

ANNUAL REPORT 2016



NETENT
BETTER GAMING™

Driving the digital casino market through better gaming solutions

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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 54–101.

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





NetEnt turns 20!

1996–2016

As a pioneer in online gaming solutions, NetEnt has driven the digitalization of the casino industry. For two decades, we have been creating entertainment and setting the pace for development in the online gaming industry. A lot has happened in 20 years and below we present a few of the key events that have contributed to our role as a leading provider to the industry.

NetEnt has its roots in the traditional land-based casino world through what was then Cherryföretagen.

1996

NetEnt is founded by Pontus Lindwall in association with Cherry and Kinnevik.



2000

The first game is launched.

2002

NetEnt launches the product Casino Module, an online casino with administrative tools.

2003

NetEnt reaches profitability.



2005

NetEnt obtains gaming license in Malta.

2007

NetEnt is spun off from Cherry and listed on NGM Equity.

1996

around 6 per cent of Swedes have access to the Internet at home. The Christmas gift of the year is a 56 Kbit Internet modem with excessive minute tariffs.

2000

half of the Swedish population have access to the Internet at home.

2003

Skype is founded.

2004

Facebook is founded.

2006

Spotify is founded and around half of Europe's population now uses the Internet.

2007

The iPhone is launched.

2016

NetEnt launches mobile live casino and becomes an associated member of the World Lottery Association (WLA). A full 39 per cent of revenues comes from mobile games.

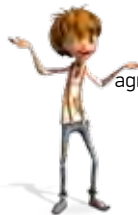
NetEnt enters the regulated markets in Romania, Bulgaria and Portugal. A VR demo is shown at ICE in London.

2015

NetEnt obtains gaming licenses in the UK and Spain, and launches games in the regulated market in the state of New Jersey, USA. NetEnt's games are made available in land-based gaming machines in the UK. NetEnt completes the transition to game development in HTML5 for both desktop and mobile. The share is moved to the large cap list of the Stockholm Stock Exchange.

2013–2014

Several key customer agreements are signed in the UK and Live Casino is launched.



2012

NetEnt obtains certification in the newly regulated market in Denmark.

2011

NetEnt launches the first mobile games and enters the newly regulated Italian market.

2010

NetEnt receives a category 2 license on Alderney.

2009

NetEnt moves to the main list of the Stockholm Stock Exchange.

2016

93 percent of the Swedish population uses the Internet. Two thirds of the global population have 3G coverage and more than half of the global population has a subscription for mobile broadband.

If you
had invested
SEK 1,000
at the time
of NetEnt's IPO.



* Shows total returns, including reinvested dividends.

A leading provider of digital entertainment

We develop games and system solutions that enable online casino operators worldwide to offer their customers the ultimate gaming experience. Our portfolio consists of around 200 world-leading game titles in 24 languages and a powerful technological platform with a server solution and support 24/7, 365 days a year.

Our business



68,000

GAMING TRANSACTIONS
PER MINUTE



6

DATA CENTERS



>4,000

SERVERS IN OPERATION

99.9%

SYSTEM AVAILABILITY

168

ACTIVE CUSTOMERS

Expertise and diversity



50% WOMEN

IN SENIOR MANAGEMENT TEAM



40%

WOMEN



60%

MEN

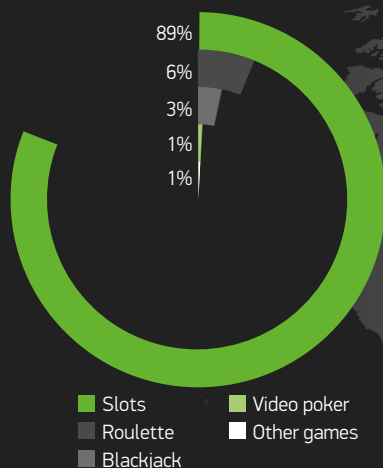
WE HAVE EMPLOYEES
FROM

47

COUNTRIES AROUND
THE WORLD



Game win in 2016



NetEnt's global presence



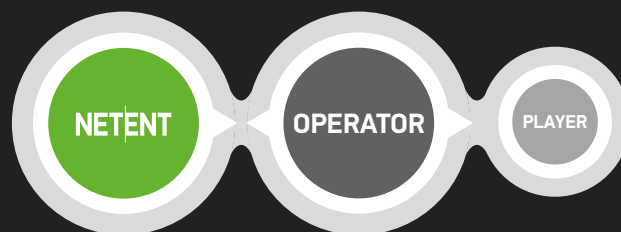
Innovative games of the highest quality

Players seek the operator that offers the best gaming experience. NetEnt is a leader in casino game development and continuously enhances its offering with new games and functions to attract players and constantly improve the gaming experience, thereby strengthening loyalty.

Our partnership model

NetEnt and its customers, the casino operators, work according to a partnership model. NetEnt is responsible for all technical operations and monitoring of gaming transactions through hosting. The gaming operators pay a monthly license fee to NetEnt, calculated as a percentage of the game win generated by NetEnt's games.

Our games are offered on desktop, mobile and in gaming machines.



World-leading customers

sky VEGAS

betsson

COINBET

RESORTS
CASINO.COM

William HILL

CAESARS
INTERACTIVE
ENTERTAINMENTGOLDEN
NUGGET
CASINO.COM

Ladbrokes

BETVICTOR

Paddy Power

bet365

betfair

888
.com

LOTTOMATICA

mr green

tipico

neo@games

Danske Spil



winb



LeoVegas.com

PokerStars

NetEnt's strategy for growth **continues to deliver results**

28.5%

REVENUE GROWTH

36.8%

OPERATING MARGIN

Key events of the year

Q1

- Customer agreements signed and games launched with PokerStars in the regulated market in New Jersey, USA.
- NetEnt becomes an associate member of the World Lottery Association (WLA), a global member-based organization that promotes the interests of state-authorized lotteries and gaming operators.
- The launch of the Guns N' Roses slot is the company's most successful game launch ever in terms of revenue.
- NetEnt wins prestigious awards at the International Gaming Awards, Gaming Intelligence Awards and EGR Nordic Awards.
- The Administrative Court of Appeal rules in NetEnt's favor in a tax dispute that has been underway for several years.
- For the first time, NetEnt showcases a slots demo using Virtual Reality at ICE in London.

Q2

- Games go live at Tropicana in New Jersey, USA.
- Gaming license obtained in Romania, which recently regulated online gaming.
- NetEnt wins several prestigious prizes at the eGR B2B Awards.

“We continue to benefit from a trend in which more and more markets are becoming regulated. NetEnt has the knowhow and experience required to be a certified player in new markets.”

	2016	2015	2014	2013	2012
KEY FIGURES					
Revenues (SEKm) ¹⁾	1,455.1	1,132.4	851.7	630.7	526.7
Growth, %	28.5	33.0	35.0	19.8	23.2
Operating profit (SEKm)	535.9	401.6	261.7	179.7	153.1
Operating margin	36.8	35.5	30.7	28.5	29.1
Profit after tax (SEKm) ¹⁾	504.4	374.0	243.2	167.1	136.1
Earnings per share (SEK) ^{1) 2)}	2.10	1.56	1.02	0.71	0.57
Distribution to the shareholders/share (SEK) ¹⁾	2.25	1.33	0.83	0.50	0.375
Cash flow before dividends (SEKm)	390.1	337.6	243.7	113.6	83.8
Return on equity	63.1	61.2	52.5	49.5	50.9
Net cash position at year end (SEKm)	494.5	402.1	258.1	105.8	79.4

1) Defined according to IFRS

2) Adjusted for 6-for-1 split in May 2016

For definitions, see page 108.

Q3

- NetEnt launches games with The Rank Group, one of the UK's largest gaming operators.
- Games go live with several customers in the regulated Romanian market.
- NetEnt Live Mobile launched for casino experience on the go.

Q4

- Agreement signed with Gauselmann to license gaming content for land-based gaming machines in Italy.
- Therese Hillman is recruited as the new CFO.
- NetEnt's game Guns N' Roses named Game of the Year at the EGR Operator Awards.
- Partnership with Paddy Power extended to include land-based gaming machines in the UK.
- NetEnt's games go live in Bulgaria and Portugal.
- NetEnt's game Mega Fortune Dreams pays out EUR 7.4 million jackpot to a lucky winner in the UK.

NetEnt is showing continued strong growth and has evolved into a world-leading provider of digital casino entertainment. In the past five years, revenues and profit have more than tripled. Per Eriksson is President and CEO of NetEnt.

2016 was yet another eventful year for NetEnt with new record levels for revenue, profit and cash flow. What are the factors behind this strong performance?

The key to our success is the ability to continuously renew our attractive customer offering through the fantastic efforts of all our employees. NetEnt is the force that is driving developments in the market through innovation, quality and our positive corporate culture. In 2016 we introduced several major product innovations, including further enhancement of our platform and the introduction of a mobile gaming solution for Live Casino Roulette, a move we believe will contribute to our future growth in this market segment.

NetEnt's customer offering consists not only of the industry's best games, we also take care of all gaming transactions on behalf of our customers through hosting. Our games are accessible 24/7, all year around, demanding the highest standards in terms of availability and capacity in our systems. We handled close to 36 billion gaming transactions in our systems during the year, or 68,000 game rounds per minute, which was 19 times more transactions than on the New York Stock Exchange in 2016!

NetEnt is the market-leader when it comes to delivering games and platform solutions to operators worldwide. What is the main strength of the company's business model?

The strength of our business model is its scalability. We create at least one new game every month, and the more customers we have and the more markets we are present in, the faster we can grow. One vital factor is that we earn royalty revenue on all game win that is generated in our games among the customers, which means that we grow together with our partners. We signed a total of 45 license agreements with new customers in 2016, which is the highest figure to date, and 34 new customer casinos were launched.

You mentioned NetEnt's positive corporate culture, can you tell us more about it?

I am convinced that our innovative corporate culture is the foundation for our success. It is based on flat structures with abundant scope for individuals to quickly start, run and take responsibility for new projects. A rich diversity of competencies creates a positive environment for innovation. I can proudly say that we have 47 nationalities represented among our employees and that there are as many men as women in the Group Management – which creates a great, creative atmosphere for rapid growth.

Because we value gender equality, I am really pleased that we ended up in second place when the AllBright Foundation ranked the most gender-equal companies on the Stockholm Stock Exchange in 2016. We are continuing to work actively to increase the share of women among our employees and have set a target to reach 50 percent by 2020 – up from the current 40 percent.

Which game is your personal favorite?

I feel most proud of NetEnt Rocks, our game trilogy featuring Guns N' Roses, Jimi Hendrix and Motörhead. These are fantastic games with a very unique feeling, not least if you're a big fan of rock music like myself. The games were tremendously successful during the year and Guns N' Roses was named Game of the Year at the EGR Operator Awards in London. In 2016 we also launched several other innovative games of the highest quality, such as Aloha, Drive, Warlords and Little Red Riding Hood, all of which were received really well by our customers and players.

A key topic is the industry's sustainable development, and here we can see that more and more countries are choosing to regulate or reregulate online gaming. What is your perspective on this trend?

We welcome well-defined rules that create a safer environment for both players and gam-

ing companies. We believe in corporate social responsibility as an enabler for long-term sustainability in our business and remain focused on expanding in regulated markets. By investing in and building up an organization that can obtain and maintain licenses and certifications, we have gained a competitive edge compared to smaller players.

However, it's important that the conditions are right, i.e. that the tax rates are commercially sound and that we have opportunities to offer our games and gaming solutions as we are already doing in regulated markets such as the UK, Italy, Denmark, New Jersey (USA) and Spain. In 2016 we became members of the World Lottery Association (WLA), a global member-based organization that promotes the interests of state-authorized lotteries and gaming operators. By obtaining new certifications and licenses, we were able to launch our games in the newly regulated markets in Romania, Bulgaria and Portugal.

What is your outlook on the future? What will be the top priorities for NetEnt?

We feel very confident about the future. Our segment of the casino industry is growing by the day, around the world, and NetEnt is active on every level. We are the world-leader in mobile solutions. Mobile games accounted for 43 percent of our revenues in the fourth quarter of 2016 and the



"The key to our success is the ability to continuously renew our attractive customer offering..."

share is even higher for the new games that we release. We are entering new regulated markets such as the USA and Latin America, where we have relatively few competitors.

Our games will also be increasingly available in land-based gaming machines. At the end of the year we signed new agreements for this type of distribution of our games with Gauselmann for Italy and Paddy Power for the UK. In addition, we recently announced the development of our

first game for the fast-growing Virtual Reality (VR) market. The ambition is to offer all our customers our popular game Gonzo's Quest as a VR game in existing distribution channels through NetEnt's Casino Module. I'm convinced that VR has a given place in the future of online gaming and it feels fantastic that NetEnt as a company is driving this development.

We will continue to invest in our organization and employees, and our unique corporate culture will help us to achieve new successes in the future.

What is it that makes NetEnt such a fun company to work for?

We are committed to creating an environment where our employees can develop and thrive, and we offer attractive terms of employment. At the beginning of 2017 we won the prestigious industry award "Great Place to Work" at the International Gaming Awards in London. But we want to become even better. In the year ahead we will launch a concept called "Better Mondays", a range of activities designed to really make sure that we inspire and attract the top talent in the market. NetEnt is a fast-growing company in a dynamic digital industry that is challenging old structures. We see opportunities where others see challenges and look forward to a very exciting journey ahead!





VISION

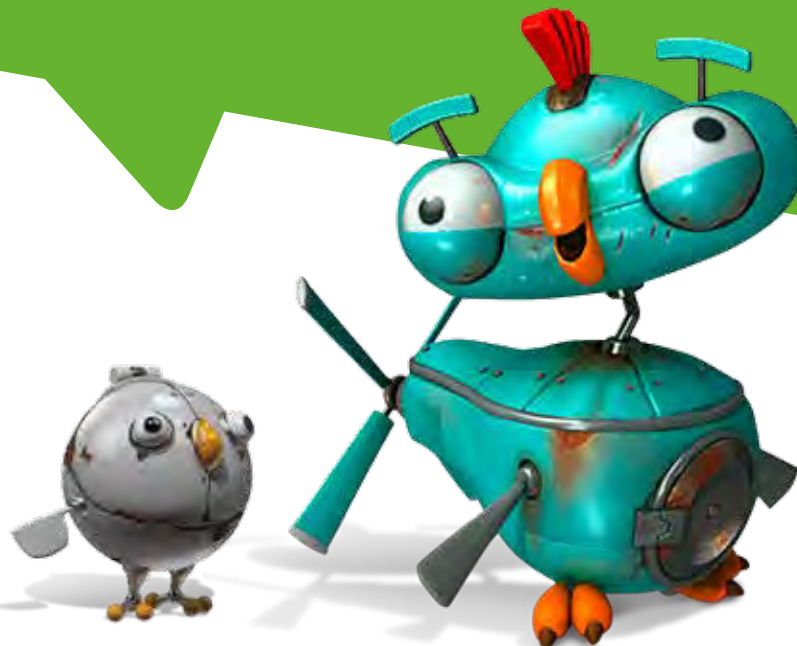


Driving the digital casino market through better gaming solutions.

MISSION



Creating value by providing leading-edge digital casino solutions that enable the ultimate entertainment experience.



Financial targets

NetEnt's business concept is to develop gaming and system solutions that enable online casino operators worldwide to offer their customers the ultimate gaming experience. The financial targets should contribute to strengthening our position as the company driving the digital casino market.



Growth 28.5%

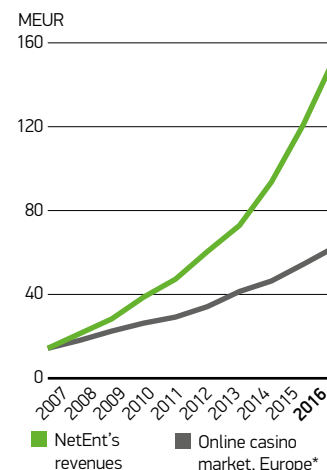
NetEnt's overall objectives are to further strengthen its market position, drive developments and grow faster than the market. We operate in a market undergoing structural growth, and we are gaining market share. The ability to continue growing at a fast pace is a key component of our corporate culture.

Outcome growth

Since 2007, NetEnt has increased its revenues by 30% annually, while the online casino market in Europe has grown by 18% annually over the same period. In 2016 our revenues grew by 28.5%, compared to estimated market growth of 13% in Europe.

This increase in revenue is explained by growth among existing customers, the launch of new games and new customers. A full 34 new customer casinos went live in 2016. The goal is to continue growing organically together with existing and new customers by delivering the market's best gaming solutions.

Historical growth, NetEnt vs. European market



*Indexed to NetEnt's revenues

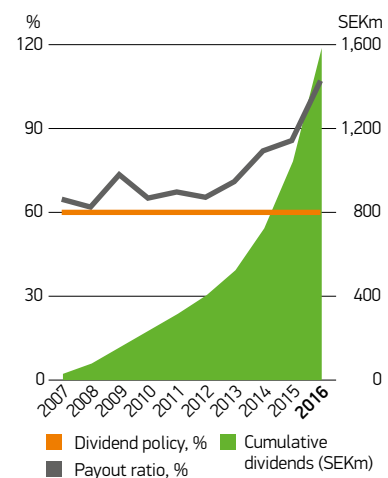
Dividend SEK 2.25

NetEnt's ambition is for the dividend to amount to at least 60 percent of profit after tax, subject to the company's long-term capital requirement.

Outcome dividend

Since 2007, NetEnt's shareholders have received an average dividend equal to 74% of net profit. The proposed dividend for 2016 is SEK 2.25 per share, which is equal to 107% of net profit. Our ability to create earnings growth and stable cash flows provides scope for continued strong cash returns to shareholders.

Historical dividends



Strategies for growth

NetEnt's strategy is to create sustained growth by focusing on the digital casino segment and being the leading niche player that drives the market through innovation and quality.



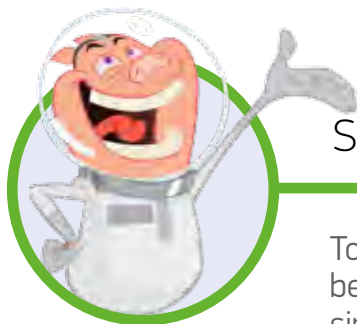
Strategy: **Geographic expansion**

Geographic expansion in prioritized markets. Europe still has top priority, followed by North America and Asia. Focus on regulated markets but continue with dot.com as long as this is commercially viable.

[Read more on page 13](#)

Activities and achievements in 2016

- Solid growth in recently regulated markets in Europe, such as the UK, Italy, Denmark and Spain, as well as New Jersey, USA.
- NetEnt's games launched in the regulated markets in Romania, Bulgaria and Portugal.
- License application filed in British Colombia, Canada.
- NetEnt became a member of the World Lottery Association (WLA).



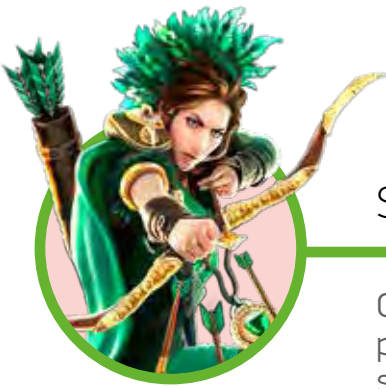
Strategy: **Flexible & scalable product offering**

To the extent possible, we want to be able to launch our new games simultaneously for all customers across all channels and in all markets. Our platform should be able to handle growing volumes, rising complexity and smooth integration among new customers.

[Read more on page 18](#)

Activities and achievements in 2016

- Further enhancement of our casino platform.
- In 2016 we handled close to 36 billion gaming transactions in our systems.
- We integrated and launched 34 new customer casinos.



Strategy: **Innovation & quality**

Games, platforms and other processes in the company shall be characterized by innovation and the ambition to consistently deliver the highest quality.

[Read more on page 22](#)

Activities and achievements in 2016

- In 2016 we released 14 new games with a range of new game functions.
- In September, we launched NetEnt Live Mobile, an innovative product that clearly increases the gaming experience for live casino.
- We won several prestigious prizes for innovation and quality at the eGR B2B Awards in London.
- At the EGR Operator Awards we were named "Digital Industry Supplier of the Year".
- Recurring internal innovation projects such as Innovation Week and NetEnt X.



Strategy: **Business partner**

We aim to be a close business partner and grow together with both existing and new customers.

[Read more on page 30](#)

Activities and achievements in 2016

- Continuous focus on improving customer satisfaction in ongoing dialogue with customers.
- We signed 45 new customer agreements and launched 34 new customers.
- We developed three customized games for some of our most important customers.
- In our annual customer survey, 99 percent of all customers stated that NetEnt has an outstanding reputation in the industry.



Strategy: **Strong corporate culture**

A culture that promotes rapid growth. We strive for a dynamic, creative and goal-oriented culture that is based on our core values:

- Together We Win
- Think Ahead, Be Ahead
- We act SpeedSmart
- Passion in All We Do

[Read more on page 34](#)

Activities and achievements in 2016

- NetEnt recruited 276 new employees who attended an introductory program with a focus on the company's corporate culture.
- Continuous improvement efforts based on employee surveys that are carried out three times per year.
- During the year, NetEnt held several leadership training courses for the company's managers where the core values were a key component.
- NetEnt won several awards at the year's Women in Gaming Awards in London and was ranked second for gender-equality among all listed companies on the Stockholm Stock Exchange by the AllBright Foundation.

Our business model

By working closely with our customers and constantly developing the product portfolio and platform while at the same time optimizing all parts of our business, we create a world-class offering and long-term value for our shareholders.

Games at our customers

NetEnt has no direct contact with the players, but an in-depth understanding of what makes good entertainment in a safe environment is a critical success factor in NetEnt's development process.

» Entertainment in a safe environment.

Game and product development

NetEnt launches at least one game per month, and launched a total of 14 new games in 2016. Guns N' Roses was named Game of the Year at the EGR Operator Awards. A major upgrade of the platform continued during the year.

» Innovation & quality.



Inflow

Financial capital

Expertise & experience

Customers & player confidence

Regulations

Sales, marketing and product organization

NetEnt works closely with its 168 active customers to drive innovation and shared success in the form of revenues and profit.

» Close collaboration.

Integration, hosting and support

In total, NetEnt handled 36 billion gaming transactions in 2016 and system availability exceeded 99.9%.

A total of 34 new customers were integrated and launched during the year.

» Operating reliability and availability.

Outflow

Satisfied customers

Entertaining games that meet regulatory requirements and are available 24/7, 365 days a year.

Motivated employees in an attractive workplace

Earnings growth and cash returns for the shareholders

NetEnt's ambition 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 of Directors has proposed a dividend of SEK 2.25 per share for 2016, amounting to a total of SEK 540 million. This is equal to 107 percent of profit after tax.

Regulatory compliance

All of NetEnt's operations and products comply with the relevant regulations established by gaming authorities around the world. Consumer protection, responsible gaming, anti-money laundering and anti-corruption are key areas.

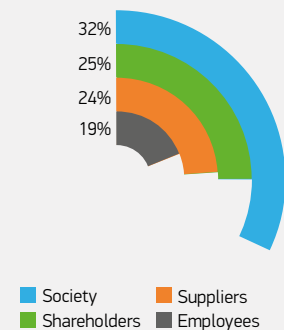
» NetEnt's operations are characterized by clearly defined compliance rules and zero tolerance for deviations.

SEK 2.1 Billion

CREATED ECONOMIC VALUE

NetEnt's business creates economic value that benefits the stakeholders. In 2016, **NetEnt's operations generated an economic value of SEK 2.1 billion, which was distributed among the stakeholders** according to the graph below:

Distributed value 2016



- **Suppliers:** Payment for materials and services of SEK 510 million.¹⁾
- **Employees:** Salaries and benefits of SEK 409 million.
- **Shareholders:** Proposed cash distribution for 2016 of SEK 540 million.
- **Society:** Paid taxes of SEK 685 million.²⁾

1) Includes supplier costs and depreciation for the year.

2) 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.







Strategy for growth:

Geographic expansion

In 2016 NetEnt continued to expand, above all in regulated markets. Games were launched with customers in the newly regulated markets in Romania, Bulgaria and Portugal, while the company continued to grow in recently regulated European markets such as the UK and

Spain. The expansion in North America continued. In the regulated market in New Jersey, USA, we now have customer agreements with all major operators. At the end of the year a license application was filed in the Canadian province of British Colombia.

The global online gaming market is showing continued strong growth. The underlying structural growth is supported by megatrends such as globalization, digitalization and ongoing mobile development. Reregulation means that new geographic markets are opening up while consumer willingness and confidence to shop and pay online are rising steadily.

Changes and new opportunities in online gaming

Online casino market worth EUR 11 billion

The global game win for real-money online gaming, in all types of games, is estimated at EUR 40.0 billion for 2016, up by 11 percent over 2015. The corresponding size of the global online casino market is estimated at EUR 10.7 billion for 2016, representing growth of 13 percent compared to 2015. The share of real-money online gaming for all types of games is estimated at 11 percent, and 6 percent for games in casinos and gaming machines (source: H2 Gambling Capital, February 2017). Europe is the largest market for real money online gaming, accounting for 50 percent of the global total, where the UK is the single largest European market.

Steady growth

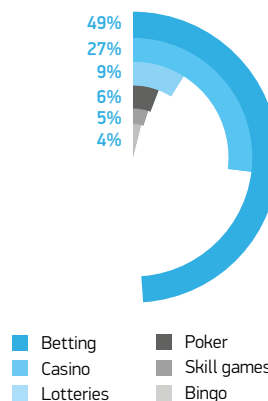
People are spending an increasing amount of time online and are spending a growing share of their disposable income on online shopping and entertainment, including casino games. The global gaming market is also benefiting from a steady migration from land-based to online gaming.

Other factors that are having a positive impact on the industry are reregulation, faster connectivity, technological improvements, new market entrants, a broader offering and a greater acceptance of online gaming as a natural part of the entertainment industry. H2GC estimates that the online casino market will grow by an average of 6 percent annually until 2021, both in Europe and on a global basis.

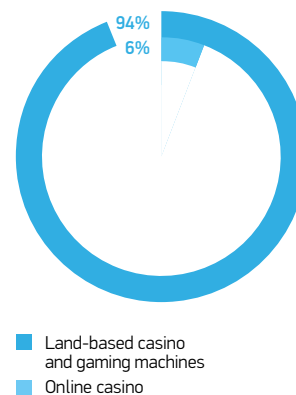
Strong drivers for growth in online gaming

- Globalization enabling rapid distribution of trends and products
- Migration from land-based to online gaming
- Mobile development
- Greater interest and confidence in online consumption and payment
- Increased consumption of digital entertainment
- Extended broadband penetration and new player groups
- Reregulation of online gaming markets
- New market entrants and broader offering
- New technology for games and systems development

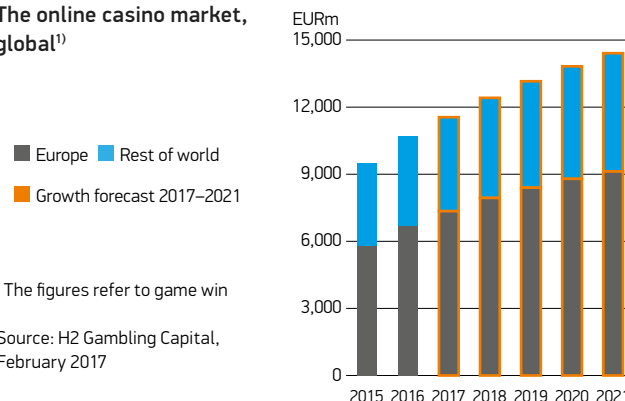
Global breakdown of online games



The global casino market – our potential¹⁾



The online casino market, global¹⁾



¹⁾ The figures refer to game win

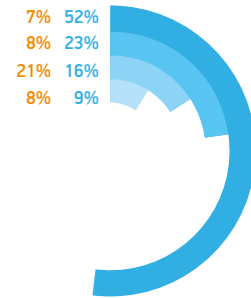
Source: H2 Gambling Capital, February 2017



Market size and growth

- Europe
- Asia & Middle East
- North America
- Other markets

Growth forecast 2016–2021



NetEnt's market position

NetEnt focuses on digital premium solutions for the casino market, a segment that has shown both strong growth and profitability in recent years. NetEnt has increased its revenues by an average of 30 percent annually since 2007, while the online casino market in Europe has grown by 18 percent annually over the same period.

As the market increases in size, this drives competition from both large companies and small game developers targeting a niche or geographic submarket. NetEnt has nevertheless succeeded in increasing its market share thanks to an attractive offering that is popular among operators and players alike. Another critical factor is that the company meets the strict requirements imposed by the gaming authorities.

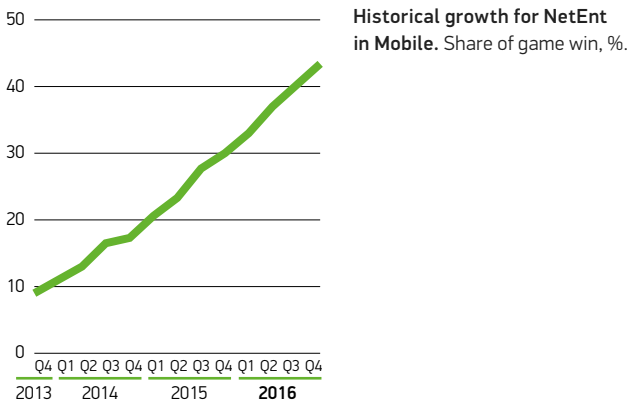
Competitors

Among suppliers, the online gaming market is dominated by a handful of companies. Most of these offer a broader product portfolio than NetEnt, which remains focused on casino games, and many have also chosen to focus on the poker market.

NetEnt's main competitors are Playtech and Microgaming, but there are also several smaller competitors. In the live casino segment, Evolution Gaming is the key competitor. In 2016 NetEnt had an estimated global market share of 15 percent, and 25 percent in Europe, based on market statistics from H2GC. The market share has risen steadily in the past few years (see diagram). The future outlook for online gaming remains very bright and NetEnt has excellent prospects to continue gaining market share.

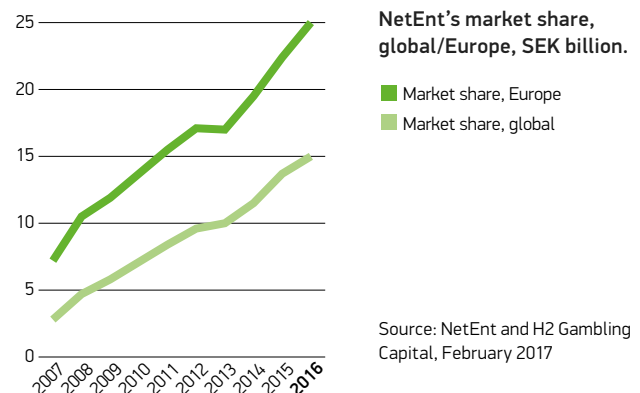
Mobile development

The number of mobile phones is growing steadily on all continents worldwide. In the past few years the mobile gaming trend has increased dramatically, and so far, it does not appear that this growth has taken place at the expense of desktop gaming. Mobile gaming is still one of the most exciting and fastest-growing segments of the gaming industry.



Mobile drives innovation, synergies and presents new opportunities for expansion through access to new player groups. According to H2GC, mobile gaming accounted for around 33 percent of all online gaming globally in 2016, and this market segment is expected to grow by an average of 14 percent annually through 2016–2021.

NetEnt has been developing mobile games since 2011 and the mobile segment has continuously increased in terms of volume, technical content and availability. Revenues from mobile gaming continued to rise during the year and in the fourth quarter of 2016 this segment accounted for 43 percent of game win in our games, compared to 30 percent one year ago and 17 percent two years ago. Since 2015, all of NetEnt's game development takes place in HTML 5 and this has been a major transition since desktop games were previously developed in Flash. The Flash games will be gradually phased out.



Source: NetEnt and H2 Gambling Capital, February 2017

NetEnt growing in regulated markets

In recent years NetEnt has focused its geographic expansion on regulated markets, and one of the company's greatest strengths is the knowledge and experience gained from these markets.

Commercially sound regulations in terms of taxes and product specifications create stability and favorable conditions for regulated markets to take over online gaming from unregulated market alternatives.

Regulation of the online gaming market opening new opportunities

The online gaming industry is growing rapidly, and its cross-border nature means that gaming laws in many countries must be adapted to the Internet to ensure adequate consumer protection, safe play, tax revenues and transparent conditions for the companies operating in the market.

Since the US banned real-money online gaming 2006, Europe has been by far the largest market for online gaming and accounted for an estimated 50 percent of all global online gaming in 2016. Each individual member state in the EU is free to introduce its own regulations, but the EU encourages laws and rules that drive migration of gaming to regulated market alternatives. In recent years, several EU member states have also reregulated or started processes to reregulate online gaming in order to both promote increased consumer protection and to create the conditions for substantial new tax revenues.

Certification requires expertise

For many years, NetEnt has been investing in technology and expertise to adapt its operations to regulated markets. The company holds licenses and certifications in most of the European countries that have abolished their gaming monopolies and opened for competition by introducing new gaming legislation.

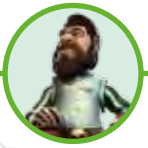
Becoming a certified operator in regulated markets requires expertise and resources, which raises the barriers to entry and gives NetEnt an advantage over

smaller competitors. Regulated markets create better conditions for effective consumer protection and responsible gaming while at the same time leading to increased knowledge about the products, which usually has a positive impact on demand. In addition, reregulation can contribute to increasing the perception of online gaming as a natural part of the entertainment industry.

Malta – the gaming center of Europe

Since Malta joined the EU in 2004, the country has established itself as the gaming center of Europe, thanks to early initiatives and competitive terms compared to other countries that issue online gaming licenses. In April 2004, the Malta Gaming Authority published a regulatory document named "Remote Gaming Regulations" (LN176/2004). The legislation covers many different game categories and game platforms. The purpose is to help



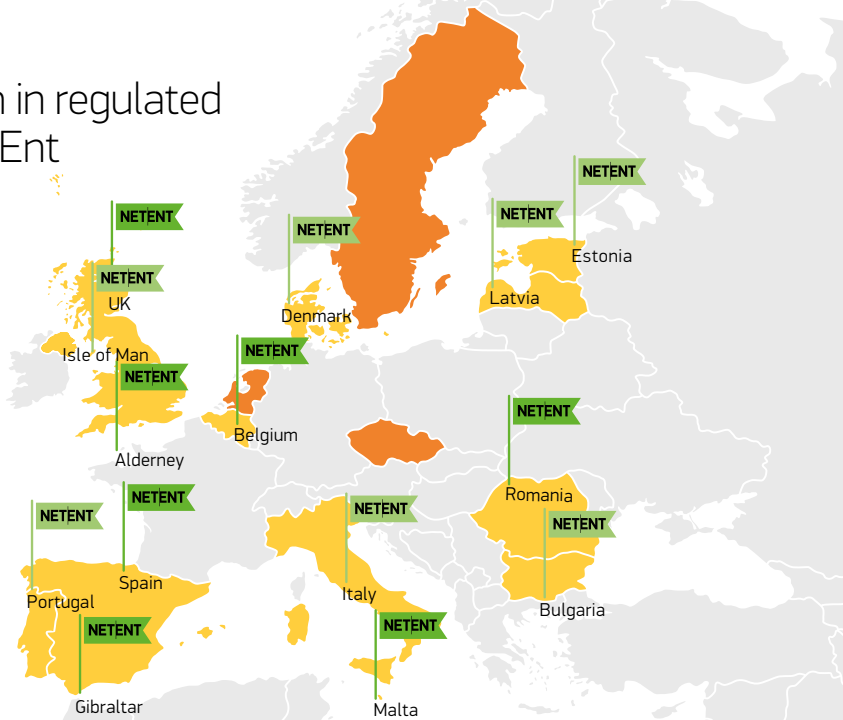


Licenses and certifications

Development and present situation in regulated markets of possible interest to NetEnt

- **Regulated markets**
- **Markets where regulation may be undertaken**
- NETENT** **NetEnt's licenses**
Malta, Gibraltar, Alderney, Belgium, UK, Spain, New Jersey¹⁾, Romania
- NETENT** **Certifications**
Denmark, Italy, Estonia, Latvia, Isle of Man, Bulgaria, Portugal

1) Special authorization – transactional waiver. NetEnt was granted special authorization from the gaming authority to launch its games with the largest operators in New Jersey, pending processing of the company's complete license application.



achieve a more secure environment for both online players and gaming companies.

The Malta Gaming Authority enables the gaming industry to consolidate distribution of services from Malta through regulation and bilateral agreements with other EU/EEA member states, not just to companies licensed in Malta but also to those that are primarily regulated by foreign gaming authorities such as Italy and Denmark.

There are four different license categories in Malta that are granted for periods of five years. NetEnt has a class 4 license, which was renewed in 2015 and thus extends to 2020. NetEnt's business-critical and strategic functions such as market strategy, product strategy, sales, customer support and the Live Casino studio are based in Malta. This is a strategic location due to Malta's position as the hub of the gaming industry in Europe. A cluster of industry expertise has moved to Malta, and most of NetEnt's European customers have their operations there.

Significant licenses and certifications

Aside from the most important license in Malta, NetEnt also holds licenses in Gibraltar and Alderney, which similarly enable the delivery of services to other EU countries.

Italy and **Denmark**, which have been reregulated in the past few years, are important markets for NetEnt. In 2012 the online gaming market was regulated in Denmark and Italy included online slot games in its licensing system. In both cases, NetEnt obtained certifications and its revenues increased substantially after the new regulations were introduced.

The **UK** introduced new legislation at the end of 2014 (Gambling Licensing and Advertising Act 2014) that requires all companies offering gaming services in the country, regardless of

their legal domicile, to hold a license from the UK Gambling Commission. In addition, a gaming tax of 15 percent was introduced for online games that take place in the UK, regardless of where the operator is located. NetEnt obtained gaming licenses in the country in 2015.

Spain introduced new gaming laws already in 2012, but in 2014 its parliament resolved to also allow slot games – an important product category for NetEnt. In 2015 NetEnt also obtained gaming licenses in Spain.

In 2016, NetEnt obtained a gaming license in **Romania**, where online gaming was recently regulated. NetEnt's games were also certified and launched in **Bulgaria** and **Portugal**, two newly regulated markets where suppliers are not required to hold licenses.

In the **US**, a few states have reregulated to permit online gaming, such as Nevada (poker), Delaware (all game types) and New Jersey (all game types). In 2015 NetEnt applied for a license in New Jersey and was granted special authorization (a transactional waiver) to launch its games pending processing of the company's complete license application. Furthermore, there are political initiatives underway to reregulate in other states such as Pennsylvania and Michigan. NetEnt is following developments in the US states, and in **Canada**, where the market is regulated in provinces such as Ontario, British Columbia and Quebec. At the end of 2016 NetEnt applied for a license in the province of British Columbia, Canada.

The **Swedish** government appointed a special commissioner in September 2015 that was tasked with submitting a proposal for new gaming regulation in March 2017. According to the government, the new legislation may come into effect in 2018.

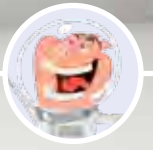
In the **Netherlands** and the **Czech Republic**, new gaming legislation is expected to come into force during 2017.

Strategy for growth:

Flexible & scalable product offering

A key success factor for NetEnt is its ability to quickly adapt the products and the development process in response to growth, changes and evolution of the market.

We normally launch our new games simultaneously for all customers in all markets. Our gaming platform is scalable and can handle growing volumes, increased complexity and smooth integration with new customers.



NetEnt's offering

NetEnt offers a comprehensive online casino solution to gaming operators – a complete gaming system that includes around 200 innovative, world-class game titles and a powerful technological platform.

NETENT'S GAMING PLATFORM

The base of the offering to our customers, the gaming operators, is the gaming platform Casino Module™. The platform is integrated with each customer, ensuring that the games are experienced as a natural and uniform part of the operator's website.

Aside from the games, the platform contains an advanced administrative tool, Back Office™, which provides the operator with a range of specially designed and user-friendly functions to develop successful casino operations – we offer “better gaming”, quite simply. The agreement with NetEnt also includes all technical operations, monitoring of gaming transactions and support for its customers through hosting. This allows the gaming operators to focus on their core business, read more on page 28.



GAMING OPERATOR

The gaming operator needs a website, a customer service function and payment solutions. All remaining operations can be obtained from NetEnt.

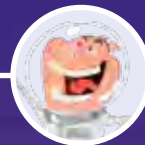


A portfolio of around 200 game titles that are offered in the operator's casino lobby via desktop and mobile.

Operation and monitoring, technical support and administrative tools.

Development of new games and ongoing development of the gaming platform.





A game portfolio for all channels

200
GAME TITLES

NetEnt's game portfolio includes around 200 unique game titles that are offered across all digital channels, such as desktop, tablet and smartphone. Since 2015 NetEnt's games are also available in land-based gaming machines in the UK and in 2016 an agreement was signed with Gauselmann for distribution of games to gaming machines in Italy.

A land-based gaming operator can take advantage of the fact that several of our games are highly appreciated brands in the gaming world with many loyal players, a factor that can also be capitalized on through land-based gaming machines. The ability to deliver selected games across all channels improves our customers' offering to the players.

Our award-winning games

First and foremost, a good game should give a thrilling, entertaining gaming experience. What is considered "good" will of course differ from player to player. It is therefore important to have a game portfolio that is well-balanced, so that different groups of players can find their favorites. For example, some players want the chance to win a large jackpot, while others would rather win smaller amounts but more often.

For players, it is also crucial that the games are stable and reliable, i.e. that the games and technology work consistently and that the randomness of the games cannot be manipulated.

Many of NetEnt's games have been recognized with prestigious awards over the years, read more about the year's awards on page 32.

Winnings and pooled jackpots

The average payout ratio for winnings on NetEnt's games is around 97 percent, which makes them attractive. In other words, the player knows that only a few percent of bets placed are kept by the operators, and that the chances of winning are therefore much higher than in most classic, land-based gaming forms.

We also offer gaming operators the opportunity to participate in pooled, or aggregated, jackpots. NetEnt then creates a joint global jackpot that all customers and their players can take part in. For an operator, a major jackpot is among the most effective tools for marketing and attracting more players. Through NetEnt's pooled jackpot, an individual game operator can attract players with a bigger jackpot than would have been possible on their own, and with significantly lower risk.

Mega Fortune™ is listed in the Guinness World Records for a record payout of EUR 17.9 million. The same game also set a world record for mobile in 2015, with a payout of EUR 8.6 million.



Video slots

Video slots account for 89 percent of NetEnt's game win. We have a diversified portfolio with a number of popular and well-known games. Thanks to our long-term focus on superior graphics, audio and gaming mathematics, our games can offer a best-in-class gaming experience.

Branded games

For several years NetEnt has been collaborating with world-leading brands in the entertainment industry and developing so-called branded games, for example with 20th Century Fox™, South Park Digital Studios™ and Universal™. The main objective is to reach new target groups through innovative video slot games where we combine settings and characters from

popular movies or artists with our games. For example, in 2016 we launched the in-house developed games Guns N' Roses, Jimi Hendrix and Motörhead under the NetEnt Rocks concept.

Examples of games with own characters: Starburst, Spiñata Grande, Gonzos Quest and Koi Princess.

Examples of branded games: Guns N' Roses™, Motörhead™, The Invisible Man™, Aliens™, South Park™, Scarface™ and Frankenstein™.

Games with pooled jackpots: Mega Fortune™, Hall of Gods™, Arabian Nights™ and Mega Fortune Dreams™.

24

DIFFERENT LANGUAGES



Live Casino

Live Casino is broadcast in real time over video link and uses real dealers rather than a random number generator. This is as close to a real casino visit as it gets in online gaming. The possibility of chatting with the dealer makes Live Casino a more social experience than other types of online games. We have utilized the advantages that an online casino

can provide compared to land-based games, for example by showing table and dealer statistics.

During the year NetEnt further enhanced Live Casino for mobile and the product is now offered for games on both desktop and mobile units. Live Casino for mobile provides scope to customize a casino experience based on the operator's profile, with opportunities for clear exposure of brands and logotypes.

Examples of games: Live Roulette, Live Blackjack, Live Blackjack Common Draw, Live Roulette Auto and VIP Roulette.

Other games

NetEnt also has several other games such as lottery games, scratch cards and mini games. These games account for a few percent of NetEnt's game win and can also be used for marketing purposes.

Examples of games: Triple Wins, The Lost Pyramid, Seven Gold Scratch, Bonus Keno, Golden Derby, Bingo, Mini Blackjack and Starburst Mini.



Strategy for growth:

Innovation & quality

Innovation is at the core of NetEnt's corporate culture and is the force that drives us forward. NetEnt's business demands cutting-edge expertise in technology, design and mathematics, but also far-reaching knowledge about regulations, the market, customers and players. With creative enthusiasm and in-depth knowhow, we develop innovative product solutions with a focus on premium quality.

As proof that we are doing things right, we keep getting recognized year after year with various industry awards for innovation and quality. Among other things, the past year we developed the market's leading-edge mobile solution for Live Casino Roulette. We launched 14 new games in 2016 and are transitioning our game portfolio to HTML in order to gradually phase out Flash.





Live Casino for mobile

The development of Live Casino for mobile was aimed at creating a user environment that is as similar as possible to a real, physical casino. We used Chroma technology to build a casino that combines a real casino feeling with the functionality that digital games can offer for both operators and players. To meet the rigorous demands of experienced players, we involved a group of expert players in a close collaboration to create the right player experience for mobile screens.



Branded games

For major game productions, such as those based on known brands, short introduction films are also created. Examples of productions of this type include the music trilogy NetEnt Rocks that was released in 2016, with the games Guns N' Roses, Jimi Hendrix and Motorhead.

From concept to game

Creating entertaining and exciting games demands creativity, precision, in-depth technical expertise and experience. NetEnt's objective for game development is to always deliver a player experience above and beyond the ordinary. The year's greatest innovation is our Live Casino for mobile.

New and innovative games are a key competitive factor

To a large extent, development work is driven by high demands from the operators and players with regards to quality, renewal, user-friendliness and availability. The players appreciate new games and the operators often highlight new games on their websites. The goal is therefore to launch at least one new game every month. In 2016 we launched 14 new games. All games released since May 2015 have been developed in HTML5, meaning that we use the same programming standard for both desktop and mobile so that the games can be launched simultaneously in both formats. The games are normally launched with full language support for 24 languages simultaneously.

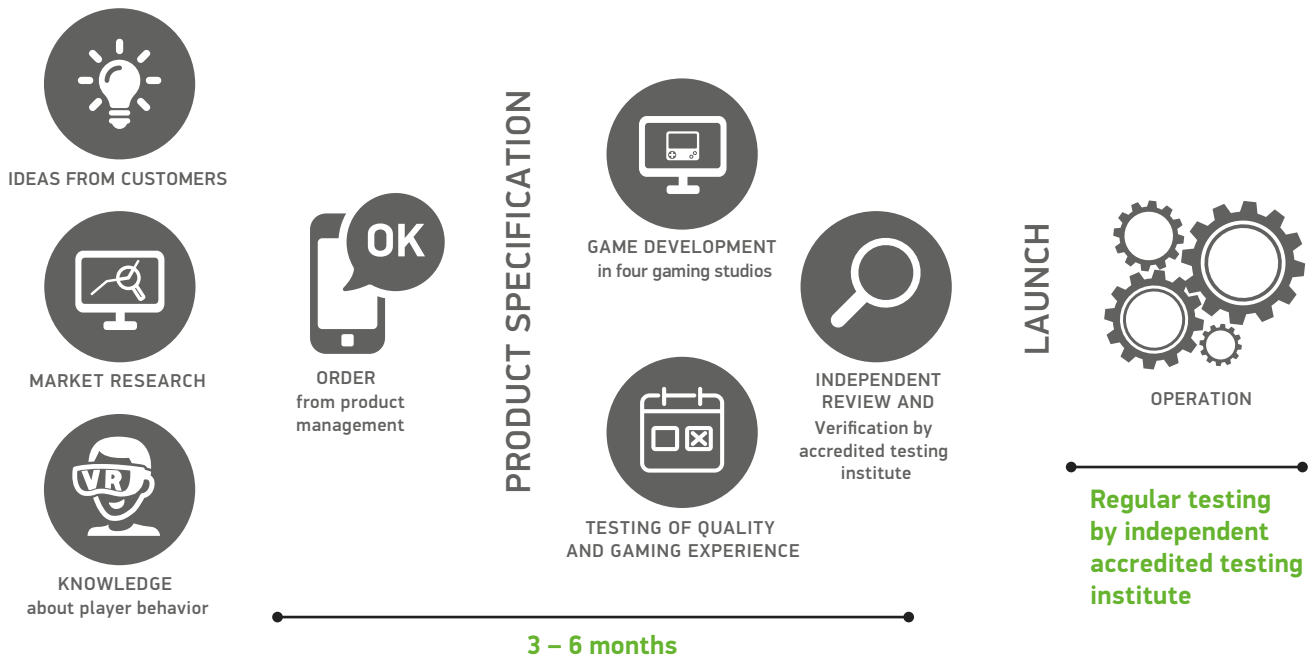
Business-critical functions in Malta

NetEnt's business-critical and strategic functions such as product and market strategy, sales, account management and customer support are based in Malta. This is a natural choice of location due to Malta's status as the hub of the European gaming industry and home to the majority of NetEnt's European customers. The organization in Malta links customer demand and ideas in terms of games, game development, platform and operation.

A close and productive dialogue with the operators is essential since customers often have different preferences depending on their positioning, marketing and geographic market. As NetEnt does not market its games directly to the players, close collaboration with the operators is also important for the game to be given the right type of marketing, campaigns and positioning on gaming sites. A game that is appreciated by the players creates value for both the operator and NetEnt.

The creative process

Developing a new game is a creative process involving a number of different competencies. The concept for a new game is realized in a development process according to a defined workflow, where the product management in Malta initiates and assumes overall responsibility for the game project. The combination of



Game development takes place in one of our four game development studios in Stockholm, Gothenburg, Kiev and Krakow. For several years, NetEnt has also been collaborating in product development with a sub-supplier in India.

theme, graphics, mechanics and mathematics is important for the success of the game. The mathematical element is mainly about creating random outcomes based on set rules, in which the games can have varying volatility, i.e. frequent small wins or more infrequent large wins.

The game designer creates a holistic picture of the ideas and thoughts on which the game will be based. An art director sketches a graphic concept with the atmosphere and characters to be included in the game. Graphic designers and system developers then proceed with the game environment and create, for example, 3D graphics and animations. Other project members develop sound, and a number of developers are also involved in creating the various functions of the game – all under project management and in close collaboration with the product management team in Malta.

Review and verification

All games are verified internally during a testing and quality assurance process that runs parallel to game development. This is followed by independent review and verification by a testing institute that has been accredited by the gaming authority in the respective country. Even after the games have been launched, they are regularly tested by independent accredited test institutes to ensure total gaming integrity and that the random number generator works as defined in the game rules.

The documentation for each game, e.g. the game rules, is particularly important and forms the basis for the game's certification in regulated markets. Background facts and any changes to a game must be observable and presented to the gaming authorities.

The year's top game launches

2016 was a very successful year for NetEnt when it comes to new games. A number of innovative, best-in-class games were developed, including the trilogy NetEnt Rocks, Aloha, Drive, Warlords and Little Red Riding Hood. The games were very well received by customers and players and contributed to the company's growth during the year.

Our diversified game portfolio is full of well-known titles such as Dracula™, South Park™, Aliens™ and, The Invisible Man™, and popular, in-house developed characters such as Gonzo's Quest™ and Starburst™.

We continuously create new, future gaming classics. In 2015 Spiñata Grande was named Best Game of the Year at the EGR Operator Awards and this success was repeated at the ceremony in 2016, when the game Guns N' Roses won the same award. The game is part of the rock trilogy NetEnt Rocks.





IN 2016
WE HANDLED

36

BILLION GAMING
TRANSACTIONS IN OUR
SYSTEMS

WE INTEGRATED
AND LAUNCHED

34

NEW CUSTOMER
CASINOS



NETENT live



System that optimizes our customers' business

NetEnt's comprehensive casino platform with the administration tool forms an important part of the customer offering. The platform manages the gaming transactions and helps the operator to develop a successful casino business. In 2016 we handled around 36 billion gaming transactions with a system availability of over 99.9 percent, 24 hours a day, seven days a week.

Our comprehensive casino platform with games is a technologically autonomous system, but is perceived by the player as being part of the operator's online casino lobby. The platform manages the gaming transactions and features an advanced administrative tool, Back Office™, that enables the operator to optimize the online casino and develop a successful casino operation.

The system is an important part of the total customer offering that the customers pay for through royalty fees, calculated as a percentage of the game with in NetEnt's games.

A few key functions offered by the administrative tool are:

- Quick access to precise information
- Powerful web-based reporting engine
- Monitoring and evaluation of games
- Tool for management and control of the casino operations in real time
- User-friendly software for operation of casino tournaments, bonus and loyalty programs
- Risk monitoring to identify and prevent fraud and potential money laundering

Integration of new customers

The delivery of a casino to a new customer is the beginning of a long-term partnership in which our goal is to help create a successful casino business for the operator. The operator is provided with a customized system solution that

is quickly and easily integrated, ensuring cost-efficient operation and minimizing installation-to-operation times. It can often take a couple of months to launch a new casino after the customer agreement has been signed.

NetEnt plays an active role in the integration work for new customers. With extensive experience and expertise from casino operations, we act in close partnership to provide operators with the support they need at different levels. This may mean developing tools for more effective marketing, evaluation of player behavior and regular follow-up between the operator and NetEnt's account manager. In this way, operations can be optimized, revenues maximized and costs controlled.

Enhancing the platform

The platform is also continuously enhanced and developed to meet the rising demands on flexibility and quality that arise from the growing number of customers, new markets and new games. The IT infrastructure is of strategic importance and both customers and regulatory authorities have stringent requirements for operating reliability, functionality and storage capacity.

System availability of over 99.9 percent

NetEnt takes responsibility for all technical operations such as monitoring of game transactions on behalf of its customers - known as hosting - so that the operators can focus on their core business. All customer systems are operated from our data centers in Malta, Gibraltar, Alderney, Costa Rica, Denmark and New Jersey (USA).

The platform, which manages an average of 68,000 gaming transactions per minute, around the clock, can be compared to a stock exchange trading system. The number of transactions in NetEnt's systems was 19 times higher than the number of transactions on the New York Stock Exchange in 2016. The large volume of transactions puts high demands on capacity and extra requirements for operating reliability and detailed follow-up. Many employees in the operations department have previous experience from stock trading, telecommunications or other transaction-intensive industries.

NetEnt's operations department continuously monitors the systems and provides technical support. Regular system upgrades are also included to ensure that the operator can always deliver good service and availability to the players.





>99.9%

SYSTEM
AVAILABILITY

6

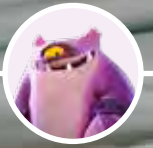
DATA CENTERS
WITH GAME TRAFFIC
AROUND THE WORLD

Strategy for growth:

A business partner for our customers

Satisfied and successful customers are the key to success for NetEnt. Together with our customers, we are driving the industry forward through continuous development.

With widely recognized core expertise in digital casino entertainment, a market-leading offering and a strong brand, our ambition is to be a uniquely valuable business partner for our customers.



A close partnership with 168 active customers

Maintaining close collaboration with our customers is a key objective for us. NetEnt and the operators work according to a partnership model, which means that we earn royalties based on a percentage of the game win that our games generate for the operator. Our success depends on our customers realizing profits supported by our games and gaming solutions.

In 2016 we launched 14 new games and won 11 industry awards for both innovation and quality

11

INDUSTRY
AWARDS

45

NEW CUSTOMER
AGREEMENTS

99%

OF CUSTOMERS STATE
THAT WE HAVE AN
OUTSTANDING REPUTATION



INNOVATION
IN MOBILE



RNG CASINO
SUPPLIER



BEST SOFTWARE
EXPERIENCE



GAME OF THE YEAR



CASINO SOLUTIONS
PROVIDER



WOMEN IN GAMING
– INDUSTRY PRIDE OF
THE YEAR

sky VEGAS

betsson

COINBASE

RESORTS
CASINO.COM

William HILL

CAESARS
INTERACTIVE
ENTERTAINMENT

GOLDEN
NUGGET
CASINO.COM

Ladbrokes

BETVICTOR

Paddy Power

bet365

betfair

888
.com

LOTTOMATICA

mr green

tipico

NEOGAMES

Danske Spil



winb



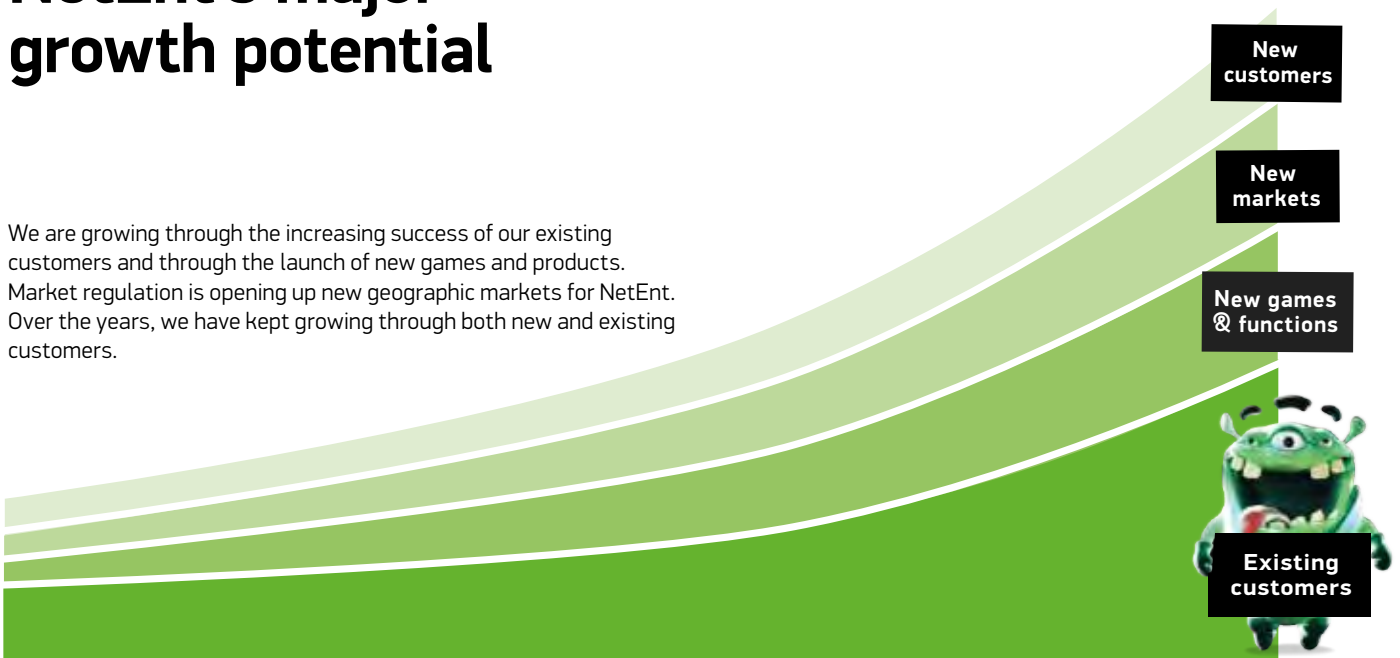
LeoVegas.com

PokerStars



NetEnt's major growth potential

We are growing through the increasing success of our existing customers and through the launch of new games and products. Market regulation is opening up new geographic markets for NetEnt. Over the years, we have kept growing through both new and existing customers.



New customers

Through long-term business relationships built on trust, we create conditions for shared success with our customers. In 2016 we signed 45 new customer agreements and launched 34 new customers. Every new customer represents the start of a new long-term partnership where we offer entertaining games and the tools for efficient casino operations. At the end of the year we had a total of 168 active customers. Our dependency on a few major customers has decreased successively in recent years and our three largest customers accounted for 19 percent (22) of revenues in 2016.

Satisfied customers

Satisfied customers are essential for long-term growth and in the annual customer survey, 99 percent of NetEnt's customers stated that we have an outstanding reputation in the industry. One critical success factor is that we deliver on our promises.

The operators have direct player contact and are thus able to pick up on new trends and ideas. Through good customer relations, we have access to ideas on how to develop both the games and the platform. We launch at least one new game every month and can provide our customers with the launch dates and information about the games far in advance. This allows the customers to plan their marketing activities more effectively, which is often a decisive success factor for the operators.

Our competitive advantages

- Customer-driven game development with good insight about the players.
- Comprehensive gaming system with world-leading games and a robust back office.
- In-depth knowledge about the requirements of regulated markets.
- All games are developed in HTML 5 for both desktop and mobile. They can also be adapted for land-based gaming machines.
- Operations stability with an availability of over 99.9 percent.
- NetEnt's strong corporate culture.





Strategy for growth:

Strong corporate culture

Our core values form the basis of our corporate culture and serve as a compass that guides employees in their day-to-day work.

TOGETHER WE WIN

THINK AHEAD, BE AHEAD

WE ACT SPEEDSMART

PASSION IN ALL WE DO

Our corporate culture is based on value-driven leadership where the employees are encouraged to be autonomous and take initiatives within the framework of NetEnt's vision, goals and strategy.

We are leading the digitalization trend and challenging a traditional industry with our digital business model. At the same time, we continuously challenge ourselves, on all levels, by asking the question – is there a smarter and faster way to meet our goals in the short and long term? We call it acting speedsmart.



NetEnt operates in an industry that is continuously changing and evolving. New technology, new markets and new competitors place high demands on innovation and call for pioneering, complex game and system solutions. To achieve our goals in this fast-paced environment, we have to attract the top talent in the industry.

An innovative and dynamic **corporate culture** with many opportunities

With the right expertise, a strong team spirit and shared values, we can continue to deliver the best gaming experience to our customers' players. NetEnt has a strong corporate culture featuring innovation, quality, teamwork and a passion for what we do – in which our values are key. Common qualities of our employees are that they are ambitious, self-directed and curious individuals who take own initiatives and thrive in an international work environment characterized by rapid growth.

NetEnt's employees represent close to 50 nationalities and have widely differing professional backgrounds from industries such as computer gaming, IT, telecom and finance. Innovation and experience from different organizations and cultures contribute positively to the company's development. Many employees make a career by growing with the company, and internal recruitment is often prioritized.

Many new employees in 2016

To defend the position as a world-leading supplier of digital gaming solutions, access to expertise, experience and dedicated employees are essential. NetEnt has an ongoing need to recruit skilled individuals and is also seeing an increase in the number

of job applications as the company becomes more visible and successful. In the introductory phase for new employees, great importance is attached to communicating and establishing our core values and corporate culture. In the past year, we increased the number of employees by 276. In the spring, we opened our new game development studio in Krakow, Poland.

Core values

NetEnt's core values (see page 34) are aimed at providing guidance in day-to-day work and ensuring that we have the right attitude and behavior necessary to continue combining rapid growth, high quality and innovative solutions. To maintain sufficient agility, it is vital that all staff have a sense of responsibility for taking own initiatives to constantly improve the business.

The core values feature in all of the company's decision-making processes, as management tools, in performance reviews and in recruitments. Before hiring new employees, special interviews are conducted to ensure that our culture and the candidate's attitude are well aligned, which has led to fewer terminated probation hires.

“To defend our leading position in the industry, we need expertise, experience and dedicated employees”





892

EMPLOYEES

35

AVERAGE AGE

47

NATIONALITIES



Vision & Mission

Our employee strategy is based on the belief that a workplace that supports professional development, a healthy lifestyle and gender balance creates the right conditions for high performance.

Employee strategy

Our employee strategy is designed to encourage employee performance. To create conditions for performance, the strategy is focused on professional development opportunities, a healthy lifestyle and an inclusive work environment. Over time, this leads to a better gender balance and greater diversity.

Ambitious, talented people are eager to develop and appreciate being given support when needed. A healthy lifestyle facilitates sustainable high performance, and studies show that investing in a better gender balance also benefits a company's financial results.

The employee strategy and the factors described above form the basis of a variety of activities aimed at boosting employee performance at the company, and for each of the areas there is a sponsor in Group Management.

Leadership and development

Leadership at NetEnt means responsibility for driving the business forward based on the company's vision, goals and strategies. The company has managers of varying age and experience

who share an ambition to develop themselves, their leadership, their staff and the company. Great emphasis is placed on hiring new managers, and on their support and development. For many years NetEnt has also had a mandatory leadership program for all managers at the company. The program is part of the managers' onboarding, and is focused on the company's core values, knowledge about NetEnt and staff management and development.

It is important for the employees to maintain and develop their expertise, and both internal and external training is a natural part of employment at NetEnt.

Health

Our philosophy is that employee well-being also leads to higher performance. NetEnt therefore offers its employees wellness benefits and regularly offers a range of activities to promote a healthy lifestyle with exercise, healthy eating habits and mental balance. Sick leave was also low at 2.3% (3.1) for the year.



Activities for innovation

Once a year, NetEnt holds an **innovation week** with daily activities and workshops about creativity and innovation. All employees are encouraged to participate in a competition to develop valuable business ideas for the company. One example of an idea from the competition is NetEnt's reward system, All-In. It is a concept based on "gamification" that rewards performance and loyalty, where the employee can collect virtual coins which can then be exchanged for goods and services, or donated to charity.

In the monthly **NetEnt X**, an activity aimed at stimulating ideas and sharing knowledge, several teams work on an idea for 24 hours and then present the results to their colleagues at the office.





NETENT INNOVATION WEEK

Gender balance

Access to the right talent is crucial for our success. By actively striving for a workplace with 50 percent women, we can ultimately access a bigger talent pool and create even better conditions for creativity and development. We aim to serve as a role model in the IT and gaming industry and our goal is to achieve 50/50 gender balance by 2020.

In 2016 the gender breakdown was 40 percent women and 60 percent men for the entire company, while the breakdown in Group Management was 50/50. In the past year, the AllBright Foundation ranked NetEnt number two for gender equality among all listed companies on the Stockholm Stock Exchange.



40%
WOMEN



60%
MEN



In 2016 we continued to develop our sustainability work in the six areas that we have prioritized based on a materiality analysis. NetEnt's sustainability work is integrated into

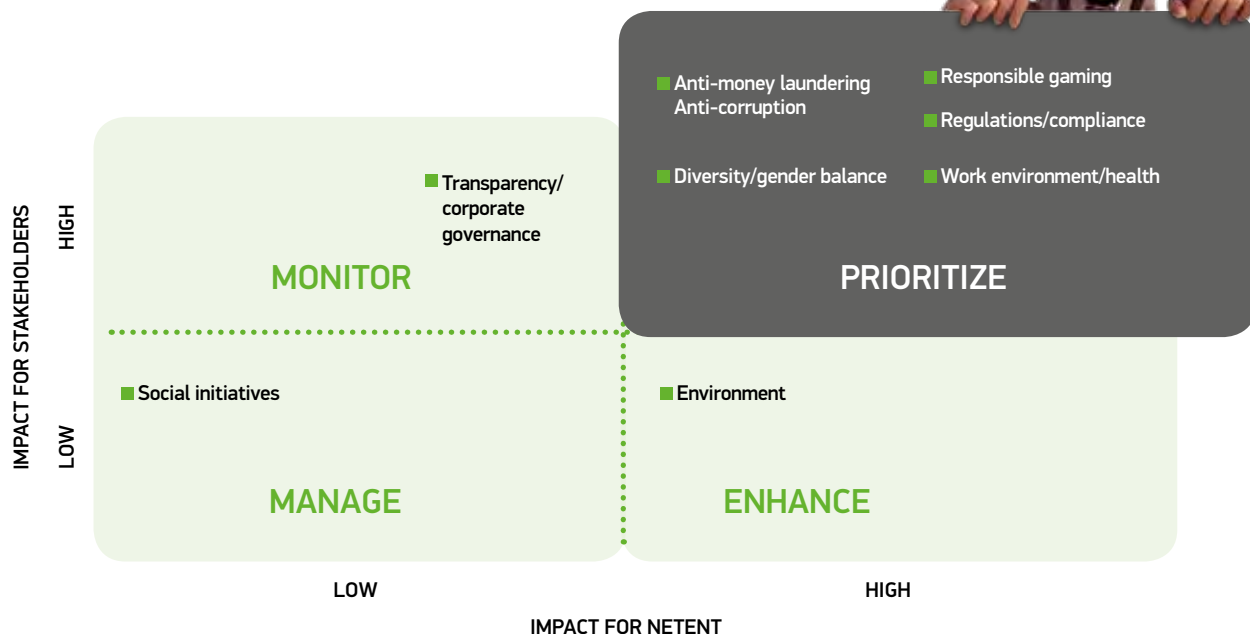
NetEnt's day-to-day operations and is assured through the goals and key indicators that are found in various parts of the organization.

We believe in corporate social responsibility and are committed to promoting sustainable development of our business. This ambition applies not only to our customers – we also want to be a positive force for employees, players, suppliers, shareholders and society at large.

CSR at NetEnt

Key areas in 2016

We listen to what our key stakeholders think of us, and in which areas they feel we should continue to develop in order to create positive long-term values. We have identified a number of sustainability areas that are of material importance for us and our stakeholders.



WE SUPPORT

NetEnt has developed action plans and strategies in the prioritized areas shown above. We have also chosen to draft an environmental policy, as we feel that conservation of the environment is a particularly important area.

In 2016 we developed and deepened our efforts in each area, see next section. Responsibility for the prioritized sustainability areas at NetEnt is divided between the members of the Group Management.

» Read more in next section

The following areas are deemed to be the most material for NetEnt and the company's stakeholders:



FUN, SAFE & SECURE



SUSTAINABLE REGULATION



ANTI CORRUPTION AML



DIVERSITY



THE PLANET



COMMUNITY

Stakeholder dialogue

NetEnt's key stakeholders are its customers (and indirectly players), employees, shareholders/investors, suppliers and the communities where the company operates, since these are essential for NetEnt's long-term success. NetEnt maintains an on-going dialogue with these stakeholders.

Stakeholder	Focus in sustainability	Examples of measures and communication
Customers and indirectly players	<ul style="list-style-type: none"> • Responsible gaming • Product quality and service • Secure gaming 	<ul style="list-style-type: none"> • Regular customer surveys and dialogue • Certification for responsible and secure gaming, according to eCOGRA and G4 • Product design with player-safety functions • Internal policies and training • Collaboration with organizations for responsible gaming • Membership in BOS
Employees	<ul style="list-style-type: none"> • A stimulating work environment • Skills development • Physical and mental health • Diversity and gender equality 	<ul style="list-style-type: none"> • Regular employee surveys with follow-up and improvement measures • Fitness subsidies, joint activities and health coach • Move to new central and eco-friendly offices in Stockholm at the beginning of 2017 • Support UN Global Compact • Strategic work for diversity and improved equality
Shareholders and investors	<ul style="list-style-type: none"> • Sustainable long-term returns • Sustainability issues in general 	<ul style="list-style-type: none"> • Financial communication via reports, press releases, IR web and investor meetings • Transparent dialogue in sustainability issues • Support UN Global Compact
Suppliers	<ul style="list-style-type: none"> • Work situation for consultants and subcontracts, such as business partner in India • Promote good business ethics and a corporate culture of equality 	<ul style="list-style-type: none"> • Ongoing dialogue and evaluation • We work very closely with our supplier in India and support them in sustainability issues • Our partner in India is ranked highly in the country in terms of HR policy and low employee turnover • Support UN Global Compact
Society	<ul style="list-style-type: none"> • Support regulations • Environmental awareness in the operations and among the employees • Anti-corruption work • Work to combat money laundering and financing of terrorism • Promote diversity and good business ethics 	<ul style="list-style-type: none"> • Internal policies and training for all employees • Compliance function • Customer knowledge • Whistle-blowing routines • Employee strategy with a focus on gender equality • Support social initiatives with employees • Support UN Global Compact

CSR at NetEnt

in six areas



FUN, SAFE
& SECURE

Responsible gaming

Promoting responsible gaming is fundamental to NetEnt and is a condition for the gaming licenses it holds.

NetEnt and its employees are committed to delivering digital entertainment, and we feel it is important that people play for the right reason – to have fun. Promoting responsible gaming is therefore always a top priority for NetEnt.

Although NetEnt has no direct contact with the individual players, the company works actively and in close cooperation with other market participants to prevent gaming-related problems. For some people, gaming can turn into an addiction that threatens physical, psychological and social well-being. The Public Health Agency of Sweden (2014)¹⁾ estimates that around 2 percent of the Swedish population aged between 16 and 84 experience problems with their gaming.

Product design with player-safety functions

NetEnt's product design is aimed at helping customers promote responsible gaming. This means that the games are designed with functions that enable the operators to allow the players to stay in control of their gaming, for example by setting an upper limit to their bets, reducing playing speed or by turning off certain functions, such as autoplay. All of NetEnt's games feature a clock that makes it easier for the player to keep an accurate sense of time. It is also possible to insert time blocks or to activate an alert function with notifications about playing time and money spent.

Guidance and training

All of NetEnt's employees are trained in responsible gaming, and those with special responsibility undergo in-depth training. Formal guidance in the

area is also provided through the following policies and processes.

- **NetEnt Responsible Gaming Policy:** Comprehensive guide for all employees regarding matters relating to responsible gaming.
- **NetEnt Self-Exclusion Procedure:** Describes how NetEnt shall proceed when a player expresses a desire to be closed off from further playing.
- **NetEnt Regulatory Training Policy:** Presents which requirements are imposed for staff training in responsible gaming.
- **Player Communication Guideline:** Guide for communication with players in cases where players contact NetEnt directly regarding gaming problems.

eCOGRA

Players should feel secure that the games meet the established rules and requirements, are random and that wins are possible. At the same time, every player should also be aware that gaming, like any other entertainment, costs money and that it is also possible to lose.

NetEnt's games and platform are regularly tested for randomness by independent accredited testing institutes, which is one of the requirements set by the gaming authorities in the markets where the company operates. NetEnt is verified by the international testing agency eCOGRA (e-Commerce

1) Swedish Ministry of Finance, ESO 2015:1



and Online Gaming Regulation and Assurance), which is a London-based industry organization that works to promote safe and responsible gaming. Each year, eCOGRA examines NetEnt's development environment, verifies and ensures that the software is securely and reliably maintained and operated, and that the company is continually tested by other independent agencies. eCOGRA also reviews, in more general terms, how the operations and games meet the institution's responsible gaming requirements.

Global Gambling Guidance Group (G4)

NetEnt is certified for responsible gaming according to the Global Gambling Guidance Group (G4). By developing responsible gaming software and training programs for the employees of gaming companies, and by offering help lines and personal counseling, G4 works to minimize the negative effects arising from gambling addiction. NetEnt is regularly examined by G4 to ensure that the company's operations and products support the following consumer protection guidelines of the organization:

- Protecting minors and at-risk individuals
- Protecting players' rights
- Promoting responsible gaming in a safe environment, for instance through built-in player safety functions
- Ensuring the reliability of games and gaming devices
- Keeping online casino games free from criminal activity, such as money laundering
- Compulsory training for employees in responsible gaming

Preventive work in our markets

To support preventive work and the treatment of gambling addiction, NetEnt has undertaken to make annual donations to the Responsible Gambling Trust and Gambling Therapy in the UK, two organizations that work to reduce gaming-related problems in society.



online help for problem gamblers

**gambling
therapy**



“NetEnt follows the guidelines for consumer protection from the Global Gambling Guidance Group.”

SUSTAINABLE
REGULATION

Regulations and compliance

Regulations lead to sound development of the gaming industry.

NetEnt welcomes regulations in the gaming industry because these contribute to a safer environment for both players and gaming companies. NetEnt is a member of the Swedish online gaming industry association (BOS), which represents gaming companies and game developers. In the next few years, the highest priority for BOS is to bring about sustainable gaming regulations in Sweden and to replace the obsolete monopoly structure with a new licensing system. In 2016, NetEnt became an associate member of the World Lottery Association (WLA), a global member-based organization that promotes state-authorized lotteries and gaming operators.

Regulations lead to sound developments of the gaming industry. Commercially viable rules regarding taxes and product regulations create good conditions for regulated markets to develop and grow. NetEnt's strategy includes expansion in regulated markets, and for many years the company has invested resources to build up an organization with capacity to obtain and maintain licenses and certifications.

NetEnt's compliance function supports the organization in matters related to laws, regulations

and directives, and ensures the company's compliance with policies and processes. The compliance department also assists with customer due diligence. In order for all employees to feel secure in reporting deviations from the company's rules, the company has confidential and efficient routines for whistle-blowing.

The following policies provide support in this area:

- NetEnt Compliance Management Policy
- NetEnt Crime and Disorder Policy
- NetEnt Fair and Open Policy
- NetEnt Regulatory Training Policy
- NetEnt Software and Testing Standards Policy
- Information Security Policy
- Authorization Policy
- Insider Policy
- IR Policy

ANTI CORRUPTION
AML

Anti-corruption and anti-money laundering

Zero tolerance, clear guidelines and staff training.

Money laundering is a major problem in the world today. The IMF estimates its global size at between 2 and 5 percent of entire global GDP, making it the third largest sector in the global economy after agriculture and oil.

NetEnt has zero tolerance and clear guidelines against money laundering (AML policy) and against corruption (Anti-Bribery Policy), as well as a handbook to counteract money laundering and terrorist

financing (Handbook for AML/CFT). All of NetEnt's staff undergo training in anti-corruption and anti-money laundering in order to learn about the topic in general, legislation that exists in the area, and how they are expected to act in suspected cases of money laundering. Also, background checks are performed when new employees are hired. NetEnt also has a policy that prohibits employees from playing NetEnt's games (Staff Vetting Policy).



Diversity and gender equality

Equal opportunities for all granted as a matter of course.



DIVERSITY

At NetEnt, we believe that diversity provides a broader spectrum of perspective and experience that improves the innovative environment in the company. Diversity also strengthens and promotes our corporate culture, which is a key success factor for NetEnt.

NetEnt strives to offer equal opportunities for all employees regardless of gender, age, ethnicity, sexual orientation or religion. All evaluations of existing and new employees are based exclusively on factors such as competence, experience and attitude. Close to 50 nationalities were represented among NetEnt's staff in 2016. The group-wide language is English, and in most cases knowledge of Swedish is not required for employment. To further

support the diversity area, the company applies an Equal Opportunities Policy.

An important part of our employee strategy is the objective to achieve a 50/50 gender balance among our employees by 2020. The male/female breakdown in Group Management is 50/50, compared with an average of 20 percent women for all Swedish listed companies¹⁾. A number of activities are conducted each year to improve female representation in the company. In 2016, NetEnt was ranked second for gender equality among all companies listed on the Stockholm Stock Exchange by the AllBright Foundation.

1) AllBright, March 2016

Environment

A relatively low environmental impact can be reduced even further.



THE PLANET

From an environmental standpoint, NetEnt's digital business model is a better alternative than traditional, physical casino environments that require a whole other type of resource consumption than an online casino. The Company's electricity consumption is the greatest burden on the environment, and is mainly attributable to different types of technical equipment such as servers, PCs and monitors.

As far as possible, business travel should be avoided in favor of video or phone meetings, which also supports the efficiency and profitability of the

business. In 2016, an effort was started to measure electricity consumption and carbon dioxide emissions and to propose improvement measures for NetEnt in this area. The goal is to reduce carbon dioxide emissions per gaming transaction by 20 percent over the next three years.

In terms of office operations, the company strives to eco-friendliness through measures such as recycling and reduction of paper and consumables. As the company grows and needs new premises, the environmental aspect is considered when evaluating new alternatives.

Work environment and society

Dedicated employees who feel good are crucial for NetEnt's success and contribute to a better society.



COMMUNITY

Motivated employees who feel good are crucial for NetEnt's ability to reach its goals, and this also contributes towards a better society. NetEnt prioritizes measures to ensure that staff thrive and develop at work. There is a major focus on the regular employee survey that is conducted three times a year and is followed up with analysis and measures to improve the work environment.

There is an emphasis on personal development, and NetEnt aims to offer good advancement and internal career opportunities.

Health and energy are a particularly important part of the company's employee strategy – employees are encouraged to have a healthy lifestyle with exercise, healthy eating habits and a mental balance, among other things through wellness benefits and many shared activities and initiatives. Since 2015,

a "health and energy inspirer" serves as a full-time employee health coach, both at the overall company strategic level, and the individual level, in matters of health and mental balance. Perceptions of the work environment are followed up among other things through regular employee surveys and are an important part of every manager's responsibility. NetEnt has a work environment policy and a policy against alcohol and drugs.

NetEnt wants to be involved in supporting community engagement and encourages its employees to undertake charitable initiatives, which are sometimes also matched by financial support from the company. The company has a policy for human rights, the Anti-Slavery and Human Trafficking Policy. NetEnt also supports the UN's Global Compact, which calls for continuous improvements in this area.

First year on the large cap list in Stockholm

Increased liquidity and many new shareholders

The world's leading stock exchanges rose moderately in 2016, while the gaming companies on the Stockholm Stock Exchange showed a weak performance. The price of NetEnt's B share declined by 15 percent during the year.

NetEnt's share has been listed on NGM Nordic and the Stockholm Stock Exchange since 2007 and is traded under the ticker symbol NET B. As of January 2016, the share is quoted in the large cap segment, which includes companies with a market capitalization of over EUR 1 billion. Since the IPO in April 2007, the NetEnt share has generated a total return of 8,008 percent – SEK 1,000 that was invested in NetEnt on April 5, 2007, was worth SEK 81,081 at year-end 2016.

Analysts who cover NetEnt

ABG Sundal Collier

Anders Hillerborg

Carnegie

Mikael Laséen

Danske Bank

Sharish Aziz

DnB

Martin Arnell

Handelsbanken

Rasmus Engberg

Nordea

Christian Hellman

SEB Enskilda

Viktor Bellak

Swedbank

Mathias Lundberg

Share capital

A 6-for-1 share split was carried out in May. Since then, the total number of shares outstanding in the company is 240,130,860, of which 33,660,000 shares are of class A and 206,470,860 shares are of class B, equal to a total of 543,070,860 votes. The share capital amounts to SEK 1,205,457 following the change in the number of shares. The quota value per share is SEK 0.05.

Trading volume and share price performance

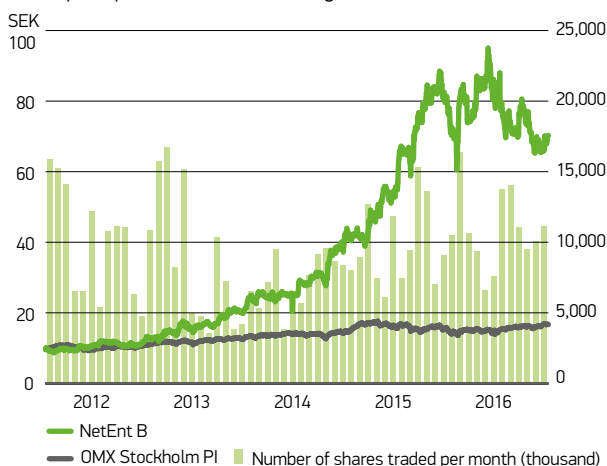
The last price paid on the final banking day of the year was SEK 70.3, equal to a total market capitalization for NetEnt of SEK 16.9 billion at year-end 2016. In 2016, a total of 130,063,484 shares were traded on the stock exchange for a combined value of SEK 9.8 billion, equal to 63 percent of the total number of outstanding class B shares in NetEnt. The average daily volume of shares traded during the year was 514,085, equal to an average daily traded value of SEK 38.9 million. An estimated 2/3 of all trading in NetEnt's share takes place on the Stockholm Stock Exchange, with the remainder on marketplaces other than Nasdaq Stockholm, such as BATS, BOAT, Turquoise, etc.

The share price declined by SEK 12.1 during the year, equal to a decrease of 14.7 percent. The highest price paid during the year was SEK 95.6 and the lowest was SEK 60.1. At the same time, the Nasdaq Stockholm PI-index advanced by 5.8 percent, while the Nasdaq Stockholm Consumer Services PI declined by 13.7 percent.

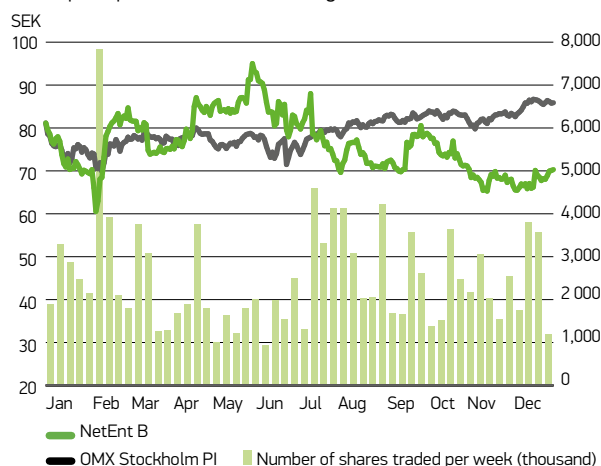
Stock option program 2016–2019

The Annual General Meeting on April 21, 2016, resolved to introduce a long-term incentive scheme for all employees in the NetEnt Group. At the end of the subscription period in June the employees had subscribed for a total of 1,448,020 options, with the right to subscribe for an equal number of new class B shares in NetEnt AB. The stock options were issued at a market price of

Share price performance and trading volume 2012–2016



Share price performance and trading volume 2016



SEK 6.58 each (option premium) according to a valuation performed by EY, which added SEK 9.5 million to consolidated equity. 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. In the event of full subscription based on these stock options, the Parent Company's equity will be increased by SEK 158.9 million.

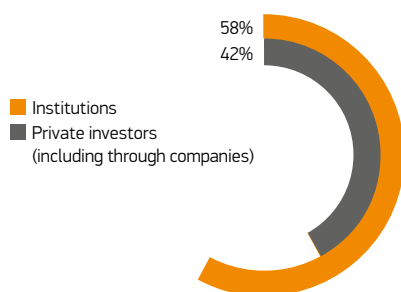
Shareholders

The number of shareholders in NetEnt at December 31, 2016, was 11,617 (8,589) according to Euroclear. NetEnt's ten largest shareholders held shares corresponding to 39.5 percent of the share capital and 73.2 percent of the votes in the company. Institutional ownership amounted to 58 percent of the share capital.

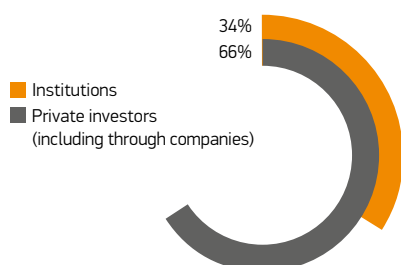
Investor relations

NetEnt sees communication and transparency as highly important for maintaining good relations with shareholders, potential investors, analysts and the media. The company places great emphasis on IR communication with a view to informing the capital markets about NetEnt's business, development, financial results

Ownership structure, share of capital 31 December 2016



Ownership structure, share of votes 31 December 2016



and position. This is done to increase knowledge about and interest in the company, and to support an accurate market valuation of the company's shares.

NetEnt participates in many investor relations activities, such as seminars and investor presentations in both Europe and North America. In addition, NetEnt takes part in all of the major gaming exhibitions such as EIG and ICE.

Dividend policy

The Board's ambition 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.

Proposed dividend for 2016

The Board proposes that the Annual General Meeting resolve on a cash distribution to the shareholders of SEK 540.3 million (320.2), equal to SEK 2.25 (1.33¹⁾) per share. The Board intends to propose that the distribution take place through a share redemption program. The complete proposal will be presented well in advance of the AGM.

Ten largest shareholders according to Euroclear Sweden AB at December 31, 2016

Shareholdings include holdings through family and companies.

Shareholder	A shares	B shares	Holding	Capital, %	Votes, %
Hamberg family	10,200,000	5,018,400	15,218,400	6.3%	19.7%
Lundström family	6,915,000	8,593,146	15,508,146	6.5%	14.3%
Knutsson family	6,000,000	10,600,000	16,600,000	6.9%	13.0%
Berit Lindwall	3,624,000	735,570	4,359,570	1.8%	6.8%
Banque Carnegie Luxembourg	3,669,000	3,764,556	7,433,556	3.1%	7.4%
Kling family	2,052,000	3,300,000	5,352,000	2.2%	4.4%
Svenska Handelsbanken AB for PB	1,200,000	6,460,829	7,660,829	3.2%	3.4%
Lannebo Fonder	–	11,689,351	11,689,351	4.9%	2.2%
Skandia	–	5,603,959	5,603,959	2.3%	1.0%
Handelsbanken Fonder AB	–	5,414,000	5,414,000	2.3%	1.0%
Ten largest shareholders, total	33,660,000	61,179,811	94,839,811	39.5%	73.2%
Other shareholders	–	145,291,049	145,291,049	60.5%	26.8%
Total	33,660,000	206,470,860	240,130,860	100.0%	100.0%

Key data, NetEnt share

	2016	2015	2014
Earnings per share, fully diluted, SEK ¹⁾	2.10	1.56	1.02
Distribution to shareholders, SEK/share ^{1, 4)}	2.25	1.33	0.83
Distribution, share of profit after tax, % ⁴⁾	107%	86%	82%
Shares outstanding at year-end, millions ¹⁾	240.1	240.1	239.4
Last price paid in 2016, SEK ¹⁾	70.3	82.4	43.8
Highest price paid in 2016, SEK ¹⁾	95.6	92.3	44.2
Lowest price paid in 2016, SEK ¹⁾	60.1	39.9	21.2
Dividend yield ^{2, 4)}	3.2%	1.6%	1.9%
Total return, NetEnt share ³⁾	–11.5%	89.9%	95.9%
Market capitalization at year-end, SEKm	16,881	19,791	5,360
Number of shareholders	11,617	8,589	4,624

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

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

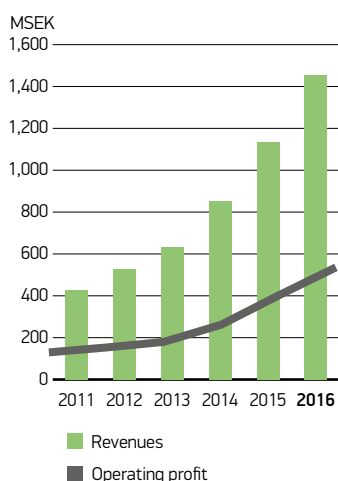
3 Percentage change in share price during the year, plus dividend yield.

4 Proposed cash distribution for 2016.

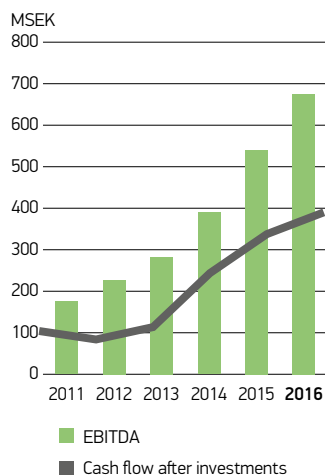
Four strong reasons to **invest** in NetEnt

NetEnt's scalable business model and strong market position in an attractive growth market have historically generated a strong cash flow and high returns for the shareholders.

Revenues and operating profit



EBITDA and cash flow after investments



Attractive market

The global online gaming market is continuing to grow rapidly. The underlying structural growth is supported by megatrends such as globalization, digitalization and mobile development. Consumption patterns are changing in favor of online games, and reregulation is opening up new geographic markets. Online casino gaming accounts for only 6 percent of all casino gaming globally, while the remainder still takes place offline. The on-going migration from offline to online supports a bright market outlook and demand has historically not proven to be cyclical.

Strong market position

NetEnt has been a pioneer in the digital casino market since the start in 1996, and today has 168 active customers that include most of the major gaming companies in Europe. In the past eight years, NetEnt has grown significantly faster than the market and currently has an estimated market share of 25 percent in Europe and 15 percent globally.

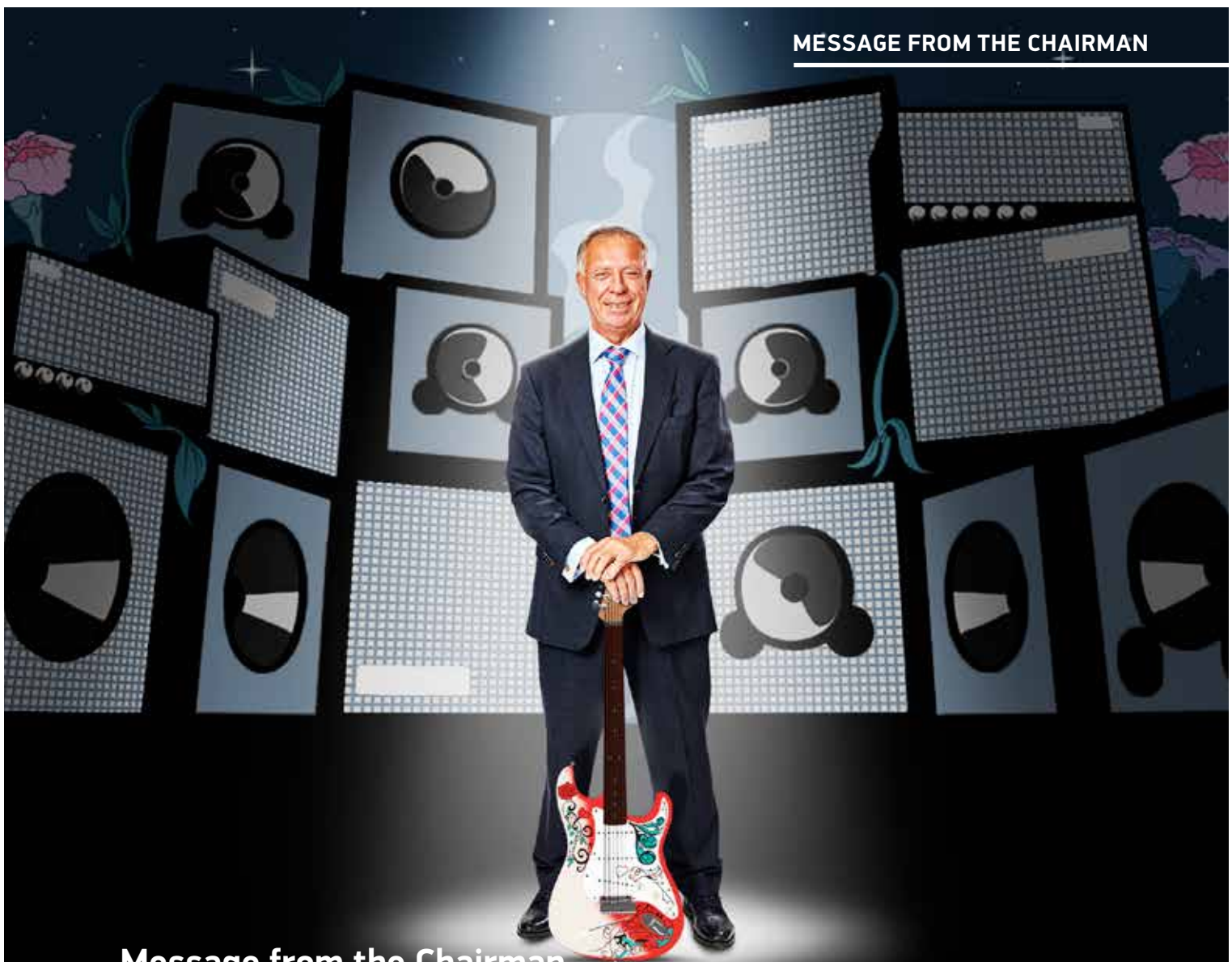
Scalable business model with barriers to entry

NetEnt's premium solutions for digital casino and award-winning game portfolio provide economies of scale and facilitate successful business for gaming operators. Thanks to its experience, expertise and size, NetEnt can deliver synchronized game launches for different distribution channels and geographic markets following timetables determined far in advance, which creates barriers to entry for new and smaller competitors.

Strong cash flow and dividends for shareholders

NetEnt's business generates strong cash flows. The company's capabilities and focus on generating profitable growth, combined with stable and fairly predictable investments, support sustained high dividends for the shareholders.





Message from the Chairman

2016 was yet another successful year for NetEnt. Revenues, profit and cash flow rose sharply and the company entered several new regulated markets. The company celebrated its 20th anniversary since foundation and the share was traded for the first time on the large cap list of the Stockholm Stock Exchange. SEK 320 million was distributed to shareholders through an automatic redemption program. In conjunction with this, a 6-for-1 share split was also carried out to improve the liquidity of the share. I am also pleased to see that the number of shareholders in NetEnt continued to increase, reaching a total of 11,617 at year-end 2016.

Corporate governance for sustainability and long-term shareholder value

The Board of Directors continues to strive for corporate governance that both supports the sustainability of NetEnt's operations and maximizes the long-term value for all shareholders. The Board's task on behalf of the shareholders is to ensure that the company is managed as efficiently as possible while at the same time

complying with applicable laws and regulations. The aim of corporate governance is to create order and structures for both the Board and Management. A clear division of responsibilities and duties ensures that management and employees are focused on achieving good results, developing the business and strengthening NetEnt.

Another successful year for NetEnt

The year's profit and cash flow were yet another show of strength from the company. The Board proposes that a total of SEK 540 million be distributed to shareholders through an automatic redemption program, which is equal to SEK 2.25 per share. At the same time, NetEnt has a strong balance sheet that provides scope for continued investments for future growth.

I would like to extend my warm gratitude to the CEO, the Group Management and all of NetEnt's dedicated employees for their excellent contributions in 2016. Thanks to you, NetEnt stands today as an attractive, listed company aiming for continued profitable growth.

Vigo Carlund
Chairman of the Board

Five-year summary

Condensed consolidated income statements

SEK thousands	2016	2015	2014	2013	2012
Operating revenues	1,455,101	1,132,425	851,663	630,746	526,671
Operating profit before depreciation/ amortization and impairment	674,843	539,896	390,176	282,888	227,314
Depreciation/amortization and impairment	-138,894	-138,285	-128,511	-103,140	-74,257
Operating profit	535,949	401,611	261,665	179,748	153,057
Net financial items	9,578	1,675	4,370	2,950	-1,794
Profit before tax	545,527	403,286	266,035	182,698	151,263
Profit for the year	504,412	373,992	243,242	167,139	136,142

Condensed consolidated balance sheets

SEK thousands	2016	2015	2014	2013	2012
Assets					
Non-current assets	383,608	285,226	282,370	257,391	216,375
Current receivables	441,078	277,458	263,582	169,665	254,216
Cash and cash equivalents	494,497	402,058	258,057	105,829	81,230
Total current assets	935,575	679,516	521,639	275,494	335,446
Total assets	1,319,183	964,742	804,009	532,885	551,821
Equity and liabilities					
Equity	923,076	714,161	546,201	380,666	294,194
Non-current liabilities	14,269	11,418	12,390	7,478	3,513
Current liabilities	381,838	239,163	245,418	144,741	254,114
Total liabilities	396,107	250,581	257,808	152,219	257,627
Total equity and liabilities	1,319,183	964,742	804,009	532,885	551,821

Condensed consolidated cash flow statement

SEK thousands	2016	2015	2014	2013	2012
Cash flow from operating activities	624,213	488,761	364,897	249,930	195,422
Cash flow from investing activities	-234,139	-151,205	-121,195	-136,357	-111,577
Cash flow from financing activities	-310,952	-185,076	-93,874	-90,870	-76,513
Cash flow for the year	79,122	152,480	149,828	22,703	7,332
Opening cash and cash equivalents	402,058	258,057	105,829	81,230	74,234
Exchange rate difference in cash and cash equivalents	13,317	-8,479	2,400	1,896	-336
Closing cash and cash equivalents	494,497	402,058	258,057	105,829	81,230



The company presents certain financial performance measures that are not defined according to IFRS. The company is of the opinion that these provide valuable complementary information to investors and the company's management, since they facilitate evaluation of the company's financial development and financial position. Because not all companies calculate financial perfor-

mance measures in the same way, these are not always comparable to the measures used by other companies. These alternative performance measures should therefore not be regarded as a replacement for measures as defined according to IFRS. Certain performance measures that are not defined according to IFRS are presented in the table below. For definitions, see page 108.

Key figures

Group	2016	2015	2014	2013	2012
Financial performance measures according to IFRS:					
Operating revenues	1,455,101	1,132,435	851,663	630,746	526,671
Earnings per share, basic (SEK)	2.10	1.56	1.02	0.70	0.57
Earnings per share, diluted (SEK)	2.10	1.56	1.01	0.70	0.57
Average number of shares outstanding, basic	240,130,860	240,130,860	239,440,896	237,322,296	237,322,296
Average number of shares outstanding, diluted	240,198,134	240,130,860	239,797,644	238,147,044	237,357,291
Number of shares outstanding at year-end, basic	240,130,860	240,130,860	239,440,896	237,322,296	237,322,296
Number of shares outstanding at year-end, diluted	241,073,160	241,115,160	240,130,860	240,130,860	239,440,896
Alternative performance measures:					
Revenue growth (percent)	28.5	33.0	35.0	19.8	23.2
EBITDA margin (percent)	46.4	47.7	45.8	44.8	43.2
Operating margin (percent)	36.8	35.5	30.7	28.5	29.1
Effective tax rate (percent)	7.5	7.3	8.6	8.5	10.0
Return on equity (percent)	54.6	52.4	44.5	43.9	46.3
Equity/assets ratio (percent)	70.0	74.0	67.9	71.4	53.3
Net interest-bearing liabilities (SEK thousands)	-494,497	-402,058	-258,057	-105,829	-79,356
Equity per share (SEK)	3.84	2.97	2.28	1.60	1.24
Cash flow from operating activities per share (SEK)	2.60	2.04	1.52	1.05	0.82
Cash distribution to shareholders per share (SEK)	2.25*	1.33	0.83	0.50	0.38
Average number of employees	618	489	401	328	257
Number of employees at year-end	680	529	456	356	301
Number of employees and consultants at year-end	892	718	591	461	403
Reconciliation against IFRS					
EBITDA					
Profit for the period	504,412	373,992	243,242	167,139	136,142
Tax on profit for the period	41,115	29,294	22,793	15,559	15,121
Net financial items	-9,578	-1,675	-4,370	-2,950	1,794
Depreciation/amortization and impairment	138,895	138,285	128,511	103,140	74,257
EBITDA	674,844	539,896	390,176	282,888	227,314
Net interest-bearing liabilities					
Interest-bearing provisions	-	-	-	-	-
Interest-bearing liabilities	-	-	-	-	-
Cash and cash equivalents	494,497	402,058	258,057	105,829	81,230
Net interest-bearing liabilities	-494,497	-402,058	-258,057	-105,829	-81,230

* Proposed for 2016

Administration report

The Board of Directors and CEO of NetEnt AB (publ), 556532-6443, hereby submits the annual report for the 2016 financial year.

INFORMATION ABOUT THE BUSINESS

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 consisting of a full suite of high-quality games and a powerful administration tool. The games create a superior player experience for the player while the administrative tool enables NetEnt's customers – the operators – to optimize their business and profitability. Operators are provided with a customized system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimizing 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 for the 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. The start-up fees account for a minor share of the company's total revenues.

NetEnt is a pure operating and development company and does not offer gaming services directly to players. The Company's brand is internationally recognized and associated with innovation, service, and quality.

The Parent Company of the Group is based in Stockholm, where some development and infrastructure coordination is carried out, while product management, sales, operations, customer support and marketing are based in Malta. Product development takes place at the company's offices in Stockholm, Gothenburg, Kiev and Krakow, and via a subcontractor in India. Revenues in the Parent Company are attributable to services that are provided to subsidiaries. Product development is not capitalized 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 licenses in the following jurisdictions: Malta, Gibraltar, Alderney, Belgium, the UK, Spain, New Jersey (USA) and Romania. In addition, the company's products are licensed in the following countries: Denmark, Italy, Estonia, Latvia, Isle of Man, Bulgaria and Portugal.

Since 2009, the Parent Company has been listed on the Stockholm Stock Exchange (NASDAQ Stockholm) with the ticker symbol NET B.

BUSINESS CONCEPT AND OBJECTIVES

NetEnt is a digital entertainment company. The company's business concept 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.

SEASONAL EFFECTS

The third quarter is affected by the vacation period, which often leads to somewhat lower growth rate for both revenues and personnel expenses. In other respects, NetEnt's operations have historically not shown any significant seasonal variations.

KEY EVENTS IN 2016

- NetEnt's games were launched in the regulated markets in Romania, Bulgaria and Portugal.
- Mobile live casino was launched.
- NetEnt became an associate member of the World Lottery Association (WLA), a global member-based organization that promotes the interests of state-authorized lotteries and gaming operators.
- The Administrative Court of Appeal ruled in NetEnt's favor in a tax dispute that has been underway for several years.
- New agreements for land-based gaming machines signed with Gauselmann and Paddy Power.
- Agreement signed with Codere for distribution of games in the regulated Mexican market.
- 45 license agreements signed with new customers, 34 new customer casinos launched.
- Therese Hillman recruited as the new CFO to replace Maria Hedengren, who left the company.

MARKET

The online gaming market has shown healthy growth in recent years. It is estimated that global gross game win for online games, including all game segments, amounted to EUR 40.0 billion in 2016, an increase of 11 percent compared to the year before. The corresponding size of the global online casino market is estimated at EUR 10.7 billion in 2016, representing growth of 13 percent during the year (source: H2 Gambling Capital, February 2017).

Europe is the largest gaming market by far and is expected to account for close to half of global game win in the next few years. Reregulation of national gaming legislation is taking place



in several European countries. NetEnt closely monitors developments in all markets that are undergoing regulation. The online gaming markets were recently regulated in Portugal, Romania and Bulgaria. In Romania, NetEnt obtained a gaming license and launched its games with several operators during the year. In Bulgaria and Portugal, NetEnt's games were certified and launched in 2016. In the Netherlands and the Czech Republic, new gaming legislation is expected to come into force during 2017. In Spain, the online casino market is regulated – NetEnt holds a gaming license and the company's games are available with several customers in the country since 2015. In the UK, which is Europe's largest gaming market, new gaming laws were introduced in 2014, according to which all operators that target British players must have a local UK gaming license and pay gambling tax in the UK, regardless of the country in which the operator is based. In 2015, NetEnt obtained local gaming licenses from the UK Gambling Commission. The Italian market was reregulated a few years back and NetEnt is working closely with the responsible regulators to get unlicensed operators, with a focus on Italian players, to acquire a local license. The market in Denmark was regulated in 2012 and NetEnt's games are available with several customers there, including Danske Spil.

The Swedish government appointed a special commissioner in September 2015, tasked with submitting proposals for new gaming regulation in 2017, and according to the government, the new legislation may come into effect in 2018.

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 that the entry into North America will

contribute to long-term growth. Several states in the US have reregulated to permit online games, such as Nevada (poker), Delaware (all game types) and New Jersey (all game types). Also, political initiatives are under way to reregulate in other states too, such as in Pennsylvania and Michigan. NetEnt has applied for a license in New Jersey and was granted special authorization to launch several customers pending the processing of the company's complete license application. NetEnt is monitoring developments in other US states for potential expansion ahead, as well as in Canada, where the market is regulated in several provinces such as Ontario, British Columbia and Quebec. As a first step towards establishment in Canada, NetEnt applied for a license in the province of British Columbia in the fourth quarter of 2016.

NEW AGREEMENTS AND CUSTOMERS

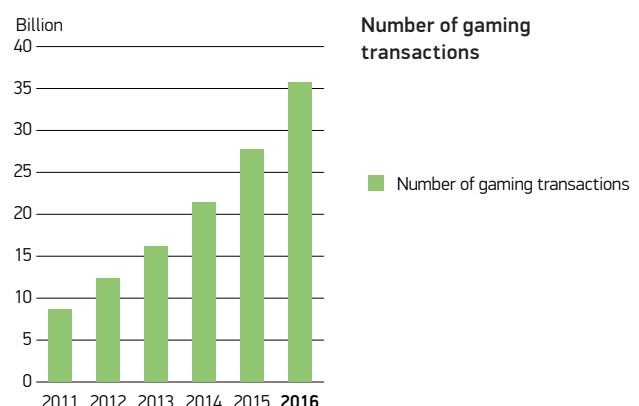
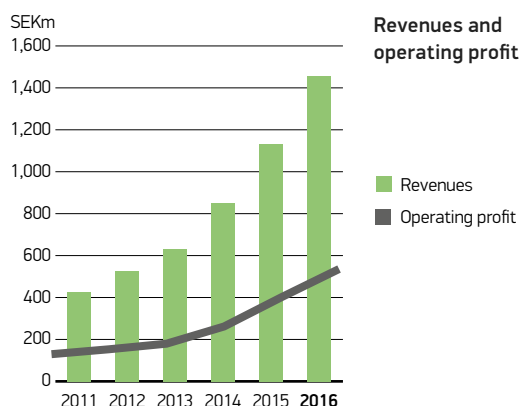
In 2016 NetEnt signed agreements with 45 (43) new customers and 34 (37) new customer casinos were launched. At the end of 2016 NetEnt had 168 (134) active customers and agreements with 31 customers that had not yet been launched.

REVENUES AND PROFIT

Revenues and operating profit for the six past years are presented in the diagram below.

Revenues – volume, price and currency developments

Revenues for the full year 2016 amounted to SEK 1,455.1 million (1,132.4), equal to an increase of 28.5 percent (26.9 percent in EUR) compared to 2015. This growth is attributable to higher revenues from both new and existing customers. NetEnt signed



45 (43) new license agreements and launched 34 (37) new customers in 2016. The number of gaming transactions increased by 28.9 percent compared to the previous year and amounted to 35.7 billion.

The average royalty level was stable compared to 2015. The slot gaming category represented around 89 percent of the game win in NetEnt's games during 2016. In 2016, the Swedish krona weakened against the euro by an average of 1.2 percent compared to the full year 2015, which had a positive effect on revenues and profit.

Expenses and profit

Operating profit rose by 33.4 percent to SEK 535.9 million (401.6) and operating margin was 36.8 percent (35.5). Operating expenses increased by 25.8 percent compared to the previous year as a result of expansion and strengthening of the organization in areas like sales, product management, development and IT operations. Personnel expenses were up by 22.4 percent during the year. The expansion also led to higher operating and maintenance expenses, such as IT expenses and costs for entering new markets. Other operating expenses rose by 43.7 percent compared to 2015, while depreciation/amortization increased by 0.4 percent.

Net financial items, which amounted to SEK 9.6 million (1.7), 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. Currency fluctuations have periodically affected intra-group transactions and are included in net financial items. The Group's effective tax rate in 2016 was 7.5 percent (7.3).

INVESTMENTS

The Group's capitalized development costs and investments in intangible assets amounted to SEK 154.3 million (99.8) in 2016, while investments in property, plant and equipment totaled SEK 79.9 million (51.4).

Investments in intangible assets refer to development of new games for mobile devices and desktop, as well as technical adjustments in the platform such as new functionality, higher capacity, adaptations for requirements in regulated markets and software licenses. Major development projects during the year included the development of a mobile version of Live Casino Roulette and ongoing development of the company's gaming platform.

Investments in property, plant and equipment consist mainly of servers and other computer equipment to meet new technical

requirements and maintain capacity and performance as new products are being launched. Investments are also made in computer equipment to meet the needs of the growing organization. Significant investments were made during the year in relation to the move to new offices in Stockholm.

CASH AND CASH EQUIVALENTS, FINANCING AND FINANCIAL POSITION

Consolidated cash flow from operating activities for the full year 2016 amounted to SEK 624.2 million (488.8). Cash flow from financing activities was SEK -311.0 million (-185.1) and consisted mainly of cash distribution to shareholders. Through an automatic redemption procedure, SEK 320.2 million was distributed to shareholders at the same time as a 6-for-1 share split was carried out. More information about the redemption program can be found on NetEnt's website, www.netent.com/en/annual-general-meeting-2016.

The Group's cash and cash equivalents amounted to SEK 494.5 million (402.1) at December 31, 2016. The Group's available credits amounted to SEK 50 million, none of which had been utilized at December 31, 2016. Funds held on behalf of licensees amounted to SEK 92.4 million (24.6) at year-end.

PERSONNEL AND ORGANIZATION

In 2016 the number of employees in the Group increased to 680 (529). Including extra resources such as dedicated staff at sub-contractors and consultants, NetEnt employed 892 people (718), defined as full-time equivalents.

PARENT COMPANY

The Parent Company's revenues for 2016 amounted to SEK 737.5 million (539.5). Operating profit was SEK 46.5 million (29.1) and the operating margin was 6.3 percent (5.4). The operating margin is affected mainly by the share of the Parent Company's expenses that is invoiced onto other group companies and the applied intra-group price level. The price level is determined based on independent benchmark studies for similar services and can vary over time if the general price level in the market changes. Profit before tax for the year was SEK 533.4 million (432.9).

The Parent Company's investments in property, plant and equipment in 2016 amounted to SEK 41.8 million (17.0) and investments in intangible assets amounted to SEK 4.5 million (2.2). Cash and cash equivalents in the Parent Company at the end of 2016 amounted to SEK 345.7 million (82.1).



The share, future outlook and appropriation of profit

THE SHARE

The share capital in NetEnt AB (publ) consists of class A and class B shares. One A share grants entitlement to ten votes and one B share grants entitlement to one vote when voting at a general shareholder meetings. The two classes of shares grant equal rights to participate in the company's assets and profits. At a general shareholder meeting, a shareholder may vote for the total number of shares represented. Holders of A shares have the right to convert one or more A shares to B shares by written request to the Board of Directors, within the limits of the maximum number of B shares that may be issued according to the Articles of Association.

In May 2016, the company carried out a 6-for-1 share split. Since then, the total number of shares in the company amounts to 240,130,860, divided between 33,660,000 class A shares and 206,470,860 class B shares, equal to a total of 543,070,860 votes. The share capital amounts to SEK 1,205,457 after the change in the number of shares. The quota value per share is SEK 0.05.

The number of shareholders in NetEnt at December 31, 2016, was 11,617 (8,589) according to Euroclear.

The largest shareholders were the Hamberg family with 6.3 percent of the share capital and 19.7 percent of the votes and the Lundström family with 6.5 percent of the share capital and 14.3 percent of the votes. NetEnt's ten largest shareholders held shares corresponding to 39.5 percent of the share capital and 73.2 percent of the votes in the company.

Incentive scheme 2016-2019 – stock options

The Annual General Meeting in April resolved to introduce a new long-term incentive scheme for all employees in the NetEnt Group. The resolution entailed the emission of a maximum of 1,600,000 stock options with the right to subscribe for an equal number of new class B shares in NetEnt AB. At the end of the subscription period in June, a total of 1,448,020 options had been subscribed for, equal to 91 percent of the total offering. The stock options were issued at a market price of SEK 6.58 each (option premium) according to a valuation performed by EY, which contributed to SEK 9.5 million to consolidated equity. 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. In the event of full subscription based on these stock options, the Parent Company's equity will be increased by SEK 158.9 million. More information about the stock option program can be found on NetEnt's website, under www.netent.com/en/annual-general-meeting-2016.

* = Adjusted for 6-for-1 split in May 2016.

FUTURE OUTLOOK

Growth

Rising market shares in the UK, mobile growth and new customers to be launched, alongside the company's activities in North America, are creating good conditions for sustained strong growth for NetEnt in 2017. NetEnt is increasing the number of employees, developing the platform, adapting the company to new regulated markets and integrating more and more customers. In view of this, the company anticipates higher costs and a continued need for investment during 2017 – NetEnt will continue investing to deliver robust growth in the future.

PROPOSED DISTRIBUTION TO THE SHAREHOLDERS

The Board proposes that the AGM approve a cash distribution to the shareholders of SEK 540.3 million (320.2), equal to SEK 2.25 (1.33)* per share. The Board intends to propose that the distribution take place through a share redemption procedure. The proposed record date for the share redemption procedure is May 5, 2017.

The complete proposal will be available at least three weeks prior to the AGM, together with an information brochure. Information will be available to shareholders at the company and on the website www.netent.com as of March 31, 2017, and will be sent free of charge to those shareholders who so request and provide their mailing address.

The Board of Directors' proposed appropriation of profits in the Parent Company

Funds at the disposal of the AGM (SEK):

Retained earnings	88,098,319
Share premium reserve	55,299,758
Profit for the year	533,392,858
	<hr/> 676,790,935

The Board of Directors proposes:

That the following be carried forward	676,790,935
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Pro forma after distribution to shareholders

Retained earnings incl. profit for the year	676,790,935
Distribution to shareholders	-540,294,435
	<hr/> 136,496,500

The results and position of the Group and the Parent Company in general are presented in the following income statements, balance sheets, cash flow statements and statements of equity with related notes and supplementary information, which form an integral part of this annual report.

Risk factors

Specified below are some of the business- and industry-related risk factors that could have consequences for NetEnt's future development. The risk factors are not arranged in order of importance or potential financial impact on the company's revenues, profit or financial position. For financial risk factors that affect the company's business, see Note 26.

Political decisions

Risks

NetEnt's business is highly dependent on the legal landscape for online casino games, primarily in the EU since most of the company's customers are based in Europe. In recent years, a number of countries have deregulated or reregulated online gaming. Through the EU Court's latest legal precedents, the member states have been given greater opportunities to secure tax revenues provided that the licensing systems create sound competitive conditions and are formally open to all operators

that meet certain basic criteria.

Due to ongoing legal developments in the different member states, in combination with an emerging set of precedents in the EU Court, NetEnt operates in a relatively unpredictable legal environment, at least with regards to the EU market. This means that it is difficult to quantify the risk that NetEnt's business could be negatively affected by future political decisions.

Management

It is difficult to predict how the legal landscape in the EU will develop in the future, and thus affect the commercial condi-

tions for gaming operators and game developers like NetEnt. NetEnt is legally based in the EU, which gives the company constitutional protection for business activities that follow from national law, EU law and the overarching WTO system. As NetEnt expands geographically, the revenue base is becoming more diversified and dependency on political decisions in individual countries becomes smaller. In Sweden, NetEnt is a member of the industry association for online gaming, BOS, which represents gaming companies and suppliers. In the next few years, the most important task for BOS is to promote new, sustainable gaming legislation in Sweden.

Operational disruptions

Risks

NetEnt is responsible for operating customer systems through its operation centers in Malta, Gibraltar, Alderney, Costa Rica and Denmark. Like other online services, the systems can sometimes suffer from operational disturbances. The reasons for these can be both within and beyond NetEnt's control. If operational disturbances occur, the company's product could be entirely or partially unavailable to the end users, which affects the gaming operator's revenues and therefore also NetEnt's revenues. Any operational disturbance or technical problem in the company's servers could therefore result in lost revenues, loss of confidence in the company and possible claims for damages.

Regulated operations and compliance (sustainability)

Risks

NetEnt holds licenses in the following jurisdictions: Malta, Alderney, Gibraltar, the UK, Belgium, Romania and Spain. The company also has a temporary permit for operations in New Jersey that will eventually be replaced by a complete license. Furthermore, NetEnt's products are certified in Denmark, Italy, Estonia, Latvia, Bulgaria, Portugal and Isle of

Man. It is of vital importance for NetEnt's business that the above licenses and certifications are maintained and extended.

Management

An important part of NetEnt's strategy is to grow in regulated markets. In recent years, the company has invested in technology and expertise to adapt the organization to

regulated markets. NetEnt undergoes audits and inspections as licenses are obtained and extended. The license on Malta was obtained for a period of five years and was extended in 2015. In Alderney and Gibraltar, the licenses are extended annually. The UK licenses are continuous and inspections are carried out regularly by the regulator.

Management

NetEnt invests continuously in IT infrastructure and staff to ensure high technical security in its systems and to minimize the risks for operational disturbances.



Responsible gaming (sustainability)

Risks

Although NetEnt does not offer gaming services directly to players, people suffering from gambling addiction could sue companies in the NetEnt Group in their capacity as games and systems supplier. Even if such

claims appear to be unfounded, and would most likely be rejected by a court of law, they could involve considerable expenses and loss of confidence for NetEnt, which could ultimately lead to reduced revenues.

Management

NetEnt works actively and in close collaboration with other entities in the market to prevent gambling-related problems. NetEnt's product design strives to help the operators promote responsible gaming.

This means that the games are designed with functions that enable the operators to offer players good control over their gaming.

Dependency on skills and expertise (sustainability)

Risks

NetEnt's success depends on the ability to recruit and retain skilled employees in all functions in the locations where NetEnt conducts operations. This includes commercial experience, understanding of operator and player prefer-

ences and expertise in game development and technology. The business is also dependent on key personnel at the management level. Due to the high pace of change in the gaming industry, the loss of experienced personnel in business-critical areas could have a temporary negative impact on the company's profits and financial performance.

Management

NetEnt actively works to be an attractive employer with dedicated and loyal employees

by developing the corporate culture and by offering competitive remuneration. In addition, the company offers opportunities for professional development, advancement in the organization as well as a healthy lifestyle through activities and wellness benefits.

Competition

Risks

NetEnt competes with a few, well-established companies. But the market is highly attractive and new competitors are constantly attempting to enter. If NetEnt is not successful in fending off competition, this could have a negative impact on the company's profits and financial position.

Management

The barriers to entry in the market for game development are relatively high and are rising further as the share of regulated markets increases. NetEnt's ambition is to maintain and advance its position as a world-leading provider of digitally distributed gaming systems and to be a respected participant in the market. Through a continued focus on development of high quality games with high entertainment value, in combination with a powerful administrative tools and related services, NetEnt hopes to defend and strengthen its market position.



Risk factors

Dependency on major customers

Risks

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

Management

As NetEnt grows and the number of customers increases, this is gradually reducing dependency on individual major customers.

Product faults and safety

Risks

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 consequently lower revenues for NetEnt's games, or give rise to legal expenses linked to the company's liability for product functionality according to the product descriptions and

certifications. The existence of technical faults could also eventually damage 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 cybercrime.

Management

NetEnt applies industry standards in its systems and pro-

cesses 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 an important area where the company continuously invests resources to enhance and adapt its protection to the latest technological developments.

Intellectual property rights

Risks

NetEnt's most important intellectual property rights consist of the copyrights for the software and the games that the company has developed and continuously develops. It is therefore crucial that the assets developed in the Group remain NetEnt's property. There is no guarantee that NetEnt's rights will not infringe on those of competitors or that NetEnt's rights will not

be breached or contested by competitors. Furthermore, it cannot be ruled out that legal action could be taken against NetEnt by competitors for alleged infringement on competitors' rights, both in Europe and in North America. If this happened, there would be a risk of the company suffering from 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 knowhow and it cannot be ruled out that competitors could develop equivalent knowhow or that NetEnt could fail to effectively protect its knowhow.

Management

Through contracts with employees and subcontractors, NetEnt ensures that the copyright for developed

products accrues to NetEnt. Furthermore, the company continuously protects its intellectual property rights for example by registering pattern protection and trademarks. 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.

Exchange rate fluctuations

Risks

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. Appreciation of the SEK in relation to the EUR has a negative impact on the compa-

ny's profit. The attainment of NetEnt's financial targets may be affected by future exchange rate fluctuations. Consolidated profit, equity, assets and liabilities are likewise affected by exchange rate fluctuations when the profits and net assets of foreign subsidiaries are translated to SEK for the

Group's consolidated financial reporting.

Management

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.



Tax status

Risks

NetEnt's tax expense is affected by the countries where its operations generate profits and the tax laws in these 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 made by the tax authorities.

Management

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 advisors deem correct. After a tax audit of NetEnt AB (publ) for the financial years 2007–2010, the Swedish Tax Agency decided to impose additional taxes on the company for a total of approximately SEK 92.1 million. In its decision, the Swedish Tax Agency found that the transfer pricing used by the Group between the Sweden-based Parent

Company and the Malta-based operation were not justified. However, NetEnt contested the Swedish Tax Agency's ruling and in March 2016 the Swedish Court of Appeal ruled in favor of NetEnt and reversed the Administrative Court's earlier ruling and the Swedish Tax Agency's review decision in this case.

Anti-corruption and anti-money laundering (sustainability)

Risks

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.

Management

NetEnt has zero tolerance and clear guidelines when it comes to money laundering (AML policy) and corruption (anti-bribery policy), and has a handbook to deal with money laundering and financing of terrorism (handbook for AML/CFT). 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.

The business cycle

Risks

Historically, NetEnt's revenues have not been negatively affected by a weaker business cycle. However, the online gaming industry is affected by the business cycle to a certain extent. A downturn in the economy could lead to a decrease in consumers' disposable income and therefore also lower demand for digital entertainment, including

online casino games. It cannot be ruled out that NetEnt's revenues and profits could be negatively impacted in the event of a future economic downturn.

Management

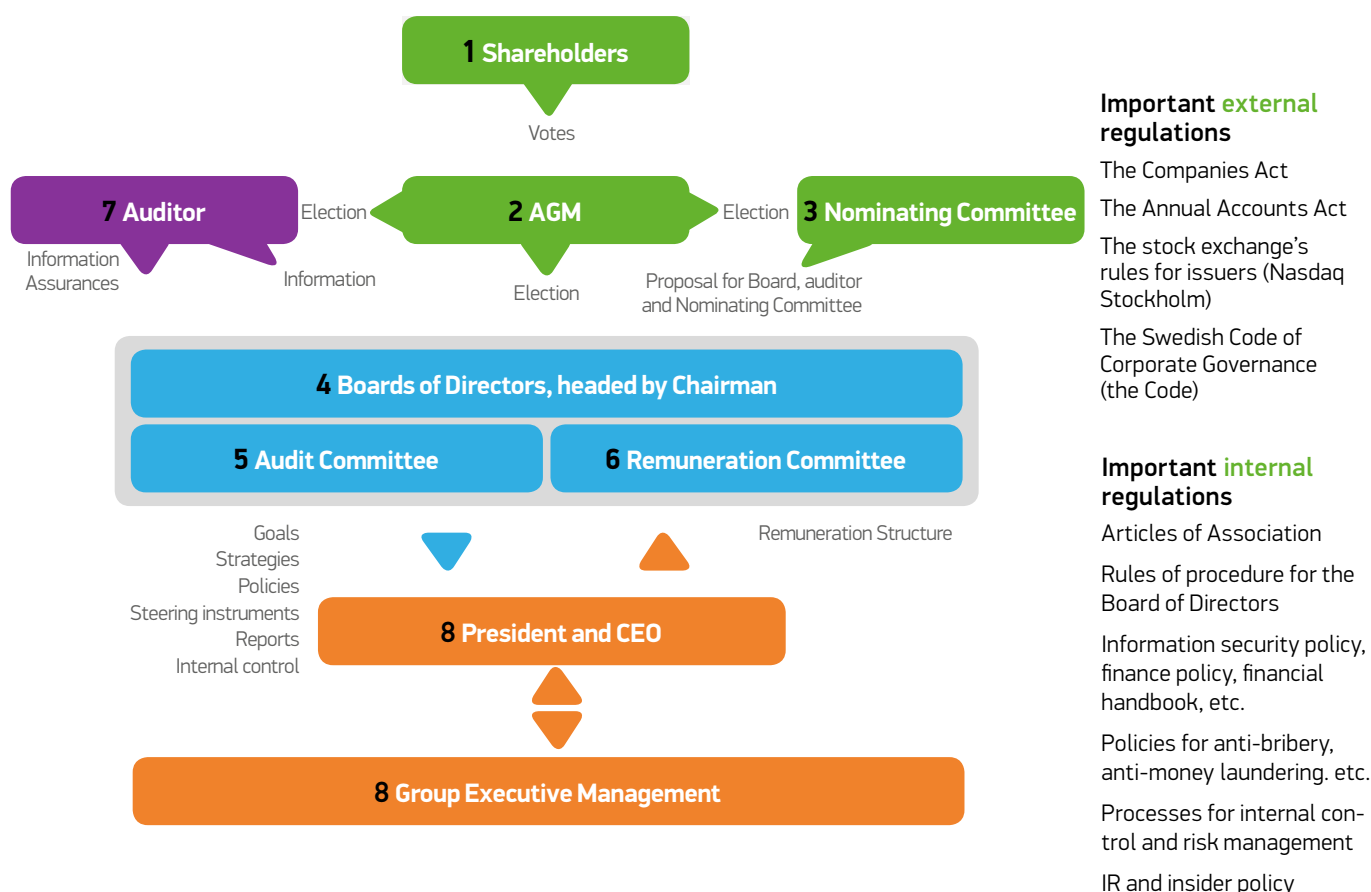
NetEnt's products are distributed in a large number of markets that do not follow the same business cycle, which reduces cyclical risk.



Corporate governance report

NetEnt AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm. The Company applies the stock exchange's rules for issuers and the Swedish Code of Corporate Governance (the Code), and hereby submits the 2016 corporate governance report. The report has been prepared in accordance with the Swedish Companies Act, the Annual Accounts Act, the Code and other applicable Swedish and foreign laws and regulations. NetEnt has no deviations to report. The report is part of the administration report and has been audited by the Company's auditor. The audit is reported in the auditor's report on page 102.

CORPORATE GOVERNANCE MODEL FOR THE NETENT GROUP



Basis for corporate governance

NetEnt applies strict standards and efficient processes so that its entire operations create long-term value for shareholders and other stakeholders. This requires maintaining an efficient organizational structure, internal control and risk management systems, and transparent internal and external reporting. There have been no material changes in corporate governance from the preceding year.



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 classes of shares grant equal rights to participate in the company's assets and profits. At a general shareholder meeting, shareholders may vote for 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 limits of the maximum number of B shares that may be issued according to the Articles of Association. At December 31, 2016, the number of shareholders was 11,617. The largest shareholders at the end of 2016 were Per Hamberg with 6.3 percent of the share capital and 19.7 percent of the votes and Rolf Lundström with 6.5 percent of the share capital and 14.3 percent of the votes. The ten largest shareholders represented 39.2 percent of the share capital and 73.2 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.

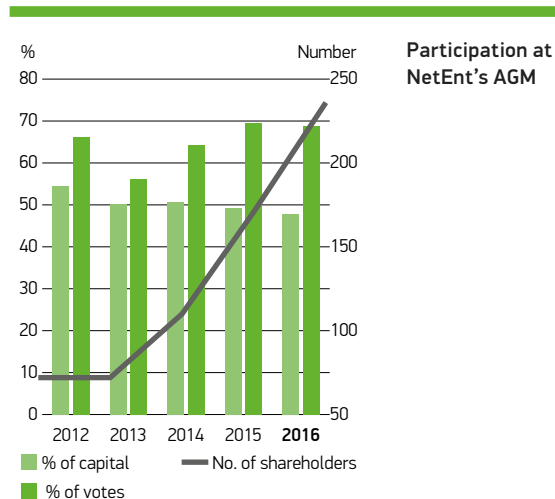
Decisions at the meeting are normally made by a simple majority of votes. However, certain types of resolutions require approval by a higher proportion of the votes and shares represented at the meeting, according to the Swedish Companies Act. Extraordinary General Meetings may be held as needed.

2016 Annual General Meeting

The 2016 AGM was held on April 21 at Berns in Stockholm. The meeting was attended by shareholders representing 68.8 percent of all votes and 47.7 percent of all shares. All members of the Board of Directors, the Company's auditor, the CEO and a number of other senior executives attended the AGM. One of the Nominating Committee's three members was present. The AGM passed resolutions on customary matters and on a cash distribution to shareholders of SEK 8.00 per share in the form of an automatic redemption procedure, as well as a 6-for-1 share split in connection with this. Furthermore, the AGM resolved on a new incentive scheme with stock options for all employees in the company – see page 92 and Note 11 for more details about the stock option program.

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 senior executives
- Any other issues (important or formal)



For more information about the 2016 AGM, visit NetEnt's website (www.netent.com/en/annual-general-meeting-2016), where all documents for the AGM are available, including the minutes of the meeting and the Articles of Association.

2017 Annual General Meeting

The 2017 AGM will be held on April 21, at 3:00 p.m., at Berns in Stockholm. Notice of the meeting will be provided on the Company's website (www.netent.com/agm) well ahead of the meeting, together with all required documents for the AGM.

3 Nominating Committee

The AGM decides on the procedures for appointment of the Nominating Committee. The AGM in April 2016 decided that the Chairman of the Board, Vigo Carlund, shall convene a Nominating Committee consisting of one representative from each of the three largest shareholders at August 31, 2016, who, together with the Chairman of the Board, shall be members of the Nominating Committee ahead of the AGM 2017. 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 was presented in a press release in September 2016 and consists of John Wattin, chairman (appointed by the Hamberg family), Christoffer Lundström (appointed by Provobis Property & Leisure AB), Fredrik Carlsson (appointed by the Knutsson family) and Vigo Carlund (Chairman of the Board of Directors).

The Nominating Committee has prepared proposals to the 2017 AGM for resolutions regarding the chair of the meeting, the Chairman of the Board and other members of the Board of Directors,

auditors where appropriate, remuneration for the Board of Directors and the auditors, as well as principles for appointing 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 2017 AGM. The composition of the Nominating Committee meets the Code's requirements for independent members. Following the 2016 AGM and until the end of the year, the Nominating Committee met twice.

NOMINATING COMMITTEE AHEAD OF THE 2017 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 analyzed the skills and experience found among the members of the Board of Directors, as well as the gender balance, and has compared these to the identified needs. 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. The Board of Directors currently consists of two women and six 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 2017 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 the Lundström family)
Fredrik Carlsson (appointed by the Knutsson family)
Vigo Carlund, Chairman of the Board

The duties of the Nominating Committee include submitting proposals to the next AGM regarding:

- Chair of the meeting
- Members of the Board of Directors
- Chairman of the Board of Directors
- Board fees
- Remuneration for committee work
- Amendments to the instructions for the Nominating Committee, if needed
- Auditor and audit fees when decisions are to be made on this at the following AGM

At the AGM in 2016, the following members were elected

Attendance at meetings in 2016	Board	Audit Committee	Remuneration Committee
Vigo Carlund, Chairman	13 of 13	–	1 of 1
Pontus Lindwall	13 of 13	–	1 of 1
Fredrik Erbing	13 of 13	5 of 5	1 of 1
Maria Redin	13 of 13	5 of 5	1 of 1
Mikael Gottschlich	13 of 13	–	1 of 1
Peter Hamberg	13 of 13	–	1 of 1
Michael Knutsson	13 of 13	–	1 of 1
Jenny Rosberg	13 of 13	5 of 5	1 of 1



4 Board of Directors

Duties of the Board

The Board of Directors has overarching responsibility for NetEnt's organization 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.

Composition of the Board

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. NetEnt's Articles of Association do not contain specific provisions on the appointment and dismissal of Board members. According to the Articles of Association, the Board of Directors shall consist of three to nine directors with no deputies. The AGM decides the exact number of directors. 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. Peter Hamberg is not independent in relation

to major shareholders because he is a close relative of one of the company's largest shareholders. Michael Knutsson is not independent in relation to the major shareholders because he is a large shareholder in the company. Pontus Lindwall is not independent in relation to the company as he is Chairman of Betsson AB, a customer of NetEnt.

Rules of procedure and Board meetings

The work of the Board of Directors is regulated by the rules of procedure, in addition to laws and recommendations. The rules of procedure are adopted by the Board of Directors and reviewed annually. The rules of procedure are divided into different sections to clarify and regulate the Board of Directors' work and duties. The sections consist of the Board of Directors' rules of procedure and instructions for the CEO and Audit Committee. The Remuneration Committee consists of the entire Board of Directors.

The rules of procedure cover the Board's general obligations, the distribution of duties within the Board, how Board meetings shall be recorded and the provision of information to the Board of Directors before and between Board meetings. Before each Board meeting, members receive written documentation about the matters to be discussed at the Board meeting. Further, each month, a monthly report is distributed on operational and financial performance.

Board Chairman

The Chairman of the Board of Directors is appointed by the AGM. The task of the Chairman is to organize and oversee the work of the Board of Directors so that it is conducted efficiently, and that the Board of Directors honors its obligations. Vigo Carlund was appointed Chairman of the Board of Directors by the 2016 AGM.

Board remuneration as decided by the AGM 2014–2016, SEK thousands

	2016	2015	2014
Board Chairman	630	610	600
Chair of the Audit Committee	370	330	320
Members of the Audit Committee	295	255	250
Members of the Board of Directors	275	255	250

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

- Principal goals
- Strategic focus
- Material matters pertaining to financing, investments, acquisitions and divestments
- Monitoring and control of operations, provision of information and organizational matters, including evaluation of the Group's executive management
- Appointment of and, if needed, dismissal of the CEO of the company
- Approval of financial reports and appropriation of profits
- Overall responsibility for efficient internal control and risk management systems
- Key policies (see page 62)

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 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

Board work in 2016

The Board's rules of procedure describe which items shall be on the agenda of each Board meeting, the annual cycle of items over the financial year, and the agenda for statutory Board meetings. In 2016 the Board held 13 meetings, including the statutory meeting, three for adoption of interim reports and one for adoption of the year-end report. Two meetings were held per capsulam.

All meetings held during the year followed an agenda, which together with the documentation for each item on the agenda was provided to the Board members ahead of the Board meetings. Present at Board meetings are also 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 addition, various senior executives, and auditors if needed, deliver presentations on various specific topics.

The key points at the Board meetings in 2016 were matters related to strategy, taxes, business risk management processes, approval of the business plan, budgets, forecasts, key policies such as anti-bribery and anti-money-laundering, the annual report, year-end report and interim reports. Other matters handled by the Board were an incentive scheme for employees, financial targets and the finance policy.

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.

At the Board meeting in February 2016, Auditor in Charge Erik Olin from Deloitte, presented his conclusions from the 2015 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

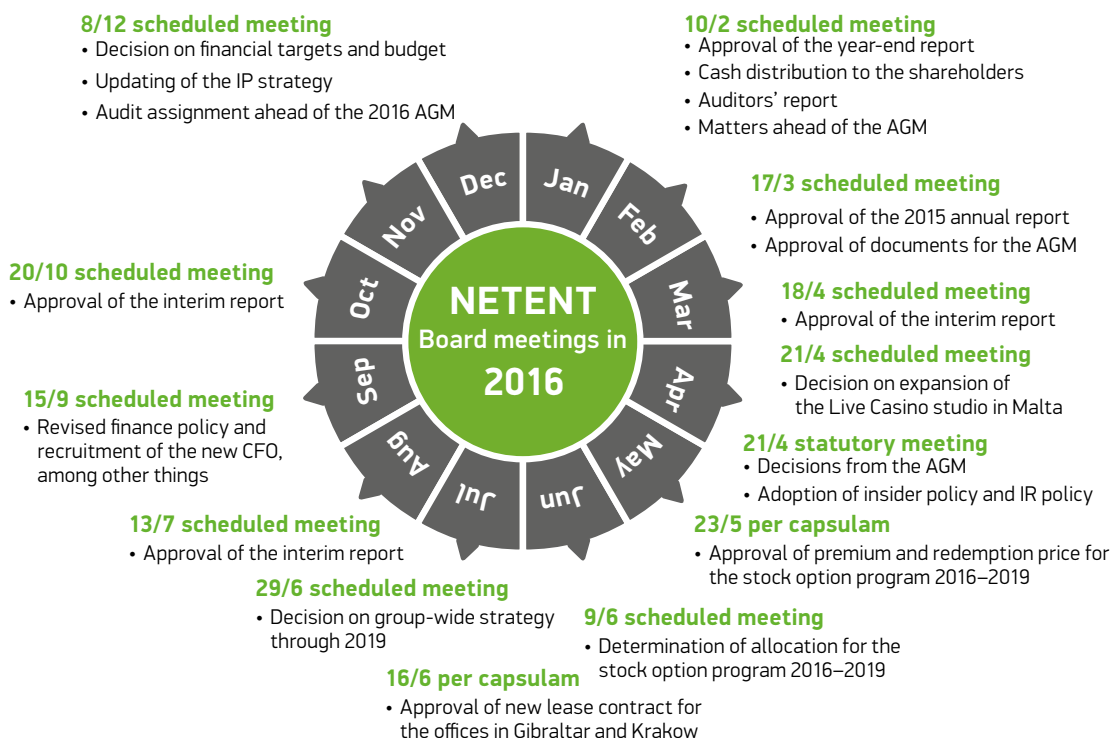
Every year, the Chairman of the Board evaluates the work of the Board through a systematic and structured process with the purpose of developing the Board's work and efficiency. The Board evaluation includes rating the competence and dedication exhibited by each Board member. The Board of Directors continuously 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 on page 65.

Board meetings in 2016

Recurring items at scheduled Board meetings have been the status report from the CEO, feedback from the Committees, the risk report, financial report and other current projects and matters, including addressing forecasts, policies and taxes.





BOARD COMMITTEES

5 Audit Committee

The Audit Committee is responsible for monitoring and quality assurance of the company's financial reporting. With regards to financial reporting, the Audit Committee monitors the efficiency of the Company's internal controls and risk management. The Committee stays informed about the audit of interim reports, the annual financial statements and the consolidated financial statements, reviews and monitors the auditor's impartiality and independence and evaluates the services that the auditor provides to the company, particularly if the auditor provides the company with services other than auditing. The Committee is also responsible for the Board's ongoing communication with the Company's auditors, establishing guidelines for services that may be procured by the auditors in addition to the audit, evaluation of the audit process, advising the Nominating Committee when preparing auditor proposals, and fees for the audit assignments.

Furthermore, the Committee has established an annual plan for its work and an updated risk analysis for the business with a special focus on financial reporting and the link to internal controls. The Committee has also approved the auditor's audit plan, read and evaluated the auditor's review, evaluated the internal controls and the process improvements carried out by the company in that regard. During the year, an internal audit was performed by EY based on an earlier risk analysis. The internal audit was conducted by controlling all existing internal processes with the aim of assuring the quality of the financial reporting. In

addition, the Committee has dealt with the finance policy, the financial handbook and other policies and accounting matters, including sustainability reporting.

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

6 Remuneration Committee

The Remuneration Committee is responsible for matters regarding remuneration and benefits for senior executives, including the CEO, and matters of principle for all senior executives. 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 programs for the company's management that are ongoing or ended during the year. The current remuneration policy is attached to the AGM minutes, which are available on the website.

The Remuneration Committee consists of all eight Board members. The Board Chairman is the chair of the Committee. All members were independent in relation to the company except for Pontus Lindwall Lindwall, as he is Chairman of Betsson AB, which is a customer of NetEnt. However, Pontus Lindwall did not participate in any decisions in which he could be considered biased.

The Remuneration Committee met once in 2016.

Members of the Audit Committee

Fredrik Erbing (Chair)
Maria Redin
Jenny Rosberg

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

Auditor

The AGM on April 21, 2016, elected Deloitte AB as the company's independent auditor for the period until the 2017 AGM.

Erik Olin

Auditor in Charge.

Born: 1973.

Auditor for the company since 2015.

Authorized Public Accountant and member of FAR SRS.

Other audit assignments: Rezidor Hotel Group, CLX Communications, IAR Systems, TeliaSonera Sverige and Microsoft Sverige

The duties of the Remuneration Committee include:

- Preparing and evaluating guidelines for remuneration to the Group Management
- Preparing and evaluating goals and policies for variable remuneration
- Preparing terms and conditions for pensions, termination of employment, severance pay and other benefits for the company's management
- Preparing and evaluating NetEnt's long-term incentive scheme

7 Auditor

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 2016 for the period until the 2017 AGM and Erik Olin was appointed as Auditor in Charge. The auditor has presented his conclusions of the synoptic review of the interim report for January – September 2016, the audit for the full year 2016 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 98.

8 CEO and Group Management

NetEnt's Group Management has solid experience and works to create a platform for profitable growth, in line with NetEnt's strategy. Aside from the CEO, the Group Management includes seven more people, four of whom are women.

A dynamic Group management team with in-depth knowledge about industry conditions is crucial for achieving profitable growth.

The CEO is appointed by and receives instructions from the Board of Directors. In turn, the CEO appoints the other Group Management members and is responsible for ongoing administration of the Group's operations in accordance with the guidelines and instructions of the Board. Group Management meetings are held bi-weekly to review results, update forecasts and plans, and to discuss strategic matters.

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 organization 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 Group Management in 2016 included:

- Growth strategy and new geographical markets
- Leadership development
- Risk management
- Sustainability
- Relocation of the offices in Stockholm, Gibraltar and Malta



Remuneration to senior executives

To achieve attractive long-term shareholder value growth, NetEnt seeks to offer its employees competitive remuneration and an attractive workplace that enable hiring 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 page 91.

GUIDELINES ADOPTED BY THE 2016 AGM

Basic principles

These guidelines shall be applied for the CEO of NetEnt and other senior executives in the company. 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 the Group 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 Group 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 schemes in the form of stock options or stock saving programs 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 schemes, which are issued on market terms, can be combined with cash bonuses that are payable in conjunction with the redemption periods of stock option programs. Such remuneration can be given to employees who are still employed at the time of redemption, and shall not exceed 70 percent of the premium paid for the stock option net after tax.

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 company's management can 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 2017 AGM

For the 2017 AGM, the Board of Directors has proposed to adopt the same guidelines for remuneration to senior executives as in the preceding year.



Peter Hamberg

Jenny Rosberg

Michael Knutsson

Vigo Carlund

Vigo Carlund

Chairman. Born in 1946. Elected in 2008, Chairman since 2011. Other board assignments: iZettle AB and Los Naranjos S.L. Previous positions include CEO of Investment AB Kinnevik, Korsnäs AB and Transcom WorldWide AB, and chairman of Tele 2 AB.

Shareholding: 3,650,000 B shares.

Independent in relation to the company, the executive management and major shareholders of the company.

Peter Hamberg

Board member. Born in 1973. Elected in 2009, Peter Hamberg is President and CEO of Hamberg Förvaltnings AB and a board member of C-RAD AB and Solporten Fastighets AB. Peter holds a bachelor's degree in international business administration from San Francisco State University, USA.

Shareholding: 1,218,000 A shares and 690,400 B shares.

Independent in relation to the company and the executive management. Peter Hamberg is closely related to one of the company's major shareholders.

Jenny Rosberg

Board member. Born in 1966. Elected in 2015. Jenny Rosberg is CEO and board member of ROPA Management AB. She is also a board member of Nordax Group and Nordax Bank. Jenny holds an MBA from the Stockholm School of Economics.

Shareholding: 15,600 B shares.

Independent in relation to the company, the executive management and major shareholders in the company.

Michael Knutsson

Board member. Born in 1961. Elected in 2012, Michael Knutsson is CEO of Knutsson Holdings AB and a board member of Pata-Pata AB.

Shareholding: 6,000,000 A shares, 10,000,000 B shares.

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

The stated shareholdings at December 31, 2016, include holdings through family and companies.



Mikael Gottschlich

Fredrik Erbing

Pontus Lindwall

Maria Redin

Mikael Gottschlich

Board member. Born in 1961. Elected in 2008. Mikael Gottschlich is Chairman of CKT Capital including subsidiaries, and a board member of Interoc AB including subsidiaries and O'learys Trade-mark AB including subsidiaries. Mikael has also been CEO of MG Instrument AB, Arkivator AB and LGP Telecom.

Shareholding: 3,854,490 B shares.

Independent in relation to the company, the executive management and major shareholders in the company.

Fredrik Erbing

Board member. Born in 1967. Elected in 2008, Fredrik Erbing is Vice President at Acando AB. Fredrik holds an MSc. in Engineering from the Royal Institute of Technology in Stockholm.

Shareholding: 120,000 B shares.

Shareholding in endowment insurance: 120,000 B shares.

Independent in relation to the company, the executive management and major shareholders in the company.

Pontus Lindwall

Board member. Born in 1965. Elected in 2011, Pontus Lindwall is Board Chairman of Betsson AB (publ) and Mostphotos AB, and a board member of Solporten Fastighets AB. Pontus holds an MSc. in Engineering from the Royal Institute of Technology in Stockholm.

Shareholding: 5,045,000 B shares.

Shareholding in endowment insurance: 2,109,000 A shares and 720,420 B shares.

Independent in relation to the company and the executive management. Pontus is Board Chairman of Betsson AB, which is a customer of NetEnt.

Maria Redin

Board member. Born in 1978. Elected in 2012. Maria Redin is CFO of MTG. Maria holds a BSc. in Business Administration from the University of Gothenburg.

Shareholding: 11,880 B shares.

Independent in relation to the company, the executive management and major shareholders in the company.



Enrico Bradamante

Ludvig Kolmodin

Karin Palmquist

Simon Hammon

Enrico Bradamante

MD of NetEnt Malta Ltd and Head of European Market Operations. Born in 1969, employed since 2012. Enrico has worked in the IT industry for over 19 years and comes most recently from Kodak, where he held several executive positions, such as Head of Document Imaging and VP Commercial Business in Europe, the Middle East and Africa. Enrico holds an MBA from INSEAD and an MSc. in Engineering from the University of Trieste.

Shareholding: 0

Stock options: 36,400

Ludvig Kolmodin

Chief information Officer. Born in 1972, employed since 2009. Ludvig has more than 15 years of international experience in system development, IT operations and project management, primarily in the telecom industry as Head of IT Operations for the mobile operator 3, as well as within the banking sector. Ludvig holds an MSc. in systems analysis and design from Mid Sweden University in Sundsvall.

Shareholding: 0

Stock options: 42,080

Karin Palmquist

HR Director. Born in 1960, employed since 2015. Karin has many years of experience from development, change and leadership work. She joined NetEnt from PwC, where she was Human Capital Leader of Learning & Development. Karin has previously held senior positions at Gula Tidningen and Dale Carnegie and run her own consulting business with customers in Europe, the US and China.

Shareholding: 720 B shares.

Stock options: 60,400

Simon Hammon

Chief Product Officer. Born in 1983, employed since 2011. Simon has in-depth knowledge of the gaming industry from his time as business and product development manager of his own company, and possesses experience in platform and game development, network operations and managing affiliates in bingo and casino. Simon holds an LLB Bachelor of Laws from the University of Durham.

Shareholding: 0

Stock options: 29,450



Therese Hillman

Per Eriksson

Anna Romboli

Åsa Bredin

Per Eriksson

President and CEO. Born in 1961, employed since 2012.

Per Eriksson has been active in the IT industry for over 27 years and was most recently President and CEO of Dustin Group. Prior to that, he headed Dell EMC in Europe, the Middle East, and Africa, and was CEO of Dell Nordic. Per holds a BSc. in Business Administration from Stockholm University.

Shareholding: 143,538 B shares.

Stock options: 422,400

Therese Hillman

Chief Financial Officer. Born in 1980, employed since 2017. Therese 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. Before this she worked as COO and later CFO of Gymgrossisten. Therese holds a M.Sc. in Accounting and Finance from the Stockholm School of Economics.

Shareholding: 0

Anna Romboli

Communications Director. Born in 1973, employed since 2014. Anna has over 15 years of experience from business development in branding, communication and PR. Formerly VP Brand & Communications at Veryday, and several years of consulting experience in PR and branding strategy. Anna holds an MBA from the University of Gothenburg, School of Business, Economics and Law.

Shareholding: 0

Stock options: 210,000

Åsa Bredin

Chief Development Officer. Born in 1972, employed since October 2015. Åsa has extensive experience in development and programming and has previously held senior positions at King, Betsson and Oracle. She holds an MSc. in computer sciences from the University of Lund.

Shareholding: 768 B shares.

Stock options: 45,600

The stated shareholdings at December 31, 2016, include holdings through family and companies.

Internal control

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

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

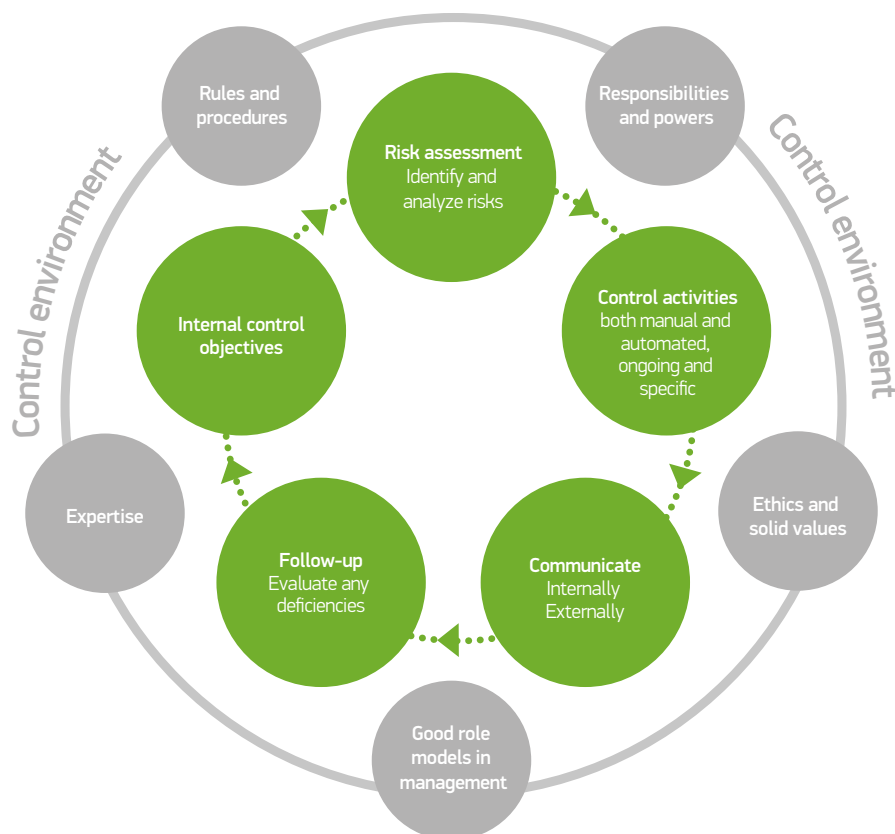
- appropriate and efficient operations,
- reliable financial reporting, and
- compliance with the applicable laws and regulations.

NetEnt applies the established framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework covers 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 work procedures in the Group. It is defined through policies and procedures, manuals and codes, and is upheld with the help of NetEnt's organizational structure with clearly defined 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, resulting in greater profitability. 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 has overarching responsibility for establishing an efficient internal control system. Responsibility for establishing an efficient control environment has been delegated to the CEO. The CEO delegates powers to those reporting to him,





both directly and through established guidelines and manuals in the company. Corporate values are an important element in this respect, providing guidance for day-to-day work.

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

NetEnt reviews its internal control processes following a recurring cycle each year and makes changes to the extent necessary. The Audit Committee, with the company's auditor, in turn regularly reviews selected control processes. The company has also established a framework and 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

Furthermore, the Group has a function comprising people with specific responsibility for compliance, as well as quality and processes. The function has been set up among other things to ensure ongoing development of the company's processes and routines for 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 consist primarily of the Group's finance policy, information policy, financial handbook, and authorization instructions that define accounting and reporting guidelines, as well as the Group's definition of processes and minimum requirements for sound internal control over financial reporting. In addition, the company has policies regarding, for example, employee trading in the company's shares, IT and information security, dividends, anti-bribery, and prevention of money laundering, terrorist financing, drugs and gambling.

RISK ASSESSMENT

Each year, NetEnt carries out a structured risk assessment 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, special attention is paid to the risk for irregularities and

unfair 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 achievement of the fundamental financial reporting requirements. The risk assessment is updated annually by the company, and is reported to the Audit Committee.

Furthermore, the company has a risk management process that is designed to continuously 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. The Audit Committee shall continuously monitor this process and report regularly to the Board of Directors. For a complete description of the industry- and business-related risks that affect NetEnt, see the "Risk factors" section on pages 58–61 and Note 26 on pages 98–99.

CONTROL ACTIVITIES

The most material risks identified in terms of financial reporting are managed through control structures in 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 systems that support processes affecting internal control over financial reporting. The design of processes and control activities within IT is also affected by regulations issued by the gaming authorities, such as the Malta Gaming Authority (MGA), the Alderney Gambling Control Commission (AGCC), the Gibraltar Regulatory Authority (GRA) and external reviews related to licenses and certifications. Such reviews are conducted both by independent auditing agencies for certification with regards to requirements from authorities, and by the company's external auditors.

Areas that are covered by control activities include:

- due authorization 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 rules, and requirements for listed companies. The process is also designed to ensure proper information for decision making to 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 judgment,
- all new employees are subject to prior background checks.

MONITORING

Monitoring of control activities is conducted continuously to ensure that risks have been satisfactorily observed and addressed. Monitoring covers both formal and informal procedures applied at the company. Such procedures include tracking of results in relation to budget and plans, analyses and key figures. The Board of Directors continuously evaluates the information provided by company's management. The process includes both reconciliation of monthly financial reports against budgets and goals, and reporting at Board meetings. Through the Audit Committee, the Board of Directors reviews and assesses the internal control organization 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 as needed.

The company'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 to all employees concerned on the company's intranet. NetEnt has information and communication channels for the purpose of promoting complete and accurate financial reporting. Only a limited number of people in the functions of 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 authorized in accordance with the powers bestowed on the company's staff in the organization.

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 information from employees. For all employees to feel secure in reporting deviations from the company's rules, there is a confidential and efficient whistle-blowing procedure in place. For external communication, there are guidelines for the company with stringent demands on accurate and relevant information to the market. The Board of Directors annually adopts an information policy for the company, which includes guidelines for contacts with analysts and the media.

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

INTERNAL AUDIT

The company has an internal audit function in place regarding anti-money laundering procedures. In 2016, an internal audit was performed by EY based on an earlier risk analysis. The internal audit was carried out through control of existing internal processes with the aim of safeguarding the financial reporting and followed the company's framework and process for internal audits.



Income statements

Group

SEK thousands	Note	2016	2015
Revenues	3, 4	1,452,158	1,129,405
Other revenues	5	2,943	3,020
Total operating revenues		1,455,101	1,132,425
Operating expenses			
Personnel expenses	6	-409,014	-334,097
Depreciation/amortization and impairment	12, 13	-138,894	-138,285
Other operating expenses	25	-371,244	-258,432
Total operating expenses		-919,152	-730,814
Operating profit		535,949	401,611
Financial items			
Financial income	8	35,739	14,100
Financial expense	9	-26,161	-12,425
Net financial items		9,578	1,675
Profit before tax		545,527	403,286
Income tax for the year	10	-41,115	-29,294
PROFIT FOR THE YEAR		504,412	373,992
Earnings per share, basic (SEK)	11	2.10	1.56
Earnings per share, diluted (SEK)	11	2.10	1.56
Closing number of shares		240,130,860	240,130,860
Average number of shares		240,198,134	240,130,860
Profit for the period attributable to: Parent Company shareholders		504,412	373,992
Statement of comprehensive income – Group		2016	2015
Profit for the period		504,412	373,992
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		15,345	-20,957
Sum of other comprehensive income for the year, net after tax		15,345	-20,957
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		519,757	353,035

Balance sheets

Group

SEK thousands	Note	2016-12-31	2015-12-31
ASSETS			
Non-current assets			
Intangible assets	12	253,495	183,294
Property, plant and equipment	13	120,546	83,662
Other non-current receivables	17	9,567	18,270
Total non-current assets		383,608	285,226
Current assets			
Trade receivables	15	44,306	35,101
Other current tax receivable		1,748	5,973
Other receivables	17	89,379	63,492
Prepaid expenses and accrued income	16	213,247	148,322
Funds held on behalf of licensees		92,398	24,570
Cash and cash equivalents	18	494,497	402,058
Total current assets		935,575	679,516
TOTAL ASSETS		1,319,183	964,742
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,205	1,205
Other contributed capital		90,189	80,856
Reserves		6,897	-8,448
Retained earnings incl. profit for the year		824,785	640,548
Total equity		923,076	714,161
Non-current liabilities			
Deferred tax liability	10	14,269	11,418
Total non-current liabilities		14,269	11,418
Current liabilities			
Trade payables		99,700	33,534
Current tax liabilities		25,034	30,284
Other liabilities	21	164,947	90,555
Accrued expenses and deferred income	22	92,157	84,790
Total current liabilities		381,838	239,163
TOTAL EQUITY AND LIABILITIES		1,319,183	964,742



Cash flow statements

Group

SEK thousands	Note	2016	2015
Operating activities			
Operating profit		535,949	401,611
Adjustments for non-cash items			
– Depreciation/amortization and impairment	12, 13	138,894	138,285
– Other		–4,155	2,434
Interest received		30	124
Interest paid		–1,072	–521
Income tax paid		–47,889	–12,652
Cash flow from operating activities before changes in working capital		621,757	529,281
Increase/decrease in trade receivables		–9,204	–19,911
Increase/decrease in current receivables		–129,944	–6,191
Increase/decrease in trade payables		66,166	4,464
Increase/decrease in other current operating liabilities		75,438	–18,882
Cash flow from operating activities		624,213	488,761
Investing activities			
Investment in intangible assets	12	–154,277	–99,766
Investment in property, plant and equipment	13	–79,862	–51,439
Cash flow from investing activities		–234,139	–151,205
Financing activities			
New share issue		–	9,869
Distribution to shareholders/dividend		–320,174	–199,534
Premium received for stock options		9,528	4,589
Redemption of stock options		–306	–
Cash flow from financing activities		–310,952	–185,076
Opening cash and cash equivalents		79,122	152,480
Opening cash and cash equivalents		402,058	258,057
Exchange rate difference in cash and cash equivalents		13,317	–8,479
Closing cash and cash equivalents	18	494,497	402,058

Changes in equity

Group

2015, SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings incl. profit for the year	Total equity
Opening equity, January 1, 2015	1,201	66,401	12,509	466,090	546,201
Profit for the year	–	–	–	373,992	373,992
Exchange rate differences arising from the translation of foreign operations	–	–	–20,957	–	–20,957
Total comprehensive income for 2015	–	–	–20,957	373,992	353,036
New share issue	3	9,866	–	–	9,869
Premium received for stock options	–	4,589	–	–	4,589
Distribution to shareholders	–	–	–	–199,534	–199,534
Closing equity, December 31, 2015	1,205	80,856	–8,448	640,548	714,161

2016, SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings incl. profit for the year	Total equity
Opening equity, January 1, 2016	1,205	80,856	–8,448	640,548	714,161
Profit for the year	–	–	–	504,412	504,412
Exchange rate differences arising from the translation of foreign operations	–	–	15,345	–	15 345
Total comprehensive income for 2016	–	–	15,345	504,412	519,757
Premium received for stock options	–	9,333	–	–	9,333
Distribution to shareholders	–	–	–	–320,174	–320,174
Closing equity, December 31, 2016	1,205	90,189	6,897	824,785	923,076



Income statements and statement of comprehensive income

Parent Company

SEK thousands	Note	2016	2015
Net sales	3, 4	737,162	538,828
Other revenues	5	360	634
Total operating revenues		737,522	539,462
Operating expenses			
Personnel expenses	6	-299,541	-191,352
Depreciation/amortization and impairment	12, 13	-365,037	-296,593
Other operating expenses	23	-26,430	-22,391
Total operating expenses		-691,008	-510,336
Operating profit		46,514	29,126
Financial items			
Profit from participations in Group companies	7	487,052	408,537
Other interest income and similar profit/loss items	8	20,296	2,182
Interest expense and similar profit/loss items	9	-10,980	-1,905
Net financial items		496,368	408,814
Profit after financial items		542,882	437,940
Appropriations			
Provisions to tax allocation fund		-	-
Accelerated depreciation		4,481	3,703
Total appropriations		4,481	3,703
Profit before tax		547,363	441,643
Income tax for the year	10	-13,971	-8,758
PROFIT FOR THE YEAR		533,392	432,885
Closing number of shares		240,130,860	240,130,860
Average number of shares		240,198,134	240,130,860

Statement of comprehensive income – Parent Company	2016	2015
Profit for the year	533,392	432,885
Other comprehensive income		
Sum of other comprehensive income for the year, net after tax	0	0
Total comprehensive income for the year	533,392	432,885

Balance sheets

Parent Company

SEK thousands	Note	2016-12-31	2015-12-31
ASSETS			
Non-current assets			
Intangible assets	12		
Licenses and ERP systems		5,791	8,511
Total intangible assets		5,791	8,511
Property, plant and equipment	13		
Plant and equipment		51,828	29,296
Total property, plant and equipment		51,828	29,296
Financial assets			
Participations in group companies	14	4,611	2,308
Total financial assets		4,611	2,308
Total non-current assets		62,230	40,115
Current assets			
Current receivables			
Trade receivables	15	3	1
Receivables from group companies	25	388,228	473,461
Current tax receivables		1,748	5,973
Other receivables	17	27,955	10,568
Prepaid expenses and accrued income	16	51,327	12,415
Total current receivables		469,261	502,418
Cash and bank balances	18	345,728	82,107
Total current assets		814,989	584,525
TOTAL ASSETS		877,219	624,640



Balance sheets

Parent Company

SEK thousands	Note	2016-12-31	2015-12-31
EQUITY AND LIABILITIES			
Equity	19		
Restricted equity			
Share capital		1,205	1,205
Statutory reserve		38	38
Total restricted equity		1,243	1,243
Non-restricted equity			
Share premium reserve		55,299	45,967
Retained earnings		88,098	-24,613
Profit for the year		533,392	432,885
Total non-restricted equity		676,789	454,239
TOTAL EQUITY		678,032	455,482
Untaxed reserves	20		
Tax allocation reserves		29,021	29,021
Accelerated depreciation		-5,854	-1,372
Deferred tax	10	260	-
Total untaxed reserves		23,427	27,649
Current liabilities			
Trade payables		86,976	25,011
Liabilities to group companies	25	9,006	51,471
Other liabilities	21	6,598	5,408
Accrued expenses and deferred income	22	73,180	59,619
Total current liabilities		175,760	141,509
TOTAL EQUITY AND LIABILITIES		877,219	624,640

Cash flow statements

Parent Company

SEK thousands	Note	2016	2015
Operating activities			
Operating profit		46,514	29,126
Adjustments for non-cash items			
– Depreciation/amortization and impairment	12, 13	26,430	22,391
– Other		10,460	757
Interest received		1	3
Interest paid		–932	–482
Income tax paid		–7,836	–11,728
Cash flow from operating activities before changes in working capital		74,637	40,067
Increase/decrease in trade receivables		–2	–
Increase/decrease in current receivables		412,457	81,247
Increase/decrease in trade payables		60,567	–397
Increase/decrease in other current operating liabilities		75,563	–51,587
Cash flow from operating activities		623,221	69,330
Investing activities			
Capital infusion to subsidiary	14	–2,302	–630
Investment in intangible assets	12	–4,524	–2,154
Investment in property, plant and equipment	13	–41,822	–16,994
Cash flow from investing activities		–48,648	–19,778
Financing activities			
New issue of shares		–	9,869
Premium received for stock options		9,528	4,589
Redemption of options		–306	–
Distribution to shareholders/dividend		–320,174	–199,534
Cash flow from financing activities		–310,952	–185,076
CASH FLOW FOR THE YEAR		263,621	–135,524
Opening cash and cash equivalents		82,107	217,631
Closing cash and cash equivalents	18	345,728	82,107



Changes in equity

Parent Company

SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening equity, January 1, 2015	1,201	38	31,513	922	173,999	207,673
Profit for the year					432,885	432,885
Total comprehensive income	–	–	–	–	432,885	432,885
New share issue	3	–	9,866	–	–	9,869
Premium received for stock options	–	–	4,589	–	–	4,589
Appropriation according to the AGM	–	–		–25,535	–173,999	–199,534
Closing equity, December 31, 2015	1,205	38	45,967	–24,613	432,885	455,482
Opening equity, January 1, 2016	1,205	38	45,967	–24,613	432,885	455,481
Profit for the year					533,392	533,392
Total comprehensive income	–	–	–	–	533,392	533,392
Premium received for stock options	–	–	9,332	–	–	9,332
Appropriation according to the AGM	–	–	–	112,711	–432,885	–320,174
Closing equity, December 31, 2016	1,205	38	55,299	88,098	533,392	678,032

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 optimize their business and profitability. Operators are provided with a customized system solution that is quickly and easily integrated, ensuring cost-efficient operation and minimizing installation-to-operation times. The company's revenues essentially consist of royalties, which are calculated and reported as a percentage of the game win (player bets less player wins) that are generated by NetEnt's games for the customers. When new customer agreements are signed, the customers are also charged 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. Setup 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 Parent Company of the Group is based in Stockholm, where a certain amount of development and infrastructure coordination is carried out, while product management, sales, operations, customer support and marketing are managed out of Malta. The company also has offices in Gothenburg, Gibraltar, Kiev (Ukraine), Krakow (Poland) 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 subcontractor in India. Information about the Group's composition is provided in Note 14.

Since 2009 the Parent Company has been listed on the Stockholm stock exchange (NASDAQ Stockholm) with the ticker symbol NET B.

This annual report was approved for publication by the Board of Directors on March 16, 2017. The income statement and balance sheet will be adopted at the AGM on April 21, 2017.

NOTE 2 ACCOUNTING AND VALUATION POLICIES

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 SEK thousands 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 recognized at historical cost, aside from some financial assets and liabilities that 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 to the extent that the Parent Company financial statements have been prepared in accordance with RFR 2 "Accounting for Legal Entities". This results in certain differences due to the requirements in the Annual Accounts Act or 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 2016

No new, amended or revised standards and interpretations that came into effect in 2016 have had any material impact on the Group's financial statements.

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

The International Accounting Standards Board (IASB) has issued the following new and amended standards which have not yet come into effect;

IFRS 15 "Revenue from Contracts with Customers" regulates revenue recognition. The purpose of IFRS 15 is to provide users of financial statements with more informative and relevant disclosures regarding the company's revenues. According to the extended disclosure obligation, the following shall be provided: information regarding revenue type, timing of settlement, uncertainty related to revenue recognition and cash flow attributable to the company's customer contracts. IFRS 15 applies to financial years beginning on or after January 1, 2018, with early application permitted. The process of evaluating the effects of the introduction of this standard are underway and the preliminary forecast is that the changes will not have any material impact on the Group's financial statements. An analysis of the company's customer contracts has been carried out to identify its separable revenue components. Since the Group's revenue consists mainly of royalties based on the game win generated by NetEnt's games with the operators and is recognized in the period based on actual transactions, the assessment is that IFRS 15 will not affect the company's recognition of royalty revenue. This assessment is based on IFRS 15 application of revenue recognition, where the com-



pany has evaluated when the performance obligation has been met and determined that this takes place when the operators have access to the gaming platform and the gaming transactions can be carried out. Consequently, the performance obligation is met and revenue is recognized in the period when the transaction in the gaming platform takes place.

IFRS 16 "Leases" introduces a "right of use model" and means, for the lessee, that essentially all leases shall be recognized in the balance sheet, and shall therefore not be classified into operating and finance leases. An exception is made for leases with a term of 12 months or less, and leases of negligible value. Depreciation of the asset and interest expenses on the liability are recognized in the income statement. IFRS 16 "Leases" was issued on January 13, 2016, and will replace IAS 17 "Leases". IFRS 16 is effective for financial years beginning on or after January 1, 2019, with earlier application permitted provided that IFRS 15 is applied concurrently. The Group has not yet evaluated the effects of the introduction of this standard.

IFRS 9 "Financial Instruments" addresses the classification, valuation and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces those parts of IAS 39 that deal with the classification and measurement of financial instruments. The standard is effective for financial years beginning on or after January 1, 2018. Earlier application is permitted.

In the opinion of the company's management, the other new or revised standards and interpretations not yet effective in 2016 are not expected to have any material effect on the consolidated financial statements in the period when 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 12 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 12 months after the balance sheet date or if the company lacks an unconditional right to defer settlement of the liability for at least 12 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 all companies in which the Parent Company directly or indirectly has more than half of the voting rights or otherwise has control.

Basis of consolidation

The consolidated financial statements are 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, regardless of the extent of any minority interest. The difference between the historical cost of the shares and the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as consolidated goodwill. If the difference is negative, the amount is immediately recognized in revenues in the income statement.

The subsidiaries' income, expenses, assets and liabilities are included in the consolidated financial statements from the date on which control arises (acquisition date) and until the date on which it ceases. Intra-group receivables and liabilities, transactions between 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 recognized through comprehensive income in equity. On the disposal of a foreign operation, the cumulative amount of translation differences attributable to the operation are realized less any currency hedges 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 recognized 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 recognized 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. Revenues are recognized excluding VAT and discount, and after elimination of intra-group sales. All invoicing takes place monthly in arrears.

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 setup fees that are aimed at covering the integration and setup costs that arise for NetEnt when new customers are launched. Setup fees are recognized continuously as the agreements are signed.

The Group recognizes revenue when the amount can be reliably measured and it is probable that future financial benefits will flow to the company. The amount of revenue cannot be reliably measured until all sales commitments are fulfilled or have expired. The Group bases its assessments and estimates on historical outcomes and thus observes the type of customer, type of transaction and particular circumstances in each individual case. If any circumstance arises that might change the original assessment of the amount of revenue, the estimates are reviewed. Such reviews can result in an increase or decrease in estimated income or expense and can affect income during the period when the circumstances that caused the change became known to the company's management.

Other revenues

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

Financial income/expense

Interest income and interest expense are reported as distributed over their maturities with application of the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Other external expenses

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting submitted to the chief operating decision maker. The chief operating 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 Group Management, which makes strategic decisions. 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 recognized 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 recognized in "Other current receivables". The corresponding amount is recognized on the liability side of the balance sheet in "Other current liabilities". In the cash flow statement, both accumulation of jackpot funds and payment of wins are recognized in changes in working capital. The funds for pooled jackpots are handled by a type of bank account that is 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 has been prepared using the indirect method. The recognized cash flow covers only transactions that involve incoming or outgoing payments. This means that discrepancies may occur compared to changes in individual items in the balance sheet.

Intangible assets

Development expenditure is capitalized 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 capitalized and recognized 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, recognized development expenditure is recognized at historical cost, less accumulated amortization and impairment losses. Regular assessments are made of the projects' revenue-generating capacity to identify any need for impairment. Intangible assets also include acquired gaming agreements, software licenses, concessions and trademarks. These intangible assets are recognized in the balance sheet at historical cost, less accumulated amortization and impairment losses.

All of the company's intangible assets have a definite economic useful life.

Property, plant and equipment

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

Depreciation/amortization and impairment

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

- Trademarks, domain names, licenses, 2–5 years.
- Gaming agreements and concessions, 3–5 years.
- Capitalized development expenditure for games, gaming systems and gaming platforms is based on class of asset and amounts to a maximum of 3 years.
- Computer and server equipment, 4–5 years.
- PCs (workstations for developers, etc.), 1–3 years.
- Office equipment, 1–7 years

The residual value and economic 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. Value in use is measured as the expected future discounted cash flow. The impairment loss is the difference between the carrying amount and the recoverable amount. When a previously recognized impairment loss is no longer warranted, it is reversed. A reversal may not be higher than the carrying amount that would have been recognized (net of amortization or depreciation) if no impairment loss had been recognized. Intangible assets not yet completed are tested for impairment at least annually.

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 on initial recognition.

The Group has no assets that fall into the categories (a) or (c).

Loans and receivables

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

Trade receivables

Trade receivables are initially measured at fair value and subsequently at amortized cost with application of the effective interest method, less any provisions for impairment. A provision for impairment of trade receivables 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 recognized in the income statement in selling expenses. When trade



receivables cannot be collected, they are written off entirely from trade receivables.

Cash and cash equivalents

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

Equity

Equity consists of the 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 the issue of new shares or options are recognized, net after tax, in equity as a deduction from the issue proceeds. Other than the shares' quota value, other capital contributed refers to amounts received from new share issues, shareholder contributions, amounts received from the issue of options, and group contributions. Translation reserves refer to translation differences attributable to the translation of foreign subsidiary operations into NetEnt's presentation currency.

Trade payables

Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Other financial liabilities

Financial liabilities not held for trading are initially measured at fair value and subsequently at amortized cost. Amortized cost is determined based on the effective interest calculated when the liability was recognized. Surplus and deficit values and transaction expenses are thus distributed over the term of the liability.

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 that have been decided or announced and which are highly likely to be adopted. For items recognized in the income statement, the related tax effects are also recognized in the income statement. Tax effects of items recognized through comprehensive income in equity or directly in equity are recognized 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 tax values of assets and liabilities, applying the tax rates and regulations which have been decided or announced at the balance sheet date and which are expected to apply when the deferred tax receivable concerned is realized 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 recognized. Deferred taxes receivable relating to deductible temporary differences and loss carry-forwards are recognized only to the extent that it is probable they will be utilized 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 recognized 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.

Dividends or distribution to the shareholders

Dividends are recognized 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 of the defined contribution type, 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.

Post-employment benefits

The Group has no obligations to employees after they have retired or their employment with the company has been terminated.

Termination benefits

Termination benefits are payable when an employee's position is terminated by NetEnt before the normal date of retirement, or when an employee voluntarily accepts redundancy in exchange for such benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of employees in accordance with a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Bonus plans

The Group recognizes 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 schemes

The Group can offer employees the opportunity to participate in share-based incentive schemes in the form of stock options or stock saving programs 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 schemes, which are issued on market terms, can be combined with cash incentives that are payable in connection with the redemption period during which the stock options can be exercised. Such remuneration can be given to employees who are still employed at the time of redemption, and shall not exceed 70 percent of the premium paid for the stock option net after tax. The loyalty remuneration for these incentive schemes is recognized continuously over the term of the scheme.

Provisions

A provision is recognized 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 a pre-tax interest rate that reflects current market assessments of the

Notes

time value of the money and, if applicable, the risks associated with the liability. A restructuring provision is recognized when the Group has defined a detailed, formal restructuring plan and the restructuring has either commenced or has been officially announced. No provisions are made for future operating expenses.

Contingent liabilities

A contingent liability is recognized 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 recognized 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 applies the same accounting principles as the Group, with the exceptions stated below.

Participations in subsidiaries are recognized at historical 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 recognized 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 minimizing the total tax of the Group are recognized as an appropriation.

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

The Parent Company recognizes 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 material effect on the Parent Company's financial statements. The upcoming changes and updates in RFR 2 are also not expected to have any material effect on the Parent Company's financial reports.

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.

Taxes

The Group's tax expense is primarily affected by the distribution of profit between Sweden and the countries in which the Group operates and the tax regulations of each country. Comprehensive assessments are required to establish the income tax provision. There are many transactions and calculations for which the final tax is uncertain at the time when the transactions and calculations are made. The company has, alongside legal experts, assessed how tax regulations affect the operations to ensure an accurate tax status. This also applies to indirect taxes. The company recognizes and pays to the tax authorities the tax amounts that the Company deems accurate. However, these amounts may prove insufficient if tax authorities apply a more restrictive interpretation of tax regulations than the assessment made by the Company and which the latter considers to be accurate (see Note 28).

Impairment testing

Every year, the Group's assets are tested for impairment according to IAS 36. The Group has invested considerable amounts in the development of gaming platforms and their carrying amounts are compared to expected future discounted cash flows calculated on present values. The Group has identified one cash-generating unit, Casino Module, with a carrying amount SEK 244.7 million. The impairment test is based on detailed assumptions for the next three years. Several estimates and judgements 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 consideration to the Group's expected growth. Other significant assumptions relate to the discount rate that is used. The Group has chosen a 10-year government bond rate plus a risk premium on the date of valuation. In the year's impairment test, the discount rate after tax was 5.5% (5.8%) for the cash-generating unit for discounting estimated cash flows after tax. Even when a significantly higher discount rate is used, the impairment test has not indicated any need for impairment.

In the balance sheet, recognized development expenditure is recognized at historical cost, less accumulated amortization and impairment losses. Regular valuations are performed of the projects' revenue-generating capacity to identify any impairment requirements (see Note 12).

NOTE 3 REVENUES

	Group		Parent Company	
SEK thousands	2016	2015	2016	2015
Royalties	1,452,158	1,129,405	–	–
Consulting revenues	–	–	737,162	538,828
Total	1,452,158	1,129,405	737,162	538,828

NOTE 4 SEGMENT REPORTING

The chief operating 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 Group 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 operating decision maker, the Group has identified one segment for follow-up.

The identified segment is casino game systems.

The Group Management assesses 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 considerations 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.

**NOTE 4** SEGMENT REPORTING, *CONT'D.***Geographic breakdown**

	2016	2015
Revenues		
Sweden	–	–
Malta	56.6%	58.9%
Other countries	43.4%	41.1%
Non-current assets		
Sweden	15.4%	14.2%
Malta	75.9%	75.3%
Alderney	1.0%	1.6%
Gibraltar	6.5%	6.8%
Ukraine	0.1%	0.2%
USA	1.1%	1.9%

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

Customers (revenue breakdown)

	2016	2015
Customer I	8%	12%
Customer II	7%	7%
Customer III	4%	3%

NOTE 5 OTHER REVENUES

	Group		Parent Company	
SEK thousands	2016	2015	2016	2015
– Exchange rate differences, operations	2,807	2,942	230	574
– Other	136	78	130	59
Total	2,943	3,020	360	634

NOTE 6 SALARIES AND REMUNERATION**Average number of employees**

	2016		2015	
	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Sweden	380	69%	321	72%
Malta	202	42%	154	41%
Ukraine	4	43%	5	45%
Gibraltar	13	49%	8	57%
USA	3	100%	1	100%
Poland	16	62%	–	–
Total Group	618	60%	489	62%

NOTE 6 SALARIES AND REMUNERATION, *CONT'D.***Board fees**

SEK thousands	2016	2015
Current Board of Directors		
Vigo Carlund, Chairman	623	607
Fredrik Erbing	357	327
Mikael Gottschlich	268	253
Peter Hamberg	268	253
Pontus Lindwall	268	253
Michael Knutsson	268	253
Maria Redin	282	253
Jenny Rosberg	282	170
Total	2,617	2,370

Average number of employees

	2016		2015	
	Salaries	Social security expenses (of which, pension expenses)	Salaries	Social security expenses (of which, pension expenses)
SEK thousands				
Board and President/CEO	8,143	3,625 (574)	7,585	2,881 (536)
Other employees in Sweden	222,913	106,001 (30,432)	183,722	85,049 (24,246)
Total Parent Company	231,056	109,626 (31,006)	191,308	87,930 (24,782)
Other employees in Malta	67,758	4,497 (770)	54,301	3,689 (667)
Other employees in Ukraine	2,292	163 (18)	3,035	215 (22)
Other employees in Gibraltar	9,409	639 (390)	7,906	428 (241)
Other employees in the USA	5,851	693 (398)	3,986	200 (30)
Other employees in Poland	4,422	870 (70)		
Total Group	320,788	116,488 (36,652)	260,535	92,461 (25,742)

The presented salaries and social security expenses include both amounts expensed and capitalization of development expenditure.

NOTE 6 SALARIES AND REMUNERATION, *CONT'D.*

	2016			2015		
	No. of men	No. of women	% of women	No. of men	No. of women	% of women
Board of Directors	6	2	25%	6	2	25%
Other senior executives ¹⁾	5	4	44%	4	4	50%
Total Group Board of Directors and Group Management	11	6	35%	10	6	38%

1) The group of senior executives also includes the Managing Director and Chief of North America, although this position is not part of the Group Management and is therefore not presented among other senior executives on pages 72–73.

Board fees

The Annual General Meeting determines remuneration for Board members. At the Annual General Meeting on April 29, 2016, it was resolved for the period until the 2016 Annual General Meeting, that Board fees would be paid to a total amount of SEK 2,690 thousand, of which SEK 630 thousand to the Board Chairman and SEK 275 thousand each to the other members of the Board, with an addition of SEK 95 thousand for the chair of the Audit Committee and SEK 20 thousand to the other members of the Audit Committee.

Remuneration to senior executives

In 2016, total remuneration to the CEO amounted to SEK 5,526 thousand (5,215), of which SEK 1,613 thousand (1,670) was variable remuneration, and pension benefits of SEK 1,048 thousand (976). Of the pension benefits, SEK 473 thousand (440) 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 amounted to SEK 18 thousand (17).

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 2016 amounted to SEK 22,885 thousand (21,086), of which SEK 3,651 thousand (3,391) was variable remuneration, and pension benefits totaling SEK 1,855 thousand (1,726). Social security expenses amounted to SEK 2,469 thousand (2,426). Senior executives consisted of 9 (10) different individuals during 2016.

The notice period for other senior executives varies between 3 and 6 months and is mutual. Other benefits pertaining to health insurance totaled SEK 112 thousand (28).

Loyalty remuneration

Senior executives are offered the opportunity to take part in ongoing share-based incentive schemes in the form of stock options or stock saving programs that are issued on market terms to motivate long-term commitment and promote a greater alignment of interests with the company's shareholders. To strengthen loyalty to the company, share-based incentive schemes, issued on market terms, can be combined with cash incentives that are payable in connection with the redemption period during which the stock options can be exercised. Such remuneration can be given to employees who are still employed at the time of redemption, and shall not exceed 70 percent of the premium paid for the stock option net after tax. The company's cost for loyalty remuneration is recognized on an ongoing basis over the vesting period. In 2016 a total cost of SEK 3,191 thousand (738) was recognized for loyalty remuneration.

NOTE 7 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
SEK thousands	2016	2015
Anticipated dividends from subsidiaries	487,052	408,537
Total	487,052	408,537

NOTE 8 FINANCIAL INCOME

	Group		Parent Company	
SEK thousands	2016	2015	2016	2015
Interest income	29	124	1	3
Foreign exchange differences	35,710	13,976	20,295	2,179
Total	35,739	14,100	20,296	2,182

NOTE 9 FINANCIAL EXPENSE

	Group		Parent Company	
SEK thousands	2016	2015	2016	2015
Interest expense	1,072	521	932	482
Foreign exchange differences	25,089	11,904	10,048	1,423
Total	26,161	12,425	10,980	1,905

NOTE 10 INCOME TAX

	Group		Parent Company	
SEK thousands	2016	2015	2016	2015
Current tax				
Sweden	13,711	8,758	13,711	8,758
Outside Sweden	25,312	20,783	–	–
Total current tax	39,023	29,541	13,711	8,758
Deferred tax				
Sweden	–727	–815	260	–
Outside Sweden	2 819	568	–	–
Total deferred tax	2,092	–247	260	–
Total tax expense	41,115	29,294	13,971	8,758

**NOTE 10 INCOME TAX, *CONT'D.***

	Group		Parent Company	
SEK thousands	2016	2015	2016	2015
Difference between real tax expense and tax expense based on applicable tax rate				
Recognized profit before tax	545,527	403,286	547,363	441,643
Tax according to applicable tax rate 22.0% (22.0%)	120,016	88,723	120,420	97,161
Difference in tax rate in foreign operations	-79,568	-60,748		
Effects of changed tax rate				
Non-taxable income			-107,151	-89,878
Tax attributable to prior years	82			
Tax effect of non-deductible items	585	1,319	703	1,475
Recognized tax expense	41,115	29,294	13,971	8,758
Specification of deferred tax expense				
Tax on appropriations	-727	-815	260	-
Tax on temporary differences	2,819	568	-	-
Recognized deferred tax expense	2,092	-247	260	-
Specification of deferred tax liability				
Tax on appropriations	5,356	6,083	260	-
	8,913	5,335	-	-
Tax on temporary differences	14,269	11,418	260	-
Recognized deferred tax liability				

At December 31, 2016, there were no (0) recognized or unrecognized tax loss carryforwards.

NOTE 11 EARNINGS PER SHARE

	Group	
SEK thousands	2016	2015
Profit after tax attributable to Parent Company shareholders (SEK thousand)	504,412	373,992
Average number of shares (thousand)	240,131	240,131
Average number of shares (thousand), diluted	240,198*	240,131
Earnings per share (SEK)	2.10	1.56
Earnings per share (SEK), diluted	2.10	1.56

* The information has been updated in relation to that reported in the year-end report for 2016.

Stock option program 2015–2018

The Annual General Meeting on April 29, 2015, resolved to introduce a new long-term incentive scheme for senior executives and key personnel in the NetEnt Group. The total number of outstanding stock options is 942,300, with the right to subscribe for an equal number of shares in NetEnt AB. The strike price for the shares was set at SEK 71.07 and subscription for shares take place during the period from August 1 to October 1, 2018. The average share price during the year was SEK 76.45, which exceeds the subscription price of SEK 71.07.

The average number of shares outstanding after dilution at year-end 2016 was thus 240,198,134.

Stock option program 2016–2019

The Annual General Meeting on April 21, 2016, resolved to introduce a new long-term incentive scheme for all employees in the NetEnt Group. A total of 1,448,020 stock options were issued, with the right to subscribe for an equal number of new shares in NetEnt AB.

The average share price during the year was SEK 76.45, which is lower than the strike price of SEK 109.70 for the stock option program 2016–2019. The potential shares therefore have no dilutive effect.

NOTE 12 INTANGIBLE ASSETS

Group, SEK thousands	Gaming products, gaming systems and gaming platforms	Gaming agreements and concessions	Licenses and ERP systems	Total
2015				
Opening cost	501,265	1,615	24,524	527,404
The year's capitalized development expenditure	98,444	–	1,322	99,766
Translation difference	–21,430	–	–28	–21,458
Closing accumulated cost	578,279	1,615	25,818	605,712
Opening amortization	327,517	1,615	5,136	334,268
The year's amortization and impairment	100,555	–	1,812	102,367
Translation difference	–14,199	–	–18	–14,217
Closing accumulated amortization and impairment	413,873	1,615	6,930	422,418
Closing residual value according to plan, December 31, 2015	164,407	0	18,887	183,294

2016

Opening cost	578,279	1,615	25,818	605,712
The year's capitalized development expenditure	146,652	–	7,625	154,277
Translation difference	27,739	–	31	27,770
Closing accumulated acquisition cost	752,670	1,615	33,474	787,759
Opening amortization	413,873	1,615	6,930	422,418
The year's amortization and impairment	84,620	–	8,371	92,991
Translation difference	18,843	–	12	18,855
Closing accumulated amortization and impairment	517,336	1,615	15,313	534,264
Closing residual value according to plan, December 31, 2016	235,334	0	18,161	253,495

Parent Company, SEK thousands	Gaming products, gaming systems and gaming platforms	Gaming agreements and concessions	Licenses and ERP systems	Total
2015				
Opening cost	24,433	1,615	22,431	48,479
The year's investments	–	–	2,154	2,154
Closing accumulated cost	24,433	1,615	24,585	50,633
Opening amortization	24,433	1,615	8,988	35,036
The year's amortization	–	–	7,086	7,086
Closing accumulated amortization	24,433	1,615	16,074	42,122
Closing residual value according to plan, December 31, 2015	0	0	8,511	8,511

2016

Opening cost	24,433	1,615	24,585	50,633
The year's investments	–	–	4,524	4,524
Closing accumulated cost	24,433	1,615	29,109	55,157
Opening amortization	24,433	1,615	16,074	42,122
The year's amortization	–	–	7,244	7,244
Closing accumulated amortization	24,433	1,615	23,318	49,366
Closing residual value according to plan, December 31, 2016	0	0	5,791	5,791

**NOTE 13 PROPERTY, PLANT AND EQUIPMENT**

SEK thousands	Group		Parent Company		SEK thousands	Group		Parent Company	
	2016	2015	2016	2015		2016	2015	2016	2015
Plant and equipment					Leasehold improvements				
Opening cost	217,750	172,630	87,067	71,092	Opening cost	17,842	16,484	17,475	16,484
The year's acquisitions	49,177	50,072	16,438	16,002	The year's acquisitions	30,685	1,367	25,384	991
Translation differences	6,740	-4,925	-	-	Translation differences	39	-9	-	-
Sales and disposals	-140	-27	-104	-27	Sales and disposals	-	-	-	-
Closing accumulated acquisition cost	273,527	217,750	103,401	87,067	Closing accumulated cost	48,566	17,842	42,859	17,475
Opening depreciation	138,236	108,608	61,636	49,666	Opening depreciation	13,694	10,302	13,609	10,302
The year's depreciation	40,518	32,497	14,921	11,997	The year's depreciation	5,384	3,394	4,370	3,307
Translation differences	3,845	-2,842	-	-	Translation differences	10	-2	-	-
Sales and disposals	-140	-27	-104	-27	Closing accumulated depreciation	19,088	13,694	17,979	13,609
Closing accumulated depreciation	182,459	138,236	76,453	61,636	Closing residual value according to plan	29,478	4,148	24,880	3,866
Closing residual value according to plan	91,068	79,514	26,948	25,431					

NOTE 14 PARTICIPATIONS IN GROUP COMPANIES, GROUP AND PARENT COMPANY

Parent Company, SEK thousands	Corp. Id no.	Domicile	Holding, %	No. of shares or participations	Book value 2016	Book value 2015
Namn						
NetEnt Technology AB	556185-1758	Stockholm	100%	1,000	89	89
– NetEnt Malta Holding Ltd.		Malta	0,01%	1		
– NetEnt Malta Ltd.		Malta	0,01%	1		
– NetEnt Product Services Ltd.		Malta	0,03%	1		
– NetEnt International Ltd		Malta	0,08%	1		
– NetEnt Gaming Solutions PLC		Malta	0,08%	1		
NetEnt Malta Holding Ltd.	C 37769	Malta	99,99%	3,999	423	423
– NetEnt Malta Ltd.		Malta	99,99%	3,999		
– NetEnt Product Services Ltd.		Malta	99,97%	2,999		
– NetEnt Poland sp. z o.o		Poland				
– NetEnt International Ltd		Malta	99,92%	1,199		
– NetEnt Gaming Solutions PLC		Malta	99,92%	1,199		
– NetEnt (Gibraltar) Ltd		Gibraltar	100%	2,000		
NetEnt Alderney Ltd		Alderney	100%	1,000	9	9
Net Entertainment Ukraine LLC	380 906 40	Ukraine	100%	-	3,460	1,157
NetEnt Americas Holding Inc.	562 75 84	USA	100%	5,000	630	630
– NetEnt Americas LLC						
Total					4,611	2,308

SEK thousands	Parent Company	
	2016	2015
Change in participations in group companies		
Opening cost	2,308	1,678
Capital infusion in Net Entertainment Ukraine LLC	2,303	-
Acquisition of NetEnt Americas Holding Inc.	-	630
Closing book value	4,611	2,308

NOTE 15 TRADE RECEIVABLES

The carrying amounts of trade receivables correspond to their fair values and are equivalent to the nominal amounts. No receivables have been pledged as security for liabilities or contingent liabilities.

At 31 December 2016, total trade receivables before provisions for doubtful debts amounted to SEK 44,595 (37,429). Of these, 27,949 were past due (34,389). Trade receivables after provisions for doubtful debts amounted to SEK 44,306 (35,101). During the year, provisions for doubtful debts were made for a total of SEK 289 (2,327). These apply to a number of independent customers that have previously not had any payment dif-

ficulties. Confirmed bad debt losses during the period and an age analysis of the Group's trade receivables are presented below. The age analysis contains total trade receivables and doubtful debts for which provisions have been made. Provisions for doubtful debts are based on an individual assessment.

The assessment is made through an evaluation of the customer's payment history and credit rating, and whether additional circumstances have arisen that could affect the customer's ability to pay future debts.

Credit risks are described in more detail in Note 26.

Group, SEK thousands	December 31, 2016	Provisions for doubtful debts	Past due but not Provisioned	December 31, 2015	Provisions for doubtful debts	Past due but not provisioned
Receivables not past due	16,357	–	–	713	–	–
1-30 days	24,323	–289	24,034	22,841	–	22,841
31-90 days	2,813	–	2,813	7,165	–	7,165
91-180 days	–	–	–	6,091	–2,102	3,989
More than 181 days	1,102	–	1,102	618	–225	393
Total	44,595	–289	27,949	37,429	–2,327	34,388

Parent Company, SEK thousands	December 31, 2016	Provisions for doubtful debts	Past due but not Provisioned	December 31, 2015	Provisions for doubtful debts	Past due but not provisioned
Receivables not past due	–	–	–	–	–	–
1-30 days	–	–	–	–	–	–
31-90 days	3	–	3	–	–	–
91-180 days	–	–	–	–	–	–
More than 181 days	–	–	–	1	–	1
Total	3	0	3	1	0	1

SEK thousands	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Provision at January 1	2,327	–	–	–
Provision for doubtful debts during the year	289	2,327	–	–
Confirmed bad debt losses during the year	–2,327	–	–	–
Closing provision	289	2,327	0	0

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

SEK thousands	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accrued royalty revenues	138,897	123,111	–	–
Prepaid IT services	3,385	3,409	1,490	1,243
Prepaid rents	15,117	5,421	10,751	4,493
Prepaid license expenses	46,896	5,135	35,985	3,635
Other prepaid expenses	8,952	11,246	3,101	3,045
Total	213,247	148,322	51,327	12,415

NOTE 17 OTHER RECEIVABLES

OTHER RECEIVABLES

SEK thousands	Group		Parent Company	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
VAT	28,079	10,040	26,667	9,510
Receivables from operators	57,515	52,352	–	–
Other	3,785	1,100	1,288	1,058
Total	89,379	63,492	27,955	10,568

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.

**NOTE 17 OTHER RECEIVABLES, *CONT'D.*****OTHER NON-CURRENT RECEIVABLES**

	Group		Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Deposit in Spain	9,567	18,270	–	–
Total	9,567	18,270	0	0

The item refers to a deposit of EUR 2 million that has been paid as part of the Spanish licensing procedure. The deposit extends over the lifespan of the license, but where EUR 1 million is repaid a certain time after obtaining the license. EUR 1 million will be repaid in 2017, for which reason that portion of the deposit has been classified as a current receivable in the balance sheet. The remaining portion has been classified as a non-current receivable in the balance sheet.

NOTE 18 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Cash and bank balances	494,497	402,058	345,728	82,107
Total	494,497	402,058	345,728	82,107

The Group's available credits amounted to SEK 50,000 thousand, of which no portion had been utilized at December 31, 2016. The Group does not apply a so-called cash pool with automatic transfer of the Group's liquidity to the Parent Company, which can lead to short-term utilization of bank overdraft in the Parent Company although liquidity in the Group as a whole is generally good.

NOTE 19 EQUITY

Composition of the share capital, SEK thousands	December 31, 2016		December 31, 2015	
	No. of shares	Share capital	No. of shares	Share capital
Shares, series A (10 votes per share)	33,660,000	169	5,610,000	169
Shares, series B (1 vote per share)	206,470,860	1,036	34,411,810	1,036
Total number of shares	240,130,860	1,205	40,021,810	1,205

Group**Other contributed capital**

This pertains to equity contributed by previous owners through shareholder 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 6,897 thousand (–8,448).

NOTE 19 EQUITY, *CONT'D.*

Specification of reserves	Translation difference
Opening balance, January 1, 2015	12,509
The year's translation difference	–20,957
Closing balance, December 31, 2015	–8,448
Opening balance, January 1, 2016	–8,448
The year's translation difference	15,345
Closing balance, December 31, 2016	6,897

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/completed distribution to the shareholders

The Board proposes to the AGM that no dividend be paid for the financial year 2016.

The Board proposes that the AGM approve a distribution to shareholders of SEK 540.3 million (320.2), equal to SEK 2.25 per share (1.33), through a share redemption procedure.

NOTE 20 UNTAXED RESERVES

	Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015
Untaxed reserves		
Accelerated depreciation	–5,594	–1,372
Tax allocation reserve, fiscal 13	9,547	9,547
Tax allocation reserve, fiscal 14	7,658	7,658
Tax allocation reserve, fiscal 15	11,816	11,816
Total	23,427	27,649

NOTE 21 OTHER LIABILITIES

	Group		Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Other current liabilities				
Accumulated jackpot ¹⁾	157,665	83,908	–	–
Personnel tax	7,282	6,647	6,598	5,408
Total	164,947	90,555	6,598	5,408

1) 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	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Accrued salaries and remuneration	29,731	27,869	21,721	19,876
Vacation pay liability	22,817	16,564	21,091	15,608
Social security expenses	12,975	10,075	12,991	10,083
Payroll tax	12,833	10,187	12,833	10,187
Other	13,802	20,095	4,544	3,865
Total	92,158	84,790	73,180	59,619

NOTE 23 LEASES

Rents for premises and other rented equipment that is included in operating leases amounted to:

	Group		Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Expensed lease payments and rental charges	28,049	19,107	20,078	13,327
Total	28,049	19,107	20,078	13,327

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

	Group		Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Within one year	65,122	25,469	54,178	20,115
Two to five years	249,567	143,231	205,706	139,331
After five years	101,377	112,021	93,793	112,021
Total	416,066	280,721	353,677	271,467

NOTE 24 AUDITOR'S FEES

Deloitte AB was elected auditor to the company by the 2016 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	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Deloitte				
Audit assignment	976	1,182	466	517
Audit services besides the audit assignment	193	140	75	140
Tax advice	551	290	378	18
Other services	220	–	220	–
Total	1,940	1,612	1,139	675

NOTE 25 RELATED PARTY TRANSACTIONS

Relations

Group

The Company's largest shareholder, Per Hamberg, controls around 20 percent of the votes in NetEnt, and thus has a significant influence over the company.

Information about Board members and Group management of NetEnt is provided on pages 70–73.

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 to the Board and Group management is described in Note 6.

	Parent Company	
SEK thousands		
Purchase of services from related parties		
Purchases from subsidiaries	21,200	17,439
– % of total operating expenses	3.07%	3.42%
Sales of services to related parties		
Sale to subsidiaries	737,162	538,828
– % of total revenues	99.95%	99.88%
Liabilities to related parties		
Liabilities to subsidiaries	9,006	51,471
Receivables from related parties		
Receivables from subsidiaries	388,228	473,461

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 surplus liquidity. According to the finance policy, cash and cash equivalents can be invested with maturities of up to six months with no more than 25 percent of the surplus liquidity tied up for longer than three months.

The wholly owned operating subsidiaries are independently responsible for managing their financial risks within the framework established by the Board of Directors and following coordination with the Parent Company.

Market 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 Swedish krona had depreciated/appreciated by 10 percent in relation to the EUR, with all other variables constant, profit for the year at December 31, 2016, would have been SEK 109.0 million (82.8) higher/lower. Of the Group's total expenses, SEK 56 percent (56) are in SEK. 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.

Interest rate risk

At December 31, none (0) of the total available credit lines of SEK 50 million had been utilized. 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. The risk in such changes is deemed negligible.

Credit risk

The Group does not have any significant concentration of credit risks. The Group has set guidelines for ensuring sales of services to customers with a suitable credit background and is responsible for monitoring and analyzing the credit risk for each new customer before standard terms for payment and delivery are offered. The use of credit limits is regularly analyzed and the management does not anticipate any significant losses due to default of payment from these counterparties. Through short lead times and credit terms, resulting in a short customer credit period, credit risk is further limited. Management is of the opinion that the Group has routines to handle credit risk exposure to each individual customer. The maximum credit risk exposure corresponds to 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 as not yet been set. Management considers the risk for this deposit to be low.

Financial assets and liabilities measured at amortized cost

A calculation of fair value based on discounted future cash flows, where the discount rate that reflects the counterparty's credit risk is the most significant input data, is not considered to result in 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. See table of financial instruments by category below.

Liquidity risk

The Group manages liquidity risk by holding sufficient cash and cash equivalents to finance its 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. The Group's financial liabilities essentially consist of trade payables, for which the contractual due date falls within 12 months.

Trade payables usually have a credit period of 30 days.

Capital management

At December 31, 2016, the Group had no (0) external liabilities for financing of its operations. The capital consists of equity and the company's dividend policy in the form of the share redemption procedure.

Group, 2016	Loans and receivables	Other financial liabilities	Non-financial instruments	Total book value	Estimated fair value
Trade receivables	44,306	–	–	44,306	44,306
Other current receivables	61,300	–	28,079	89,379	89,379
Prepaid expenses and accrued income	–	–	213,247	213,247	213,247
Funds held on behalf of licensees	–	–	92,398	92,398	92,398
Cash and cash equivalents	494,497	–	–	494,497	494,497
Total assets	600,103	–	333,724	933,827	933,827
Other liabilities	–	157,665	7,282	164,947	164,947
Accrued expenses and deferred income	–	–	92,157	92,157	92,157
Trade payables	–	99,700	–	99,700	99,700
Total liabilities	–	257,365	99,439	356,804	356,804

Parent Company, 2016	Loans and receivables	Other financial liabilities	Non-financial instruments	Total book value	Estimated fair value
Trade receivables	3	–	–	3	3
Other current receivables	1,288	–	26,667	27,955	27,955
Receivables from group companies	388,228	–	–	388,228	388,228
Prepaid expenses and accrued income	–	–	51,327	51,327	51,327
Cash and cash equivalents	345,728	–	–	345,728	345,728
Total assets	735,247	–	77,994	813,241	813,241
Liabilities to group companies	–	9,006	–	9,006	9,006
Other liabilities	–	–	6,598	6,598	6,598
Accrued expenses and deferred income	–	–	73,180	73,180	73,180
Trade payables	–	89,976	–	89,976	89,976
Total liabilities	–	98,982	79,778	178,760	178,760

NOTE 27 EVENTS AFTER THE END OF THE REPORTING PERIOD

In January NetEnt launched its online games for the first time in the regulated gaming market in Mexico, with the gaming operator Codere. At the ICE gaming expo in February, it was announced that NetEnt would develop its first Virtual Reality game, based on the earlier success Gonzo's Quest.

NOTE 28 CONTINGENT LIABILITIES

	Group		Parent Company	
SEK thousands	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Pension commitments	5,475	–	5,475	1,688
Total	5,475	0	5,475	1,688

The 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 insurance. The company has no capital value risk in such commitments.



The Board of Directors and the CEO provide their assurance that the annual report has been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and good accounting practices, and gives a true and fair view of the position and results of the Group and the Parent Company, and that the administration report for the Group and the Parent Company provides a true and fair view of development of the business, position and results of the Group and the Parent Company, and describe the significant risks and uncertainties to which the companies in the Group are exposed.

Stockholm, March 16, 2017

Vigo Carlund
Chairman of the Board

Fredrik Erbing
Board member

Maria Redin
Board member

Michael Knutsson
Board member

Mikael Gottschlich
Board member

Peter Hamberg
Board member

Jenny Rosberg
Board member

Pontus Lindwall
Board member

Per Eriksson
CEO

Our audit report was submitted on March 16, 2017
Deloitte AB

Erik Olin
Authorized 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 2016-01-01 – 2016-12-31. The annual accounts and consolidated accounts of the company are included on pages 54–101 in 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 parent company as of 31 December 2016 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 as of 31 December 2016 and their 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. 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 adopts the income statement and balance sheet for the parent company and the group.

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 professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities 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.

Key Audit Matters

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

Revenues

Risk assessment

Consolidated revenues amount to SEK 1,455 million per 31 De-

cember 2016 and consist mainly of license revenues related to the Group's internally developed online gaming products and services delivered through the NetEnt Casino™ module. The license fee ("royalties") is based on the percentage of the game surplus that is generated by NetEnt Casino™ for the respective customer. In addition to royalties the Group earns revenues from installation and integration services ("set-up fees").

The revenues are significant and derive from a large number of smaller transactions that are priced individually for all customers. Also the revenues from installation and integration services ("set-up fees") are subject to judgements and estimates from management. There is a risk that revenues are not complete, that transactions are not accurately priced and that set-up fees are not recognized when the service is provided.

For further information, please refer to Note 3 on page 90 which describes the Group's significant revenue streams and the Group's accounting policies in Note 2 on pages 86–90.

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™ module and reviewed key controls in place to mitigate the risk for significant financial statement misstatements. Internal IT-specialists were involved in the review of IT-systems.
- evaluating whether there have been any changes in the Group's revenue recognition principles and/or judgement and estimates regarding revenue recognition.
- testing details for a sample of revenue transactions to assure that pricing of transactions are performed in accordance with customer contracts and that revenues are recognized in the same period as providing the services.

Intangible assets

Risk assessment

The Group have significant capitalized development expenditure for gaming-products and related IT support systems. Once specific criteria's are met, development expenditure is recognized as an asset, as per December 31, 2016 capitalized expenditures amount to SEK 253 million net of amortization and include direct labour costs, external consultancy fees and other costs to develop.

There is a risk that the development expenditures do not qualify for capitalization and that the carrying value of individual software applications exceeds the recoverable amount. Further, there is a risk that capitalized development expenditures do not create economic benefits for the company throughout the amortization period.



For further information, please refer to Note 12 on page 94 which presents the Group's development expenditure and the accounting policies in Note 2 on pages 86–90.

Our audit procedures

Our audit procedures included but were not limited to:

- gaining an understanding the Group's process for capitalization, determining utilization periods, and valuation of intangible assets and reviewed key controls in place to mitigate the risk for significant financial statement misstatements.
- evaluating whether there have been any changes in the Group's accounting principles and/or assessment and judgement regarding capitalization of intangible assets.
- testing of details for a sample of capitalized development expenditure in order to:
 - assure that development expenditures are adequately accounted for in the balance sheet and that amortization starts when the asset is taken in to use
 - assure that capitalization of internally generated development expenditure meets the criteria for capitalization
- reviewing that the process for impairment testing is in compliance with current accounting standards, that estimates and judgements are reasonable and that sufficient disclosures are included in the financial statements.

Income taxes

Risk assessment

The Group operates through subsidiaries in a number of countries. All intra group transactions are priced at arm's length in accordance with formal agreements.

We have identified income taxes as a key audit matter since the Group operates through subsidiaries in a number of countries and intra-group transactions are significant. Interpreting tax legislation and determining an arm's length price on intra group transactions often requires significant management judgement.

For further information please refer to Note 10 on pages 92-93 for disclosures on the Groups income tax and the accounting policies in Note 2 on pages 86-90.

Our audit procedures

We have gained an understanding for the Groups processes for identifying and pricing of material intra-group transactions. We have also read the Groups documentation which describes the principles for pricing of intra-group transactions and for a sample of transactions reviewed that these are adhered to.

We have also evaluated the Groups process to identify whether there have been changes in the operations for certain subsidiaries or in the tax legislation that could have an impact on the principles for pricing intra-group transactions.

We have also received and read the Groups documented assessment of the intra-group pricing applied which is performed on a regular basis.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–53 and 106–109. The Board of Directors and the Managing Director 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 procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give 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 Managing Director 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 Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding 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 Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 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 remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on 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 for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Managing Director of NetEnt AB (publ) for the financial year 2016-01-01 – 2016-12-31 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 Managing Director 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 professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities 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 Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At 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 type 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 organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about 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 Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has 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 about this, is to assess with 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 can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not 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 is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with 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 where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, 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.

Stockholm, March 18, 2017
Deloitte AB

Erik Olin
Authorized Public Accountant

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

Slots 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 slots 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

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

Casino games catalogue

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

Casino lobby

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

CasinoModule™

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 regulated market 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 slots games, credits are used instead of visualizing bets. Also called betting units.

Croupier

The French word for dealer, often 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.

Customer support

Function at NetEnt that assists licensees with incidents and problems.

D

Data center

Server hall or similar 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

Often 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.

Desktop games

Commercial term to describe all casino games that are available to players on their desktop PC or Mac (including laptops).

Deposit

A cash payment, usually made online, to credit a gaming account with funds to play.

E

Expanding symbol

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

F

Feature round

In slots games, this is a special round that may include free spins, interactive games and/or the opportunity to win additional prizes.

Flash

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

Free round

The same as a bonus round. In slots 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 for higher wins.

Free spins

In slots 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. The gaming system is integrated with the licensee's system/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.

Gross Gaming Revenue (GGR)

Also called Game Yield. Industry-wide definition, generally the same as the gross game win. Calculated as player bets minus player wins, minus player compensations and bonuses.

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 fee

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

Hosting center

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

HTML

Abbreviation for Hyper Text Markup Language. Standard markup 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 licenses, 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.

Multi-player

This allows a player to play in real-time with other players seated at the same table. Available for our Live Casino games only. It is not available for our RNG 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 supplier

Subcontractor to the gaming operator/online casino. NetEnt is an online casino supplier.

Online casino operator

Term for NetEnt's customers, gaming companies, which in turn offer casino games to consumers. They often also provide other types of games, such as betting and poker.

P

Payback

See under payout. The percentage of bets returned to players from a specific game – on average and over time.

Payline

In slots 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.

Paytable

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 build 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. Slots game are also known as RNG games.

Return to Player (RTP)

Also known as payback and payout. The percentage of bets returned to players from a specific game – on average and over time.

Revenue-share

Licensee fees that are calculated as part of the customer's revenues from NetEnt's 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.

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 need 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.

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.

Symbol

In slots games, a symbol refers to an icon or value on the reel.

V

Video slots or classic slots

Terms used to describe NetEnt's main product, slot games.

W

Wager

Another word for a bet.

Wild

In slots games, wilds are symbols that will substitute for winning symbols if they land on a payline, helping players to enhance their wins. However, these rarely substitute for scatter or bonus symbols.



Definitions

Average number of employees

The average number of employees converted into full-time equivalents.

Average number of shares outstanding

Weighted average number of shares outstanding 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

Paid/proposed dividend, here also meaning distribution to the shareholders.

Earnings per share

Profit after tax divided by the average number of shares outstanding during the year.

EBITDA margin

Operating profit before interest, tax, depreciation and amortization divided by total revenue. A profitability measure that is used by investors, analysts and the company's management for evaluation of the company's profitability.

Equity/assets ratio

Calculated as equity divided by the balance sheet total 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 solvency in the long and short term and the capital structure of the company.

Equity per share

Equity divided by the number of shares outstanding at the end of the year.

Net interest-bearing liabilities

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

Number employed at year-end

Number of employees and external resources such as dedicated staff at subcontractors and consultants at the end of the period, converted into full-time equivalents.

Number of employees at year-end

The number of employees at the end of the year converted into full-time equivalents.

Number of shares outstanding

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

Operating margin

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

Return on equity

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 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.



Annual General Meeting and other information

ANNUAL GENERAL MEETING

The Annual General Meeting of NetEnt AB (publ) for the financial year from January 1 to December 31, 2016, will be held in Stockholm on Friday, April 21, 2017, at Berns, Näckströmsgatan 8. Notice of the Annual General Meeting is published on NetEnt's website, www.netent.com/agm.

Right to attend and registration

Shareholders who wish to attend the Annual General Meeting must be entered in the register of shareholders held by Euroclear Sweden AB by April 13, 2017, and must also notify NetEnt of their intention to attend no later than April 13, 2017. 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, Sweden
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 temporarily register the shares in their own name in order to be entitled to participate in the meeting. Such registration must be carried out no later than April 13, 2017, which means that shareholders must notify their nominee well in advance of this date.

OTHER INFORMATION

NetEnt intends to release financial reports according to the following.

Interim report January–March 2017	April 20, 2017
Interim report January–June 2017	July 13, 2017
Interim report January–September 2017	October 27, 2017
Year-end report and fourth quarter report 2017	February 15, 2018

Financial reports, press releases and other information are available from the date of publication on NetEnt's website, www.netent.com. 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.

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