ANNUAL REPORT 2019

NETENT

CONTENTS

The formal annual report for NetEnt AB (publ) 556532-6443 consists of the administration report and the accompanying financial statements on pages 20–91.

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

ABOUT NETENT

NetEnt is a leading digital entertainment company, providing premium gaming solutions to the world's most successful online casino operators. Since its inception in 1996, NetEnt has been a true pioneer in driving the market with thrilling games powered by a cutting-edge platform. NetEnt is committed to helping customers stay ahead of the competition, is listed on Nasdaq Stockholm (NET–B) and employs around 1,100 people in Malta, Stockholm, Sofia, Kiev, Krakow, Gothenburg, Gibraltar and New Jersey.

NetEnt's vision and mission are expressed below.

VISION

TO CREATE THE FUTURE OF GAMING

MISSION

"We love and understand players, and we always strive to deliver the best entertainment. We are humble yet confident in our pursuit of creating extraordinary experiences for players, operators and suppliers – now and for the future."

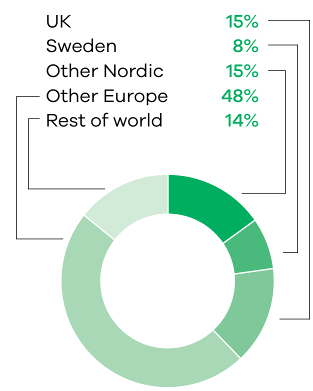
1,793	529	1.79	1.00
Revenues SEK 1,793 million	**EBIT SEK 529 million**	**Earnings per share SEK 1.79**	**Dividend per share SEK 1.00[1]**

The game Finn's Golden Tavern was released in December 2019 as a follow-up to the success Finn and the Swirly Spin from 2017.

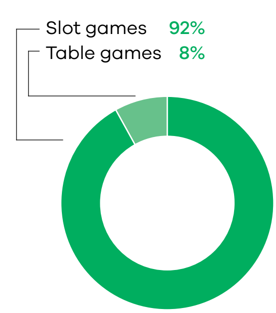
2019 IN BRIEF

- In September, the company acquired 100% of the shares in Red Tiger Gaming Limited for GBP 200 million, plus a conditional consideration of GBP 23 million. Red Tiger is a global supplier of online slot games for gaming operators and is most known for its daily jackpot games.
- The Swedish market was re-regulated starting in January 2019. The new regulations introduced a number of restrictions, for example a ban on bonuses for existing players. These restrictions led to challenges for the entire industry and significantly lower revenues compared to previous years.
- The positive development in the USA continued with strong growth in New Jersey and the launch of games in Pennsylvania in July.
- A subsidiary was established and recruitments were made in the UK, which is the company's largest market.
- A new management team took over the Live Casino business area, and a number of improvements were implemented to create a more competitive product.
- Work continued to streamline the operations in the Group, and the number of new game releases was higher than ever before, 31 compared to 21 in 2018, despite fewer employees.

Revenues by region[2]



Revenues by game type[2]



1 Proposed dividend for 2019.
2 Based on the distribution of the gross gaming revenue during the year. Red Tiger is included since September 2019.

A YEAR OF CHANGE

2019 was filled with major changes for our industry and NetEnt. More regulations and competition in our key markets means that we need to become more efficient in everything we do. The acquisition of Red Tiger strengthens our customer offering and accelerates necessary changes within the Group, meaning that we enter the new year in a stronger position.

New conditions on the Swedish market – In Sweden, which has previously been our largest market, a licensing system and new regulations were introduced at the beginning of the year, which changed the rules of the game for the entire sector. For example, a ban on bonuses was introduced for existing players, which is basically a kind of price regulation that has resulted in a lower channelization rate than we had hoped for. The revenue drop in Sweden had a significantly negative effect on our total revenues for the year.

Under the new regulations, it is illegal to play at unlicensed operators or offer uncertified games, but suppliers are not subject to a licensing requirement. As a supplier, we would welcome the introduction of B2B-licenses since this would raise the demands on us and our competitors, demands that all serious suppliers can and should meet. It is therefore our hope that the legislation will change in the future to calibrate its intended effects, create fairer conditions for all participants on the market, and lead to a higher channelization rate.

Tough competition in our key markets

– Competition in our most important markets continued to increase during the year. However, we are experiencing that the influx of new competitors has begun to slow as it takes much more to succeed now than before. The supplier space for slot games is still very fragmented, but we are seeing some early signs that the number of competitors is stabilizing as several smaller players appear to be about to exit the industry.

Strong growth in the USA

–The USA is now becoming one of our largest markets, and there are favorable conditions in place for continued growth in 2020. The online gaming market in New Jersey grew by more than 60% during the year compared to the previous year. In addition, the market for online gaming opened in Pennsylvania in July, and we launched our games with operators there directly from the start. We are waiting for more information from Michigan and we intend to enter that market as soon as it opens, which is expected to happen in 2021.

Key strategic acquisition of Red Tiger

– In September, we acquired our industry peer Red Tiger, most known for its daily jackpot games. Being the first larger transaction in NetEnt's history, the acquisition marks a very important milestone. We have followed Red Tiger's strong performance since 2016 with great respect, and we are convinced that a combination of the two companies offers great synergies. Red Tiger primarily complements and strengthens NetEnt's total product offering, but also brings a lot of competence, and several members of the company's management team have been promoted to broader roles with responsibilities that span the entire NetEnt Group. We have a number of joint projects under way to be able to deliver major improvements in our customer offering and player experience, and we will release several co-developed games in 2020.

0.6%

Revenue growth 2019

29.5%

Operating margin 2019

Continued focus on efficiency and high-quality games

– We continued our efforts to streamline the business, and the integration with Red Tiger is a catalyst that increases the speed and size of potential efficiency gains. In 2020, we will broaden our game output further using the existing development resources. At the same time, it is our ambition to continue to deliver premium content that beats the competition in terms of quality and player experience.

Improved product in Live Casino

– We continued to improve the product and organization within Live Casino in 2019. In general, we received positive feedback from players and customers, and ended the year with record levels in player numbers. We recently expanded the studio in Malta and are launching our first physical tables as an alternative to the tables with bluescreen technology. This is expected to contribute to increased revenues from Live Casino in 2020.

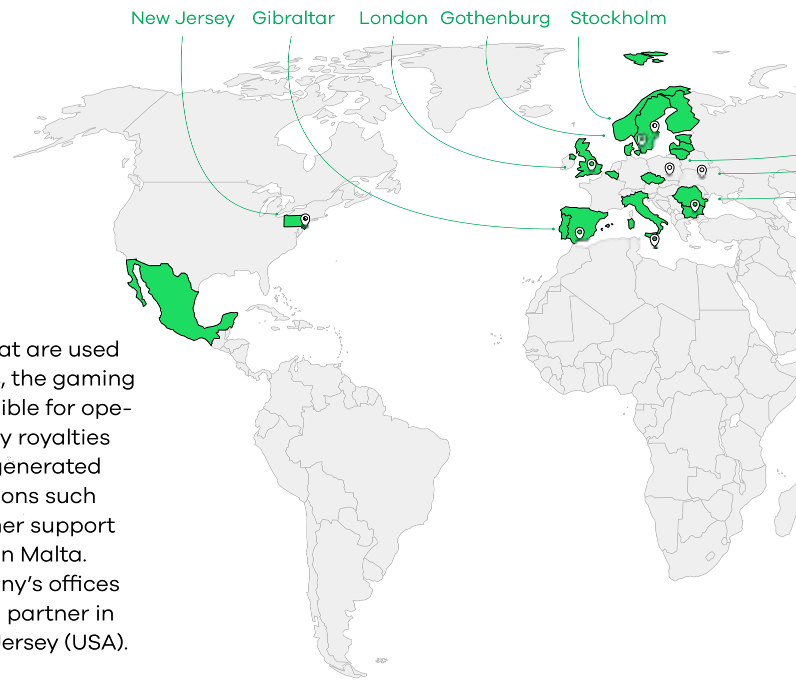
"Our work to improve efficiency continues and the integration with Red Tiger serves as a catalyst that speeds up this process and opens new opportunities for improvements across our entire operations."

Focus on sustainability in our entire business

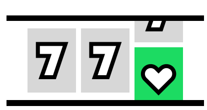
– The sustainability of our business will be a key factor in ensuring that we can continue to grow and create shareholder value for years to come. NetEnt has integrated sustainability aspects into the company's overall business strategy and operations. NetEnt introduced a Code of Conduct in 2019, and defined targets within the company's most important sustainability areas.

In conclusion, I would like to take this opportunity to thank our employees, customers, and shareholders for the support they have shown us in 2019. With a continued focus on efficiency and the acquisition of Red Tiger, we are entering the new year in a stronger position. Our global distribution and our two strong brands mean that we should be able to increase our market shares within online casino. The combined game portfolios and Live Casino together give us good conditions for delivering growth for NetEnt in 2020.

OUR OPERATIONS

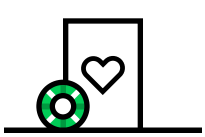


NetEnt delivers games and gaming systems for online casinos that are used by gaming operators around the world. NetEnt and its customers, the gaming operators, apply a partnership model, whereby NetEnt is responsible for operation and monitoring of the gaming transactions. Customers pay royalties to NetEnt based on a percentage of the gross gaming revenues generated by NetEnt's games. Everything relating to business-critical functions such as product management and planning, sales, operations, customer support and marketing is decided and executed through the subsidiary on Malta. Product development within the Group takes place at the company's offices in Stockholm, Gothenburg, Kiev, Krakow and Sofia, and through a partner in India. NetEnt also has sales offices in Gibraltar, London, and New Jersey (USA).



Slot games

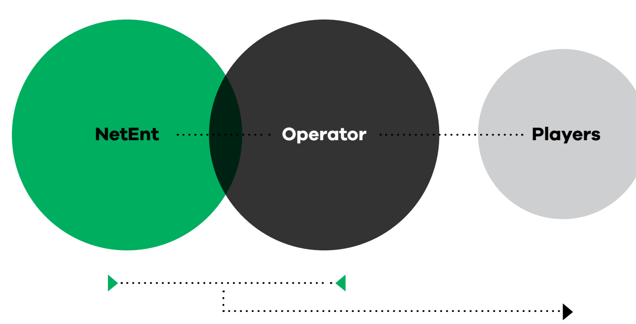
Games for which the objective is to get the same symbol to come up on multiple rotating wheels, which are started by pushing a button. The games are based on a random number generator, which determines the outcome and thus the distribution of wins to players.



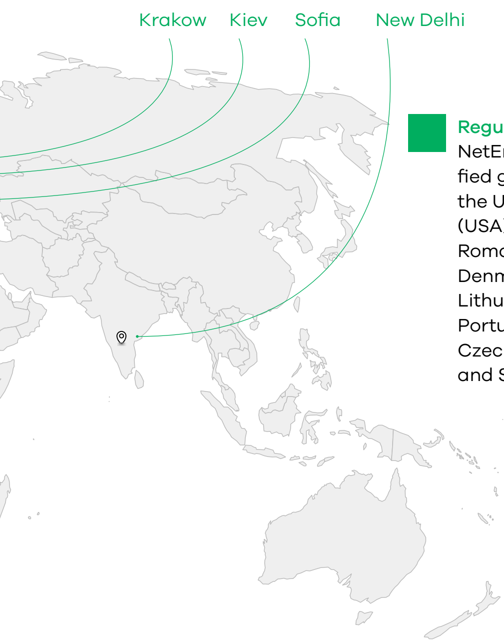
Live Casino

Live Casino consists of table games such as Roulette and Blackjack with real dealers and is broadcast in real time via a video link from a studio in Malta. It is about as close as an online player can get to a real casino experience.

Partnership, B2B



Selection of our customers



Regulated markets
NetEnt has licenses and certified games in Malta, Belgium, the UK, Spain, New Jersey (USA), Pennsylvania (USA), Romania, Gibraltar, Alderney, Denmark, Italy, Estonia, Latvia, Lithuania, Isle of Man, Bulgaria, Portugal, Norway, Finland, the Czech Republic, Mexico, Serbia and Sweden.

Market

H2GC has estimated the value of the global gambling market at EUR 406 billion (402) in 2019 using gross gaming revenue. Of this, around 88 percent (89) constituted land-based gambling, primarily state-owned lottery organizations with monopolies, land-based casinos and game halls. This means that only 12 percent of all gambling in the world occurred online. The corresponding figure for Europe was 25 percent.

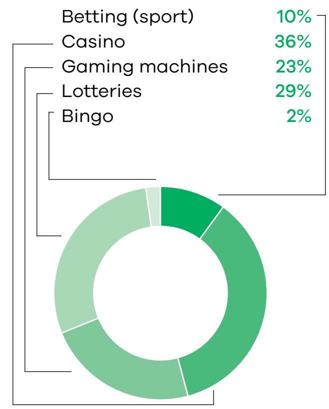
The market for online gaming has grown faster than the overall gambling market the past few years. In the past five years (2015–2019), online gaming grew annually by 10 percent, compared to only 2 percent for the total market.

The global market for online casino was estimated to be EUR 13.6 billion for 2019, of which Europe represented 65 percent. In 2019, the market for online casino increased by 12 (8) percent, and the total gambling market by 1 (5) percent. Online casino growth in the past years has mainly come from the Live Casino segment.

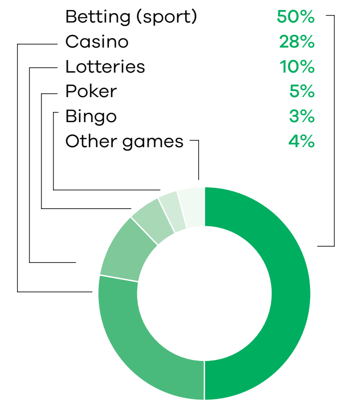
Regulation

The gambling industry in the EU and Europe is regulated at the national level, and there are no common European or international regulations. Many countries have regulations for land-based gambling that do not include online gaming. Some countries have a gambling monopoly, where only one operator is allowed to offer gambling, while other countries have established systems where several operators can be licensed to offer online gaming on a competitive market. In some cases, gaming operators with a license in an EU country offer games in other member states. Because of this, an increasing number of European countries have introduced national gambling legislation. This means that the gaming operators, and in some cases even the suppliers, must apply for country-specific licenses, pay local taxes and be subject to national regulation and supervision.

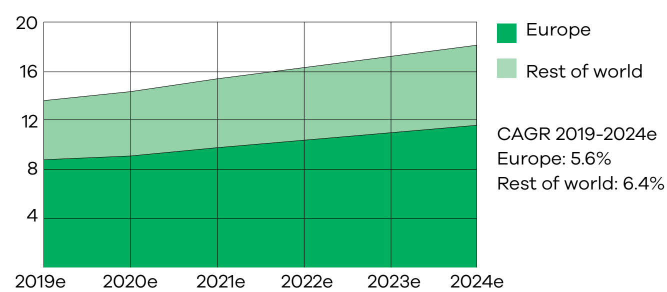
Global distribution of land-based gaming



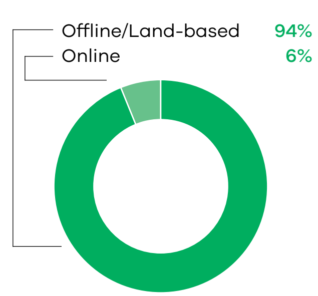
Global distribution of online gaming



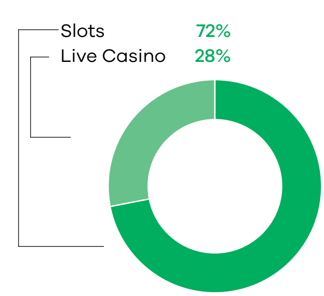
Online casino market



Global degree of digitalization for casino[1]



Distribution within online casinos globally in 2019, Slots/Live Casino



1 Includes casino and gaming machines.

Sustainability is a key condition for NetEnt's long-term growth, and the company is committed to working towards a sustainable development in society. NetEnt maintains an ongoing dialogue with its stakeholders to determine which sustainability areas within the company's operations are considered to be of material importance.

SUSTAINABILITY AT NETENT

Materiality analysis

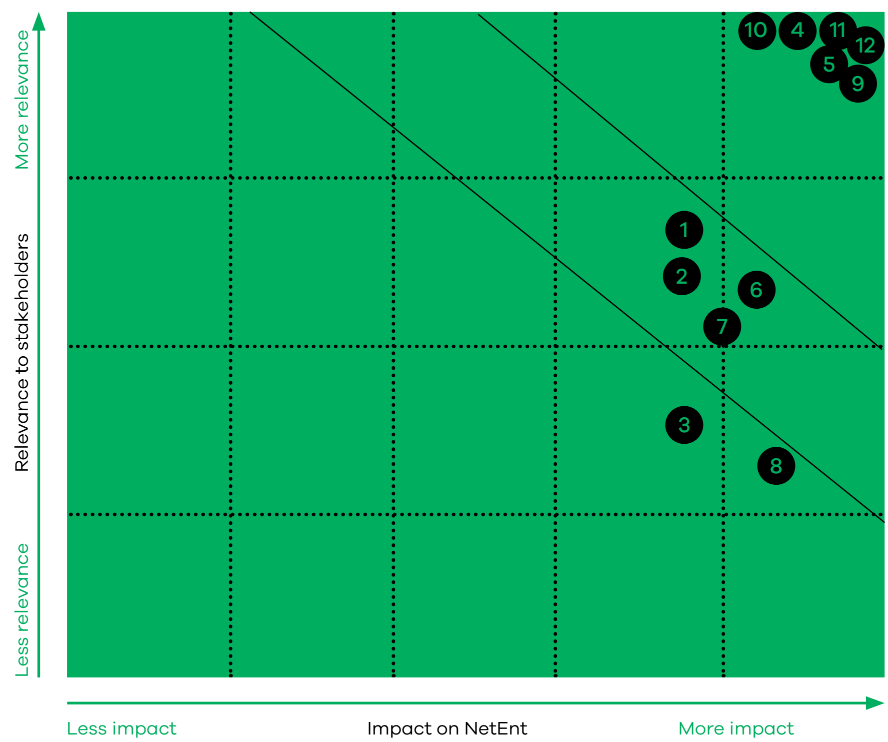
The evaluation of key areas of sustainability for NetEnt focused on effects spanning three main areas: environment, society and corporate governance. The figures to the right show that the most important areas of sustainability for NetEnt are considered to be responsible gaming, regulated markets, anti-money laundering, anti-corruption, data protection and cyber security.

Evaluated focus areas

Environment
1. Carbon emissions
2. Business travel
3. Sustainable offices

Society
4. Responsible gaming
5. Regulated markets
6. Diversity and inclusion
7. Work environment and training
8. Community support

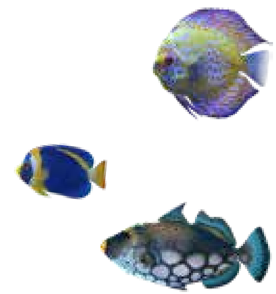
Governance
9. Anti-money laundering
10. Anti-corruption
11. Data protection and privacy
12. Cyber security



Partnerships for sustainability

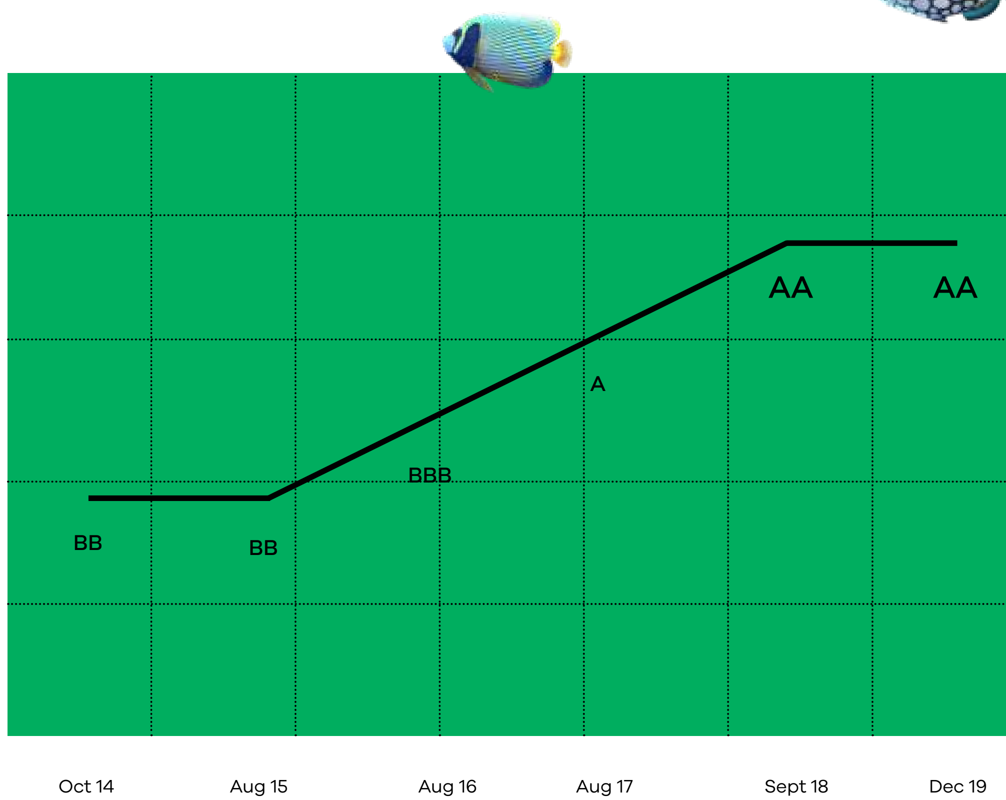
NetEnt is a member of the Swedish Online Gambling Association, which advocates a healthy and safe gambling market in Sweden featuring good consumer protection and equal conditions for all actors on the market. It is also a member of the Remote Gambling Association (RGA), a European interbranch organization that works toward a responsible and fair gambling market in Europe. NetEnt has also been a member of the World Lottery Association (WLA) since 2016, a global interbranch organization for state-run gaming operators and their suppliers. In the UK, NetEnt cooperates with support organizations such as Gamble Aware and Gam Care.

BOS.nu RGA WLA GamCare BeGambleAware.org



ESG rating according to MSCI

MSCI* uses a detailed method to review and rate companies on a scale from AAA to CCC, based on their exposure to industry-specific ESG risks and their ability to manage these risks in comparison with similar companies. The review is updated annually, and NetEnt's rating in 2019 was once again AA.



* Morgan Stanley Capital International

NetEnt's contribution to the UN's targets

During 2019, NetEnt continued to focus on the United Nations' 17 Sustainable Development Goals. NetEnt's working methods can contribute to the achievement of several of these goals, and the aim is to integrate them into the company's business strategy.

UN GLOBAL COMPACT
WE SUPPORT

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

A FIRST-HAND CHOICE AS A WORKPLACE

NetEnt strives to be the most attractive employer and a first-hand choice as a workplace within technology. The company should offer competitive salaries and benefits with excellent development and career opportunities. Based on NetEnt's company culture—which prioritizes customers and players and where employees are the most important asset—the company offers a stimulating work environment where our employees want to work, develop and succeed together.

NetEnt's employees are based in the company's offices in Sweden, Malta, Bulgaria, Ukraine, Poland, the UK, Gibraltar and the USA.

The day-to-day activities at NetEnt are characterized by openness and diversity. The company offers an inclusive workplace where every individual is equally respected and has the right to good working conditions and compensation regardless of age, gender, disability, ethnicity, sexual orientation, and religion. Our active work to promote diversity is an important condition for achieving our strategic goals and the vision of being the gaming company of the future.

Julie Allison

"I love the industry, and I am enthusiastic about the opportunities and challenges available at NetEnt."

Julie Allison started at NetEnt shortly after the acquisition of Red Tiger in September and is responsible for optimizing the structures and processes within account management.

Can you tell us a little about yourself?

– I have been in the online gaming industry for eight years. I ended up here by accident, and I have loved every minute. It is dynamic and innovative, and there is no time for sitting still. It is unlike any other industry. I started in marketing at the Irish sports betting exchange Betdaq and then moved to Paddy Power Betfair, where I spent five years in various marketing roles with some customer responsibility. For the past two years, I have enjoyed being part of the success story at Red Tiger.

What did you do at Red Tiger?

– My title was Account Director, and the challenge when I began was to create the absolutely best Account Management function and achieve all our ambitious goals. I am incredibly proud of the team and what we achieved in such a short period of time.

What do you do at NetEnt?

– I have been at NetEnt for just over three months now. My title is Commercial Operations Director, and I am responsible for determining which aspects are most important for growing our customer return and also providing the Account Management team with tools to successfully carry out this assignment. Our main focus is on continuing to deliver on what NetEnt does well but also becoming even better and seeking new growth opportunities.

What is the best part about working at NetEnt?

– I really like how we are always challenging ourselves and the status quo and that we learn from what was successful and not quite as successful to decide how we will move forward.

How would you describe NetEnt as an employer?

– One of the main reasons I started at NetEnt was that I was enthusiastic about the challenges and opportunities facing us. As an employer, NetEnt gives talented employees opportunities to achieve results and has confidence in its staff's ability to guide the company all the way to success. I really appreciate this kind of culture, and it is what I always strive for with my team—to employ talents and give them the resources they need to grow and deliver results.

House-warming party when NetEnt moved in at Skeppargatan in 1997.

Pär Callmin

"I love developing innovative solutions that offer a superior player experience and encourage players to return to our games."

Pär Callmin has worked at NetEnt since 1997 in different roles within system and game development and technological integration of customers.

How did you end up at NetEnt?

– In 1997, the web consultancy I was working at shared office space with a start-up, Net Entertainment. This is how I happened to meet the company's founder, Pontus Lindwall, who told me about his vision to develop online casino games. His story inspired me, and I began to work for NetEnt shortly thereafter.

What is your current role at NetEnt, and what roles have you had since you started at the company?

– In my current role as a game architect, I work with technological strategy, which includes developing technological solutions for new markets and increased functionality. During my time at NetEnt, I have held a number of different roles in system and game development and technological integration of customers.

How have you experienced the company's development?

– It's been a fantastic journey, in particular the enormous technological development. The company has continuously faced rapid, disruptive changes—in technology, user trends, and regulations—which has placed high demands on new solutions and tough decisions. One example is the implementation of Flash technology, which we later replaced with HTML. Both cases were crucial steps that enabled us to make key improvements in the end-user experience.

When do you have the most fun at work?

– I am motivated by finding new technological solutions that improve the player experience. Constantly trying to keep up with, and preferably being one step ahead of, the competition in terms of technology is a challenge that makes my job particularly exciting.

How would you describe NetEnt as an employer?

– One of the main reasons I have stayed at NetEnt for over 20 years is its open-minded approach—employees have been able to help develop the business. We have always had great discussions and collaborations, even when opinions sometimes have initially clashed. The company culture fosters openness and respect for one another.

In 2019, most of the world's stock markets performed well thanks to continued low interest rates and accommodative policies by large central banks. Despite this, shares in the gaming sector continued to struggle during the year, and the price of the NetEnt share also declined.

NETENT SHARE

Share price development and returns

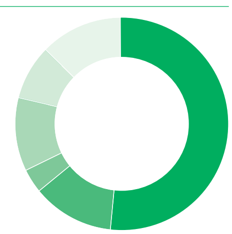
In 2019, the price of NetEnt's listed B share decreased by 29.3 percent and closed on the last business day of the year at SEK 25.83. In the same period, the OMX Stockholm PI price index, which includes every company on the stock exchange, increased by 29.6 percent.

The average annual total return on NetEnt's B share, including reinvested dividends/redemption proceeds and price growth, was 12.8 percent over the past ten-year period. The corresponding figure for the stock exchange's return index OMX Stockholm GI was 12.2 percent.

Share price performance and trading volume

Shareholdings by country

Sweden	51.8%
Luxembourg	12.7%
Switzerland	3.6%
USA	10.9%
UK	8.4%
Other	12.7%



Trading and market capitalization

NetEnt's B share is listed on Nasdaq Stockholm, where approximately 80 percent of the total trading in the share took place in 2019. The remaining portion took place on other marketplaces, for example CBOE and Aquis. In 2019, a total of 276.6 million B shares were traded on the stock exchange at a value of SEK 8.5 billion. The average daily volume of shares traded during the year was 1,106,225, equal to an average daily traded value of SEK 34.0 million. Market capitalization at the end of 2019 was SEK 6.2 billion.

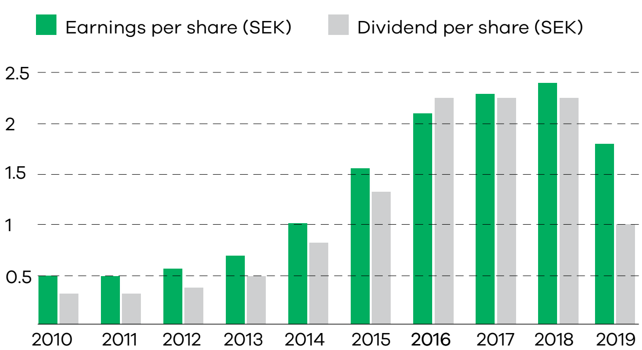
Share information, 12/31/2019

	NetEnt A	NetEnt B
Ticker	N/A	NET B
ISIN code	SE0012455509	SE0012455525
Total number of shares	33,660,000	206,470,860
% of votes	62.0%	38.0%
% of share capital	14.0%	86.0%
Of which shares held by NetEnt	-	1,000,000

Share capital

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

Earnings per share and dividend per share, 2010–2019



Dividend

The Board of Directors' target is for NetEnt's ordinary dividend to amount to at least 60 percent of profit after tax, subject to the company's long-term capital needs. The Board proposes that the Annual General Meeting resolve on a cash distribution to the shareholders for 2019 of SEK 240.1 million (540.3), equal to SEK 1.00 (2.25) per share. The Board intends to propose that such distribution occur through a share redemption program. The complete proposal will be presented well in advance of the Annual General Meeting.

Ownership structure

At year-end there were 16,110 (15,958) shareholders of NetEnt. NetEnt's ten largest owners held shares equal to 38.7 percent of the equity and 72.9 percent of the votes in the company.

List of largest owners at 31 December 2019, NetEnt AB

Shareholdings include holdings through family and companies.

Name	A shares	B shares	Holding	Capital, %	Votes	Votes, %
The Hamberg family	10,200,000	5,944,088	16,144,088	6.7%	107,944,088	19.9%
The Lundström family	6,915,000	5,983,750	12,898,750	5.4%	75,133,750	13.8%
The Knutsson family	6,000,000	8,600,000	14,600,000	6.1%	68,600,000	12.6%
Berit Lindwall	3,624,000	763,570	4,387,570	1.8%	37,003,570	6.8%
Svenska Handelsbanken	2,760,000	8,980,492	11,740,492	4.9%	36,580,492	6.7%
Danske Bank	2,052,000	5,884,408	7,936,408	3.3%	26,404,408	4.9%
Union Bancaire Privee	2,109,000	0	2,109,000	0.9%	21,090,000	3.9%
State Street Bank and Trust	0	9,776,506	9,776,506	4.1%	9,776,506	1.8%
JPM Chase	0	7,347,645	7,347,645	3.1%	7,347,645	1.4%
Avanza Pension	0	5,980,904	5,980,904	2.5%	5,980,904	1.1%
Ten largest owners	33,660,000	59,261,363	92,921,363	38.7%	395,861,363	72.9%
Other owners	0	147,209,497	147,209,497	61.3%	147,209,497	27.1%
Total	**33,660,000**	**206,470,860**	**240,130,860**	**100.0%**	**543,070,860**	**100.0%**

Analysts covering the NetEnt share

ABG Sundal Collier
Erik Moberg

Carnegie
Mikael Laséen

DNB
Martin Arnell

Kepler Chevreux
Hjalmar Ahlberg

Nordea
Christian Hellman

SEB
Mathias Lundberg

1 According to Euroclear.

FIVE-YEAR SUMMARY

Condensed consolidated income statement

SEK thousands	2019*	2018	2017	2016	2015
Operating revenues	1,792,915	1,781,950	1,636,078	1,455,101	1,132,425
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**855,071**	**816,056**	**739,655**	**674,844**	**539,896**
Depreciation/amortization and impairment	-326,345	-214,958	-158,019	-138,895	-138,285
Earnings before interest and taxes (EBIT)	**528,726**	**601,098**	**581,636**	**535,949**	**401,611**
Net financial items	-55,520	21,080	-1,693	9,578	1,675
Earnings before tax	**473,206**	**622,179**	**579,943**	**545,527**	**403,286**
Earnings after tax	**428,870**	**577,229**	**547,247**	**504,412**	**373,992**

Condensed consolidated balance sheet

SEK thousands	2019	2018	2017	2016	2015
Assets					
Non-current assets	3,364,265	494,112	502,115	383,608	285,226
Current receivables	527,679	356,872	428,122	441,078	277,458
Cash and cash equivalents	265,458	500,845	387,035	494,497	402,058
Total current assets	**793,137**	**857,717**	**815,157**	**935,575**	**679,516**
Total assets	**4,157,402**	**1,351,829**	**1,317,272**	**1,319,183**	**964,742**
Equity and liabilities					
Equity	956,678	956,020	911,378	923,076	714,161
Non-current liabilities	2,532,363	17,534	63,647	14,269	11,418
Current liabilities	668,361	378,274	342,247	381,838	239,163
Total liabilities	**3,200,724**	**395,808**	**405,894**	**396,107**	**250,581**
Total equity and liabilities	**4,157,402**	**1,351,829**	**1,317,272**	**1,319,183**	**964,742**

Condensed consolidated cash flow statement

SEK thousands	2019	2018	2017	2016	2015
Cash flow from operating activities	574,871	827,878	666,061	624,213	488,761
Cash flow from investing activities	-2,489,008	-186,118	-243,262	-234,139	-151,205
Cash flow from financing activities	1,669,076	-540,294	-536,700	-310,952	-185,076
Cash flow for the year	**-245,061**	**101,466**	**-113,901**	**79,122**	**152,480**
Opening cash and cash equivalents	500,844	387,035	494,497	402,058	258,057
Exchange rate difference in cash and cash equivalents	9,676	12,343	6,438	13,317	-8,479
Closing cash and cash equivalents	**265,458**	**500,845**	**387,035**	**494,497**	**402,058**

* Due to the application of IFRS 16 as of January 1, 2019, all leases (including office rent) are recognized in the financial position in the balance sheet. In addition, lease and rental costs are reclassified from operating expenses to depreciation/amortization.

The company presents some financial measures in the annual report that are not defined according to IFRS. The company finds that these measures provide valuable additional information to investors and the company's management as they enable the evaluation of the company's financial performance and financial position. Because not all companies calculate financial measures in the same way, these are not always comparable with the measures used by other companies. These financial measures should therefore not be considered as substitutes for IFRS-defined measures. The tables below show some measures that are not defined according to IFRS. For definitions and explanations for the use of such key figures, see page 90.

Key figures

Group	2019	2018	2017	2016	2015
Financial measures according to IFRS:					
Operating revenues (SEK thousands)	1,792,915	1,781,950	1,636,078	1,455,101	1,132,435
Earnings per share, basic (SEK)	1.79	2.40	2.28	2.10	1.56
Earnings per share, diluted (SEK)	1.79	2.40	2.28	2.10	1.56
Average number of shares outstanding, diluted	239,469,216	240,130,860	240,130,860	240,198,134	240,130,860
Number of outstanding shares at year end, basic	239,130,860	240,130,860	240,130,860	240,130,860	240,130,860
Number of outstanding shares at year end, diluted	239,130,860	240,130,860	240,130,860	241,073,160	241,115,160
Effective tax rate (percent)	9.4	7.2	5.6	7.5	7.3
Alternative key figures:					
Revenue growth (%)	0.6	8.9	12.4	28.5	33.0
EBITDA margin (%)	47.7	45.8	45.2	46.4	47.7
EBIT margin (%)	29.5	33.7	35.6	36.8	35.5
Return on equity (%)	44.8	60.4	60.0	54.6	52.4
Equity/assets ratio (%)	23.0	70.7	69.2	70.0	74.0
Net interest-bearing liabilities (SEK thousand)	2,418,126	-500,845	-387,035	-494,497	-402,058
Book equity per share (SEK)	3.99	3.98	3.80	3.84	2.97
Cash flow from operating activities per share (SEK)	2.40	3.45	2.77	2.60	2.04
Distribution to shareholders per share (SEK)	1.00*	2.25	2.25	2.25	1.33
* Proposed for 2019					
Operational key figures					
Average number of employees	779	800	748	618	489
Employees at year end	862	804	791	680	529
Employees and consultants at year end	1,062	990	994	892	718

Reconciliation with IFRS

EBITDA					
Profit for the period	428,870	577,229	547,247	504,412	373,992
Tax on profit for the period	44,337	44,949	32,696	41,115	29,294
Net financial items	55,519	-21,080	1,693	-9,578	-1,675
Depreciation/amortization	326,345	214,958	158,019	138,895	138,285
EBITDA	**855,071**	**816,056**	**739,655**	**674,844**	**539,896**
Net interest-bearing liabilities					
Interest-bearing provisions	-	-	-	-	-
Bank loans	2,238,251	-	-	-	-
Lease liability	215,544	-	-	-	-
Net present value of earn-out consideration	229,790	-	-	-	-
Cash and cash equivalents	265,458	500,845	387,035	494,497	402,058
Net interest-bearing liabilities	**2,418,127**	**-500,845**	**-387,035**	**-494,497**	**-402,058**

ANNUAL REPORT

Administration Report

ADMINISTRATION REPORT

The Board of Directors and the CEO of NetEnt AB (publ), corporate identity number 556532-6443, hereby submit the annual report for the 2019 financial year.

Information about the operations

NetEnt is a leading supplier of digitally distributed gaming systems used by some of the world's most successful gaming operators. NetEnt offers a comprehensive gaming system comprising a full suite of high-quality casino 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 determined as a percentage of the gaming revenues (player bets less player wins) generated by NetEnt's games at customers. When signing new customer agreements, the customers are also invoiced for setup fees that are aimed at covering the integration and setup costs that arise for NetEnt in connection with the launch of new customers. Setup fees account for a minor share of the company's total revenues and are distributed over the term of the agreement.

NetEnt is a pure operations and development company and thus does not conduct any B2C gaming operations of its own. The company's brand is known internationally and associated with innovation, service, and quality.

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

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

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

Business concept and objectives

NetEnt is a digital entertainment company. The company's business model is to develop games and system solutions that enable operators of online casinos to achieve success by offering their customers the ultimate player experience. By doing so, NetEnt shall generate sustainable profit growth and returns for its shareholders. The online gaming market is expected to maintain good growth, and NetEnt's objective is to grow faster than the market.

Important events in 2019

- In September, the company acquired 100% of the shares in Red Tiger Gaming Limited for GBP 200 million, plus an additional earn-out consideration of GBP 23 million. Red Tiger is a global supplier of online slot games for gaming operators and is most known for its daily jackpot games.
- The Swedish market was re-regulated as of January 2019. The new regulations include a number of restrictions, for example a ban on bonuses for existing players, which led to challenges for the entire industry and lower revenues compared to previous years.
- The positive development in the USA continued with strong growth in New Jersey and market entry in Pennsylvania in July.
- A subsidiary was established and several recruitments were made in the UK, which is the company's largest market.
- A new management team took over the Live Casino business area, and a number of improvements were made to create a more competitive product.
- Efforts continued to streamline the operations in the group, and the number of new game releases was higher than ever before: 31 compared to 21 in the previous year (excluding Red Tiger).

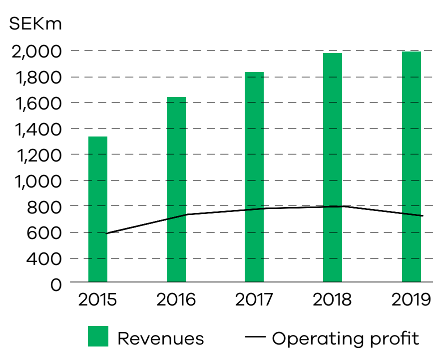
Market

The online gambling market has shown healthy growth in recent years. It is estimated that the global gross gaming revenues for online gambling, including all game segments, amounted to EUR 49.4 billion in 2019, an increase of 10.0% from the year before. The corresponding size of the global online casino market was estimated in 2019 to be EUR 13.6 billion, representing growth of 11.6% during the year (source: H2 Gambling Capital, January 2020).

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

The majority of the company's customers are currently found in Europe, and the company will continue to focus on the European market at the same time as the entry into North America will contribute to long-term growth. In the USA, Delaware, New Jersey and Pennsylvania have introduced legislation that allows online casino. NetEnt has conducted operations in New Jersey since 2015. In Pennsylvania, new gambling legislation has been adopted that allows online casinos, and NetEnt entered this market in July 2019. Political re-regulation initiatives are also under way in other states, such as Michigan, and NetEnt is monitoring developments and preparing for further expansion in the future.

Revenues and operating profit, five-year overview



New agreements and customers

In 2019, NetEnt signed agreements with 33 (31) new customers, and 32 (38) new customer casinos were launched. At the end of 2019, NetEnt held agreements with 17 (22) customers not yet launched. These figures exclude Red Tiger.

Acquisition of Red Tiger

At the beginning of September, NetEnt acquired Red Tiger, a global supplier of online slot games for gaming operators that is best known for its daily jackpot games. The company, founded in 2014, had 168 employees on December 31, 2019, and offices in Bulgaria, Malta, Isle of Man, Gibraltar, and Alderney.

The acquisition, which was financed through bank loans and existing cash, amounted to GBP 200 million with an additional consideration of maximum GBP 23 million that may be paid in 2022. The additional consideration is subject to the financial performance of Red Tiger over the next two years. Red Tiger was consolidated at the beginning of September 2019.

Revenues

Revenues for 2019 amounted to SEK 1,793 (1,782) million, equal to an increase of 0.6 percent compared to 2018. The acquisition of Red Tiger contributed SEK 126 million to revenues. The slot games category represented around 92 percent of the gross gaming revenues in NetEnt's games in 2019, and the remainder came from table games. In 2019, the Swedish krona weakened against the euro by an average of 3.2 percent compared to the full-year 2018, which had a positive effect on revenues and profit.

Expenses and profit

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SEK 855 (816) million, equal to a margin of 47.7 (45.8) percent. The acquisition of Red Tiger contributed SEK 93 million to EBITDA.

Earnings before interest and taxes (EBIT) amounted to SEK 529 (601) million, equal to a margin of 29.5 (33.7) percent. The application of IFRS 16 as of January 1, 2019, resulted in reclassification of lease and rental costs from operating expenses to depreciation/amortization, which amounted to SEK 61 million in 2019.

Amortization of intangible assets increased by SEK 34 million during the period due to the acquisition of Red Tiger, which corresponds to approximately SEK 8.5 million per month since the acquisition.

Costs are also affected by a weakening of the Swedish krona against the euro, which leads to cost increases expressed in SEK. For example, amortization is restated from EUR to SEK. Of the total costs in 2019, 52 (46) percent were in foreign currency.

Financial items amounted to SEK -56 (21) million for the period. These consisted primarily of interest rate expenses, distributed financing costs for bank loans, and net present value accounting effects related to the earn-out liability. All these financial expenses are attributable to the acquisition of Red Tiger. Net financial items also include exchange rate effects on cash and cash equivalents, financial receivables, and financial liabilities, which primarily comprise intra-group transactions. The group had an effective tax rate of 9.4 (7.2) percent in 2019. The increase was primarily due the acquisition of Red Tiger.

Investment

The group's acquisition of intangible assets, in addition to the acquisition of Red Tiger, amounted to SEK 189 (148) million during the period. Investments in property, plant and equipment amounted to SEK 19 (39) million. Intangible assets also increased during the period by SEK 2,552 million from the acquisition of Red Tiger, of which SEK 1,447 million comprised of goodwill.

Cash and cash equivalents, financing and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 804 (766) million during the quarter. Consolidated cash flow after the change in working capital amounted to SEK 575 (828) million. Cash flow from investing activities amounted to SEK -2,489 (-186) million for the period. The acquisition of Red Tiger is included at SEK 2,281 million.

Cash flow from financing activities amounted to SEK 1,669 (-540) million. This amount includes borrowings for the acquisition of Red Tiger, acquisition-related financing costs, amortization of the group's lease liability related to IFRS 16, paid cash distribution to shareholders, and the buyback of one million B shares. Through an automatic redemption program, SEK 540 million was distributed to shareholders. More information about the redemption program can be found on NetEnt's website, www.netent.com/en/annual-general-meeting-2019.

The group's net financial debt amounted to SEK 2,418 (-501) million at December 31, 2019. Funds held on behalf of licensees amounted to SEK 51 (30) million at year-end.

Personnel and organization

In 2019, the number of employees in the group was 862 (804). Including external resources such as dedicated staff at sub-contractors and consultants. The NetEnt group employed 1,062 (990) people at year-end including consultants and defined as full-time equivalents (FTEs). The figures for 2019 include Red Tiger's employees.

Parent company

Revenues in the parent company are attributable to services that are provided to subsidiaries. Product development has not been capitalized in the parent company since the development projects are initiated, managed, and owned by the subsidiaries in Malta.

The parent company's revenues for 2019 amounted to SEK 729 (786) million. Operating profit amounted to SEK 43 (43) million, and the operating margin was 6.0 (5.5) percent.

The operating margin is mainly affected by the share of the parent company's expenses that are invoiced to other group companies and the intra-group price level applied. The price level is governed by independent benchmark studies for similar services and can vary over time if the general price level on the market changes. Profit before tax for the year was SEK 346 (570) million.

The parent company's investments in property, plant and equipment in 2019 amounted to SEK 5.0 (4.2) million, and investments in intangible assets amounted to SEK 9.6 (1.8) million. Cash and cash equivalents in the parent company at the end of 2019 amounted to SEK 41 (153) million.

THE SHARE, FUTURE OUTLOOK AND APPROPRIATION OF PROFITS

The share

The share capital of NetEnt AB (publ) AB consists of A shares and B shares. One A share gives ten votes and one B share gives one vote when voting at the AGM. The two share classes have equal rights to the company's assets and profit. At a general shareholder meeting, a shareholder may vote for the total number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the Board of Directors within the bounds of the maximum number of B shares that may be issued according to the articles of association. The number of shares in the company totals 240,130,860, of which 33,660,000 shares are series A and 206,470,860 are series B, equaling a total of 543,070,860 votes. The company holds 1,000,000 B shares that have been repurchased. The share capital amounts to SEK 1,205,457. The quotient value per share is SEK 0.005.

The number of shareholders in NetEnt at December 31, 2019, was 16,110 (15,958) according to Euroclear.

The largest shareholders were the Hamberg family, with 6.7 percent of the share capital and 19.9 percent of the votes, and the Lundström family, with 5.4 percent of the share capital and 13.8 percent of the votes. NetEnt's ten largest owners held shares equal to 38.7 percent of the equity and 72.9 percent of the votes in the company.

Proposed cash distribution to shareholders

The Board proposes that the AGM resolve on a cash distribution to shareholders of SEK 239 (540) million, equal to SEK 1.00 (2.25) per share. The Board intends to propose that such distribution occur through a share redemption program. The proposed record date for the share redemption procedure is May 7, 2020. The detailed proposal will be available no later than three weeks prior to the AGM, along with an information folder. The information will be available to shareholders at the company and on the company's website, www.netent.com, as of April 7, 2020, and will be sent free of charge to those shareholders who so request.

Board of Directors' proposed appropriation of profit in the parent company (NetEnt AB)

The following is at the disposal of the AGM (TSEK)	
Retained earnings	22,111
Share premium reserve	61,035
Profit for the year	346,134
	429,280
The Board of Directors proposes	
That the following be carried forward	429,280
Pro forma after distribution to shareholders	
Retained earnings	
incl. profit for the year	429,280
Distribution to shareholders	-239,131
	190,149

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

RISKS AND RISK MANAGEMENT

Uncertainty about future events is a natural feature of all business operations. Future events in some cases could have a negative impact on NetEnt's operations and profit.

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

A number of key policies form the basis for operational risk management in the organization. NetEnt works continually to assess and evaluate the risks to which the group is or could become exposed. Critical risks in NetEnt's business environment are managed strategically through product and business development and operationally through daily business decisions. The tables below present some of the strategic and operational risks that could have implications for the company's future development. The risks are not arranged by order of importance or potential financial impact on the company's profit or financial position. For financial risk factors that affect the company's business, see Note 26.

Strategic risks	Risk	Management
Amended legislation on important markets	If certain legislation were introduced on NetEnt's key markets, with high taxes and extensive product limitations, it would be difficult to continue to run a profitable business.	As NetEnt expands geographically, the revenue base becomes more diversified and dependency on political decisions in individual countries decreases. NetEnt maintains a continual dialogue with authorities and legislators on key markets regarding new or amended regulations to assist in devising sustainable regulations in line with customer demand and the reality prevailing on the cross-border digital market.
Competition	NetEnt's market is attractive and competitive. It is crucial for the company to be able to successfully respond to competition.	The company works to constantly improve the product offering in order to remain at the forefront among competition. Also, the company works strategically so as to reinforce its market position in different ways.

Operational risks

Operational risks	Risk	Management
Operational disruptions	NetEnt is responsible for operating licensed client systems through the company's hosting center. Like other online services, the systems can sometimes suffer from operational disruptions. The causes of these can be both within and beyond the company's control. Any operational disruption or technical problems in the company's servers imply loss of revenues, a risk of a drop in confidence in the company and, in some cases, a risk of claims for damages.	NetEnt invests continuously in IT infrastructure and staff to ensure technical security in its systems and minimize the risks of operational disruptions.
Compliance and regulated operations (sustainability risk)	It is crucial for NetEnt's business that licenses and certifications are maintained and extended. NetEnt holds licenses in the jurisdictions Malta, Alderney, Gibraltar, the UK, Belgium, Romania, Spain, and the USA (New Jersey and Pennsylvania). In addition, NetEnt's products are certified in Denmark, Italy, Estonia, Latvia, Bulgaria, Portugal, Isle of Man, Norway, Finland, the Czech Republic, Mexico, Lithuania, Serbia and Sweden.	In recent years, the company has invested in technology and expertise to adapt the organization to regulated markets. NetEnt is regularly examined in connection with license extension, and the operations are continually adapted in order to fulfill new or amended rules.
Responsible gambling (sustainability risk)	Even though most end-users of NetEnt's products play in a responsible and controlled manner, there is a risk that some of them develop a problematic way of gaming. Questions related to responsible gaming are very important for the industry and NetEnt, in order to maintain trust among customers, employees and investors.	NetEnt works actively and in close collaboration with other entities in the market to prevent gambling-related problems. NetEnt's product design helps the operators to promote responsible gambling through functions that enable the operators to offer players sound control over their gaming.
Anti-corruption and anti-money laundering (sustainability risk)	Corruption and money laundering are major problems worldwide and are unfortunately also found in the gaming industry. The existence of these in NetEnt's operations could seriously damage the company's ability to conduct its business. Not only would the company's reputation be negatively affected, but the company would also risk losing gaming licenses and certifications that are essential for its operations.	NetEnt has a zero-tolerance stance and clear guidelines in relation to money laundering and corruption. The measures for combating these risks are outlined in the company's Crime and Disorder Policy. All employees undergo training in anti-corruption and anti-money laundering. NetEnt's compliance function supports the organization in matters related to business risks, laws, regulations, directives and compliance with the company's policies.

Operational risks

	Risk	Management
Dependence on expertise (sustainability risk)	NetEnt's success relies on the ability to recruit and retain key employees.	The risks are mitigated by identifying key people and ensuring that NetEnt remains an attractive employer, so that key staff stay on in the group, and so as to facilitate the recruitment of new expertise.
Dependence on large customers	The loss of any of the company's major customers could have a negative impact on NetEnt's revenues and profits.	As NetEnt grows and the number of customers increases, dependence on individual large customers gradually decreases.
Product faults and safety	There is no guarantee that NetEnt's games cannot contain technical faults that could be exploited by players and lead to poorer game outcomes, and thus lower revenues for NetEnt's games, or give rise to legal expenses because products fail to function as prescribed by product descriptions and certifications. The existence of technical faults could also eventually harm confidence in the company's products. Moreover, it cannot be ruled out that NetEnt's customers or the company could be targeted by hacking or similar types of cyber crime.	NetEnt applies industry standards in its systems and processes so as to maintain high IT security. The company continuously monitors the gaming transactions in its systems to detect any irregularities and take swift action if needed. IT security and operations are a prioritized area in which the company continuously invests resources to enhance and adapt its protection to the latest technological developments.
Intellectual property rights	NetEnt's most important intellectual property rights consist of the copyrights for the software and the games developed by the company. Therefore, it is crucial that the assets developed in the group remain NetEnt's property. There is no guarantee that the company's rights will not infringe on those of competitors or that NetEnt's rights will not be breached or contested by competitors. The prospect cannot be ruled out either of legal action being lodged against NetEnt by competitors for alleged infringement on competitors' rights, both in Europe and North America. If this happened, there would be a risk of the company suffering substantial legal expenses and damage claims, which would have a negative impact on the company's conditions for conducting business. In addition, NetEnt is dependent on specific knowledge, and it cannot be ruled out that competitors could develop equivalent knowledge or that NetEnt could fail to effectively protect its knowledge.	Contracts are signed with employees and sub-contractors to ensure that the copyright for developed products accrues to NetEnt. Furthermore, the company continuously protects its intellectual property rights through, for instance, registering pattern protection and trademarks. If necessary, NetEnt can also take legal action to protect its intellectual property rights. In certain cases, NetEnt can also enter agreements to ensure that the company's products do not risk infringing on any other company's patent rights.

Operational risks

	Risk	Management
Exchange rate fluctuations	The group's profits and financial position are affected by exchange rate fluctuations since NetEnt has net assets in foreign currency and the main part of its revenues are invoiced in EUR while a significant portion of its costs are incurred in SEK. An appreciation of the SEK versus the EUR negatively affects the company's profit.	As a rule, NetEnt does not currency-hedge income and expenses. The company has a stable 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	NetEnt's tax expense is affected by the countries where its operations generate profits and the tax laws in those countries. New laws, taxes or rules could give rise to limitations in operations or place new and higher requirements. There is also a risk that NetEnt's interpretation of the applicable tax laws, tax agreements and regulations will not correspond to the interpretations of the tax authorities.	Together with external experts, NetEnt has assessed how different tax rules affect its operations, to ensure an accurate tax status. This also applies to indirect taxes. NetEnt reports and pays tax to the tax authorities in the amounts that NetEnt and its appointed advisors deem correct. Tax issues do not govern the operations, but tax is a factor taken into consideration in important business decisions or changes to the operations.
The business cycle	In the past, NetEnt's revenues have not been negatively affected by a weaker economy. However, the online gaming industry is affected to a certain extent by the general state of the economy. A recession can lead to a reduction in the disposable income of consumers and consequently in demand for digital entertainment, including online casino games. It cannot be ruled out that NetEnt's revenues and profit could be negatively affected in a future recession.	NetEnt's products are distributed to a large number of geographical markets that have partly different business cycles, which reduces cyclical risk.

CORPORATE GOVERNANCE REPORT

NetEnt AB (publ) is a Swedish public limited liability company listed on the Stockholm Stock Exchange (Nasdaq Stockholm). NetEnt applies the Swedish Corporate Governance Code (the Code) and hereby submits its corporate governance report for 2019. NetEnt has no irregularities to report. The report has been audited by the company's auditor.

Corporate governance model for the NetEnt group

Basis for corporate governance

NetEnt seeks to apply strict standards and efficient processes so that its entire operations create long-term value for shareholders and other stakeholders. This requires maintaining an efficient organizational structure and systems for internal control and risk management and ensuring true and fair reporting and information. The governance of NetEnt is based on both external and internal regulations. NetEnt is subject to and complies with the rules of the Code.

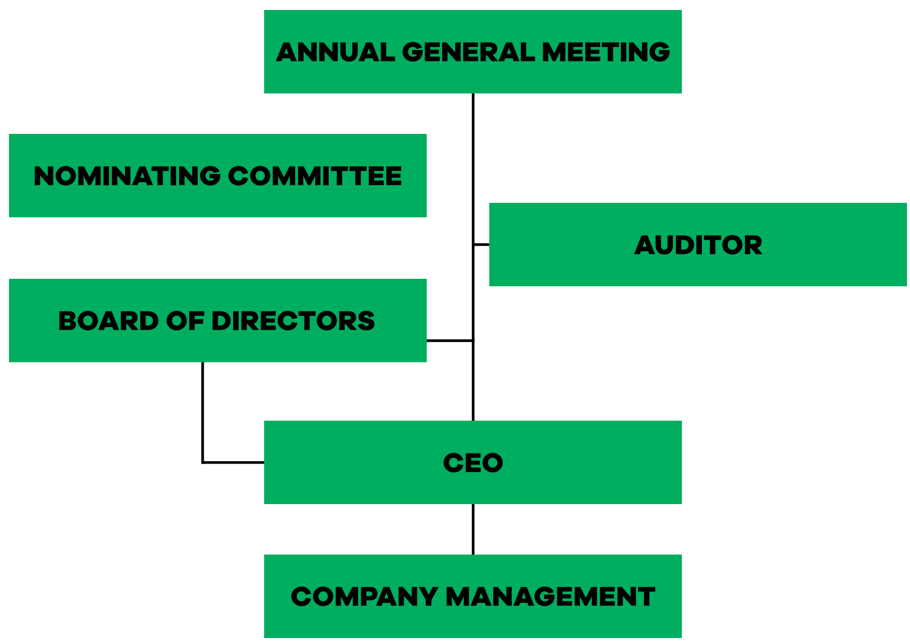
There have been no material changes in corporate governance from the preceding year.

External regulations

- Swedish Companies Act.
- Swedish and international annual accounts acts.
- Applicable EU regulations, such as the Market Abuse Regulation (MAR).
- Rules for issuers (Nasdaq Stockholm).
- Swedish Code of Corporate Governance.
- Securities Market Act.
- Other relevant acts.

Internal regulations

- Articles of Association.
- Rules of procedure for the Board of Directors.
- Instructions for the CEO from the Board of Directors.
- Group policies.
- Code of Conduct.



Shareholders

Number of shareholders	16,110
Largest owners	
Fam. Hamberg	6.7% of capital/ 19.9% of votes
Fam. Lundström	5.4% of capital/ 13.8% of votes
Ten largest owners	38.7% of capital/ 72.9% of votes

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. At the end of the year, the company held 1,000,000 repurchased 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 meeting. The two share classes have equal rights to the company's assets and profit. At the general meeting, shareholders can vote the full number of shares represented. Holders of A shares are entitled to convert one or more A shares to B shares by written request to the Board of Directors within the bounds of the maximum number of B shares that may be issued according to the articles of association.

Annual General Meeting

The Annual General Meeting (AGM) is the highest decision-making body at NetEnt AB and is held within six months of the end of the financial year. Notice of the AGM is announced at least four weeks prior to the meeting and is thereafter available on the company's website.

All shareholders who have been entered in the register of shareholders on a specific record date and have registered their attendance on time are entitled to attend the Meeting and vote for their total holdings of shares. Shareholders may be represented by proxy.

Resolutions at the AGM are normally made by a simple majority of votes cast. In some matters, however, the Swedish Companies Act prescribes a special voting majority or a certain attendance rate to reach quorum. Extraordinary general meetings may be convened as needed.

The AGM decides on:

- Adoption of the annual report 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 management.
- Any other matters (important or formal).

2019 AGM

At the AGM held on May 10, 2019, 61.3 percent of the votes and 38.3 percent of the shares were represented. Representatives from the NetEnt Board and senior management as well as the auditor were in attendance. The AGM passed resolutions on customary matters and on a cash distribution to shareholders of SEK 2.25 per share in the form of an automatic redemption program. For more information about the 2019 AGM, visit NetEnt's website (www.netent.com/en/annual-general-meeting-2019), where all documents from the AGM are available, including the minutes of the meeting and the articles of association.

2020 AGM

The AGM for NetEnt AB will be held on April 29, 2020, at 3:00 PM at NetEnt's offices in Stockholm, Vasagatan 16. For more information about the 2020 AGM, please refer to the company's website, www.netent.com/agm

Nominating Committee

The AGM decides on the procedures for appointment of the Nominating Committee. The AGM in May 2019 resolved that the Chair of the Board, Fredrik Erbing, shall convene a Nominating Committee consisting of one representative from each of the three largest shareholders as per August 31, 2019, who, together with the Chair of the Board, shall be members of the Nominating Committee ahead of the 2020 AGM. The composition of the Nominating Committee is based on the excerpt from Euroclear of registered shareholders and other reliable ownership information as of the last business day in August.

The Nominating Committee shall prepare and submit to the AGM proposals regarding the Chair of the AGM, the Chair of the Board, the members of the Board, remuneration for the members of the Board as well as remuneration for committee work, remuneration to the company's auditor, and, where relevant, a proposal for the election of the auditor. The Nominating Committee shall also prepare and submit to the AGM proposals regarding principles for the composition of the Nominating Committee. The Nominating Committee's mandate period runs until the new Nominating Committee has been appointed in accordance with the resolution at the 2020 AGM. The composition of the Nominating Committee meets the Code's requirements for independent members. Following the 2019 AGM and until the end of the year, the Nominating Committee met once.

Nominating Committee ahead of the 2020 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 Chair of the Board's report on the company's operations, goals and strategies. The Nominating Committee has furthermore analyzed the skills and experience among the members of the Board of Directors, as well as the gender balance.

The Nominating Committee's assessment is that the members of the Board have wide-ranging skills and extensive experience from business activities, technology, and the gaming industry.

The Board of Directors currently consists of two women and five 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 2020 AGM together with a report on the Nominating Committee's work.

Members of the Nominating Committee
- Joel Lindeman (Chair, appointed by Novobis and the Lundström family).
- John Wattin (Appointed by the Hamberg family).
- Michael Knutsson (appointed by the Knutsson family).
- Fredrik Erbing (Chair of the Board of Directors).

Board of Directors

The Board's responsibilities
The work of the Board is governed by the Swedish Companies Act, the articles of association, the Code and the rules of procedure adopted by the Board of Directors every year. The Board of Directors has overarching responsibility for NetEnt's organization and administration by establishing business goals and strategies, evaluating the operational management and securing systems for monitoring and control of established goals. It is also incumbent upon the Board of Directors to ensure that there is sufficient control over the company's compliance with laws and other regulations applicable to the company's business, and that essential ethical guidelines are established for the company's conduct. The Board of Directors shall furthermore ensure that the company's communication is accurate, relevant, reliable and transparent. Between AGMs, the Board of Directors is the company's highest governing body. The Board appoints the Chief Executive Officer (CEO), who is also Group CEO.

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

Independence
The Board of Directors is considered to meet the independence requirements. Fredrik Erbing, Pontus Lindwall, Maria Redin, Lisa Gunnarsson, and Jonathan Pettemerides are independent in relation to the company, its management and its major shareholders. Peter Hamberg and Christoffer Lundström are independent in relation to the company and its management but are not independent in relation to major shareholders.

Rules of procedure and Board meetings
The Board has adopted rules of procedure for its activities which specify how work is to be divided among the board, its committees and the CEO. The rules of procedure are adopted by the Board each year and refer to the members of the Board. Instructions for the CEO and financial reporting are described in appendices to the rules of procedure. The current rules of procedure were adopted on May 10, 2019.

Chair of the Board
The task of the Chair is to organize and oversee the work of the Board of Directors so that it is conducted efficiently and ensure that the Board of Directors honors its obligations. Fredrik Erbing was re-elected as Chair of the Board by the 2019 AGM.

Board work in 2019
In 2019, the Board held 18 meetings, including the statutory meeting, three for adoption of interim reports and one for adoption of the year-end report. Ten meetings were held per capsulam via telephone.

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

The key points at the Board meetings in 2019 were matters related to strategy, acquisition of companies, reorganization, business risk management, budgets, forecasts, key policies, the annual report, the year-end report, the code of conduct, and interim reports.

At the AGM in May 2019, the following Board members were elected

Attendance at meetings in 2019	Board of Directors	Audit Committee	Remuneration Committee
Fredrik Erbing, Chair of the Board	18 of 18		1 of 1
Pontus Lindwall	17 of 18		
Maria Redin	17 of 18	6 of 7	1 of 1
Peter Hamberg	18 of 18		
Lisa Gunnarsson	11 of 12		
Christoffer Lundström	12 of 12	4 of 4	
Jonathan Pettemerides	11 of 12		
Departing members:			
Jenny Rosberg	5 of 6		1 of 1
Maria Hedengren	6 of 6	3 of 3	
Michael Knutsson	5 of 6	3 of 3	

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

- Main objectives and strategic focus.
- Material matters pertaining to financing, investments, acquisitions and divestments.
- Monitoring and control of operations, provision of information, and organizational matters, including evaluation of the company's operational management.
- Appointment of CEO.
- Approval of financial statements and appropriation of profits.
- Overall responsibility for establishment of efficient internal control and risk management systems.
- Key policies.

Board remuneration as decided by the AGM 2017-2019, SEK thousands

	2019	2018	2017
Chair of the Board	725	710	700
Chair of the Audit Committee	420	415	410
Member of the Audit Committee	345	340	330
Member of the Board of Directors	310	305	300
Extra remuneration for a member of the Remuneration Committee	20	-	-

The Chair of the Board shall ensure that:

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

Assuring the quality of the financial reporting

- The rules of procedure annually decided 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.
- 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 March 2020, Auditor in Charge Erik Olin, from Deloitte, presented his conclusions from the 2019 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 Chair 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 to the Board of Directors is proposed by the Nominating Committee, resolved by the AGM, and paid to Board members who are not employed by the company. Financial information regarding remuneration for the Board of Directors by financial year is shown in the table above.

BOARD COMMITTEES

Audit Committee

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

In addition, during the year the Committee has dealt with the finance policy and other policies as well as accounting matters, including sustainability reporting and the implementation of IFRS 16.

The Audit Committee met seven times during the year and the auditor took part in six of these meetings.

Members of the Audit Committee

- Maria Redin (Chair).
- Christoffer Lundström.

The duties of the Audit Committee include:

- Reviewing the financial statements.
- Monitoring the efficiency of internal control and risk management.
- 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.
- Following up on previous matters.

Remuneration Committee

The main duty of the Remuneration Committee is to evaluate matters relating to remuneration and other terms and conditions of employment for 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 guidelines on remuneration for senior executives are attached to the minutes of the AGM, which are available on the company's website. In 2019, the Remuneration Committee consisted of Fredrik Erbing and Maria Redin.

The duties of the Remuneration Committee include:

- evaluating guidelines for remuneration to senior executives.
- evaluating goals and principles for variable remuneration.
- evaluating terms and conditions for pensions, termination of employment, severance pay and other benefits for senior executives.
- evaluating NetEnt's long-term incentive program (e.g. stock option programs and loyalty bonuses).

Audit

Auditors are elected by the AGM and 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 May 2019 for the period until the 2020 AGM, and Erik Olin was appointed Auditor in Charge. The auditor presented his conclusions of the synoptic review of the interim report for January–September 2019, the audit for full-year 2019, 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 80.

Auditor in Charge

Erik Olin

- Auditor in Charge, born in 1973.
- Auditor for the company since 2015.
- Authorized Public Accountant and member of FAR SRS.
- Other audit assignments: Sinch, Telia Sverige and Microsoft Sverige.

CEO and senior management

Aside from the CEO, senior management for NetEnt AB includes four additional members, one of whom is a woman. The CEO is appointed by and receives instructions from the Board of Directors. In turn, the CEO appoints the other members of senior management and is responsible for ongoing administration of the group's operations in accordance with the guidelines and instructions of the Board. Senior management meetings are held on a regular basis to review results, update forecasts and plans and discuss groupwide issues.

Instructions for the CEO

The Board of Directors has prepared and adopted instructions regarding the CEO's duties and responsibilities, as well as the CEO's 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 capital allocation, budgets, forecasts, year-end reports, interim reports and annual reports.

Important matters addressed by the CEO and senior management in 2019 included:

- Growth strategy.
- Acquisition of companies.
- Risk management.
- Sustainability.
- Reorganization in order to improve efficiency and profitability.

SENIOR EXECUTIVE REMUNERATION

To achieve attractive long-term shareholder value growth, NetEnt seeks to offer its employees competitive remuneration and an attractive workplace that enable recruiting and retaining the right expertise. For senior executives, the Board of Directors has prepared guidelines for remuneration, which are outlined below. Detailed information about remuneration to employees and senior executives is provided in Note 6 on pages 67–68.

Basic principles

These guidelines shall be applied in relation to the NetEnt CEO and other members of the senior management. The Board of Directors shall be able to deviate from these guidelines in individual cases where there is special reason to do so. Senior 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. Sales commission may be exempted from the maximum amounts specified in the guidelines on remuneration.

Fixed and variable salary

The fixed salary shall be market-based, competitive, individual, and proportionate to the individual's responsibility, role, skills and experience in relevant positions. The annual variable salary shall be measured and paid on an annual basis. The annual variable salary shall be capped at 65 percent of the fixed salary for the CEO and at 60 percent of the fixed salary for other members of senior management. It shall be based on actual outcomes in relation to financial and operational targets. The target for variable salary is set annually by the Board for the CEO. The CEO in turn determines the variable salary for the other members of the senior management, to ensure that they are in line with the company's business strategy and objectives. The conditions for variable salary shall include a minimum performance level in relation to the targets, for which no variable salary will be received. The Board has the right to revoke variable remuneration that is paid out based on information that later proves to be incorrect.

Long-term incentive scheme

Senior executives are offered the opportunity to participate in ongoing share-based incentive programs in the form of stock options or stock saving 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 programs, 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 payment can be made to employees who are still employed at the time of redemption and shall, net of tax, not exceed 70% of the premium paid for the stock option. Cash loyalty remuneration in conjunction with long-term share-based incentive programs can be paid in some cases to employees who have left the company, for example, due to termination on the grounds of shortage of work.

Pension benefits and termination of employment

Pension benefits for the CEO and other members of senior 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 be in line with market conditions. The CEO can have a maximum notice period of twelve months. Other members of senior management may have a maximum notice period of six months. In addition to salary during the notice period, severance pay may occur. However, the total of salary and severance pay during the notice period shall not exceed 18 months' salary.

Guidelines determined by the Board of Directors and proposed to the 2020 AGM

The Board of Directors' proposal to the 2020 AGM regarding guidelines for remuneration to senior executives does not contain any material changes.

BOARD OF DIRECTORS

Fredrik Erbing

Chair of Board.
Born in 1967. Elected in 2008.
Assignments: Vice President CGI (prev. Acando).
Education: MSc. in Engineering, Royal Institute of Technology, Stockholm.
Shareholding:
120,000 B shares.
Shareholding in endowment policy:
120,000 B shares.
Independent in relation to the company, its management and major shareholders of the company.

Peter Hamberg

Board member.
Born in 1973. Elected in 2009.
Assignments: CEO and Board member of Hamberg Förvaltnings AB and Board member of C-RAD AB and Solporten Fastighets AB.
Education: Bachelor's degree, International Business Administration, San Francisco State University, USA.
Shareholding:
1,218,000 A shares,
740,400 B shares.
Shareholding in endowment policy:
538,500 B shares.
Independent in relation to the company and its management, not independent in relation to its major shareholders.

Pontus Lindwall

Member of the Board of Directors.
Born in 1965. Elected in 2011.
Assignments: President and CEO Betsson AB (publ), Chair of Board of Mostphotos AB and Board member of Solporten Fastighets AB.
Education: MSc. in Engineering, Royal Institute of Technology, Stockholm.
Shareholding:
2,109,000 A shares,
4,502,920 B shares.
Shareholding in endowment policy:
450,000 B shares.
Independent in relation to the company, its management and its shareholders.

Maria Redin

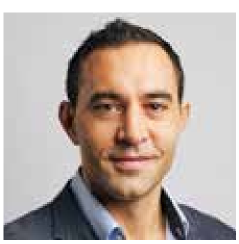
Board member.
Born in 1978. Elected in 2012.
Assignments: CFO MTG (Modern Times Group AB).
Education: B.Sc. in Business Administration, University of Gothenburg.
Shareholding:
11,880 B shares.
Independent in relation to the company, its management and major shareholders of the company.

Lisa Gunnarsson

Board member.
Born in 1978. Elected in 2019.
Assignments: Head of Nordics, LinkedIn, previously active in senior roles at CEB (Gartner) and SuperOffice. Board member Stockholm Chamber of Commerce.
Education: Degree in business administration and marketing, IHM Business School.
Shareholding: –
Independent in relation to the company, its management and major shareholders of the company.

Christoffer Lundström

Board member.
Born in 1973.
Elected in 2019.
Assignments: Owner and CEO of investment company RCL Holding AB. Board member of Scandic Hotel AB, Collector AB, Feelgood Svenska AB, Harrys Pubar AB, Future Pawnbroker in Scandinavia AB, Tableflip Entertainment AB, AM Brands AB, KL Capital AB, and a number of boards within the Provobis sphere.
Education: Bachelor of Arts, Webster University and Hotel Management Diploma, HOSTA.
Shareholding:
361,200 B shares
Shareholding in endowment policy:
154,000 B shares.
Independent in relation to the company and its management. Not independent in relation to the company's major shareholders.



Jonathan Pettemerides

Board member.
Born in 1980. Elected in 2019.
Assignments: Omnichannel Director Rank Group plc. Previously CEO of Brix Interactive Gaming and Group Business Development Director TCS John Huxley.
Education: Bachelor of Science, St. Mary's University College, UK.
Shareholding: –
Independent in relation to the company, its management and major shareholders of the company.

SENIOR MANAGEMENT

Therese Hillman

Group CEO.
Born in 1980, employed since 2017. Therese Hillman previously worked with e-commerce for ten 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.
Assignments: Board member of Actic Group AB and MQ Holding AB.
Education: M.Sc in Business Administration, Stockholm School of Economics.
Shareholding:
13,465 B shares.
Stock options:
140,000

Lars Johansson

Chief Financial Officer.
Born in 1959, employed since 2018. Lars has more than 30 years' experience from various managerial roles at both public and private companies in different industries. Previous positions include Senior Investment Director/ Acting CEO Ratos AB, CFO Swedavia AB, CFO/ COO TV4 Group AB and CFO/COO/Acting CEO Orc Software AB.
Education: M.Sc in Business Administration, Stockholm School of Economics.
Shareholding:
10,000 B shares.
Stock options:
48,464

James Elliott

General Counsel.
Born in 1973. Employed since 2014. Former positions include Director of Legal Affairs at LSE-listed bwin.party digital entertainment plc (formerly PartyGaming Plc) for nine years.
Education: LLB, University of Exeter. LPC, College of Law (Guildford). Solicitor, England and Wales.
Shareholding: –
Stock options:
12,500

OPERATIONAL MANAGERS

Henrik Fagerlund

Managing Director NetEnt Malta Holding Ltd, Malta. Born in 1970, employed since 2014. Many years of experience in senior roles in the gaming industry, including at Paf and Boss Media (now GTECH).

Bryan Upton

Director Games, Malta. Born in 1981, employed since 2018. Many years of experience in senior roles in the gaming industry at IGT, GTECH, and Openbet, most recently as Senior Director, Games Content Strategy and Product Management at IGT.

Andres Rengifo

Director Live Casino, Malta. Born in 1982, employed since 2019. Many years of experience from the gaming industry, most recently as head of international business at Evolution Gaming.

Tobias Palmborg

Chief Technology Officer, Stockholm. Born in 1978, employed since 2018. More than ten years of experience in system and product development in online environments for gaming, finance and consulting services, including at Klarna, Electrolux and Unibet (Kindred).

Andy Whitworth

Managing Director NetEnt UK. Born in 1981, employed since 2019. Many years of experience in senior roles within the gaming industry, most recently at GVC Group as Director of Commercial Management.

Pamela Morris Williams

Chief Compliance Officer. Born in 1977, employed since 2018. Pamela has extensive experience from various compliance roles, including in the gaming sector. Prior experience from Betsson and NYX (now SG Digital).
Education: Bachelor and Master degrees, KTH Royal Institute of Technology, Stockholm.
Shareholding: –
Stock options: 20,293

Mikael Ångman

HR Manager (interim). Born in 1975. At NetEnt since 2019. Many years of experience within leadership and organization, previously HR Manager, Gaming Innovation Group, and CEO/Chair of Board, Mobenga, and officer in the Swedish Armed Forces.
Education: Bachelor's degree Organization and Leadership, Dalarna University, and IHM Business School (Project Management).
Shareholding: -
Stock options: -

Sebastian Bernhardsson

Head of Business Intelligence, Stockholm. Born in 1980. Employed since 2014. Researcher – Niels Bohr Institute Copenhagen, Researcher – Swedish Defence Research Agency. PhD Statistical Physics and Complex Systems, KTH Royal Institute of Technology.

Rob Fell

Director, Platform & NetEnt Connect, London. Born in 1983, employed since 2019. Many years of experience in senior roles within the gaming industry, most recently at GVC Group as Director of Product.

Gavin Hamilton

CEO Red Tiger, Malta. Born in 1981. CEO Red Tiger since 2017. Previous experience from senior roles in the gaming industry at Paddy Power Betfair, most recently as Director of Gaming, and prior to this within private equity, corporate finance and auditing.

INTERNAL CONTROL OF FINANCIAL REPORTING

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

NetEnt's control system has been devised to ensure accurate, reliable financial reporting and accounting in accordance with applicable laws and ordinances, accounting standards and other requirements for listed companies. Internal control refers to the process that is affected by the Board, senior management and other personnel and that has been designed to provide reasonable assurance that the company's goals are achieved with regard to

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

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

Control environment

The foundation of NetEnt's control system is the control environment, which determines the individual and collective approaches in the group. It is defined through policies and procedures, manuals and codes, and is upheld with the help of NetEnt's organizational structure with clear responsibilities and powers based on shared values. Soundly devised internal control not only creates conditions for reliable financial reporting, but also contributes to a healthy and sustainable business, with greater profitability as a result. Work on the design of internal processes and monitoring thereof is becoming increasingly important as the company grows. This is particularly important in terms of the systems that NetEnt develops and operates on behalf of customers. NetEnt's Board bears overarching responsibility for establishing an efficient internal control system. The responsibility for establishing an efficient control environment has been delegated to the CEO.

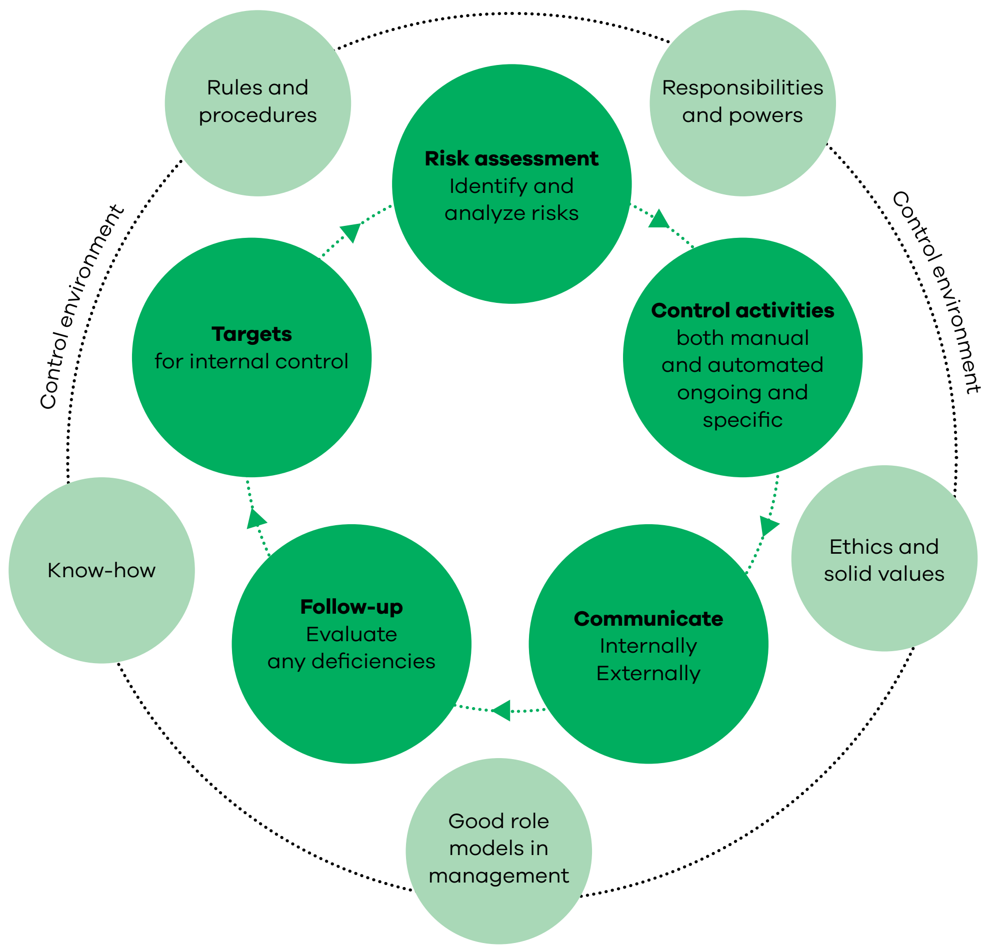
The CEO delegates powers to those reporting to her, both directly and through the established guidelines and manuals at the company. Corporate values are an important element in this respect, providing guidance for daily work. The group's finance function reports to the Audit Committee and to the group's CFO, and works to develop and improve internal control in financial reporting in the group, both proactively with a focus on the internal control environment, and by reviewing how internal control works. NetEnt evaluates its internal control environment in accordance with a recurring time cycle each year and makes changes to the extent necessary. The Audit Committee sees both the self-assessment and the review performed by external advisors. The company also has a process for internal audit of the finance function and the financial reporting that is based on a combination of self-assessment and independent review with the support of an external auditing firm.

Compliance

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

Internal governance instruments

Internal governance instruments for financial reporting primarily consist of the group's policy for internal control, finance policy, information policy and authorization instructions that define accounting and reporting rules as well as the group's definition of processes and minimum requirements for sound internal control in financial reporting. In addition, the company has policies regarding, for example, trade in the company's shares, IT and information security, anti-bribery, prevention of money laundering and terrorist financing, drugs and gambling. In 2019, the company also introduced a code of conduct that will provide employees with guidance for conducting business in an ethical and responsible manner.



Risk assessment

NetEnt conducts ongoing structured risk assessments to identify risks that affect the internal control of financial reporting, and to identify where these risks are present. Risks in financial reporting are evaluated and monitored by the Board of Directors through the Audit Committee. The main risks to the company are attributable to areas such as regulated markets, the invoicing process and revenue recognition, development expenditure and taxes, and the company's cash and cash equivalents. During the risk assessment, particular attention has been paid to the risk of irregularities and undue favoring of other parties at the company's expense, and the risk of loss or misappropriation of assets. Matters are prepared by the Audit Committee before consideration by the Board of Directors. The risk assessment results in control objectives that support meeting the fundamental financial reporting requirements. The risk assessment is updated on an ongoing basis by the management and is reported to the Audit Committee. Moreover, the company has a risk management process designed to constantly identify, prioritize and manage material business risks in general. The risk landscape is in some respects similar to the risk assessment for financial reporting but includes other risks such as the availability of competent staff and political decisions. For a more detailed description of the industry- and business-related risks that affect NetEnt, see the "Risk factors" section on pages 24–27 and Note 26 on pages 81–83.

Control activities

Control activities include the policies and routines that contribute to ensuring compliance with management directives and that necessary measures are adopted to highlight the risks that may prevent the company from achieving its goals. 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. Control activities span everything from the review and monitoring of performance outcomes to specific account reconciliations. General IT controls are established for the systems that support the processes that affect internal control regarding financial reporting. The design of processes and control activities within IT is also affected by regulations issued by the gaming authorities, such as Malta Gaming Authority (MGA), Alderney Gambling Control Commission (AGCC), Gibraltar Regulatory Authority (GRA), UK Gambling Commission (UKGC) and external reviews in connection with licenses and certifications. Such reviews are conducted both by independent auditing agencies for certification in relation to requirements from authorities and by the company's external auditors as part of the audit. Areas that are covered by control activities include:

- due 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 regulations, and requirements for listed companies. The process is also designed to ensure proper source materials for decision making for the Board of Directors and management.
- significant and unusual or complex business transactions as well as business transactions or valuations of assets or liabilities that contain significant elements of judgment.
- prior background screening of all new employees.

Monitoring

Monitoring of control activities is continually conducted to ensure that risks have been satisfactorily observed and addressed. Follow-up includes both formal and informal routines that are applied by the company. Such procedures include monitoring profit versus budget and plans, analyses and key performance indicators. The Board of Directors continuously evaluates the information provided by company management. The process includes both reconciliation of monthly financial reports vs. budget and goals, and reporting at board meetings. Through the Audit Committee, the Board of Directors examines and assesses the internal control organization and function. The company's policies and instructions are evaluated and updated annually with respect to appropriateness and functionality – or more often if needed. The group's CFO presents the results of internal control work as a standing agenda item at Audit Committee meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are continuously reported to the Board of Directors.

Information and communication

NetEnt has information and communication channels with the purpose of promoting complete and accurate financial reporting. Only a limited number of people in the CFO's, and CEO's office functions have access to information that is confidential in nature such as budgets, forecasts, financial outcome reporting, Board material and remuneration. Access to such confidential information is in accordance with the powers bestowed upon the company's staff in the 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 management and the Board of Directors for important information from employees. In order for all employees to feel secure in reporting deviations from the company's rules, there is a confidential and efficient whistleblowing procedure and system in place. For external communication, there are guidelines for the company with stringent demands on accurate and relevant information for the market. The Board of Directors annually adopts an information policy for the company, which includes guidelines for contacts with analysts and the media. In connection with the introduction of new employees, the latter are informed of the laws and guidelines followed by the company regarding for example managing insider information and trading in the company's shares. Prior to each quarterly earnings report, a reminder is sent about the rules to all staff.

Internal audit

The company has a compliance function in place regarding anti-money laundering procedures. The most recent internal audit in this area took place in 2019 and was performed by EY.

FOCUS ON SUSTAINABILITY IN OUR ENTIRE BUSINESS

– Opening remarks from the CEO

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

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

Therese Hillman,
CEO of NetEnt AB

SUSTAINABILITY AT NETENT

NetEnt is a leading provider of games and gaming systems used by gaming operators around the world. NetEnt's customers operate online casinos, and we work according to a partnership model, which means that NetEnt is responsible for all technical operations and monitoring of gaming transactions through hosting. The gaming operators pay a monthly royalty fee to NetEnt that is calculated as a percentage of the gaming revenues generated by NetEnt's games for the operator. Building a sustainable business with long-term growth is at the center of our vision to create the future of gaming. For us, this means to always strive to have the best customer and player offering and to be a good alternative by meeting the expectations and requirements of our stakeholders. In close dialogue with stakeholders, NetEnt has identified six sustainability areas that are of particular importance to the company and its stakeholders.

Governance

NetEnt has integrated sustainability efforts into the company's overall business strategy and operations. The guidelines for our sustainability framework have been reviewed and approved by the Board of Directors. These guidelines are formulated in the company's CSR policy. NetEnt also introduced a code of conduct in 2019. The code lays down ethical guidelines for the company and clarifies the mutual expectations of both NetEnt and its employees.

At NetEnt, the main governance and supervisory body of sustainability is the Board of Directors. Senior management is responsible for the execution of the strategy and for ensuring that it is implemented throughout the organization. Our CSR Manager, together with managers in relevant departments, is responsible for making sure that our policies and standards are followed and that employees are aware of what is expected from them. NetEnt is also part of UN Global Compact and works to promote its ten principles in the communities and environments where the company conducts business. The company is also committed to supporting the UN's Global Sustainable Development Goals (SDGs), which place demands on continual improvements in the area of sustainability.

About this report

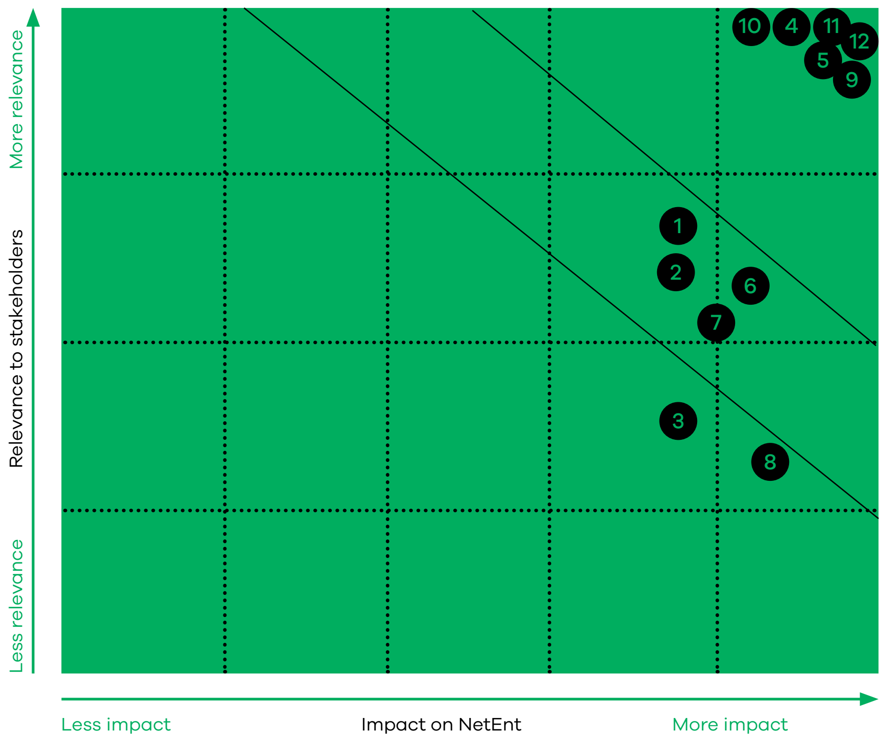
This sustainability report has been prepared in accordance with the Global Reporting Initiative (GRI) standards, Core Option. GRI is a non-profit organization that publishes world-wide reporting standards for sustainability reporting. The Core Option of the GRI standards means that NetEnt will report on all GRI foundation disclosures, general disclosures and management approaches, while also reporting on a selected number of economic, environmental and social disclosure topics. The sustainability report covers activities in the 2019 calendar year, focusing on key issues and activities to address stakeholder concerns, in line with the materiality analysis. The report has not been subject to special review by the company's auditor.

Stakeholder consultations

To support a successful and sustainable development of NetEnt's business, both internal and external stakeholder engagement is a high priority. This occurs through a continuous dialogue throughout the year. Consulting our most important stakeholders, including customers, players, employees and shareholders, was a vital part in the preparation of this report.

Responsible gaming | **Sustainable regulation** | **Anti-corruption and anti-money laundering** | **Work environment and society** | **Diversity and inclusion** | **Environment**

NetEnt's key areas for sustainability are presented above.



Evaluated focus areas

Environment
1. Carbon emissions
2. Business travel
3. Sustainable offices

Society
4. Responsible gaming
5. Regulated markets
6. Diversity and inclusion
7. Work environment and training
8. Community support

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

Most significant sustainability areas for each stakeholder group

Stakeholders	Material topics raised
Customers (and indirectly players)	• Responsible gaming • Cyber security • Consumer data protection
Employees	• Diversity and inclusion • Training and development for employees • Physical and mental health
Shareholders and investors	• Responsible gaming • Regulated markets • Anti-money laundering and anti-corruption
Society	• Responsible gaming • Regulated markets • Environmental issues • Anti-money laundering and anti-corruption • Diversity and inclusion • Employment opportunities • Taxes (primarily gaming tax, social security expenses, and corporate tax)
Suppliers	• Terms of employment

Materiality

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

Responsible gaming

Promoting responsible gaming is fundamental to NetEnt and a prerequisite for retaining the licenses that we hold. It's important that NetEnt's games are played for the right reason, namely for entertainment and excitement. The vast majority of players enjoy gaming as a safe and responsible form of entertainment, but for some, gaming can turn into an addiction that threatens their physical, mental and social wellbeing. The Swedish Public Health Agency estimated most recently in 2018 that around three percent of all players active in the past year run the risk of having issues with their gaming, while 0.6 percent can be classified as having a problem. Although NetEnt has no direct contact with individual players, the company works actively and in close cooperation with other market participants to prevent gaming-related problems.

All of NetEnt's data centers have ISO 27001 certification.

Information to players
In 2019, we published an information folder with a FAQ section as a first step in educating players on how gaming works mathematically and helping them to play responsibly.

Internal guidance and training
All NetEnt employees are trained in responsible gaming, and those with special responsibility undergo in-depth training. Formal guidance is provided by the company's CSR Policy. NetEnt also has the following policies and procedures which contribute to our commitments in this field:
- NetEnt Self-Exclusion Procedure: Description of how NetEnt shall proceed when a player expresses a desire to be prevented from playing further.
- NetEnt Regulatory Training Policy: Presentation of the requirements placed on employee training in responsible gaming (part of CSR policy and Compliance Management Policy).

Self-control and self-protection tools available in the NetEnt CasinoModule™.
Many of NetEnt's customers have their own tools and flagging systems to monitor problematic behavior among players. In addition, NetEnt offers a number of custom-made responsible gaming tools, such as
- **Play Limits.** NetEnt provides API functionality for setting game play limits, and support for the display of in-game messages when limits have been reached. In order for these limits to apply for all games that a player is exposed to in the casino, the limits must be implemented by the online casino operator to span between NetEnt and non-NetEnt products. NetEnt limits include overall loss and bet limits per session/day/week/month, session length, bet limit for a specific game and maximum single bet by game.
- **Reality checks.** When the NetEnt casino solution is configured, additional measures can be put in place to regularly remind players how long they have been playing and how much they have won or lost. The reality-check feature displays a periodic in-game notification to real-money players during game play. Game play is suspended when the check is displayed and only resumed once the player has acknowledged the message. This functionality is enabled by default in most jurisdictions.
- **Game speed.** To make game play safer NetEnt's casino solution can be configured so that a certain amount of time (typically three seconds) must pass between two game rounds. This is also often a parameter that is regulated by gambling authorities in some markets.
- **Visible clock.** NetEnt's games feature support for time displays that make it easier for players to maintain a correct sense of time.

100%

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

NetEnt has not suffered any complaints related to customer integrity and customer data from outside parties or regulatory bodies during the reporting period.

Sustainability targets

Responsible gaming:
Full compliance. Supervisory authorities conduct regular reviews.
Outcome for 2019: No incidents to report.

Regulations and compliance:
Increase the share of revenue from locally regulated markets. Outcome for 2019: 48 percent.

Anti-corruption and anti-money laundering: Full compliance. Supervisory authorities conduct regular reviews.
Outcome for 2019: No incidents to report.

Diversity and inclusion:
Increase the share of female managers.
Outcome for 2019: 31 percent.

Environment:
Reduce NetEnt's carbon footprint in relation to the number of gaming transactions. Outcome for 2019: 33.3 mg CO_2 per gaming transaction.

Work environment and society:
Keep the number of sick days low. Outcome for 2019: 1.7 percent.

Sustainable regulation and compliance
Regulated markets
NetEnt welcomes regulation in the gaming industry because this leads to a safer environment for both players and gaming companies. Commercially reasonable rules regarding taxes and product specifics provide solid conditions for regulated markets to grow and develop. NetEnt's strategy is to expand in regulated markets and, for many years, the company has invested resources to build up an organization with the capacity to obtain and maintain licenses and certifications. NetEnt's games go through thousands of automated, repeated tests to ensure that they are compliant with all applicable rules and regulations. This means that the games must meet a number of responsible gaming criteria before they are considered ready for market launch. The compliance department at NetEnt supports the organization and the customers in matters regarding laws, regulations and directives, and ensures the company's compliance to policies and processes. The department also assists with customer due diligence. This is followed up by continuous due diligence controls of the existing customer base, with a frequency depending on their region of operation.

Ensuring game security, fairness and accreditation

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

NetEnt's games are tested and accredited by the following independent test facilities:

- eCOGRA
- Gambling Laboratories International
- iTech Labs
- Technical Services Bureau

Memberships in industry organizations

In Sweden, NetEnt is a member of the Swedish Online Gambling Association (BOS) and in the UK a member of the Remote Gambling Association (RGA). Both organizations represent gaming operators and their suppliers. NetEnt strives to contribute to the work of both organizations and to increase focus on responsible gaming issues. NetEnt is also an associate member of the World Lottery Association (WLA), which is a global organization that promotes state-authorized gambling operators and commits to the highest standards of corporate and social responsibility.

We support the communities where we operate

At NetEnt, we want to do as much as possible to support the communities in which we operate. We support organizations that work with the treatment, prevention and research of gambling addiction. In the UK, financial support is provided to the organizations GambleAware and GamCare.

Whistleblower function

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

Responsible company

We strive to be a responsible company. This means that we consider ourselves to have a social responsibility toward the societies in which we operate. We also have a responsibility to our shareholders and other interests to maintain a high level of business ethics in our operations.

NetEnt's overall sustainability work is integrated into its day-to-day operations and assured through policies, targets and KPIs within various parts of the organization.

Anti-corruption and anti-money laundering

NetEnt has a zero-tolerance stance and clear guidelines in relation to money laundering and corruption. Our Crime and Disorder Policy serves as a governance tool to reach the targets in this area. All of NetEnt's operations are evaluated in accordance with the EU's Fourth Anti-Money Laundering Directive that was adopted on June 26, 2017. According to this evaluation, we believe our company runs a relatively low risk for corruption since we conduct business with other companies that manage the actual monetary flows with the players. In addition, all employees participate in a training course in anti-corruption measures as part of the introduction program for new employees. Staff that have a high degree of interaction with customers undergo extra training in order to better identify any suspected cases and take appropriate measures. NetEnt's compliance team conducts a review of all new customers and considers in this review aspects related to anti-corruption and AML. In addition, existing customers are also reviewed regularly.

UN Global Compact

NetEnt is a supporting member of the UN Global Compact. The UN Global Compact aligns company strategies and operations with universal principles on human rights, labor, environment and anti-corruption and takes action that advances societal goals. This sustainability report also serves as our

We operate in many regulated markets

Licenses:
Alderney
Belgium
Gibraltar
Malta
USA (New Jersey, Pennsylvania)
UK
Romania
Spain

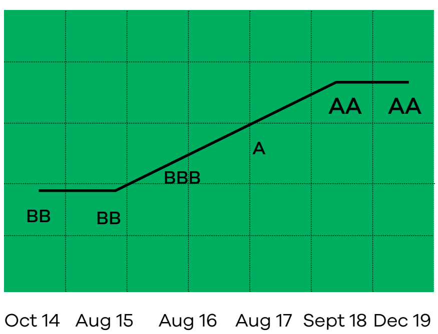
Certified games:
Bulgaria
Czech Republic
Denmark
Estonia
Finland
Isle of Man
Italy
Latvia
Lithuania
Mexico
Norway
Serbia

Our collaborations

ESG rating according to MSCI

In 2019, NetEnt's ESG rating of AA was reiterated by Morgan Stanley Capital International (MSCI). The MCSI rating is compiled using a thorough methodology to research and rate companies on a scale between "AAA" to "CCC" according to the risk exposure to industry-specific ESG risks and the ability to manage those risks relative to sector peers.

NetEnt's ESG rating from MSCI since 2014:



Zero tolerance regarding corruption and money laundering.

100%

of our employees receive responsible gambling training as part of their induction program.

yearly communication on progress (COP) to the United Nations' Global Compact review process.

UN Sustainable Development Goals

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

Whether it's our dedicated work on diversity and inclusion, our attention to minimize our carbon footprint or our policies when it comes to employee health and well-being, there are many ways in which we as a company can contribute to these important goals and will continue to do so in the future. Our CSR strategy, related activities, targets and programs are aligned with the SDGs.

We have also engaged with the United Nations Development Program (UNDP), who runs the task of communicating the goals, by supporting selected UNDP projects around the world.

Data Security

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

NetEnt takes individual integrity very seriously and works actively to protect personal data. The company is subject to data protection legislation in different parts of the world, primarily in the EU and the USA. NetEnt has introduced a data protection program as a strategic part of its efforts to maintain consistent data protection within all jurisdictions and for all customers (casino operators). Our privacy and information security policies and procedures are created to mitigate and minimize data-related vulnerabilities in general, and for personal data in particular.

At NetEnt, we monitor our systems 24 hours a day, year-round, and have a special team for incident and crisis management that is ready to decide on potential incidents related to data intrusion. This handling sometimes includes escalation, reporting and corrective measures. All employees are trained during their introduction and on a regular basis thereafter.

NetEnt only processes personal data in connection with our performance under any service agreement: (1) only on behalf of and for the benefit of the customer; (2) in accordance with the service agreement and prior written instructions; and (3) as otherwise required by all applicable data-protection laws and regulations. NetEnt confirms not to process any personal data for any other purpose than specifically written instructions from the contractor. Personal data regarding players is always anonymised in NetEnt's systems and cannot be connected to a person unless the systems are cross-referenced with the casino operator.

Policies and assumptions

NetEnt has introduced several technical and organizational controls to meet the requirements set out in data protection legislation and gaming regulations with regard to collection, storage, use, transfer, protection or processing of personal data. NetEnt undertakes to not disclose personal data to authorities unless required by law.

Training of personnel

NetEnt trains all employees and consultants as part of the introductory on-boarding. The Chief Information Security Officer gives a monthly update and there is also yearly security training.

Responsibility distribution

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

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

We regularly follow up on our integrity undertakings, including impact assessment and audits of internal systems and processes. External business partners must follow NetEnt's policies and applicable legislature.

Regulating authorities and customers conduct regular inspections at NetEnt, often through external audit companies. NetEnt provides customers with all necessary documentation and information that is required to be able to conduct such audits.

Our employees

Happy employees contribute to a better society

In order for our company to be able to perform and achieve success, we need motivated employees who are happy at work. They should feel that their career development, health and participation in the company culture are taken seriously. We believe that this undertaking contributes to a better society in the countries and cities where we operate, which puts us one step closer to achieving the UN's Sustainable Development Goals. We focus on three pillars in our approach to our employees:

- Health and energy.
- Diversity and inclusion.
- Career development and training.

Health and energy
Health and energy are an important part of NetEnt's employee strategy. We encourage employees to have a healthy lifestyle with exercise, sound eating habits, and good mental health and balance in their lives. All NetEnt employees in the Swedish office are offered a yearly health benefit, which can be used to pay for a gym membership, for example. Our success is measured by our low number of sick days per employee, which in 2019 was 1.8 (2.4) percent.

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

Diversity and inclusion
At NetEnt, diversity and inclusion are important to support better decision-making and more innovation as well as to contribute to an open and positive corporate culture. According to NetEnt's staff policy, all employees shall have equal opportunities and rights to salary and benefits regardless of gender, age, disability, ethnicity, sexual orientation, and religion. Our employees represent more than 50 nationalities, and English is the official language of the group. All aspects of diversity and inclusion are integrated throughout the organization and the business processes at NetEnt.

Girls in Tech and Women in Technology
NetEnt works together with the organization Girls in Tech (GIT). Girls in Tech (GIT) is a global non-profit organization focused on the engagement, education and empowerment of girls and women who are passionate about technology. GIT aims to accelerate the growth of women entering into the tech industry. NetEnt also provides financial support to the organization Women in Technology in Poland, which works for a more inclusive environment for women in the technology industry.

Career development and training
Professional development is a strong focus at NetEnt. All employees are given the opportunity to grow and take on new roles in the company that match their strengths. Employees receive regular performance and career development reviews and have opportunities to continue learning through training and courses offered by the company. NetEnt maintains a continuous dialogue with its employees to gather feedback on key areas of importance and improvement potential for the company.

The following IT audits are conducted regularly by external parties

- Information security system.
- Live casino.
- Penetration testing.
- Vulnerability assessment.
- Payment card controls.
- Social engineering.

NETENT
A PROUD PARTNER OF
Girls in Tech GIBRALTAR

WOMEN IN TECHNOLOGY

Environment

Our planet

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

Travel

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

In 2019, NetEnt continued to limit air travel, and the primary software used for video conferences was utilized more than ever before.

Recycling

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

We also encourage the recycling of old computer hardware that has reached its end of life.

Sustainable offices

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

NetEnt group's carbon dioxide emissions, tons of carbon dioxide equivalents (CO_2e)

	2019[1]
Area 1 – facility operations	19
Area 2 – purchased electricity from the grid	878
Area 3 – indirect emissions, including travel	561
Total emissions in tons, CO_2e	**1,458**
Emissions in tons of CO_2 per employee	1.84
Emissions in CO_2e per SEKm in revenue	0.84

NetEnt's carbon footprint

NetEnt has calculated the group's carbon emissions in accordance with the global standard for emissions accounting, which is call the GHG Protocol (Greenhouse Gas Protocol). An external party, Carbon Footprint Ltd., did the calculation. The largest causes of emissions in the operations are purchased electricity and air travel. In 2020, NetEnt will climate-compensate for these emissions and become climate neutral.

Doctors Without Borders

Instead of buying Christmas presents for staff members, NetEnt usually donates a corresponding sum to a charitable organization selected by the staff. For 2019, the staff chose Doctors Without Borders (Médecins Sans Frontières), an independent medical aid organization that provides life-saving medical care to people in need in vulnerable areas around the world.

VÄNFÖRETAG 2020 TILLSAMMANS MED MÉDECINS SANS FRONTIÈRES LÄKARE UTAN GRÄNSER

carbon footprint standard CO_2e Assessed Organisation

UN GLOBAL COMPACT WE SUPPORT

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

1 Estimated for the twelve-month period 10/1/2018–09/30/2019.

GRI INDEX CONTENT

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

Core Option

GRI 102: General Disclosures

Disclosure Reference	Page Number	Comments
Disclosure 102-1 Name of organization	Annual Report pp. 4, 20	
Disclosure 102-2 Activities, brands, products and services	Annual Report pp. 8, 20	
Disclosure 102-3 Location of headquarters	Annual Report pp. 4, 20	
Disclosure 102-4 Location of operations	Annual Report pp. 4, 8, 9, 20	
Disclosure 102-5 Ownership and legal form	Annual Report pp 14–15, 20–23	
Disclosure 102-6 Markets served	Annual Report pp. 8, 9, 20, 21	
Disclosure 102-7 Scale of the organization	Annual Report pp. 20–23	
Disclosure 102-8 Info on employees and other workers	Annual Report pp. 12, 13, 22	
Disclosure 102-9 Supply chain	Annual Report pp. 8, 9, 20, 21	
Disclosure 102-10 Significant changes to the organization and its supply chain	Annual Report pp. 20–23	
Disclosure 102-11 Precautionary principle or approach	Annual Report pp. 36-37	
Disclosure 102-12 External initiatives	Annual Report pp. 28, 59–65	
Disclosure 102-13 Membership of associations	Annual Report p. 43	
Disclosure 102-14 Statement from key decision maker	Annual Report pp. 6, 7, 39	
Disclosure 102-15 Key impacts, risks and opportunities	Annual Report pp. 24-27	
Disclosure 102-16 Values, principles, standards and norms and behaviors	Annual Report pp. 12, 40-46	
Disclosure 102-17 Mechanisms for advice and concerns about ethics	Annual Report pp. 40-46	
Disclosure 102-18 Governance structure	Annual Report pp. 28–32, 36–37	
Disclosure 102-19 Delegating authority	Annual Report pp. 28–32	
Disclosure 102-20 Executive-level responsibility for economic, environmental and social topics	Annual Report p. 40	
Disclosure 102-21 Consulting stakeholders on economic, environmental and social topics	Annual Report pp. 40–46	

GRI 102: General Disclosures (2019)	Disclosure Reference	Page Number	Comments
	Disclosure 102-22 Composition of highest governance body	Annual Report pp. 28–32, 34	
	Disclosure 102-23 Chair of the highest governance body	Annual Report pp. 30, 34	
	Disclosure 102-24 Nominating and selecting the highest governance body	Annual Report pp. 29–31	
	Disclosure 102-25 Conflicts of interest	Annual Report p. 80	
	Disclosure 102-26 Role of highest governance body in setting purpose, values and strategy	Annual Report pp. 28–32	
	Disclosure 102-27 Collective knowledge of highest governance	Annual Report pp. 29, 34–35	
	Disclosure 102-28 Evaluating the highest governance body's performance	Annual Report pp. 30–31, 34	
	Disclosure 102-29 Identifying and managing economic, environmental and social impacts	Annual Report p. 40	
	Disclosure 102-31 Review of economic, environmental and social topics	Annual Report pp. 40–41	UNGC Principle 1, 2, 3, 4, 5, 6, 7, 8, 9 , 10
	Disclosure 102-32 Highest governance body's role in sustainability reporting	Annual Report p. 40	Approve the GRI report.
	Disclosure 102-33 Communicating critical concerns		Not applicable
	Disclosure 102-34 Nature and total number of concerns		Not applicable
	Disclosure 102-35 Renumeration policies	Annual Report pp. 67-68	
	Disclosure 102-36 Process for determining renumeration	Annual Report p. 33	
	Disclosure 102-37 Stakeholders involvement in renumeration	Annual Report pp. 31–32	
	Disclosure 102-38 Annual total compensation ratio	Annual Report pp. 67–68	
	Disclosure 102-40 List of stakeholder groups	Annual Report p. 41	
	Disclosure 102-41 Collective bargaining agreement		UNGC Principle 3
	Disclosure 102-42 Identifying and selecting stakeholders	Annual Report pp. 40–41	
	Disclosure 102-43 Approach to stakeholder engagement	Annual Report pp. 40–41	
	Disclosure 102-44 Key topics and concerns raised	Annual Report pp. 40–41	
	Disclosure 102-45 Entities included in the consolidated financial statements	Annual Report p. 74	
	Disclosure 102-46 Defining report content and topic boundaries	Annual Report pp. 40–41	
	Disclosure 102-47 List of material topics	Annual Report pp. 40–41	
	Disclosure 102-48 Restatements of information		
	Disclosure 102-49 Changes in reporting	Annual Report pp. 59–65	
	Disclosure 102-50 Reporting period	Annual Report pp. 59–65	
	Disclosure 102-51 Date of most recent report	Annual Report pp. 20, 40	
	Disclosure 102-52 Reporting cycle	Annual Report pp. 20, 40	
	Disclosure 102-53 Contact point for questions regarding the report	Annual Report p. 91	
	Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	Annual Report p. 40	
	Disclosure 102-55 GRI Content Index	Annual Report pp. 47–49	
	Disclosure 102-56 External assurance	Annual Report pp. 85–89	

Specific Standard Disclosures

Material Topic	Disclosure Reference	Page Number	Comments
Governance	Disclosure 205-1 Operations assessed for risks relating to corruption	Annual Report pp. 40, 43	
	Disclosure 205-2 Communication and training on anti-corruption policies and procedures	Annual Report p. 43	
	Disclosure 205-3 Confirmed incidents of corruption and actions taken		UNGC Principle 10
	GRI 103 Management approach. 103-1, 2, and 3	Annual Report p. 40	
Data Security	Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual Report pp. 42-43	
	GRI 103 Management approach. 103-1, 2, 3	Annual Report p. 40	
Employees	Disclosure 405-1 Diversity of governance bodies and employees	Annual Report pp. 29, 45	UNGC principle 1, 2, 6
	Disclosure 406-1 Incidents of discrimination and corrective actions taken		UNGC principle 1, 2, 6
	Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews	Annual Report p. 45	
	GRI 103 Management approach. 103-1, 2, 3	Annual Report p. 40	
Environment	Disclosure 305-5 Reduction of GHG emissions	Annual Report pp. 42, 46	UNGC principle 7,8,9
	GRI 103 Management Approach. 103-1,2, and 3	Annual Report p. 40	

NETENT GROUP

Income Statement and Statement of Comprehensive Income

TSEK	Note	2019	2018
Revenues	3,4	1,766,732	1,778,169
Other revenues	5	26,183	3,782
Total operating revenues		**1,792,915**	**1,781,950**
Operating expenses			
Personnel expenses	6	-491,112	-535,903
Depreciation/amortization and impairment	12, 13, 23	-326,345	-214,958
Other operating expenses	23	-446,732	-429,991
Total operating expenses		**-1,264,189**	**-1,180,853**
Operating profit		**528,726**	**601,098**
Financial items			
Financial income	8	72,961	62,106
Financial expense	9	-128,481	-41,025
Total financial items		**-55,520**	**21,080**
Profit before tax		**473,206**	**622,178**
Tax on profit for the year	10	-44,337	-44,949
Profit for the year		**428,870**	**577,229**
Earnings per share, basic (SEK)	11	1,79	2,40
Earnings per share, diluted (SEK)	11	1,79	2,40
Closing number of shares		239,130,860	240,130,860
Average number of shares		239,469,216	240,130,860
Profit for the period attributable to:			
Parent Company shareholders		428,870	577,229

Statement of Comprehensive Income

TSEK	2019	2018
Profit for the year	428,870	577,229
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	138,038	7,708
Sum of other comprehensive income for the year, net after tax	**138,038**	**7,708**
Total comprehensive income for the year	**566,908**	**584,937**
Comprehensive income for the year attributable to Parent Company shareholders	**566,908**	**584,937**

NETENT GROUP

Balance Sheet

TSEK	Note	12/31/2019	12/31/2018
Assets	2		
Non-current assets			
Intangible fixed assets	12	3,009,880	334,786
Property, plant and equipment	13	94,710	123,047
Right-of-use assets	23	228,829	0
Deferred tax receivable	10	4,740	6,019
Other assets	17	26,106	30,261
Total non-current assets		**3,364,265**	**494,112**
Current assets			
Accounts receivable *	15	219,920	64,427
Other receivables	17	55,664	51,866
Prepaid expenses and accrued income	16	200,957	211,036
Funds held on behalf of licensees		51,138	29,543
Cash and cash equivalents	18	265,458	500,845
Total current assets		**793,137**	**857,716**
Total assets		**4,157,402**	**1,351,829**
Equity and liabilities			
Equity	19		
Share capital		1,205	1,205
Other capital contributed		95,962	93,812
Reserves		170,297	32,258
Retained earnings incl. profit for the year		689,215	828,745
Total equity		**956,678**	**956,020**
Non-current liabilities	2		
Advance payments from customers		12,412	7,290
Bank loans	26	2,000,643	-
Other non-current liabilities		300,352	-
Leases	23	152,379	-
Deferred tax liability	10	66,578	10,245
Total non-current liabilities		**2,532,363**	**17,534**
Current liabilities	2		
Accounts payable *		36,945	30,791
Current tax liabilities	10	56,054	24,421
Leases	23	63,165	-
Bank loans	26	237,608	-
Other liabilities	21	139,067	138,876
Accrued expenses and deferred income	22	135,522	184,186
Total current liabilities		**668,361**	**378,274**
Total equity and liabilities		**4,157,402**	**1,351,829**

* Accounts receivable in 2019 includes an adjustment of around MSEK 14 and for accounts payable around MSEK 10 that was incorrectly classified in the quarterly report for Q4 2019.

NETENT GROUP

Cash Flow Statement

TSEK	Note	2019	2018
Operating activities			
Operating profit		528,726	601,098
Adjustments for non-cash items			
– Depreciation/amortization and impairment	12, 13	326,345	214,958
– Other		-20,016	304
Interest paid		-8,811	-2,039
Income tax paid		-22,016	-48,355
Cash flow from operating activities before changes in working capital		**804,227**	**765,966**
Increase/decrease in accounts receivable		-164,134	-8,641
Increase/decrease in current receivables		-15,314	91,190
Increase/decrease in accounts payable		-7,476	-13,630
Increase/decrease in other current operating liabilities		-42,432	-7,007
Cash flow from operating activities		**574,871**	**827,878**
Investing activities			
Acquisition of subsidiaries	12	-2,281,378	0
Investment in intangible fixed assets	12	-188,688	-147,523
Investment in property, plant and equipment	13	-18,942	-38,595
Cash flow from investing activities		**-2,489,008**	**-186,118**
Financing activities			
Bank loans raised	26	2,296,397	0
Amortization of lease liability	23	-61,071	
Repurchase of treasury shares		-30,355	
Distribution to shareholders/dividend		-538,044	-540,294
Premium received for stock options		2,150	-
Cash flow from financing activities		**1,669,076**	**-540,294**
Cash flow for the year		**-245,061**	**101,466**
Opening cash and cash equivalents		500,844	387,035
Exchange rate difference in cash and cash equivalents		9,676	12,343
Closing cash and cash equivalents	18	**265,458**	**500,845**

NETENT GROUP

Changes in Equity

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

TSEK	Share capital	Other capital contributed	Reserves	Retained earnings incl. profit for the year	Total equity
2019					
Opening equity 1/1/2019	**1,205**	**93,812**	**32,258**	**828,745**	**956,020**
Profit for the year	-	-	-	428,870	428,870
Exchange-rate differences arising from the translation of foreign operations	-	-	138,038	-	138,038
Total comprehensive income for 2019	**-**	**-**	**138,038**	**428,870**	**566,908**
Premium received for stock options	-	2,150	-	-	2,150
Repurchase of treasury shares				-30,355	-30,355
Distribution to shareholders	-	-	-	-538,044	-538,044
Closing equity 12/31/2019	**1,205**	**95,962**	**170,297**	**689,215**	**956,679**

PARENT COMPANY

Income Statement and Statement of Comprehensive Income

TSEK	Note	2019	2018
Net sales	3.4	710,414	784,475
Other revenues	5	18,324	1,390
Total operating revenues		**728,738**	**785,865**
Operating expenses			
Other operating expenses	23	-273,084	-280,035
Personnel expenses	6	-392,814	-435,993
Depreciation/amortization and impairment	12, 13	-19,373	-26,474
Total operating expenses		**-685,272**	**-742,503**
Operating profit		**43,467**	**43,363**
Financial items			
Profit from participations in group companies	7	313,008	513,765
Other interest income and similar profit/loss items	8	162,710	30,974
Other interest expense and similar profit/loss items	9	-165,379	-10,551
Total financial items		**310,339**	**534,188**
Profit after financial items		**353,806**	**577,551**
Appropriations			
Reversal of tax allocation reserve		7,658	9,547
Total appropriations		**7,658**	**9,547**
Profit before tax		**361,463**	**587,098**
Tax on profit for the year	10	-15,329	-17,178
Profit for the year		**346,134**	**569,921**

Statement of Comprehensive Income

TSEK	2019	2018
Profit for the year	346,134	569,921
Other comprehensive income		
Sum of other comprehensive income for the year, net after tax	-	-
Total comprehensive income for the year	**346,134**	**569,921**

PARENT COMPANY

Balance Sheet

TSEK	Note	12/31/2019	12/31/2018
Assets			
Non-current assets			
Intangible fixed assets	12		
Licenses and ERP systems		10,747	3,260
Total intangible fixed assets		**10,747**	**3,260**
Property, plant and equipment	13		
Plant and equipment		41,725	52,391
Total property, plant and equipment		**41,725**	**52,391**
Financial assets			
Non-current internal receivables		2,000,643	-
Participations in group companies	14	4,611	4,611
Deferred tax	10	3,175	3,396
Other non-current receivables	17	-	9,683
Total financial assets		**2,008,429**	**17,690**
Total non-current assets		**2,060,901**	**73,341**
Current assets			
Current receivables			
Receivables from group companies	25	755,143	527,997
Current taxes receivable		-	3,108
Other assets	17	15,791	12,025
Prepaid expenses and accrued income	16	42,764	37,241
Total current receivables		**813,698**	**580,371**
Cash and bank balances	18	41,250	153,230
Total current assets		**854,948**	**733,601**
Total assets		**2,915,849**	**806,942**

PARENT COMPANY

Balance Sheet

TSEK	Note	12/31/2019	12/31/2018
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		61,035	58,885
Retained earnings		22,111	20,590
Profit for the year		346,134	569,921
Total unrestricted equity		**429,280**	**649,396**
Total equity		**430,523**	**650,638**
Untaxed reserves	20		
Tax allocation reserves		11,816	19,474
Total untaxed reserves		**11,816**	**19,474**
Bank loans		2,000,643	-
Total non-current liabilities		**2,000,643**	**-**
Current liabilities			
Accounts payable		22,979	23,301
Bank loans		237,608	-
Liabilities to group companies	25	114,900	-
Tax liabilities		277	-
Other liabilities	21	7,175	8,891
Accrued expenses and deferred income	22	89,929	104,639
Total current liabilities		**472,868**	**136,831**
Total equity and liabilities		**2,915,849**	**806,942**

PARENT COMPANY

Cash Flow Statement

TSEK	Note	2019	2018
Operating activities			
Operating profit		43,467	43,363
Adjustments for non-cash items			
– Depreciation/amortization and impairment	12, 13	19,373	26,474
– Other		16,749	20,796
Dividend from subsidiaries		523,000	443,237
Interest received		-	165
Interest paid		-5,586	-537
Income tax paid		-12,498	-24,829
Cash flow from operating activities before changes in working capital		**584,505**	**508,668**
Increase/decrease in accounts receivable		-	-
Increase/decrease in current receivables		-211,934	77,891
Increase/decrease in accounts payable		-322	-10,112
Increase/decrease in other current operating liabilities		98,246	11,268
Cash flow from operating activities		**470,495**	**587,716**
Investing activities			
Investment in intangible fixed assets	12	-9,625	-1,800
Investment in property, plant and equipment	13	-6,600	-4,336
Cash flow from investing activities		**-16,225**	**-6,136**
Financing activities			
Bank loans		2,238,251	-
Inter-group loans		-2,238,251	-
Premium received for stock options		2,150	-
Redemption of options		-30,355	-
Distribution to shareholders/dividend		-538,044	-540,294
Cash flow from financing activities		**-566,249**	**-540,294**
Cash flow for the year		**-111,979**	**41,285**
Opening cash and cash equivalents		153,229	111,944
Closing cash and cash equivalents	18	**41,250**	**153,229**

PARENT COMPANY

Changes in Equity

TSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening equity 1/1/2018	**1,205**	**38**	**58,885**	**81,197**	**479,684**	**621,008**
Profit for the year					569,921	569,921
Total comprehensive income	**-**	**-**	**-**	**-**	**569,921**	**569,921**
Allocation according to the AGM	-	-	-	-60,608	-479,684	-540,292
Closing equity 12/31/2018	**1,205**	**38**	**58,885**	**20,589**	**569,921**	**650,638**

TSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening equity 1/1/2019	**1,205**	**38**	**58,885**	**20,589**	**569,921**	**650,638**
Profit for the year					346,134	346,134
Total comprehensive income	**-**	**-**	**-**	**-**	**346,134**	**346,134**
Premium received for stock options			2,150			2,150
Repurchase of treasury shares				-30,355		-30,355
Allocation according to the AGM	-	-	-	31,877	-569,921	-538,044
Closing equity 12/31/2019	**1,205**	**38**	**61,035**	**22,111**	**346,134**	**430,523**

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 invoiced as a percentage of the game win (player bets less player wins) that are generated by NetEnt's games for the customers. When signing new customer agreements, the customers are also invoiced for 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 Group's Parent Company is based in Stockholm, where group-wide administration and some development and technical coordination take place. Everything relating to the Group's business-critical functions, such as product management, sales, operation, customer support and marketing is operated and decided upon from the subsidiaries in Malta. The Company also has offices in Gothenburg, Gibraltar, Kiev (Ukraine), Krakow (Poland), Sofia (Bulgaria), Isle of Man, London (England) 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, Sofia, and Krakow, and through a sub-contractor in India. All product development is commissioned by NetEnt's product-owning company in Malta.

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

This annual report was approved for publication by the Board of Directors on March 18, 2020. The income statement and balance sheet will be adopted at the AGM on April 29, 2020.

Note 2 Accounting and valuation principles

Basis of preparation of the financial statements

The consolidated financial statements were prepared in accordance with the Annual Accounts Act, International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the European Commission for application within the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary Accounting Rules for Groups" has also been applied.

The accounting principles have been consistently applied by all Group companies in their reporting, and in consolidation during all periods of time presented in the consolidated financial statements. The Company's five-year summary on pages 16–17 present the key ratios and financial measures.

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 TSEK unless otherwise stated. MSEK is the abbreviation for millions of 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 cost, apart from some financial assets and liabilities which are measured at fair value. The most important accounting principles applied in the preparation of these consolidated financial statements are stated below. These policies have been applied consistently for all the years presented, unless otherwise stated.

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

Standards, amendments and interpretations effective for 2019

IFRS 16 Leases is replacing IAS 17 Leases and is applied from January 1, 2019.

Under IFRS 16 Leases, the lessee recognizes basically all leases in the statement of financial position. The classification of operating and finance leases no longer exists. The underlying asset in the leasing contract is reported in the statement of financial position. NetEnt will apply the modified retroactive transition approach to the reporting of leases previously reported as operating leases. This method gives a lease liability that is calculated as the present value of remaining lease payments discounted with the incremental borrowing rate in the beginning of the period where the Company starts to use this standard. Previous years and comparable financial statements will not be restated.

The Group assesses at the start of the agreement if an agreement is or includes a rental agreement/lease. The Group recognizes one right-of-use asset and one corresponding lease liability for all leases in which the Group is the lessee. This does not apply, however, to short-term leases (defined as leases with a lease term of twelve months or less) and for leases where the value of the underlying asset is low. For these leases, the Group recognizes lease payments as an operating expense on a straight-line basis over the lease term.

The lease liability is initially measured as the present value of future lease payments, discounted by the lease's implicit rate. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments in the measurement of the lease liability include:
- fixed lease payment following deductions for any benefits,
- variable lease payments linked to an index or a rate, initially measured using an index or rate at the commencement date.

The long-term component of the lease liability is presented on its own line under non-current liabilities while the short-term component is presented on its own line under current liabilities.

The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right-of-use asset) if:
- The lease term has changed or there is a change in the assessment of an option to buy the underlying asset, in which case the lease liability is remeasured by discounting the revised lease payments by a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in the expected payment under a residual value guarantee, in which case, the lease liability is remeasured by discounting the changed lease payments by the initial discount rate (unless the changes in the lease payments are due to a revised variable interest rate, in which case a revised discount rate is used).
- A lease is changed and the change is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the changed lease payments by a revised discount rate.

At the date of acquisition, the right-of-use assets are recognized at the value of the corresponding lease liability adjusted for lease payments made on or prior to the commencement date and any initial direct expenses. In subsequent periods, they are recognized at cost, less deductions for accumulated depreciation and impairment losses.

Depreciation of right-of-use assets occurs over the estimated useful life or the lease term if it is shorter. If a lease transfers the right of ownership to the underlying asset at the end of the lease term or if the cost of the right-of-use asset reflects that the Group expects to utilize a call option, depreciation occurs over the useful life of the underlying asset. Depreciation begins on the commencement date of the lease.

Right-of-use assets are presented under right-of-use assets in the Group's Statement of Financial Position.

The Group applies IAS 36 Impairment of Assets to determine if an impairment loss is needed for the right-of-use asset and recognizes any identified loss in the same manner as for property, plant and equipment.

Note 23 on page 77 of this report contains more information and specifications regarding this application and adjustments made to opening balances.

For 2018, leases are recognized in accordance with IAS 17, where they are classified in the consolidated financial statements as either 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.

Classifications

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

Consolidated financial statements

The consolidated financial statements include the Parent Company and the companies over which the Parent Company exercises a controlling influence. A controlling influence is when the Group is exposed to, or is entitled to, a variable return for its participation in the company and can use its influence over the company to influence the return. Controlling influence normally exists when the Parent Company directly or indirectly holds shares which represent more than 50% of the votes.

Subsidiaries are recorded in the consolidated financial statements from the date of the acquisition to the date on which the Parent Company no longer has a controlling influence over the subsidiary. The accounting principles for subsidiaries have been adjusted where needed to agree with the Group's accounting principles. All intra-group transactions, dealings and unrealized gains and losses attributable to intra-group transactions have been eliminated during the preparation of the consolidated financial statements.

Principles of consolidation

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

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

Translation of foreign operations

Operations whose functional currency is in a currency other than SEK are restated to SEK in accordance with the following. All assets, provisions, and other liabilities are restated at the closing rate of exchange and all items in the income statement are restated using the average exchange rate. Exchange rate differences arising in translation – translation differences – are recognized through comprehensive income in equity. When a foreign operation is divested, the cumulative translation differences relating to that foreign operation are realized after deductions for any currency hedging in the consolidated income statement. Transactions in foreign currency are translated to the functional currency at the exchange rate applying on the transaction date or the date on which the items are remeasured. Foreign exchange gains and losses that arise in connection with payment of such transactions are 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 invoiced as a percentage of the game win (player bets less player wins) that is generated in NetEnt's games with the customers, and include the fair value of that which has been received or will be received for services sold in the Group's operating activities. Revenue is recognized excluding VAT and discounts, and after elimination of intra-Group sales. Royalties are invoiced on a monthly basis in arrears. Terms of payment are 10 days as standard. Contract assets arise as a result of royalty revenues invoiced monthly in arrears. See Note 3. Services in the form of technical operation and monitoring are included in the royalties described above.

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

Other revenues

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

Financial income/expense

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

Other external expenses

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

Integration expenses in conjunction with startup of customers and casino modules

The costs of integration work that are related to setup fees received are recognized as a contract asset under Other assets (see Note 17) and are settled over the term of the contract, which is usually 36 months. At December 31, 2019, this receivable was MSEK 15.7 (20.0). The change during the year consists of additional capitalized expenditure of MSEK 9.5 (13.1) and settled and expensed integration expenses of MSEK -13.8 (-15.1).

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting submitted to the chief executive decision maker. The chief executive decision maker is the function responsible for allocation of resources and performance assessment of the operating segments. In the Group, this function has been identified as the Group's management group, 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". A corresponding amount is recognized in liabilities in the balance sheet as other current liabilities. In the cash flow statement, both accumulation of jackpot funds and payment of wins are recognized in changes in working capital. The funds relating to pooled jackpots are managed by a type of bank account excluded from the Company's cash and cash equivalents. The total jackpot liability is reported monthly, together with the balance in the bank account to the Maltese gaming authority, MGA. In connection with jackpot wins, the win is verified according to internal processes and is then paid out to the winning operator.

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

Intangible assets
Development expenditure is 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 expenses for payroll, purchased services, materials and indirect expenses which can be clearly attributed to the asset.

In the balance sheet, recognized development expenditure is entered at acquisition cost, less deductions for accumulated amortization and impairment losses. Regular valuations are performed of the projects' cash-generating capacity to identify any impairment requirements. Intangible assets also include acquired gaming agreements, software licenses, concessions and trademarks. These intangible assets are recognized in the balance sheet at acquisition cost, less any accumulated amortization and impairment losses. All of the Company's intangible assets have a known 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 useful lives are used:
- Trademarks, domain names, licenses, 3 years.
- Gaming agreements and concessions, 3–5 years.
- Capitalized development expenses for games, gaming systems and gaming platforms are based on class of asset and amount to a maximum of 3 years.
- Computer and server equipment, 3 years.
- PCs (workstations for developers, etc.), 2 years.
- Office equipment, 5 years.

Depreciation/amortization periods of acquired net assets for the acquisition of Red Tiger are described in Note 12.
The residual value and useful life of an asset are reviewed annually. If there is any indication that the carrying amounts of property, plant and equipment, intangible fixed assets or financial assets in the Group are excessive, an analysis is performed in which the recoverable amount of the smallest cash-generating unit is established as the higher of net selling price and value in use. The value in use is measured as expected future discounted cash flow. Impairment loss is the difference between the carrying amount and the recoverable amount. When a previously recognized impairment loss is no longer warranted, it is reversed. A reversal may not be higher than an amount that does not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized. Intangible assets not yet completed are impairment-tested annually at minimum.

Financial instruments, IFRS 9
A financial asset or liability is recognized in the balance sheet when the Group becomes party to the contractual provisions of the instrument. A financial asset is derecognized from the balance sheet when the contractual rights to cash flow from the asset are sold, expire, or when the Group loses control of them. A financial liability, or part thereof, is derecognized from the balance sheet when the contractual obligation is satisfied, or otherwise expires.

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

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

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

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

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

and receivables are measured at their nominal amounts and according to the tax regulations and tax rates decided or announced and which are highly likely to be adopted. For items recognized in the income statement, related tax effects are thus 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 values for tax purposes of assets and liabilities, applying the tax rates and regulations decided or announced at the balance sheet date, and which are expected to apply when the deferred tax receivable concerned is 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 carryforwards are only recognized to the extent that it is probable they will be utilized and result in lower future tax payments.

Leases

IFRS 16 Leases is replacing IAS 17 Leases and is applied as of January 1, 2019. The average remaining term of the Company's leases is approximately 5 years. See Note 23 on page 62 for more information regarding finance and operating leases.

Dividends or distributions to shareholders

Dividends or distributions to shareholders are recognized as a liability following resolution by the AGM.

Employee benefits

Pension expenses and pension commitments

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

Benefits after termination of employment

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

Severance benefits

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

Bonus plans

The Group 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 programs

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

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 an interest rate before tax that reflects current market assessments of the time value of the money and, if applicable, the risks associated with the liability. A restructuring provision is recognized when the Group has defined a detailed, formal restructuring plan and the restructuring has either commenced or has been officially announced. No provision is made for future operating expenses.

Contingent liabilities

A contingent liability is 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 complies with the same accounting principles as the Group, with the exceptions stated below. Participations in subsidiaries are recognized at acquisition cost less any impairment losses. Acquisition-related expenses for the subsidiaries, which are expensed in the consolidated financial statements, are included as part of the acquisition cost of participations in subsidiaries. Shareholder contributions are 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 considerable effect on the Parent Company's financial statements. Neither are the upcoming changes and updates in RFR 2 expected to have any material effect on the Parent Company's financial statements.

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

Impairment testing
Each year, Group assets are impairment-tested according to IAS 36. The Group has invested considerable amounts in the development of games and systems, whose carrying amounts are compared with expected future discounted cash flows calculated on present values. The Group has identified one cash-generating unit, Casino Module™, with a carrying amount of MSEK 308.8 (338.4). The impairment test is based on detailed assumptions for the next three years. Several estimates and judgments are made when the asset's value in use is calculated, including revenue growth for the identified cash-generating unit and development of the cost base with due consideration for the Group's expected growth. Other significant assumptions relate to the discount rate that is used. In the year's impairment test, the calculation rate after tax was 5.2% (5.5%) for the cash-generating unit for discounting estimated cash flows after tax. Even when a much higher discount rate is used, the impairment test does not show any need for impairment.

Gaming platforms acquired from Red Tiger are not included in the test above; the carrying amount for these assets amounted to MSEK 41.1 on December 31, 2019. The acquisition analysis for the acquisition of Red Tiger is presented in Note 12. No impairment need was identified for these assets on December 31, 2019.

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

Note 3 Revenues

Type of revenue

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Royalties	1,710,520	1,727,141	-	-
Set-up fees	56,212	51,027	-	-
Consulting revenues	-	-	710,414	784,475
Total revenues	**1,766,732**	**1,778,168**	**710,414**	**784,475**

Timing for revenue recognition

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Performance commitment fulfilled at a certain time	1,710,520	1,727,141	710,414	784,475
Performance commitment fulfilled over time	56,212	51,027	-	-
Total revenues	**1,766,732**	**1,778,168**	**710,414**	**784,475**

Contract assets

	Group	
	12/31/2019	**12/31/2018**
Accrued royalty revenues	143,550	151,646
Total accrued royalties	**143,550**	**151,646**

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

Contract liabilities

	Group	
	12/31/2019	**12/31/2018**
Deferred income	29,546	19,987
Advance payments from customers	12,412	7,290
of which		
current liabilities	29,546	19,987
non-current liabilities	12,412	7,290
	41,958	**27,277**

The change during the year consists of additional setup fees of MSEK 25.1 (54.7) and setup of fees of MSEK 56.2 (51.0), which are settled and recognized as income. In addition, the balance of MSEK 45.8 as per December 31, 2018, was reclassified as previously specified as accrued liabilities instead of deferred income.
There are no contract assets or contract liabilities in the Parent Company.

Note 4 Segment reporting

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

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

The identified segment is casino game systems

Senior 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 or tax-related 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.

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

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

Geographic breakdown

	2019	**2018**
Revenues		
Sweden	1.8%	0.1%
Malta	34.8%	43.9%
Other countries	63.4%	56.0%
Non-current assets		
Sweden	1.7%	12.2%
Malta	97.6%	81.5%
Alderney	0.0%	0.1%
Gibraltar	0.3%	4.3%
Ukraine	0.1%	0.3%
Bulgaria	0.1%	-
Isle of Man	0.0%	-
Poland	0.2%	1.5%
UK	0.0%	-
USA	0.1%	0.1%

Customers (revenue distribution)

	2019	**2018**
Customer I	5%	6%
Customer II	4%	5%
Customer III	4%	3%

Note 5 Other income

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Exchange gains, Operations	6,948	2,529	674	565
Rental revenue	16,953	-	16,953	-
Other	2,282	1,253	698	825
Total	**26,183**	**3,782**	**18,324**	**1,390**

Note 6 Salaries and remuneration

Average number of employees

	2019		2018	
	Average number of employees	**Of whom male**	**Average number of employees**	**Of whom male**
Sweden	341	71%	404	72%
Malta	303	53%	322	47%
Ukraine	3	33%	4	35%
Gibraltar	26	51%	24	55%
Bulgaria	50	69%	-	-
Isle of Man	1	100%	-	-
UK	1	75%	-	-
USA	2	100%	2	100%
Poland	51	64%	44	66%
Group total	**779**	**63%**	**800**	**61%**

Board fees

	2019	**2018**
Current Board of Directors		
Fredrik Erbing, Chairman of the Board	733	610
Vigo Carlund *	-	233
Peter Hamberg	308	303
Pontus Lindwall	308	303
Michael Knutsson **	102	303
Maria Redin	407	337
Christoffer Lundström	230	-
Lisa Gunnarsson	207	-
Jonathan Pettermerides	207	-
Jenny Rosberg **	138	387
Maria Hedengren **	113	327
Total	**2,753**	**2,803**

* Resigned in 2018 ** Left in 2019

Note 6 Salaries and remuneration (cont.)

Salaries and social security expenses

	2019		2018	
	Salaries	**Social security expenses (of which, pension expenses)**	**Salaries**	**Soc. sec. expenses (of which pension expenses)**
Board and CEO	7,171	2,352	6,918	3,022
		(1,714)		(895)
Other employees, Sweden	244,864	125,694	279,967	142,411
		(42,952)		(53,551)
Total Parent Company	**252,035**	**128,047**	**286,885**	**145,433**
		(44,667)		(54,446)
Other employees, Malta	124,145	8,703	114,862	8,106
		(0)		(1,598)
Other employees, Ukraine	2,937	229	1,481	86
		(0)		(8)
Other employees, Gibraltar	25,031	1,403	19,646	1,177
		(0)		(600)
Other employees, Bulgaria	12,345	32	-	-
		(0)		-
Other employees, Isle of Man	727	46	-	-
		(0)		-
Other employees, UK	915	140	-	-
		(98)		-
Other employees, USA	4,741	427	2,788	369
		(219)		(188)
Other employees, Poland	19,218	3,626	13,592	2,912
		(532)		(553)
Total Group	**442,095**	**142,653**	**439,254**	**158,083**
		(45,516)		(57,393)

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

Note 6 Salaries and remuneration (cont.)

Board remuneration

The Annual General Meeting determines remuneration for Board members. The Annual General Meeting on May 10, 2019, resolved for the period until the 2020 AGM that Board fees would be paid to a total amount of TSEK 2,730, of which TSEK 725 to the Chair of the Board and TSEK 310 each to the other members of the Board. In addition, TSEK 110 will be paid to the Chair of the Audit Committee, TSEK 35 to the members of the Audit Committee and TSEK 20 to each of the members of the Remuneration Committee.

Senior executive remuneration

In 2019, total remuneration to the current CEO amounted to TSEK 4,418 (3,924), of which TSEK 439 (226) was variable remuneration, TSEK 1,714 (771) was pension benefits and TSEK 213 (415) was loyalty bonus costs. Of the pension benefits, TSEK 1,306 (260) refers to payments to company-owned endowment insurance for pension commitments for the current CEO, see Note 28 for additional disclosures. This year's pension benefits include a retroactive portion that refers to 2018. Other benefits pertaining to health insurance totaled TSEK 4 (5).

The notice period for the CEO is six months on the part of the CEO and twelve months on the part of the Company.

Remuneration for other senior executives in 2019 amounted to TSEK 6,660 (15,331), of which TSEK 86 (472) was variable remuneration, pension benefits totaling TSEK 947 (2,063) and loyalty bonus costs of TSEK 131 (213). Senior executives consisted of 5 (9) different individuals in 2019.

The notice period for other senior executives varies between three and six months and is mutual. Other benefits pertaining to health insurance totaled TSEK 108 (187), and Company accommodation benefit totaled TSEK 0 (1,310).

Loyalty remuneration

Employees are offered the chance to take part 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. In order to strengthen loyalty to the Company, share-based incentive programs in the form of stock options issued on market terms can be combined with cash remuneration, which is payable in connection with the redemption period during which stock options can be exercised, to employees who are still employed at the time of redemption. Such remuneration may not exceed 70 percent, net after tax, of the premium paid for the stock option. The Company's cost of loyalty remuneration is recognized on an ongoing basis over the vesting period. In 2019, a total cost of TSEK 3,641 (2,173) was recognized for loyalty remuneration.

Note 6 Salaries and remuneration (cont.)

Number and share of women in executive positions at year end

	2019			2018		
	No. male	No. female	Share female	No. male	No. female	Share female
Board of Directors	5	2	29%	4	3	43%
Other senior executives	3	3	50%	3	5	63%
Total Group Board of Directors and senior management	**8**	**5**	**38%**	**7**	**8**	**53%**

Note 7 Profit/loss from participations in Group companies

	Parent Company	
	2019	2018
Anticipated distribution from subsidiaries	313,008	513,765
Total	**313,008**	**513,765**

Note 8 Financial income

	Group		Parent Company	
	2019	2018	2019	2018
Interest income	-	-	21,890	165
Exchange rate differences	72,960	62,106	140,819	30,809
Total	**72,960**	**62,106**	**162,709**	**30,974**

Note 9 Financial expenses

	Group		Parent Company	
	2019	2018	2019	2018
Interest expense	33,191	2,039	21,109	737
Exchange rate differences	95,290	38,986	144,270	9,814
Total	**128,481**	**41,025**	**165,379**	**10,551**

Note 10 Income tax

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Current tax				
Sweden	15,109	18,412	15,109	18,412
Outside Sweden	29,465	28,148	-	-
Total current tax	**44,575**	**46,560**	**15,109**	**18,412**
Deferred tax				
Sweden	1,464	-1,233	220	-1,233
Outside Sweden	-1,702	-378		
Total deferred tax	**-238**	**-1,611**	**220**	**-1,233**
Total tax expense	**44,337**	**44,949**	**15,329**	**17,178**

Note 10 Income tax (cont.)

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Difference between real tax expense and tax expense based on applicable tax rate				
Recognized profit before tax	473,206	622,178	361,463	587,098
Tax according to applicable tax rate 21.4% (22.0%)	101,266	136,879	77,353	129,162
Difference in tax rate in foreign operations	-63,310	-96,293	-	-
Effects of changed tax rate	-	-	-	
Non-taxable income	-	-	-66,763	-113,028
Tax attributable to prior years	1,469	-1019	1,469	-971
Tax effect from non-deductible items	4,912	5,383	3,270	2,015
Recognized tax expense	**44,337**	**44,949**	**15,329**	**17,178**
Specification deferred tax expense				
Tax on appropriations	-1,685	-	-	-
Tax on temporary differences	1,447	-1,611	220	-1,233
Recognized deferred tax expense	**-238**	**-1,611**	**220**	**-1,233**
Specification of deferred tax liability and tax receivable				
Tax on appropriations	-1,685	-	-	-
Tax on temporary differences *	-60,153	-4,226	-3,174	-3,396
Recognized deferred tax liability and tax receivable	**-61,838**	**-4,226**	**-3,174**	**-3,396**

* MSEK 58.3 is related to the acquisition of Red Tiger, where the primary increase refers to the consolidated surplus values identified in conjunction with the acquisition analysis for Red Tiger. The applicable tax rate is 5% to reflect the effective tax rate for the Group in Malta.

As at 12/31/2019, there was no recognized or unrecognized tax loss carryforwards.

Note 11 Earnings per share

	Group	
	2019	**2018**
Profit after tax attributable to Parent Company shareholders (TSEK)	428,870	577,229
Average number of shares (thousand)	239,469	240,131
Average number of shares (thousand), diluted	239,469	240,131
Earnings per share (SEK)	1.79	2.40
Earnings per share (SEK), diluted	1.79	2.40

The Company bought back one million B shares during the year. The number of shares outstanding after dilution at year-end 2019 was thus 239,130,860.

Stock option programs

	2016–2019	2017–2020	2019–2022
Strike price	109.7	92.4	35.6
Outstanding at beginning of period	1,359,860	665,000	-
Allocated during the period	-	-	1,000,000
Options bought back during the year	-	40,000	68,757
Options that expired during the year	1,359,860		
Outstanding at period end	-	625,000	931,243
Redeemable at period end	-	-	-
Total outstanding options, all programs			1,556,243
Weighted strike price, all programs			58.4

Valuation according to Black–Scholes

Stock option program 2017–2020

Option price (SEK)	5.05
Assumptions for valuation	
Average share price (SEK)	71.1
Strike price (130%)	92.4
Expected volatility	30.0%
Term	
Expected cash returns (SEK)	
4/30/2018	2.15
4/30/2019	2.44
4/30/2020	2.87
Risk-free rate	-0.44%
Liquidity discount	15%
Option value before discount (SEK)	5.94

Valuation according to Black-Scholes

Stock option program 2019-2022

Option price (SEK)	2.15
Assumptions for valuation	
Average share price (SEK)	27.4
Strike price (130%)	35.6
Expected volatility	37.5%
Term	
Expected cash returns (SEK)	
4/30/2020	2.26
4/30/2021	2.28
4/30/2022	2.36
Risk-free rate	-0.52%
Liquidity discount	15%
Option value before discount (SEK)	2.53

Stock option program 2017–2020

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

Stock option program 2019–2022

The Annual General Meeting on May 10, 2019, resolved to introduce a new long-term incentive program for some employees in the NetEnt Group. The total number of issued and outstanding stock options at year-end is 931,243, with the right to subscribe for an equal number of shares in NetEnt AB. The stock options were issued at the market price of SEK 2.15 per option (option premium) according to a valuation based on the Black-Scholes model. The strike price for the options was set at SEK 35.60 and subscription for shares can take place during the period from August 1–October 1, 2020.

The average share price, SEK 31.17 during the year, is below the strike price of both of the stock option programs.

Note 12 Intangible fixed assets

Acquisition of Group companies

On September 5, 2019, 100 percent of the share capital in Red Tiger Gaming Limited ("Red Tiger") was acquired and included in the Group's financial statements from the beginning of September. Red Tiger is a supplier of online gaming for gaming operators globally. The company was founded in 2014 and as at December 31 had 168 employees with operations in Malta, Bulgaria, Isle of Man, Gibraltar and Alderney. The acquisition, which was financed through a bank loan and existing cash and cash equivalents, amounted to MGBP 200 with a potential contingent consideration of at the most MGBP 23 that can be paid in 2022. The contingent consideration is conditional on the financial performance of Red Tiger during the years 2020–2021 and is posted as a liability at present value in the balance sheet as at December 31, 2019. The present value of the contingent consideration is calculated using a discount rate (WACC) of 10 percent.

The acquisition of Red Tiger, totaling MSEK 1,133, of which the brand represents a value of MSEK 399, customer relationships MSEK 444 and games, including RT's jackpot platform, MSEK 290. The remainder of the total consideration, MSEK 2,580, according to the preliminary acquisition analysis consists of goodwill of MSEK 1,447, primarily attributable to the unique competence within gaming and game production and the strong market position that Red Tiger and its personnel are contributing.

The acquisition was not impairment tested on December 31, 2019, since the acquisition was completed at the end of the year and there were no indications of a loss in value.

Preliminary acquisition analysis

Acquired net assets	MSEK
Customer relationships	444.0
Brands	399.1
Technical platform	45.4
Game portfolio	244.4
Deferred tax*	-56.6
Other intangible assets	62.6
Tangible assets	2.8
Accounts receivable	38.9
Cash and cash equivalents	112.5
Other current assets	10.0
Other non-current liabilities	-153.3
Accounts payable	-4.8
Other Current liabilities	-40.3
Total acquired net assets	**1,104.6**

* Deferred tax is calculated at 5 percent in the preliminary acquisition analysis.

Purchase consideration	MSEK
Original consideration	2,336.4
Contingent consideration, posted as liability	215.6
Total consideration	**2,552.0**
Fair value of acquired net assets	-1,104.6
Goodwill	**1,447.4**

Depreciation/amortization periods, acquired net assets	
Customer relationships	10 years
Games and platform	3 years
Jackpot functionality	6 years

The acquisition analysis is preliminary since the allocation of the value of each identified asset class could change.

Impact on consolidated cash and cash equivalents from acquisition of Red Tiger

Investing activities	MSEK
Original consideration	2,336.4
Contingent consideration	57.5
Cash and cash equivalents in acquired subsidiary	-112.5
Impact from acquisition on cash and cash equivalents	**2,281.4**

Note 12 Intangible fixed assets (cont.)

Group	Gaming products, gaming systems and gaming platforms	Gaming contracts and concessions	Licenses and ERP systems	Goodwill	Brands	Customer relationships	Total
2018							
Opening acquisition cost	929,867	1,615	36,217	-	-	-	967,699
Capitalized development expenditure for the year	145,722	-	1,801	-	-	-	147,523
Translation difference	39,698	-	-	-	-	-	39,698
Closing accumulated cost	**1,115,287**	**1,615**	**38,018**	**-**	**-**	**-**	**1,154,920**
Opening depreciation	630,525	1,615	17,351	-	-	-	649,491
Depreciation for the year	134,673	-	4,628	-	-	-	139,301
Impairment for the year	5,227	-	-	-	-	-	5,227
Translation difference	22,377	-	3,738	-	-	-	26,115
Closing accumulated amortization and impairment	**792,802**	**1,615**	**25,717**	**-**	**-**	**-**	**820,134**
Closing residual value according to plan, 12/31/2018	**322,485**	**-**	**12,301**	**-**	**-**	**-**	**334,786**
2019							
Opening acquisition cost	1,115,287	1,615	38,018	-	-	-	1,154,920
Capitalized development expenditure for the year	214,388	-	16,358	-	-	-	230,746
Acquisition subsidiary	289,791	-	-	1,447,419	399,124	443,971	2,580,305
Translation difference	26,576	-	-	41,744	11,480	12,770	92,570
Closing accumulated cost	**1,646,042**	**1,615**	**54,376**	**1,489,163**	**410,604**	**456,741**	**4,058,541**
Opening depreciation	792,802	1,615	25,717	-	-	-	820,134
Depreciation for the year	194,208	-	2,791	-	-	14,412	211,411
Translation difference	17,084	-	-	-	-	-	17,084
Closing accumulated amortization and impairment	**1,004,094**	**1,615**	**28,508**	**0**	**0**	**14,412**	**1,048,629**
Closing residual value according to plan, 12/31/2019	**641,948**	**-**	**25,868**	**1,489,163**	**410,604**	**442,329**	**3,009,912**

Parent Company	Gaming products, gaming systems and gaming platforms	Gaming contracts and concessions	Licenses and ERP systems	Total
2018				
Opening acquisition cost	24,433	1,615	30,651	56,699
Investments for the year	-	-	1,800	1,800
Closing accumulated cost	**24,433**	**1,615**	**32,451**	**58,499**
Opening depreciation	24,433	1,615	26,624	52,672
Depreciation for the year	-	-	2,567	2,567
Closing accumulated depreciation	**24,433**	**1,615**	**29,191**	**55,239**
Closing residual value according to plan, 12/31/2018	**-**	**-**	**3,260**	**3,260**
2019				
Opening acquisition cost	24,433	1,615	32,451	58,499
Investments for the year	-	-	9,625	9,625
Closing accumulated cost	**24,433**	**1,615**	**42,076**	**68,124**
Opening depreciation	24,433	1,615	29,191	55,239
Depreciation for the year	-	-	2,107	2,107
Closing accumulated depreciation	**24,433**	**1,615**	**31,298**	**57,346**
Closing residual value according to plan, 12/31/2019	**-**	**-**	**10,778**	**10,778**

Note 13 Property, plant and equipment

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Plant and equipment				
Opening acquisition cost	355,354	319,228	124,439	121,369
Investments for the year	20,203	29,823	5,045	4,170
Translation differences	4,980	9,733	-	
Sales and disposals	-	-3,430	-	-1,100
Closing accumulated cost	**380,537**	**355,354**	**129,484**	**124,439**
Opening depreciation	289,562	233,991	110,661	95,554
Sales and disposals	-	-1,251	-	-474
Depreciation for the year	40,735	50,265	9,411	15,581
Translation differences	5,256	6,557	-	-
Closing accumulated depreciation	**335,553**	**289,562**	**120,072**	**110,661**
Closing residual value according to plan	**44,984**	**65,792**	**9,412**	**13,778**
Leasehold improvements				
Opening acquisition cost	97,980	94,068	70,636	70,469
Investments for the year	6,752	3,914	1,555	166
Translation differences	-2	-2	-	-
Closing accumulated cost	**104,730**	**97,980**	**72,191**	**70,635**
Opening depreciation	40,725	27,960	32,022	24,322
Depreciation for the year	12,839	12,759	7,855	7,700
Translation differences	1,440	6	-	-
Closing accumulated depreciation	**55,004**	**40,725**	**39,877**	**32,022**
Closing residual value according to plan	**49,726**	**57,255**	**32,314**	**38,613**

Note 14 Participations in Group companies, Group and Parent Company

Parent Company	Corp. ID no.	Domicile	Ownership holding %	No. of shares or participations	Parent Company Book value 2019	Book value 2018
Name						
NetEnt Technology AB	556185-1758	Stockholm	100%	1,000	89	89
NetEnt Gaming Solutions PLC	C 47277	Malta	0.0017%	1		
NetEnt Malta Holding Ltd.	C 37769	Malta	100%	40,000	3,883	423
– NetEnt Malta Ltd.	C 34838	Malta	100%	40,000		
– NetEnt Product Services Ltd.	C 38803	Malta	100%	3,000		
– NetEnt Poland sp.zoo.o	363625687	Poland	100%	100		
– NetEnt Ukraine LLC	380 906 40	Ukraine	100%	n/a	-	3,460
– NetEnt International Ltd	017601V	Isle of Man	100%	1,199		
– NetEnt Gaming Solutions PLC	C 47277	Malta	99.9983%	59,999		
– NetEnt Software Ltd	C 73758	Malta	100%	2,000		
– NetEnt (Gibraltar) Ltd	97195	Gibraltar	100%	2,000		
– NetEnt Emerging Markets Ltd	C87995	Malta	100%	1,200		
– NetEnt Emerging Markets IOM Ltd	016618V	Isle of Man	100%	1		
– Red Tiger Gaming Ltd	128396C	Isle of Man	100%	100,000		
– NetEnt UK Ltd	12038243	UK	100%	1,000		
NetEnt Alderney Ltd	1790	Alderney	100%	1,000	9	9
NetEnt Americas Holding Inc.	5627584	USA	100%	5,000	630	630
– NetEnt Americas LLC	0400697458	USA	100%	n/a		
Total					**4,611**	**4,611**

	Parent Company	
	2019	**2018**
Changes in participations in Group companies		
Opening acquisition cost	4,611	4,611
Closing book value	**4,611**	**4,611**

Note 15 Accounts receivable

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

At December 31, 2019, total accounts receivable were SEK 227,173 (65,968). Of these, 171,945 were past due (54,455). A provision for expected credit losses of SEK 7,252 (1,541) was made during the year. This refers to a number of independent customers who have not previously had payment difficulties. Confirmed bad debt losses during the period and an age analysis of consolidated accounts receivable are presented below. The age analysis contains total accounts receivable and receivables for which provisions have been made. For the Group's accounts receivable, current outstanding receivables are reconciled in accordance with a model in which they are divided into three customer categories associated with different risk classes: (1) Large customers (2) European customers (3) Non-European customers. The estimation of the Group's provisions for expected credit losses is based on this model.

Maturity analysis of non-impaired accounts receivable

Group

TSEK	12/31/2019	Provisions for bad debts	12/31/2018	Provisions for bad debts
Receivables not past due	55,227	-211	11,514	-82
1–30 days	105,389	-417	36,969	-164
31–90 days	48,539	-1,872	10,598	-255
91–180 days	17,316	-4,561	2,288	-385
Over 181 days	702	-190	4,600	-655
Total	**227,173**	**-7,252**	**65,968**	**-1,541**

No accounts receivables refer to the Parent Company for 2019 or 2018. The Parent Company's internal receivables from subsidiaries have been excluded in this compilation and analysis.

The increase in accounts receivables between the years is explained largely by the introduction of a new finance and invoicing system at the end of 2019 that resulted in later invoicing in December than normal.

Provision for bad debts

	Group	
TSEK	**12/31/2019**	**12/31/2018**
Provision at start of year	1,541	1,359
Provision for bad debts during the year	5,684	4,104
Confirmed bad debt losses during the year	27	-3,922
Closing provision	**7,252**	**1,541**

Not 16 Prepaid expenses and accrued income

	Group		Parent Company	
	12/31/2019	12/31/2018	12/31/2018	12/31/2018
Accrued income	143,550	151,646	-	-
Prepaid rent	20,037	23,519	13,830	14,347
Prepaid license expenses	21,232	18,778	19,196	16,597
Other prepaid expenses	16,138	17,093	9,738	6,297
Total	**200,957**	**211,036**	**42,764**	**37,241**

Note 17 Other receivables

	Group		Parent Company	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
VAT	13,345	12,006	13,112	10,654
Receivables from operators	39,463	38,342	-	-
Other	2,856	1,518	2,679	1,371
Total	**55,664**	**51,866**	**15,791**	**12,025**

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

Other assets

	Group		Parent Company	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Deposit Spain	10,434	10,275	-	-
Other contract assets	15,672	19,987	-	9,683
Total	**26,106**	**30,262**	**-**	**9,683**

Deposit Spain refers to a deposit of MEUR 1 that has been paid as part of the Spanish licensing procedure.

Note 18 Cash and cash equivalents

	Group		Parent Company	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash and bank balances	265,458	500,845	41,250	153,230
Total	**265,458**	**500,845**	**41,250**	**153,230**

Note 19 Equity

	12/31/2019		12/31/2018	
Share capital composition	**No. shares**	**Share capital**	**No. shares**	**Share capital**
Shares, series A (10 votes per share)	33,660,000	169	33,660,000	169
Shares, series B (1 vote per share)	206,470,860	1,036	206,470,860	1,036
Total number of shares	**240,130,860**	**1,205**	**240,130,860**	**1,205**

Quotient value per share SEK 0.005

Shares bought back

For calculations of key ratios such as earnings per share, the number of shares is adjusted for the share bought back by the Company. The number of shares bought back at year-end amounted to 1,000,000 B shares.

Group

Other capital contributed

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

Reserves

Translation reserve

The translation reserve includes all foreign exchange rate differences arising when translating financial statements from foreign operations that prepared their own financial statements in a different currency than the currency in which the Group's financial statements are presented. At year-end, the accumulated translation difference was TSEK 170,297 (32,258). The year's change in the translation difference consists largely of the restatement of the Red Tiger acquisition.

Specification reserves	Translation difference
Opening balance 1/1/2018	**24,550**
Translation difference for the year	7,708
Closing balance, 12/31/2018	**32,258**
Opening balance 1/1/2019	**32,258**
Translation difference for the year	138,038
Closing balance, 12/31/2019	**170,297**

Retained earnings incl. profit for the year

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

Proposed/conducted distribution to shareholders

The Board of Directors proposes to the Annual General Meeting that no dividends be distributed for the 2019 business year.

The Board proposes that the AGM resolve on a distribution to shareholders of MSEK 239.1 (538.0), equal to SEK 1.00 (2.25) per share through a share redemption program.

Note 20 Untaxed reserves

	Parent Company	
	12/31/2019	**12/31/2018**
Untaxed reserves		
Depreciation/amortization in excess of plan	-	-
Tax allocation reserve, fiscal 13	-	-
Tax allocation reserve, fiscal 14	-	7,658
Tax allocation reserve, fiscal 15	11,816	11,816
Total	**11,816**	**19,474**

Note 21 Other liabilities

	Group		Parent Company	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Other current liabilities				
Accumulated Jackpot*	106,755	67,450	-	-
VAT	20,139	59,231	-	-
Salary-related tax	12,174	12,195	7,175	8,891
Total	**139,067**	**138,876**	**7,175**	**8,891**

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

Note 22 Accrued expenses and deferred income

	Group		Parent Company	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Accrued employee benefits	7,888	42,697	3,395	35,621
Vacation pay liability	32,637	32,722	28,711	29,411
Social security expenses	15,740	17,487	15,566	17,385
Employer's contribution	9,234	10,139	9,234	10,139
Deferred income	41,957	19,987	4,525	-
Other	28,066	61,154	28,498	12,083
Total	**135,522**	**184,186**	**89,929**	**104,639**

Note 23 Leases/IFRS 16

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

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Expensed lease payments and rental charges *	750	72,210	51,183	55,924
Total	**750**	**72,210**	**51,183**	**55,924**

Amounts for 2018 include leases for, for example, the rental of office premises in accordance with IAS 17, where lease payments are expenses on a straight-line basis over the term of the lease. IFRS 16 was applied in 2019, where only contracts of less than TSEK 50 with a period of up to 12 months are expensed on a straight-line basis over the lease term.

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

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Within one year *	1,036	61,912	48,848	46,782
Two to five years *	1,091	200,230	129,864	170,193 **
After five years *	-	2,545	-	-
Total	**2,127**	**264,687**	**178,712**	**216,975**

* The implementation of IFRS 16 has meant that lease expenses were moved to the IFRS 16 section of this note.
** The value for 2018 has been adjusted compared to the 2018 annual report

Not 23 Leases/IFRS16 (cont.)

Effects on assets, liabilities and equity, January 1, 2019

TSEK	Recognized balance sheet items	Restatement to IFRS 16	Restated balance sheet items
Non-current assets	463,851	-	463,851
Other non-current receivables	30,261	282,400	312,661
Total non-current assets	**494,112**	**282,400**	**776,512**
Other receivables	145,835	-	145,835
Prepaid expenses and accrued income	211,036	-16,600	194,436
Cash and cash equivalents	500,845	-	500,845
Total current assets	**857,716**	**-16,600**	**841,116**
Total assets	**1,351,828**	**265,800**	**1,617,628**
Share capital	1,205	-	1,205
Other capital and provisions	126,070	-	126,070
Retained earnings incl. profit for the period	828,745	-	828,745
Total equity	**956,020**	**-**	**956,020**
Advance payments from customers	7,290	-	7,290
Leases	-	208,500	208,500
Deferred tax liability	10,245	-	10,245
Total non-current liabilities	**17,534**	**208,500**	**226,034**
Other liabilities	194,088	-	194,088
Leases	-	64,800	64,800
Accrued expenses and deferred income	184,186	-7,500	176,686
Total current liabilities	**378,274**	**57,300**	**435,574**
Total equity and liabilities	**1,351,828**	**265,800**	**1,617,628**

Not 23 Leases/IFRS16 (cont.)

Right of use

TSEK	Buildings	Equipment	Total (MSEK)
Cost			-
As at January 1, 2019	281,947	453	282,400
Adjustment for new rights of use	9,151	-	9,151
Adjustment for terminated rights of use	-1,783		-1,783
As per December 31, 2019	289,315	453	289,768
Accumulated depreciation/amortization			-
As at January 1, 2019	-	-	-
Depreciation for the year	60,486	453	60,939
As per December 31, 2019	60,486	453	60,939
Carrying amount			-
As per December 31, 2019	228,829	-	228,829

Amounts reported in profit and loss	**2019**
TSEK	
Depreciation of rights of use	60,939
Interest expense for lease liabilities	3,946

Maturity analysis:	**12/31/2019**
TSEK	
Year 1	63,165
Year 2	62,721
Year 3	52,447
Year 4	34,842
Year 5	1,734
Later than 5 years	634

Classified as:	
Non-current liabilities	152,379
Current liabilities	63,165

Assumptions IFRS 16
In the calculation of IFRS 16, NetEnt has used 1.5 percent as the incremental borrowing rate, which corresponds to a market rate that is equal to what it would cost to raise this externally. The Company analyzed differences between countries where NetEnt has its leases and the various lease types and determined there are no material differences, which is why this interest rate is used for the Group.

The Company has analyzed and evaluated each lease and chosen not to include any extension options in the calculation of future lease payments. Since the contracts' original lease terms cover several years, given current uncertainty factors regarding the future development, it is not reasonable to assume that extension options will be exercised. This is evaluated on an ongoing basis if we should extend or change offices at every extension.

NetEnt has a long contract for our office in Gibraltar (21 years), but it is possible to leave the contract after 6 years (2022). In the calculation we have assumed that we will exercise this option. The cost to terminate the contract is six months' rent.

NetEnt has not added in any variables from the rental contract (e.g. property tax).

Note 24 Auditor remuneration

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

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Deloitte				
Audit assignment	1,600	1,326	820	805
Audit services besides the audit assignment	279	240	200	0
Tax advisory services	280	380	-	130
Total	**2,159**	**1,946**	**1,020**	**935**

Note 25 Related-party transactions

Relations

Group

The Company's largest shareholder, the Hamberg family, controls around 20% of the votes in NetEnt, and thus has a controlling influence in the Company.

Information about Board members and the senior management of NetEnt is provided on pages 34–35.

Parent Company

The subsidiaries with which the Parent Company has transactions and dealings are described in Note 14 Participations in Group companies.

Transactions and outstanding balances

Group

Remuneration for the Board and senior management is described in Note 6.

	Parent Company	
	2019	**2018**
Purchase of services from related parties		
Purchases from subsidiaries	0	20,660
– % of total operating expenses	0.00%	2.78%
Sale of services to related parties		
Sale to subsidiaries	710,414	784,475
– % of total income	97.49%	99.82%
Liability to related parties		
Liability to subsidiaries	114,900	-
Receivables from related parties		
Receivables from subsidiaries	755,143	527,997
Non-current loan receivable at subsidiaries	2,000	643

Note 26 Financial risks

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

The wholly owned operating subsidiaries are responsible for the management of their financial risks within the established frameworks of the Finance Policy.

Foreign exchange risk

Consolidated profit is exposed to fluctuations in exchange rates since most sales are in EUR, while a large portion of the expenses are in SEK (transaction exposure). Profit is also affected by exchange rate fluctuations when the profits of foreign subsidiaries are translated into SEK (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 SEK had depreciated/appreciated by 10 percent in relation to EUR and other currencies in the Group, with all other variables constant, earnings for the year as at December 31, 2019, would have been MSEK 108.3 (113.3) higher/lower. Of the Group's total expenses, 50 (54) percent 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. No currency hedging was carried out in 2019 or 2018.

Interest rate risk

The interest rate risk to which the Group's income and expenses are exposed is low. Changes in interest rates affect the return on cash and cash equivalents obtained by the Group and the rate paid on the loans. As at the end of December 2019, the Company had external loans totaling MSEK 2,238 (-), which refers to the acquisition of Red Tiger in September 2019. This amount is raised in two separate loans in EUR, the first of which is MEUR 103.0 and amortized during the term of the loan up through September 2023. The second loan is MEUR 114.5 and is amortized in its entirety in September 2023. There is also an unutilized loan of MEUR 25.5 that is related to the contingent consideration that falls due at the beginning of 2022. Interest rate and other terms and conditions are competitive and entail in part that NetEnt must fulfill a number of financial key ratios as of Q4 2019.

Note 26 Financial risks (cont.)

Credit risk

The Group does not have any significant concentration of credit risks. No customer accounts for over 5 percent of the Group's total revenues, with the three largest customers accounting for 13 percent of the Group's revenues in total. 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, providing a short customer credit term, the credit risk is further reduced. Management is of the opinion that the Group has routines to handle credit risk exposure to each individual customer. Maximum credit risk exposure is matched by the carrying amount of financial assets. In 2015, the Group paid a deposit to the Spanish gaming authority in accordance with the Spanish licensing procedure. This deposit may constitute a credit risk since the term of the deposit is not entirely set, but the management judges the risk to be low. The Company's assessment is that the risk for cash and cash equivalents is low since 56 percent of the consolidated surplus liquidity is in accounts at a Swedish commercial bank with a very good credit rating. Of the surplus liquidity, 27 percent is in accounts at a commercial bank on Isle of Man and 10 percent at a Maltese commercial bank. Both banks have a good credit rating.

Liquidity risk

Liquidity risk is managed by means of the Group holding sufficient cash and cash equivalents to finance the operations. Management also carefully monitors rolling forecasts for the Group's liquidity reserve, which consists of cash and cash equivalents (Note 18) on the basis of expected cash flows. Group financial liabilities essentially consist of bank loans and accounts payable, for which the contractual due date falls within 12 months. Accounts payable usually have a 30-day term of credit. As of December 3,1 2019, Group liabilities recognized under financial risks in Note 26 amounted to MSEK 301.9 (294.6). These liabilities consist of bank loans of MSEK 237.6 (-), accounts payable of MSEK 27.3 (30.8), accrued expenses of MSEK 106.0 (120.7), deferred income of MSEK 29.5 (63.5) and other liabilities of MSEK 182.1 (79.6). All liabilities fall due within 12 months of the closing date of the financial year.

Capital management

The external loans that the Group has as at December 31, 2019, are attributable to the acquisition of Red Tiger; see the section on credit risk above. Capital consists of equity and the Company's dividend policy in the form of the share redemption program.

Note 26 Financial risks (cont.)

Categorization of financial instruments 2019

Amounts in this table are measured at amortized cost.

Group	2019	2018
Accounts receivable	219,920	64,427
Other current receivables	42,319	39,860
Prepaid expenses and accrued income	143,550	151,646
Cash and cash equivalents	265,458	500,845
Total financial assets	**671,247**	**756,778**
Other liabilities	106,755	67,450
Contingent consideration	229,790	-
Bank loans	2,238,251	-
Accounts payable	36,945	30,791
Total financial liabilities	**2,611,741**	**98,241**

Parent Company	2019	2018
Receivables from Group companies	2,755,786	527,997
Cash and cash equivalents	41,250	153,230
Total financial assets	**2,797,036**	**681,227**
Bank loans	2,238,251	-
Accounts payable	22,979	23,301
Total financial liabilities	**2,261,230**	**23,301**

Financial assets are managed in accordance with the "hold to collect" business model. See Note 2, Accounting principles. Financial assets are measured at amortized cost. The contingent consideration that falls due in March 2022 is calculated as present value using a discounted rate of 10 percent. The contingent consideration is measured at Level 3 and is conditional on earnings performance in which NetEnt made the assessment this will be met to 100 percent. Other assets and liabilities are measured at Level 2. A calculation of fair value based on discounted future cash flows, in which the discount rate that reflects the counter-party's credit risk is the most significant input data, is not considered to give any significant difference from the carrying amount of financial assets and financial liabilities included in level 2. For all financial assets and liabilities, the carrying amount is therefore considered to be a good approximation of fair value.

The three levels of measurement in the hierarchy for fair value are as follows: Level 1: Quoted (unadjusted) prices on active markets for identical assets and liabilities. Level 2: Measurement model based on observable data for the asset or liability other than the quoted prices included in Level 1, either direct (prices) or indirect (derived prices). Level 3: Measurement models where significant input data is based on non-observable data.

Maturity analysis

Group 12/31/2019	Within 3 months	3–12 months	1–5 years	More than 5 years	Total
Assets					
Accounts receivable	219,920	-	-	-	219,920
Accrued income	143,550	-	-	-	143,550
Total assets	**363,470**	**-**	**-**	**-**	**363,470**
Liabilities					
Liabilities to credit institutions	145,831	151,512	2,059,086	-	2,356,429
Other liabilities*	233	466	274,950	-	275,649
Lease liability	18,011	58,832	159,868	694	237,405
Accounts payable	36,945	-	-	-	36,945
Total liabilities	**201,021**	**210,810**	**2,493,905**	**694**	**2,906,429**

* Refers to contingent consideration for the acquisition of Red Tiger.

Note 26 Financial risks (cont.)

Analysis of non-cash changes of interest-bearing liabilities

Total liabilities attributable to financial cash flows	OB	Change in accounting principles, IFRS 16	Changes from cash flow items: Financial cash flows	Changes from non-cash flow items: New borrowing	Reclassification	Foreign exchange effects, change in rights of use	CB
Non-current interest-bearing liabilities							
Non-current bank loans	-		2,052,616			-51,973	**2,000,643**
Non-current lease liability	-	208,500		6,143	-68,968	6,704	**152,379**
Current interest-bearing liabilities							
Current bank loan	-		243,781			-6,173	**237,608**
Current lease liability	-	64,800	-61,071	3,007	68,968	-12,539	**63,165**

Note 27 Events after the end of the financial year

It is difficult at this time to get an overview of the impact of the COVID-19 pandemic, and the conditions are changing rapidly. Canceled and postponed sporting events are expected to decrease sports betting revenue in the short term. For NetEnt, there is also a risk that casino game activity could also decrease as a result of the downturn in sports betting.

In the past, NetEnt's revenues have not been negatively affected by a weaker economy. However, the online gaming industry is affected to a certain extent by the general state of the economy. A deep economic recession could lead to a reduction in the disposable income of consumers and consequently the demand for digital entertainment, including online casino games. It is therefore possible that NetEnt's revenues and profit will be negatively affected by the weaker economy following COVID-19.

Note 28 Contingent liabilities

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

	Group		Parent Company	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Pension commitments	19,640	15,126	19,640	15,126
Total	**19,640**	**15,126**	**19,640**	**15,126**

Note 29 Appropriation of profit

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

The following is at the disposal of the AGM (TSEK)	
Retained earnings	22,111
Share premium reserve	61,035
Profit for the year	346,134
	429,280
The Board of Directors proposes	
That the following be carried forward	429,280
Pro forma after distribution to shareholders	
Retained earnings	
incl. profit for the year	429,280
Distribution to shareholders	-239,131
	190,149

STATEMENT OF ASSURANCE FROM THE BOARD OF DIRECTORS AND CEO

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

Stockholm, March 18, 2020

Fredrik Erbing
Chair of the Board

Therese Hillman
Chief Executive Officer

Christoffer Lundström
Board member

Peter Hamberg
Board member

Jonathan Pettemerides
Board member

Lisa Gunnarsson
Board member

Maria Redin
Board member

Pontus Lindwall
Board member

Our audit report was submitted on March 24, 2020
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 report and consolidated financial statements of NetEnt AB (publ) for the financial year 1/1/2019—12/31/2019, except for the corporate governance report and the sustainability report on pages 29–39 and 4049, respectively. The annual report and consolidated financial statements of the company are included on pages 20–84 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements 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 December 31, 2019, and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance report and the sustainability report on pages 29–39 and 40–49, respectively.

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

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

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

Basis for opinions

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

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

Key audit matters

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

Revenues

NetEnt's revenues for 2019 amount to approximately MSEK 1,793 and consist mainly of license revenues relating to in-house developed online gaming products and services of which the proprietary platform NetEnt Casino™ represents a substantial part. The company's customers pay fees (royalty) based on the game win that is generated by the product at the customer. In addition to royalties, the company earns revenues from installation and integration of NetEnt Casino™ for its customers.

If a promise regarding a good or service meets the criteria for being "distinct," it is a performance commitment that must be recognized separately from other goods and services in the agreement. Income is recognized when the control of underlying goods or services for the performance commitment has been transferred to the customer. The identification of distinct promises (performance commitments) is dependent on senior management's assessments and can have a material impact on when the group's new sales are recognized, which affects the group's profit and financial position. The company's revenues are a significant item and derive from a large number of small transactions that are priced individually based on customer-specific agreements. There is a risk of transactions not being captured, of transactions being inaccurately priced and of set-up fees not being recognized as the same rate at which NetEnt performs its obligations.

For more information, please refer to Note 3 on page 66, which describes the group's significant revenue streams, and the group's accounting policies in Note 2 on pages 61 of the annual report.

Our audit procedures included but were not limited to:
- gaining an understanding of significant transaction flows and critical IT systems, including NetEnt Casino™ and, for these, reviewing the company's key controls in place for managing the risk of misstatement in the financial statements. Our internal IT specialists were involved in the review of IT systems.
- evaluating whether there have been any changes in the company's application of revenue recognition principles and/or judgments regarding revenue recognition.
- for a sample of revenue transactions, sample-testing to assure that they are priced in accordance with prevailing customer contracts and that revenues are recognized in the same period as NetEnt performs its obligations.
- reviewing that required disclosures were provided in notes.

Intangible assets developed in-house

NetEnt has significant development expenditure for gaming products, gaming systems and gaming platforms. Once specific criteria are met, this expenditure is capitalized as intangible assets in the balance sheet. At December 31, 2019, such intangible assets amount to MSEK 358. There is a risk of expenditure that is not directly attributable to the asset, or that does not meet the criteria for capitalization under current accounting standards, being recognized as an asset. Furthermore, there is a risk of such assets not generating economic benefits for the company throughout the management's judged amortization period.

For more information, please refer to Note 12 on page 71 which presents the company's intangible assets and the group accounting policies in Note 2 on page 63 of the annual report.

Our audit procedures included but were not limited to:
- gaining an understanding the company's process for capitalization, rate of amortization, and valuation of intangible assets and reviewing the key controls which the company has in place to minimize the risk of mis-statement in the financial statements.
- evaluating whether there have been any changes in the company's application of accounting policies and/or judgments regarding intangible assets.
- by testing a sample of transactions, ensuring:

– that development expenditure is accurately accounted for in the balance sheet and that amortization starts when the asset is taken into use, and – that expenses for outlays and expenses for own time spent on development projects can be accounted for in the balance sheet in accordance with prevailing regulations.
- reviewing that the company's process for impairment testing of capitalized development expenditure is in compliance with prevailing regulations, and that the company has employed reasonable judgments and provided appropriate disclosures in the annual accounts.

Income tax

NetEnt conducts operations in a number of countries. Some group companies perform services for other group companies and are remunerated in accordance with formal agreements entered on an 'arm's length' basis. We have identified income taxes as a key audit matter since the group conducts operations in a number of countries, with significant transactions between the countries that must be on market-based terms and addressed in compliance with local tax regulations applicable in the countries where the group operates.

For more information, please refer to Note 10 on page 69 for disclosures on the company's income tax and the group's accounting policies in Note 2 on page 63 of the annual report.

Our audit procedures included but were not limited to:
- gaining an understanding of the company's process for identifying and pricing intra-group transactions.
- reading the company's documentation that describes the principles for pricing of intra-group transactions and we have assured, by reviewing a sample of such transactions, that these were in accordance with the company's set principles.
- reviewing that required disclosures were provided in notes.

Business combinations

In 2019, NetEnt acquired Red Tiger for a consideration of MSEK 2,552. Recognition of business combinations requires significant estimates and assessments from the management of the company to identify and recognize acquired assets and liabilities and determine their fair value on the date of acquisition. Since there often are no active markets for these assets and liabilities, measurement models must be used to estimate their fair values, which requires significant estimates and assessments from company management.

For more information, please refer to Note 12 on pages 71–72 for the effects of the business combination and to other group's accounting principles in Note 2 on page 61 of the annual report.

Our audit procedures included but were not limited to:
- reviewing the company's acquisition calculations using internal measurement specialists to assess the acquired identifiable assets and liabilities and set the fair value of assets and liabilities, and
- reviewing applied accounting principles and that the required notes were provided.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, found on pages 2–19 and 90–94. It is the Board of Directors and CEO that are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and CEO

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

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material mis-statement, whether due to fraud or error, and to issue an auditor's report containing our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material mis-statement when it exists. 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 financial decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

- identify and assess the risks of material misstatement of the annual report and consolidated financial statements, 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or neglect 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 CEO.
- conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention thereto in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual report and consolidated financial statements, 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.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of NetEnt AB (publ) for the financial year 1/1/2019–12/31/2019 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with 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 CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. In the case of the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's nature of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

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

Auditor's responsibility

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

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

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

Reasonable assurance is a high level of assurance, but it 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 Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss are based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment, with the starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and in which deviations and violations would have a particular bearing on the company's situation.

We examine and test decisions undertaken, decision-making basis, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for the corporate governance report on pages 29-39 and that it is prepared in accordance with the Annual Accounts Act.

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

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 40–49, and that it is prepared in accordance with the Annual Accounts Act.

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

Deloitte AB, was appointed auditor of NetEnt AB by the annual general meeting of shareholders on 5/10/2019 and has been the Company's auditor since 4/10/2008.

Stockholm March 24, 2020
Deloitte AB

Erik Olin
Authorized Public Accountant

Revenue growth
Percentual increase of operating revenues compared to the previous year. This measure is used by investors, analysts, and the Company's management to assess the Company's growth. The Company's goal is for revenue to grow faster than the market.

EBITDA margin
Operating revenue excluding depreciation/amortization divided by operating revenue. This measure is used by investors, analysts, and the Company's management to assess the Company's profitability.

Operating margin
Operating profit divided by operating revenue. This measure is used by investors, analysts, and the Company's management to assess the Company's profitability.

Return on equity
Net profit for the period as a percentage of average equity. This measure is used by investors, analysts and the Company's management to assess the Company's ability to earn a return on the capital that its shareholders made available.

Equity/assets ratio
Calculated as equity divided by total assets at the end of the period. This measure is used by investors, analysts and the Company's management to assess the Company's payment capacity in the long and short term and the capital structure of the company.

Net interest-bearing liabilities
Net interest-bearing provisions and liabilities minus financial assets and cash and cash equivalents. This measure is used by investors, analysts and the Company's management to assess the Company's financial position and the possibility of distributing money to shareholders.

Cash flow from operating activities per share
Cash flow from operating activities divided by the average number of outstanding shares during the period after dilution. This measure is used by investors, analysts and the Company's management to assess the Company's financial performance and ability to generate positive cash flow.

Average number of employees
Average number of employees restated as full-time equivalents.

Number of employees at year end
Number of employees at the end of the year restated as full-time equivalents.

Number of people employed at year end
The number of employees and external resources such as dedicated persons at sub-contractors and consultants at period end, restated to full-time equivalents.

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

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

Dividend per share
Sent/proposed dividend. Dividend here refers also to distribution to shareholders.

Average number of outstanding shares
Weighted average of the number of outstanding shares during the period, adjusted for bonus issues and share splits.

Total number of shares
The number of the outstanding shares at year end, adjusted for bonus issues and share splits.

ANNUAL GENERAL MEETING

The Annual General Meeting of NetEnt AB (publ) for the financial year January 1–December 31, 2019, will be held in Stockholm on Wednesday, April 29, 2020, at NetEnt's offices on Vasagatan 16. Notice of the Annual General Meeting is published on NetEnt's website, www.netent.com/agm.

Shareholders who wish to participate at the Annual General Meeting must

- in part be entered in the register of shareholders maintained by Euroclear Sweden AB by Thursday, April 23, 2020.
- in part report their intention to participate at the Annual General Meeting no later than April 23, 2020.

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), Attn: Annual General Meeting, Vasagatan 16, 111 20 Stockholm, Sweden
or by email to agm@netent.com or by the form at www.netent.com/agm.

In order to be entitled to participate at the meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name at Euroclear Sweden AB. Shareholders who would like temporarily re-register their shares must notify their nominee well in advance of April 23, 2020.

Other information

NetEnt intends to publish financial information for the 2020 financial year in accordance with the following:

Interim Report January–March 2020	April 22, 2020
Interim Report January–June 2020	July 15, 2020
Interim Report January–September 2020	October 21, 2020
Year-end Report and Q4 2020	February 12, 2021

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Production: NetEnt in cooperation with Detail Produktionsbyrå
Printing: Trydells, Laholm, 2020

MILJÖMÄRKT 3041 0001 TRYCKSAK

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