other operating expenses	-110,808	-85,685	-371,244
<b>Total operating expenses</b>	<b>-261,639</b>	<b>-217,214</b>	<b>-919,152</b>
<b>Operating profit</b>	<b>136,236</b>	<b>128,136</b>	<b>535,949</b>
Financial income	8,061	13,552	35,739
Financial expense	-9,944	-9,334	-26,161
<b>Financial items</b>	<b>-1,883</b>	<b>4,218</b>	<b>9,578</b>
<b>Profit before tax</b>	<b>134,353</b>	<b>132,354</b>	<b>545,527</b>
Tax on the period's profit	-10,369	-10,622	-41,115
<b>Profit for the period</b>	<b>123,984</b>	<b>121,732</b>	<b>504,412</b>
Earnings per share before dilution (SEK) <sup>(1)</sup>	0.52	0.51	2.10
Earnings per share after dilution (SEK) <sup>(1)</sup>	0.52	0.51	2.10
Average number of shares <sup>(1)</sup>			
- before dilution	240,130,860	240,130,860	240,130,860
- after dilution	240,154,961	240,202,435	240,198,134
Profit for the period attributable to Parent Company shareholders	123,984	121,732	504,412
<b>STATEMENT OF TOTAL INCOME</b>			
<b>Profit for the period</b>	<b>123,984</b>	<b>121,732</b>	<b>504,412</b>
<b>Other total income</b>			
<b>Other total income Items that may be reclassified to net income</b>			
Exchange differences arising from the translation of foreign operations	229	1,043	15,345
<b>Sum of other total income for the period, net after tax</b>	<b>229</b>	<b>1,043</b>	<b>15,345</b>
<b>Total income for the period</b>	<b>124,213</b>	<b>122,775</b>	<b>519,757</b>

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

## Condensed consolidated balance sheets

<b>ASSETS (kSEK)</b>	<b>2017-03-31</b>	<b>2016-03-31</b>	<b>2016-12-31</b>
Intangible assets	266,783	196,295	253,495
Property, plant, and equipment	142,795	85,495	120,546
Other long-term receivables	9,546	18,465	9,567
<b>Total non-current assets</b>	<b>419,124</b>	<b>300,255</b>	<b>383,608</b>
Accounts receivable	33,625	39,955	44,306
Current tax receivables	-	4,031	1,748
Other receivables	73,405	64,875	89,379
Prepaid expenses and accrued revenues	217,971	159,560	213,247
Funds held on behalf of licensees	86,012	1,964	92,398
Cash and cash equivalents	573,460	486,537	494,497
<b>Total current assets</b>	<b>984,473</b>	<b>756,922</b>	<b>935,575</b>
<b>TOTAL ASSETS</b>	<b>1,403,597</b>	<b>1,057,177</b>	<b>1,319,183</b>
<b>EQUITY AND LIABILITIES (kSEK)</b>	<b>2017-03-31</b>	<b>2016-03-31</b>	<b>2016-12-31</b>
Share capital	1,205	1,205	1,205
Other capital contributed	90,189	80,856	90,189
Reserves	7,126	-7,405	6,897
Retained earnings including profit for the period	948,770	762,280	824,785
<b>Total equity</b>	<b>1,047,290</b>	<b>836,936</b>	<b>923,076</b>
Deferred tax liability	14,234	11,582	14,269
<b>Total long-term liabilities</b>	<b>14,234</b>	<b>11,582</b>	<b>14,269</b>
Accounts payable	47,280	29,380	99,700
Current tax liabilities	33,303	29,948	25,034
Other liabilities	159,745	67,510	164,947
Accrued expenses and prepaid revenues	101,745	81,821	92,157
<b>Total current liabilities</b>	<b>342,073</b>	<b>208,659</b>	<b>381,838</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,403,597</b>	<b>1,057,177</b>	<b>1,319,183</b>

## Condensed consolidated cash flow statements

(kSEK)	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Operating profit	136,236	128,136	535,949
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortization and impairments	36,958	33,647	138,894
Other	-298	156	-4,155
Interest received	-	1	30
Interest paid	-479	-132	-1,072
Income tax paid	-5,866	-16,276	-47,889
<b>Cash flow from operating activities before changes in working capital</b>	<b>166,551</b>	<b>145,532</b>	<b>621,757</b>
Changes in working capital	-14,274	-16,762	2,456
<b>Cash flow from operating activities</b>	<b>152,277</b>	<b>128,770</b>	<b>624,213</b>
Acquisition of intangible assets	-36,883	-35,066	-154,277
Acquisition of property, plant, and equipment	-36,294	-11,308	-79,862
<b>Cash flow from investing activities</b>	<b>-73,177</b>	<b>-46,374</b>	<b>-234,139</b>
New issue of shares	-	-	-
Received premium for share option rights	-	-	9,528
Repurchase of warrants	-	-	-306
Transfer to shareholders	-	-	-320,174
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-310,952</b>
<b>Cash flow for the period</b>	<b>79,100</b>	<b>82,396</b>	<b>79,122</b>
Cash and cash equivalents at beginning of period	494,497	402,058	402,058
FX differences in cash and cash equivalents	-137	2,083	13,317
<b>Cash and cash equivalents at end of period</b>	<b>573,460</b>	<b>486,537</b>	<b>494,497</b>

## Condensed consolidated changes in equity

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
<b>2016</b>					
Opening equity 2016-01-01	1,205	80,856	-8,448	640,548	714,161
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
<b>Closing equity 2016-12-31</b>	<b>1,205</b>	<b>90,189</b>	<b>6,897</b>	<b>824,785</b>	<b>923,076</b>

	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
<b>2017</b>					
Opening equity 2017-01-01	1,205	90,189	6,897	824,785	923,076
Total income for the period Jan-Mar	-	-	229	123,984	124,214
<b>Closing equity 2017-03-31</b>	<b>1,205</b>	<b>90,189</b>	<b>7,126</b>	<b>948,770</b>	<b>1,047,290</b>

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

	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Financial measures defined by IFRS:</b>			
Operating revenues (kSEK)	397,875	345,350	1,455,101
Earnings per shares before dilution (SEK) (2)	0.52	0.51	2.10
Earnings per shares after dilution (SEK) (2)	0.52	0.51	2.10
Average number of outstanding shares before dilution (2)	240,130,860	240,130,860	240,130,860
Average number of outstanding shares after dilution (2)	240,154,961	240,202,435	240,198,134
Number of outstanding shares at period's end before dilution (2)	240,130,860	240,130,860	240,130,860
Number of outstanding shares at period's end after dilution (2)	241,073,160	241,115,160	241,073,160
<b>Alternative Performance Measures:</b>			
Operating revenues (kEUR)	41,853	37,036	153,647
Operating margin (percent)	34.2	37.1	36.8
EBITDA margin (percent)	43.5	46.8	46.4
Effective tax rate (percent)	7.7	8.0	7.5
Return on equity, rolling 12 months (percent)	59.6	63.2	63.3
Equity/assets ratio (percent)	74.6	79.2	70.0
Quick ratio (percent)	287.8	362.8	245.0
Net interest-bearing liabilities (kSEK) (1)	-573,460	-486,537	-494,497
Net debt/equity ratio (multiple)	-0.5	-0.6	-0.5
Equity per share before dilution (SEK)	4.36	3.49	3.84
Equity per share after dilution (SEK)	4.36	3.48	3.84
Average number of employees	717	551	618
Employees at period's end	733	572	680
Employees and external resources at period's end	958	786	892

(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

	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
<b>Financial measures defined by IFRS:</b>									
Operating revenues (kSEK)	397.9	400.3	357.4	352.1	345.4	323.1	279.8	271.2	258.3
Cash and cash equivalents (excl. funds held on behalf of licensees, SEKm)	573.5	494.5	412.8	275.4	486.5	402.1	316.8	219.3	325.9
Funds held on behalf of licensees (SEKm)	86.0	92.4	102.9	63.9	2.0	24.6	74.5	32.9	104.9
<b>Alternative Performance Measures:</b>									
Operating revenues (EURm)	41.9	41.1	37.5	38.0	37.0	34.7	29.7	29.2	27.5
Operating profit (SEKm)	136.2	156.0	129.4	122.4	128.1	121.8	105.3	92.7	81.8
Operating margin (percent)	34.2	39.0	36.2	34.8	37.1	37.7	37.6	34.2	31.7
EBITDA margin (percent)	43.5	48.1	45.9	44.4	46.8	48.8	50.1	46.7	44.7
Growth in SEK vs prior year (percent)	15.2	23.9	27.7	29.8	33.7	34.0	28.8	32.3	37.1
Growth in EUR vs prior year (percent)	13.0	18.5	26.6	30.2	34.5	33.0	25.8	28.2	29.8
Growth in SEK vs prior quarter (percent)	-0.6	12.0	1.5	1.9	6.9	15.5	3.2	5.0	7.1
Growth in EUR vs prior quarter (percent)	1.8	9.5	-1.1	2.5	6.8	17.0	1.7	5.9	5.6
Equity/assets ratio (percent)	74.6	70.0	68.9	68.9	79.2	74.0	69.2	69.4	67.8
Return on equity rolling 12 months (percent)	59.6	63.1	63.1	63.7	63.2	61.2	59.0	57.6	54.6
Net debt/equity ratio (multiple)	-0.5	-0.5	-0.5	-0.4	-0.6	-0.6	-0.5	-0.4	-0.5
Share price at end of period (2)	72.00	70.30	78.50	83.00	76.40	82.42	77.58	53.67	50.67
Earnings per share after dilution (SEK) (2)	0.52	0.62	0.50	0.47	0.51	0.48	0.41	0.36	0.31
Book equity per share (SEK) (2)	4.36	3.84	3.25	2.70	3.49	2.97	2.57	2.09	2.56
Cash flow from operations per share (SEK) (2)	0.63	0.66	0.74	0.66	0.54	0.58	0.51	0.52	0.43
Average number of employees	717	674	641	604	551	516	496	481	466

## Reconciliation to IFRS

(SEKm)	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
<b>EBITDA</b>									
Profit for the period	124.0	150.0	119.2	113.5	121.7	115.7	97.6	86.5	74.2
Tax on profit for the period	10.4	10.2	10.4	10.0	10.6	7.3	8.1	6.7	7.2
Financial items	1.9	-4.2	-0.2	-1.1	-4.2	-1.2	-0.4	-0.5	0.4
Depreciation & Amortization	37.0	36.6	34.7	33.9	33.6	36.0	34.8	33.9	33.6
<b>EBITDA</b>	<b>173.2</b>	<b>192.6</b>	<b>164.2</b>	<b>156.3</b>	<b>161.8</b>	<b>157.8</b>	<b>140.1</b>	<b>126.6</b>	<b>115.4</b>
<b>Net interest-bearing liabilities</b>									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	573.5	494.5	412.8	275.4	486.5	402.1	316.8	219.3	325.9
<b>Net interest-bearing liabilities (1)</b>	<b>-573.5</b>	<b>-494.5</b>	<b>-412.8</b>	<b>-275.4</b>	<b>-486.5</b>	<b>-402.1</b>	<b>-316.8</b>	<b>-219.3</b>	<b>-325.9</b>
<b>Quick ratio</b>									
Total current assets	984.5	935.6	776.3	605.2	756.9	679.2	607.9	443.9	626.1
Total current liabilities	342.1	381.8	339.5	281.2	208.7	239.2	262.8	208.8	278.6
<b>Quick ratio (percent)</b>	<b>287.8</b>	<b>245.0</b>	<b>228.6</b>	<b>215.3</b>	<b>362.8</b>	<b>284.1</b>	<b>231.3</b>	<b>212.9</b>	<b>224.7</b>

- (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

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### **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

	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>INCOME STATEMENT (kSEK)</b>			
Operating revenues	204,362	170,155	737,522
Other external expenses	-82,689	-65,441	-299,541
Personnel expenses	-102,383	-89,642	-365,037
Depreciation and amortization	-6,716	-6,263	-26,430
<b>Operating profit</b>	<b>12,574</b>	<b>8,809</b>	<b>46,514</b>
Financial items	-354	5,079	496,368
Transfer to untaxed reserves	-	-	4,481
<b>Profit before tax</b>	<b>12,220</b>	<b>13,888</b>	<b>547,363</b>
Tax on the period's profit	-2,292	-3,032	-13,971
<b>Profit for the period</b>	<b>9,928</b>	<b>10,856</b>	<b>533,392</b>

## STATEMENT OF TOTAL INCOME

<b>Profit for the period</b>	<b>9,928</b>	<b>10,856</b>	<b>533,392</b>
Other total income	-	-	-
<b>Sum of other total income for the period, net after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income for the period</b>	<b>9,928</b>	<b>10,856</b>	<b>533,392</b>

## Condensed Parent Company balance sheet

<b>ASSETS (kSEK)</b>	<b>2017-03-31</b>	<b>2016-03-31</b>	<b>2016-12-31</b>
Intangible assets	5,338	8,030	5,791
Property, plant, and equipment	72,693	27,943	51,828
Shares in subsidiaries	4,611	2,308	4,611
<b>Total non-current assets</b>	<b>82,642</b>	<b>38,281</b>	<b>62,230</b>
Accounts receivable	68	1	3
Receivables from Group companies	315,464	468,368	388,228
Current tax receivables	-	4,031	1,748
Other receivables	16,880	11,794	27,955
Prepaid expenses and accrued revenues	62,183	28,892	51,327
Cash and cash equivalents	362,430	43,365	345,728
<b>Total current assets</b>	<b>757,025</b>	<b>556,451</b>	<b>814,989</b>
<b>TOTAL ASSETS</b>	<b>839,667</b>	<b>594,732</b>	<b>877,219</b>

<b>EQUITY AND LIABILITIES (kSEK)</b>	<b>2017-03-31</b>	<b>2016-03-31</b>	<b>2016-12-31</b>
Share capital	1,205	1,205	1,205
Statutory reserve	38	38	38
Share premium reserve	55,299	45,967	55,299
Retained earnings	621,491	408,272	88,098
Profit for the period	9,928	10,856	533,392
<b>Total equity</b>	<b>687,961</b>	<b>466,338</b>	<b>678,032</b>
<b>Untaxed reserves</b>	<b>23,427</b>	<b>27,649</b>	<b>23,427</b>
Accounts payable	36,205	21,622	86,976
Liabilities to Group companies	1,248	2,913	9,006
Tax liabilities	434	-	-
Other liabilities	7,786	7,836	6,598
Accrued expenses and prepaid revenues	82,606	68,374	73,180
<b>Total current liabilities</b>	<b>128,279</b>	<b>100,745</b>	<b>175,760</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>839,667</b>	<b>594,732</b>	<b>877,219</b>

## Netent's business idea

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

## Netent's business model

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

## Netent's strategies

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

## NetEnt's products

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

