

Q1

INTERIM REPORT
JANUARY–MARCH 2018



FINN
AND THE SWIRLY SPIN™

* 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 2018

First quarter 2018

- Revenues for the first quarter amounted to SEK 430 (393) million
- Operating profit (EBIT) amounted to SEK 134 (127) million, a margin of 31.2 (32.2)%
- Severance pay for previous CEO of 6 SEK million included in operating profit. Adjusted for this cost, the operating profit was 140 (127) MSEK and the operating margin was 32.5 (32.2)%
- Profit after tax of SEK 146 (115) million
- Earnings per share of SEK 0.61 (0.48) before and after dilution

Important events in the first quarter

- 6 new customer agreements signed, and 8 new customers' casinos launched
- Games launched with Caliente in Mexico
- Five new slot games released, including *The Phantom's Curse*, *Asgardian Stones* and *Hotline*
- *Live Beyond Live* launched with Mr Green
- Digital marketing service (programmatic) contract signed with Mr Green
- Therese Hillman appointed acting CEO, Per Eriksson left the Company

Quote from Therese Hillman, Acting President and CEO

"While NetEnt continues to focus on growth, measures were initiated in March to enable margin expansion going forward. Among other things, the Company is taking action to reduce costs. For the remainder of the year, we see conditions for better growth, supported primarily by regulated markets, more new games and new customers."

Summary in figures (kSEK)	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Operating revenues ⁽¹⁾	430,087	393,463	1,636,078
Operating expenses	-295,988	-266,640	-1,054,442
Operating profit (EBIT)	134,100	126,823	581,636
Operating margin	31.2%	32.2%	35.6%
Cash flow from operating activities	207,358	152,277	666,061
Cash flow for the period	157,762	79,100	-113,901
Cash and cash equivalents at end of period	560,878	573,460	387,035

(1) In previous periods, marketing contributions were reported as a reduction of revenues and not as a cost. For comparison purposes, previous periods' revenues and costs have been adjusted. The size varies between periods and was 6.0 SEKm in Q1 2018 and 5.7 SEKm in Q1 2017.

Comments by Therese Hillman, Acting CEO

Total revenues for NetEnt in the first quarter increased by 9.3 percent (4.3 percent in euro) to SEK 430 million. Excluding a one-off severance pay for the previous CEO, operating profit increased by 10.4 percent to SEK 140 million, representing a margin of 32.5 (32.2) percent. Costs increased in the quarter, mainly due to more staff in Live Casino and higher depreciation, attributable to newly launched products and currency effects. The business continued to generate strong cash flows. Cash flow for the period amounted to SEK 158 (79) million. In March, we initiated measures to enable margin expansion going forward. Among other things, the Company is taking action to reduce costs.

Growth in NetEnt's royalty income was nine percent in the first quarter (four percent in euro) compared to the first quarter of last year. During the quarter, we signed six new customer agreements and launched eight new customers' casinos. The share of revenues from locally regulated markets was 34 (31) percent in the quarter. We saw overall solid performance in locally regulated markets and a key contributor to growth was the Italian market. Regarding North America, we recently decided to apply for a license in Pennsylvania and intend to launch our games with British Columbia Lottery Corporation in British Columbia (Canada) in the third quarter.

As we have communicated before, in 2017 we phased out deliveries to unlicensed operators in Australia, Poland and the Czech Republic. In the first quarter, the net negative effect from these markets was about two percentage points on royalty revenue growth in euro for the Company. The weakness in Norway continued and this also had a negative impact on revenues in the quarter.

We released five new slot games in the quarter: *Twin Spin Deluxe*, *Phantom's Curse*, *Fruit Spin*, *Asgardian Stones* and *Hotline*. For Live Casino, we launched the new concept called *Live Beyond Live* for Mr Green. For the full year 2018, we plan to release 21 new slot games – an increase from 14 new games in 2017 – and we look to roll out more customized solutions with exclusive tables in Live Casino. We also introduced some new functionality that strengthens our mobile Live offering.

For the remainder of the year, we see conditions for better growth, supported primarily by regulated markets, more new games and new customers. We continue to work on optimizing the organization and to make sure that revenues grow more than costs. We plan to host a capital markets day on May 22 in Stockholm, where we will present our view on products, regulated markets and future growth opportunities for NetEnt. A separate invite with more details will be sent out shortly. We look forward to seeing you in May.



Therese Hillman
Acting CEO

New agreements and customers

In the first quarter, 6 (15) new license agreements were signed and 8 (6) new customers' casinos were launched.

Customers to be launched

At the end of the period, NetEnt held agreements with 27 (39) new customers that had not yet been launched.

Revenues and results

Total revenues amounted to SEK 430.1 (393.5) million in the first quarter, an increase of 9.3 percent compared to the corresponding period in 2017 (4.3 percent in euro terms).

The number of game transactions amounted to 11.3 billion in the first quarter, representing an increase of 15.7 percent compared to same quarter of the previous year. The difference in growth rates for revenues and game rounds can be explained by decreasing average bet size per transaction in our games over the past years, due to a growing player base as well as a change in regional mix. The average bet size per transaction is generally higher in the Nordic countries and the difference compared to other markets is particularly large for mobile games.

Nearly all 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 remained unchanged in the first quarter compared to the same period in the previous year.

Slot games represented 91 percent of game win (player bets minus player wins) in the first quarter, table games accounted for 8 percent and other games for one percent.

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. A weaker SEK has a positive effect on reported revenues. During the first quarter of 2018, the Swedish krona weakened by 4.8 percent against the euro compared to the same period in 2017 and by 1.8 percent compared to the previous quarter. Against the British pound, the Swedish krona weakened by 2.1 percent compared to the same quarter of last year and by 2.2 percent compared to the previous quarter.

Operating profit in the first quarter increased by 5.7 percent to SEK 134.1 (126.8) million. The operating margin was 31.2 percent in the first quarter compared to 32.2 percent in the corresponding period of the previous year.

Operating expenses increased by 11.0 percent compared to the first quarter of 2017, primarily due to more staff in Live Casino and higher depreciation, attributable to newly launched products and currency effects. Personnel expenses in the quarter include the entire severance pay of SEK 6 million for the previous CEO. Excluding this one-off item, the operating profit was SEK 140.0 (126.8) million and the operating margin was 32.5 (32.2) percent.

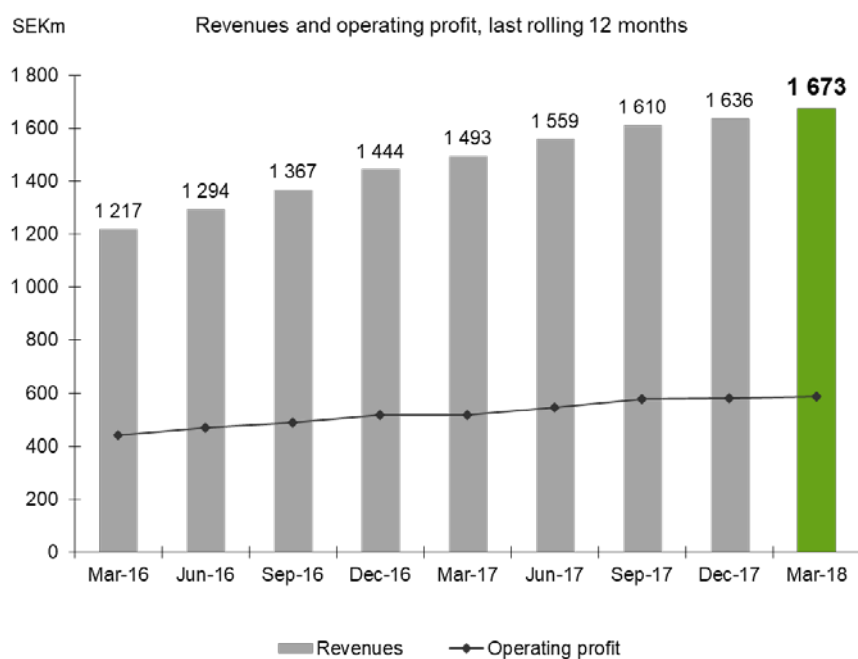
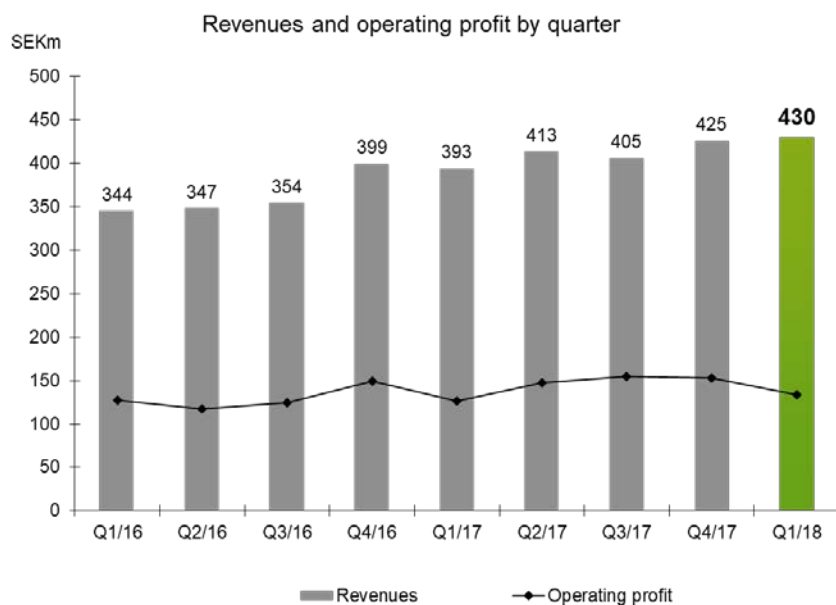
Depreciation and amortization are also affected by the development of SEK versus EUR as they are booked in EUR and then translated to SEK for the Group's financial reporting. Except for depreciation and amortization, the main part of the Group's costs occurs in SEK but the share of costs reported in other currencies represented 43 (43) percent in the period.

Financial items amounted to SEK 23.7 (-1.9) 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.

Seasonal variations

The first and second quarters are normally not characterized by any seasonal effects. 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.

Revenues and operating profit by quarter and last rolling twelve months are shown in the charts below.



Investments

The Group's investments in intangible assets amounted to SEK 36.6 (36.9) million and investments in property, plant, and equipment totaled SEK 13.0 (36.3) million in the first quarter.

Investments in intangible assets consist of development of new games, technical adjustments related to regulatory requirements and software licenses. Notable larger development projects in the first quarter were the ongoing platform enhancement and development of new games, including projects related to Live Casino.

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.

Cash and cash equivalents, financing and financial position

The Group's cash flow from operating activities amounted to SEK 207.4 (152.3) million in the first quarter. Cash flow from investing activities amounted to SEK -49.6 (-73.2) 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 560.9 (573.5) million at the end of the period. The Group's available credit lines were SEK 50 (50) million of which none had been utilized at the end of the period. Cash held on behalf of licensees was SEK 75.4 (86.0) million on March 31, 2018.

Events after the end of the period

At the beginning of April, NetEnt signed a customer agreement with Hard Rock Hotel & Casino Atlantic City regarding distribution of online games to the regulated online casino market in New Jersey.

Market

The online gaming market has shown growth in recent years. The global game win for online gaming, including all game segments, has been estimated at EUR 40.5 billion for 2017, an increase of 9 percent compared to the previous year. The corresponding size for the global online casino market has been estimated at EUR 10.6 billion in 2017, an increase of 9 percent for the year (*source: H2 Gambling Capital, February 2018*).

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. NetEnt has a local license in the Great Britain since 2015. It is the largest gaming market in Europe and 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. In Italy, all NetEnt's game traffic now takes place through licensed operators. The market in Denmark was regulated in 2012 and NetEnt's games are offered through several operators, including Danske Spil. Online gaming is regulated in Spain, where NetEnt holds a gaming license and its games have been available with several customers since 2015. The online gaming markets have recently been regulated in Portugal, Romania, Bulgaria and Czechia. In Romania, NetEnt obtained a gaming license and launched its games with several operators during 2016. In Bulgaria and Portugal, NetEnt's games were certified and launched with customers in 2016. New gaming legislation is expected in the Netherlands towards the end of 2018. In Sweden, the gaming commission presented its proposal for new gaming legislation in March 2017 and according to the government, the new legislation shall be introduced in the beginning of 2019.

Today, the majority of NetEnt's customers are 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). NetEnt has applied for a license in New Jersey and has been granted transactional waivers to launch games with

several operators in the state, while its full license application is being reviewed. In Pennsylvania, a new gaming legislation has recently been adopted that allows online casino gaming, and NetEnt has decided to apply for a license in the state. 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 and obtained 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 more than 1,000 people in Malta, Stockholm, Gothenburg, Gibraltar, Kiev, Krakow 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 813 (733). Including external resources such as dedicated staff with contract suppliers and subcontractors, NetEnt employed 1,019 (958) 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 209.4 (204.4) million and operating profit was SEK 9.6 (12.6) million in the first quarter. The operating margin was 4.6 (6.2) 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 22.7 (9.9) million for the quarter.

Investments in property, plant and equipment for the Parent Company amounted to SEK 1.0 (26.8) million and investments in intangible assets were SEK 0.1 (0.3) million for the period, the latter primarily consisting of software investments. Cash and cash equivalents in the Parent Company amounted to SEK 157.5 (362.4) million at the end of the period.

Accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34 Interim Financial Reporting. The accounts for the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting standards applied for the Group and the Parent Company are the same as those applied in preparation of the most recent annual report, with the additions described below.

IFRS 15 is applied for the annual reporting period beginning January 1, 2018. NetEnt has implemented the new standard using the full retrospective method with adjustments to all periods presented regarding when in time the Company recognizes revenue and expenses attributable to setup fees. The difference from previous accounting standards applied is that these revenue and expenses now is accrued over the term of the contract, usually three years, in relation to earlier when these were recognized in connection to the signing of the customer agreement.

For further information and specifications regarding this application and adjustments of all periods presented refer to pages 15-19 in this report.

IFRS 9 addresses new principles regarding hedge accounting and classification and measurement of financial assets. Financial instruments that are recognized in the statement of financial position includes on the asset side cash and cash equivalents, trade receivables, other current receivables and other securities held as non-current assets. On the liability side there are trade payables, other current liabilities and borrowings (including finance lease liabilities). IFRS 9 requires financial assets to be classified based on the Company's business model for managing the financial assets as well as the characteristics of the contractual cash flows of the financial assets. Under IFRS 9, the business model assessment permits a financial asset to be classified at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows with the fair value through profit or loss as the residual category for financial instruments. The concept is categorized as 'hold to collect'. The Company's business model is "hold to collect" and the asset is classified at amortised cost. The transition to IFRS 9 have no material impact on the Company's classification and measurement of financial assets and on the provision for expected credit losses.

For further information on the accounting standards, please see the most recent 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 2017 annual report, pages 52-55 and pages 99-100.

Nominating Committee

In accordance with the decision by the Annual General Meeting, the members of the nominating committee of NetEnt shall 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 current nomination committee consists of John Wattin, (Chairman, appointed by the Hamberg family), Christoffer Lundström (appointed by the Lundström family), Fredrik Carlsson (appointed by the Knutsson family) and Vigo Carlund (Chairman of the Board of Directors). The proposal from the nominating committee will be made public in the summons to the AGM.

Annual General Meeting

The Annual General Meeting for the financial year from 1 January to 31 December 2017 will be held on Wednesday 25 April 2018 at 3:00 p.m. at IVA Konferenscenter, Grev Turegatan 16, Stockholm, Sweden.

Proposed cash distribution to shareholders

The Board proposes to the Annual General Meeting to transfer SEK 540.3 (540.3) million to shareholders, which corresponds to SEK 2.25 (2.25) per share. The Board proposes that the transfer be handled through an automatic share redemption program. 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.

Presentation of interim report

On Tuesday, April 24, 2018, at 9.00 a.m. the interim report will be presented by acting CEO Therese Hillman live via webcast. The presentation can be followed in real-time on NetEnt's website, the link to the webcast is: <https://tv.streamfabriken.com/netent-q1-2018>.

Financial information

NetEnt intends to distribute financial reports on the dates below.

Annual General Meeting 2018	April 25, 2018
Capital Markets Day	May 22, 2018
Interim Report January – June 2018	July 13, 2018
Interim report January – September 2018	October 25, 2018
Earnings report and report for the fourth quarter 2018	February 12, 2019

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, April 23rd, 2018

Vigo Carlund
Chairman of the Board

Fredrik Erbing
Board Member

Maria Hedengren
Board Member

Peter Hamberg
Board Member

Michael Knutsson
Board Member

Pontus Lindwall
Board Member

Maria Redin
Board Member

Jenny Rosberg
Board Member

Therese Hillman
Acting CEO

Questions may be directed to:
Therese Hillman
Acting CEO
Phone: +46 8 5785 4500
therese.hillman@netent.com

This interim 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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on April 24, 2018.

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 (kSEK)

	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
INCOME STATEMENT			
Revenues	429,194	391,847	1,630,552
Other revenues	893	1,617	5,527
Total operating revenues	430,087	393,463	1,636,078
Personnel expenses	-136,084	-113,234	-458 045
Depreciation, amortization and impairments	-47,929	-36,958	-158 019
Other operating expenses	-111,975	-116,448	-438 378
Total operating expenses	-295,988	-266,640	-1 054 442
Operating profit	134,100	126,823	581,636
Financial income	35,604	8,060	18,882
Financial expense	-11,928	-9,944	-20,575
Financial items	23,677	-1,884	-1,693
Profit before tax	157,776	124,940	579,943
Tax on the period's profit	-11,937	-9,899	-32,695
Profit for the period	145,839	115,041	547,247
Earnings per share before dilution (SEK)	0.61	0.48	2.28
Earnings per share after dilution (SEK)	0.61	0.48	2.28
Average number of shares outstanding			
- before dilution	240,130,860	240,130,860	240,130,860
- after dilution	240,130,860	240,154,961	240,130,860
Profit for the period attributable to Parent Company shareholders	145,839	115,041	547,247

STATEMENT OF TOTAL INCOME

Profit for the period	145,839	115,041	547,247
Other total income			
Other total income Items that may be reclassified to net income			
Exchange differences arising from the translation of foreign operations	17,291	229	17,654
Sum of other total income for the period, net after tax	17,291	229	17,654
Total income for the period	163,130	115,270	564,901

Condensed consolidated balance sheets (kSEK)

ASSETS	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2017
Intangible assets	339,436	266,783	318,208
Property, plant, and equipment	149,761	142,795	151,345
Other long-term receivables	34,865	19,662	32,562
Total non-current assets	524,063	429,240	502,115
Accounts receivable	60,223	33,625	55,786
Current tax receivables	74	-	-
Other receivables	73,262	73,405	74,843
Prepaid expenses and accrued revenues	225,484	225,389	214,958
Funds held on behalf of licensees	75,408	86,012	82,535
Cash and cash equivalents	560,878	573,460	387,035
Total current assets	995,330	991,891	815,157
TOTAL ASSETS	1,519,392	1,421,131	1,317,272

EQUITY AND LIABILITIES	Mar. 31, 2018	Mar. 31, 2017	Dec. 31, 2017
Share capital	1,205	1,205	1,205
Other capital contributed	93,812	90,189	93,812
Reserves	41,847	7,126	24,550
Retained earnings including profit for the period	937,649	899,898	791,810
Total equity	1,074,514	998,419	911,378
Prepayments from customers	53,691	44,057	52,306
Deferred tax liability	12,316	14,234	11,341
Total long-term liabilities	66,007	58,291	63,647
Accounts payable	37,900	47,280	44,421
Current tax liabilities	32,334	33,303	25,628
Other liabilities	183,833	159,745	145,811
Accrued expenses and prepaid revenues	124,805	124,093	126,387
Total current liabilities	378,871	364,421	342,247
TOTAL EQUITY AND LIABILITIES	1,519,392	1,421,131	1,317,272

Condensed consolidated cash flow statements

(kSEK)	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Operating profit	134,100	126,822	581 636
<i>Adjustment for items not included in cash flows:</i>			
Depreciation, amortization and impairments	47,929	36,958	158 019
Other	1,962	-298	-4 666
Interest received	-	-	12
Interest paid	-370	-479	-1 292
Income tax paid	-6,189	-5,866	-40 879
Cash flow from operating activities before changes in working capital	177,432	157,137	692 830
Changes in working capital	29,926	-4,860	-26 769
Cash flow from operating activities	207,358	152,277	666 061
Acquisition of intangible assets	-36,571	-36,883	-156 363
Acquisition of property, plant, and equipment	-13,025	-36,294	-86 900
Cash flow from investing activities	-49,596	-73,177	-243 262
Received premium for share option rights	-	-	3 647
Repurchase of warrants	-	-	-52
Transfer to shareholders	-	-	-540 294
Cash flow from financing activities	-	-	-536 700
Cash flow for the period	157,762	79,100	-113 901
Cash and cash equivalents at beginning of period	387,035	494,497	494 497
FX differences in cash and cash equivalent	16,082	-137	6,438
Cash and cash equivalents at end of period	560,878	573,460	387,035

Condensed consolidated changes in equity (kSEK)

2017	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity Jan. 1, 2017	1,205	90,189	6,897	824,785	923,076
Received premium for share option rights	-	3,623	-	-	3,623
Cash distribution to shareholders	-	-	-	-540,294	-540,294
Total income for the period Jan-Dec	-	-	17,654	552,436	570,090
IFRS 15 adjustment *	-	-	-	-45,117	-45,117
Closing equity Dec. 31, 2017	1,205	93,812	24,550	791,810	911,378

2018	Share capital	Other capital contributed	Reserves	Retained earnings	Total equity
Opening equity Jan. 1, 2018	1,205	93,812	24,550	791,810	911,378
Received premium for share option rights	-	-	-	-	-
Cash distribution to shareholders	-	-	-	-	-
Total income for the period Jan-Mar	-	-	17,297	145,839	163,136
Closing equity Mar. 31, 2018	1,205	93,812	41,848	937,649	1,074,514

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

^{*)} Retroactive adjustment of total income 2017 according to IFRS 15.

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 2018	Jan-Mar 2017	Jan-Dec 2017
<u>Financial measures defined by IFRS:</u>			
Operating revenues (kSEK)	430,087	393,463	1,636,078
Earnings per shares before dilution (SEK)	0.61	0,48	2,28
Earnings per shares after dilution (SEK)	0.61	0,48	2,28
Average number of outstanding shares before dilution	240,130,860	240,130,860	240,130,860
Average number of outstanding shares after dilution	240,130,860	240,154,961	240,130,860
Number of outstanding shares at period's end before dilution	240,130,860	240,130,860	240,130,860
Number of outstanding shares at period's end after dilution	240,130,860	241,115,160	240,130,860
<u>Alternative Performance Measures:</u>			
Operating revenues (kEUR)	43,164	41,389	169,848
Operating margin (percent)	31.2	32.2	35.6
EBITDA margin (percent)	42.3	41.6	45.2
Effective tax rate (percent)	7.6	7.9	5.6
Return on equity, rolling 12 months (percent)			
Equity/assets ratio (percent)	69.5	59.4	67.4
Quick ratio (percent)	70.7	70.3	69.2
Net interest-bearing liabilities (kSEK) ⁽¹⁾	262.7	272.2	238.2
Net debt/equity ratio (multiple)	-560,878	-573,460	-387,035
Equity per share before dilution (SEK) ⁽²⁾	-0.5	-0.6	-0.4
Equity per share after dilution (SEK) ⁽²⁾	4.47	4.16	3.80
Average number of employees	800	717	750
Employees at period's end	813	733	810
Employees and external resources at period's end	1,019	958	1,013

(1) A negative figure means that the Group has a net cash position (cash in excess of interest-bearing liabilities).

(2) Adjusted for the share split 6:1 in May 2016.

(3) Excluding funds held on behalf of licensees.

Consolidated key data and figures by quarter for the Group

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<u>Financial measures defined by IFRS:</u>									
Operating revenues (kSEK)	430.1	425.0	404.8	412.8	393.5	398.9	353.8	347.2	344.5
Cash and cash equivalents (SEKm) ⁽³⁾	560.9	387.0	144.7	168.9	573.5	494.5	412.8	275.4	486.5
Funds held on behalf of licensees (SEKm)	75.4	210.4	43.7	130.0	218.0	213.2	157.2	159.4	159.6
<u>Alternative Performance Measures:</u>									
Operating revenues (EURm)	43.2	44.1	42.3	43.0	41.4	42.1	37.7	37.3	36.9
Operating profit (SEKm)	134.1	152.7	155.1	147.1	126.8	149.6	124.4	117.1	127.6
Operating margin (percent)	31.2	35.9	38.3	35.6	32.2	37.5	35.2	33.7	37.0
EBITDA margin (percent)	42.3	45.7	48.1	45.2	41.6	46.7	45.0	43.5	46.8
Growth in SEK vs prior year (percent)	9.3	6.5	14.4	18.9	14.2	24.3	25.8	28.4	30.8
Growth in EUR vs prior year (percent)	4.3	4.7	12.0	15.3	12.0	22.8	25.8	28.9	31.6
Growth in SEK vs prior quarter (percent)	1.2	5.0	-1.9	4.9	-1.4	12.8	1.9	0.8	7.3
Growth in EUR vs prior quarter (percent)	-2.2	4.4	-1.8	4.0	-1.7	11.6	1.1	1.1	7.7
Equity/assets ratio (percent)	70.7	69.2	68.0	56.0	70.3	66.1	65.0	64.7	75.9
Return on equity rolling 12 months (percent)	69.5	67.4	66.6	63.1	59.4	63.8	63.8	64.8	64.5
Net debt/equity ratio (multiple)	-0.5	-0.4	-0.2	-0.3	-0.6	-0.6	-0.6	-0.4	-0.6
Share price at end of period ⁽²⁾	41.94	56.50	63.20	73.65	72.00	70.30	78.50	83.00	76.40
Earnings per share after dilution (SEK) ⁽²⁾	0.61	0.64	0.59	0.56	0.48	0.60	0.47	0.45	0.50
Book equity per share (SEK) ⁽²⁾	4.47	3.80	3.07	2.51	4.16	3.68	3.10	2.58	3.39
Cash flow from operations per share (SEK) ⁽²⁾	0.86	1.24	0.13	0.77	0.63	0.66	0.74	0.66	0.54
Average number of employees	800	789	746	741	717	674	641	604	551

Reconciliation to IFRS

(SEKm)	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
<u>EBITDA</u>									
Profit for the period	145.8	154.7	141.6	135.8	115.0	143.9	114.4	108.4	121.2
Tax on profit for the period	11.9	-2.2	11.6	13.3	9.9	9.9	10.1	9.7	10.6
Financial items	23.7	-0.1	-1.8	2.1	-1.9	4.2	0.2	1.1	4.2
Depreciation & Amortization	47.9	41.7	39.8	39.6	37.0	36.6	34.7	33.9	33.6
EBITDA	182.0	194.3	194.9	186.7	163.8	186.3	159.1	150.9	161.2
<u>Net interest-bearing liabilities</u>									
Interest-bearing provisions	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-	-	-	-	-
Cash and cash equivalents ⁽³⁾	-560.9	-387.0	-144.7	-168.9	-573.5	-494.5	-412.8	-275.4	-486.5
Net interest-bearing liabilities ⁽¹⁾	-560.9	-387.0	-144.7	-168.9	-573.5	-494.5	-412.8	-275.4	-486.5
<u>Quick ratio</u>									
Total current assets	995.3	815.2	627.4	627.2	991.9	942.2	782.7	611.1	761.9
Total current liabilities	378.9	342.2	287.8	414.1	364.4	404.3	356.1	295.9	221.3
Quick ratio (percent)	262.7	238.2	218.0	151.5	272.2	233.1	219.8	206.5	344.3

(1) A negative figure means that the Group has a net cash position (cash in excess of interest-bearing liabilities).

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

(3) Excluding funds held on behalf of licensees.

IFRS 15. effects and specifications

Specification of revenues 1 January - 31 March

Amounts in kSEK

Geographic breakdown	2018		2017	
	kSEK	Percent	kSEK	Percent
Sweden	398	0.1%	985	0.3%
Malta	192,501	44.8%	190,744	48.5%
Other countries	237,188	55.1%	201,734	51.3%
Total revenues	430,087	100.0%	393,463	100.0%

Type of revenue	2018		2017	
	kSEK	Percent	kSEK	Percent
Royalties	418,670	97.3%	383,156	97.4%
Setup fees	10,524	2.4%	8,690	2.2%
Other income	893	0.2%	1,617	0.4%
Total revenues	430,087	100.0%	393,463	100.0%

Timing for revenue recognition	2018		2017	
	kSEK	Percent	kSEK	Percent
Performance commitment fulfilled at a certain time	419,563	97.6%	384,773	97.8%
Performance commitment fulfilled over a period of time	10,524	2.4%	8,690	2.2%
Total revenues	430,087	100.0%	393,463	100.0%

The IFRS 15 reporting effects the comparable numbers for historical periods

The change of accounting standard to IFRS 15 generates adjustments on earlier reported revenues, expenses and related tax regarding ongoing contracts for setup fees are capitalized and reported as prepaid revenues and prepaid expenses. Prepaid revenues and expenses that are more than 12 months from the balance sheet date are reported as prepayments from customer and other long-term receivables.

Effects on revenues, expenses and profit

<i>Amounts in kSEK</i>	Jan-Mar 2017	Jan-Dec 2017
Reported revenues	403,558	1,646,817
<i>IFRS 15 recalculation</i>	-10,095	-10,739
Recalculated revenues	393,463	1,636,078
Reported expenses	-267,321	-1,059,719
<i>IFRS 15 recalculation</i>	681	5,277
Recalculated expenses	-266,640	-1,054,442
Reported operating profit	136,237	587,098
<i>IFRS 15 recalculation</i>	-9,414	-5,462
Recalculated operating profit	126,823	581,636
Reported financial items	-1,884	-1,693
<i>IFRS 15 recalculation</i>	-	-
Recalculated financial items	-1,884	-1,693
Reported profit before tax	134,353	585,405
<i>IFRS 15 recalculation</i>	-9,414	-5,462
Recalculated profit before tax	124,940	579,943
Reported tax on profit	-10,369	-32,969
<i>IFRS 15 recalculation</i>	471	273
Recalculated tax on profit	-9,899	-32,695
Reported profit for the period	123,984	552,436
<i>IFRS 15 recalculation</i>	-8,943	-5,189
Recalculated profit for the period	115,041	547,247

Effect on earnings per share

<i>Amounts in SEK</i>	Jan-Mar 2017	Jan-Dec 2017
Decreased earnings per share before dilution	0.04	0.02
Decreased earnings per share after dilution	0.04	0.02

Effects on assets, liabilities and equity 1 January 2017

<i>Amounts in kSEK</i>	Reported Balance Sheet	IFRS 15 recalculation	Recalculated Balance Sheet
Fixed assets	374,041	-	374,041
Other non-current receivables	9,567	9,742	19,309
Total non-current assets	383,608	9,742	393,350
Other receivables	227,831	-	227,831
Prepaid expenses and accrued income	213,247	6,640	219,887
Cash and cash equivalents	494,497	-	494,497
Total current assets	935,575	6,640	942,215
TOTAL ASSETS	1,319,183	16,382	1,335,565
Share capital	1,205	-	1,205
Other capital contributed and reserves	97,086	-	97,086
Retained earnings including profit for the year	824,785	-39,928	784,857
Total equity	923,076	-39,928	883,148
Prepayments from customers	-	33,879	33,879
Deferred tax liability	14,269	-	14,269
Total non-current liabilities	14,269	33,879	48,148
Other liabilities	289,681	-	289,681
Accrued expenses and deferred income	92,157	22,431	114,588
Total current liabilities	381,838	22,431	404,269
TOTAL EQUITY AND LIABILITIES	1,319,183	16,382	1,335,565

Effects on assets, liabilities and equity 31 March 2017

<i>Amounts in kSEK</i>	Reported Balance Sheet	IFRS 15 recalculation	Recalculated Balance Sheet
Fixed assets	409,578	-	409,578
Other non-current receivables	9,546	10,116	19,662
Total non-current assets	419,124	10,116	429,240
Other receivables	193,042	-	193,042
Prepaid expenses and accrued income	217,971	7,418	225,389
Cash and cash equivalents	573,460	-	573,460
Total current assets	984,473	7,418	991,891
TOTAL ASSETS	1,403,597	17,534	1,421,131
Share capital	1,205	-	1,205
Other capital contributed and reserves	97,315	-	97,315
Retained earnings including profit for the year	948,769	-48,871	899,898
Total equity	1,047,290	-48,871	998,419
Prepayments from customers	-	44,057	44,057
Deferred tax liability	14,234	-	14,234
Total non-current liabilities	14,234	44,057	58,291
Other liabilities	240,328	-	240,328
Accrued expenses and deferred income	101,745	22,348	124,093
Total current liabilities	342,073	22,348	364,421
TOTAL EQUITY AND LIABILITIES	1,403,597	17,534	1,421,131

Effects on assets, liabilities and equity 31 December 2017

<i>Amounts in kSEK</i>	Reported Balance Sheet	IFRS 15 recalculation	Recalculated Balance Sheet
Fixed assets	469,553	-	469,553
Other non-current receivables	15,166	17,396	32,562
Total non-current assets	484,719	17,396	502,115
Other receivables	213,164	-	213,164
Prepaid expenses and accrued income	210,422	4,536	214,958
Cash and cash equivalents	387,035	-	387,035
Total current assets	810,621	4,536	815,157
TOTAL ASSETS	1,295,340	21,932	1,317,272
Share capital	1,205	-	1,205
Other capital contributed and reserves	118,362	-	118,362
Retained earnings including profit for the year	836,928	-45,117	791,810
Total equity	956,495	-45,117	911,378
Prepayments from customers	-	52,306	52,306
Deferred tax liability	11,341	-	11,341
Total non-current liabilities	11,341	52,306	63,647
Other liabilities	215,860	-	215,860
Accrued expenses and deferred income	111,644	14,743	126,387
Total current liabilities	327,504	14,743	342,247
TOTAL EQUITY AND LIABILITIES	1,295,340	21,932	1,317,272

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 (kSEK)

	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
INCOME STATEMENT			
Operating revenues	209,447	204,362	807,059
Other external expenses	-77,205	-82,689	-317,622
Personnel expenses	-114,792	-102,383	-411,251
Depreciation and amortization	-7,809	-6,716	-28,750
Operating profit	9,640	12,574	49,435
Financial items	19,649	-354	445,268
Transfer to untaxed reserves	-	-	-5,853
Profit before tax	29,289	12,220	488,851
Tax on the period's profit	-6,599	-2,292	-9,166
Profit for the period	22,691	9,928	479,684
STATEMENT OF TOTAL INCOME			
Profit for the period	22,691	9,928	479,684
Other total income	-	-	-
Sum of other total income for the period.			
net after tax	-	-	-
Total income for the period	22,691	9,928	479,864

	Mar. 31. 2018	Mar. 31. 2017	Dec. 31. 2017
ASSETS			
Intangible assets	3,552	5,338	4,027
Property, plant, and equipment	65,767	72,693	71,963
Shares in subsidiaries	6,773	4,611	6,773
Total non-current assets	76,092	82,642	82,763
Accounts receivable	113	68	
Receivables from Group companies	509,442	315,464	529,077
Current tax receivables	506	-	1,730
Other receivables	11,959	16,880	14,743
Prepaid expenses and accrued revenues	55,219	62,183	45,447
Cash and cash equivalents	157,522	362,430	111,944
Total current assets	734,761	757,025	702,942
TOTAL ASSETS	810,853	839,667	785,704

NetEnt AB (publ), Vasagatan 16, SE-111 20 Stockholm, Sweden | Org Nr. 556532-6443 | Tel: +46 8 57 85 45 00 | Fax +46 8 57 85 45 10 | info@netent.com | www.netent.com

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 three 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. Five new slot games were released in the quarter: *Twin Spin Deluxe*, *Phantom's Curse*, *Fruit Spin*, *Asgardian Stones* and *Hotline*.

