





BERRY BURST

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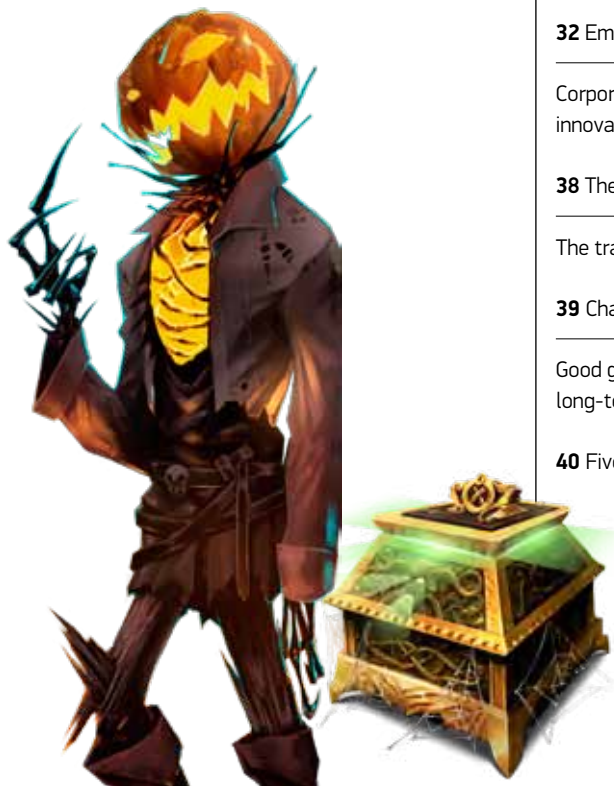
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The slot game, Starburst™, is a favourite among casino players across Europe.



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The formal annual report for NetEnt AB (publ) 556532-6443 consists of the administration report and the accompanying financial statements on pages 44–114.

The annual report is published in Swedish and English. The Swedish version is the original and has been audited by NetEnt's independent auditors.

THIS IS NETENT

A leading provider of digital entertainment

NetEnt is a market-leading digital entertainment company which develops gaming and system solutions for the world's most successful gambling operators. Since its inception in 1996, NetEnt has been a true pioneer in driving the market, with thrilling games and advanced gaming solutions for online casinos. The product offering comprises around 200 game titles in 24 languages and a powerful technical platform with hosting and 24/7 support. NetEnt and its customers, the casino operators, work according to a partnership model, whereby NetEnt is responsible for operation and monitoring of gaming transactions. Gambling operators pay royalties to NetEnt based on a percentage of the game win¹⁾ generated by NetEnt's games.

1) Game win = player bets minus player wins.



World-leading customers

betsson

William HILL



GiG

GVC Holdings

mr green

PokerStars

kindred

PADDYPOWER

betfair

comeon!

bet365

Danske Spil

888.com

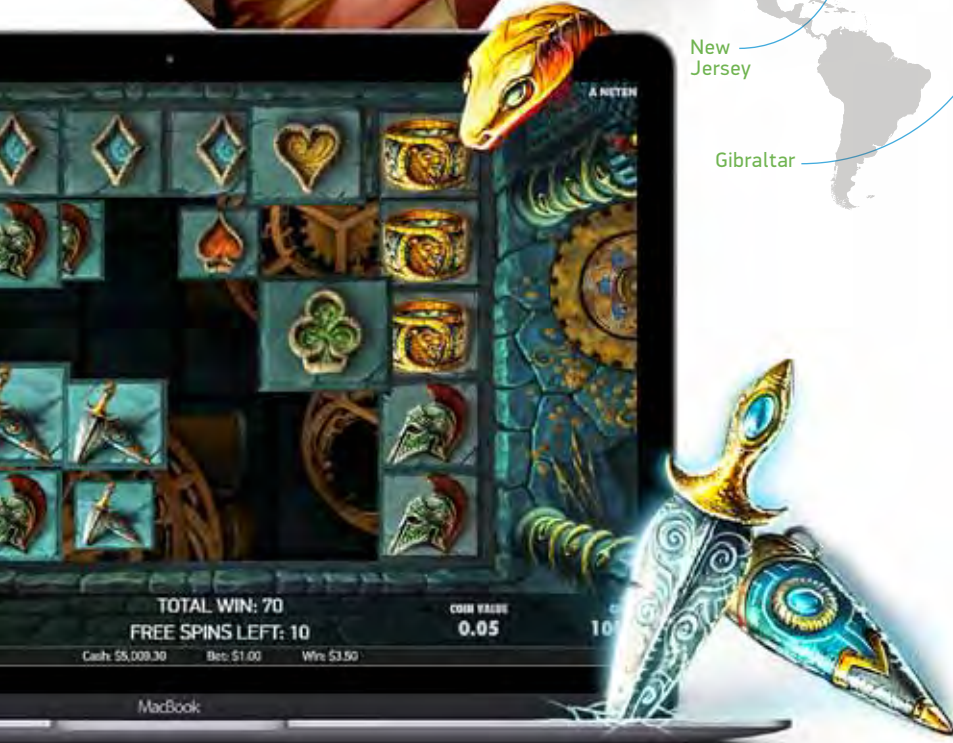
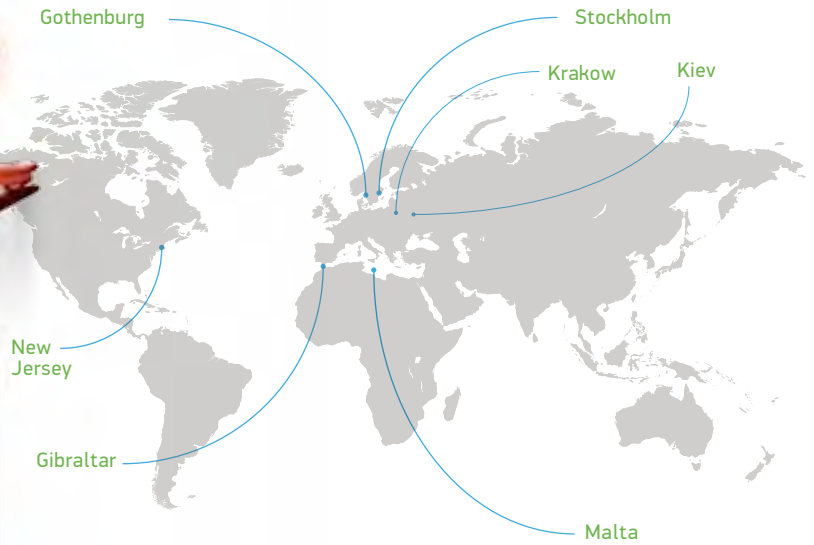
LOTTOMATICA

SVENSKA SPEL

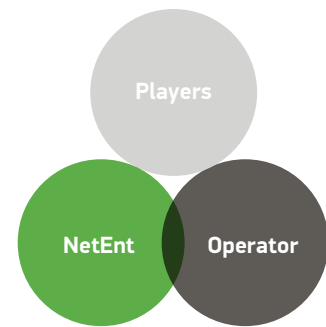
LeoVegas.com



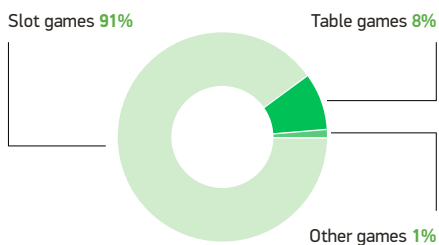
NetEnt's global presence



Partnership model



Game win 2018



Operations



200

active customers



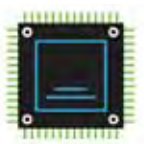
23

regulated markets



1,000

employees



7

data centres

More product development and more new games

Q1

- NetEnt games launched with Caliente, in Mexico
- Live Beyond Live, a product customised for Live Casino, is launched by Mr Green
- Therese Hillman appointed Acting CEO
- Five new slot games released, including The Phantom's Curse, Asgardian Stones and Hotline

Q2

- The Annual General Meeting elected Fredrik Erbing as new Chairman of the Board
- The Board of Directors appointed Therese Hillman as new CEO
- NetEnt signed a deal with Hard Rock in New Jersey, USA
- Five new slot games were released, including Archangels Salvation, Lost Relics and Jumanji

Q3

- Games launched with the British Columbia Lottery Corporation in Canada and Norsk Tipping in Norway
- Beta-launch of the NetEnt affiliate business
- Launch of the first customer on the regulated market of Lithuania
- Launch of games with Hard Rock in New Jersey, USA
- Four slot games released during the quarter, including Mirror Mirror, BerryBurst MAX and Double Stacks

THE YEAR IN BRIEF

8.9%

Sales growth 2018

33.7%

Operating margin 2018





November saw NetEnt release Vikings™, which is based on the well-known TV series of the same name.

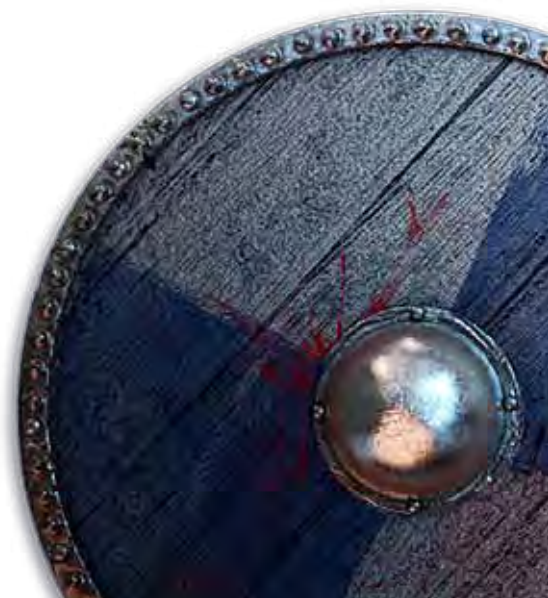
Q4

- Agreements signed with ATG and Svenska Spel in Sweden
- Customer contracts signed in the USA with Churchill Downs (New Jersey) and Penn National Gaming (Pennsylvania)
- Supplier agreement reached with Veikkaus, Finland's state-run gaming operator
- Live Casino contract signed with William Hill
- Six slot games released during the quarter, including Halloween Jack, Vikings™ and Jingle Spin
- Lars Johansson appointed Chief Financial Officer (CFO)
- A reorganisation took place in order to improve efficiency and profitability

	2018	2017	2016	2015	2014
Key figures					
Revenues (SEK million) ¹⁾	1,782	1,636	1,455	1,132	852
Growth (%)	8.9	12.4	28.5	33.0	35.0
Operating profit (SEK million)	601	582	536	402	262
Operating margin (%)	33.7	35.6	36.8	35.5	30.7
Profit after tax (SEK million) ¹⁾	577	547	504	374	243
Earnings per share (SEK) ^{1) 2)}	2.40	2.28	2.10	1.56	1.01
Distribution to shareholders/share (SEK) ²⁾	2.25	2.25	2.25	1.33	0.83
Cash flow before dividends (SEK million)	642	423	390	338	244
Return on equity (%)	60.4	60.0	54.6	52.4	44.5
Net cash position at year end (SEK million)	501	387	494	402	258

¹⁾ Defined according to IFRS.

²⁾ Adjusted for 6-for-1 share split in May 2016.
For definitions, see page 115.



COMMENTS BY THE CEO



Therese took over as CEO of NetEnt in March 2018.

Focus on change



Since becoming CEO of NetEnt, Therese Hillman has focused on making the company more cost-efficient and on delivering more at a faster pace. In 2019, the company has pledged to release more games and get even closer to its end consumers: the players.

Therese, you were appointed CEO of NetEnt in March 2018. What was your main area of focus during the year?

Above all, we've focused on ensuring everyone at NetEnt understands where we stand today, and what is required of us. NetEnt has been a market leader for a number of years, and the company I joined had a culture which identified with constant growth and success. However, as this is no longer the case, we're suffering from an identity crisis. We now have to look in the mirror and be honest about the fact that things have changed. As things stand we have to be more cost-efficient and more productive, and do it at a faster pace.

What were you most satisfied about during the year, and what were you less happy with?

I'm most satisfied about the steady improvement in the quality of games we delivered in the second half of the year, thanks to our talented game developers. This underlines that we can deliver games of the highest quality which are in demand by our customers and players. I'm least satisfied about the fact that we failed to grow faster than the market. Our growth varies between different markets, and despite growing more in some of them, we failed to achieve our overall targets.



“I'm convinced we will reach our targets by working together.”

Effective from January this year, the Swedish gambling market is being re-regulated. How will this affect NetEnt?

As our priority is geographic expansion in regulated markets, we welcome the news that the Swedish market is now being re-regulated. The market will now be more fair, with clear rules and requirements for everyone and a level playing field for competition. The licensing procedure is also good for the industry, with companies compelled to show their quality in order to obtain a licence. This is good news for us as suppliers as well as for operators and players. The initial impact of regulation for us is that the Swedish market will contract somewhat; however, we've also signed contracts with new customers and will continue to work with those who've been with us for many years in order to operate on a regulated Swedish market side by side.

10.3%

EBITDA increased by 10.3 percent during the year.

You've outlined a strategy to get closer to your end consumers - the players. What does this involve?

It's important for us to tailor and adapt games to target audiences and markets, and we analyse player data on a daily basis using in-house tools in order to identify the gaming experiences which are most popular among players. We also obtain information about player behaviour via research, social media and forums to gauge what people are saying about our games and those of our competitors. When it comes to our Live Casino offering, new functions and designs are tested with focus groups, which provide valuable feedback for the development process. We'll be having more contact with players during 2019, via our website, games.netent.com, as well as through social media and marketing.

45.8%

EBITDA margin 2018.

Looking ahead to 2019, what will be your main areas of focus?

To execute the plan we drew up in 2018 in order to become faster, more cost-conscious and even more innovative. We've made a promise to increase the number of new game releases from last year's 21 to between 30 and 35 this year, and it's a promise we plan to keep. We will continue to develop our offering in the live casino segment and invest even more in our growth markets. Among other things, our plan is based on the fact we have around 1,000 extremely skilled and motivated employees, and I'm convinced we'll succeed in achieving our targets by working together. ●

Strategies for growth

NetEnt's strategy for growth is to remain a **leading supplier of digital casino gaming** and to take strategic initiatives to drive developments in the market.

Geographic expansion and regulated markets

Geographic expansion in prioritised markets is a key part of NetEnt's strategy. Europe is top priority, followed by America and Asia. The focus for growth is on locally regulated markets, although the company continues to operate on non-locally markets which could become regulated in the long term.

Find out more on page 24.

Activities and results in 2018

During the year, NetEnt's revenues rose on regulated markets such as Italy, Spain and the US (New Jersey). The company's games were also launched in the regulated markets of Canada (British Columbia) and Lithuania. New customer contracts were signed with ATG and Svenska Spel ahead of the re-regulation of the Swedish market. NetEnt also signed a deal with Veikkaus, Finland's state-run gaming operator.

Innovation and quality for a premium product

NetEnt's products and operations are underpinned by innovation and a relentless drive to deliver the very highest quality. Under the Better Gaming motto, we aim to have a market-leading customer offering, creating excellent entertainment value for players.

Find out more on page 26.

Activities and results in 2018

NetEnt released 21 new games in 2018, two of which, Jumanji™ and Vikings™, were branded. In the Live Casino segment, the company launched a new type of customised solution for several customers, including Mr Green and Kindred.

Partnership with gaming operators

NetEnt's strategy is to provide a close partnership and grow alongside new and existing customers. Better Gaming means better business for NetEnt as well as for its customers.

Find out more on page 14.

Activities and results in 2018

NetEnt signed agreements with 31 new customers and launched 38 new customers during the year. In the latest customer survey, 95 percent of all customers said NetEnt enjoyed a very good reputation in the industry. 2018 also saw NetEnt launch its own affiliate service which helps operators reach out to new players.



NetEnt products are underpinned by innovation and a relentless drive to deliver the very highest quality.

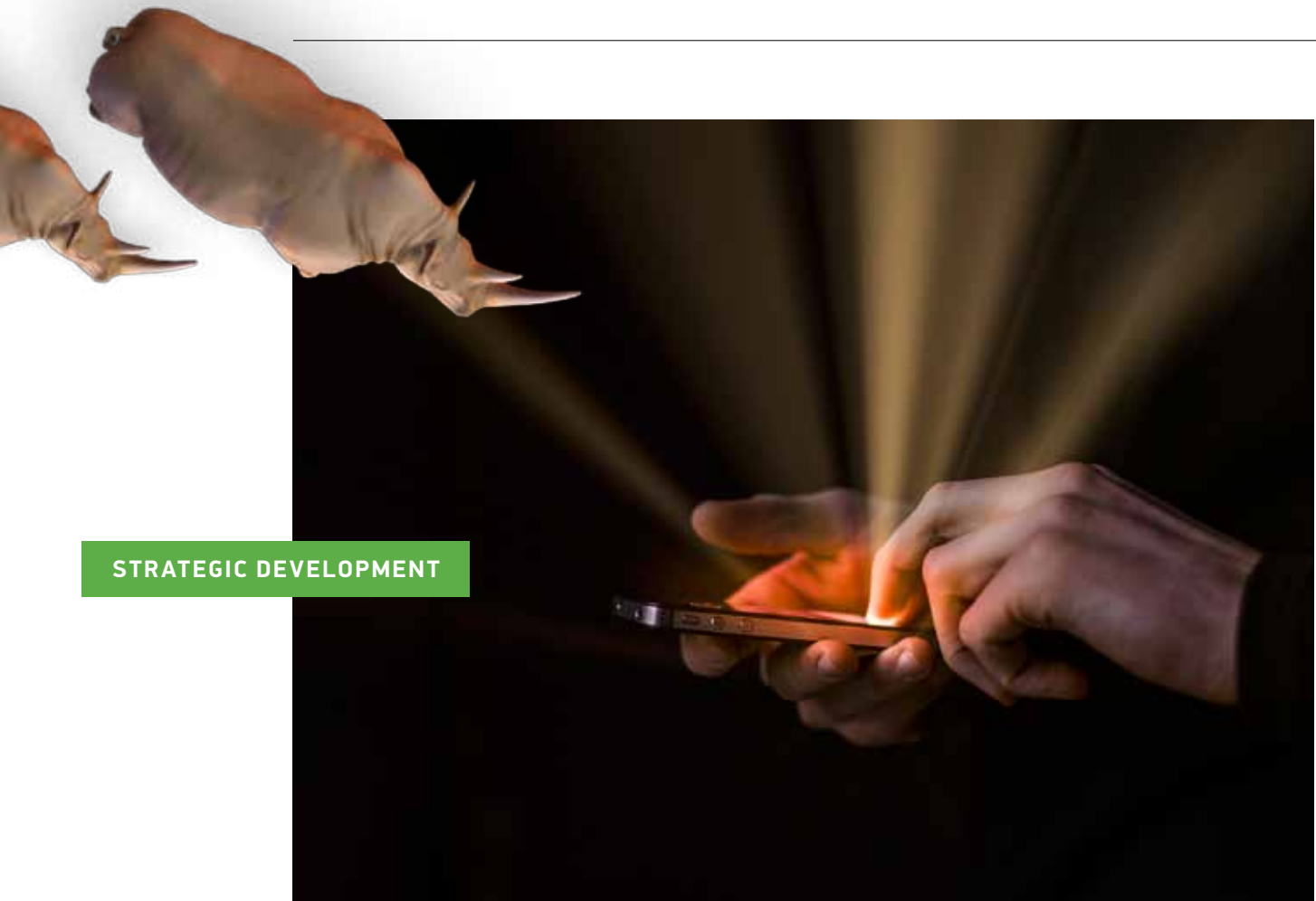




STRATEGIC DEVELOPMENT

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Jumanji™ is one of two branded games released by NetEnt in 2018.



STRATEGIC DEVELOPMENT

Focus on players

NetEnt operates with the player in mind, and an understanding of what players are looking for should permeate production development and marketing. Our aim is to continue delivering world-class gaming experiences through new, innovative games and functions.

Find out more on page 20.

Today's players are making the transition from desktop to mobile.

Activities and results in 2018

Besides the launch of 21 new slot games, NetEnt began developing a social casino, or play-for-fun type of app for Facebook.

An attractive employer with a strong corporate culture

With a corporate culture that stimulates growth, NetEnt aims to be the first choice for talents in gametech. The company strives for an open, innovative, goal-oriented culture based on shared values.

Find out more on page 32.

Activities and results in 2018

The company continued to review and improve conditions for staff based on the employee satisfaction surveys carried out in 2018, and a number of leadership training courses were held for NetEnt managers during the year. ●



FINANCIAL TARGETS

Growth and dividend to shareholders

NetEnt's goal is to be a global market leader within digital casino solutions. The financial targets focus on growth for the company and cash returns for shareholders.



Target 1: Growth

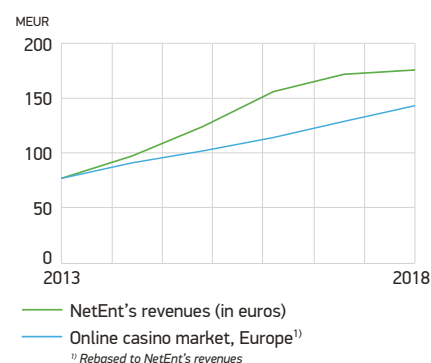
2.3%

NetEnt's overall objectives are to further reinforce its market position, lead development and grow faster than the market.

Outcome for 2018

Since 2008, NetEnt has increased its revenues by an average of 23 percent a year (in euros), with the online casino market in Europe growing by 15 percent a year over the same period according to H2 Gambling Capital. In 2018, revenues grew by 2.3 percent (Euro), compared to an estimated market growth of 11.8 percent in Europe. The aim is to continue growing organically together with new and existing customers by delivering the market's best gaming solutions. ●

NetEnt's growth vs. the European market



Target 2: Dividend

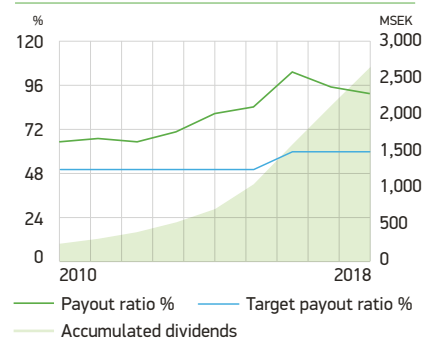
SEK 2.25

NetEnt's target is to distribute at least 60 percent of profit after tax, subject to the company's long-term capital requirement. The proposed dividend for 2018 is SEK 2.25 per share.

Outcome for 2018

Since 2007, NetEnt's shareholders have received an average cash return equal to 78 percent of net profit. The proposed dividend for 2018 is SEK 2.25 per share in the form of a redemption program, which is equal to 94 percent of net profit. The ability to generate earnings growth and stable cash flows provides scope for continuing strong cash returns to shareholders. ●

Historical cash returns



How NetEnt creates value

Working close to its customers, NetEnt develops products and services for online casinos. Comprising a portfolio of games and a technical platform, its product offering creates long-term value for all company stakeholders.

Satisfied customers and shareholders

NetEnt's ability to keep its promises is a key success factor. In the annual customer survey, 95 percent of customers said that NetEnt had a top reputation in the industry. NetEnt's financial target is for the dividend to amount to at least 60 percent of profit after tax.



Entertainment in a secure environment

An understanding of what makes good entertainment in a secure environment is a key part of NetEnt's success. All operations and products adhere to regulations set forth by gaming authorities around the world, with consumer protection, responsible gaming, anti-money laundering and anti-corruption being areas of key importance.

High uptime

NetEnt oversees all technical operation and monitoring of gaming transactions on behalf of its customers using a back-office tool. The company processed a total of 44.8 billion gaming transactions during 2018, with system uptime exceeding 99.9 percent on average.

Close cooperation

NetEnt works closely with its customers in order to develop market leading products and generate added value. Under its business model, NetEnt receive royalties based on a percentage share of the game win which its games generate for the operator.

Innovation and quality

Creating entertainment and exciting gaming experiences requires experience, creativity and extensive technical expertise. Game development takes place at NetEnt's offices in Stockholm, Gothenburg, Kiev and Krakow, and through a partner in India.

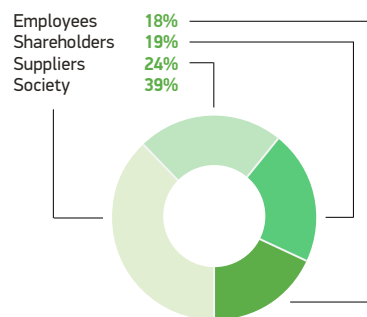
Sustainable value creation

NetEnt's operations create economic value for the benefit of all stakeholders, including shareholders, suppliers, employees and society in general. In 2018, NetEnt's operations generated an economic value of SEK 2.8 billion, which was distributed among stakeholders according to the graph on the right. ●

2.8 BILLION SEK

CREATED ECONOMIC VALUE

Value distribution 2018



- **Suppliers:** Payment for materials and services of SEK 645 million¹⁾
- **Employees:** Salaries and benefits of SEK 536 million²⁾.
- **Shareholders:** Proposed cash distribution for 2018 of SEK 540 million.
- **Society:** Taxes of SEK 1,120 million³⁾.

1) Includes supplier costs and depreciation for the year.
2) Also including depreciation of intangible assets, which almost exclusively consist of capitalized wage costs.
3) Includes corporate tax and gaming tax in NetEnt's games, calculated as the game win in regulated markets with relevant gaming taxes for each country applied.



NetEnt was one of the participants at ICE Totally Gaming in London, the world's largest expo for the gaming industry.

Sustainability is a key part of NetEnt’s business strategy, and the company is committed to working towards a sustainable development in society. NetEnt engages in dialogue with its most important stakeholders in order to evaluate which areas of sustainability are considered to be material for the company.

Sustainability is fundamental

The evaluation of key areas of sustainability for NetEnt focused on effects spanning three main areas: environment, society and corporate governance. The results of this evaluation are shown in the grid to the right. The most important areas of sustainability for NetEnt are responsible gaming, regulated markets, anti-money laundering, anti-corruption, data protection and cyber security. ●

NetEnt’s three focus areas

Environment

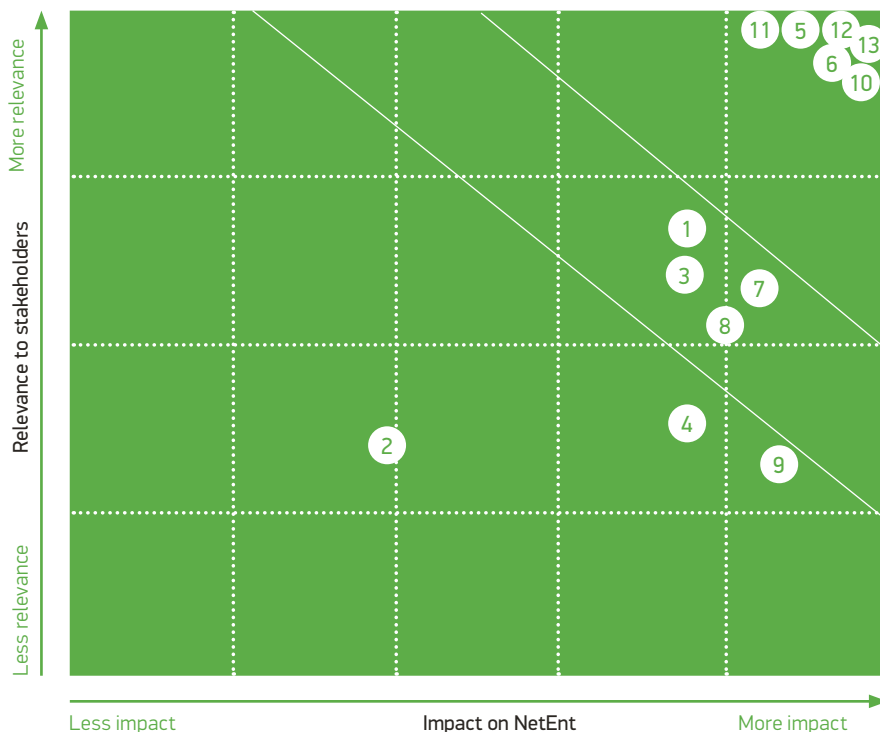
- 1. Carbon dioxide emissions
- 2. EOL equipment (End of life)
- 3. Business trips
- 4. Green offices

Society

- 5. Responsible gaming
- 6. Regulated markets
- 7. Diversity and inclusion
- 8. Work environment and training
- 9. Social support

Corporate governance

- 10. Anti-money laundering
- 11. Anti-corruption
- 12. Data protection and privacy
- 13. Cyber security



Partnerships for sustainability

NetEnt is a member of the Swedish Trade Association for Online Gambling, a professional body which promotes a healthy gaming market in Sweden, in which all gaming operators have the same rights and obligations. It is also a member of the Remote Gambling Association (RGA), a European inter-branch organisation which works

towards fair regulation and responsible gaming on the European market. NetEnt joined the WLA (World Lottery Association) in 2016, a global inter-branch organisation for state-run gaming operators and their suppliers. In the UK, NetEnt works with Gambling Therapy International, a support organisation working to prevent gambling addiction. ●



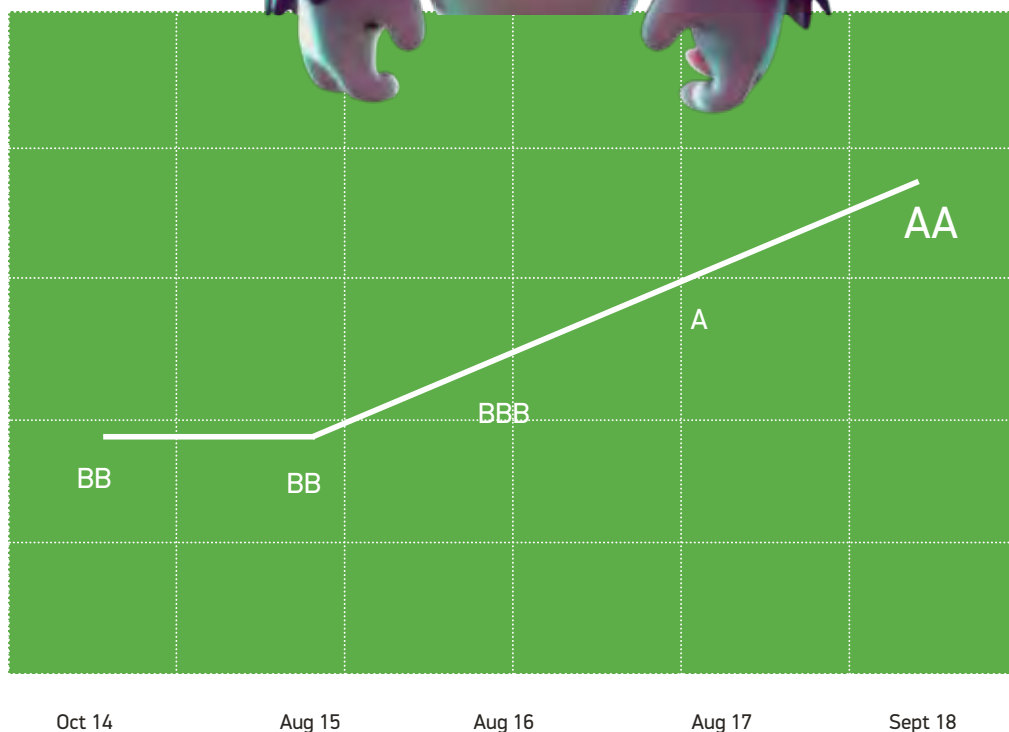


For a more detailed description, please refer to the Sustainability Report on pages 67–78.



ESG rating according to MSCI

MSCI uses a detailed method to review and rate companies on a scale from AAA to CCC, based on their exposure to industry-specific ESG risks and their ability to manage these risks in comparison with similar companies. The assessment is updated annually, and NetEnt’s rating was upgraded to AA in 2018. ●



Our contribution to UN goals

During 2018, NetEnt continued to focus on the 17 United Nations Sustainable Development Goals. NetEnt’s working methods can contribute to the achievement of these goals, and the aim is to integrate them into the company’s business strategy. ●







Players and markets

NetEnt's games are played by people all over the world every day. Our success is based on understanding what our customers need, and what players are looking for and enjoy. NetEnt currently operates in countries with local regulation, as well as countries which have not yet taken the step to pass legislation. This means that we are well positioned for sustained growth in many different markets.

NetEnt – focusing on the players

NetEnt's success lies in its ability to meet the needs of operators and give players what they want.



The history of gambling can be traced as far back as 3,000 BC, but the gaming experience has never been as accessible as it is today. NetEnt's ambition is to deliver the best entertainment in the right place and at the right time.



NetEnt's games are played by people all over the world, every minute of every day. Our players vary somewhat when it comes to gender, age and nationality, as well as interests and preferences. There are also a wide variety of reasons why people play NetEnt games. While some are taking the chance to scoop a life-changing win, others simply want to blow off some steam or enjoy a slot game together with their friends. Levels of skill also vary among players. While some have considerable experience of slot games and Live Casino, others are just getting started.

The growth in competition in the market and the dramatic increase in the number of games available today compared with just a few years earlier presents a brand new set of challenges to NetEnt as a supplier. In the midst of a transition from desktop to mobile devices, today's players have more sophisticated needs, which leads to substantially higher expectations and demands when it comes to gaming experience.

With so many different variables to consider, creating games for all these



NetEnt analyses player data on a daily basis, using in-house tools in order to identify the gaming experiences which are most popular.

players is no easy task, but NetEnt takes it very seriously.

In 2019, NetEnt will be placing greater emphasis on end-consumers during all development, design and marketing of its products. The success of games also depends on the geographical market and player category. The ability to tailor and adapt games to target audiences and markets is a key aspect of NetEnt's future strategy. NetEnt analyses player data on a daily basis, using in-house tools in order to identify the gaming experiences which are most popular among players. We also obtain information about player behaviour via research, social media and forums to gauge what people are saying about our games and those of our competitors. When it comes to NetEnt's Live Casino offering, new functions and designs are tested with focus groups, and the company works with iterative feedback in the development process.

In 2019, NetEnt will also be having more contact with players. This will take place via our website, games.netent.com, and our new affiliate business, as well as through social media and marketing. ●



Ready to face a changing market

NetEnt currently operates in countries with local regulation of online gaming and countries which have not yet taken the step towards legislation. This means NetEnt is well positioned for sustained growth in many different markets.

The global online casino market size was estimated at EUR 11.9 billion in 2018. Europe accounts for 63 per cent of the global market, with the UK being the largest single marketplace.

Mobile gaming continues to be a key factor in the development of the global online gaming market. In 2018, mobile gaming accounted for 41 percent of revenues on the global online market, up 39 percent on the previous year.

The online gaming market continues to be driven by other macro trends like globalisation and digitalisation. There is a shifting trend towards re-regulation, which is opening the door to new geographical markets for online gaming.

Non-cyclical

The online gaming market's potential remains considerable. Around 94 percent of all casino gaming still takes place offline, which means there is considerable potential for sustained growth in the long term, even if the rapid growth rate of recent years has stagnated

Featuring an Irish theme, Finn and the Swirly Spin™ was developed exclusively for mobile devices.



The online gaming market's potential remains considerable.

somewhat. The transition from offline to online is expected to continue, with the global online casino market projected to grow by an average of five percent a year until 2023.

Over a number of years, NetEnt has established its position in the Nordic markets and in the UK. The company has now identified excellent development opportunities in southern and eastern Europe, whose traditional gaming industries are now being digitalised at a growing rate, creating good conditions for NetEnt to expand.

The growth of the online gaming market is affected by the economic cycle to a limited extent, with demand historically proving to be relatively unaffected by business cycles.



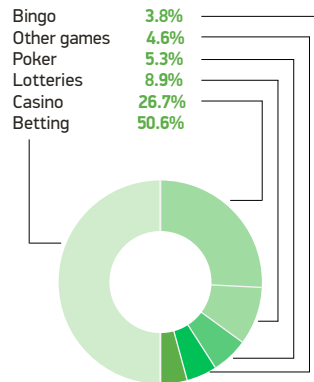
Mobile gaming performing best

NetEnt focuses on games and systems for online casinos, a market segment which has delivered good growth and profitability in recent years. NetEnt's turnover has risen by an average of 19 percent a year since 2013, with the European online casino market growing by 14 percent a year on average over the same period. As things stand, NetEnt has a market share of

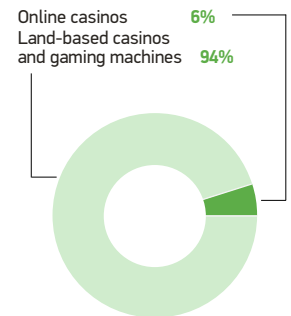
approximately 25 percent in Europe and 16 percent globally, according to market data from H2GC.

NetEnt's first mobile game was released in 2012. The revenues from mobile games continued to climb during 2018, with the segment accounting for 61 percent of the game win generated by NetEnt's games in the fourth quarter, compared with 54 percent the previous year. ●

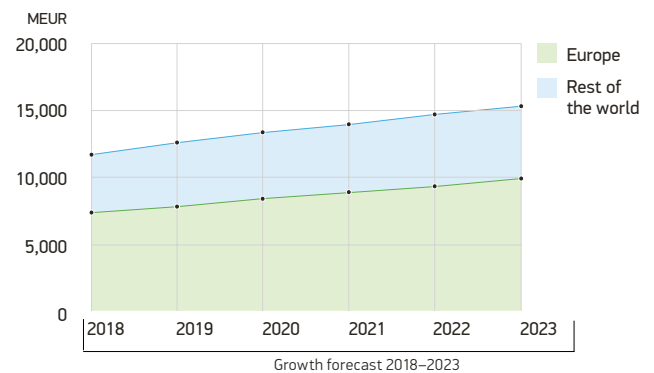
Global distribution online gaming



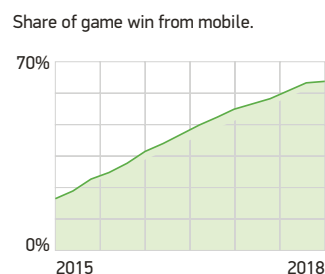
The global casino market – NetEnt's potential



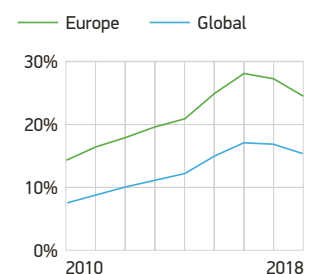
The online casino market



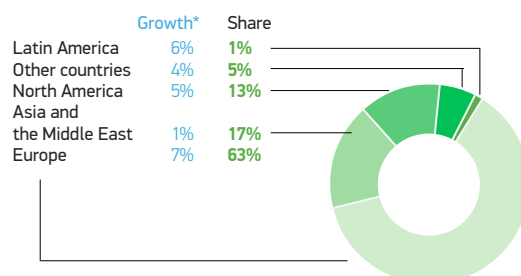
Mobile growth for NetEnt historically



NetEnt's market share



Share of the global market and growth



* Average annual growth projections 2018–2023

Source: H2GC, February 2019

NetEnt is leading on regulated markets

NetEnt prioritises geographical expansion on locally regulated markets, where it has a competitive edge through its experience and expertise.

Due to the increasingly regulated market for online gaming in Europe and North America, conditions in the industry have changed a great deal in recent years. This is a development which NetEnt welcomes, as regulated markets form a key part of the company's expansion strategy.

Sound regulations on consumer protection, game security and gaming tax create a clear framework for the industry as a whole and enable locally regulated markets to grow more quickly than their non-locally regulated alternatives.

Over many years, NetEnt has invested in technology, resources and expertise in order to adapt to regulated markets. These measures have been essential in order to satisfy the extensive requirements applicable to certified companies, yet they also create a competitive advantage, with regulations leading to higher barriers to entry.

NetEnt currently operates on 23 locally regulated markets in Europe and North America. This means the company holds licences and certifications in the majority of European countries that have opted to abolish their gaming monopolies and open the door to competition through new gaming legislation.

Market trends

Widespread new regulation of online gaming is underway, and is expected to be a key driver for change and development in the industry over the next few years. Europe continues to lead the development towards more regulated markets, a positive trend which could eventually lead to all of Europe's big economies

opening the door to online casinos.

Gambling authorities often learn from the experiences of their counterparts in other countries. Regulatory authorities in different countries are collaborating to a greater degree, paving the way for harmonisation of legislation for the European gambling industry.

There is also a shift towards greater emphasis on player and consumer protection. This is the case in the UK, for example, where the gaming authorities are carrying out a review of how gaming laws are applied, which may lead to changed guidelines. Gaming operators are subject to greater demands across the board, particularly in areas such as marketing and controls in order to counteract gambling addiction and money-laundering. There is also more collaboration between supervisory authorities and industry players in order to collectively improve regulations, something taking place in Malta, Portugal and Italy, among other nations. As a supplier, NetEnt's operations are also affected to a certain extent.

THE MARKET



- Regulated markets**
- Market where regulation may be introduced**
- NetEnt's licences**
Malta, Gibraltar, Alderney, Belgium, the UK, Spain, New Jersey¹⁾ (USA), Romania, British Columbia (Canada)
- Certifications**
Denmark, Italy, Estonia, Latvia, Isle of Man, Bulgaria, Portugal, the Czech Republic, Lithuania, Mexico, Sweden, Norway, Finland and Hungary



Aloha Cluster Pays™ is a Hawaii-inspired slot game.

Re-regulation in Sweden and the USA

The new Swedish gaming legislation which came into effect on 1 January 2019 includes the introduction of a licensing system and an 18 percent gaming tax based on the game win. NetEnt has made important preparations in order to be able to operate on the re-regulated Swedish market right from the start.

A small number of states in the USA have re-regulated to permit online gambling, including Nevada, Delaware and New Jersey, where NetEnt has been authorised to operate since 2015.

The next American state set to authorise online casinos is Pennsylvania, where

Widespread new regulations are afoot and expected to be a key driver for the industry.

re-regulation is expected to take place in 2019. Political initiatives to re-regulate are also in progress in other American states. In May 2018, the American Supreme Court ruled to lift the prohibition on sports betting, opening the door to the gaming industry in this area and increasing the

likelihood of more states permitting online casino gambling in the longer term.

Online gambling is permitted in several provinces in Canada, and NetEnt holds a licence and delivers games in the province of British Columbia. ●



A

BAR





Products and employees

NetEnt's gaming system features around 200 innovative games and an advanced technical platform. We drive the gaming industry forward in close collaboration with our customers. NetEnt is an agile organisation with a corporate culture that encourages innovation, teamwork and initiative.

PRODUCT OFFERING



NetEnt delivers Better Gaming

NetEnt's product offer features a wide range of popular games and innovative gaming solutions for online casinos. Partnerships with customers build shared success.

NetEnt is set to become more actively involved with players.

and pursue new commercial initiatives.

Our goal is to provide valuable partnerships based on our renowned expertise in digital casino entertainment, a market-leading product offering and a strong brand. NetEnt is continually striving to improve its gaming platform and adapt it to the demands of growing complexity. The platform supports growing volumes and can be seamlessly integrated with new customers and markets.

A stable platform

The Casino Module™ platform forms the basis for NetEnt's offering to gaming operators. The platform is integrated with each customer, ensuring our games become a natural, integrated part of every operator's online casino. In addition to the games, the platform includes an advanced administrative tool, which enables operators to easily utilise a range of specially-designed functions in order to deliver an entertaining gaming experience and run successful casino operations. NetEnt delivers Better Gaming, pure and simple.

NetEnt also provides hosting, which includes all technical operations, monitoring of gaming transactions and support. This means gaming operators can focus on their core business.

Customer gaming traffic is operated through NetEnt's data centres in Malta, Gibraltar, Alderney, Costa Rica, Denmark, the USA and Canada, with system uptime exceeding 99.9 percent.

Long-term partnership

NetEnt builds close relationships with its customers, and each new signing is the start of a long-term partnership. A key aspect of NetEnt's success is its ability to regularly release new games for its whole customer network according to schedules agreed long in advance. This gives operators the opportunity to plan marketing activities in an effective way, which may be crucial to their success.

NetEnt and the operators work according to a partnership model, whereby we earn royalties based on a percentage of the game win that our games generate for the operator.

NetEnt carefully monitors every development in the field of online gaming in order to gather new ideas and pick up the latest trends among players and operators. Through close dialogue with its customers, NetEnt transforms ideas into new games and features which are appreciated by players and operators alike.

Closer to players

Having been a long-term partner to gaming operators for some time, NetEnt is a recognised brand among players as a brand associated with high quality games within online casino. From now on, NetEnt is set to more actively engage with the end users, i.e. the players. We are extending our operations through the addition of new products and services, such as social casino and the affiliate business. There will now be greater focus on what players want, which dovetails with NetEnt's objective to constantly deliver Better Gaming. ●



These characters come from some of NetEnt's popular games.

Together with its customers, NetEnt is driving the gaming industry forward. During 2018, the company responded to growing market demands by stepping up its game development. With 21 new slot games released during the year, NetEnt is planning to further up its pace in 2019, which will also support revenues. New working methods and a re-allocation of resources have freed up capacity, which can be used to increase the rate of production

Titles with something for everyone

NetEnt games can be played on computers, tablets, mobiles and in some cases, physical gaming machines. Its portfolio comprises premium games for a variety of player preferences in terms of theme, graphics, audio and mathematics. In mathematical terms, the games have different win distributions – with low or high volatility – which determine how much and how often players win.

Attractive payout ratio

The average payout ratio for NetEnt's games is between 96 and 97 percent. The chances of winning are therefore significantly higher than for traditional, land-based games. NetEnt provides pooled, aggregated jackpot games which operators and players across many geographic markets can take part in. With NetEnt's pooled jackpots, individual gaming operators can attract players with a bigger jackpot than would have been possible on their own, and with lower risk.

Video slots

Video slots account for over 90 percent of NetEnt's game win. This diverse portfolio spans a range of well-known popular games, including Starburst™, Gonzo's Quest™, Twin Spin™, Divine Fortune™ and Finn and the Swirly Spin™. By investing in the very best graphics, audio and game mathematics, NetEnt is able to develop exciting

products of the highest class. NetEnt also collaborates in order to develop games based on well-known brands - branded games. The following three were developed in 2018: Jumanji™, Vikings™ and Narcos™, with the latter set to be released in 2019.

Live Casino

Live Casino uses a real-time broadcast by video link, featuring actual dealers based in a studio in Malta. This is as close as you can get to visiting a real casino. Allowing players to chat to the dealer, Live Casino offers a more social experience than other types of online casino games. The product is available on computers and mobile devices. In 2018, NetEnt continued to expand its Live Casino offering with the release of exclusive tailored solutions for several customers, including Live Beyond Live for Mr Green.

NetEnt collaborates to develop games based on well-known brands.





Social casino

Social casino is not based on player bets and wins in the traditional sense. With no cash wins available, it's all about amusement for players. However, they can get more involved with the game and raise the entertainment stakes by purchasing virtual currency with real money as they play, within the application. Social casino has made great waves in the US above all, and during the year, NetEnt began developing an application which will enable these types of games to be distributed via Facebook.

Affiliate

NetEnt's affiliate service gives potential players the opportunity to test its games while also enjoying offers from gaming operators. The affiliate model is a proven and effective way for operators to reach out to new players. Having been successful in other sectors such as travel and e-commerce for some time, the concept is growing in the gambling sector. This strategic initiative reinforces NetEnt's relationships with both players and operators.

Other games

NetEnt also offers online versions of lottery games, scratch cards and mini games. Often used for marketing purposes, these account for less than one percent of revenues. ●

Employees and corporate culture

By offering an open, inclusive, international work environment and focusing on cutting-edge technology, NetEnt continues to attract the brightest talent in the tech and gaming sector.

NetEnt is a dynamic organisation with a corporate culture that encourages innovation, teamwork and initiative. Our shared values ensure that we treat one another with dignity and respect.



In an ever changing market, NetEnt's employees must be agile and take their own initiative to ensure the company can keep the pace and lead development in the industry. This requires good leadership, with people given the opportunity for development and recovery.

Caring for our employees

NetEnt employs some 1,000 people, with no fewer than 60 different nationalities represented in total. While many have a professional background from the gaming,

IT, telecommunications and financial industries, some bring experience from the world of music and mathematical research, for example.

The company's employees are its greatest asset, and NetEnt is committed to ensuring well-being and development opportunities in its role as employer. There is a strong correlation between profitability and a good work environment, and happy, healthy employees perform better.

Actively recruiting talent

There is fierce competition in the industry for attracting future talent, and NetEnt must continue to recruit skilled individuals. This means the company has to meet the needs and preferences of potential employees. While salary is an important factor, it certainly is not the only consideration. NetEnt aims to maintain a high-paced work environment for all employees characterised by innovation and considerable scope for people to take their own initiative. ●



NetEnt is a dynamic organisation with a corporate culture underpinned by innovation, teamwork and initiative.





The company's employees are its greatest asset, and NetEnt is committed to ensuring well-being and development opportunities.



Three voices on NetEnt as an employer

Nadiya Attard

“In my experience, NetEnt takes good care of its employees and provides good opportunities for professional development and pursuing a career at the company.”

Currently Head of New Sales, Nadiya Attard has been with NetEnt since 2013. After studying and obtaining a Master’s Degree in Programming, she moved to Malta in 2006 to begin working in the online gaming industry.

What is most important for you in order to do a good job at NetEnt?

My task is to identify and enter into contracts with new customers who can generate new revenues and growth for the company. It’s important for me to be self-motivated and constantly look at things from different

perspectives. It’s not just about reaching agreement with customers; there’s also a lot of cooperation with our internal units such as finance, legal, compliance and product.

What do you most enjoy about working at NetEnt?

Above all it’s an exciting, high-paced industry in which new things are happening all the time. It’s also important to be convinced that our games and products are of a high quality, so that I believe in what I’m selling. The freedom with responsibility associated with working at NetEnt also means a lot, along with the good workplace morale created by employees from lots of different countries. We have so much in common, not least that we all try to contribute to the joint success of the company. ●



Alice Lesser

“We have a lot of fun at work, but there’s a sense of professionalism in everything we do.”

As a game mathematician, Alice Lesser devises the formulas for the company’s games. This involves calculating win distributions so that players get the entertainment they’re looking for from the game they’re playing.

How did you end up at NetEnt?

“I was asked to come for an interview. I was actually a bit sceptical at first, as there are some gaming companies which are more playgrounds than business enterprises. But after meeting my future workmates I quickly realised NetEnt was something else entirely. We have a lot of fun at work, but there’s a sense of professionalism in everything we do. This is important to me.”

Can you describe your role?

“I currently belong to a team of six game mathematicians who work closely

with our product managers. This means we’re involved right from the start when a new game is developed. It’s a really creative job. We build prototypes which enable games to be tested at an early stage, ensuring they can ultimately live up to our aim to deliver great entertainment.”

What do you need to be a game mathematician?

“Besides the math skills, you also need to be able to program. An interest in gaming is also important. And last, but definitely not least, you need to have good interpersonal skills. Since we work in a team, as a mathematician I have to be able to explain what we do to someone with a completely different skillset.”

When do you have most fun at work?

“When I manage to solve a problem together with my talented colleagues. I also like working in an environment where we express appreciation for each other’s work and share positive feedback.” ●



EMPLOYEES

Jenny Hellström

“The people are one of the best things about working here.”

As art director at NetEnt, Jenny Hellström is among those at the company who are responsible for the visual aspects of the casino games.

What is the most fun part of your job?

“The variety! One day I can be working on a game which conveys a colourful, upbeat mood, with rainbows and cute characters, and the next it could be something dark and bloody, like Vikings. I also get to work with lots of different individuals and different areas of expertise. Having

all the competences required to develop games in-house – ranging from musicians to animators – is unique. We truly craft our products from scratch.”

What challenges do you face in your daily work?

“Our games must work on any platform, whether the player is using an old mobile with a poor connection or a super computer. This means continually solving problems in order to transform cool, creative ideas into effective solutions.”

How would you describe NetEnt as an employer?

“I’d say it’s a company which takes care of its staff. More than anything else, the fact that I’ve worked here since 2006 and been involved in the development of more than 20 different games tells you I really like NetEnt. The people are one of the best things about working here, and I appreciate the diversity and new perspectives they provide. In my team alone there are people from Russia, India, Pakistan, Australia, Sri Lanka, and then me, from Gothenburg!”

When do you most enjoy being at work?

“Working in game production is something of a rollercoaster ride, with peaks and troughs along the way

as problems must be solved. When there’s a deadline approaching, there are times when you think it will never work out. But then the team move up a gear, and there’s nothing like that fantastic feeling when the game is released and the numbers roll in.

I remember when we released Finn and the Swirly Spin. It was a unique project, and a game with a brand new type of mechanics. The day after the game was released I saw a guy playing it on the subway train, and I was so happy I nearly gave him a hug! This is my main motivation – to develop games which the end users really love. ●

THE SHARE

The trading year for the NetEnt share

2018 was a challenging year for many of the gambling stocks on the Stockholm Stock Exchange, and the NetEnt share price also declined during this period.

Analysts who cover NetEnt

ABG Sundal Collier
Erik Moberg

Barclays
James Goodman

Carnegie
Mikael Laséen

DNB
Martin Arnell

Handelsbanken
Rasmus Engberg

Kepler Chevreux
Hjalmar Ahlberg

Nordea
Christian Hellman

Pareto
Lars-Ola Hellström

SEB
Mathias Lundberg

NetEnt's share has been listed on NGM Nordic and the Stockholm Stock Exchange (now Nasdaq Stockholm) since 2007 and is traded under the ticker symbol NET B. Since the IPO in April 2007, the share has generated a total return of 4,367 percent - SEK 1,000 that was invested in NetEnt at the IPO on April 5, 2007 was worth SEK 44,675 at year-end 2018.

Share price performance in 2018

The last price paid for the NetEnt share on the final banking day of the year was SEK 36.55, equal to a total market capitalisation of SEK 8.8 billion. The share price declined by SEK 20.0 during the year, equal to a decrease of 35.3 percent. The highest price paid during the year was SEK 59.55, and the lowest was SEK 32.60. In the same period, the OMX Stockholm PI index, which includes every company on the stock exchange, decreased by 7.7 percent. The OMX Stockholm Consumer Services PI, which includes many of the gaming operators, among them NetEnt, declined by 17.8 percent in 2018.

Trading volume

In 2018, a total of 321.6 million B shares were traded on the stock exchange for a combined value of SEK 13.8 billion, corresponding to 155.7 percent of the total number of outstanding class B shares. The average daily volume of shares traded during the year was 1,286,225, equal to an average daily traded value of SEK 55.1 million. According to Fidessa, around 77 percent of all trading in NetEnt's share took place on the Stockholm Stock Exchange, with other marketplaces such as CBOE BXE, CBOE CXE, Aquis and Turquoise accounting for the remainder.





Share price performance and trading volume 2013–2018



Share price performance and trading volume 2018





Share capital

The number of shares in NetEnt amounted to 240,130,860, of which 33,660,000 are of class A and 206,470,860 are of class B, equal to a total of 543,070,860 votes. Share capital amounted to SEK 1,205,457, with the quota value per share being 0.502 öre.

Ownership structure

As of December 31 2018, the number of shareholders in NetEnt was 15,958 (16,350). NetEnt's ten largest owners held shares equal to 38.5 percent of the equity and 72.8 percent of the votes in the company.

Dividend

The board's target is for NetEnt's ordinary dividend to grow in line with the company's earnings per share. The objective is for the dividend to amount to at least 60 percent of profit after tax, subject to the company's long-term capital requirement. The board proposes that the Annual General Meeting resolve upon a cash distribution to the shareholders for 2018 of SEK 540.3 million (540.3), equal to SEK 2.25 (2.25) per share. The board intends to propose that the distribution take place through a share redemption programme. The complete proposal will be presented well in advance of the AGM. ●

List of owners at 31 December 2018, NetEnt AB

Shareholdings include holdings through family and companies.

Name	A shares	B shares	Holding	Capital, %	Votes	Votes, %
Per Hamberg	10,200,000	5,068,400	15,268,400	6.4	107,068,400	19.7
Rolf Lundström	6,915,000	5,983,750	12,898,750	5.4	75,133,750	13.8
Michael Knutsson	6,000,000	8,600,000	14,600,000	6.1	68,600,000	12.6
Berit Lindwall	3,624,000	763,570	4,387,570	1.8	37,003,570	6.8
Handelsbanken AB for PB	2,760,000	8,909,642	11,669,642	4.9	36,509,642	6.7
Danske Bank International	2,052,000	5,884,408	7,936,408	3.3	26,404,408	4.9
Banque Carnegie Luxembourg	2,109,000	892,500	3,001,500	1.2	21,982,500	4.0
State Street Bank and Trust	0	7,690,358	7,690,358	3.2	7,690,358	1.4
BNY Mellon	0	7,584,951	7,584,951	3.2	7,584,951	1.4
Lannebo Fonder	0	7,320,161	7,320,161	3.0	7,320,161	1.3
Ten largest shareholders, total	33,660,000	58,697,740	92,357,740	38.5	395,297,740	72.8
Other shareholders	–	147,773,120	147,773,120	61.5	147,773,120	27.2
Total	33,660,000	206,470,860	240,130,860	100.0	543,070,860	100.0

Key data, NetEnt share

	2018	2017	2016
Earnings per share, diluted (SEK)	2.40	2.28	2.10
Distribution to shareholders, SEK/share ¹⁾	2.25	2.25	2.25
Distribution, share of profit after tax	94%	98%	107%
Shares outstanding at year-end, millions	240.1	240.1	240.1
Last price paid in 2018, SEK ¹⁾	36.55	56.50	70.30
Highest price paid in 2018, SEK ¹⁾	59.55	79.75	95.55
Lowest price paid in 2018, SEK ¹⁾	32.60	55.90	60.12
Dividend yield ²⁾	6.2%	4.0%	3.2%
Total return, NetEnt share ³⁾	-29.2%	-15.6%	-11.5%
Market capitalisation at year end, SEKm	8,777	13,567	16,881
Number of shareholders	15,958	16,350	11,617

¹⁾ Adjusted for 6-for-1 share split in May 2016.

²⁾ Cash distribution divided by share price at year end.

³⁾ Percentage change in share price during the year, plus dividend yield.

Having served on the NetEnt Board since 2008, Fredrik Erbing was elected Chairman at the 2018 Annual General Meeting.



CHAIRMAN'S COMMENTS

Sound governance and control support a long-term growth strategy

The Board continues to pursue corporate governance that emphasises sustainability in NetEnt's operations and increases long-term value for all shareholders. The Board's mandate from the shareholders is to ensure that the company is managed as effectively as possible in a fast-moving, dynamic environment while complying fully with the applicable laws and regulations. The aim of corporate governance is to create organisation and structure for

the Board and management and provide a tool for NetEnt's continued development. Through a clear allocation of work and responsibility, management and employees are fully focused on achieving good results, developing the business and retaining an ambitious, dynamic corporate culture.

Sales, profit and cash flow rose during 2018, and the company pursued its long-term strategy for growth by entering several new regulated markets. For the third consecutive year,

the company's share was traded on the Stockholm Stock Exchange large cap list, with an improvement in liquidity. We also focused on appointing a new CEO and installing new management during 2018, but above all, we have pursued the strategy of entering new geographical markets while reinforcing our position among customers and players.

The Board proposes distribution of SEK 540.3 million to the shareholders through an automatic redemption programme, which equates to the previous year's return of SEK 2.25 per share. The company continues to have a debt-free balance sheet, enabling sustained investment in future growth. I'd like to extend my gratitude to the CEO, company management and all of NetEnt's dedicated employees for all the good work done in 2018. ●

Fredrik Erbing
Chairman of the Board

Five-year summary

Year 2017 has been adjusted for IFRS 15.

Condensed consolidated income statements

SEK thousands	2018	2017	2016	2015	2014
Operating revenues	1,781,950	1,636,078	1,455,101	1,132,425	851,663
Operating profit before depreciation/amortisation and impairment	816,056	739,655	674,844	539,896	390,176
Depreciation/amortisation and impairment	-214,958	-158,019	-138,895	-138,285	-128,511
Operating profit	601,098	581,636	535,949	401,611	261,665
Net financial items	21,080	-1,693	9,578	1,675	4,370
Profit before tax	622,179	579,943	545,527	403,286	266,035
Profit for the year	577,229	547,247	504,412	373,992	243,242

Condensed consolidated balance sheets

SEK thousands	2018	2017	2016	2015	2014
Assets					
Non-current assets	494,112	502,115	383,608	285,226	282,370
Current receivables	356,872	428,122	441,078	277,458	263,582
Cash and cash equivalents	500,845	387,035	494,497	402,058	258,057
Total current assets	857,717	815,157	935,575	679,516	521,639
Total assets	1,351,829	1,317,272	1,319,183	964,742	804,009
Equity and liabilities					
Equity	956,020	911,378	923,076	714,161	546,201
Non-current liabilities	17,534	63,647	14,269	11,418	12,390
Current liabilities	378,274	342,247	381,838	239,163	245,418
Total liabilities	395,808	405,894	396,107	250,581	257,808
Total equity and liabilities	1,351,829	1,317,272	1,319,183	964,742	804,009

Condensed consolidated cash flow statement

SEK thousands	2018	2017	2016	2015	2014
Cash flow from operating activities	827,878	666,061	624,213	488,761	364,897
Cash flow from investing activities	-186,118	-243,282	-234,139	-151,205	-121,195
Cash flow from financing activities	-540,294	-536,700	-310,952	-185,076	-93,874
Cash flow for the year	101,466	-113,901	79,122	152,480	149,828
Opening cash and cash equivalents	387,035	494,497	402,058	258,057	105,829
Exchange rate difference in cash and cash equivalents	12,343	6,438	13,317	-8,479	2,400
Closing cash and cash equivalents	500,845	387,035	494,497	402,058	258,057

The company presents some financial measures in the annual report that are not defined according to IFRS. The company finds that these measures provide valuable additional information to investors and the company's management as they enable

evaluating the company's financial performance and financial position. Because not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should

therefore not be considered as substitutes for IFRS-defined measures. The tables below show some measures that are not defined according to IFRS. For definitions and explanations for the use of such key figures, see page 115.

Key figures

Group	2018	2017	2016	2015	2014
Financial measures according to IFRS					
Operating revenues (SEK thousands)	1,781,950	1,636,078	1,455,101	1,132,435	851,663
Earnings per share, basic (SEK)	2.40	2.28	2.10	1.56	1.02
Earnings per share, diluted (SEK)	2.40	2.28	2.10	1.56	1.01
Average number of shares outstanding, basic	240,130,860	240,130,860	240,198,134	240,130,860	239,797,644
Number of outstanding shares at year end, basic	240,130,860	240,130,860	240,130,860	240,130,860	239,440,896
Number of outstanding shares at year end, diluted	240,130,860	240,130,860	241,073,160	241,115,160	240,130,860
Effective tax rate (percent)	7.2	5.6	7.5	7.3	8.6
Alternative key figures					
Revenue growth (%)	8.9	12.4	28.5	33.0	35.0
EBITDA margin (%)	45.8	45.2	46.4	47.7	45.8
Operating margin (%)	33.7	35.6	36.8	35.5	30.7
Return on equity (%)	60.4	60.0	54.6	52.4	44.5
Equity/assets ratio (%)	70.7	69.2	70.0	74.0	67.9
Net interest-bearing liabilities (SEK thousand)	-500,845	-387,035	-494,497	-402,058	-258,057
Equity per share (SEK)	3.98	3.80	3.84	2.97	2.28
Cash flow from operating activities per share (SEK)	3.45	2.77	2.60	2.04	1.52
Distribution to shareholders per share (SEK)	2.25*	2.25	2.25	1.33	0.83
* Proposed for 2018					
Operational key figures					
Average number of employees	800	748	618	489	401
Number of employees at year end	804	791	680	529	456
Employees and consultants at year end	990	994	892	718	591
Reconciliation with IFRS					
EBITDA					
Profit for the period	577,229	547,247	504,412	373,992	243,242
Tax on profit for the period	44,949	32,696	41,115	29,294	22,793
Net financial items	-21,080	1,693	-9,578	-1,675	-4,370
Depreciation/amortisation	214,958	158,019	138,895	138,285	128,511
EBITDA	816,056	739,655	674,844	539,896	390,176
Net interest-bearing liabilities					
Interest-bearing provisions	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-
Cash and cash equivalents	500,845	387,035	494,497	402,058	258,057
Net interest-bearing liabilities	-500,845	-387,035	-494,497	-402,058	-258,057





NetEnt's Annual Report

Administration Report

The Board of Directors and the CEO of NetEnt AB (publ), corporate identity number 556532-6443, hereby submit the annual report for the 2018 financial year.

Information about the operations

NetEnt is a leading supplier of digitally distributed gaming systems used by some of the world's most successful gaming operators. NetEnt Casino Module is a comprehensive gaming system comprising a full suite of high-quality games and a powerful administration tool. The games create a superior gaming experience for the player while the administrative tool enables NetEnt's customers - the gaming operators - to optimise their business and profitability. Operators are provided with a customised system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimising installation-to-operation times.

The company's revenues essentially consist of royalties, which are determined as a percentage of the game win (player bets less player wins) generated by NetEnt's games at customers. When signing new customer agreements, the customers are also invoiced for setup fees that are aimed at covering the integration and setup costs that arise for NetEnt in connection with the launch of new customers. Set-up fees account for a minor share of the company's total revenues.

NetEnt is a pure operating and development company and thus does not conduct any gaming operations of its own. The company's brand is internationally reputed and associated with innovation, service, and quality.

The group's parent company is based in Stockholm, where group-wide administration and some development and technical coordination take place. Everything relating to the group's business-critical functions such as product management, roadmapping, sales, operation, customer support and marketing is operated and decided upon through the subsidiary on Malta. Product development takes place at the company's offices in Stockholm, Gothenburg, Kiev and Krakow, and through a sub-contractor in India. Revenues in the parent company are attributable to services that are provided to subsidiaries. Product development is not capitalised in the parent company, since the development projects are ordered and owned by the subsidiary in Malta. The company also has offices in Gibraltar and New Jersey (USA) for IT operations and sales, as well as an IT operations site in Alderney.

NetEnt holds licences in the following jurisdictions: Malta, Belgium, the UK, Spain, New Jersey (USA), Romania, British Columbia (Canada), Gibraltar and Alderney. In addition, the company's products are certified in the following countries: Denmark, Italy, Estonia, Latvia, Lithuania, Isle of Man, Bulgaria, Portugal, Norway, Finland, Hungary, the Czech Republic, Mexico and Sweden.

Since 2009 the parent company has been listed on the Stockholm stock exchange - NASDAQ Stockholm, with the ticker NET B.

Business concept and objectives

NetEnt is a digital entertainment company. The company's business model is to develop games and system solutions that

enable operators of online casinos to achieve success by offering their customers the ultimate gaming experience. By doing so, NetEnt shall generate sustainable profit growth and dividends for its shareholders. The online gaming market is expected to maintain solid growth and NetEnt's objective is to grow faster than the market.

Important events in 2018

- The AGM elected Fredrik Erbing as the new Chairman.
- The Board of Directors appointed Therese Hillman as the new CEO.
- Lars Johansson appointed Chief Financial Officer (CFO)
- 21 new slot games were launched, including Jumanji™ and Vikings™.
- Commercial go-live took place at Norsk Tipping in Norway and British Columbia Lottery Corporation in Canada.
- Agreements were entered with ATG and Svenska Spel in Sweden.
- An agreement was entered with Veikkaus in Finland.
- The company started its own affiliate business.
- The company started to develop a social casino product.

Market

The online gambling market has shown healthy growth in recent years. It is estimated that global gross gaming yield for online games, including all game segments, amounted to EUR 44.4 billion in 2018, an increase of 10% from the year before. The corresponding size of the global online casino market is estimated at EUR 11.9 billion in 2018, representing

growth of 10% during the year (source: *H2 Gambling Capital, February 2019*).

Europe is by far the largest gambling market and is expected to account for close to half of global gaming yield in the next few years.

Re-regulation of national gambling laws is taking place in many countries and NetEnt closely monitors developments there. In Sweden, the new gambling law was introduced on January 1, 2019, entailing that all operators must hold a license and suppliers must certify their games with the Swedish Gambling Authority. Political initiatives are also under way in other European countries to re-regulate national gambling markets, for instance in the Netherlands and Switzerland.

The majority of NetEnt's customers are currently found in Europe and the company will continue to focus on the European market, at the same time the entry into North America will contribute to long-term growth. In the US, several states have re-regulated to permit online games, such as Nevada (poker), Delaware (all game types) and New Jersey (all game types). NetEnt applied for a licence in New Jersey in 2015 and has since then been authorised to distribute games to customers in the state, pending processing of its full licence application. In Pennsylvania, new gambling legislation has been adopted that allows online casinos, and NetEnt has applied for a license in the state. Political re-regulation initiatives are also under way in other states, and NetEnt is monitoring developments to potentially expand into other states. In Canada the market is regulated in several

provinces such as Ontario, British Columbia and Quebec. NetEnt holds a licence in the province of British Columbia.

New agreements and customers

In 2018 NetEnt signed agreements with 31 (37) new customers and 38 (35) new customer casinos were launched. At the end of 2018 NetEnt held agreements with 22 customers not yet launched.

Revenues and profit

Revenues and operating profit for the last five years are presented in the chart below.

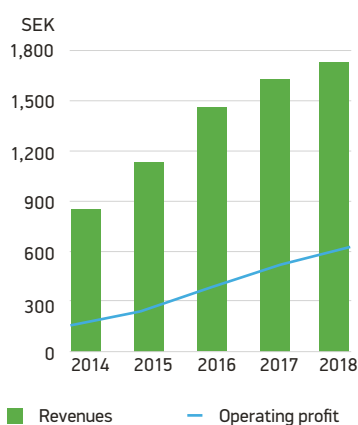
Revenues - development of volume, price and currency

Revenues for 2018 amounted to SEK 1,782.0 million (1,636.1), equal to

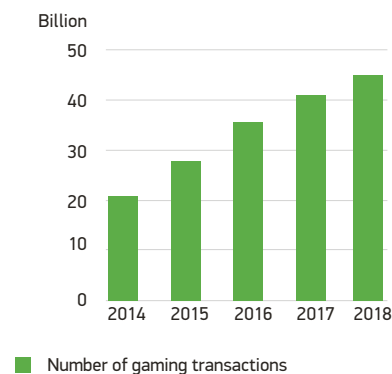
an increase of 8.9% (2.3% in euro) compared to 2017. The difference in growth between revenues and transactions can be explained by the fact that bet per transaction has declined in the past few years in NetEnt's games, driven in part by a broadening of the player base, and in part an altered regional mix. The average bet per transaction is generally higher in Scandinavia, and the difference in relation to the rest of the market is particularly substantial for mobile games.

The average royalty level was stable compared to the previous year. The slot gaming category represented around 91% of the game win in NetEnt's games in 2018. In 2018, the Swedish Krona weakened against the euro by an average of 6.5% compared to the full-year 2017, which had a positive effect on revenues and profit.

Revenues and operating profit, NetEnt



Number of gaming transactions, NetEnt



Expenses and profit

Operating profit rose by 3.3% to SEK 601.1 million (581.6) and the operating margin was 33.7% (35.6). Costs for the former CEO, and for the impairment of a virtual reality project were charged to the year. These costs totalled SEK 33.4 million. Adjusted for these costs, operating profit amounted to SEK 634.5 million (581.6) and the operating margin was 35.6% (35.6).

Net financial items amounted to SEK 21.1 million (-1.7) and consisted mainly of exchange rate effects on cash and cash equivalents, financial receivables and financial liabilities consisting mainly of intra-group transactions and interest on cash and cash equivalents. The group had an effective tax rate of 7.2% (5.6) in 2018.

Investment

The group's capitalised development costs and investments in intangible assets amounted to SEK 147.5 million (156.4) in 2018, while investment in property, plant and equipment totalled SEK 38.6 million (86.9).

Investment in intangible assets consists of development of new games for mobile devices and desktop, technical adjustments to the platform such as new functionality, increased capacity, adjustments for requirements in regulated markets and software licences. Major development projects during the year included 21 new slot games and ongoing development of the company's gaming platform.

Investment in property, plant and

equipment are primarily servers and other computer equipment to meet new technical requirements and maintain capacity and performance in connection with new product launches. Investment is also being made into office and computer equipment.

Cash and cash equivalents, financing and financial position

Consolidated cash flow from operating activities for the full year 2018 amounted to SEK 827.9 million (666.1). Cash flow from financing activities was SEK -540.3 million (-536.7) and consisted mainly of distribution to shareholders. Through an automatic redemption programme, SEK 540.3 million was distributed to shareholders. More information about the redemption programme can be found on NetEnt's website, www.netent.com/en/annual-general-meeting-2018.

The group's cash and cash equivalents amounted to SEK 500.8 million (387.0) at December 31, 2018. Funds held on behalf of licensees amounted to SEK 29.5 million (82.5) at year-end.

Personnel and organisation

In 2018 the number of employees in the group was 804 (810). Including external resources such as dedicated staff at sub-contractors and consultants, NetEnt employed 990 people (994), defined as full-time equivalents (FTEs).

Parent company

The parent company's revenues for 2018 amounted to SEK 785.9 million (807.1).

Operating profit amounted to SEK 43.4 million (49.4) and the operating margin was 5.5% (6.1).

The operating margin is mainly affected by how high a share of parent company expenses are invoiced onto other group companies, and the intra-group price level applied. The price level is governed based on independent benchmark studies for similar services, and can vary over time if the general price level on the market changes. Profit before tax for the year was SEK 569.9 million (479.7).

The parent company's investment in property, plant and equipment in 2018 amounted to SEK 4.3 million (45.6) and investment in intangible assets amounted to SEK 1.8 million (1.5). Cash and cash equivalents in the parent company at the end of 2018 amounted to SEK 153.2 million (111.9). ●

The share, future outlook and appropriation of profits

The share

The share capital of NetEnt AB (publ) AB consists of A shares and B shares. One A share gives ten votes and one B share entitles to one vote when voting at the AGM. The two share classes have equal rights to the company's assets and profit. At the AGM shareholders can vote the full number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the Board of Directors, within the bounds of the maximum number of B shares that may be issued according to the articles of association. The number of shares in the company totals 240,130,860, of which 33,660,000 shares are series A and 206,470,860 are series B, equalling a total of 543,070,860 votes. The share capital amounts to SEK 1,205,457. The quotient value per share is 0.5 öre.

The number of shareholders in NetEnt at December 31, 2018 was 15,958 (16,351) according to Euroclear.

The largest shareholders were the Hamberg family with 6.4% of the share capital and 19.7% of the votes, and the Lundström family with 5.4% of the share capital and 13.8% of the votes. NetEnt's ten largest owners held shares equalling 38.5% of the capital and 72.8% of the votes in the company.

Future outlook

Growth

The company sees conditions for profitable growth in 2019 thanks to a large pipeline of new games and new customers to be launched.

Proposed distribution to shareholders

The board proposes that the AGM approve a cash distribution to the shareholders of SEK 540.3 million (540.3), equal to SEK 2.25 (2.25) per share. The board intends to propose that such distribution occurs through a share redemption programme. The proposed record date for the share redemption procedure is May 23, 2019. The complete proposal and an information folder will be available, at the latest, three weeks prior to the AGM. The information will be available to shareholders at the company and on the website www.netent.com as of April 17, 2019, and will be sent free of charge to those shareholders who so request and provide their postal address.

The Board of Directors' proposed appropriation of profit in the parent company

The following is at the disposal of the AGM (kSEK)

Retained earnings	20,590
Share premium reserve	58,885
Profit for the year	569,921
	649,396

The Board of Directors proposes:

That the following be carried forward	649,396
---------------------------------------	---------

Pro forma after distribution to shareholders

Retained earnings	
incl. profit for the year	649,396
Distribution to shareholders	-540,294
	109,102

The group's and the company's profit and position in general are presented in the following income statements and balance sheets, cash flow statements and statements of equity, with related notes and supplementary information which form an integral part of this annual report.

Risks and risk management

Uncertainty about future events is a natural feature of all business operations. Future events can have a positive impact on the business, enabling increased value creation, or be negative, through risks with a potential negative impact on NetEnt's operations and earnings.

NetEnt's Board of Directors is responsible before the owners for the company's risk management. Risks associated with business development and long-term strategic planning are prepared in Senior Management, and decided by the Board of Directors. Senior Management continually reports risk-related issues, such as the Group's financial status and compliance with the Group finance policy, to

the Board of Directors. A number of key policies form the basis for operational risk management in the organization. NetEnt works continually on assessing and evaluating the risks to which the Group is or could become exposed. Critical risks in NetEnt's business environment are managed strategically through product and business development, and operationally through daily

purchasing and selling activities. The tables below present some of the strategies and operational risks that could have implications for the Company's future development. The risks are not arranged by order of importance or potential financial impact on the Company's profit or financial position. For financial risk factors that affect the Company's business, see Note 26.

Strategic risks

Risk

Management

Unsustainable re-regulation of key markets

If unsustainable regulations were introduced on NetEnt's key markets, with high taxes and extensive product limitations, it would be difficult to continue to run a profitable business.

As NetEnt expands geographically, the revenue base becomes more diversified and dependency on political decisions in individual countries decreases. NetEnt is in continual dialog with authorities and legislators on key markets regarding new or amended regulations, to assist in devising sustainable regulations in line with customer demand and the reality prevailing on the cross-border digital market.

Competition

NetEnt's market is attractive and competitive. It is crucial for the Company to be able to successfully respond to competition.

The Company works to constantly improve the product offering in order to remain at the forefront among competition. Also, the Company works strategically so as to reinforce its market position in different ways.

Operational risks

Operational disruptions

Risk

NetEnt is responsible for operating licensed client systems through the company's hosting center. Like other online services, the systems can sometimes suffer from operational disruptions. The causes of these can be both within and beyond the company's control. Any operational disruption or technical problems in the company's servers imply loss of revenues, a risk of a drop in confidence in the company and, in some cases, a risk of claims for damages.

Management

NetEnt invests continuously in IT infrastructure and staff to ensure high technical security in its systems and to minimize risks of operational disruptions.

Compliance and regulated operations (sustainability risk)

It is crucial for NetEnt's business for licenses and certifications to be maintained and extended. NetEnt holds licenses in the jurisdictions Malta, Alderney, Gibraltar, the UK, Belgium, Romania, British Columbia (Canada), Spain and New Jersey (USA). In addition, NetEnt's products are certified in Denmark, Italy, Estonia, Latvia, Bulgaria, Portugal, Isle of Man, Hungary, Norway, Finland, the Czech Republic, Mexico, Lithuania and Sweden.

In recent years, the company has invested in technology and expertise to adapt the organization to regulated markets. NetEnt is regularly examined in connection with license extension, and the operations are continually adapted in order to fulfill new or amended rules.

Responsible gambling (sustainability risk)

Although NetEnt does not have direct contacts with players in its operations, there is a risk of people who suffer a gambling addiction bringing legal proceedings against companies in the NetEnt Group in its capacity of game supplier. Although such claims appear unfounded, at worst it could lead to considerable costs for and a drop in confidence in NetEnt.

NetEnt works actively and in close collaboration with other entities in the market to prevent gambling-related problems. NetEnt's product design helps the operators to promote responsible gambling through functions that enable the operators to offer players sound control over their gaming.

Anti-corruption and anti-money laundering (sustainability risk)

Corruption and money laundering are major problems worldwide and are unfortunately also found in the gaming industry. The existence of these in NetEnt's operations could seriously damage the company's ability to conduct its business. Not only would the company's reputation be negatively affected, but the company would also risk losing gaming licenses and certifications that are essential for its operations.

NetEnt has a zero-tolerance stance and clear guidelines in relation to money laundering and corruption. The measures for combatting these risks are outlined in the company's Crime and Disorder Policy. All employees are given training in anti-corruption and anti-money laundering. NetEnt's compliance function supports the organization in matters related to business risks, laws, regulations, directives and compliance with the company's policies.

Operational risks

Dependence on expertise (sustainability)

Risk

NetEnt's success relies on the ability to recruit and retain key employees.

Management

The risks are mitigated by identifying key people and ensuring that NetEnt remains an attractive employer, so that key staff stay on in the group, and so as to facilitate the recruitment of new expertise.

Dependence on large customers

The loss of any of the company's major customers could have a negative impact on NetEnt's revenues and profits.

As NetEnt grows and the number of customers increases, dependence on individual large customers gradually decreases.

Product faults and safety

There is no guarantee that NetEnt's games cannot contain technical faults that could be exploited by players and lead to poorer game outcomes, and thus lower revenues for NetEnt's games, or give rise to legal expenses because products fail to function as prescribed by product descriptions and certifications. The existence of technical faults could also eventually harm confidence in the company's products. Moreover, it cannot be ruled out that NetEnt's customers or the company could be targeted by hacking or similar types of cyber crime.

NetEnt applies industry standards in its systems and processes so as to maintain high IT security. The company continuously monitors the gaming transactions in its systems to detect any irregularities and take swift action if needed. IT security and operations are a prioritised area, in which the company continuously invests resources to enhance and adapt its protection to the latest technological developments.

Intellectual property rights

NetEnt's most important intellectual property rights consist of the copyrights for the software and the games developed by the company. Therefore, it is crucial that the assets developed in the group remain NetEnt's property. There is no guarantee that the company's rights will not infringe on those of competitors, or that NetEnt's rights will not be breached or contested by competitors. The prospect cannot be ruled out either of legal action being lodged against NetEnt by competitors for alleged infringement on competitors' rights, both in Europe and North America. If this happened, there would be a risk of the company suffering substantial legal expenses and damage claims, which would have a negative impact on the company's conditions for conducting business. In addition, NetEnt is dependent on specific knowledge, and it cannot be ruled out that competitors could develop equivalent knowledge or that NetEnt could fail to effectively protect its knowledge.

Contracts with employees and sub-contractors, are made to ensure that the copyright for developed products accrues to NetEnt. Furthermore, the company continuously protects its intellectual property rights through, for instance, registering pattern protection and trademarks. If necessary, NetEnt can also take legal action to protect its intellectual property rights. In certain cases, NetEnt can also enter agreements to ensure that the company's products do not risk infringing on any other company's patent rights.

Operational risks

Operational risks	Risk	Management
Exchange rate fluctuations	<p>The group's profits and financial position are affected by exchange rate fluctuations, since the main part of revenues are invoiced in EUR while the costs largely arise in SEK. An appreciation of the SEK versus the EUR negatively affects the company's profit.</p>	<p>NetEnt's current policy is not to hedge revenues and expenses. NetEnt has a strong balance sheet and its operations generate healthy cash flows. In general, the company is well equipped to handle exchange rate fluctuations. As the company expands its operations outside Sweden, the cost base is also becoming more diversified.</p>
Tax status	<p>NetEnt's tax expense is affected by the countries where its operations generate profits and the tax laws in those countries. New laws, taxes or rules could give rise to limitations in operations or place new and higher requirements. There is also a risk that NetEnt's interpretation of the applicable tax laws, tax agreements and regulations will not correspond to the interpretations of the tax authorities.</p>	<p>Together with external experts, NetEnt has assessed how different tax rules affect its operations, to ensure an accurate tax status. This also applies to indirect taxes. NetEnt reports and pays tax to the tax authorities in the amounts that NetEnt and its appointed advisors deem correct. Tax issues do not govern the operations, but tax is a factor taken into consideration in important business decisions or changes to the operations.</p>
The business cycle	<p>In the past, NetEnt's revenues have not been negatively affected by a weaker economy. However, the online gaming industry is affected to a certain extent by the general state of the economy. A recession can lead to a reduction in the disposable income of consumers and consequently in demand for digital entertainment, including online casino games. It cannot be ruled out that NetEnt's revenues and profit could be negatively affected in a future recession.</p>	<p>NetEnt's products are distributed to a large number of geographical markets that do not track the same business cycle, which reduces cyclical risk.</p>

Corporate governance report

NetEnt AB (publ) is a Swedish public limited liability company listed on the Stockholm Stock Exchange – Nasdaq Stockholm. NetEnt applies the Swedish Corporate Governance Code and hereby submits the corporate governance report for 2018. NetEnt has no irregularities to report. The report has been audited by the company's auditor.

Corporate governance model for the NetEnt Group

Basis for corporate governance

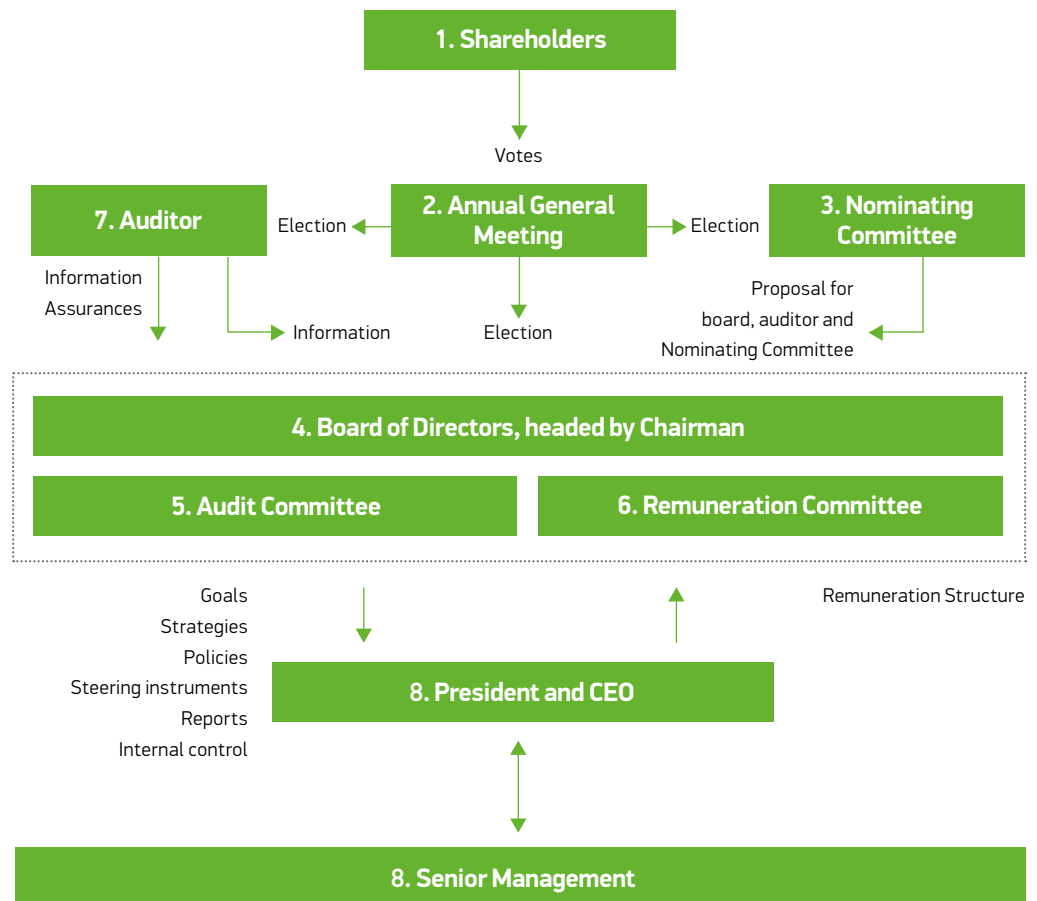
NetEnt seeks to apply strict standards and efficient processes so that its entire operations create long-term value for shareholders and other stakeholders. This requires maintaining an efficient organisational structure, internal control and risk management systems, and ensuring true and fair reporting and information. The governance of NetEnt is based on both external and internal regulations. NetEnt is subject to and complies with the rules of the Swedish Code of Corporate Governance (the code). There have been no material changes in corporate governance from the preceding year.

Important external regulations

- The Companies Act.
- The Annual Accounts Act.
- Applicable EU regulations, such as the Market Abuse Regulation (MAR).
- Rules for issuers (Nasdaq Stockholm).
- The Swedish Code of Corporate Governance.
- The Securities Market Act.
- Other relevant laws

Important internal regulations

- Articles of Association (available on the NetEnt website).
- Rules of procedure for the Board of Directors.
- The board's instructions for the CEO.
- Group-wide policies, instructions and guidelines.



Important events in 2018

- Therese Hillman was appointed as the new CEO. Therese Hillman had been the company's Chief Financial Officer (CFO) since 2017.
- The AGM elected Fredrik Erbing as the new Chairman. He succeeded Vigo Carlund.
- Lars Johansson was appointed Chief Financial Officer (CFO).

1. Shares and shareholders

The total number of shares is 240,130,860, divided between 33,660,000 A shares and 206,470,860 B shares, equal to a total of 543,070,860 votes. One A share grants entitlement to ten votes and one B share grants entitlement to one vote when voting at a general shareholder meeting. The two share classes have equal rights to the company's assets and profit. At a general shareholder meeting, a shareholder may vote for the total number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the Board of Directors, within the bounds of the maximum number of B shares that may be issued according to the articles of association. At December 31, 2018, the number of shareholders was 15,958. The largest shareholders at the end of 2018 were Per Hamberg with 6.4 percent of the share capital and 19.7 percent of the votes and Rolf Lundström with 5.4 percent of the share capital and 13.8 percent of the votes. The ten largest shareholders represented 38.5 percent of the share capital and 72.8 percent of the votes in the company.

2. Annual General Meeting

The Annual General Meeting (AGM) is NetEnt's highest governing body through which the shareholders exercise their influence in the company. The AGM of the company is held within six months from the end of the financial year. The date, time and location are announced no later than in connection with the third quarter earnings report. Information about how a shareholder can have a matter addressed at the meeting, and by which date such a request must be received by the company in order to ensure it is taken up at the AGM, is announced on NetEnt's website no later than when the third-quarter earnings report has been published. Notice of the AGM is announced at least four weeks prior to the meeting, and will subsequently be available on the company's website.

To be entitled to vote at the AGM, shareholders must be recorded in the share register on the fifth business day before the meeting, including Saturdays that are not Swedish public holidays, and must notify the company of their participation no later than the date stated in the notice of the meeting. Shareholders who

cannot attend in person may participate through a proxy representative.

Decisions at the AGM are normally made by a simple majority of votes cast. However, according to the Swedish Companies Act, certain types of resolutions require a certain quorum or majority of voting rights. Extraordinary General Meetings may be held as needed.

2018 Annual General Meeting

At the AGM held on April 25 2018, 68.9 percent of the votes and 47.9 percent of the shares were represented. Representatives from the NetEnt Board and Senior Management as well as the auditor were in attendance. The AGM passed resolutions on customary matters and on a cash distribution to shareholders of SEK 2.25 per share in the form of an automatic redemption procedure. For more information about the 2018 AGM, visit NetEnt's website (www.netent.com/en/annual-general-meeting-2018), where all documents for the AGM are available, including the minutes of the meeting and the Articles of Association.

2019 Annual General Meeting

The Annual General Meeting will take place on Friday May 10 2019 at 3.00 p.m. at the NetEnt offices on Vasagatan 16, in Stockholm. Notice of the meeting will be provided on the company's website (www.netent.com/agm) well ahead of time, together with all required documents for the AGM.

The AGM decides on:

- Adoption of the annual financial statements and consolidated financial statements
- Appropriation of profit and dividend

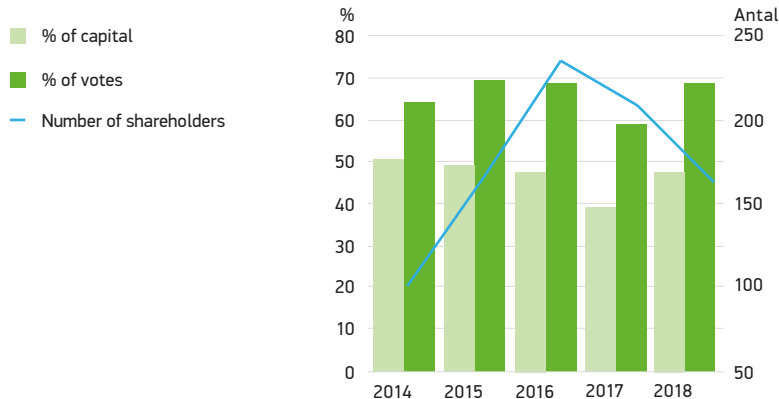
- Discharge from liability for the Board of Directors and CEO
- Election of board members and, where appropriate, auditors
- Remuneration for the board and auditors
- Guidelines for remuneration to management
- Any other matters (important or formal)

3. Nominating Committee

The AGM decides on the procedures for appointment of the Nominating Committee. The AGM in April 2018 decided that the Chairman of the Board, Fredrik Erbing, shall convene a Nominating Committee consisting of one representative from each of the three largest shareholders at August 31, 2018, who, together with the Chairman of the Board, shall be members of the Nominating Committee ahead of the 2019 AGM. The composition of the Nominating Committee is based on the excerpt from Euroclear of registered shareholders, and other reliable ownership information as of the last business day in August. The new Nominating 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 Fredrik Erbing (Chairman of the Board of Directors).

The Nominating Committee shall prepare and submit proposals to the AGM regarding the chairman of the Annual General Meeting, the Chairman of the Board, the members of the board, remuneration for every member of the board and the Chairman and any remuneration for committee work, the fee for the company auditor and, as appropriate, a proposal on the appointment of auditor. The

Participation at NetEnt's AGM



Nominating Committee shall also prepare and submit proposals to the AGM regarding principles for the composition of the Nominating Committee. The Nominating Committee's mandate period runs until the new Nominating Committee has been appointed, in accordance with the decision on appointment of the Nominating Committee passed by the 2019 AGM. The composition of the Nominating Committee meets the code of conduct's requirements for independent members. Following the 2018 AGM and until the end of the year, the Nominating Committee met twice.

Nominating Committee ahead of the 2019 AGM

In its work, the Nominating Committee is responsible for making accurate assessments with regards to the composition of the board, and has among other things reviewed the evaluation of the board and its performance and the Board Chairman's report on the company's operations, goals and strategies. The Nominating Committee has furthermore analysed the skills and experience among the members of the Board of Directors, as well as the gender balance. The Nominating Committee's assessment is that the members of the board have wide-ranging skills and extensive experience from business activities, technology, the gaming industry and the financial markets, among other areas. The Board of Directors currently consists of three women and four men.

The Nominating Committee's proposal, its justified opinion on the proposed

Board of Directors, and supplementary information regarding the nominated members of the Board of Directors are announced in connection with the notice of the AGM, and will be presented at the 2019 AGM together with a report on the Nominating Committee's work.

Members of the Nominating Committee

- **John Wattin**
(appointed by the Hamberg family)
- **Christoffer Lundström**
(appointed by Novobis AB)
- **Fredrik Carlsson**
(appointed by the Knutsson family)
- **Fredrik Erbing**
Chairman of the Board

4. Board of Directors

The board's responsibilities

The work of the board is governed by the Companies Act, the Articles of Association, the code and the rules of procedure adopted by the board every year. The Board of Directors has overarching responsibility for NetEnt's organisation and administration by establishing business goals and strategies, evaluating the executive management and securing systems for monitoring and control of established goals. It is also incumbent upon the Board of Directors to ensure that there is sufficient control over the company's compliance with laws and other regulations applicable to the company's business, and that essential ethical guidelines are established for the company's conduct. The Board of Directors shall furthermore ensure that the company's communication is accurate, relevant, reliable and transparent. Between AGMs, the

Board of Directors is the company's highest governing body. The board appoints the CEO, who is also Group CEO.

Composition of the Board

The Articles of Association specify that the board must consist of at least three and no more than nine members. The Board of Directors is elected by the shareholders at the AGM with a mandate period extending from the AGM until the end of the following AGM. The AGM decides the exact number of directors. Under Swedish law, the Chairman of the Board may not serve as the company's CEO at the same time. According to the code, the Chairman shall be appointed by the AGM. The members of the Board of Directors shall devote necessary time and attention to NetEnt, and shall acquire the knowledge needed to safeguard the interests of the company and its shareholders.

Independence

The Board of Directors is considered to meet the independence requirements. Fredrik Erbing, Pontus Lindwall, Maria Redin and Jenny Rosberg are independent in relation to the company, its management and its major shareholders.

Peter Hamberg is independent in relation to the company and its management, but is not independent in relation to its major shareholders because he is a close relative of the company's largest shareholder. Michael Knutsson is independent in relation to the company and its management, but is not independent in relation to its major shareholders because he is one of the company's largest shareholders. Maria Hedengren is independent in relation to the company's shareholders but not independent in relation to the company and its management because she was CFO of NetEnt from 2011 to 2016.

Rules of procedure and board meetings

The board has adopted rules of procedure for its activities which specify how work is to be divided among the board, its committees and the CEO. The rules of procedure are adopted by the board each year and refer to the members of the board. Instructions for the CEO and financial reporting are described in

At the AGM in April 2018, the following members were elected

Attendance at meetings in 2018	Board of Directors	Audit Committee	Remuneration Committee
Vigo Carlund, outgoing chairman	12 of 23	–	1 of 1
Fredrik Erbing, Chairman	23 of 23	1 of 7	1 of 1
Pontus Lindwall	22 of 23	–	1 of 1
Maria Redin	22 of 23	7 of 7	1 of 1
Maria Hedengren	21 of 23	6 of 7	*
Peter Hamberg	23 of 23	–	1 of 1
Michael Knutsson	23 of 23	–	1 of 1
Jenny Rosberg	23 of 23	7 of 7	1 of 1

* Maria Hedengren is not a member of the remuneration committee as she is not independent in relation to the company and its management.

appendices to the rules of procedure. The current rules of procedure were adopted on April 25, 2018.

Chairman of the Board

The task of the Chairman is to organise and oversee the work of the Board of Directors so that it is conducted efficiently, and that the Board of Directors honours its obligations. Fredrik Erbing was appointed Chairman of the Board of Directors by the 2018 AGM, as Vigo Carlund declined re-election.

Board work in 2018

In 2018 the board held 23 meetings, including the statutory meeting, three for adoption of interim reports and one for adoption of the year-end report. Fifteen meetings were held per capsulam.

Board meetings are usually convened by way of a notice issued to members at least once week in advance. However, there may be a shorter period of notice if special reasons apply. If the materials to be discussed at the meeting are available, they are to be attached to the notice. Also present at board meetings are the CEO and the CFO, who records the minutes. The CEO reports on operational performance at each ordinary board meeting, and the CFO reports on financial performance. In some cases, senior executives of the company and, if necessary, auditors may deliver presentations at board meetings.

The key points at the board meetings in 2018 were matters related to strategy, financial targets, appointment of a new CEO, reorganisation, business risk management processes as well as approval of the business plan, budgets, forecasts, key policies, the annual report, the year-end report and interim reports.

The board addresses and decides on group-wide matters such as:

- Main objectives and strategic focus
- Material matters pertaining to financing, investments, acquisitions and divestments
- Monitoring and control of operations, provision of information and organisational matters, including evaluation of the company's executive management
- Appointment of CEO
- Approval of financial reports and

- appropriation of profits
- Overall responsibility for efficient internal control and risk management systems
- Key policies

The duties of the Chairman include ensuring that:

- new board members undergo the necessary introductory training
- the board regularly updates and deepens its knowledge of the company, industry, and its performance
- the Board of Directors discharges its duties
- the Board of Directors receives adequate information and underlying materials for decision-making
- board decisions are efficiently executed
- the board conducts an evaluation of its own performance each year, and that the Nominating Committee is informed of the evaluation
- together with the CEO, the agenda of board meetings is adopted
- contact with the owners occurs regularly and the opinions of the latter are communicated to the Board of Directors In addition, the Chairman shall serve as support for the CEO

Assuring the quality of the financial reporting

- The rules of procedure annually resolved by the board contain detailed instructions regarding which financial reports and financial information shall be submitted to the board. Besides the year-end report, interim reports and annual report, the board reviews and evaluates comprehensive financial information, relating both to the group as a whole and the various group entities.
- The board also reviews, primarily through the board's Audit Committee, the most material accounting policies applied in the group for financial reporting, as well as material amendments to reporting policies. Minutes are recorded at all Audit Committee meetings and the minutes are available to all board members and to the auditors.

Board remuneration as decided by the AGM 2016–2018, SEK thousands

	2018	2017	2016
Board Chairman	710	700	630
Chairman of the Audit Committee	415	410	370
Member of the Audit Committee	340	330	295
Members of the Board of Directors	305	300	275

- At the board meeting in February 2018, Auditor in Charge Erik Olin, from Deloitte, presented his conclusions from the 2017 audit. At the meeting, the members of the board had the opportunity to ask the auditor questions without the presence of the company's management.

Evaluation of board performance

- Every year, the Chairman of the Board evaluates the work of the board through a systematic and structured process with the purpose of developing the board's work and efficiency. The board evaluation includes rating the competence and dedication exhibited by each board member. The Board of Directors continuously evaluates the performance of the CEO and the board addresses this matter without the presence of any member of the company's management.

Board remuneration

- Remuneration for the Board of Directors is proposed by the Nominating Committee, resolved by the AGM, and is paid to board members who are not employed by the company. Financial information regarding remuneration for the Board of Directors by financial year is shown in the table above.

Board COMMITTEES

5. Audit Committee

The Audit Committee shall, without otherwise encroaching on the duties and responsibilities of the Board of Directors: (a) monitor the company's financial reporting; (b) on the basis of the financial reporting, monitor the company's internal control, internal audit and risk management; (c) stay informed about the synoptic review of interim reports and the audit of the annual accounts; (d) review and monitor the auditor's impartiality and independence, with particular emphasis on whether the auditor provides services to the company other than auditing; and (e) provide assistance on the preparation of proposals regarding the

Annual General Meeting's appointment of auditor. In addition, during the year the committee has dealt with the finance policy and other policies as well as accounting matters, including sustainability reporting. The committee has also dealt with matters such as the implementation of IFRS 9 and IFRS 15 and the forthcoming implementation of IFRS 16.

The Audit Committee met five times during the year and the auditor took part in all meetings.

Members of the Audit Committee

- **Jenny Rosberg** (Chairman)
- **Maria Redin**
- **Maria Hedengren**

The duties of the Audit Committee include:

- Reviewing the financial reports
- Monitoring the efficiency of internal control, including risk management, with respect to financial reporting
- Staying informed about the external audit
- Reviewing and, as appropriate, granting prior approval when external auditors are appointed for assignments other than audit services
- Evaluating the objectivity and independence of external auditors
- Follow-up on previous matters

6. Remuneration Committee

The main duty of the Remuneration Committee is to prepare matters relating to remuneration and other terms and conditions of employment for senior executives on behalf of the Board of Directors. The Board of Directors establishes guidelines for senior executive remuneration that are presented to and approved by the AGM. The guidelines for remuneration to senior executives are monitored and evaluated annually, including variable remuneration programmes for the company's management that are ongoing or ended during the year. The current guidelines on remuneration for senior executives are attached to the minutes of the Annual General Meeting, which are available on the website. In 2018, the Remuneration Committee consisted of all Board members, except Maria Hedengren, and the Chairman was also chairman of the Remuneration Committee. Maria Hedengren is not a member of the remuneration committee as she is not independent in relation to the

company and its management because she was NetEnt's CFO from 2011 to 2016. The Remuneration Committee met once in 2018.

The duties of the Remuneration Committee include:

- Preparing and evaluating guidelines for remuneration to senior executives.
- Preparing and evaluating goals and principles for variable remuneration.
- Preparing terms and conditions for pensions, termination of employment, severance pay and other benefits for senior executives.
- Preparing and evaluating NetEnt's long-term incentive programme.

7. Audit

Auditors are elected by the AGM and they review the company's accounts and administration on behalf of the AGM. According to the Articles of Association, NetEnt AB (publ) shall have one or two auditors. Deloitte AB was elected auditor at the AGM in April 2018 for the period until the 2019 AGM, and Erik Olin was appointed as Auditor in Charge. The auditor presented his conclusions of the synoptic review of the interim report for January–September 2018, the audit for the full year 2018 and internal control to both the Audit Committee and the Board of Directors. The auditor also met with the Board of Directors and the Audit Committee without the presence of anyone from the company's management. In addition to the audit, the auditor has had a limited number of other assignments for the company. These have included audit-related services concerning accounting and reporting, as well as assistance in preparing the company's tax returns. Remuneration for the auditor is set out in Note 24 on page 106.

Auditors

The AGM on April 25, 2018, elected Deloitte AB as the company's independent auditor for the period until the 2019 AGM.

• Erik Olin

Auditor in Charge, born in 1973. Auditor for the company since 2015. Authorised Public Accountant and member of FAR SRS. Other audit assignments: Sinch, CLX Communications, IAR Systems, Telia Sverige and Microsoft Sverige.

8. CEO and senior management

Aside from the CEO, the NetEnt Senior Management includes six more people, four of whom are women.

The CEO is appointed by and receives instructions from the Board of Directors. In turn, the CEO appoints the other senior management members and is responsible for ongoing administration of the group's operations in accordance with the guidelines and instructions of the board. Senior management meetings are held on a regular basis to review results, update forecasts and plans and discuss group-wide issues.

Instructions for the CEO

The Board of Directors has prepared and adopted instructions regarding the CEO's duties and responsibilities, as well as obligations towards the Board of Directors. The CEO is responsible for managing and developing the company and running the ongoing administration of the company's affairs within the framework set out in the Swedish Companies Act, the company's strategic plan, the instructions for the CEO, and the guidelines and instructions provided by the board. Internally, the CEO shall monitor to ensure that the company's organisation is professional and effective, ensure that the internal controls are appropriate and efficient, implement the company's strategy and goals and discuss and suggest qualitative and quantitative goals for the company's various business units.

On behalf of the Board of Directors, the CEO shall, continuously and before each ordinary board meeting, prepare, compile, and present data requested by the Board of Directors for assessing the company's financial situation, such as reports, key figures and comments, proposals for the business plan, budgets, forecasts, year-end reports, interim reports and annual reports.

Important matters addressed by the CEO and senior management in 2018 included:

- Growth strategy
- Risk management
- Sustainability
- A reorganisation in order to improve efficiency and profitability.

Senior executive remuneration

To achieve attractive long-term shareholder value growth, NetEnt seeks to offer its employees competitive remuneration and an attractive workplace that enable recruiting and retaining the right expertise. For senior executives, the Board of Directors has prepared guidelines for remuneration, as outlined below. Detailed information about remuneration to employees and senior executives is provided in Note 6 on pages 99–100.

Guidelines adopted by the 2018 Annual General Meeting

Basic principles

These guidelines shall be applied in relation to the NetEnt CEO and other members of the senior management. The Board of Directors shall be able to deviate from these guidelines in individual cases where there is special reason to do so. Management's total remuneration consists of fixed and variable salary, share-based incentive schemes and pension benefits. The remuneration should be performance-based, and the variable component should therefore make up a significant share of the total remuneration.

Fixed and variable salary

The fixed salary shall be market-based, competitive, individual, and proportionate to the individual's responsibility, role, skills and experience in relevant positions. The annual variable salary shall be measured and paid on an annual basis. The annual variable salary shall be capped at 65 percent of the fixed salary for the CEO and at 60 percent of the fixed salary for other members of senior management. It shall be based on actual outcomes in relation to financial and operational targets. The target for variable salary is set annually by the board for the CEO. The CEO in turn determines the variable

salary for the other members of the senior management, to ensure that they are in line with the company's business strategy and objectives. The conditions for variable salary shall include a minimum performance level in relation to the targets, for which no variable salary will be received.

The board has the right to revoke variable remuneration that is paid out based on information that later proves to be clearly incorrect.

Long-term incentive scheme

Senior executives are offered the opportunity to participate in ongoing share-based incentive programs in the form of stock options or stock saving programmes that are issued on market terms, to motivate long-term commitment and promote a greater alignment of interests with the company's shareholders. Share-based incentive programmes, which are issued on market terms, can be combined with cash bonuses that are payable in conjunction with the redemption periods of stock option programmes. Such payment can be made to employees who are still employed at the time of redemption and shall, net of tax, not exceed 70% of the premium paid for the stock option.

Pension benefits and termination of employment

Pension benefits of the CEO and other members of the company's management

shall be competitive and based on defined contribution pension plans, in which the premium shall be capped at 35 percent of the pensionable salary. Other benefits, such as company cars, health insurance, etc, shall constitute a minor part of total remuneration and shall be in line with market conditions.

The CEO can have a maximum notice period of twelve months. Other members of the company's management may have a maximum notice period of six months. In addition to salary during the notice period, termination benefits may be paid. However, the total of salary and termination benefits during the notice period shall not exceed the equivalent of 18 months' salary.

Guidelines determined by the Board of Directors and proposed to the 2019 Annual General Meeting

For the 2019 AGM, the Board of Directors has proposed to adopt the same guidelines for remuneration to senior executives as in the preceding year. Two clarifications are proposed:

- that sales commission may be exempted from the maximum amounts specified in the guidelines on remuneration and
- in some cases, a cash loyalty remuneration in conjunction with long-term share-based incentive programmes may be paid to employees who have left the company, for example, due to termination on the grounds of shortage of work.●

BOARD OF DIRECTORS

1. Jenny Rosberg

Member of the board of directors. Born in 1966. Elected in 2015. CEO and board member of ROPA Management AB. **Other board assignments:** Board member of AB Persson Invest, MIPS AB and Pepins Group AB. **Education:** MBA, Stockholm School

of Economics. **Shareholding:** 15,600 B shares. **Independent** in relation to the company, its management and its major shareholders.

2. Peter Hamberg

Member of the board of directors. Born in 1973. Elected in 2009. **Assignments:** CEO and board member of Hamberg Förvaltnings AB and board member of C-RAD AB and Solporten Fastighets AB. **Education:** Bachelor's degree, international Business

Administration, San Francisco State University, USA. **Shareholding:** 1,218,000 A shares, 580,400 B shares. **Shareholding in endowment policy:** 150,000 B shares. **Independent** in relation to the company and its management, not independent in relation to its major shareholders.

3. Maria Hedengren

Member of the board of directors. Born in 1970. Elected in 2017. CFO of iZettle, CFO of NetEnt 2011–2016. **Education:** B.Sc. in Business Administration, University of Gothenburg. **Independent** in relation to major shareholders but

not independent in relation to the company and its management as Maria Hedengren was CFO of NetEnt until 2016. **Shareholding:** 19,000 B shares.

4. Pontus Lindwall

Member of the board of directors. Born in 1965. Elected in 2011. **Assignments:** CEO of Betsson AB (publ), chairman of Mostphotos AB and board member of Solporten Fastighets AB. **Education:** MSc. in Engineering, Royal Institute of Technology, Stockholm.

Shareholding: 4,100,000 B shares. **Shareholding in endowment policy:** 2,109,000 A shares, 760,520 B shares. **Independent** in relation to the company, its management and its shareholders. Pontus Lindwall is CEO of Betsson AB, which is a customer of NetEnt.

5. Maria Redin

Member of the board of directors. Born in 1978. Elected in 2012. CFO of MTG. **Education:** B.Sc. in Business Administration, University of Gothenburg.

Shareholding: 11,880 B shares. **Independent** in relation to the company, its management and major shareholders of the company.

6. Fredrik Erbing

Chairman. Born in 1967. Elected in 2008. **Assignments:** Vice President Acando AB. **Education:** MSc. in Engineering, Royal Institute of Technology, Stockholm.

Shareholding: 120,000 B shares **Shareholding in endowment policy:** 120,000 B shares **Independent** in relation to the company, its management and major shareholders of the company.

7. Michael Knutsson

Member of the board of directors. Born in 1961. Elected 2012, Michael Knutsson is CEO of Knutsson Holdings AB and board member of Pata-Pata AB. **Shareholding:** 6,000,000 A shares, 8,600,000 B shares.

Independent in relation to the company and its management, not independent in relation to major shareholders.





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SENIOR MANAGEMENT



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1. Anna Romboli

Communications Director. Born in 1973, employed since 2014. Anna Romboli has over 15 years of experience from business development in branding, communication and PR. Formerly VP Brand and Communications at Veryday, and

several years of consulting experience in PR and brand strategy. **Education:** MBA, University of Gothenburg School of Business, Economics and Law. **Shareholding:** 2,000 B shares **Stock options:** –

2. Camilla Arvidsson

Enterprise Risk Manager. Born in 1966, employed since 2013. Camilla Arvidsson has extensive experience from specialist and managerial positions in the financial and IT industries, including at Svea Ekonomi, OKQ8

Bank, Microsoft and Apteau. **Education:** MBA, San Francisco State University. **Shareholding:** 2,932 B shares **Stock options:** 13,800

3. Pamela Morris Williams

Chief Compliance Officer. Born in 1977, employed since 2018. Pamela Morris Williams has more than 10 years' experience from compliance positions, including in the gaming sector. Prior

experience from Betsson and NYX (now SG Digital). **Education:** Bachelor and Master degrees, Royal Institute of Technology, Stockholm. **Shareholding:** – **Stock options:** –

4. James Elliott

General Counsel. Born in 1973, employed since 2014. Former positions include Chief Legal Officer at FTSE-listed bwin.party digital entertainment plc (formerly PartyGaming Plc) for nine years.

Education: LBB, University of Exeter; LPC, College of Law (Guildford); Solicitor, England and Wales. **Shareholding:** – **Stock options:** 7,600

5. Therese Hillman

Group CEO. Born in 1980, employed since 2017. Therese Hillman has worked with e-commerce for 10 years and is former CEO of Gymgrossisten, a leading online retailer of sporting gear and dietary supplements in the Nordic region and a subsidiary of Qliro Group. Prior to that she

was COO and subsequently CFO of Gymgrossisten. **Education:** B.Sc in Business Administration, Stockholm School of Economics. **Shareholding:** 8,065 B shares **Stock options:** 40,000

6. Lars Johansson

Chief Financial Officer. Born in 1959, employed since 2018. Lars Johansson has more than 30 years' experience from various managerial roles at both public and private companies in different industries. Lars joined NetEnt from Ratos AB, where he was Senior Investment

Director and also previously Acting CEO. Prior positions include CFO at Swedavia AB, CFO/COO at TV4 Group AB and CFO/COO and Acting CEO at Orc Software AB. **Education:** B.Sc in Business Administration, Stockholm School of Economics. **Shareholding:** – **Stock options:** –

The stated shareholdings at December 31, 2018 include holdings through family and companies. A reorganisation took place at the end of 2018. The picture shows the new senior management of the parent company NetEnt AB (publ).

OPERATIONS MANAGERS

1. Tobias Palmborg

Acting Chief Technology Officer,

Stockholm. Born in 1978, employed since 2018. Over 10 years' experience in systems and product develop-

ment in online environments within gaming, finance and consultancy services at Klarna, Electrolux and Unibet (Kindred), among others.

3. Henrik Fagerlund

Managing Director of NetEnt Malta Holding Ltd,

Malta. Born in 1970, employed since 2014. Many years' experience

from managerial positions in the gaming industry, including at Paf and Boss Media (currently GTECH).

5. Andres Rengifo

Director Live Casino,

Malta. Born in 1982, employed since 2019. Many years' experience

from the gaming industry, most recently as Head of International Operations at Evolution Gaming.

7. Nadiya Attard

Director Business Development,

Malta. Born in 1981, employed since 2015. Over 15 years' experience

in the gaming industry, both land-based and online, with operators and suppliers.

2. Björn Krantz

COO Commercial Operations,

Gibraltar. Born in 1970, employed since 2009. Many years' experience from managerial

positions within sales and marketing in the telecom industry, including at Ericsson and Sweden.

4. Bryan Upton

Director Games,

Malta. Born in 1981, employed since 2018. Many years' experience from senior positions in the gaming industry

at IGT, GTECH and Openbet, most recently as Senior Director, Games Content Strategy and Product Management at IGT.

6. Christine Lewis

Commercial Director EMEA,

Malta. Born in 1979, employed since 2015. Many years' experience

from sales positions within the gaming industry and IT sector.





Internal control of financial reporting

NetEnt's control systems ensure that the company's targets are realised in terms of appropriate and efficient operations, reliable financial reporting, and compliance with laws and regulations.

NetEnt's control system has been devised to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and ordinances, accounting standards and other requirements for listed companies.

Internal control refers to the process that is influenced by the Board of Directors, company management and other staff, and is designed to provide reasonable assurance that the goals of the company are achieved in terms of

- appropriate and efficient operations,
- reliable financial reporting,
- compliance with applicable laws and regulations.

NetEnt applies the established framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework encompasses five principal areas: control environment, risk assessment, control activities, monitoring/improvement and communication.

Control environment

The foundation of NetEnt's control system is the control environment, which determines the individual and collective approaches in the group. It is defined through policies and procedures, manuals and codes, and is upheld with the help of NetEnt's organisational structure with clear responsibilities and powers based on shared values. Soundly devised internal control not only creates conditions for reliable financial reporting, but also contributes to a healthy and

sustainable business, with greater profitability as a result. Work on the design of internal processes and monitoring thereof is becoming increasingly important as the company grows. This is particularly important in terms of the systems that NetEnt develops and operates on behalf of customers.

NetEnt's board bears overarching responsibility for establishing an efficient internal control system. The responsibility for establishing an efficient control environment has been delegated to the CEO. The CEO delegates powers to those reporting to her, both directly and through the established guidelines and manuals at the company. Corporate values are an important element in this respect, providing guidance for daily work.

The group's finance function reports to the Audit Committee and to the group's Chief Financial Officer, and works to develop and improve internal control in financial reporting in the group, both proactively with a focus on the internal control environment, and by reviewing how internal control works.

NetEnt evaluates its internal control environment in accordance with a recurring time cycle each year, and makes changes to the extent necessary. The Audit Committee sees both the self-assessment and the review performed by external advisors. The company also has a process for internal audit of the finance function and the financial reporting that is based on a combination

of self-assessment and independent review with the support of an external auditing firm.

Compliance

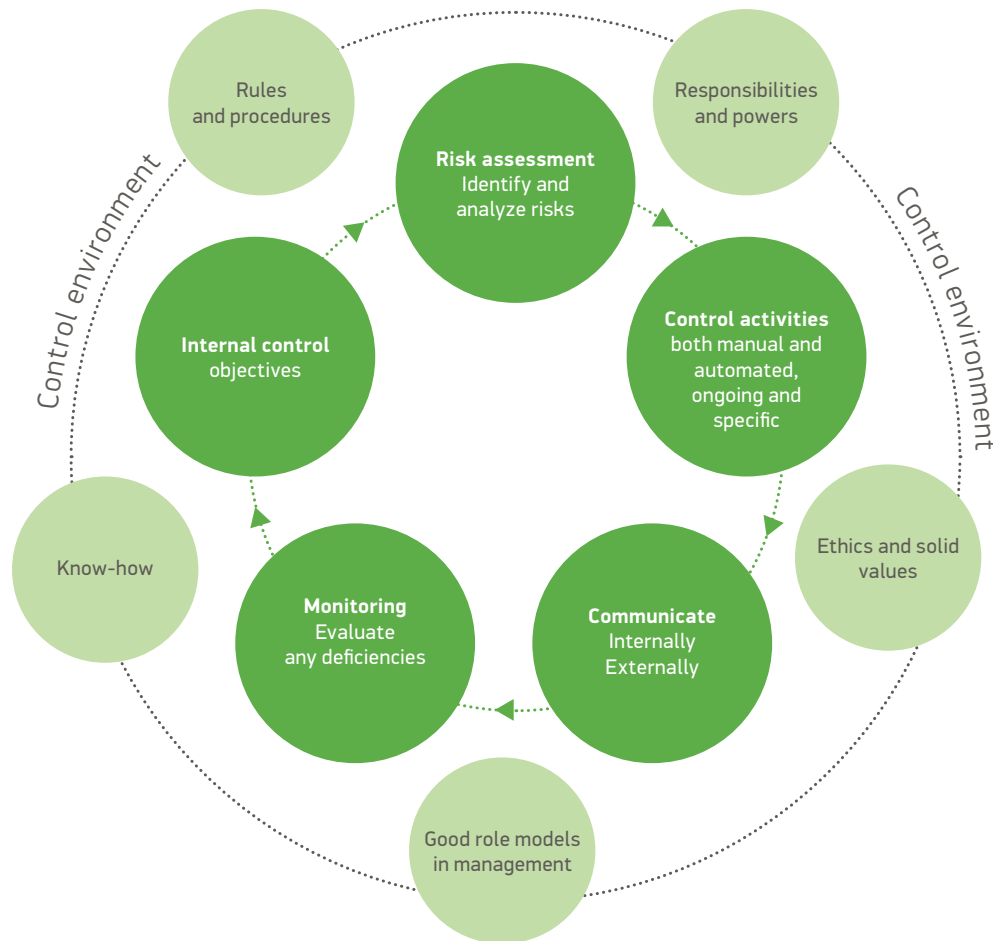
The group also has a team of people with particular responsibility for ensuring effective processes relating to industry-specific compliance. The compliance department regularly reports its observations directly to the CEO and meets at least once a year with the Audit Committee without the presence of any members of management.

Internal governance instruments

Internal governance instruments for financial reporting primarily consist of the group's policy for internal control, finance policy, information policy and authorisation instructions that define accounting and reporting rules, as well as the group's definition of processes and minimum requirements for sound internal control in financial reporting. In addition, the company has policies regarding, for example, trade in the company's shares, IT and information security, anti-bribery, prevention of money laundering and terrorist financing, drugs and gambling.

Risk assessment

NetEnt conducts ongoing structured risk assessments to identify risks that affect the internal control of financial reporting, and to identify where these risks are present. Risks in financial reporting are evaluated and monitored by the Board of Directors through the Audit Committee. The main risks to the company are attributable to areas such as regulated activity, the invoicing process and revenue recognition, development expenditure and taxes, and the company's



substantial cash and cash equivalents.

During the risk assessment, particular attention has been paid to the risk of irregularities and undue favoring of other parties at the company's expense, and the risk of loss or misappropriation of assets. Matters are prepared by the Audit Committee before consideration by the Board of Directors. The risk assessment results in control objectives that support meeting the fundamental financial reporting requirements. The risk assessment is updated annually by the company, and is reported to the Audit Committee.

Moreover, the company has a risk management process designed to constantly identify, prioritize and manage material business risks in general. The risk landscape is in some respects similar to the risk assessment for financial reporting, but includes other risks such as the availability of competent staff and political decisions. For a complete description of the industry- and business-related risks that affect NetEnt, see the "Risk factors" section on pages 48-51 and Note 26 on page 107-109.

Control activities

Control activities include the policies and routines that contribute to ensuring compliance with management directives and that necessary measures are adopted to highlight the risks that may prevent the company from achieving its goals. The most material risks identified in terms of financial reporting are managed through control structures in routines and processes. Control activities are designed and documented at the process level, and include both overarching and more specific controls with the purpose of preventing, detecting

and correcting errors and discrepancies. When devising control activities, accurate and timely performance thereof is ensured. Control activities span everything from the review and monitoring of performance outcomes to specific account reconciliations.

General IT controls are established for the systems that support the processes that affect internal control regarding financial reporting. The design of processes and control activities within IT is also affected by regulations issued by the gaming authorities, such as Malta Gaming Authority (MGA), Alderney Gambling Control Commission (AGCC), Gibraltar Regulatory Authority (GRA), UK Gambling Commission (UKGC) and external reviews in connection with licenses and certifications. Such reviews are conducted both by independent auditing agencies for certification in relation to requirements from authorities, and by the company's external auditors as part of the audit.

Areas that are covered by control activities include:

- due authorisation of business transactions
- ERP systems that affect financial reporting, including verification management
- the accounting process, including year-end reports and consolidated financial statements and their compliance with applicable regulations in the form of generally accepted accounting principles, prevailing laws and regulations, and requirements for listed companies. The process is also designed to ensure proper source materials for decision making for the Board of Directors and management
- significant and unusual or complex business transactions, as well as business transactions or valuations of assets or liabilities that contain significant elements of judgement

- all new employees are subject to prior background screening.

Monitoring

Monitoring of control activities is continually conducted to ensure that risks have been satisfactorily observed and addressed. Monitoring encompasses both formal and informal procedures applied by the company. Such procedures include monitoring profit versus budget and plans, analyses and key figures. The Board of Directors continuously evaluates the information provided by company management. The process includes both reconciliation of monthly financial reports vs. budget and goals, and reporting at board meetings. Through the Audit Committee, the Board of Directors examines and assesses the internal control organisation and function. The company's policies and instructions are evaluated and updated annually at a minimum with respect to appropriateness and functionality – or more often if needed.

The group's CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

Information and communication

Information and communication about internal governance instruments for financial reporting are available for all employees concerned on the company's intranet. NetEnt has information and communication channels with the purpose of promoting complete and accurate financial reporting. Only a

limited number of people in the functions Finance, IR, and the CEO's office have access to information that is confidential in nature such as budgets, forecasts, financial outcome reporting, board material and remuneration. Access to such confidential information is in accordance with the powers bestowed upon the company's staff in the organisation.

Guidelines and manuals of importance for financial reporting are updated and communicated to those concerned as new employees are introduced, and in the event of potential changes, to all affected staff. There are both formal and informal communication channels to senior executives and the Board of Directors for important information from employees. In order for all employees to feel secure in reporting deviations from the company's rules, there is a confidential and efficient whistleblowing procedure in place. For external communication, there are guidelines for the company with stringent demands on accurate and relevant information for the market. The Board of Directors annually adopts an information policy for the company, which includes guidelines for contacts with analysts and the media.

In connection with the introduction of new employees, the latter are informed of the laws and guidelines followed by the company regarding for example managing insider information and trading in the company's shares. Prior to each quarterly earnings report, a reminder is sent about the rules to all staff.

Internal audit

The company has an internal audit function in place regarding anti-money laundering procedures. The most recent internal audit took place in 2018 and was performed by EY. ●

Entertainment in a safe and secure gambling environment – opening remarks from the CEO

At NetEnt, everything we do is guided by Better Gaming. This refers to the product that we offer our customers and the experience delivered to the players, but also the way in which we operate. Sustainability supports our brand today and safeguards our business moving forward towards the future.

This will be our first comprehensive sustainability report under the Global Reporting Initiative (GRI) standards. In this report we communicate all the policies and procedures that guide us within the area of corporate social responsibility. This includes how we manage these activities and how it contributes to a fun, safe and secure product for our many customers around the world as well as a sustainable business model for all our stakeholders.

At NetEnt, our strategy is to grow in regulated markets. This naturally means a strong focus on sustainability throughout the business. In a regulated market, long-term business success depends on the ability to create an attractive customer offering that complies with the regulations imposed by the licensing authorities. At NetEnt we embrace more regulation in the gambling industry as we believe that this creates sustainability through a secure environment for both players and operators alike.

At NetEnt we have divided our sustainability framework into six key areas:

- Promoting **responsible gambling** is fundamental to us and a prerequisite for retaining the licenses and certifications we hold. Players should play for the right reason, namely for entertainment and excitement in a safe and secure gambling environment. Our product design is aimed at helping customers to promote responsible gambling.
- We welcome sustainable **regulation** in the gambling industry because this leads to a better environment for players and gambling companies alike.
- Further, we have a social responsibility towards society in the areas where we operate. As such, we have a **zero-tolerance policy towards money laundering and corruption**.
- **Work environment and society:** Motivated and healthy employees are fundamental to our success and contribute to a better society, and we work actively to create the best conditions for personal development in a healthy work environment.
- **Diversity and inclusion** lead to a better exchange of perspectives and experience,

supporting innovation. An open and inclusive workplace is a key part of NetEnt's corporate culture, which is an important success factor for the company.

- Our digital business model generally means that we have a lower environmental impact than traditional land-based casino's. Whenever possible, we strive to be a green company and to help **protecting our planet**.

The sustainability of our business will be a key factor in ensuring that we can grow and create shareholder value for years to come. The NetEnt sustainability report will be our annual communication about our progress and commitments to be a positive force for customers, players, employees and society at large. I hope you will enjoy reading this report and continue to follow the development of our company.

Sincerely,
Therese Hillman, CEO

Sustainability at NetEnt

NetEnt is a leading provider of digitally distributed games and gambling systems for online casinos used by gambling operators around the world. NetEnt and its customers, the casino operators, work according to a partnership model which means that NetEnt is responsible for all technical operations and monitoring of gambling transactions through hosting. The gambling operators pay a monthly royalty fee to NetEnt, calculated as a percentage of the game win generated by NetEnt's games. NetEnt has no direct customer relation with the end users of its products - the players.

Building a sustainable business with long term growth is at the center of our vision to drive the online casino market through *Better Gaming* solutions. For us, *Better Gaming* means to always strive to have the best customer and player offering and to be a good alternative by meeting the expectations of our stakeholders.

Historically, the online gambling industry has not always operated with enough transparency, which has often contributed to an unfair perception of being irresponsible and cynical. Now, as the industry has matured, most companies have implemented new compliance standards with a clear focus on responsible gambling. Operators and suppliers also strive towards a more open and

accessible approach, as they realize the business importance of a more balanced public perception of the industry. NetEnt aims to be at the forefront of this development, leading the way for a more transparent and responsible industry.

In close dialogue with its stakeholders, NetEnt has identified six sustainability areas that are of particular importance to the company and its stakeholders.

Governance

NetEnt has integrated sustainability efforts into the company's overall business strategy and operations. The guidelines for our sustainability framework have been reviewed and approved by the Board of Directors. These guidelines are formulated in the company's CSR policy. At NetEnt, the main governance and supervisory body of sustainability is the Board of Directors. The management team is responsible for the execution of the strategy and for ensuring that it is implemented throughout the organisation. Our CSR Manager, together with managers in relevant departments, is responsible for making sure that our policies and standards are followed and that employees are aware of what is expected from them.

NetEnt has also joined the UN Global

Compact and works to promote its ten principles in the communities and environments where the company conducts business. The company is also committed to supporting UN's Global Sustainable Development Goals (SDG), which place demands on continual improvements in the area of sustainability.

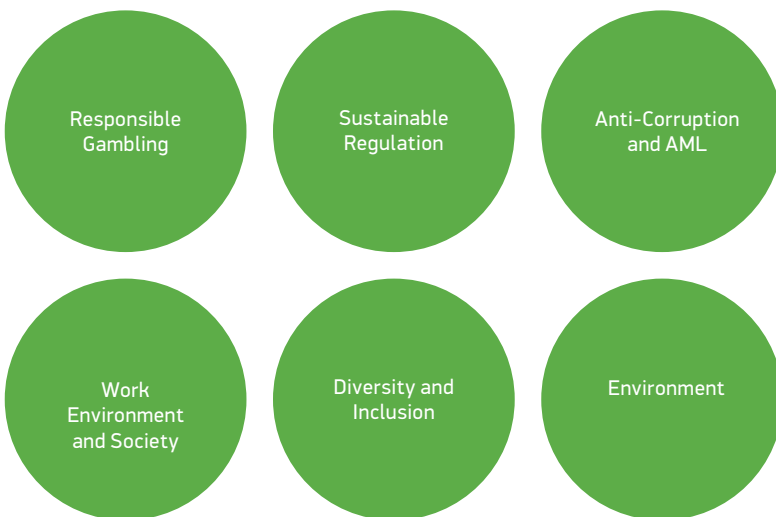
About this report

This report has been prepared in accordance with the Global Reporting Initiative (GRI) standards, Core Option. GRI is a non-profit organisation that publishes world-wide reporting standards for sustainability reporting. The Core Option of the GRI standards means that NetEnt will report on all GRI foundation disclosures, general disclosures and management approaches, while also reporting on a selected number of economic, environmental and social disclosure topics.

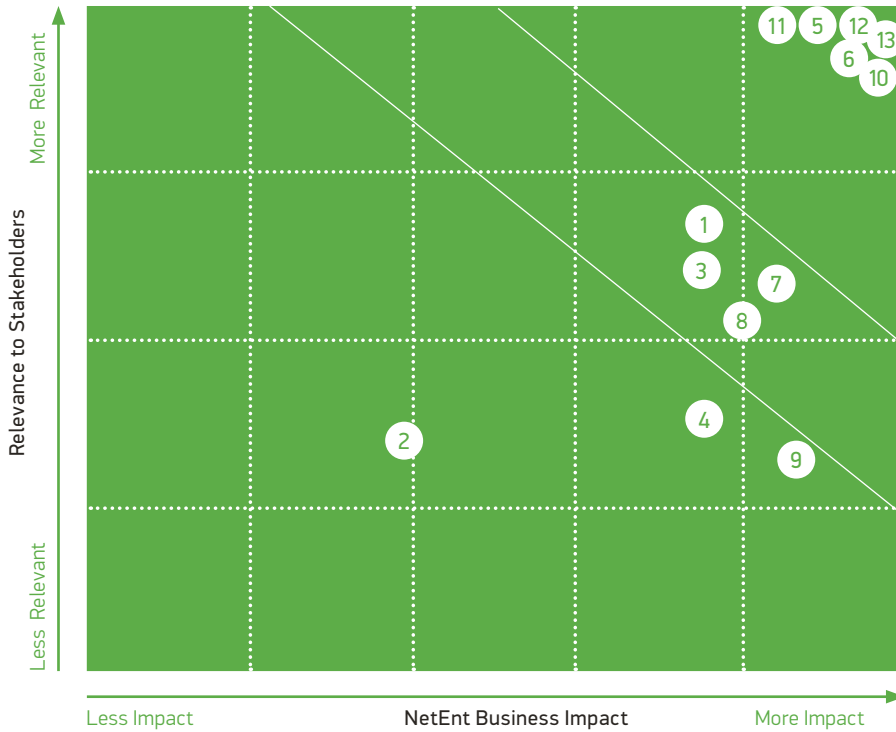
The sustainability report covers activities in the 2018 calendar year, focusing on key issues and activities to address stakeholder concerns, in line with the materiality analysis. As this is our first GRI report, some of the data presented will not have comparable data and thus progress will be shown starting from the 2019 GRI report. From now on, NetEnt aims to publish a sustainability report every year together with its annual report. The report has not been subject to special review by the company's auditor.

Stakeholder consultations

To support a successful and sustainable development of NetEnt's business, both internal and external stakeholder engagement is a high priority. These dialogues take place throughout the year in the shape of surveys, focus groups, face-to-face meetings, as well as through our customer support department. Consulting our most important stakeholders, including customers, players, employees and shareholders, was a vital part in the preparation of this report.



NetEnt's key areas for sustainability



NetEnt's focus areas

Environment

- 1. Carbon Emissions
- 2. End of life equipment (EOL)
- 3. Business travel
- 4. Green Offices

Social

- 5. Responsible Gaming
- 6. Regulated Markets
- 7. Diversity and Equality
- 8. Employee Training and Development
- 9. Community Support

Governance

- 10. AML
- 11. Anti-Corruption
- 12. Consumer Data Protection
- 13. CyberSecurity

The table below illustrates the most material sustainability topics identified within each stakeholder group.

Stakeholders	Material Topics Raised
Customers (and indirectly players)	<ul style="list-style-type: none"> • Responsible gambling • Cyber security • Consumer data protection
Employees	<ul style="list-style-type: none"> • Diversity and inclusion • Training and development • Physical and mental health
Shareholders and investors	<ul style="list-style-type: none"> • Responsible Gambling • Regulated markets • Anti-Money Laundering (AML) and Anti-Corruption
Society	<ul style="list-style-type: none"> • Responsible players • Responsible gambling • Regulated markets • Carbon emissions • Anti-Money Laundering (AML) and Anti-Corruption • Diversity and inclusion • Employment opportunities • Taxes (primarily gaming tax and corporate tax)
Suppliers	<ul style="list-style-type: none"> • Business ethics

Materiality

After discussing materiality with our stakeholders, we reviewed and analyzed the information received and then selected the most relevant and important materiality subjects that we would focus on in our sustainability work. The materiality matrix above is the result of this analytical work and shows our most material aspects, which are all covered in this report.

Responsible gambling

Promoting responsible gambling is fundamental to NetEnt and a prerequisite for retaining the licenses that we hold. It's important that NetEnt's games are played for the right reason, namely for entertainment and excitement. The vast majority of players enjoy gambling as a safe and responsible form of entertainment, but for some, gambling can turn into an addiction that threatens their physical, mental and social wellbeing.

100%

of our employees receive responsible gambling training as part of their induction programme

Many of our customers have their own responsible gambling tools available to players; where they do not, NetEnt offers support:

50%

of our customers have our reality check tool activated

30%

of our customers have our betting limits tool activated

40%

of our customers have our full responsible gambling tool activated

ZERO CASES OF
NON-COMPLIANCE IN 2018



The Public Health Agency (2017) estimates that around 2 percent of the population aged between 16 and 84 have issues with their gambling. Out of people who have placed in the past year, the percentage of problematic gamblers is estimated at 3 percent of players.

Although NetEnt has no direct contact with the individual players, the company works actively and in close cooperation with other market participants to prevent gambling-related problems.

Internal guidance and training

All NetEnt employees are trained in responsible gambling, and those with special responsibility undergo in-depth training. Formal guidance in the area is provided by the the company's CSR Policy. NetEnt also has the following policies and procedures which contribute to our commitments in this field:

- **NetEnt Self-Exclusion Procedure:** Description of how NetEnt shall proceed when a player expresses a desire to be prevented from playing further
- **NetEnt Regulatory Training Policy:** Presentation of the requirements placed on employee training in responsible gambling (part of CSR policy and Compliance Management Policy).

Self-control and self-protection tools available in the NetEnt CasinoModule™

Many of NetEnt's customers have their own tools and flagging systems to monitor problematic behavior among players. In addition, NetEnt offers a number of custom-made responsible gambling tools, such as

- **Play Limits:** NetEnt provides API functionality for setting game play limits, and support for the display of in-game messages when limits have been reached. In order for these limits to apply for all games that a player is exposed to in the casino, the limits must be implemented by the online casino operator to span between NetEnt and non-NetEnt products. NetEnt limits include overall loss and bet limits per session/day/week/

month, session length, bet limit for a specific game and maximum single bet by game.

- **Reality checks:** When the NetEnt casino solution is configured, additional measures can be put in place to regularly remind players how long they have been playing, and how much they have won or lost. The reality check feature displays a periodic in-game notification to real-money players during game play. Game play is suspended when the check is displayed, and only resumed once the player has acknowledged the message. This functionality is enabled by default in most jurisdictions.
- **Game speed:** To make game play safer NetEnt's casino solution can be configured so that a certain amount of time (typically three seconds) must pass between two game rounds. This is also often a parameter that is regulated by gambling authorities in some markets.
- **Visible clock:** NetEnt's games feature support for time displays that make it easier for players to maintain a correct sense of time.

Sustainable regulation and compliance

MAP-Regulated Markets

NetEnt welcomes regulation in the gaming industry because this leads to a safer environment for both players and gaming companies. Commercially reasonable rules regarding taxes and product provisions provide solid fundamentals for regulated markets to grow and develop. NetEnt's strategy is to expand in regulated markets and, for many years, the company has invested resources to build up an organisation with the capacity to obtain and maintain licences and certifications. NetEnt's games go through thousands of automated, repeated tests to ensure that they are compliant with all applicable rules and regulations. This means that the games must meet a number of responsible gambling criteria before they are considered ready for market launch.

The compliance department at NetEnt

supports the organisation and the customers in matters regarding laws, regulations and directives, and ensures the company's compliance to policies and processes. The department also assists with customer due diligence. This is followed up by continuous due diligence on the existing customer base, with a frequency depending on their region of operation, usually yearly for customers in the EU/EEA Economic Area and every 6 months for those outside of the EU.

For all employees to feel secure in reporting any deviations from the company policies and rules, a whistleblower function is in place to allow employees to raise their concerns in a confidential and efficient way.

Ensuring game security, fairness and accreditation

NetEnt's platform and games, including the random number generators (RNG) used to generate the game outcomes, are tested and certified by independent accredited test facilities (ATF). They verify that our products meet all the regulations, including player protection and fairness, as well as security for the regulated markets in which we operate. NetEnt's games are tested and accredited by the following independent test facilities:

- eCOGRA - Live Casino testing and certification
- Gambling Laboratories International - On-site security inspection
- iTech Labs - Platform and game testing and certification
- Technical Services Bureau - Platform and game testing and certification

Memberships in industry organisations

In Sweden, NetEnt is a member of the Swedish Online Gambling Association (BOS) and in the UK a member of the Remote Gambling Association (RGA). Both organisations represent gambling companies and game developers. We strive to contribute to the work of both organisations with regards to advocating

for continued and increased focus on responsible gambling issues. NetEnt is also an associate member of the World Lottery Association (WLA), which is a global member-based organisation that promotes the interests of state-authorised gambling operators and commits to the highest standards of corporate and social responsibilities.

We support the communities where we work

At NetEnt, we want to do as much as possible to support the communities in which we work. We support organisations that work with the treatment, prevention and research of gambling addiction.

In February 2018 at the ICE total gambling conference in London, international organisation Gambling Therapy unveiled its new website, which was financially supported by NetEnt. With the gambling industry moving more and more online, support for those who have problems related to gambling must also adapt. Gambling Therapy is a global online support service where teams of experts deliver support via text based live helplines, online groups, confidential support by email and a database of resources and information for people seeking help. Supporting organisations like Gambling Therapy is important for NetEnt and is aligned with its CSR strategy to positively affect the communities that use our products.

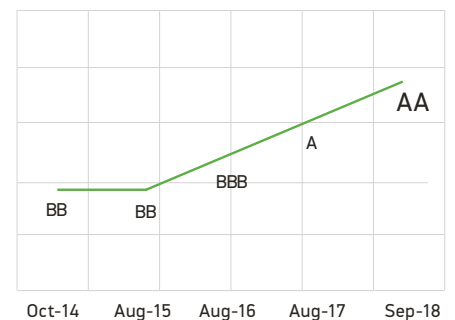
NetEnt also supports GambleAware in the United Kingdom and liaises regularly with relevant organisations and academia to stay well-informed on current trends within responsible gambling and to contribute where possible to the advancement of the subject throughout our industry.

In 2018, NetEnt also participated in a research project conducted by the University of Bournemouth's EROGamb project team. The aim of the project is to design software and research facilities which retrieve the gambling history of subscribed gamblers and help them

MCSI ESG Ratings History

In 2018, NetEnt received an ESG rating of AA by MSCI. The MCSI rating is compiled using a thorough methodology to research and rate companies on a scale between "AAA" to "CCC" according to their risk exposure to industry-specific ESG risks and their ability to manage those risks relative to their peers.

NetEnt's MCSI ESG Ratings History:



ZERO-TOLERANCE POLICY REGARDING CORRUPTION AND MONEY LAUNDERING

100%

due diligence on all our new customers from a responsible gambling perspective



ALL DATA CENTERS BEING USED ARE ISO 27001 CERTIFIED.

visualise their gambling so they can make informed decisions based on their gambling behavior.

Corporate Citizens

At NetEnt we strive to be good corporate citizens. This means that we believe that we have a social, cultural and environmental responsibility towards the communities in which we have offices and where we seek a license to operate. Furthermore, we have responsibilities to our shareholders and stakeholders to operate with high standards of business ethics.

Governance of NetEnt’s sustainability efforts are integrated into the ordinary operations and ensured through policies, targets and key performance indicators (KPI’s) within various parts of the organisation.

Anti Corruption and Anti-Money Laundering

NetEnt applies zero tolerance and clear guidelines against money laundering and corruption.

All our staff at every level have access to our polices related to anti-corruption and anti-money laundering via our intranet.

All NetEnt’s operations are assessed against the European Union’s Fourth Anti-Money Laundering Directive adopted on June 26th, 2017. According to such an assessment, we believe that the company is at a relatively low risk for any form of corruption as its operations are business-to-business, in other words, a level removed from the end user of the products. Additionally, all employees receive basic training on anti-corruption as part of the introductory training as they join NetEnt. Managers undergo annual training courses, and staff with special roles receive extra training to ensure that the knowledge is spread throughout our organisation.

NetEnt’s compliance team performs due-diligence on all new customers, including anti-corruption and anti-money laundering aspects. In addition,

existing customers are reviewed on a regular basis.

United Nations Global Compact

NetEnt is a supporting member of the UN Global Compact. The UN Global Compact aligns company strategies and operations with universal principles on human rights, labor, environment and anti-corruption and takes action that advances societal goals. This sustainability report will also serve as our yearly communication on progress (COP) to the United Nations’ Global Compact review process.

United Nations Sustainable Development Goals

We continually assess our operations, materiality areas and areas where we can contribute to the 17 important sustainability goals adopted by the United Nations in 2015.

Weather it’s our dedicated work on diversity and inclusions, our attention to minimise our carbon footprint or our policies when it comes to employee health and well-being, there are many ways in which we as a company can contribute to these important goals and will continue to do so in the future. Our CSR strategy, related activities, targets and programs are aligned with the SDGs. We have also engaged with the United Nations Development Program (UNDP), who runs the task of communicating the goals, by supporting selected UNDP projects around the world.

Data Security

Privacy and information management is becoming increasingly important for large organisations that collect, process, and transfer information, such as confidential data about employees and customers, including personal data. The potential financial, legal, and reputational costs of a potential data breach have increased in recent years.

NetEnt is committed to the individual’s privacy and will actively work to

protect personal data. The company is affected by data security legislation in various parts of the world, mainly in the EU and the US. NetEnt has implemented a data privacy programme, which is a strategic part of achieving consistent data protection across all jurisdictions and for all customers (casino operators). The privacy and information security policies and procedures are created to mitigate and minimise data-related vulnerabilities in general, and for personal data in particular.

At NetEnt, monitoring of the systems takes place 24/7, and a focused incident-response team and crisis management team are prepared for potential data-breach incidents. This response includes management escalation and reporting actions, as well as management of remediation efforts. All employees are trained during employment and on an annual basis.

NetEnt only processes personal data in connection with our performance under any service agreement: (1) only on behalf of and for the benefit of the customer; (2) in accordance with the service agreement and prior written instructions; and (3) as otherwise required by all applicable data-protection laws and regulations.

NetEnt confirms not to process any personal data for any other purpose than specifically written instructions from the contractor. Personal data regarding players is always anonymised in NetEnt's systems and cannot be connected to a person unless the systems are cross-referenced with the casino operator.

Policies and commitments

NetEnt has implemented several technical and organisational controls to address requirements of any applicable data protection law and gambling regulation regarding the collection, storage, use, transfer, security, or processing of personal data. NetEnt agrees not to disclose personal data to law enforcement unless required to do so by law.

Employee training

NetEnt trains all employees and consultants as part of the introductory on-boarding. The Chief Information Security Officer gives a monthly update and there is also yearly security training. In 2018, this was done as a series of information security. The information security team also held a series of technical training workshops, based on the most common web application vulnerabilities. These sessions were practically oriented and targeted developers in the various teams of NetEnt.

Responsibilities

NetEnt is present in many markets in which gambling is locally regulated, thus there is a detailed responsibility structure in the group. This includes specialist roles like Legal and Compliance. There are roles with responsibility for advising on best practices in privacy compliance and to develop policies, procedures, training, risk assessment, and monitoring programs.

Specific actions

NetEnt adopts "privacy-by-design" principles in the structure and implementation of systems and processes.

There is ongoing monitoring of privacy obligations including impact assessments and reviews of internal systems and processes. External business partners are obliged to comply with NetEnt's policies and applicable laws.

Gambling regulators and customers inspect NetEnt regularly, often using third-party audit firms. NetEnt provides customers with documentation and information required for them to conduct their due diligence audits.

NETENT HAS NOT SUFFERED ANY COMPLAINTS RELATED TO CUSTOMER INTEGRITY AND CUSTOMER DATA FROM OUTSIDE PARTIES OR REGULATORY BODIES DURING THE REPORTING PERIOD.

We operate in many regulated markets:

- Malta
- Alderney
- Gibraltar
- UK
- Italy
- Denmark
- Belgium
- Bulgaria
- Czech Republic
- Latvia
- Lithuania
- Hungary
- Norway
- Finland
- Serbia
- Estonia
- Isle of Man
- Portugal
- Romania
- Spain
- Canada (British Columbia)
- USA (New Jersey)
- Mexico
- Sweden

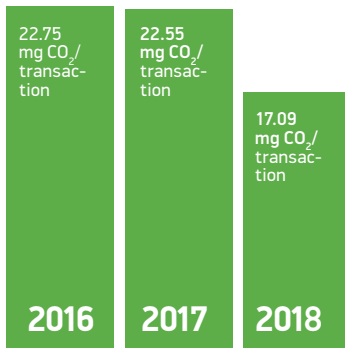
Regular audits performed by external parties are the following:

- Information Security Management System (ISMS)
- Live Casino
- Penetration testing
- Vulnerability assessment
- Payment Card Industry scans
- Social engineering

NETENT HAS A HIGH SHARE OF FEMALE WORKERS COMPARED TO THE IT INDUSTRY OVERALL: 39% FOR ALL EMPLOYEES AND 35% AMONG MANAGERS



CO₂ emissions per gambling transaction



Our employees

Healthy communities start with a healthy staff

Healthy, motivated employees who feel that their health, career development and inclusion in our company culture are taken seriously are crucial to the performance and success of our company. We also believe that this commitment leads to a better society in the countries and cities where we operate, which is a step towards reaching the UN sustainable development goals.

We focus on three pillars in our approach to our employees:

- Health and Energy
- Diversity and Inclusion
- Career Development and Training

Health and Energy

Health and Energy is an important part of NetEnt’s employee strategy. Employees are encouraged to have a healthy lifestyle with exercise, sound eating habits and a sound mental health and balance. The company offers numerous initiatives and activities to provide employees with opportunities to stay fit and active during the week. All NetEnt employees in the Swedish office are offered a yearly health benefit, which can be used to pay for a gym membership as an example.

Our success is measured by our low number of sick days per employee which in 2018 was: 2.4 (2.6) percent.

The company has a staff policy (Employee Policy) to protect the health and well-being of its employees. The policy covers areas such as work environment, alcohol, drugs and zero tolerance against harassment.

Diversity and Inclusion

At NetEnt, diversity and inclusion are important to support better decision-making and innovation, as well as to contribute to an open and positive corporate culture.

NetEnt offers equal opportunities to all staff regardless of gender, age, disability, ethnicity, religion,

sexual orientation. We have employees representing over 60 nationalities and English is the official language of the company. All aspects of diversity and inclusion are integrated throughout the organisation and the business processes at NetEnt.

According to NetEnt’s personnel policy (Employee Policy), employees must be entitled to equal pay for equal roles, regardless of gender. In the company’s annual salary audits, comparisons are made between roles to ensure that there are no salary differences solely on the basis of gender. In 2018, three cases were discovered where salary adjustments were made, based on such a comparison.

Girls in Tech

In 2018, NetEnt became a partner of the organisation Girls in Tech. Girls in Tech (GIT) is a global non-profit organisation focused on the engagement, education and empowerment of girls and women who are passionate about technology. GIT aims to accelerate the growth of women entering into the high-tech industry.

Career Development and Training

Personal development is a strong focus at NetEnt. All employees are given the opportunity to grow and take on new roles in the company that match their strengths. Employees receive regular performance and career development reviews and have opportunities to continue learning through training and courses offered by the company.

NetEnt maintains a continuous dialogue with its employees. Employee surveys are continuously carried out to gather feedback on key areas of importance and improvement potential for the company. Among other things, an Employee Net Promoter Score (eNPS) is measured, which stood at 22 in the fourth quarter of 2018. This score is regarded as relatively high compared to industry benchmarks.

Environment

Our planet

NetEnt's digital business model is more environmentally friendly than traditional, land-based casino settings that consume more resources and have a higher carbon footprint. The largest negative environmental impact comes from electricity consumption, which is mainly attributed to technical equipment such as servers, PCs and monitors.

Environmental issues are governed by NetEnt's Environmental Policy. In 2017, we started to measure our CO₂ emissions per gambling transaction with a goal of reducing our carbon footprint by 20% by the end of 2020.

This target helps the company to grow in an environmentally-friendly way. Plans for a continued comprehensive CO₂ footprint analysis are underway for 2019.

Travel

We invest in our office infrastructure to make sure that whenever possible, we can avoid air travel in favour of video or phone meetings. This is not only good for the environment, but also an example of how environmental sustainability can support profitability in the company.

In 2018, NetEnt's staff continued to limit air travel. The main video conferencing software was used more than ever; the total usage increased by 36 percent from the previous year.

Recycling

Wherever possible, we encourage all of our employees to recycle paper and plastic waste. As of 2018, our office in Stockholm is now free of plastic cups, opting instead for recyclable materials.

We also encourage the recycling of old computer hardware that has reached its end of life. An example of this in 2018 was the donation of computers to the primary school of Stevan Neman in Stenjevac, a rural village located in Serbia. The school now has a fully functioning computer class where students can be introduced to computer studies.

Office Infrastructure

We strive to use green buildings for our office space. In Stockholm, for example, our office is owned by Vasakronan. Vasakronan is goal-orientated in reducing environmental impact and is climate-neutral and certified according to ISO 14001.

The Ocean Cleanup

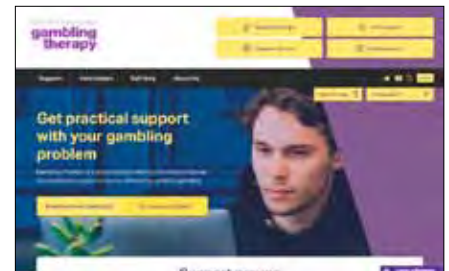
Every year at NetEnt, in lieu of giving our staff holiday gifts, we donate money to charities chosen by the staff. In 2017, NetEnters overwhelmingly chose to support The Ocean Cleanup. The Ocean Cleanup is developing a passive system, using the ocean currents as its driving force, to catch and concentrate the plastic that is destroying our oceans. It is estimated that a full-scale deployment of their systems could clean 50 percent of the Great Pacific's garbage patch in five years.

NetEnt donated over 13,000 Euro to the project, which is now underway. With offices in Stockholm, Gothenburg, Malta and Gibraltar - all located by the sea - the Ocean Cleanup project is one that feels particularly important for NetEnt's staff, as evident by the strong support for the project.

Similarly, in 2018, NetEnters chose to donate money to the UN fundraiser New Deal for Nature. This means that NetEnt will be involved in financing a specific project within the UN Development Program (UNDP), which aims to support the UN's environment-related goals for sustainable development (goals 13,14 and 15). ●

“We have a very positive working relationship with NetEnt, who have supported us in the costs to redevelop our Gambling Therapy website in 2018, as well as providing continued support for our Gambling Therapy service. As a charity, which relies on industry support for its international service outside of the UK, it is great that operators such as NetEnt are continuing to enable us to provide high quality and much-needed treatment services. We look forward to our relationship developing further over the coming years.”

Adele Duncan, CEO (Gordon Moody Association) Gambling Therapy



GRI Index Content

The following tables contain standard information according to Global Reporting Initiative's (GRI) Core Option standard.

GRI 101: Foundation

GRI 101: Accuracy	p.68-69	GRI 101: Timeliness	p.68-69
GRI 101: Clarity	p.68-69	GRI 101: Stakeholder inclusiveness	p.68-69
GRI 101: Balance	p.68-69	GRI 101: Sustainability context	p.68-69
GRI 101: Reliability	p.68-69	GRI 101: Materiality	p.68-69
GRI 101: Comparability	p.68-69	GRI 101: Completeness	p.67-75

Core Option

GRI 102: General Disclosures

GRI 102:	Disclosure Reference	Page Number	Comments
General Disclosures (2018)	Disclosure 102-1 Name of organisation	Annual Report p. 44	
	Disclosure 102-2 Activities, brands, products and services	Annual Report p. 4, 28-31, 44	
	Disclosure 102-3 Location of headquarters	Annual Report p. 44	
	Disclosure 102-4 Location of operations	Annual Report p. 5, 24-25, 44	
	Disclosure 102-5 Ownership and legal form	Annual Report p. 38, 44, 52	
	Disclosure 102-6 Markets served	Annual Report p. 24-25, 44	
	Disclosure 102-7 Scale of the organisation	Annual Report p. 5, 40-41, 46	
	Disclosure 102-8 Info on employees and other workers	Annual Report p. 32-35, 46	
	Disclosure 102-9 Supply chain	Annual Report p. 14-15, 44	
	Disclosure 102-10 Significant changes to the organisation and its supply chain	Annual Report p. 44	Not applicable as this is NetEnt's first GRI report
	Disclosure 102-11 Precautionary principle or approach	Annual Report p. 64-65	See NetEnt's CSR Policy
	Disclosure 102-12 External initiatives	Annual Report p. 52, 88	
	Disclosure 102-13 Membership of associations	Annual Report p. 70-72	
	Disclosure 102-14 Statement from key decision maker	Annual Report p. 8-9, 67	
	Disclosure 102-15 Key impacts, risks and opportunities	Annual Report p. 48-51	
	Disclosure 102-16 Values, principles, standards and norms and behaviours	Annual Report p. 16-17, 67	
	Disclosure 102-17 Mechanisms for advice and concerns about ethics	Annual Report p. 68-71	
	Disclosure 102-18 Governance structure	Annual Report p. 52-56, 64-66	
	Disclosure 102-19 Delegating authority	Annual Report p. 52-56	
	Disclosure 102-20 Executive-level responsibility for economic, environmental and social topics	Annual Report p. 68	
	Disclosure 102-21 Consulting stakeholders on economic, environmental and social topics	Annual Report p. 68-70	
	Disclosure 102-22 Composition of highest governance body	Annual Report p. 52-56, 58-59	
	Disclosure 102-23 Chair of the highest governance body	Annual Report p. 39, 54-55	
	Disclosure 102-24 Nominating and selecting the highest governance body	Annual Report p. 52-56	
	Disclosure 102-25 Conflicts of interest	Annual Report p. 106	

GRI 102: General Disclosures (2018)	Disclosure Reference	Page Number	Comments
	Disclosure 102-26 Role of highest governance body in setting purpose, values and strategy	Annual Report p. 52-56	
	Disclosure 102-27 Collective knowledge of highest governance	Annual Report p. 54, 58	
	Disclosure 102-28 Evaluating the highest governance body's performance	Annual Report p. 54-55	
	Disclosure 102-29 Identifying and managing economic, environmental and social impacts	Annual Report p. 68	
	Disclosure 102-30 Effectiveness of risk management processes	Annual Report p. 64-66	
	Disclosure 102-31 Review of economic, environmental and social topics	Annual Report p. 68-69	UNGC Principle 1, 2, 3, 4, 5, 6, 7, 8, 9, 10
	Disclosure 102-32 Highest governance body's role in sustainability reporting	Annual Report p. 68	Sign off on report
	Disclosure 102-33 Communicating critical concerns		Not applicable
	Disclosure 102-34 Nature and total number of concerns		Not applicable
	Disclosure 102-35 Remuneration policies	Annual Report p. 99-100	
	Disclosure 102-36 Process for determining remuneration	Annual Report p. 57	
	Disclosure 102-37 Stakeholders involvement in remuneration	Annual Report p. 56	
	Disclosure 102-38 Annual total compensation ratio	Annual Report p. 99-100	
	Disclosure 102-40 List of stakeholder groups	Annual Report p. 69	
	Disclosure 102-41 Collective bargaining agreement		UNGC Principle 3
	Disclosure 102-42 Identifying and selecting stakeholders	Annual Report p. 69	
	Disclosure 102-43 Approach to stakeholder engagement	Annual Report p. 68-69	
	Disclosure 102-44 Key topics and concerns raised	Annual Report p. 68-69	
	Disclosure 102-45 Entities included in the consolidated financial statements	Annual Report p. 103	
	Disclosure 102-46 Defining report content and topic boundaries	Annual Report p. 68-69	
	Disclosure 102-47 List of material topics	Annual Report p. 68-69	
	Disclosure 102-48 Restatements of information		
	Disclosure 102-49 Changes in reporting	Annual Report p. 84-88	
	Disclosure 102-50 Reporting period	Annual Report p. 84-94	
	Disclosure 102-51 Date of most recent report	Annual Report p. 44, 67	
	Disclosure 102-52 Reporting cycle	Annual Report p. 44, 67	
	Disclosure 102-53 Contact point for questions regarding the report	Annual Report p. 118	
	Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	Annual Report p. 67	
	Disclosure 102-55 GRI Content Index	Annual Report p. 76-78	
	Disclosure 102-56 External assurance	Annual Report p. 111-114	

Specific Standard Disclosures

Material Topic	Disclosure Reference	Page Number	Comments
Governance	Disclosure 205-1 Operations assessed for risks relating to corruption:	Annual Report p. 68, 72	
	Disclosure 205-2 Communication and training on anti-corruption policies and procedures:	Annual Report p. 72	
	Disclosure 205-3 Confirmed incidents of corruption and actions taken GRI 103 Management Approach. 103-1,2, and 3	Annual Report p. 68	UNGC principle 10
Data Security	Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data GRI 103 Management approach. 103-1,2, and 3	Annual Report p. 72-73 Annual Report p. 68	
	Employees	Disclosure 405-1 Diversity of governance bodies and employees	Annual Report p. 58, 74
Disclosure 406-1 Incidents of discrimination and corrective actions taken (3)		Annual Report p. 74	UNGC principle 1, 2, 6
Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews GRI 103 Management approach. 103-1,2, and 3		Annual Report p. 74 Annual Report p. 68	
Environment	Disclosure 305-5 Reduction of GHG emissions	Annual Report p. 74-75	UNGC principle 7,8,9
	GRI 103 Management Approach. 103-1,2, and 3	Annual Report p. 68	

All 2017 figures have been adjusted for IFRS 15.

Group

Income statement and statement of comprehensive income

SEK thousands	Note	2018	2017
Revenues	3, 4	1 778 169	1,630,552
Other revenues	5	3,782	5,527
Total operating revenues		1,781,950	1,636,078
Operating expenses			
Personnel expenses	6	-535 903	-458,045
Depreciation/amortisation and impairment	12, 13	-214 958	-158,019
Other operating expenses	23	-429 991	-438,378
Total operating expenses		-1 180 853	-1,054,442
Operating profit		601,098	581,636
Financial items			
Financial income	8	62,106	18,882
Financial expense	9	-41 025	-20,575
Total financial items		21,080	-1,693
Profit before tax		622,178	579,943
Tax on profit for the year	10	-44 949	-32,695
Profit for the year		577,229	547,247
Earnings per share, basic (SEK)	11	2.40	2.28
Earnings per share, diluted (SEK)	11	2.40	2.28
Closing number of shares		240,130,860	240,130,860
Average number of shares		240,130,860	240,130,860
Profit for the period attributable to:			
Parent company shareholders		577,229	547,247

Statement of comprehensive income

SEK thousands	2018	2017
Profit for the year	577,229	547,247
Other comprehensive income		
Items that may be reclassified to profit/loss		
Exchange differences arising from the translation of foreign operations	7,708	17,654
Sum of other comprehensive income for the year, net after tax	7,708	17,654
Total comprehensive income for the year	584,937	564,901
Comprehensive income for the year attributable to parent company shareholders	584,937	564,901

Group

Balance sheet

SEK thousands	Note	12/31/2018	12/31/2017
Assets	2		
Non-current assets			
Intangible assets	12	334,786	318,208
Property, plant and equipment	13	123,047	151,345
Deferred tax receivable	10	6,019	5,317
Other non-current receivables	17	30,261	31,781
Total non-current assets		494,112	506,651
Current assets			
Accounts receivable	15	64,427	55,786
Other receivables	17	51,866	74,843
Pre-paid expenses and accrued income	16	211,036	210,422
Funds held on behalf of licensees		29,543	82,535
Cash and cash equivalents	18	500,845	387,035
Total current assets		857,716	810,621
Total assets		1,351,829	1,317,272
Equity and liabilities			
Equity	19		
Share capital		1,205	1,205
Other capital contributed		93,812	93,812
Reserves		32,258	24,550
Retained earnings incl. profit for the year		828,745	791,810
Total equity		956,020	911,378
Non-current liabilities	2		
Pre-payments from customers		7,290	52,306
Deferred tax liability	10	10,245	11,341
Total non-current liabilities		17,534	63,647
Current liabilities			
Accounts payable		30,791	44,421
Current tax liabilities		24,421	25,628
Other liabilities	21	138,876	145,811
Accrued expenses and deferred income	22	184,186	126,387
Total current liabilities		378,274	342,247
Total equity and liabilities		1,351,829	1,317,272

Group

Cash flow statement

SEK thousands	Note	2018	2017
Operating activities			
Operating profit		601,098	581,636
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	12, 13	214,959	158,019
– Other		304	-4,664
Interest received		-	12
Interest paid		-2,039	-1,292
Income tax paid		-48,355	-40,879
Cash flow from operating activities before changes in working capital		765,966	692,831
Increase/decrease in accounts receivable		-8,641	-11,480
Increase/decrease in current receivables		91,190	38,895
Increase/decrease in accounts payable		-13,630	-55,279
Increase/decrease in other current operating liabilities		-7,007	1,095
Cash flow from operating activities		827,878	666,062
Investing activities			
Investment in intangible assets	12	-147,523	-156,362
Investment in property, plant and equipment	13	-38,595	-86,900
Cash flow from investing activities		-186,118	-243,262
Financing activities			
Distribution to shareholders/dividend		-540,294	-540,294
Premium received for stock options		-	3,647
Redemption of stock options		-	-52
Cash flow from financing activities		-540,294	-536,700
Cash flow for the year		101,466	-113,900
Opening cash and cash equivalents		387,035	494,497
Exchange rate difference in cash and cash equivalents		12,343	6,438
Closing cash and cash equivalents	18	500,845	387,035

Group

Changes in equity

SEK thousands	Share capital	Other capital contributed	Reserves	Retained earnings incl. profit for the year	Total equity
2017					
Opening equity 1/1/2017	1,205	90,189	6,897	824,786	923,076
Adjustment for IFRS 15*	-	-	-	-39,928	-39,928
Adjusted opening equity 1/1/2017	1,205	90,189	6,897	784,858	883,148
Profit for the year	-	-	-	547,247	547,247
Exchange-rate differences arising from the translation of foreign operations	-	-	17,654	-	17,654
Total comprehensive income for 2017	-	-	17,654	547,247	564,901
Premium received for stock options	-	3,623	-	-	3,623
Distribution to shareholders	-	-	-	-540,294	-540,294
Closing equity 12/31/2017	1,205	93,812	24,550	791,810	911,378

* Retroactive adjustment of total income according to IFRS 15.

SEK thousands	Share capital	Other capital contributed	Reserves	Retained earnings incl. profit for the year	Total equity
2018					
Opening equity 1/1/2018	1,205	93,812	24,550	791,810	911,378
Profit for the year	-	-	-	577,229	577,229
Exchange-rate differences arising from the translation of foreign operations	-	-	7,708	-	7,708
Total comprehensive income for 2018	-	-	7,708	577,229	584,937
Distribution to shareholders	-	-	-	-540,294	-540,294
Closing equity 12/31/2018	1,205	93,812	32,258	828,745	956,020

Parent company

Income statement and statement of comprehensive income

SEK thousands	Note	2018	2017
Net sales	3, 4	784,475	804,581
Other revenues	5	1,390	2,478
Total operating revenues		785,865	807,059
Operating expenses			
Other operating expenses	23	-280,035	-317,622
Personnel expenses	6	-435,993	-411,251
Depreciation/amortisation and impairment	12, 13	-26,474	-28,750
Total operating expenses		-742,503	-757,624
Operating profit		43,363	49,435
Financial items			
Profit from participations in group companies	7	513,765	443,237
Other interest income and similar profit/loss items	8	30,974	8,785
Interest expense and similar profit/loss items	9	-10,551	-6,753
Total financial items		534,188	445,268
Profit after financial items		577,551	494,704
Appropriations			
Provision to tax allocation reserve		9,547	-
Accelerated depreciation		-	-5,853
Total appropriations		9,547	-5,853
Profit before tax		587,098	488,851
Tax on profit for the year	10	-17,178	-9,166
Profit for the year		569,921	479,684

Statement of comprehensive income

SEK thousands	2018	2017
Profit for the year	569,921	479,684
Other comprehensive income		
Sum of other comprehensive income for the year, net after tax	-	-
Total comprehensive income for the year	569,921	479,684

Parent company

Balance sheet

SEK thousands	Note	12/31/2018	12/31/2017
Assets			
Non-current assets			
Intangible fixed assets	12		
Licenses and ERP systems		3,260	4,027
Total intangible fixed assets		3,260	4,027
Property, plant and equipment	13		
Plant and equipment		52,391	71,963
Total property, plant and equipment		52,391	71,963
Financial assets			
Participations in group companies	14	4,611	4,611
Deferred tax	10	3,396	2,163
Other non-current receivables	17	9,683	-
Total financial assets		17,690	6,773
Total non-current assets		73,341	82,763
Current assets			
Current receivables			
Receivables from group companies	25	527,997	529,077
Current taxes receivable		3,108	1,730
Other receivables	17	12,025	14,743
Prepaid expenses and accrued income	16	37,241	45,447
Total current receivables		580,371	590,997
Cash and bank balances	18	153,230	111,944
Total current assets		733,601	702,942
Total assets		806,942	785,704

Parent company

Balance sheet

SEK thousands	Note	12/31/2018	12/31/2017
Equity and liabilities			
Equity			
Restricted equity			
Share capital	19	1,205	1,205
Statutory reserve		38	38
Total restricted equity		1,243	1,243
Non-restricted equity			
Share premium reserve		58,885	58,885
Retained earnings		20,590	81,197
Profit for the year		569,921	479,684
Total unrestricted equity		649,396	619,766
Total equity		650,638	621,009
Untaxed reserves			
Tax allocation reserves	20	19,474	29,021
Total untaxed reserves		19,474	29,021
Current liabilities			
Accounts payable		23,301	33,413
Liabilities to group companies	25	-	3,499
Other liabilities	21	8,891	7,532
Accrued expenses and deferred income	22	104,639	91,230
Total current liabilities		136,831	135,674
Total equity and liabilities		806,942	785,704

Parent company

Cash flow statement

SEK thousands	Note	2018	2017
Operating activities			
Operating profit		43,363	49,435
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	12, 13	26,474	28,750
– Other		20,796	3,019
Dividend from subsidiaries		443,237	487,052
Interest received		165	-
Interest paid		-537	-987
Income tax paid		-24,829	-8,175
Cash flow from operating activities before changes in working capital		508,668	559,094
Increase/decrease in accounts receivable		-	3
Increase/decrease in current receivables		77,891	-67,104
Increase/decrease in accounts payable		-10,112	-52,168
Increase/decrease in other current operating liabilities		11,268	-89,790
Cash flow from operating activities		587,716	350,035
Investing activities			
Investment in intangible fixed assets	12	-1,800	-1,542
Investment in property, plant and equipment	13	-4,336	-45,578
Cash flow from investing activities		-6,136	-47,120
Financing activities			
Premium received for stock options		-	3,647
Redemption of options		-	-52
Distribution to shareholders/dividend		-540,294	-540,294
Cash flow from financing activities		-540,294	-536,699
Cash flow for the year		41,285	-233,784
Opening cash and cash equivalents		111,944	345,728
Closing cash and cash equivalents	18	153,229	111,944

Parent company

Changes in equity

SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening equity 1/1/2017	1,205	38	55,299	88,098	533,392	678,032
Profit for the year					479,684	479,684
Total comprehensive income	-	-	-	-	479,684	479,684
Premium received for stock options	-	-	3,586	-	-	3,586
Allocation according to the AGM	-	-	-	-6,902	-533,392	-540,294
Closing equity 12/31/2017	1,205	38	58,885	81,197	479,684	621,009

SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening equity 1/1/2018	1,205	38	58,885	81,197	479,684	621,008
Profit for the year					569,921	569,921
Total comprehensive income	-	-	-	-	569,921	569,921
Allocation according to the AGM	-	-	-	-60,608	-479,684	-540,292
Closing equity 12/31/2018	1,205	38	58,885	20,590	569,921	650,638

Notes to the financial statements

Note 1 General information

NetEnt AB (publ), the Parent Company with corporate identity number 556532-6443 and its subsidiaries (together, the Group or the Company) is a leading supplier of digitally distributed gaming systems used by some of the world's most successful gaming operators. NetEnt Casino Module is a comprehensive gaming system comprising a full suite of high-quality games and a powerful administration tool. The games create a superior gaming experience for the player while the administration tool enables NetEnt's customers - the gaming operators - to optimise their business and profitability. Operators are provided with a customised system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimising installation-to-operation times. The Company's revenues essentially consist of royalties, which are calculated and invoiced as a percentage of the game win (player bets less player wins) that are generated by NetEnt's games for the customers. When signing new customer agreements, the customers are also invoiced for set-up fees that are aimed at covering the integration and set-up costs that arise for NetEnt in connection with the launch of new customers. Set-up fees account for a minor share of the Company's total revenues.

NetEnt is an operating and development company and thus does not conduct any gaming operations of its own. The Company's brand is known internationally and associated with innovation, service, and quality. The Group's Parent Company is based in Stockholm, where group-wide administration and some development and technical coordination take place. Everything relating to the Group's business-critical functions, such as product management, roadmapping, sales, operation, customer support and marketing is operated and decided upon through the subsidiary in Malta. NetEnt also has offices in Gothenburg, Gibraltar, Kiev, Krakow and New Jersey (USA), as well as an IT operations site in Alderney. Product development takes place at the Company's offices in Stockholm, Gothenburg, Kiev and Krakow, and through a sub-contractor in India. All product development is commissioned by NetEnt's product-owning subsidiary in Malta.

Since 2009 the Parent Company has been listed on the Stockholm stock exchange - NASDAQ Stockholm, with the ticker NET B.

This annual report was approved for publication by the Board of Directors on March 29, 2019. The income statement and balance sheet will be adopted at the AGM on May 10, 2019.

Note 2 Accounting and valuation principles

Basis of preparation of the financial statements

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the European Commission for application within the EU.

Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary Accounting Rules for Groups" has also been applied.

The accounting principles have been consistently applied by all Group companies in their reporting, and in consolidation during all periods of time presented in the consolidated financial statements.

Conditions for preparing the consolidated financial statements

The Parent Company's functional currency is the Swedish Krona (SEK), which is also the presentation currency of the Parent Company and the Group. The financial statements are thus presented in SEK.

All figures are expressed in SEKk (thousands of Swedish Kronor) unless otherwise stated. SEKm is an abbreviation for million Swedish Kronor. Amounts and figures in brackets refer to comparable figures for the same period of the previous year.

Assets and liabilities are recognised at acquisition cost, apart from some financial assets and liabilities which are measured at fair value.

The most important accounting principles applied in the preparation of these consolidated financial statements are stated below. These policies have been applied consistently for all the years presented, unless otherwise stated.

The Parent Company applies the same principles as the Group, except insofar as the Parent Company financial statements have been prepared in accordance with RFR 2 "Accounting for Legal Entities". This results in certain differences caused by the requirements of the Annual Accounts Act or by tax considerations. The accounting policies of the Parent Company are provided below in the section "Parent Company accounting policies".

Standards, amendments and interpretations effective for 2018

The new accounting standard IFRS 15 is applied for the annual reporting period beginning January 1, 2018. The application of IFRS 15 influences how the Company recognizes and reports revenues and expenses attributable to setup fees.

The Company has chosen to apply the so-called retrospective approach upon the introduction of IFRS 15. The difference from previous accounting standards applied is that these revenue and expenses are now accrued over the term of the contract, usually three years, in comparison to earlier when these were recognized in connection with the signing of the customer agreement. The new accounting standard means the setup fees now comply with the agreements, and the royalties generated during the agreement period. The accounts for year 2017 presented in this Annual Report have been adjusted in accordance with this accounting standard. IFRS 15 has not affected the company's accounting and reporting of royalties.

IFRS 9 Financial Instruments is applicable from January 1, 2018. The standard contains new rules for the classification and measurement of financial assets and liabilities,

impairment of financial instruments and hedge accounting. The standard replaces IAS Financial Instruments: Recognition and Measurement. The Group's total financial assets were categorised as loans and receivables under IAS 39, and measured at amortised cost. The transition has not resulted in a change to the valuation of the Group, as the Group's business model for all financial assets is deemed to be hold to collect. The effects of the new credit provision models did not amount to a significant sum following the transition. The Group does not apply hedge accounting. In accordance with IFRS 9, The Group has decided not to apply the standard retroactively, and has therefore not recalculated the comparative amounts in the 2018 financial statements.

Standards, amendments to standards in issue not yet effective and not adopted early by the Group

IFRS 16 Leases is replacing IAS 17 Leasing Agreements and should be used from January 1, 2019.

In the preparations for the initial implementation of IFRS 16, the company has carried out an implementation project focused on identifying the differences between IFRS 16 and IAS 17, obtaining the data required to analyse the impact of these differences and adopting procedures for continued action following implementation of IFRS 16. The biggest identified difference is that the lease asset and liability should be reported in the balance sheet and that the future lease costs should be reported as depreciations in the income statement. The classifications of operational and financial leasing contracts are therefore no longer applicable. The underlying asset in the leasing contract is reported in the statement of financial position. In subsequent periods, the right of use is recognised at acquisition cost less amortisation and any impairment losses and adjusted for any remeasurement of the lease liability. The lease liability is reported in the statement of financial position and recognised continually at amortised cost less leasing payments made. The lease liability is remeasured upon changes to the term of the lease, the residual value and leasing payments, among other things. Income statements will be affected due to current operating expenses attributable to operational leasing contracts being replaced by depreciation and interest expense. There is no obligation to report shorter lease contracts (12 months or less) and agreements where the underlying asset has a low value in the balance sheet. NetEnt will apply the modified retroactive transition approach to the reporting of leasing contracts previously reported as operating leases. This method gives a leasing liability that is calculated as the net present value of remaining leasing commitments discounted with the margin cost of borrowing in the beginning of the period where the company starts to use this standard. Previous years and comparable financial statements will not change. The access right value asset has the value of the lease liability adjusted for any pre-payments. The lease liability and assets will be reported in the opening balance per 1 January

2019. Estimated adjustment of the opening balance for the asset amounts to MSEK 282.4, and the lease liability to MSEK 273.3. No adjustment in equity is needed.

In the opinion of Company management, other new or revised standards and interpretations not yet effective in 2018 are not expected to have any material effect on the consolidated financial statements for the period to which they are initially applied.

Classifications

Assets are classified as current assets if they are expected to be sold or are intended to be sold or used in the Company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be sold within twelve months after the balance sheet date or if they are cash or cash equivalents. All other assets are classified as non-current assets. Liabilities are classified as current liabilities if they are expected to be settled in the Company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be settled within twelve months after the balance sheet date or if the Company lacks an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. All other liabilities are classified as non-current liabilities.

Consolidated financial statements

The consolidated financial statements include the Parent Company and companies in which the Parent Company directly or indirectly has more than half of the voting rights or otherwise has control.

Principles of consolidation

The consolidated financial statements were prepared in accordance with the purchase method. Acquisition-related costs are expensed in the periods in which they arise. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference between the acquisition cost of the shares and the fair value at the time of acquisition of the Group's share of the identifiable net assets acquired is recognised as consolidated goodwill. If the difference is negative, the amount is immediately recognised as revenues in the income statement.

Subsidiaries' income and expense, and assets and liabilities, are included in the consolidated financial statements from the date on which control arises (acquisition date) through the date on which it ceases. Intra-Group receivables and liabilities, and transactions among Group companies and any associated gains, are eliminated in their entirety.

Translation of foreign operations

Operations that do not have the Swedish Krona as their functional currency are translated to SEK as follows: all assets,

provisions and other liabilities are translated at the closing day rate, and income statement items are translated at the average rate. Exchange rate differences arising in translation - translation differences - are recognised through comprehensive income in equity. Foreign operations are sold at their accumulated translation differences, less any currency hedging in the consolidated income statement. Transactions in foreign currency are translated to the functional currency at the exchange rate applying on the transaction date or the date on which the items are remeasured. Foreign exchange gains and losses that arise in connection with payment of such transactions are recognised in operating profit to the extent that they refer to operating transactions and otherwise in net financial items.

Revenues

NetEnt's revenues essentially consist of royalties, which are calculated and invoiced as a percentage of the game win (player bets less player wins) that is generated in NetEnt's games with the customers, and include the fair value of that which has been received or will be received for services sold in the Group's operating activities. Revenue is recognised excluding VAT and discounts, and after elimination of intra-Group sales. Royalties are invoiced on a monthly basis in arrears. Terms of payment are 10 days as standard. Contract assets arise as a result of royalty revenues invoiced monthly in arrears. See Note 3.

Services in the form of technical operation and monitoring are included in the royalties described above.

In connection with the signing of new customer agreements, the Group also receives compensation for set-up fees that are aimed at covering the integration and set-up costs that arise for NetEnt when new customers are launched. Revenues from set-up fees and expenses attributable to new integrations are distributed over the term of the contract, usually three years. Since these revenues are invoiced and paid when integration has been completed, a contract liability arises which is recognised as pre-payments from customers for liabilities which fall due more than 12 months ahead. The portion which falls due within 12 months is recognised as deferred income (see also Note 22). The total contract liability is settled over the term of the contract, which is usually 36 months.

Other revenues

Revenue from activities not included in the ordinary operations is recognised as other revenues. This item mainly includes recovered amortised receivables, exchange gains from operations and profit from the sale of non-current assets.

Financial income/expense

Interest income and interest expense are reported as distributed over their maturity with application of the effective interest method. Effective interest is the interest that makes the present value of all future incoming and outgoing payments during the fixed-interest period equal to the carrying amount of the receivable or liability.

Other external expenses

Costs of secondary activities in ordinary operations relating to operating receivables and operating liabilities are recognised as other operating expenses. This item mainly includes exchange losses from operations and losses on the sale of non-current assets.

Integration expenses in conjunction with startup of customers and casino modules.

The costs of integration work that are related to setup fees received are recognised as a contract asset under Other assets (see Note 17), and are settled over the term of the contract, which is usually 36 months. As of December 31, 2018, these assets amounted to MSEK 20.0 (21.9). The change during the year consists of additional capitalised expenditure of MSEK 13.1 (15.6) and settled and expensed integration expenses of MSEK -15.1 (-10.1).

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting submitted to the chief executive decision maker. The chief executive decision maker is the function responsible for allocation of resources and performance assessment of the operating segments. In the Group, this function has been identified as the senior management. The Company's only product (and thus segment) is casino game systems.

Pooled jackpots

NetEnt offers its customers (the operators) the opportunity to take part in pooled jackpots. The jackpots are generated by the players and it is the players of the participating operators that can win the jackpot. When a player plays the jackpot game, part of the bet goes to the global jackpot. The participating operator is invoiced monthly for accumulation of the jackpot. The funds for pooled jackpots are recognised in the balance sheet as current receivables, divided between "Other current receivables" and "Funds held on behalf of licensees". Funds held on behalf of licensees consist of accumulated jackpots that have been invoiced and received from the operators. Accumulated jackpots, where the amount has not yet been received from the operators, are recognised in "Other current receivables". A corresponding amount is recognised in liabilities in the balance sheet as other current liabilities. In the cash flow statement, both accumulation of jackpot funds and payment of wins are recognised in changes in working capital. The funds relating to pooled jackpots are managed by a type of bank account excluded from the Company's cash and cash equivalents. The total jackpot liability is reported monthly, together with the balance in the bank account to the Maltese gaming authority, MGA. In connection with jackpot wins, the win is verified according to internal processes and is then paid out to the winning operator.

Cash flow statement

The cash flow statement was prepared using the indirect method. The recognised cash flow only covers transactions that involve incoming or outgoing payments. This means that discrepancies may occur compared with changes in individual items in the balance sheet.

Intangible assets

Development expenditure is capitalised to the extent that it is expected to generate future financial benefits. Only expenditure arising in the development phase of online gaming products, gaming systems and gaming platforms is capitalised and recognised as an asset from the date on which the decision is made to complete the project, and when circumstances permit this. The carrying amount includes direct expenditure for salaries, purchased services, materials and indirect expenses that can be reasonably and consistently attributed to the asset.

In the balance sheet, recognised development expenditure is entered at acquisition cost, less deductions for accumulated amortisation and impairment losses. Regular assessments are made of the projects' revenue-generating capacity in order to identify any need for impairment. Intangible assets also include acquired gaming agreements, software licences, concessions and trademarks. These intangible assets are recognised in the balance sheet at acquisition cost, less any accumulated amortisation and impairment losses.

All of the Company's intangible assets have a known useful life.

Property, plant and equipment

Property, plant and equipment are recognised as assets in the balance sheet when it is probable that future financial benefits will accrue to the Company and the cost of the asset can be reliably measured.

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and any impairment losses. Repairs and maintenance are recognised as expenses in the period incurred.

Depreciation/amortisation and impairment

Depreciation/amortisation is based on the original historical cost less the estimated residual value and allowance for impairment. Depreciation/amortisation is performed on a straight-line basis over the asset's estimated useful life. The following useful lives are used:

- Trademarks, domain names, licences, 3 years.
- Gaming agreements and concessions, 3-5 years.
- Capitalised development expenses for games, gaming systems and gaming platforms are based on class of asset and amount to a maximum of 3 years.
- Computer and server equipment, 3 years.
- PCs (workstations for developers, etc), 2 years.
- Office equipment, 5 years.

The residual value and useful life of an asset are reviewed annually. If there is any indication that the carrying amounts of property, plant and equipment, intangible fixed assets or financial assets in the Group are excessive, an analysis is performed in which the recoverable amount of the smallest cash-generating unit is established as the higher of net selling price and value in use. The value in use is measured as expected future discounted cash flow. Impairment loss is the difference between the carrying amount and the recoverable amount. When a previously recognised impairment loss is no longer warranted, it is reversed. A reversal may not be higher than an amount that does not exceed the carrying amount that would have been recognised (net of amortisation or depreciation) had no impairment loss been recognised. Intangible assets not yet completed are impairment-tested annually at minimum.

Financial instruments, IFRS 9

A financial asset or liability is recognised in the balance sheet when the Group becomes party to the contractual provisions of the instrument. A financial asset is derecognised from the balance sheet when the contractual rights to cash flow from the asset are sold, expire, or when the Group loses control of them. A financial liability, or part thereof, is derecognised from the balance sheet when the contractual obligation is satisfied, or otherwise expires.

Classification and measurement

Financial assets are classified based on the business model for managing the assets as well as the characteristics of the assets' cash flows. Where the financial asset is held within the scope of a business model whose objective is to collect contractual cash flows (hold to collect), and the contractual terms for the financial asset generate cash flows at specified intervals which consist only of payment of the principal amount and interest on the outstanding principal amount, the asset is recognised at amortised cost. Alternatively, where the objective of the business model is to both collect contractual cash flows and sell financial assets (hold to collect and sell), and the contractual terms for the financial asset generate cash flows at specified intervals which consist only of payment of the principal amount and interest on the outstanding principal amount, the assets are recognised at fair value via other comprehensive income. All other business models in which the objective is speculation or holding for trading, or where the cash flow characteristics rule out other business models, entail recognition at fair value via the income statement. The Group applies the hold to collect business model for all financial assets. The Group's financial assets are initially measured at fair value and then at amortised cost with application of the effective interest method, less any provision for impairment. Financial assets are measured at amortised cost.

Amortised cost and the effective interest method

The amortised cost of a financial asset is the amount at which the asset is measured upon initial recognition, less the principal amount, plus the accumulated amortisation under the effective interest method of any difference between the principal amount and the principal amount outstanding, adjusted for any impairment. The gross carrying amount of a financial asset is the amortised cost of the asset before any adjustment for loss provisions. Financial liabilities are recognised at amortised cost using the effective interest method or at fair value via the income statement. Effective interest is that which, when discounting all estimated future cash flows over the anticipated term, results in the initial carrying amount of the financial asset or the financial liability.

Impairment

The Group reports a provision for expected credit losses on financial assets which are measured at amortised cost. On each balance sheet day, the Group recognises the change to expected credit losses since the initial recognition in the result. For all financial assets, the Group measures the loss provisions at an amount which corresponds to expected credit losses over a twelve-month period. In the case of financial instruments for which there has been a significant increase in credit risk since initial recognition, a provision is recognised based on credit losses over the full term of the asset (the general approach). For accounts receivable, there are simplifications which enable the Group to immediately recognise expected credit losses for the remaining term of the asset (the simplified approach). Cash and cash equivalents and non-current liabilities in the form of deposits fall under the scope of the general approach for impairment. For cash and cash equivalents, an exemption is applied for low credit risk. The Group's accounts receivable fall under the scope of the simplified model for impairment. The expected credit losses for accounts receivable are calculated with the help of a provision matrix based on previous events, current conditions and forecasts of future economic circumstances, as well as the time value of money, where applicable. The Group defines default as the assessed likelihood of the counter-party failing to meet its obligations due to indicators such as financial difficulties and missed payments. Irrespective, the party is considered to have defaulted when payment is more than 90 days late. The Group writes off a receivable when it is determined there is no possibility of obtaining further cash flows.

IAS 39 Financial Instruments

In accordance with IFRS 9, The Group has decided not to apply the standard retroactively, and has therefore not recalculated the comparative amounts for 2017 in this report. The accounting principles according to IAS 39 applied for 2017 are specified below.

Other financial assets

Financial assets can be classified into the following categories:

- a. financial assets measured at fair value through profit or loss,
- b. loans and receivables, and,
- c. available-for-sale financial assets. The classification is dependent upon the purpose for which the financial asset was acquired. The classification of the financial assets is determined in initial accounting.

The Group does not have any assets that fall into the categories (a) or (c).

Loans and receivables

Loans and receivables are financial assets that are not derivatives with determined or determinable payments, and are not listed on an active market. They are included in current assets with the exception of items falling due more than 12 months following the closing date, which are classified as non-current assets. In this category, accounts receivable as well as cash and cash equivalents and certain other receivables are recognised in the balance sheet (see Notes 15, 17 and 18).

Accounts receivable

Accounts receivable are initially measured at fair value and then at amortised cost with application of the effective interest method, less any provision for impairment. A provision for impairment of accounts receivable is made when there is objective evidence of the inability of the Group to obtain all the amounts due under the original terms of the receivable. The size of a provision is determined by the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate, and the adjustment is recognised in the income statement in selling expenses. When accounts receivable cannot be collected, they are completely written off from accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other current investments maturing within three months of the acquisition date. Cash and cash equivalents are measured at amortised cost.

Accounts payable

Accounts payable are initially recognised at fair value and subsequently at amortised cost with application of the effective interest method.

Other financial liabilities

Financial liabilities not held for trading are initially measured at fair value and subsequently at amortised cost. Amortised cost is determined based on the effective interest calculated when the liability was recognised. Surplus and deficit values

and transaction expenses are hence distributed over the term of the liability. Financial liabilities classified as other financial liabilities measured at amortised cost in previous years have been classified at amortised cost in their entirety.

Equity

Equity consists of registered share capital, other contributed capital, translation reserves, retained earnings and profit for the year. Ordinary shares are classified as equity. Transaction expenses that can be directly attributed to issues of new shares or options are recognised, net after tax, in equity as a deduction from the issue proceeds. Other than the shares' quotient value, other capital contributed refers to amounts received from new share issues, shareholder contributions, amounts received from issuing options, and Group contributions. Translation reserve refers to translation differences attributable to the translation of foreign subsidiary operations into NetEnt's presentation currency.

Taxes

Tax in the income statement consists of current tax and deferred tax. Current tax is tax (paid or received) that relates to the current year. This also includes adjustment of current tax attributable to prior periods.

Income tax liabilities and receivables are measured at their nominal amounts and according to the tax regulations and tax rates decided or announced and which are highly likely to be adopted. For items recognised in the income statement, related tax effects are thus also recognised in the income statement. Tax effects of items recognised through comprehensive income in equity or directly in equity, are recognised in other comprehensive income or equity.

Deferred tax is calculated using the balance sheet method based on temporary differences arising between the carrying amounts and values for tax purposes of assets and liabilities, applying the tax rates and regulations decided or announced at the balance sheet date, and which are expected to apply when the deferred tax receivable concerned is realised or the deferred tax liability is settled. Temporary differences are not considered in consolidated goodwill or in differences attributable to participations in subsidiaries and associates that are not expected to be taxed within the foreseeable future. In legal entities, untaxed reserves including deferred tax liabilities are recognised. Deferred taxes receivable relating to deductible temporary differences and loss carry-forwards are only recognised to the extent that it is probable they will be utilised and result in lower future tax payments.

Leases

Leases are classified in the consolidated financial statements either as finance or operating leases. Leases of non-current assets for which the Group is essentially exposed to the same risks and rewards as in direct ownership are classified as finance leases. The leased asset is recognised in non-current

assets and the corresponding rent liability falls under interest-bearing liabilities. Leases of assets for which the lessor essentially remains the owner are classified as operating leases and the leasing charge is expensed on a straight-line basis over the term of the lease. The scope of operating leases and rental agreements is provided in Note 23.

IFRS 16 Leases is applicable from January 1 2019, inclusive. For more information about this standard, and how it will affect the Company's accounting and reporting from 2019 onwards, see page 89.

Dividends or distributions to shareholders

Dividends are recognised as a liability after they are approved by the Annual General Meeting.

Employee benefits

Pension expenses and pension commitments

The Group has various pension plans in different countries. The pension plans are financed by payments from the relevant Group companies and, in some cases, from employees. As all pension plans are defined-contribution, the Group has no legal or informal obligations once the contributions have been paid. The Group's outgoing payments for defined-contribution pension plans are expensed in the period in which the employees performed the services to which the charge relates.

Benefits after termination of employment

The Group has no obligations to employees after they have retired or their employment with the Company has come to an end.

Severance benefits

Severance remuneration is payable when an employee's position is terminated by NetEnt before the normal date of retirement, or when an employee voluntarily departs in exchange for such remuneration. The Group recognises severance pay when it is committed to either terminating the employment of employees in accordance with a detailed formal plan without the possibility of retraction, or providing termination benefits ensuing from an offer made to encourage voluntary departure.

Bonus plans

The Group recognises a liability and an expense for bonus based on various qualitative and quantitative measures. The Group makes a provision for earned bonuses if there is a legal obligation or an informal obligation owing to previous practice.

Incentive programmes

The Group can offer employees the opportunity to participate in share-based incentive programmes in the form of stock options or stock saving programmes that are issued on market terms to motivate long-term commitment and promote a greater alignment of interests with the Company's

shareholders. In order to strengthen loyalty to the Company, share-based incentive programmes in the form of stock options issued on market terms can be combined with cash remuneration, which is payable in connection with the redemption period during which the stock options can be exercised. Such payment can be made to employees who are still employed at the time of redemption and shall, net of tax, not exceed 70% of the premium paid for the stock option. The loyalty remuneration for these incentive programmes is distributed over the term of the programme.

Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation owing to a past event, and an outflow of financial resources will probably be required to settle the obligation and the amount can be reliably estimated. In a situation where the effect of the point in time at which the payment takes place is important, provisions are calculated by discounting expected future cash flows at an interest rate before tax that reflects current market assessments of the time value of the money and, if applicable, the risks associated with the liability. A restructuring provision is recognised when the Group has defined a detailed, formal restructuring plan and the restructuring has either commenced or has been officially announced. No provision is made for future operating expenses.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation arising from past events and its existence is confirmed only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or a provision due to the improbability of an outflow of resources being required to settle it.

Parent Company accounting policies

The Parent Company complies with the same accounting principles as the Group, with the exceptions stated below.

Participations in subsidiaries are recognised at acquisition cost less any impairment losses. Acquisition-related expenses for the subsidiaries, which are expensed in the consolidated financial statements, are included as part of the acquisition cost of participations in subsidiaries.

Shareholder contributions are recognised directly in the equity of the recipient and capitalized in the contributor's shares and participations. These assets are subsequently subject to impairment testing. Group contributions received for the purpose of minimising the total tax of the Group are recognised as an appropriation.

Dividends from subsidiaries are recognised when the right to receive dividends is considered to be reliable.

The Parent Company recognises the deferred tax liability on untaxed reserves as part of the untaxed reserves because of the connection between accounting and taxation.

The amendments to RFR 2 have not had any considerable effect on the Parent Company's financial statements. Neither are the upcoming changes and updates in RFR 2 expected to have any material effect on the Parent Company's financial statements. In RFR2, there is an exemption from the application of IFRS 9 in legal entities. Due to amendments which came into effect on January 1, 2018, impairment in accordance with IFRS 9 shall also be applied to legal entities.

Key estimates and assumptions

The Group makes estimates and assumptions about the future. The resulting estimates used for accounting purposes will, by definition, rarely match the actual outcome. The estimates and assumptions that entail a considerable risk of substantial adjustments in the carrying amounts of assets and liabilities in the next financial year are outlined below. They are regularly evaluated and are based on past experience and other factors, including expectations of future events that are deemed reasonable in the prevailing circumstances.

Impairment testing

Each year, Group assets are impairment-tested according to IAS 36. The Group has invested considerable amounts in the development of gaming platforms and their carrying amounts are compared with expected future discounted cash flows calculated on present values. The Group has identified one cash-generating unit, Casino Module, with a carrying amount of SEK 338.4 million (311.6). The impairment test is based on detailed assumptions for the next three years. Several estimates and judgments are made when the asset's value in use is calculated, including revenue growth for the identified cash-generating unit and development of the cost base with due consideration for the Group's expected growth. Other significant assumptions relate to the discount rate that is used. In the year's impairment test, the calculation rate after tax was 5.5% (5.7%) for the cash-generating unit for discounting estimated cash flows after tax. Even when a much higher discount rate is used, the impairment test does not show any need for impairment.

In the balance sheet, recognised development expenditure is entered at acquisition cost, less deductions for accumulated amortisation and impairment losses. Regular valuations are performed of the projects' cash-generating capacity to identify any impairment requirements (see Note 12).

Effectives on revenues, expenses and profit 2017

SEK thousands	Reported income statement	IFRS 15 recalculation	Recalculation of marketing contributions	Recalculated income statement
Revenues	1,619,455	-10,738	21,835	1,630,552
Other revenues	5,527	-	-	5,527
Total operating revenues	1,624,982	-10,738	21,835	1,636,079
Operating expenses				
Personnel expenses	-463,322	5,277	-	-458,045
Depreciation/amortisation and impairment	-158,019	-	-	-158,019
Other operating expenses	-416,543	-	-21,835	-438,378
Total operating expenses	-1,037,884	5,277	-21,835	-1,054,442
Operating profit	587,098	-5,461	-	581,637
Financial items				
Financial income	18,882	-	-	18,882
Financial expense	-20,575	-	-	-20,575
Total financial items	-1,693	-	-	-1,693
Profit before tax	585,404	-5,461	-	579,943
Tax on profit for the year	-32,969	273	-	-32,695
Profit for the year	552,436	-5,188	-	547,248
Earnings per share, basic (SEK)	2	-	-	2
Earnings per share, diluted (SEK)	2	-	-	2
Closing number of shares	240,130,860	-	-	240,130,860
Average number of shares	240,130,860	-	-	240,130,860
Effective tax rate	5.6%	-	-	5.6%
Profit for the period attributable to:				
Parent Company shareholders	552,436	-5,188	-	547,248
Statement of comprehensive income				
Profit for the year	552,436	-5,188	-	547,248
Statement of profit/loss and other comprehensive income				
Items that may be reclassified to profit/loss				
Exchange differences arising from the translation of foreign operations	17,654	-	-	17,654
Tax attributable to components of other comprehensive income				
Sum of other comprehensive income for the year, net after tax	17,654	-	-	17,654
Total comprehensive income for the year	570,090	-	-	564,902
Comprehensive income for the year attributable to Parent Company shareholders	570,090	-	-	564,902

NOTES

Effects on assets, liabilities and equity, 1 January 2017

SEK thousands	Reported balance sheet	IFRS 15 recalculation	Recalculated balance sheet
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	253,495	-	253,495
Property, plant and equipment	120,546	-	120,546
Deferred tax receivable	-	-	-
Other assets	9,567	16,382	25,949
TOTAL NON-CURRENT ASSETS	383,608	16,382	399,990
CURRENT ASSETS			
Accounts receivable	44,306	-	44,306
Other taxes receivable	1,748	-	1,748
Other receivables	89,379	-	89,379
Pre-paid expenses and accrued income	213,247	-	213,247
Funds held on behalf of licensees*	92,398	-	92,398
Cash and cash equivalents	494,497	-	494,497
TOTAL CURRENT ASSETS	935,575	-	935,575
TOTAL ASSETS	1,319,183	16,382	1,335,565
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,205	-	1,205
Other capital contributed	90,189	-	90,189
Reserves	6,897	-	6,897
Retained earnings incl. profit for the year	824,785	-39,928	784,857
TOTAL EQUITY	923,076	-39,928	883,148
NON-CURRENT LIABILITIES			
Pre-payments from customers	-	33,879	33,879
Deferred tax liability	14,269	-	14,269
TOTAL NON-CURRENT LIABILITIES	14,269	33,879	48,148
CURRENT LIABILITIES			
Accounts payable	99,700	-	99,700
Current tax liabilities	25,034	-	25,034
Other liabilities	164,947	-	164,947
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 December 2017

SEK thousands	Reported balance sheet	IFRS 15 recalculation	Recalculated balance sheet
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	318,208	-	318,208
Property, plant and equipment	151,345	-	151,345
Deferred tax receivable	5,317	-	5,317
Other assets	9,849	21,932	31 781
TOTAL NON-CURRENT ASSETS	484,719	21,932	-506,651
CURRENT ASSETS			
Accounts receivable	55,786	-	55,786
Other taxes receivable	-	-	-
Other receivables	74,843	-	74,843
Pre-paid expenses and accrued income	210,422	-	210,422
Funds held on behalf of licensees*	82,535	-	82,535
Cash and cash equivalents	387,035	-	387,035
TOTAL CURRENT ASSETS	810,621	-	810,621
TOTAL ASSETS	1,295,340	21,932	1,317,272
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,205	-	1,205
Other capital contributed	93,812	-	93,812
Reserves	24,550	-	24,550
Retained earnings incl. profit for the year	836,928	-45,118	791,810
TOTAL EQUITY	956,495	-45,118	911,378
NON-CURRENT LIABILITIES			
Prepayments from customers	-	52,306	52,306
Deferred tax liability	11,341	-	11,341
TOTAL NON-CURRENT LIABILITIES	11,341	52,306	63,647
CURRENT LIABILITIES			
Accounts payable	44,421	-	44,421
Current tax liabilities	25,628	-	25,628
Other liabilities	145,811	-	145,811
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

Note 3 Revenues

Type of revenue

	Group		Parent Company	
	2018	2017	2018	2017
	SEK	SEK		
	thousands	thousands	-	-
Royalties	1,727,142	1,593,621	-	-
Set-up fees	51,028	36,930	-	-
Consulting revenues	-	-	784,475	804,581
Total revenues	1 778 169	1,630,551	784,475	804,581

Timing for revenue recognition

	Group		Parent Company	
	2018	2017	2018	2017
	SEK	SEK		
	thousands	thousands	-	-
Performance commitment fulfilled at a certain time	1,727,142	1,593,621	785,865	807,059
Performance commitment fulfilled over a period of time	51,028	36,930	-	-
Total revenues	1 778 169	1,630,551	785,865	807,059

Contract assets

	Group		
	12/31/2018	12/31/2017	01/01/2017
Accrued royalty revenues	151,646	141,861	138,897
Total accrued royalties	151,646	141,861	138,897

Contract assets arise as a result of royalties being invoiced monthly in arrears.

Contract liabilities

	Group		
	12/31/2018	12/31/2017	01/01/2017
Deferred income	19,987	14,743	22,431
Pre-payments from customers	7,290	52,306	33,879
of which			
Current liabilities	19,987	14,743	22,431
non-current liabilities	7,290	52,306	33,879
	27,277	67,049	56,310

The change during the year consists of additional setup fees of MSEK 54.7 (47.7) and setup of fees of MSEK -51.0 (-36.9) which are settled and recognized as income.

There are no contract assets or contract liabilities in the Parent Company.

Note 4 Segment reporting

The chief executive decision maker is the function responsible for allocation of resources and performance assessment of the operating segment. In the Group, this function has been identified as the senior management.

Segments are defined by their ability to generate income and incur expenses. Defined segments in the Group are used for follow-up purposes to make strategic decisions. In its reporting to the chief executive decision maker, the Group has identified one segment for follow-up.

The identified segment is casino game systems

The senior management and senior operational managers assess the operations based on the operating segment. With respect to geographic breakdown of operations, NetEnt's customers (gaming operators) offer games to their customers (players) in many different countries. The domicile of NetEnt's direct customers (the websites) is determined by reasons completely different to proximity to the local market, such as appropriate gaming legislation, tax-related reasons, or other reasons. The advantage of the Internet is that it is a global, cross-border form of distribution, in which those owning a gaming site can be domiciled anywhere in the world and still serve many local markets around the globe.

The operations of the NetEnt Group are geographically diversified based on legal requirements, regulations and strategic decisions.

The geographical information provided below regarding revenues and assets has been broken down based on the countries in which the Group's customers are domiciled, and where the Group's assets are found.

Geographic breakdown

	2018	2017
Revenues		
Malta	43.9%	48.9%
Other countries	56.1%	51.1%
Non-current assets		
Sweden	12.2%	16.2%
Malta	83.0%	77.1%
Alderney	0.1%	0.2%
Gibraltar	4.3%	5.8%
Ukraine	0.3%	0.3%
USA	0.1%	0.5%

The distribution by customer is provided to show dependency on specific customers.

Customers (share of revenue)

	2018	2017
Customer I	6%	7%
Customer II	5%	6%
Customer III	3%	4%

Note 5 Other revenues

	Group		Parent Company	
	2018	2017	2018	2017
Exchange rate gains, operations	2,529	4,871	565	1,869
Other	1,253	656	825	609
Total	3,782	5,527	1,390	2,478

Note 6 Salaries and remuneration

Average number of employees

	2018		2017	
	Average number of employees	Of whom male	Average number of employees	Of whom male
Sweden	404	72%	420	74%
Malta	322	47%	263	47%
Ukraine	4	35%	4	35%
Gibraltar	24	55%	19	47%
USA	2	100%	3	100%
Poland	44	66%	39	66%
Group total	800	61%	748	63%

Board fees

	2018	2017
Current Board of Directors		
Fredrik Erbing, Chairman of the Board	610	397
Vigo Carlund*	233	677
Mikael Gottschlich**	-	92
Peter Hamberg	303	292
Pontus Lindwall	303	292
Michael Knutsson	303	292
Maria Redin	337	318
Jenny Rosberg	387	318
Maria Hedengren	327	200
Total	2,803	2,877

*Left in 2018 **Left in 2017

Number and share of women in executive positions at year end

	2018			2017		
	No. male	No. female	Share female	No. male	No. female	Share female
Board of Directors	4	3	43%	5	3	38%
Other senior executives	3	5	63%	5	4	44%
Total Group Board of Directors and Senior Management	7	8	53%	10	7	41%

Note 6 Salaries and remuneration (cont.)

Salaries and social security expenses

	2018		2017	
	Salaries	Social security expenses (of which, pension expenses)	Salaries	Social security expenses (of which, pension expenses)
Board and CEO	6,918	3,022 (895)	8,456	3,880 (1,323)
Other employees, Sweden	279,967	142,411 (53,551)	249,832	123,782 (36,052)
Total Parent Company	286,885	145,433 (54,446)	258,288	127,662 (37,375)
Other employees, Malta	114,862	8,106 (1,598)	83,118	6,253 (1,260)
Other employees, Ukraine	1,481	86 (8)	2,182	154 (12)
Other employees, Gibraltar	19,646	1,177 (600)	12,855	1,015 (641)
Other employees, USA	2,788	369 (188)	3,727	599 (304)
Other employees, Poland	13,592	2,912 (553)	11,713	2,203 (190)
Total Group	439,254	158,083 (57,393)	371,883	137,886 (39,782)

Presented salaries and social security expenses include both amounts expensed and capitalisation of development expenditure.

Board remuneration

The Annual General Meeting determines remuneration for Board members. At the Annual General Meeting on April 25, 2018, it was resolved for the period until the 2019 Annual General Meeting, that Board fees would be paid to a total amount of SEK 2,720 thousand, of which SEK 710 thousand to the Board Chairman and SEK 305 thousand each to the other members of the Board, with an addition of SEK 110 thousand for the chair of the Audit Committee and SEK 35 thousand to the other members of the Audit Committee.

Senior executive remuneration

In 2018, total remuneration to the current and former CEO amounted to SEK 3,924 thousand (6,677), of which SEK 226 thousand (265) was variable remuneration, SEK 771 thousand (1,216) was pension benefits and SEK 415 thousand (1,052) was loyalty

Note 6 Salaries and remuneration (cont.)

bonus costs. Of the pension benefits, SEK 260 thousand (772) refers to payments into a company-owned endowment insurance for pension commitments to the current and former CEO, see Note 28 for additional information.

Other benefits pertaining to health insurance totaled SEK 5 thousand (13). In addition, severance remuneration totalling 12 monthly salaries was paid to the former CEO.

The notice period for the CEO is six months on the part of the CEO and 12 months on the part of the company.

Remuneration for other senior executives in 2018 amounted to SEK 15,331 thousand (16,909), of which SEK 472 thousand (703) was variable remuneration, pension benefits totaling SEK 2,063 thousand (1,825) and loyalty bonus costs of SEK 213 thousand (1 193). Senior executives consisted of 9 (9) different individuals in 2018.

The notice period for other senior executives varies between three and six months, and is mutual. Other benefits pertaining to health insurance totalled SEK 187 thousand (207), and Company accommodation totalled SEK 1,310 thousand (269).

Loyalty remuneration

Employees are offered the chance to take part in share-based incentive schemes in the form of stock options or stock saving programmes that are issued on market terms to motivate long-term commitment and promote a greater alignment of interests with the Company's shareholders. In order to strengthen loyalty to the Company, share-based incentive programmes in the form of stock options issued on market terms can be combined with cash remuneration, which is payable in connection with the redemption period during which stock options can be exercised, to employees who are still employed at the time of redemption. Such remuneration may not exceed 70%, net after tax, of the premium paid for the stock option. The Company's cost of loyalty remuneration is recognised on an ongoing basis over the vesting period. In 2018 a total cost of SEK 2,173 thousand (6,176) was recognised for loyalty remuneration.

Note 7 Profit from participations in Group companies

	Parent Company	
	2018	2017
Anticipated distribution from subsidiaries	513,765	443,237
Total	513,765	443,237

Note 8 Financial income

	Group		Parent Company	
	2018	2017	2018	2017
Interest income	-	12	165	-
Exchange rate differences	62,106	18,870	30,809	8,785
Total	62,106	18,882	30,974	8,785

Note 9 Financial expense

	Group		Parent Company	
	2018	2017	2018	2017
Interest expense	2,039	1,292	737	987
Exchange rate differences	38,986	19,283	9,814	5,767
Total	41,025	20,575	10,551	6,753

Note 10 Income tax

	Group		Parent Company	
	2018	2017	2018	2017
Current tax				
Sweden	18,412	11,588	18,412	11,588
Outside Sweden	28,148	30,148	-	-
Total current tax	46,560	41,736	18,412	11,588
Deferred tax				
Sweden	-1,233	-2,422	-1,233	-2,422
Outside Sweden	-378	-6,620	-	-
Total deferred tax	-1,611	-9,042	-1,233	-2,422
Total tax expense	44,949	32,969	17,179	9,166

	Group		Parent Company	
	2018	2017	2018	2017

Difference between real tax expense and tax expense based on applicable tax rate

Recognised profit before tax	622,178	579,943	587,098	488,851
Tax according to applicable tax rate 22.0% (22.0%)	136,879	127,587	129,162	107,547
Difference in tax rate in foreign operations	-96,293	-96,195	-	-
Effects of changed tax rate	-	-	-	-
Non-taxable income	-	-	-113,028	-97,512
Tax attributable to prior years	-1,019	-351	-971	-999
Tax effect from non-deductible items	5,383	1,654	2,015	130
Recognised tax expense	44,949	32,695	17,178	9,166

Note 10 Income tax (cont.)

Difference between real tax expense and tax expense based on applicable tax rate

Tax on appropriations	-	-1,283	-	-1,283
Tax on temporary differences	-1,611	-7,759	-1,233	-1,139
Recognised deferred tax expense	-1,611	-9,042	-1,233	-2,422

Specification of deferred tax liability and tax receivable

Tax on appropriations	-	-1,023	-	-1,023
Tax on temporary differences	-4,226	-5,001	-3,396	-1,139
Recognised deferred tax liability and tax receivable	-4,226	-6,024	-3,396	-2,163

Note 11 Earnings per share

	Group	
	2018	2017
Profit after tax attributable to Parent Company shareholders (SEK thousand)	577,229	547,247
Average number of shares (thousand)	240,131	240,131
Average number of shares (thousand), diluted	240,131	240,131
Earnings per share (SEK)	2.40	2.28
Earnings per share (SEK), diluted	2.40	2.28

Stock option programme 2016-2019

The Annual General Meeting on April 21, 2016, resolved to introduce a new long-term incentive programme for all employees in the NetEnt Group. The total number of outstanding stock options is 1,359,860, with the right to subscribe for an equal number of shares in NetEnt AB. The stock options were issued at the market price of SEK 6.58 per option (option premium) according to a valuation based on Black-Scholes. The strike price for the options was set at SEK 109.70 and subscription for shares can take place during the period from August 1 to October 1, 2019.

Note 11 Earnings per share (cont.)

Valuation according to Black-Scholes

Stock option program 2016-2019

Option price (SEK)	6.58
Assumptions for valuation	
Average share price	84.38
Strike price (130%)	109.70
Expected volatility*	30.0%
Term	3 years
Expected cash returns (SEK)	
04/30/2017	1.62
04/30/2018	1.92
04/30/2019	2.26
Risk-free rate:	-0.38%
Discount applied	15%
Option value before discount	7.74

Stock option programme 2017-2020

The Annual General Meeting on April 21, 2017, resolved to introduce a new long-term incentive programme for all employees in the NetEnt Group. The total number of outstanding stock options is 665,000, with the right to subscribe for an equal number of shares in NetEnt AB. The stock options were issued at the market price of SEK 5.05 per option (option premium) according to a valuation based on Black-Scholes. The strike price for the options was set at SEK 92.40 and subscription for shares can take place during the period from August 1 to October 1, 2020.

The number of shares outstanding after dilution at year-end 2018 was thus 240,130,860. The average share price, SEK 43.02 during the year, is below the strike price of both of the stock option programs.

Valuation according to Black-Scholes

Stock option programme 2017-2020

Option price (SEK)	5.05
Assumptions for valuation	
Average share price	71.11
Strike price (130%, rounded)	92.40
Expected volatility*	30.0%
Term	3 years
Expected cash returns (SEK)	
04/30/2018	2.15
04/30/2019	2.44
04/30/2020	2.87
Risk-free rate	-0.44%
Discount applied	15%
Option value before discount	5.94

* Based on historically realised volatility for the share.

NOTES

Note 12 Intangible assets

Group	Gaming products, gaming systems and gaming platforms	Gaming contracts and concessions	Licences and ERP systems	Total
2017				
Opening acquisition cost	752,670	1,615	33,474	787,759
Capitalised development expenditure for the year	153,643	-	2,720	156,363
Translation difference	23,554	-	23	23,577
Closing accumulated cost	929,867	1,615	36,217	967,699
Opening depreciation	517,336	1,615	15,313	534,264
Depreciation for the year	95,128	-	1,996	97,124
Translation difference	18,062	-	42	18,103
Closing accumulated amortisation and impairment	630,525	1,615	17,351	649,491
Closing residual value according to plan, 12/31/2017	299,342	-	18,866	318,208
2018				
Opening acquisition cost	929,867	1,615	36,217	967,699
Capitalised development expenditure for the year	150,949	-	1,801	152,750
Translation difference	39,698	-	-	39,698
Closing accumulated cost	1,120,514	1,615	38,018	1,160,147
Opening depreciation	630,525	1,615	17,351	649,491
Depreciation for the year	139,900	-	4,628	144,528
Impairment for the year	5,227	-	-	5,227
Translation difference	22,377	-	3,738	26,115
Closing accumulated amortisation and impairment	798,029	1,615	25,717	825,361
Closing residual value according to plan, 12/31/2018	322,485	-	12,301	334,786
Parent Company				
2017				
Opening acquisition cost	24,433	1,615	29,109	55,157
Investments for the year	-	-	1,542	1,542
Closing accumulated cost	24,433	1,615	30,651	56,699
Opening depreciation	24,433	1,615	23,318	49,366
Depreciation for the year	-	-	3,306	3,306
Closing accumulated depreciation	24,433	1,615	26,624	52,672
Closing residual value according to plan, 12/31/2017	-	-	4,027	4,027
2018				
Opening acquisition cost	24,433	1,615	30,651	56,699
Investments for the year	-	-	1,800	1,800
Closing accumulated cost	24,433	1,615	32,451	58,499
Opening depreciation	24,433	1,615	26,624	52,672
Depreciation for the year	-	-	2,567	2,567
Closing accumulated depreciation	24,433	1,615	29,191	55,239
Closing residual value according to plan, 12/31/2018	-	-	3,260	3,260

Note 13 Tangible assets

	Group		Parent Company			Group		Parent Company	
	2018	2017	2018	2017		2018	2017	2018	2017
Plant and equipment					Leasehold improvements				
Opening acquisition cost	319,228	273,527	121,369	103,401	Opening acquisition cost	94,068	48,566	70,469	42,859
Acquisitions for the year	29,823	42,144	4,170	17,968	Acquisitions for the year	3914	45,095	166	27,610
Translation differences	9,733	3,557	-	-	Translation differences	-2	407	-	-
Sales and disposals	-3,430	-	-1,100	-					
Closing accumulated acquisition cost	355,354	319,228	124,439	121,369	Closing accumulated cost	97,980	94,068	70,635	70,469
Opening depreciation	233,991	182,459	95,554	76,453	Opening depreciation	27,960	19,088	24,322	17,979
Sales and disposals	-1,251	-	-474	-	Depreciation for the year	12,759	8,813	7,700	6,343
Depreciation for the year	50,265	48,360	15,581	19,101	Translation differences	6	59	-	-
Translation differences	6,557	3,172	-	-	Closing accumulated depreciation	40,725	27,960	32,022	24,322
Closing accumulated depreciation	289,562	233,991	110,661	95,554	Closing residual value according to plan	57,255	66,108	38,613	46,147
Closing residual value according to plan	65,792	85,237	13,778	25,815					

Note 14 Participations in Group companies, Group and Parent Company

Parent Company	Corp. id no.	Domiciliation	Ownership holding %	No. of shares or participations	Book value 2018	Book value 2017
NetEnt Technology AB	556185-1758	Stockholm	100%	1,000	89	89
- NetEnt Malta Holding Ltd.		Malta	0.0025%	1		
- NetEnt Malta Ltd.		Malta	0.0025%	1		
- NetEnt Product Services Ltd.		Malta	0.0333%	1		
- NetEnt International Ltd		Malta	0.0833%	1		
- NetEnt Gaming Solutions PLC		Malta	0.0017%	1		
NetEnt Malta Holding Ltd.	C 37769	Malta	99.998%	39,999	423	423
- NetEnt Malta Ltd.		Malta	99.998%	39,999		
- NetEnt Product Services Ltd.		Malta	99.967%	2,999		
- NetEnt Poland sp.zo.o		Poland				
- NetEnt International Ltd		Malta	99.917%	1,199		
- NetEnt Gaming Solutions PLC		Malta	99.998%	59,999		
- NetEnt Software Ltd		Malta	100%	2,000		
- NetEnt (Gibraltar) Ltd		Gibraltar	100%	2,000		
- NetEnt Emerging Markets Ltd		Malta	100%	1,200		
- NetEnt Emerging Markets IOM Ltd		Isle of Man	100%	1		
NetEnt Alderney Ltd		Alderney	100%	1,000	9	9
Net Entertainment Ukraine LLC	380 906 40	Ukraine	100%	-	3,460	3,460
NetEnt Americas Holding Inc.	562 75 84	USA	100%	5,000	630	630
- NetEnt Americas LLC						
Total					4,611	4,611
		Parent Company				
		2018	2017			

Changes in participations in Group companies

Opening acquisition cost	4,611	4,611
Closing book value	4,611	4,611

NOTES

Note 15 Accounts receivable

The carrying amounts for accounts receivable coincide with the fair values and are matched by nominal amounts. No receivables have been pledged as collateral for liabilities or contingent liabilities.

At December 31, 2018, total accounts receivable were SEK 65,968 thousand (57,145). Of these, 54,455 were past due (39,464). A provision for expected credit losses of SEK 1,541 thousand (1,359) was made during the year. This applies to a number of independent customers that have not previously had payment difficulties. Confirmed bad debt losses during the

period and an age analysis of consolidated accounts receivable are presented below. The age analysis contains total accounts receivable and receivables for which provisions have been made. For the Group's accounts receivable, current outstanding receivables are reconciled in accordance with a model in which they are divided into three customer categories associated with different risk classes: (1) Large customers (2) European customers (3) Non European customers. The calculation of the Group's provisions for expected credit losses is based on this model.

Maturity analysis of non-impaired accounts receivable

Group SEK thousand	12/31/18	Provisions for expected credit losses	12/31/17	Provisions for expected credit losses
Receivables not past due	11,514	-82	17,682	-237
1-30 days	36,969	-164	31,300	-102
31-90 days	10,598	-255	7,238	-328
91-180 days	2,288	-385	693	-693
Over 181 days	4,600	-655	233	-
Total	65,968	-1,541	57,145	-1,359

Parent Company SEK thousand	Dec. 31, 2018	Provisions for expected credit losses	12/31/17	Provisions for expected credit losses
Receivables not past due	-	-	-	-
1-30 days	-	-	-	-
31-90 days	-	-	-	-
91-180 days	-	-	-	-
Over 181 days	-	-	-	-
Total	-	-	-	-

Provision for expected credit losses SEK thousands	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Per 1 January	1,359	289	-	-
Provision for expected credit losses during the year	4,104	7,104	-	-
Confirmed bad debt losses during the year	-3,922	-6,034	-	-
Closing provision	1,541	1,359	-	-

Note 16 Pre-paid expenses and accrued income

	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Accrued royalty revenues	151,646	141,861	-	-
Pre-paid IT services	848	3,071	429	1,140
Pre-paid rent	23,519	24,810	14,347	14,438
Pre-paid license expenses	18,778	27,563	16,597	26,005
Other pre-paid expenses	16,245	13,117	5,868	3,864
Total	211,036	210,422	37,241	45,447

Note 17 Other receivables

	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
VAT	12,006	15,562	10,654	13,344
Receivables from operators	38,342	57,713	-	-
Other	1,518	1,568	1,371	1,399
Total	51,866	74,843	12,025	14,743

The item "receivables from operators" refers to the accumulated jackpot receivable that has not yet been invoiced to the operator; see also description about the accounting treatment of jackpots under Note 2, Accounting policies.

Not 17 Other receivables (cont.)

Other assets	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Deposit Spain	10,275	9,850	-	-
Other contract assets	19,987	21,931	9,683	-
Total	30,262	31 781	9,683	-

Deposit Spain refers to a deposit of EUR 1 million that has been paid as part of the Spanish licensing procedure. The credit provision for this receivable is not a significant amount.

Note 18 Cash and cash equivalents

	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Cash and bank balances	500,845	387,035	153,230	111,944
Total	500,845	387,035	153,230	111,944

The Group had no available credits at December 31, 2018. As of December 31, 2018, NetEnt holds 99% of the Group's surplus liquidity in a Swedish commercial bank with a credit rating of P-1 (short-term)/Aa2 (long-term) according to Moody's. On this basis, it is the view of the Company that the credit risk is low, and the amount of credit provisions is not significant.

Note 19 Equity

Share capital composition	12/31/18		12/31/17	
	No. shares	Share capital	No. shares	Share capital
Shares, series A (10 votes per share)	33,660,000	169	33,660,000	169
Shares, series B (1 vote per share)	206,470,860	1,036	206,470,860	1,036
Total number of shares	240,130,860	1,205	240,130,860	1,205

Quotient value per share

0.502 öre.

Group

Other capital contributed

This pertains to shareholders' equity contributed by previous owners through shareholder contributions and Group contributions, and premiums for issued share options.

Reserves

Translation reserve

The translation reserve consists of all exchange rate differences arising on translation of the financial statements of foreign operations that prepare their financial statements in a currency other than the currency in which the consolidated financial statements are presented. At year end, accumulated translation differences amounted to SEK 32,258 thousand (24,550).

Note 19 Equity (cont.)

Specification reserves	Translation difference
Opening balance 1/1/2017	6,897
Translation difference for the year	17,654
Closing balance, 12/31/2017	24,550
Opening balance 1/1/2018	24,550
Translation difference for the year	7,708
Closing balance, 12/31/2018	32,258

Retained earnings incl. profit for the year

Retained earnings including profit for the year include earned profits in the Parent Company and its subsidiaries, as well as the part of untaxed reserves attributable to shareholders' equity.

Proposed/conducted distribution to shareholders

The Board proposes that the AGM approve a distribution to shareholders of SEK 540.3 million (540.3), equal to SEK 2.25 per share (2.25), through a share redemption program.

Note 20 Untaxed reserves

	Parent Company	
	12/31/18	12/31/17
Untaxed reserves		
Depreciation/amortisation in excess of plan	-	-
Tax allocation reserve, fiscal 13	-	9,547
Tax allocation reserve, fiscal 14	7,658	7,658
Tax allocation reserve, fiscal 15	11,816	11,816
Total	19,474	29,021

Note 21 Other liabilities

	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Other				
Current liabilities				
Accumulated jackpot*	67,450	140,244	-	-
VAT	59,231	-	-	-
Personnel tax	12,195	5,567	8,891	7,532
Total	138,876	145,811	8,891	7,532

*The accumulated jackpot consists of several jackpots where the operators' players contribute to the accumulation of a jackpot. The current liability consists of the total accumulated jackpot balance that can be won and thereby paid out to the winning operator. The accounting treatment of jackpots is described in more detail in Note 2, Accounting policies

Note 22 Accrued expenses and deferred income

	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Accrued employee benefits	42,697	43,224	35,621	23,688
Vacation pay liability	32,722	28,470	29,411	25,577
Social security expenses	17,487	15,155	17,385	15,113
Employer's contribution	10,139	15,820	10,139	15,820
Deferred income	19,987	14,743	-	-
Other	61,154	8,975	12,083	11,031
Total	184,186	126,387	104,639	91,230

Note 23 Leases

Rents for premises and other rented equipment, and that are included in the concept of operating leases, amounted to:

	Group		Parent Company	
	2018	2017	2018	2017
Expensed lease payments and rental charges	72,210	64,112	55,924	52,401
Total	72,210	64,112	55,924	52,401

Future minimum lease charges for non-terminable operating leases and rental agreements are expected to be as follows:

	Group		Parent Company	
	2018	2017	2018	2017
Within one year	61,162	68,022	46,782	55,769
Two to five years	200,230	253,451	137,290	215,025
After five years	2,545	55,567	-	51,182
Total	264,687	377,040	184,072	321,976

Note 24 Auditor remuneration

Deloitte AB was elected auditor to the Company by the 2018 Annual General Meeting. Deloitte conducts the audit for NetEnt AB and its subsidiaries. In addition to the auditing assignment, NetEnt has also used Deloitte AB for consultation on taxation, VAT, accounting matters and analyses.

	Group		Parent Company	
	2018	2017	2018	2017
Deloitte				
Audit assignment	1,326	1,044	805	666
Audit services besides the audit assignment	240	244	-	130
Tax advisory	380	346	130	174
Other services	-	-	-	-
Total	1,946	1,634	935	970

Note 25 Related-party transactions

Relations

Group

The Company's largest shareholder, Per Hamberg, controls around 20% of the votes in NetEnt, and thus has a controlling influence in the Company. Information about Board members and Senior management of NetEnt is provided on pages 58–61.

Parent Company

The subsidiaries over which the Parent Company exercises controlling influence are described in Note 14 Participations in Group companies.

Transactions and outstanding balances

Group

Remuneration for the Board and Senior Management is described in Note 6.

	Parent Company	
	2018	2017
Purchase of services from related parties		
Purchases from subsidiaries	20,660	23,051
- % of total operating expenses	2.78%	3.04%
Sale of services to related parties		
Sale to subsidiaries	784,475	804,581
- % of total income	99.82%	99.69%
Liability to related parties		
Liability to subsidiaries	-	3,499
Receivables from related parties		
Receivables from subsidiaries	527,997	529,077

Note 26 Financial risks

The Group's financial activities are conducted on the basis of a low-risk finance policy as established by the Board of Directors. Financial activities and the management of financial risks are coordinated through the Parent Company NetEnt AB, which is also responsible for the investment of excess liquidity. According to the finance policy, cash and cash equivalents can be invested to maturities up to six months with no more than 25% of the excess liquidity tied up for longer than three months.

Foreign exchange risk

Consolidated profit is exposed to fluctuations in exchange rates since most sales are in euro, while expenses are in Swedish Kronor (transaction exposure). Profit is also affected by exchange rate fluctuations when the profits of foreign subsidiaries are translated into Swedish Kronor (translation exposure). Furthermore, exchange rate fluctuations affect consolidated equity when assets and liabilities in foreign subsidiaries are translated into Swedish Kronor (translation exposure). At present, equity in foreign subsidiaries is not hedged.

If the SEK had depreciated/appreciated by 10% in relation to the EUR, with all other variables constant, earnings for the year as at December 31, 2018, would have been SEK 113.3 million (109.0) higher/lower. Of the Group's total expenses, 54% (56) are in Swedish Kronor. As a rule, NetEnt does not hedge risk exposure in terms of exchange rate fluctuations from future cash flows with financial instruments. By way of exception, identified flows can be hedged. No currency hedging was carried out in 2018 or 2017.

Interest rate risk

The interest rate risk to which the Group's income and cash flows are exposed is low. Changes in interest rates affect the return on cash and cash equivalents obtained by the Group. Even though the Company has a relatively large proportion of cash and cash equivalents in relation to total assets, the risk associated with these changes is not considered substantial. As of the last day of December 2018, the company had no external loans or credit facilities.

Credit risk

The Group does not have any significant concentration of credit risks. No customer accounts for over 6% of the Group's total revenues, with the three largest customers accounting for 14% of the Group's revenues in total. NetEnt has set guidelines for ensuring sales of services to customers with a suitable credit background and is responsible for monitoring and analysing the credit risk for each new customer before standard terms for payment and delivery are offered. The use of credit limits is regularly analysed and the management does not anticipate any significant losses due to default of payment from these counterparties. Through short lead times and credit terms, providing a short customer credit term, the credit risk is further reduced. Management is of the opinion that the Group has routines to handle credit risk exposure to each individual customer. Maximum credit risk exposure is matched by the carrying amount of financial assets. In 2015 the

Group paid a deposit to the Spanish gaming authority in accordance with the Spanish licensing procedure. This deposit may constitute a credit risk, since the term of the deposit is not entirely set. Senior management considers the risk associated with the deposit to be low. As 99% of the Group's surplus liquidity is held in accounts at a Swedish commercial bank with a very good credit rating, it is the view of the company that the risk associated with cash and cash equivalents is low.

Liquidity risk

Liquidity risk is managed by means of the Group holding sufficient cash and cash equivalents to finance the operations. Management also carefully monitors rolling forecasts for the Group's liquidity reserve, which consists of cash and cash equivalents (Note 18) on the basis of expected cash flows. Group financial liabilities essentially consist of accounts payable, for which the contractual due date falls within 12 months.

Accounts payable usually have a 30-day term of credit. As of December 31 2018, Group liabilities recognised under financial risks in Note 26 amounted to MSEK 294.6 (301.9). These liabilities consist of accounts payable of MSEK 30.8, accrued expenses of MSEK 120.7, deferred income of MSEK 63.5 and other liabilities of MSEK 79.6. All liabilities fall due within 12 months of the closing date of the financial year.

Capital management

At December 31, 2018, the Group had no (0) external liabilities for financing the operations. Capital consists of equity and the Company's dividend policy in the form of the share redemption programme.

Note 26 Financial risks (cont.)**Categorisation of financial instruments 2018**

Amounts in this table are measured at amortised cost.

Group	2018
Accounts receivable	64,427
Other current receivables	39,860
Pre-paid expenses and accrued income	151,646
Cash and cash equivalents	500,845
Total financial assets	756,778
Other liabilities	67,450
Accounts payable	30,791
Total financial liabilities	98,241
Parent Company	2018
Receivables from Group companies	527,997
Cash and cash equivalents	153,230
Total financial assets	681,227
Accounts payable	23,301
Total financial liabilities	23,301

Financial assets are managed in accordance with the "hold to collect" business model. See Note 2, Accounting principles. Financial assets are measured at amortised cost. A calculation of fair value based on discounted future cash flows, in which the discount rate that reflects the counter-party's credit risk is the most significant input data, is not considered to give any significant difference from the carrying amount of financial assets and financial liabilities included in level 2. For all financial assets and liabilities, the carrying amount is therefore considered to be a good approximation of fair value.

The three levels of measurement in the hierarchy for fair value are as follows:

Level 1: Quoted (unadjusted) prices on active markets for identical assets and liabilities.

Level 2: Measurement model based on observable data for the asset or liability other than the quoted prices included in Level 1, either direct (prices) or indirect (derived prices).

Level 3: Measurement models where significant input data is based on non-observable data.

Categorisation of financial instruments 2017

In accordance with IFRS 9, the Group has decided not to apply the standard retroactively, and has therefore not recalculated the comparative amounts for 2017 in this report. The accounting principles according to IAS 39 applied for 2017 are specified below.

Group 2017	Loans and receivables	Other financial liabilities	Non-financial instruments	Total book value	Estimated fair value
Accounts receivable	55,786	-	-	55,786	55,786
Other current receivables	59,281	-	15,562	74,843	74,843
Pre-paid expenses and accrued income	-	-	214,958	214,958	214,958
Funds held on behalf of licensees	-	-	82,535	82,535	82,535
Cash and cash equivalents	387,035	-	-	387,035	387,035
Total assets	502,102	-	313,055	815,157	815,157
Other liabilities	-	140,244	5,567	145,811	145,811
Accrued expenses and deferred income	-	-	126,387	126,387	126,387
Accounts payable	-	44,421	-	44,421	44,421
Total liabilities	-	184,665	131,954	316,619	316,619

Parent Company 2017	Loans and receivables	Other financial liabilities	Non-financial instruments	Total book value	Estimated fair value
Accounts receivable	-	-	-	-	-
Other current receivables	1,399	-	13,344	14,743	14,743
Receivables from Group companies	529,077	-	-	529,077	529,077
Pre-paid expenses and accrued income	-	-	45,447	45,447	45,447
Cash and cash equivalents	111,944	-	-	111,944	111,944
Total assets	642,420	-	58,791	701,211	701,211
Liabilities to Group companies	-	3,499	-	3,499	3,499
Other liabilities	-	-	7,532	7,532	7,532
Accrued expenses and deferred income	-	-	91,230	91,230	91,230
Accounts payable	-	33,413	-	33,413	33,413
Total liabilities	-	36,912	98,762	135,674	135,674

Note 27 Events after the end of the financial year

NetEnt was granted a permanent gaming licence by the gaming authorities in New Jersey (USA) in February 2019, and also obtained a conditional license from the gaming authorities in Pennsylvania (USA) in March 2019.

Note 28 Contingent liabilities

	Group		Parent Company	
	12/31/18	12/31/17	12/31/18	12/31/17
Pension commitments	15,126	12,576	15,126	12,576
Total	-	12,576	-	12,576

Pension commitments refer to provisions for direct pensions for the current and previous CEOs. These commitments have not been included in the balance sheet and are covered by the value of Company-owned endowment policies. The Company has no capital value risk in such commitments.

Statement of assurance from the Board of Directors and CEO

The Board of Directors and the CEO assure that the annual accounts and consolidated accounts have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and sound accounting practice, and provide a true and fair presentation of the group's and the company's position and results, and that the Administration Report for the group and company provides an accurate overview of the developments of the group's and the company's business, position and results, and describes significant risks and uncertainty factors with which the companies within the group are faced.

Stockholm, 29 March 2019

Fredrik Erbing
Chairman of the Board

Maria Redin
Board member

Michael Knutsson
Board member

Maria Hedengren
Board member

Peter Hamberg
Board member

Jenny Rosberg
Board member

Pontus Lindwall
Board member

Therese Hillman
CEO

Our audit report was submitted on April 15, 2019
Deloitte AB

Erik Olin
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of NetEnt AB (publ) corporate identity number 556532-6443

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of NetEnt AB (publ) for the financial year January 1, 2018–December 31, 2018, except for the corporate governance report and the sustainability report on pages 52–66 and 67–78, respectively. The annual accounts and consolidated accounts of the company are included on pages 44–110 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group at December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance report and the sustainability report on pages 52–66 and 67–78, respectively.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with generally accepted auditing standards in Sweden, and have otherwise fulfilled the ethical responsibilities of our profession in accordance with these requirements. This includes that, based on our best knowledge and belief, no prohibited services referred to in the Auditors Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the period concerned. These matters were addressed as part of our audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenues

Risk assessment

NetEnt's revenues for 2018 amount to approximately SEK 1,782 million and consist mainly of licence revenues relating to in-house developed online gaming products and services of which the proprietary platform NetEnt Casino™ represents a substantial part. The company's customers pay fees (royalty) based on the game win that is generated by the product at the customer. In addition to royalties, the company earns revenues from installation and integration of NetEnt Casino™ for its customers. The company's revenues are a significant item and derive from a large number of small transactions that are priced individually based on customer-specific agreements. Also, the reporting of installation and integration services is subject to judgments by the company. There is a risk of transactions not being captured, of transactions being inaccurately priced and of set-up fees not being recognised as the same rate at which NetEnt performs its obligations. For further information, please refer to Note 3 on page 98, which describes the group's significant revenue streams, and the group's accounting policies in Note 2 on pages 88–97 of the annual accounts.

Our audit procedures

Our audit procedures included but were not limited to:

- gaining an understanding of significant transaction flows and critical IT systems, including NetEnt Casino™ and, for these, reviewing the company's key controls in place for managing the risk of misstatement in the financial statements. Our internal IT specialists were involved in the review of IT systems.
- evaluating whether there have been any changes in the company's application of revenue recognition principles and/or judgments regarding revenue recognition.
- for a sample of revenue transactions, sample-testing to assure that they are priced in accordance with prevailing customer contracts and that revenues are recognised in the same period as NetEnt performs its obligations.

Intangible assets

Risk assessment

NetEnt has significant development expenditure for gaming products, gaming systems and gaming platforms. Once specific

criteria are met, this expenditure is capitalised as intangible assets in the balance sheet. At December 31, 2018, such intangible assets amount to SEK 335 million. The carrying amount includes direct expenses for payroll, purchased services, materials and indirect expenses which can be directly attributed to the asset. There is a risk of expenditure that is not directly attributable to the asset, or that does not meet the criteria for capitalisation under current accounting standards, being recognised as an asset. Furthermore, there is a risk of such assets not generating economic benefits for the company throughout the management's judged amortisation period. For further information, please refer to Note 12 on page 102 which presents the company's intangible assets and the group accounting policies in Note 2 on pages 88–97 of the annual accounts.

Our audit procedures

Our audit procedures included but were not limited to:

- Gaining an understanding the company's process for capitalisation, rate of amortisation, and valuation of intangible assets and reviewing the key controls which the company has in place to minimise the risk of mis-statement in the financial statements.
- Evaluating whether there have been any changes in the company's application of accounting policies and/or judgements regarding intangible assets.
- By testing a sample of transactions, we have assured:
 - that development expenditure is accurately accounted for in the balance sheet and that amortisation starts when the asset is taken into use, and
 - that expenses for outlays and expenses for own time spent on development projects can be accounted for in the balance sheet in accordance with prevailing regulations.
- Reviewing that the company's process for impairment testing of capitalised development expenditure is in compliance with prevailing regulations, and that the company has employed reasonable judgments and provided appropriate disclosures in the annual accounts.

Income tax

Risk assessment

NetEnt conducts operations in a number of countries. Some group companies perform services for other group companies and are remunerated in accordance with formal agreements entered on an 'arm's length' basis. We have identified income taxes as a key audit matter since the group conducts operations in a number of countries, with significant transactions between the countries that must be on market-based terms and addressed in compliance with local tax regulations applicable in the countries where the group operates. For further information please refer to Note 10 on page 101 for disclosures on the company's income tax and the group's accounting policies in Note 2 on pages 88–97 of the annual accounts.

Our audit procedures

We have gained an understanding of the company's process

for identifying and pricing intra-group transactions. We have also read the company's documentation that describes the principles for pricing of intra-group transactions and we have assured, by reviewing a sample of such transactions, that these were in accordance with the company's set principles.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, found on pages 1–43 and 67–78. It is the Board of Directors and CEO that are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this review we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to contain material misstatements.

If we, based on the work performed concerning this information, conclude that this other information contains a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts, and for them providing a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, circumstances that could affect the ability to continue as a going concern and to use the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, cease operations, or if there is no realistic alternative to either course of action.

The board's Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about

whether the annual accounts and consolidated accounts as a whole are free from material mis-statement, whether due to fraud or error, and to issue an auditor's report containing our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material mis-statement when it exists. Mis-statements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material mis-statement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or neglect of internal control.
- Obtain an understanding of the part of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention thereto in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding

the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and focus, and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that could reasonably affect our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material mis-statement, and which are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of NetEnt AB (publ) for the financial year January 1, 2018–December 31, 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group, in accordance with generally accepted auditing standards in Sweden, and have otherwise fulfilled the ethical responsibilities of our profession in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. In the case of the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the

requirements which the company's and the group's nature of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs are otherwise satisfactorily controlled. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take requisite measures to fulfill the company's accounting in accordance with law and satisfactorily conduct the management of assets.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion regarding discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which could lead to the company being liable for payment, or
- has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion thereon, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that could make a company liable for payment, or proposed appropriations of a company's profit or loss not being in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss are based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment, with the starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and in which deviations and violations would have a particular bearing on the company's situation. We examine and test decisions undertaken, decision-making basis, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit

or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for the corporate governance statement on pages 52–66 having been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16, The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, Paragraph 2, Items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, Paragraph 2 of the same act are consistent with the other parts of the annual accounts and consolidated accounts, and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 71–74, and for it having been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12, The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

A sustainability report has been prepared.

Deloitte AB, was appointed auditor of NetEnt AB by the annual general meeting of shareholders on April 21, 2017 and has been the Company's auditor since April 10, 2008. ●

Stockholm, April 15, 2019
Deloitte AB

Erik Olin,
Authorised Public Accountant

DEFINITIONS

Average number of employees

Average number of employees converted to full-time equivalents (FTEs).

Average number of shares outstanding

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

Cash flow from operating activities per share

Cash flow from operating activities in relation to the average number of shares outstanding during the period after dilution. A measure used by investors, analysts and the company's management for evaluation of the company's financial performance and ability to generate a positive cash flow.

Dividend per share

Distributed/proposed dividend. "Dividend" here also means distributions to shareholders.

Earnings per share

Profit after tax in relation to the average number of shares outstanding during the year.

EBITDA margin

Operating profit excluding depreciation and amortisation in relation to operating revenues. A profitability measure that is used by investors, analysts and the company's management for evaluation of the company's profitability.

Equity per share

Shareholders' equity in relation to the number of shares outstanding at the end of the year.

Equity/assets ratio

Equity divided by total assets at the end of the period. A measure that is used by investors, analysts and the company's management for evaluation of the company's payment ability in the long and short term, and the capital structure of the company.

Net interest-bearing liabilities

Net of interest-bearing provisions and liabilities less financial assets and cash and cash equivalents. A measure used by investors, analysts and the company's management for evaluation of the company's financial position and ability to distribute money to shareholders.

Number of employees at year end

The number of employees at year end, converted to full-time equivalents (FTEs).

Number of engaged persons at year end

The number of employees and external resources such as dedicated people at contracted suppliers and consultants at the end of the period, converted to full-time equivalents (FTEs).

Number of shares outstanding

Number of outstanding shares at year end adjusted for bonus issue and share split.

Operating margin

Operating profit in relation to operating revenues. A profitability measure that is used by investors, analysts and the company's management for evaluation of the company's profitability.

Return on equity (RoE)

Profit for the period as a percentage of shareholders' equity. A return measure that is used by investors, analysts and the company's management for evaluation of the company's ability to generate a return on the capital its shareholders have invested.

Revenue growth

Percentage increase in operating revenue in SEK compared to the previous year. A measure that is used by investors, analysts and the company's management for evaluation of the company's growth. The company's goal is for revenues to grow faster than the market.

GLOSSARY

B

Back office

Transaction management system for the casino.

Bet

Any form of wager or real money at stake.

Betting limits

Minimum and maximum wagers that a player can make at any one time.

Bonus function

Slot games often have some type of bonus function or feature. Different versions of bonus functions can include scatter, wild and similar, but also bonus courses where the chances of winning are better than in the basic game.

Bonus round

The bonus function in slot games where the player moves up from the basic game to a bonus course with free spins, multipliers and other functions that often increase the chance of higher wins.

Branded games

Means casino games that use content licensed from a third party and on which a royalty or license fee is paid by NetEnt.

C

Casino games catalog

List of NetEnt's games that are available in a certain jurisdiction or regulated market.

Casino games

Umbrella term for the category of games played for money, including slots and table games.

Casino lobby

Page within the licensee's gaming site showing the casino games that are available on the operator's site.

Casino Module™

The brand name of NetEnt's casino system, which includes a set of games based on a technical platform.

Casino result

Casino result is calculated as player bets minus player wins, minus player compensations, minus gaming tax.

Chips

Disks used to denote values in place of real or play money, giving a visual representation of a bet in card games such as roulette.

Commercial go-live

The date when NetEnt's games and gaming system are launched commercially at a customer, i.e. the games become available to players for real money play on a gaming operator's site.

Credits

In slot games, credits are used instead of visualising bets. Also called betting units.

Croupier

The French word for dealer, used in table games such as roulette and blackjack. Live casino with real dealers is broadcast in real time from NetEnt's studio in Malta. See Dealer, below.

Customer support

Function at NetEnt that assists licensees with incidents and problems.

D

Data center

Server hall where NetEnt physically handles the customers' transactions.

Deal

When the dealer distributes cards to players in a card game such as blackjack or poker.

Dealer

Used in table games such as roulette and blackjack. A live casino with real dealers is broadcast in real time from NetEnt's studio in Malta.

Deposit

A cash payment, usually made online, to credit a gaming

account with funds to play.

Desktop games

Casino games that are available to players on their desktop PC or Mac (including laptops).

E

Expanding symbol

In slot games, this is a symbol that expands to fill the reel.

F

Feature round

In slot games, this is a special round that may include free spins, interactive games and the opportunity to win specific prizes.

Flash

A multimedia and software platform used for creating vector graphics, animation, browser games Rich Internet Applications (RIA) online.

Free round

The same as a bonus round. In slot games, the player can gain move up from the basic game to a bonus course with free spins, multipliers and other functions that often increase the chance of higher wins.

Free spins

In slot games, the player can be offered to spin the reels without using any credits, i.e. a free round.

G

Gaming authority

The authority responsible for regulation of the gaming market in a jurisdiction.

Game type

Term used to describe the genre of a casino game, such as Live Casino, video slot, table games, etc.

Gaming system

The NetEnt CasinoModule™ is a

gaming system, integrated with the licensee's platform.

Game win

Player bets minus player wins.

General Availability (GA) Date

Date when NetEnt releases a new game, product, function or service to all its customers simultaneously.

Go-live

The date when NetEnt's games become available to players for real money play on a gaming operator's site.

Gross gaming yield

Industry-wide definition, also called gross game win. Calculated as player bets minus player wins, minus player compensations and bonuses, before gaming taxes.

H

Hand

The cards dealt to a player in a card game such as blackjack, after the cards have been shuffled by the dealer.

Hosting center

Same as data center. Physical entity where the licensee's CasinoModule™ is hosted by NetEnt.

Hosting fee

Fixed monthly hosting fee invoiced to licensees covering customer support, IT service management, problem handling, hosting charges and bandwidth.

HTML

Abbreviation for Hyper Text Markup Language. Standard mark-up language used to create web pages. Web pages are generally written in HTML and transferred over the Internet with HTTP.

HTML5

This is the fifth revision of the HTML standard. Since 2015, all NetEnt games are developed in HTML 5.

I**Integration**

Integration is the term for the activities and tasks that take place to connect the licensee's account platform with the NetEnt CasinoModule™ so that games can be launched.

J**Jurisdiction**

A limited geographical area or specific area of responsibility with authority for the administration of justice. Used to describe the regulated markets where NetEnt has licences, such as Malta, Gibraltar, Alderney and the UK.

L**Land-based casino**

All casinos that are not online. Also known as offline

Live Casino

Game type which means a casino game with real dealers, broadcast over videolink in real time from a gaming studio, such as roulette and blackjack.

Live Common Draw Blackjack

Live Common Draw Blackjack is a type of Live Casino Blackjack game where many players can participate simultaneously, unlike traditional blackjack which permits a maximum of seven players.

Local jackpot

A local jackpot for one operator in one jurisdiction.

M**Maximum bet**

The largest wager permitted in a casino game such as roulette or blackjack.

Multichannel

The ability to enjoy our games

on various platforms, such as desktop, tablets, mobile and land-based gaming machines.

Multiplayer

This allows a player to play in real-time with other players seated at the same table. Available in NetEnt's Live Casino games only. It is not available in our regular slot games.

Multiplier

In slots, this refers to a feature where payouts can be multiplied up to a certain amount of times.

N**Net gaming revenue**

Industry-wide definition, same as net game win. Calculated as player bets minus wins, minus bonus costs, minus regulated market tax.

O**Online casino operator**

Term for NetEnt's customers, gaming operators, which in turn offer casino games to consumers. They often also provide other types of games, such as betting and poker.

Online casino supplier

Sub-contractor to the gaming operator/online casino. NetEnt is an online casino supplier.

P**Payback**

See under Payout. The percentage of bets returned to players from a specific game, on average and over time.

Payline

In slot games, these are the lines on which winning symbols must land in order to win.

Payout

Also known as payback and RTP. The percentage of bets

returned to players from a slots game – on average and over time.

Pay table

This describes the possible combinations and values of winning symbols and what the wild, scatter and other symbols mean in each casino game.

Players

The gaming operator's customers. End-consumers of NetEnt's games.

Pooled jackpots

A larger jackpot that is pooled from several operators through the same game.

Professional services

NetEnt can provide additional services to its customers such as extra integration services/migrations/consolidations, game client brandings, business intelligence, marketing services including planning, web banner creation and poster design and training.

Progressive jackpot

A fixed amount from each wager will go towards the progressive jackpot, which will continue to accumulate until it is won.

Progressive slots

These games are linked and they pool a jackpot prize.

R**Random Number Generator (RNG)**

A computational algorithm designed to generate a sequence of numbers or symbols that is entirely random. Slot games are also known as RNG games.

Reels

In slots, a reel refers to one of the columns on which players try to hit certain symbols or prizes. Often five reels that look like columns.

Return to Player (RTP)

See under Payout. The percentage of bets returned to players

from a specific game, on average and over time.

Revenue share

Royalties calculated as part of the customer's revenues from NetEnt's games.

Royalty

NetEnt's customers pay royalties to NetEnt on a monthly basis. These are calculated as a percentage of the casino result in NetEnt's games after deduction of regulated market tax.

S**Scatter**

Symbols in a slots game. Three of these symbols are often needed to unlock a bonus round, win free spins or similar. Scatter rarely needs to appear on any specific line to generate a win.

Spin

Refers to a bet in a slots game. The player presses the spin button to spin the reel one time.

Symbol

In slot games, a symbol refers to an icon or value on the reel.

System integration fee

Upfront fees received from licensees to cover the costs of hardware investment and integration/testing before the launch of NetEnt's games.

V**Video slots or classic slots**

Terms used to describe NetEnt's main product, slot games.

W**Wild**

A symbol in a slot game which, in the vast majority of cases, substitutes for any symbol at all, simplifying a winning line for the player. However, these rarely substitute for scatter or bonus symbols.

INFORMATION FOR SHAREHOLDERS

Annual General Meeting and other information

Annual General Meeting

The Annual General Meeting of NetEnt AB (publ) for the financial year January 1–December 31, 2018 will be held in Stockholm on Friday 10 May, 2019 at NetEnt's offices on Vasagatan 16 in Stockholm. Notice of the Annual General Meeting is published on NetEnt's website, www.netent.com/agm.

Right to attend and registration

Shareholders wishing to attend the Annual General Meeting must be entered in the register of shareholders held by Euroclear Sweden AB on 4 May, 2019, and also notify NetEnt of their intention to attend no later than 3 April, 2019.

Shareholders must register to attend the AGM in writing, stating their name, personal/corporate identity number, address, telephone number, e-mail address and shareholding to the following address:

NetEnt AB (publ), Att: Annual General Meeting
Vasagatan 16, 111 20 Stockholm
or by e-mail to agm@netent.com, or
via NetEnt's website at www.netent.com/agm

Share registration

Shareholders whose shares are nominee-registered through a bank's notary department or other nominee must, in order to be entitled to participate in the meeting, temporarily register the shares in their own name. Such registration must be done no later than 3 May, 2019, so shareholders must notify their nominee well in advance of that date.

Other information

NetEnt intends to release financial reports, etc. on the dates below:

Interim report January–March 2019	25 April, 2019
Interim report January–June 2019	12 July, 2019
Interim report January – September 2019	24 October, 2019
Year-end report and report for the fourth quarter 2019	12 February, 2020

Financial reports, press releases and other information are available from the date of publication on NetEnt's website, www.netent.com. NetEnt's principal method of distributing financial reports is electronically. Financial reports, press releases and other information are available for viewing on NetEnt's website (www.netent.com), where it is also possible to subscribe to reports and press releases via e-mail. Financial reports are available on the website as of when they have been published. Printed copies of the annual report are sent upon request.

For further information, please contact:

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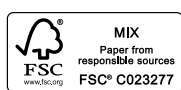
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