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# BETSSON AB

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# ANNUAL REPORT

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# 2011

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Betsson AB's Core Business consists of investing and administering shareholdings in companies which - through partners or by themselves - offer games to end users via the internet. Betsson AB owns Betsson Malta which operates games through partnerships and the own websites [www.betsson.com](http://www.betsson.com), [www.casinoeuro.com](http://www.casinoeuro.com) and [www.cherrycasino.com](http://www.cherrycasino.com). Betsson Malta offers Poker, Casino, Sports betting, Scratch Cards, Bingo and Games. Customers primarily originate from the Scandinavian countries and other areas within Europe. Betsson AB is listed on NASDAQ OMX Nordic Mid Cap List, (BETS).

**1,7** SEK BILLION

turnover 2011

**17**

brands on our platform,  
whereof four B2C

**30**

nationalities employed

**5,2** SEK BILLION

deposits during 2011, an increase  
with 34 percent

**9** MILLION

bets per day

**581**

Betsson employees and consultants

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#### More about Betsson:

Betsson's Annual Report can be found at [www.betssonab.com](http://www.betssonab.com).

This site also provides reports, presentations and press releases

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This document is a translation of the Swedish original.

# COMPANY DESCRIPTIONS

## BETSSON AB

### BUSINESS CONCEPT

Betsson AB's business concept is to invest in fast-growing companies operating in the online gaming industry.

### OBJECTIVE

Betsson's objective is to generate long-term growth and responsible profitability in order to provide shareholders with the best possible returns in the long term.

### STRATEGY

Betsson AB and its subsidiaries will grow organically, or via acquisition, inside and outside the EU.

## BETSSON SUBSIDIARIES

### VISION

Betsson Group shall have a stake in every online bet.

### MISSION

- We deliver fun, fair and creative online gaming experiences to the people.
- We strive to be the best where we choose to play.
- We are a creative and dynamic company built by passionate employees.

### BUSINESS MODEL

Attracting new customers at low levels of cost and risk is fundamental to Betsson's business model. Customers arrive via direct registration at our sites or via affiliates that direct players to us. Our products belong to two revenue models: Betsson playing against the customer (Casino, Sportsbook, Scratch Cards, Bingo and Games) and customers playing against each other (Poker). Within our partnerships, profit sharing between us and our partners is based on the gaming surplus generated by the customers on the partner sites.

Betsson acts as the bank for gaming in Casino, Sportsbook, Scratch Cards, Bingo and Games. Sportsbook is distinct from the other types of gaming as Betsson takes a risk when setting the bet based on probable outcome.

Probability is assessed by professional odds compilers. As the customers' bets are often concentrated on a certain result, earnings from bets fluctuate. This risk is, however, minimized over time due to the large number of bets placed in this gaming area. In the other gaming fields, the bets are built into the actual product and, consequently, gaming profits fluctuate to a much smaller degree.

In the Poker operation, Betsson takes a commission (rake) on every pot within cash games and fees for tournaments. The size of the commission depends on the size of the pot or the buy-in for the tournament. Consequently, Betsson takes no direct risk in the gaming itself but, instead, levies a charge for managing the play.

# A WORD FROM THE CEO



**In recent years, Betsson has advanced quickly on the list of the largest and most influential online gaming companies. We are overtaking mid-sized competition and closing in on the market leaders. In the “EGR Power 50 Report” of 2011, Betsson was ranked as the fifth most influential gaming company in the world, up from 12th place the year before. This represents, of course, a clear, strong recognition of our hard work and shows that our business model is right.**

We are living in a time of change. For ten years or so, the online gaming industry has been characterized by massive change: Rapid development, high growth, fun and crazy workplaces, but also legal and political uncertainty. Now at least the uncertainty seems to be coming to an end. We are witnessing a change in policy in most EU member states, who are liberalizing and re-regulating the sector. Betsson welcomes this development, and even though it may place high demands on us in terms of new taxes and compliance rules, we believe that the positive effects of being licensed will outweigh the negative ones – as long as the licensing regime comes with reasonable taxes, is non-discriminatory and allows all forms of online gambling.

The question many industry employees now pose is, “Will it be boring?” I prefer to think that this is when the real fun begins. We are part of a historic moment of change which, in itself, is a challenging and interesting journey. While experiencing these changes and in subsequent years, we will have all the possibilities in the world to continue to develop our business in terms of new creative product offerings and new dynamic business models. And we can continue to have fun, as we have had for the last ten years. This will not be boring, or tedious. While Europe is going through changes, we are taking our first steps in Asia. The Asian gaming market is huge and

Betsson is very well positioned to take advantage of it. In China, we have a first establishment and we are slowly learning how to do business there. In the near future, our main focus in Asia will be on growing this newly established business. Meanwhile, there are other interesting opportunities in Asia which we are pursuing, mainly from a B2B perspective. Asia will continue to be an area of interest for Betsson as we go forward.

From a product perspective, there is also a lot of development and change going on. Good examples are the mobile solutions being developed in the online gaming industry, and Betsson is also highly active in this area. We believe that this year will see mobile gaming really take off. Betsson aims at delivering world class mobile solutions from which our brands can benefit.

Speaking of brands, I often get asked about what it is that makes Betsson deliver such strong growth year after year? Part of the answer definitely lies in the multi-brand strategy pursued by the Group. Betsson currently runs 17 brands, of which 13 are on behalf of our partners. These brands are often niched at a certain market or product segment. This means that, together with our partners, Betsson covers a very broad range of the customer segments on the market. The belief is that customers want variety and that they like to play on many sites simultaneously. Betsson’s strategy caters for this, and while many of our competitors run a “one size fits all” strategy, we believe that the multi-brand approach sets us apart.

The competition in the market is fierce, but in recent years, Betsson has advanced quickly on the list of the largest and most influential online gaming companies in the industry. We are overtaking mid-sized competitors and closing in on the market leaders. In the “EGR Power 50 Report” for 2011, Betsson was ranked as the fifth most influential gaming company in the world, up from 12th place in the year before. This is, of course, a clear, strong recognition of the hard work we have put in and it shows that our business model is right. With Betsson’s current development, steps are being taken to match the market leaders in terms of both product offering and geographical coverage. Betsson will not get carried away and try to do everything at once, but the strategy is to invest in a selected number of “new” products and markets in a focused manner.

At Group level, we will continue to be passionate about what we do. We will continue to be dynamic, creative and fair – in other words, we will do it the Betsson way and continue to build this Company’s culture and soul. And it will be fun.

Stockholm in April 2012

MAGNUS SILFVERBERG  
CEO, BETSSON

# ANNUAL REPORT 2011

The Board of Directors and the CEO of Betsson AB (publ), Corporate Identity Number 556090-4251, with registered offices in Stockholm, hereby present this Annual Report for the financial year 2011 for the Parent Company and Group. The formal annual financial statements, including the Audit Report, are shown on pages 5-50.

The results of this year's operations and the financial position of the Parent Company and the Group are provided in the Directors' Report and the subsequent income statement, balance sheet, cash flow statement and summary of changes in equity with relevant notes and comments.

The reporting currency for the Parent Company and the Group is Swedish kronor (SEK).

The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented for adoption by the Annual General Meeting on 11 May 2012.

## DIRECTORS' REPORT

The Group's operations are focused on Internet gaming. The Parent Company, Betsson AB, invests in and administers gaming and gambling companies operating within the online gaming industry. The Parent Company does not conduct any gaming operations.

Via partnerships and the Malta-based subsidiaries' websites (www.betsson.com, www.betsafe.com, www.casinoeuro.com and www.cherrycasino.com), the subsidiaries offer Poker, Casino, Sportsbook, Scratch cards, Bingo and Games to customers in, primarily, the Nordic countries and the rest of Europe. In addition, the subsidiaries offer systems solutions to other gaming operators.

In this Annual Report, for the sake of simplicity, the word "Betsson" is used throughout to refer to the Group's gaming operations, consisting of the gaming operations of the subsidiary Betsson Malta, which are operated on the basis of gaming licenses in Malta and in Denmark.

## THE GROUP'S REVENUES AND PROFIT

The Group's revenues amounted to MSEK 1,736.6 (1,603.2), an increase of 8 percent.

Gross profit was MSEK 1,428.9 (1,282.1), which is an increase of 11 percent. Operating income increased to MSEK 559.7 (380.6) and the operating margin amounted to 32.2 (23.7) percent.

Profit before tax increased to MSEK 555.4 (382.5) and profit amounted to MSEK 527.8 (365.5), which is the equivalent of SEK 13.12 (9.32) per share, an increase of 41 percent.

## PRODUCTS

Casino games are Betsson's major product and accounted for 67 (58) percent of the total gross profit during the year, followed by Sportsbook 23 (29) percent, Poker 6 (8) percent and Other products which, together, accounted for 5 (4) percent of gross profit.

## CUSTOMERS

At the end of the year, there were 3,662,400 (3,158,200) registered customers, an increase of 16 percent compared with the end of the previous year.

There were 403,600 (300,500) active customers, an increase of 34 percent compared with the previous year. An active customer is defined as a customer who has played for real money during the previous three-month period. Consequently, the definition also includes all players who have played free spins/bets based on offerings from Betsson, Betsafe or Betsson's partners.

## SIGNIFICANT EVENTS IN 2011

### QUARTER 1

Betsson divested the Turkish customer base.

The B2B agreement with Realm Entertainment came into force, whereby the new websites www.Bets10.com, www.CasinoMaxi.com and www.CasinoMetropol.com were launched.

### QUARTER 2

Betsson acquired all of the shares in the Betsafe Group.

Betsson signed an agreement with a Chinese state-owned company regarding the development of joint-owned gaming operations.

### QUARTER 3

Betsson launched three new B2B collaborations. One involves Arsenal, with whom the trademark Gunners Gaming by Betsson was launched on www.gunnersgaming.com. The second collaboration, aimed at the regulated British market, comprises the launch of a niche casino website on www.harrycasino.com. The third collaboration, primarily aimed at sports games and the Portuguese market, was launched during the third quarter on www.dhoze.com

Magnus Silfverberg was appointed CEO and Group Manager of Betsson. The previous CEO, Pontus Lindwall, was appointed Chairman of the Board.

Betsson applied for licenses in Denmark and Italy.

### QUARTER 4

Betsson obtained a license in Denmark.

A new B2B agreement was signed with Berlingske Media in Denmark.

In the mobile area, Betsson launched a Casino application, complementing the existing Livescore and Sportsbook applications.

## INVESTMENTS AND DEPRECIATION

The year's investments in tangible and intangible assets amounted to MSEK 50.9 (57.8), of which MSEK 43.8 (35.7) referred to capitalised development expenditure.

The year's depreciation totalled MSEK 73.8 (49.7), of which MSEK 54.7 (40.0) referred to depreciation of capitalised development expenditure.

Investments were made in the development of gaming platforms, the integration of game and payment solutions, domains, IT hardware for the operation of the internet games and the rebuilding and furnishing of office space.

## EQUITY

As at balance sheet date, equity in the Group amounted to MSEK 1,334.3 (825.6), which was equivalent to SEK 32.24 (20.96) per share after transfer to shareholders via the redemption procedure of SEK 7.00 (9.00) per share, which took place during the second (third) quarter.

Return on equity was 49 (44) percent.

## FINANCING, CASH, CASH FLOW AND GAMING LIABILITIES

Betsson's operations are financed on the basis of its own funds. As of the end of the year, the equity/assets ratio amounted to 59 (55) percent.

Cash flow from operating activities amounted to MSEK 537.2 (396.5), an increase of 35 percent. Cash flow from investment activities amounted to MSEK -248.6 (-44.9), primarily due to the acquisition of the Betsafe Group. In addition, the transfer of funds to shareholders (share redemption programme) had a negative impact on

cash flow of MSEK 275.8 (353.2). At the end of the year, cash and bank balances amounted to MSEK 509.7 (497.1).

Gaming liabilities, including reserves for accumulated jackpots, amounted to MSEK 202.9 (183.4) at the end of the year. The liabilities are covered by the Group's current receivables from payment services suppliers, referring to outstanding customer payments amounting to MSEK 206.9 (270.6).

## PERSONNEL

At the end of the year, the Company had 412 (282) employees, of whom 84 employees have been added through the acquisition of Betsafe.

During the year, the average number of employees in the Group was 340 (268), of whom 252 (191) were based in Malta. In addition, the Group made use of 169 consultants on a full-time basis.

## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

On 19 January, Betsson obtained a special license on the Italian market. The commercial launch under the new license is planned to take place at the beginning of the second quarter.

On 23 January, IGA Betsson was named "OnlineSportsbook Operator of the Year".

In January, [www.betsson.dk](http://www.betsson.dk) and [www.casinoeuro.dk](http://www.casinoeuro.dk) were launched on the Danish market.

On 9 March, Betsson paid the final additional purchase price for the acquisition of Betsafe. The purchase price of MEUR 12.5 was paid through a non-cash issue of 606,817 newly issued Class B shares.

The Board of Directors has communicated its intention to propose at the Annual General Meeting on May 11 that the shares in the subsidiary Angler plc be distributed to the Betsson shareholders and that the Company be listed on Aktietorget. The Investment Memorandum is available on [www.betssonab.com](http://www.betssonab.com).

No other significant events took place after the end of the year.

## THE PARENT COMPANY

The operations of the Parent Company, Betsson AB (publ), are primarily focused on Group management and administration. The Company provides and sells financial, administrative and management services to a number of other Group companies.

The Parent Company's turnover for the year was MSEK 15.6 (16.3), and income before taxes amounted to MSEK 483.9 (335.5).

Net interest income included MSEK 517.6 (360.5) in respect of dividends from subsidiaries.

The Parent Company's investments for the year amounted to MSEK 1.1 (5.3). Cash and cash equivalents totalled MSEK 68.0 (283.0).

At the end of the year, the Company had no bank loans and had not utilised any bank overdraft facilities.

During the year, the Parent Company has executed a share redemption programme, which has implied a transfer of MSEK 275.8 (353.2) to the shareholders.

In conjunction with this share redemption programme, a bonus issue of a total of MSEK 39.7 (39.6) was undertaken in order to restore the Company's share capital.

## OUTLOOK FOR 2012

Betsson expects that the market for Internet gaming will continue to develop strongly. Large numbers of people around the world have no, or very little, access to the Internet. The number of Internet users is increasing rapidly, which constitutes a considerable driving force for the industry. In the regions in which Internet is available, confidence in the Internet as a market place is growing, and

an increasing number of people are using the Internet for banking, share trading, insurance business and shopping. This change in behavioural patterns and the increased confidence in e-commerce are important to the market development.

H2 Gambling Capital estimated, in September 2011, that the European Internet gaming market will increase by 18.4 percent to USD 18.5 billion during 2012. Betsson intends to continue exceeding the market growth level.

Betsson is a stronger company after the acquisition of Betsafe. An ATH in customer deposits and a generally high level of activity on Betsson's gaming sites indicate a continued strong growth.

## SIGNIFICANT RISKS AND FACTORS OF UNCERTAINTY

Betsson's operations are financed on the basis of its own funding, and the Group's financial policy is characterised by low levels of risk. The financial risks are described in Note 32.

In the majority of national markets, gambling and gaming are regulated by law and all such operations are, in principle, required to obtain permits. Consequently, political decisions may affect Betsson's operations (see, for example, the sections on USA, Turkey, Norway and Sweden below). Betsson is dependent on the legal premises for the gaming industry, in particular those within the EU, where the majority of the Company's customers are active. In a number of high-profile or precedent-setting rulings, (Schindler, Läära, Gambelli, Lindman, Placanica, among others) the European Court of Justice has ruled that government restrictions on the gaming industry are, in principle, to be regarded as violations of the basic EU principles. In spite of this, a number of member states have retained their restrictions with the intention of making operations difficult, or even impossible, for private, online operators.

Over the years, the European Court of Justice has tightened the requirements for national monopolies to comply with European law. As the major purpose behind national monopolies is, currently, to generate cash flow to governments, the resultant limitation on the free movement of services created by the states is impossible to defend in terms of compliance with applicable EU law. To summarise, management concludes, that it will be even more difficult for domestic courts to rule, within their "margin of appreciation", in favour of the monopolies.

Within the near future, more European gaming monopolies will most probably face challenges in the form of national court cases. In today's situation, it is difficult to obtain a clear view regarding the manner in which the legal position will influence the commercial premises for online operators. In this context, it should be emphasised that Betsson does not offer its services to customers residing in the USA, due to legislation enforcing a ban on the forwarding of payment transactions linked to Internet gaming in USA, which came into force in October 2006.

Pressure continues to be put on EU countries to adapt their national legislation to applicable EU law, with free movement of goods and services. A number of countries have announced that they are working on new legislation in line with EU requirements. It is still unclear when such new legislation will be introduced into Betsson's major markets, excluding Denmark which was re-regulated at the start of 2012, but when it does occur, Betsson will enjoy increased opportunities for marketing and market presence.

In 2007, Turkey introduced legislation against Internet gaming. The objective of the legislation was to protect its state-owned gaming company, IDDAA. Betsson's Internet-based gaming operations are of a clearly-defined, cross-border character, implying that international law is applicable. According to the principle of the sovereignty of states, each country is of equal value; consequently, the laws of one country cannot take precedence over those of another. Betsson's



market place is, primarily, Malta, where operations are undertaken in accordance with Maltese legislation and governed by the Maltese legal system. As a part of Malta's market place, Betsson is able to claim immunity to, among other things, Turkish regulations which previously prevented Betsson from carrying out its operations. According to legal experts, this is a principle that Turkey and other countries have accepted through their membership in WTO and through other international agreements. In addition to the above, Turkey is aiming to become a full member of the EU and has accepted, in principle, the EU treaty concerning the free movement of goods and services between member states. Turkey has signed an Association Agreement which will regulate the country's journey to full membership of the EU. According to the Company's legal advisers, Turkish gaming legislation is in breach of EU law and is not strictly in line with the Association Agreement. The Turkish legislation has made operations more difficult for Betsson's partners on the Turkish market, even though Turkey has previously been and is also currently unable to apply any sanctions against Betsson due to the principle of sovereignty. Since Betsson sold the Turkish customer base at the start of 2011, it has also had license income for systems delivery to a gaming operator, which is reported in the B2B segment. Some of this income originates from players in Turkey. Income originating from Turkey can be regarded as a higher operational risk than income from other markets. Consequently, Betsson's future income from Turkey may be regarded as more uncertain than the income generated by its other markets.

At the start of June 2010, Norway extended its ban on promoting gaming organised abroad. This ban impacts banks, in that cashing-in services in conjunction with gaming payments to gaming companies made using debit or credit cards, have been prohibited. The ban has had a negative effect on Group earnings in 2010 and 2011.

In Sweden, a public inquiry on gaming was presented in December 2008, with proposals for new gaming legislation. This proposed new legislation has met hard criticism. Betsson's view is that the proposed legislation is in conflict with EU law, and that it will not be introduced in its proposed form.

It is possible that people suffering from gambling addiction may sue companies within the Betsson Group for their addiction. Even though such claims would probably be rejected, they could give rise to considerable cost and could also reduce confidence in the Betsson Group, which could ultimately lead to decreased revenues. Betsson is accredited by the G4 organisation, which works to prevent gambling addiction and, as part of their commitment to this work, the Company has adapted its websites in order to offer full support to the guidelines established by G4. In addition, Betsson has created a department for responsible gaming. Competent, experienced personnel have been recruited so that Betsson will be able to maintain its position as a leader in the field of responsible gaming. One result of Betsson's efforts in managing long-term gambling addiction issues was that, in December 2009, the Company was designated as the world's most socially responsible gaming operator.

Betsson is vulnerable to both seasonal and economic climate variations. Seasonal variations can significantly affect the Company's operations during periods of lower gaming activity and fluctuating results in different sporting events. The economic situation has not, to date, affected the operations to any significant degree.

The interpretation of the current Maltese VAT regulations was amended in 2007 and may impact the expenses of the Maltese subsidiaries. In 2008, Betsson made efforts to reduce the risk of additional VAT for 2008 and onwards. Betsson has reported the tax amounts it believes to be correct, and considers reasonable, considering the uncertainty inherent in the situation, to the Maltese tax authorities. These amounts may, however, prove to be inadequate if the Maltese tax authorities favour an interpretation of the VAT rules which is more restrictive than the assessment Betsson has made,

and which Betsson currently considers to be correct.

Betsson is an international company with operations that are constantly exposed to various currencies. Changes in exchange rates affect Group earnings. The Company aims to reduce currency exposure through effective cash management and currency hedging. The Group will, however, continue to be more or less exposed to exchange rate fluctuations.

## DISPUTES

In 2001, Betsson reported the Swedish Government to the Chancellor of Justice (JK) as the government had not notified its prohibition on prize and wheel of fortune games and also failed to apply reasonable transition regulations. This neglect has cost Betsson considerable sums. Betsson requested that the Chancellor of Justice investigate whether the state was liable for these losses. The Chancellor of Justice ruled, in 2003, that this was not the case. The reason for the decision was not clearly defined and Betsson has, therefore, sought external legal expertise in order to investigate the possibility of suing the state and claiming damages for the breach of EU law. The findings of this study established that the state was, in fact, in the wrong when it did not notify the 1997 legislative changes (Wheel of Fortune) under the provisions on technical regulations stipulated in Directive 98/34 EC. The ban is, consequently, void and cannot be applied to Betsson. The government has, in this context, been guilty of a breach of EC law. In accordance with this assessment, there are, therefore, good prospects for the success of a claim for damages regarding the 1997 amendments. This conclusion finds further support in recent rulings of the EC Court and the Supreme Court. On 1 November 2006, Betsson filed a lawsuit against the state making a claim for damages of MSEK 102. In September 2010, the Stockholm District Court ruled against Betsson in spite of the fact that the ban was illegal. Betsson appealed the ruling to the Svea Court of Appeal, which granted leave to appeal. The Court of Appeal upheld the District Court's ruling in November 2011. Betsson has appealed to the Supreme Court, which has not yet notified whether or not the appeal will be dealt with.

In May 2008, Betsson opened a gaming shop in Stockholm. The Gaming Board of Sweden considered these operations to be in contravention of the Lotteries Act and, on threat of penalty, required the shop to cease the promotion of gaming operations. This decision was appealed by Betsson (Shopsson AB) to the County Administrative Court. The County Administrative Court rejected the appeal, which was, in the Company's opinion, in violation of EU law. Betsson then appealed the decision to the Administrative Court of Appeal. In 2009, the Administrative Court granted leave to appeal and upheld Betsson's claim for interim relief, which meant that the County Administrative Court's ruling no longer applied. In December 2009, the Administrative Court of Appeal issued its ruling that once again, on threat of penalty payment, the shop must cease to promote gaming operations. Betsson held fast to their opinion that the decision was contrary to applicable EU law and appealed, once again, to the Supreme Administrative Court. In order to avoid penalties, the shop was closed. Two days after the shop closed, the Supreme Administrative Court upheld Betsson's claim for interim relief which, in practical terms, means that Betsson, once again, was entitled to conduct operations in anticipation of the Court's decision entering into legal force or the Supreme Administrative Court granting notice to appeal. The shop was opened in January 2010. In September 2010, the Supreme Administrative Court informed Betsson that leave to appeal

would not be granted, implying, in real terms, that the ruling by the Administrative Court was upheld. In order to avoid penalties, Betsson closed the shop. Betsson, however, deemed that the shop had potential for development and on 22 December 2010, the shop was opened for the third time. Betsson is now required to follow the Gaming Board's regulations of 2008, which imply that none of Betsson's advertising or logotypes can be shown in the shop.

On 22 September 2009, the police raided the shop with the purpose of investigating whether illegal one-armed-bandit gambling was taking place. The Prosecutor subsequently found, in line with the belief of management, that there was no basis for prosecution, and this decision was announced in January 2011.

## RESEARCH AND DEVELOPMENT

Betsson does not conduct any research operations. Expenditure on development of gaming platforms and the integration of games and payment solutions are capitalised according to the extent to which they are expected to provide future financial benefits.

## ENVIRONMENT AND SUSTAINABILITY

Betsson does not conduct any operations which require permits or registration under the Environmental Code. For information regarding sustainability, see the separate section on "Sustainable development" on page 9.

## AGREED GUIDELINES FOR SALARIES AND OTHER REMUNERATION

For a description of the guidelines for salaries and other remuneration to senior management as determined by the Annual General Meeting 2011, see Note 8.

## PROPOSAL FOR GUIDELINES FOR SALARIES AND OTHER REMUNERATION

The Board proposes that the Annual General Meeting adopt the following guidelines for remuneration for senior executives. Senior executives are defined as the Group management, which comprises the CEO and CFO of the Parent Company, the CEO of Betsson Malta and the Group's Head of Legal Affairs. The remuneration is to be market based and competitive in order to be able to attract and retain competent senior executives. Remuneration is to be comprised of a fixed salary, in some cases variable remuneration, pension benefits, as well as other benefits such as, in some cases, a company car.

Variable remuneration will be paid only when certain financial targets, established by the Board, have been achieved. Variable remuneration will vary in amount depending on the extent to which the targets have been achieved or exceeded. If the financial targets are exceeded at the highest level (out-performed), the estimated cost for variable remuneration to the senior management Group, including social security contributions, would be approximately MSEK 14.1.

The normal retirement age shall be 65. Pension terms and conditions are to be market-determined and based on defined contribution pension solutions.

The normal period of notice should be six to twelve months if employment is terminated by the Company, and six months if terminated by the executive. If employment is terminated by the Company, a severance payment may be made for an amount corresponding to a maximum of twelve months' salary.

The Board may take decisions diverging from these guidelines in individual cases if special circumstances prevail.

## SHARES AND OWNERSHIP STRUCTURE

The number of shares in the Company at the end of the year totalled 41,394,392 of which 5,420,000 were Class A shares and 35,974,392 Class B shares. Each Class A share entitles the holder to ten votes, whilst each Class B share carries one vote. All shares entitle equal right to Betsson's assets and profit.

The Company's Class B shares are listed on Nasdaq OMX Nordic List, (BETS). At the end of the period, the Company had 12,507 (11,848) shareholders.

The largest shareholders (owners of more than 10 percent of the votes) were Per Hamberg with 8.5 percent of the capital and 20.8 percent of the votes, the Knutsson family with 6.1 percent of the capital and 10.8 percent of the votes, and Rolf Lundström with 3.5 percent of the capital and 10.1 percent of votes.

## AUTHORISATION FOR THE BOARD OF DIRECTORS

The Annual General Meeting of 12 May 2011 resolved to authorise the Board to decide on the non-cash issue of shares, not to exceed a total of 4 million Class B shares (corresponding to a dilution of approximately 10 percent) on one or more occasions during the period before the next Annual General Meeting. This mandate was utilised in the acquisition of the Betsafe Group in June, and in the payment of the additional purchase price in September. In total, 1,740,672 new Class B shares were issued during the operational year 2011, and 606,817 Class B shares after the end of the financial year.

The 2010 Annual General Meeting further determined to authorise the Board to take the decision whether to acquire a total number of own shares whilst ensuring that the Company's holding, at any given point in time, does not exceed 10 percent of all shares in the Company. This mandate was not utilised in 2011.

The Board was further authorised to take decisions on the sales of the Company's own shares for cash in conjunction with acquisitions of companies or operations, at a price corresponding to the market price on the transfer date. In total, 234,555 shares were utilised as partial payment in conjunction with the acquisition of the Betsafe Group in June 2011.

## PROPOSED DIVIDEND

The Board proposes to the Annual General Meeting on 11 May 2012, that no share dividend be paid, but that SEK 9.42 (7.00) per share be transferred to the shareholders. This represents a transfer of funds to shareholders of MSEK 395.6 (275.8).

The Board intends to propose to the AGM that the transfer to shareholders is to be achieved through a share redemption programme. The Board's proposals will be presented in full well in advance of the Annual General Meeting.

According to the policy on dividends which the Board decided would come into force from 2008, it is the Board's ambition to transfer up to 75 percent of the Group's income after tax to the shareholders, provided that an appropriate capital structure can be maintained.

In addition to the above, the Board proposes that the Annual General Meeting take decisions on the dividends of the newly started subsidiary, Angler plc. to Betsson's shareholders. After a distribution of dividends has been carried out, the new Company is to be listed on the Aktietorget. Detailed information regarding dividend and separate listing is available in a separate Investment Memorandum on Betsson's website, [www.betssonab.com](http://www.betssonab.com). The proposal implies an additional dividend to the shareholders of approximately MSEK 28.0, corresponding to approximately SEK 0.66 per share (MEUR 3.1, corresponding to EUR 0.7 per share).



# SUSTAINABLE DEVELOPMENT

For Betsson, sustainable development is, in the first instance, about taking social responsibility in issues related to gaming responsibility. In the second instance, sustainable development is about work ethics guidelines, social participation and concern for the environment. Betsson creates and provides attractive Internet-based gaming solutions, which compete with older land-based gaming solutions in which the conditions for managing gambling addictions are often worse due to a lack of deeper insight into the activities of gamers. In addition, land-based gaming has a greater negative impact on the environment than Internet-based games.

Our goal is to be included in the industry's annual rankings of the operators with the greatest sense of social responsibility. Betsson's work on these issues has become internationally recognised as the Company has received and been nominated for a number of awards within the field. For example, the Company has been nominated for a place in the finals of the Most Responsible Gaming Operator at the EGR Awards in London for three consecutive years and was recently one of the nominees for Most Responsible Online Operator at the International Gaming Awards, 2012, in London.

If Betsson is to have a positive influence within sustainable development, it is vital that the Group's financial situation does not significantly deteriorate. Betsson's goal is to grow faster than the market, which Betsson has not only succeeded in doing but has achieved with stable profitability. This strong development proves that Betsson is fulfilling its commitment to create and provide attractive Internet-based gaming solutions.

Betsson's work with sustainability is an integrated part of the value chain. It is based on the Group's Code of Conduct, which is expressed as values and various Group policies. These have also been summarised in Betsson's Employee Handbook.

## THE CODE OF CONDUCT

The Code of Conduct covers both all employees in the Group, and also suppliers and other stakeholders. The Code is based on strong cultural values which have been formulated in a democratic manner within the Company in a series of workshops. Betsson monitors compliance with the Code of Conduct, and behaviour which violates the Code is discouraged.

The Code of Conduct is accessible to all employees and it is the duty of each employee to follow the Code and principles related to it. Employees may report violations to HR, who deal with such reports anonymously, so-called whistle-blowing.

## BETSSON'S WORKING METHODS

Betsson follows the Swedish Code for Corporate Governance. Compliance with the Code is reported on an annual basis in conjunction with the preparation of the Annual Report. The Code describes responsibilities and working methods for the Annual General Meeting, Betsson's Board of Directors and the executive Group management. Issues relating to sustainability are one aspect of the Board's work, which is described in the Corporate Governance Report. All questions associated with sustainable development are important to the Board. The Board treats issues concerning the distribution of the Company's products via Internet instead of in person, and overall guidelines for maintaining the Company's profitability, with particular care.

Betsson's HR Director is responsible for the manner in which the Code of Conduct and social and ethical values are complied with. Betsson has appointed a special CSR manager who continuously implements decisions and points out problem areas and other issues to the management Group and to the HR Department. The subsidiaries' management groups are responsible for ensuring that the Code of Conduct is complied with and that reports are submitted to the Parent Company.

The personnel are continuously informed about developments in the Company by means of video conferences, intranet, an electronic employee newsletter and, on an annual basis, through a magazine which can be downloaded. The internal information exchange primarily takes place through various types of Internet solutions, which reduces not only the distribution costs, but also the potential negative effect on the environment which might arise from face-to-face meetings and the manufacturing and production of physical products.

## BETSSON – A RESPONSIBLE EMPLOYER

Betsson's largest asset in terms of value is the employees, as it is they who secure the Group's current operations and create conditions for future growth. Betsson safeguards the employees' rights and conditions, which include job security, fair and equal treatment and various remuneration issues. In the locations in which Betsson operates, the Group's remuneration levels are generally higher than the lowest levels established locally. Betsson's ambition is to be viewed as an attractive employer not only in terms of remuneration but also regarding the work environment and work assignments. In Malta, where the majority of the Group's employees reside, our Maltese company has received the equality mark certification awarded by the National Council for the Promotion of Equality, NCPE.

Betsson has drawn up a personnel policy which includes descriptions and attitudes based on the Group's common values. The policy includes, for example, more detailed descriptions of the Group's position regarding the equal treatment of individuals and a ban on discrimination. The employees are encouraged, in all work situations, to consider people equal regardless of ethnicity, culture, religion, sexual preference or gender.

Betsson applies the freedom of association and has signed collective agreements in the Group.

Furthermore, all employees have the opportunity to express their opinions anonymously in the annual employee surveys.

### *Betsson's health care programme*

For several years, Betsson has worked to maintain good health among the Group's employees.

Betsson finances parts of the employees' individual preventive health in the form of various physical exercise activities, etc. in addition, a number of joint exercising activities are organised within the Company to promote an active and healthy workforce.

## BETSSON – A RESPONSIBLE CITIZEN

### *Responsible gaming*

The work with issues related to gaming responsibilities is the most significant component in Betsson's work with sustainability. This work is conducted on various levels and in various forms, and

affects almost every stakeholder, from customers and employees to suppliers.

Responsible gaming is successfully achieved when an operator offers tools which can assist the player to maintain a level of playing previously determined by the player. Gaming problems can arise if the player continually fails to maintain the predetermined level. In order to prevent gaming problems, the player can sign a binding agreement with Betsson's gaming companies, in which the player states a predetermined gaming level and Betsson provides both tools which give the player an overview of his own gaming volume and tools which restrict continued gaming opportunities should the gaming level exceed the level predetermined by the player. Providing these tools is much easier for Internet-based companies, such as Betsson, than for the traditional operations, which are primarily conducted in physical environments. In addition, Betsson's gaming companies provide other tools to players, such as self checks, information on treatment of gaming addiction, built-in warning functions in the event of long gaming times, etc.

In Betsson's gaming companies, investments are made on a continuous basis to improve the tools provided on the gaming sites. In order to maintain and further develop one of the world's highest standards in responsible gaming, all employees in the Betsson Group, regardless of their roles, are trained in the basic issues related to gaming addictions. The majority of employees also receive continuous training, both internally and externally. The aim of this continuous training is to ensure that all employees possess a basic understanding of the importance of promoting sound gambling. Regarding employee training, Betsson collaborates with Global Gambling Guidance Group (G4) and the Swedish Spelinstitutet.

In addition, Betsson has, for several years, offered research grants, in Sweden and Malta, with the aim of stimulating interest in and knowledge of gaming and problematic gambling. Research and development of preventative measures to hinder or reduce the existence of gaming problems. Incomplete sentence With regard to the grants, Betsson collaborates with the University of Malta and the Lottery and Gambling Authority (LGA, the gaming authority in Malta) and in Sweden the grant is awarded by an independent jury

#### *Competition*

Betsson's operations contribute to increased competition in the gaming sector which has, to date, been dominated by monopolies with restricted offerings to the end customer. Betsson offers end customers a broader selection and cheaper games which, to a great extent, contributes to an increased variety on the market and attractive products for the players.

#### *Indirect and direct financial support*

Betsson also supports a number of important community projects which provide the opportunity for vulnerable children and young people to take part in activities which have a positive effect and encourage development. Among other things, Betsson makes financial contributions to activities which promote children's rights to a drug-free environment and to organisations fighting against sexual exploitation of children. In Malta, Betsson is an important contributor to a fund which distributes financial grants to voluntary non-profit and non-governmental organisations working with projects

aimed at socially vulnerable groups.

Betsson also supports activities promoting a more sustainable utilisation of the world's limited resources. One such example is the Schools2Communities project in Malta, the aim of which is to provide training in global environmental responsibility through everyday choices, such as choosing locally sourced products or products without unnecessary packaging.

#### **BETSSON AND THE ENVIRONMENT'S SUSTAINABLE INTERPLAY**

As an Internet-based company, Betsson's everyday impact on the environment is limited; however, a certain effect is unavoidable. This limited effect is prevented as far as possible, through video or telephone conferences instead of travelling, and where air travel is used, the Company compensates by paying for emissions. The Company also separates its waste and recycles paper and aluminium cans, etc. The choice of energy-saving equipment is prioritised where possible. The majority of internal and external communication takes place electronically.

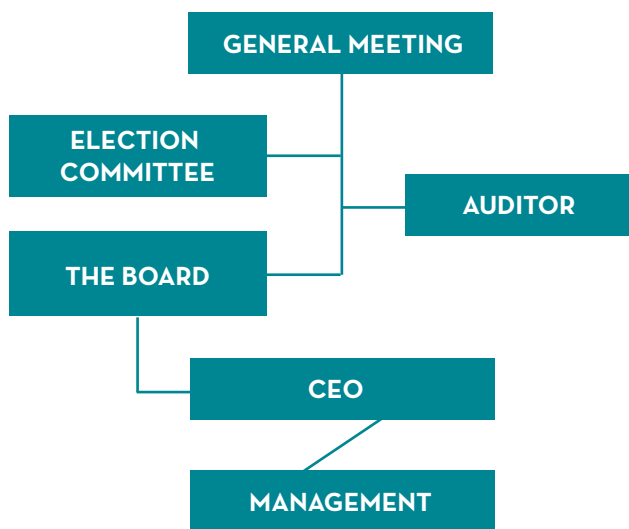
The largest positive effect on the environment from Betsson's operations must, however, have been the challenging of the traditional physical gaming industry in which, for example, lottery tickets are made of material which has a negative impact on the environment and in which participation in the various games requires travel. In this way, sustainable development is a significant part of our services and their production.

# CORPORATE GOVERNANCE REPORT

## GOOD GOVERNANCE AND CONTROL SUPPORTS STABLE GROWTH

Betsson has developed strongly in recent years. One contributing factor to this powerful, profitable development has been a good balance between ambition and control of detail. For our part, good corporate governance means preserving a dynamic, hungry company culture in which individuals are rewarded and appreciated for their good efforts, and where risks are managed on a sound commercial basis. A gaming company which provides players with fast, secure payments has a clear competitive advantage as this contributes to strengthening confidence in the Company. This is one good example of how good internal control improves the commercial premises for a gaming company.

Pontus Lindwall  
Styrelseordförande



External regulations	Internal regulations
<ul style="list-style-type: none"> <li>- Swedish Companies Act</li> <li>- Swedish and International accounting law</li> <li>- NASDAQ OMX rules for issuers</li> <li>- Swedish Code of Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>- Articles of Association</li> <li>- The Board procedures</li> <li>- The CEO procedures</li> <li>- Corporate Policies</li> <li>- Business plan and strategies</li> </ul>

## COMPANY GOVERNANCE REPORT 2011

Betsson applies the Swedish Code of Corporate Governance, a body of regulations based on the framework of internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO).

Betsson hereby presents its Corporate Governance Report for 2011. Based on this review, the Company has concluded that it has no deviations to report.

## ALLOCATION OF RESPONSIBILITIES

The shareholders exercise their influence over Betsson AB at the General Meeting of Shareholders which is the Company's highest decision-making body, whilst the responsibility for the Company's organisation and the management of the Company's affairs lies with the Board of Directors and the CEO, in accordance with the Swedish Companies Act, other rules and regulations, current regulations for listed companies, Articles of Association and the Board's internal control instruments.

## SHAREHOLDERS

Betsson has been a listed company since 1996, and has been listed on the Stockholm Stock Exchange since 2000. The Company's Class B shares are listed on Nasdaq OMX Nordic Mid Cap (BETS). At the end of the period, the Company had 12,507 (11,484) shareholders. The largest shareholders (owners of more than 10 percent of the votes) were Per Hamberg with 8.5 percent of the capital and 20.8 percent of votes, the Knutsson family with 6.1 percent of the capital and 10.8 percent of votes and Rolf Lundström with 3.5 percent of the capital and 10.1 percent of votes.

## ARTICLES OF ASSOCIATION

The Articles of Association include the Company's established operations, the number of Board Members and auditors, the manner in which the General Meetings are convened, consideration of issues in the Annual General Meeting and the location of the meeting. The Company's Articles of Association stipulate no limitations regarding the number of votes to which each shareholder is entitled at the Annual General Meeting. The Company's Articles of Association lack specific regulations regarding the appointment and dismissal of Board members. For the current Articles of Association adopted by the AGM 2011, please visit the Company's website: [www.betssonab.com](http://www.betssonab.com).

## ANNUAL GENERAL MEETING

The General Meeting of Shareholders is the highest decision-making body in Betsson AB. At the AGM - which is held within six months after the end of the financial year - the income statements and balance sheets are adopted, dividends are determined, the Board of Directors are elected and their fees determined, and auditors, when applicable, are appointed and their fees determined. Furthermore, other statutory matters and other proposals from the Board and shareholders are addressed, and decisions are taken regarding guidelines for remuneration to senior executives.

All shareholders registered in the shareholders' register on a given recording day, and who have notified their attendance in due time, have the right to participate in the meeting and vote for their total holding of shares. Shareholders may be represented by proxies.

## ANNUAL GENERAL MEETING 2011

The Annual General Meeting for 2011 was held on 12 May 2011. The meeting was attended by shareholders, in person or by proxy, representing 67 percent of the votes and 35 percent of capital. John Wattin was elected Chairman of the meeting. All Board members elected by the meeting were present.

#### *Decisions taken*

The minutes from this meeting can be found on the Betsson website.

The decisions taken by the Annual General Meeting included:

- To distribute the equivalent of SEK 7,00 per share for 2010, through an automatic redemption procedure, in accordance with the Board proposal
- To re-elect Board Members, John Wattin, Per Hamberg, Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt and Lars Linder-Aronson, and to elect Pontus Lindwall.
- To re-elect John Wattin as the Chairman of the Board for the time up to 1 July 2011, and thereafter appoint Pontus Lindwall as acting Chairman of the Board.
- To authorise the Board to resolve on a new share issue of a maximum of 4 million Class B shares (equivalent to a dilution of 10%)

### **EXTRAORDINARY MEETING OF SHAREHOLDERS**

An extraordinary meeting of shareholders was held on 14 November 2011. Shareholders present at the meeting, in person or by proxies, represented 63 percent of the votes and 27 percent of the capital.

#### *Decisions taken*

The minutes taken at this meeting can be found on the Betsson AB website. The extraordinary meeting of shareholders resolved to establish two incentive programmes: one directed towards employees in Sweden, and the other directed towards employees in countries outside Sweden.

### **ANNUAL GENERAL MEETING 2012**

The Annual General Meeting of Betsson AB (publ) will be held on 11 May 2012 at 10 a.m. at the Company's headquarters, located at Regeringsgatan 28, Stockholm. For further information regarding the 2012 Annual General Meeting, please refer to the company website [www.betssonab.com](http://www.betssonab.com).

### **NOMINATION COMMITTEE**

In accordance with the resolution adopted at the 2011 Annual General Meeting, the Chairman of the Board has been assigned to convene the meetings of the Company's nomination activities and to invite representatives of the Company's larger shareholders to join the Nomination Committee. The Nomination Committee should consist of at least three members, and the majority of the Nomination Committee members should not be employees or members of the Board. The Nomination Committee shall prepare a list of proposed Board Members, as well as a proposal for the Chairman and auditors, and shall also propose remuneration for Board Members, Board committees and Auditors, which proposals will be submitted to the 2012 Annual General Meeting for resolution. The Nomination Committees' composition was announced on 28 October in Betsson's Interim Report for the third quarter of 2011 and on the Company's website.

The Nomination Committee for the 2012 Annual General Meeting was comprised of:

- Per Hamberg, representing the Per Hamberg family and companies with a total of 20.8 percent of the votes.
- Michael Knutsson, representing the Bertil Knutsson family and companies, with a total of 10.8 percent of the votes.

- Christoffer Lundström, representing the Rolf Lundström family and companies, with a total of 10.1 percent of the votes.
- Pontus Lindwall, Chairman of the Board at Betsson AB and convenor of the committee.

The Nomination Committee represents an ownership interest which, at year end, amounted to 42 percent of the votes in the Company. The Nomination Committee has held three meetings and has maintained email and telephone contacts. An important input to the Nomination Committee's work is the yearly evaluation of the Board's performance.

The Nomination Committee seeks to identify candidates for nomination who, together with the existing members, are able to provide the Board with the appropriate combined competence. This implies experience from leading positions in listed companies, expertise in the financial and gaming industries and experience from international service companies.

The Nomination Committee's complete proposals and background information to be presented to the 2012 Annual General Meeting will be published on the Company website, [www.betssonab.com](http://www.betssonab.com), in advance of the Annual General Meeting.

Shareholders wishing to submit suggestions to the Nomination Committee should do so by e-mail at [valberedning@betssonab.com](mailto:valberedning@betssonab.com) or by post to the Company headquarters.

### **THE BOARD OF DIRECTORS AND ITS WORK**

The Members of the Board are elected annually by the Annual General Meeting for the period until the next Annual General Meeting. There are no rules in place stipulating the maximum period of time a member may serve on the Board. Betsson's Board is comprised of seven members elected by the shareholders' meeting, with no deputies. The CEO is not a member of the Board. At the 2011 Annual General Meeting, the following individuals were re-elected as Board Members: John Wattin, Per Hamberg, Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt and Lars Linder-Aronson; Pontus Lindwall was elected. John Wattin was also re-elected as Chairman up to 1 July, after which date Pontus Lindwall was elected Chairman. The Board is presented on pages 16-7.

The Group CEO Magnus Silfverberg participates at all Board meetings to present the reports. The Group CFO, Fredrik Rüdén, participates both to present reports and as secretary. Other officials in the Group participate from time to time in Board meetings as required, either to present specific issues or as secretary.

#### *The Board's independence*

According to the Stockholm Stock Exchange definition, the number of Board Members elected at the shareholders' meeting and who are independent of the Company is six (86 percent) and the number of Board Members elected at the shareholders' meeting who are independent of the Company's major shareholders is six (86 percent). All members meet Nasdaq OMX's requirements concerning professional experience. Member Per Hamberg holds 8.5 percent of the capital and 20.8 of the votes and is, thus, not to be considered to be independent of the Company's major shareholders. Pontus Lindwall cannot be considered independent in relation to the Company given his role as acting Chairman of the Board. With

this composition, the Betsson Board fulfils the regulations for listed companies and the Swedish Code of Corporate Governance, which requires that the majority of elected members are independent of the Company and company management, and that at least two of these are also independent of the Company's majority shareholders. All Board Members and all members of the Group management team have undergone, or will undergo, Nasdaq OMX's training in Stock Exchange regulations.

#### *Board meetings*

In 2011, the Board held twenty-two (sixteen) recorded meetings, of which one (one) was constitutive and seven (three) were capsulum meetings. The Board has a five (seven) percent absence rate during the year's Board meetings.

All of the meetings deal with the CEO's review of developments within operations and current issues concerning important events, from the risk perspective of significant contracts, potential acquisitions and legal trends in the gaming market. The Board has paid particular attention to strategic, financial matters and issues concerning acquisitions, internal control and major investments.

Members' attendance, in percentage, is shown below (figures in brackets refer to preceding year).

Pontus Lindwall, Chairman	100 (-)
John Wattin, Member (Chairman up to 4 July 2011)	91 (100)
Per Hamberg, Member	100 (100)
Kicki Wallje-Lund, Member	95 (94)
Patrick Svensk, Member	95 (88)
Carl Lewenhaupt, Member	95 (81)
Lars Linder-Aronson, Member	91 (94)

Average attendance at Board and committee meetings was 95 (93) percent.

#### *Information to the Board of Directors*

The work of the Board follows a plan in order to ensure that the Board receives all the relevant information. The Company's auditors report their observations based on the audit of the financial statements and their assessment of the Company's internal procedures and controls to the Board. The Board receives, on a monthly basis, a detailed operations report in which management describes developments.

#### *Internal control and risk management*

The Board applies the decision-making rules and formal work plan, as well as the instructions for its own work and that of the Remuneration Committee, the Audit Committee and the CEO, with the aim of achieving an efficient management of the operational risks; see section on significant risks and factors of uncertainty in the Administration Report. The Board updates, as necessary, and adopts, yearly, the work plan for the Board, instructions to the CEO and decision-making rules and authorisation routines.

#### *The Audit Committee*

At the start of 2011, the Audit Committee was comprised of the entire Board and its primary task was to ensure compliance with established principles or financial reporting and internal controls.

After the 2011 Annual General Meeting, a new work plan was adopted for the Board, in which it was determined that the Audit Committee should comprise three members, none of whom was to serve as Chairman of the Board. The members of the Committee are Per Hamberg (Chairman), Lars Linder-Aronson and Carl Lewenhaupt.

The Audit Committee is responsible for monitoring and following up the reporting of Corporate Responsibility issues. The Audit Committee also fulfils the functions of a finance committee, with the task of supporting and following financial operations and of evaluating and proposing amendments to the Treasury Policy on an annual basis. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decision and measures are dealt with by the Board on a continuous basis. The Group auditors and Group CFO present reports to the Audit Committee.

#### *The Remuneration Committee*

At the start of 2011, the Remuneration Committee consisted of the entire Board. After the 2011 AGM, a new formal work plan for the Board was adopted, in which it was determined that the Remuneration Committee should comprise three members, none of whom was to be the Chairman of the Board. The Committee's members are John Wattin (Chairman), Patrick Svensk and Kicki Wallje-Lund. The Remuneration Committee held one meeting during the second half of 2011, the main topic of which was a proposal for a new incentive programme (options/warrants).

The main responsibility of the Remuneration Committee is dealing with the remuneration and terms of employment of the CEO and the executives reporting directly to the CEO, based on the guidelines for remuneration and terms of employment for the CEO and other executive positions adopted by the Annual General Meeting.

## **CEO AND GROUP MANAGEMENT**

The Company's CEO and Group President are responsible for the daily management of both the Parent Company and the Group.

The CEO leads the work of the management team and makes decisions in consultation with the other senior executives comprising the heads of business areas and staff positions. At the end of 2011, the management team consisted of four (seven) individuals; see the Senior Management on page 18.

The Group management holds regular operational reviews under the leadership of the CEO.

The operations of the Parent Company (Betsson AB) consist of the management and administration of Company investments and the evaluation of potential acquisitions or divesting of business operations. The Group's gaming operations are conducted in Malta, where the Company has a separate Board, which makes the operational decisions for Betsson's gaming operations, and a separate operative management team.

CEO instructions have been established for the CEOs of each wholly-owned subsidiary. These instructions are consistent with the Group CEO's instructions.

## REMUNERATION

Remuneration to the Members of the Board is determined at the general Shareholders' Meeting. Remuneration paid to the President of the Group is determined by the Remuneration Committee. Remuneration for executives directly subordinate to the CEO is determined by the CEO after consultation with the Remuneration Committee. The Group applies the principle that a manager's superior must approve any decisions on remuneration.

The following principles, adopted at the 2011 Annual General Meeting, apply to senior executives in the Group:

- Remuneration is to be market-based and competitive in order to be able to attract and retain competent senior executives. Remuneration is to be comprised of a fixed salary and, where applicable, variable remuneration, pension and other benefits, such as, in certain cases, a company car.
- Any variable remuneration which may be offered to senior executives will be determined on the basis of pre-determined Group and individual goals for the management result and the Company's economic development being met, and taking into account the personal development of the individual concerned. Current variable remuneration to senior executives is described in more detail in Note 8.

The Board may take decisions diverging from these guidelines if special circumstances prevail.

## AUDIT

At the 2008 Annual General Meeting, PricewaterhouseCoopers AB was elected for the period until the end of the 2012 Annual General Meeting, with Authorised Public Accountant Michael Bengtsson as Chief Auditor.

Michael Bengtsson has been an authorised public accountant since 1988. His assignments include Haldex, Morphic Technologies, Enea, Nordic Service Partners and Carnegie.

The audit of the annual accounts is carried out in January-February.

The audit of the Annual Financial Statements takes place during March-April. An overall review is also carried out in conjunction with the audit of the Company's interim reports. In addition, audits of the internal procedures and control systems are undertaken continuously during the year and reported to the Group CFO, the management team and the Board.

In addition to the auditing assignment, Betsson has employed PricewaterhouseCoopers AB for consultation in VAT and tax issues, accounting matters, and for various other studies.

## INTERNAL AUDIT

Betsson's profitable growth stems from a willingness and desire to constantly improve. The Internet-based gaming industry is constantly exposed to a rapidly changing environment, such as changes in legal systems, seasonality and currency fluctuations. In order to be able to manage these situations, it is of great importance to learn and adapt, but at the same time it is vital that Betsson's customers feel safe and secure with Betsson's gaming and payment solutions. This permeates all Company and Group customer offerings. Betsson does not have a separate internal auditing function but has, instead, to undertake the internal audit through its existing

organisation. The Board and Audit Committee regularly reassess whether the introduction of an internal auditing function would be of benefit to Betsson.

As a complement to this, operations are also monitored by several independent parties. Betsson is licensed in Malta by the Lotteries and Gaming Authorities (LGA). In order to obtain and maintain licences, the Company's routines and processes must meet certain quality standards. LGA scrutinises operations in order to ensure that the Company meets all the demands. Betsson is also PCI-compatible for secure card transactions, and cooperates with several large banks. As a result, all credit card information is managed securely and the Company meets the highest security standards as regards payments, withdrawals and deposits.

All private information transferred to and from Betsson sites is encrypted by Verisign SSL and is monitored 24 hours a day, 7 days a week. The random numbers generator behind Betsson's casino games, which guarantees equitable gaming, has been tested and approved by two independent third parties, the National Laboratory of Forensic Science in Sweden and Technical Systems Testing in Canada. In order to ensure that the poker programme software always produces random numbers, independent controllers test the random number generator (RNG) on a monthly basis. These monthly reports are published on an ongoing basis. Players using "poker bot" programs to make decisions during the game are cheating. Betsson has secured the poker table against the use of these programs via Botguard; this is so that players can feel secure and confident that they have the same technical conditions as all the other poker players. In order to ensure that the poker software consistently produces pure chance numbers, the random numbers generator has been evaluated in iTech Labs, which Entraction Solutions AB uses, and it has been determined that this generator meets the requirements of the RNG standard.

The Audit Committee bears the ultimate responsibility for ensuring that the established principles for internal control are complied with. The Group CEO and CFO are responsible, on a continuous basis, for taking appropriate steps to maintain sound internal control. Each Company function is responsible for executing the internal control within the relevant operational area and based on given conditions. Reporting is ongoing at all levels.

## INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING FOR THE FINANCIAL YEAR 2011

In accordance with the Annual Accounts Act, the Board of Directors is to submit, on an annual basis, a description of the most important measures in the Company's system for internal control and risk management regarding financial reporting.

### *Control environment*

The control environment is the basis for the internal control of the financial reporting. The Company's internal control structure is based on, among other things, a clear allocation of responsibilities and work assignments, both between the Board and the CEO, and within the operations. Policies and guidelines are documented and assessed on a continuous basis by management and the Board. Governing documents and elaborated process descriptions



are communicated via established information and communication channels and have, consequently, been made available and known to the personnel concerned.

#### *Risk assessment*

The Company identifies, analyses and takes decisions regarding the management of risks of errors in the financial reporting. The Board deals with the outcome of the Company's processes for risk assessment and risk management in order to ensure that it covers all significant areas, and identifies, when necessary, the requirements for necessary action. The Company's largest operational risks are related to the rapidly evolving environment which characterises the gaming industry, including, for example, changes in the legal systems, seasonality and currency fluctuations. The financial reporting may be influenced by the risk of errors of periodisation when settling with collaboration partners and the risk of errors in the valuation of intangible assets.

#### *Control measures*

Control measures of a both preventative and detective nature, to ensure that any deficiencies are addressed, are determined on the basis of performed risk assessments. We have placed a special emphasis on mapping and assessing the most significant risks in the accounting practices as regards periodisation. Intangible assets are assessed on a continuous basis against the return they generate in order to ensure that the values reported in the Company's balance sheet are correct.

#### *Information and communication*

The internal information and external communication are regulated on an overall level by, for example, the information policy. The internal communication to and from the Board and management takes place via regular information meetings. The Company's intranet is another channel.

The internal policies, guidelines, instructions and similar documents governing and supporting operations are published on the Intranet.

#### *Follow-up*

The Company assesses, on a continuous basis, the internal control regarding financial reporting by asking questions and participating in the work of the finance function. Both Company management and the Board receive daily sales reports and monthly income statements and cash flow reports, including management's comments on the development of the operations. The financial situation is addressed at each scheduled meeting of the Board. The Company's auditor participates in the Board meetings at least once a year and shares their observations regarding practices and control systems; on that occasion, the members of the Board have the opportunity to ask questions. The Board takes a stance regarding the significant risk areas and assesses the internal control on an annual basis.

## **INVESTOR RELATIONS**

Betsson shares information with the shareholders by means of annual reports, year-end reports, quarterly reports, press releases and through the Company's website. The website, [www.betssonab.com](http://www.betssonab.com), also includes reports and press reports for the previous years.

Communication and transparency are important to Betsson, to allow the Company's investors and analysts to make objective assessments of the Company's development and, consequently, take informed decisions in its work. The Company attaches great importance to investor relations, in which the aim is to inform the capital market of Betsson's financial position, operations and development so as to increase knowledge and interest in the Company, and to obtain a fair valuation of the Company.

During the year, Betsson has participated in a number of IR activities, such as seminars, investor meetings and road shows in both Europe and USA.

# BOARD OF DIRECTORS



From left to right

## **Kicki Wallje-Lund**

### BOARD MEMBER

Born in 1953, Nyköping  
Board Member since 2006  
CEO Wellnet AB

OTHER DIRECTORSHIPS: Board Member of Syntensia AB, Followit AB and Wellnet AB.

RELEVANT BACKGROUND: Kicki Wallje-Lund has experience of business and operational development from various international companies in which she has primarily worked within the bank and finance areas. Kicki has held senior positions within NCR, Digital Equipment, AT&T, Philips, ICL and Unisys.

SHAREHOLDING: 450 Class B shares.

## **Patrick Svensk**

### BOARD MEMBER

Born in 1966, Stockholm  
Board Member since 2005  
Senior Advisor Patos Konsult

OTHER DIRECTORSHIPS: Board Member of Next Generation Broadcasting AB.

RELEVANT BACKGROUND: Patrick Svensk has experience from various management positions in listed companies. His latest position was as CEO and Head of Group for Zodiak Television. Previously, he has worked as CEO of Kanal5 and TV3 Sweden. Patrick graduated in business from the Stockholm School of Economics.

SHAREHOLDING: 5,000 Class B shares.

## **Carl Lewenhaupt**

### BOARD MEMBER

Born in 1958, Stockholm  
Board Member since 2008  
CEO of the advertising agency Calleolle AB

RELEVANT BACKGROUND: Carl Lewenhaupt is a Creative Director and has many years' experience in international marketing. He has founded, owned and operated several advertising agencies. Carl studied at IHR Stockholm, NYU in New York and at the School of Visual Arts in New York. Carl is a member of the Platinum Academy.

SHAREHOLDING: 1,440 Class B shares.

## AUDITOR



PricewaterhouseCoopers AB

## **Michael Bengtsson**

CHIEF AUDITOR  
since 2008

Born in 1959, Stockholm  
Authorised Public Accountant  
Chief Auditor



From left to right

#### John Wattin

##### BOARD MEMBER

Born in 1947, Stockholm  
Board Member since 1989  
CEO of Investering i Kunskap AB

**OTHER DIRECTORSHIPS:** Chairman of Mosync AB, Qbranch AB and Sturehof AB. Board Member of Touring Exhibition Sweden AB and Silentium AB.

**RELEVANT BACKGROUND:** John Wattin has had many years of international experience of working on boards, with an emphasis on company development and transformation in listed and unlisted companies. He is one of the founders of Enator, Sigma and a number of other companies. John has been working with his own investments for the last 15 years.

**SHAREHOLDING:** 115,000 Class B shares (including holdings via companies and related parties).

#### Pontus Lindwall

##### CHAIRMAN

Born 1965, Stockholm  
Board Member since 2011,  
Chairman from July 5, 2011.  
Employed in the Group since 1991.

**OTHER DIRECTORSHIPS:** Board Member in Net Entertainment NE AB (publ), Nya Solporten Fastighets AB, Mostphotos AB and several companies within the Betsson Group.

**RELEVANT BACKGROUND:** Pontus Lindwall has many years of experience in the gaming industry, both as regards offline and online gaming, amongst other things, as founder of Net Entertainment, Managing Director and CEO of Betsson AB and Cherryföretagen. Pontus has a Masters Degree in Engineering from KTH.

**SHAREHOLDING:** 10,000 Class A shares, 534,594 Class B shares, 90,000 subscription options.

#### Lars Linder-Aronson

##### BOARD MEMBER

Born in 1953, Saltsjöbaden  
Board Member since 2008

**OTHER DIRECTORSHIPS:** Board Member of Cataellal Advisory Sweden AB, e-Capital AB and Ventshare AB.

**RELEVANT BACKGROUND:** Lars Linder-Aronson has many years' experience of the financial and capital markets, primarily within investment banking in London, New York and Stockholm. He was previously Head of Enskilda Securities and has worked in the investment bank Dillon, Read & Co. Lars graduated in business studies from the Stockholm School of Economics.

**SHAREHOLDING:** 112,600 Class B shares (including holdings via companies and related parties).

#### Per Hamberg

##### BOARD MEMBER

Born In 1943, Ekerö  
Board Member since 1974

**OTHER DIRECTORSHIPS:** Board Member of Cherryforetagen AB, Nya Solporten Fastighets AB and Hamberg Forvaltning AB.

**RELEVANT BACKGROUND:** Per Hamberg is one of the founders of Betsson AB (prev. Cherryforetagen AB). He worked as CEO for a period and has been Chairman of the Group and its subsidiaries. Per previously studied business and political science.

**SHAREHOLDING:** 1,699,500 Class A shares och 1,802,758 Class B shares (including holdings via companies and related parties).

# SENIOR MANAGEMENT



From left to right

**Magnus Silfverberg**

CEO, BETSSON AB

Born 1973, Djursholm

Employed in the Group since 2009.

CEO since July 5, 2011 Board member of several international companies.

SHAREHOLDING: 20,000 Class B shares, 100,000 subscription options.

**Henrik Persson**

CEO, BETSSON

MALTA LTD

Born 1980, Malta

Employed in the Group since 2011.

SHAREHOLDING: O Class B shares, 50,000 employee stock options.

**Fredrik Rüdén**

CFO, BETSSON AB

Born 1970, Nacka.

Employed in the Group since 2008.

SHAREHOLDING: O, 100,000 subscription options.



**Martin Thorvaldsson**

CEO, BSG LTD, GROUP GENERAL COUNSEL

Born 1970, Gibraltar.

Employed in the Group since 2010.

SHAREHOLDING: 982 Class B shares, 28,380 employee stock options.



# SHARES AND OWNERS

Betsson's Class B shares are listed on the NASDAQ OMX Nordic Mid Cap List.

## SHARE STRUCTURE

At the end of the year, Betsson had 41,394,392 shares, distributed as 5,420,000 Class A shares and 35,974,392 Class B shares. Each Class A share is entitled to 10 votes per share, while each Class B share is entitled to one vote per share. All shares have equal entitlement to Betsson's assets and earnings.

## REPURCHASED SHARES

The Company's holdings of its own shares amounted, on closing day, to 4,222 Class B shares which had been acquired at an average price of SEK 58.27 during the period 2007-2008. The number of shares outstanding, excluding repurchased shares, amounted, on closing day, to 41,390,170 shares of which 5,420,000 were Class A shares and 35,970,170 Class B shares.

## REDEMPTION PROGRAMME

The Annual General Meeting on 12 May 2011 resolved to execute a share split of 2:1 and to undertake an automatic redemption programme of the redeemable shares arising from the share split. The redemption procedure resulted in the transfer of MSEK 275.8, the equivalent of SEK 7.00 per share, to the Company shareholders on 16 June 2011.

## BONUSES ISSUE ETC.

In conjunction with the redemption procedure, a bonus issue was executed for a total of MSEK 39.6 in order to restore the Company's share capital.

## NEW SHARE ISSUE IN CONJUNCTION WITH ACQUISITION

In conjunction with the acquisition of the Betsafe Group in June, portions of the purchase price were paid via transfer of the Company's own shares (234,555 Class B shares) and a new share issue of a total of 684,269 Class B shares. In conjunction with the payment of the purchase price in September, an additional 1,056,403 Class B shares were issued as full cash.

## INCENTIVE PROGRAMME 2011-2014

At the Extraordinary General Meeting held on 14 November 2011, it was resolved to implement two incentive programmes - one aimed at employees in Sweden (share warrants) and one aimed at employees abroad (employee share options).

On the final date of the Swedish offer, 449,000 share warrants had

been subscribed at a market rate premium of SEK 5.99 per warrant, which has provided an additional TSEK 2,690 to equity. On the final date of the foreign offer, 395,330 stock options had been subscribed.

Each option entitles the holder to subscribe to one new Class B share in Betsson AB at the end of the first quarter of 2014 at a price of SEK 182.64 per warrant option.

All ongoing programmes and their effects are described in Note 31.

## OWNERSHIP STRUCTURE

As per 30 December 2011, there were 12,507 (11,484) shareholders in Betsson. The proportion of foreign shareholders amounted to 6 (5) percent. Foreign share ownership amounted to 34 (24) percent of share capital and 24 (19) percent of the votes.

The proportion of private individuals owning shares was 87 (89) percent. The proportion of shares owned by private individuals was 23 (25) percent of share capital and 24 (25) percent of the votes.

## SHARE LIQUIDITY

A total of 30.9 (38.0) million shares changed hand during the year, which is the equivalent of 89 (97) percent of the average number of outstanding Class B shares. On average, 122,000 (150,000) shares changed hand per trading day, and the number of trades averaged 515 (462) per trading day.

## SHARE PRICE DEVELOPMENT AND TURNOVER

The share price during the year increased by 29 (7) percent. The share price (last paid) on closing day was SEK 151.50 (117.00), which represented a market value of BSEK 6.1 (4.6).

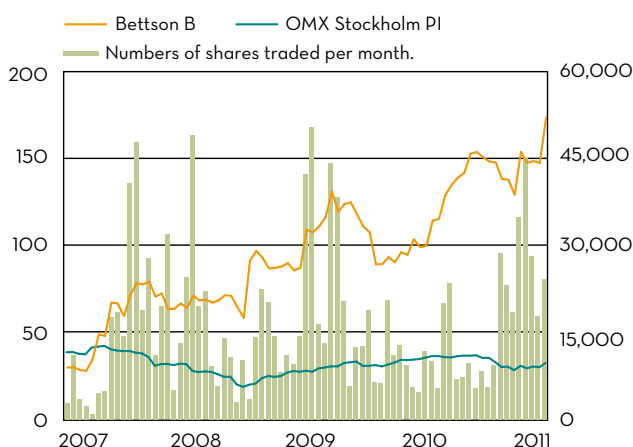
The highest price quotation during 2011 was SEK 162.00 (134.25) on 16 May (1 February), and the lowest quotation was SEK 109.75 (87.00) on 29 August (1 July). The average share price during the year was SEK 136.54 (109.79).

Total turnover of shares during the year was MSEK 4,218 (4,168), which is equal to an average of MSEK 16.6 (16.5) million per trading day and approximately SEK 32,000 (36,000) per deal on average.

## DIVIDEND POLICY AND PROPOSAL

Styrelsen föreslår att årsstämman beslutar om att till aktieägarna The Board proposes that the Annual General Meeting resolve to transfer SEK 9.42 (7.00) per share for the financial year 2011. This represents a transfer to shareholders totalling MSEK 395.6 (275.8). Under the Company's dividend policy, 75 percent of earnings may be transferred to the shareholders, provided that a suitable capital structure can be maintained. The Board intends to propose to the General Meeting that the transfer to shareholders be executed through a share redemption programme. The Board's full proposal will be presented well in advance of the Annual General Meeting.

## SHARE PRICE TRENDS



## ANALYSTS MONITORING BETSSON

**Dawid Myslinski**  
Redeye

**Jan Glevén**  
Remium AB

**Mikael Löfdahl**  
Carnegie

**Stefan Nelson**  
SEB Enskilda

**Karen Hooi**  
Goldman Sachs International

**Bile Daar**  
Danske Bank

**Rasmus Engberg**  
Handelsbanken

**Johan Grabe**  
Nordea

**Henrik Fröjd**  
Swedbank

**Anders Hillerborg**  
ABGSC

**James Hollins**  
Daniel Stewart & Company

## MAJOR SHAREHOLDERS AS PER 30 DECEMBER 2011

Owners <sup>2</sup>	Number of A shares	Number of B shares	Capital share (%)	Number of votes (%)	Adjusted capital share <sup>1</sup> (%)	Adjusted number of votes <sup>1</sup> (%)
Per Hamberg family and company	1,699,500	1,802,758	8.5	20.8	8.5	20.8
Bertil Knutsson and company	800,000	1,741,000	6.1	10.8	6.1	10.8
Rolf Lundström family and company	852,500	582,191	3.5	10.1	3.5	10.1
Lars Kling	797,000	206,245	2.4	9.1	2.4	9.1
Svenska Handelsbanken S.A.	700,000	8,030	1.7	7.8	1.7	7.8
Berit Lindwall	561,000	30,000	1.4	6.3	1.4	6.3
JP Chase		2,989,604	7.2	3.3	7.2	3.3
Swedbank Robur Fonder		2,936,204	7.1	3.2	7.1	3.2
SEB Investment Management		1,348,395	3.3	1.5	3.3	1.5
Handelsbanken Fonder		1,244,988	3.0	1.4	3.0	1.4
Avanza Pension		701,639	1.7	0.8	1.7	0.8
Pontus Lindwall	10,000	534,594	1.3	0.7	1.3	0.7
Andra AP-fonden		536,522	1.3	0.6	1.3	0.6
Other Shareholders		21,307,820	51.5	23.6	51.5	23.6
External owners	5,420,000	35,969,990	100.0	100.0	100.0	100.0
Betsson AB		4,402	0.0	0.0		
<b>Total</b>	<b>5,420,000</b>	<b>35,974,392</b>	<b>100.0</b>	<b>100.0</b>		

1) Capital share and share of votes adjusted for Betsson repurchased shares.

2) Information on ownership based on information from EuroClear (previously VPC), which implies that that the nominee shareholders' holdings may be included in the table and that the actual owners are, as a consequence, not indicated.

## SHARE CAPITAL COMPOSITION

	Votes	Number of shares	Number of votes	Par value (SEK)	Thousand SEK
Shares, Class A	10	5,420,000	54,200,000	2	10,840
Shares, Class B	1	35,974,392	35,974,392	2	71,949
<b>Total shares</b>		<b>41,394,392</b>	<b>90,174,392</b>		<b>82,789</b>

## SHARE DISTRIBUTION AS OF 30 DECEMBER 2011

Number of shares	Number of shareholders	Proportion number of shareholders (%)	Number of shares	Proportion of number of shares (%)	Proportion of vote value (%)
1-500	9,860	78.8	1,479,627	3.6	1.6
501-1 000	1,350	10.8	1,150,596	2.8	1.3
1 001-2 000	576	4.6	923,464	2.2	1.0
2 001-5 000	373	3.0	1,252,047	3.0	1.4
5 001-10 000	111	0.9	841,687	2.0	0.9
10 001-20 000	65	0.5	949,849	2.3	1.1
20 001-50 000	68	0.5	2,226,902	5.4	2.4
50 001-100 000	43	0.3	3,362,192	8.1	3.7
100 001-500 000	44	0.4	9,940,680	24.0	10.8
500 001-1 000 000	9	0.1	8,910,503	21.6	19.3
1 000 001→	8	0.1	10,356,845	25.0	56.5
<b>Total</b>	<b>12,507</b>	<b>100.0</b>	<b>41,394,392</b>	<b>100.0</b>	<b>100.0</b>



# FIVE-YEAR REVIEW

Amount in SEK millions unless otherwise stated	2011	2010	2009	2008	2007
<b>INCOME STATEMENT</b>					
Revenues	1,736.6	1,603.2	1,299.7	1,037.8	649.0
Gross profit (gaming surplus)	1,428.9	1,282.1	1,045.0	828.1	520.8
Operating income	559.7	380.6	316.9	276.6	189.9
Income before tax	555.4	382.5	318.9	280.7	192.7
Income after tax for continuing operations	527.8	365.7	303.3	267.3	179.4
Income from discontinued operations	-	-	-	-	11.5
Income after tax – of which attributable to Parent Company shareholders	527.8	365.7	303.3	267.3	190.9
<b>BALANCE SHEET</b>					
Intangible noncurrent assets	982.3	450.2	464.2	441.7	402.2
Tangible fixed assets	26.9	25.7	17.2	18.5	12.3
Financial fixed assets	10.2	-	-	-	-
Long-term receivables including deferred tax receivables	14.4	6.1	1.5	2.4	1.3
Short-term receivables	729.6	509.0	380.2	312.6	195.1
Current assets	509.7	497.1	529.1	373.2	232.7
<b>Total asset</b>	<b>2,273.1</b>	<b>1,488.1</b>	<b>1,392.2</b>	<b>1,148.4</b>	<b>843.6</b>
Equity	1,334.3	825.6	820.4	720.2	623.5
Interest-bearing long-term liabilities	-	-	-	-	-
Other long-term liabilities	8.0	4.2	4.5	4.3	0.2
Interest-bearing current liabilities	-	-	-	-	-
Other current liabilities	930.8	658.3	567.3	423.9	219.9
<b>Total equity and liabilities</b>	<b>2,273.1</b>	<b>1,488.1</b>	<b>1,392.2</b>	<b>1,148.4</b>	<b>843.6</b>
<b>CASH FLOW</b>					
Cash flow from operating activities	537.2	396.5	424.9	384.3	239.3
Cash flow from investment activities	-248.5	-44.9	-58.5	-67.5	-36.8
Cash flow from financing activities	-273.8	-351.2	-200.3	-199.7	-37.9
<b>Total cash flow from continuing operations</b>	<b>14.9</b>	<b>0.4</b>	<b>166.1</b>	<b>117.1</b>	<b>164.6</b>
<b>GROSS PROFIT BY SEGMENT</b>					
B2B, Business to Business	568.0	724.1	452.4	275.2	90.4
B2C, Business to Consumers	860.9	558.0	592.6	552.9	418.1
<b>Total</b>	<b>1,428.9</b>	<b>1,282.1</b>	<b>1,045.0</b>	<b>828.1</b>	<b>508.5</b>
<b>GROSS PROFIT BY PRODUCT</b>					
Casino	955.9	745.4	670.4	481.3	254.2
Poker	83.9	106.7	131.9	158.5	193.0
Sportsbook	326.9	367.7	206.6	159.0	56.8
Other products	62.2	62.3	36.1	29.3	4.5
Others, adjustments	0.0	0.0	0.0	0.0	12.3
<b>Total</b>	<b>1,428.9</b>	<b>1,282.1</b>	<b>1,045.0</b>	<b>828.1</b>	<b>520.8</b>
<b>B2C, GROSS PROFIT BY GEOGRAPHICAL AREA</b>					
Nordic	659.5	416.6	466.5	450.2	351.3
EU, outside Nordic countries	183.1	139.2	124.0	97.2	66.3
Other Europe	3.9	0.2	-0.3	3.2	-1.0
Rest of the world	14.4	5.0	2.4	2.3	1.5
<b>Total</b>	<b>860.9</b>	<b>558.0</b>	<b>592.6</b>	<b>552.9</b>	<b>418.1</b>
<b>NUMBER OF CUSTOMERS</b>					
Number of registered customers (in thousands)	3,662.4	3,158.2	2,117.8	1,499.9	996.2
Number of active customers (in thousands)	403.6	300.5	288.7	167.4	107.0

Amount in SEK millions unless otherwise stated	2011	2010	2009	2008	2007
<b>PROFITABILITY AND FINANCIAL POSITION</b>					
Gross margin (%)	82.3	80.0	80.4	79.8	80.2
EBITDA margin (%)	36.5	26.8	27.2	28.6	31.2
Operating margin (%)	32.2	23.7	24.4	26.7	29.3
Profit margin (%)	32.0	23.9	24.5	27.0	29.7
Return on equity (%)	49	44	39	40	32
Equity/assets ratio (%)	59	55	59	63	74
<b>DEPOSITED AMOUNT</b>					
Customer deposits (million)	5,237.9	3,894.1	3,258.0	2,279.7	1,346.6
<b>INVESTMENTS</b>					
Investments in continuing operations	50.9	44.9	58.5	67.8	36.1
<b>PERSONNEL</b>					
Average number of employees	340	268	225	154	106
Number of employees at year-end	412	282	258	185	136
<b>SHARES</b>					
Share capital	82.8	79.1	79.1	79.1	79.1
Number of shares outstanding at year-end	41,390,170	39,294,165	39,243,720	39,243,720	39,309,720
Ongoing share issue (number of shares) at year-end	-	100,000	-	-	-
Number of own shares at year-end	4,222	259,555	310,000	310,000	244,000
Average number of shares outstanding	40,243,523	39,245,400	39,243,720	39,256,835	39,472,002
Average number of shares outstanding after dilution	40,284,204	39,245,400	39,269,264	39,256,835	39,472,002
Number of registered shareholders	12,507	11,484	9,905	5,790	5,952
Average share price (SEK)	136.54	109.79	95.09	66.08	57.00
Share price at end of year (SEK)	151.50	117.00	109.75	68.50	83.25
Market Cap at end of year (million)	6,097.5	4,627.8	4,341.0	2,709.4	3,292.8
Earnings per share for continuing operations (SEK)	13.12	9.32	7.73	6.81	4.55
Earnings per share after dilution (SEK)	13.10	9.32	7.72	6.81	4.55
Equity per share (SEK)	32.15	20.96	20.91	18.34	15.85
Dividend or equivalent per share (SEK)	10.08 <sup>1</sup>	7.00 <sup>1</sup>	9.00 <sup>1</sup>	5.10 <sup>1</sup>	5.00 <sup>1</sup>

1) The dividend for 2011 relate to the proposed redemption of SEK 9.42 per share and 0.66 per share for the proposed dividend of the newly established subsidiary Angler plc and for the years 2007-2010 accomplished redemption.

# CONSOLIDATED INCOME STATEMENT

Amount in SEK millions unless otherwise stated	note	2011	2010
Revenues	3, 4	1,736,565	1,603,211
Other revenues	3, 4	-	2
<b>Total</b>		<b>1,736,565</b>	<b>1,603,213</b>
Operating expenses for gaming operations		-307,676	-321,157
<b>Gross profit</b>		<b>1,428,889</b>	<b>1,282,056</b>
Capitalised development costs		41,397	35,678
Marketing expenses		-414,822	-527,647
Other external expenses	5, 6, 7	-232,709	-160,104
Personnel expenses	8	-197,007	-179,607
Depreciation	9	-73,819	-49,709
Other operating income/expenses	10, 11	7,813	-20,117
<b>Total</b>		<b>-869,147</b>	<b>-901,506</b>
<b>Operating income</b>		<b>559,742</b>	<b>380,550</b>
NET FINANCIALS	12		
Financial income		2,859	1,928
Financial expenses		-7,184	-41
<b>Total net financial items</b>		<b>-4,325</b>	<b>1,887</b>
<b>Income before tax</b>		<b>555,417</b>	<b>382,437</b>
Tax	13	-27,596	-16,782
<b>INCOME FOR THE YEAR ATTRIBUTABLE TO Parent Company SHAREHOLDERS</b>		<b>527,821</b>	<b>365,655</b>
<i>Earnings per share</i>			
– before dilution (SEK)	14	13.12	9.32
– after dilution (SEK)	14	13.10	9.32
Proposed/actual dividend per share (SEK)	15	10.08	7.00, <sup>1</sup>

1) The dividend for 2011 relate to the proposed redemption of SEK 9.42 per share and 0.66 per share for the proposed dividend of the newly established subsidiary Angler plc and for the 2010 accomplished redemption.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in thousand SEK unless otherwise stated	2011	2010
<i>Income for the year</i>	527,821	365,655
<b>Other comprehensive income</b>		
<b>Revenues and expenses reported directly in equity</b>		
Currency exchange rate differences when translating overseas operations	-20,372	-10,243
<b>Other comprehensive income for the year (after tax)</b>	<b>-20,372</b>	<b>-10,243</b>
<b>Total comprehensive income for the year</b>	<b>507,449</b>	<b>355,412</b>

# CONSOLIDATED BALANCE SHEET

Amount in thousand SEK unless otherwise stated	note	2011	2010
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible noncurrent assets	16	982,355	450,166
Tangible fixed assets	17	26,860	25,650
Shares in associated companies	19	10,205	-
Deferred tax receivables	13	14,414	6,146
<b>Total fixed assets</b>		<b>1,033,834</b>	<b>481,962</b>
<b>CURRENT ASSETS</b>			
Tax receivables	13	318,268	195,695
Other receivables	20	390,815	291,604
Prepaid expenses and accrued income	21	20,510	21,790
Cash and bank holdings	22	509,672	497,076
<b>Total current assets</b>		<b>1,239,265</b>	<b>1,006,165</b>
<b>TOTAL ASSETS</b>		<b>2,273,099</b>	<b>1,488,127</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	23	82,789	79,107
Other contributed capital		505,691	245,774
Reserves		-777	19,595
Retained earnings including annual income		746,634	481,162
<b>Total equity</b>		<b>1,334,337</b>	<b>825,638</b>
<b>LONG-TERM LIABILITIES</b>			
Deferred liabilities	13	8,020	4,165
<b>Total long-term liabilities</b>		<b>8,020</b>	<b>4,165</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		27,011	38,929
Tax liabilities	13	373,283	224,523
Other liabilities	25	384,871	293,922
Accruals and deferred income	26	145,577	100,950
<b>Total current liabilities</b>		<b>930,742</b>	<b>658,324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,273,099</b>	<b>1,488,127</b>
<i>Pledged assets and contingent liabilities</i>			
Contingent liabilities	27	35,600	-

# CONSOLIDATED CASH FLOW STATEMENT

Amount in thousand SEK unless otherwise stated	note	2011	2010
<b>OPERATING ACTIVITIES</b>			
Income after financial items		555,417	382,437
Adjustments for items not included in cash flow:			
– Depreciation	9	73,819	49,709
– Adjustment of equity interest in associated company		858	-
– Change of share price in rights issue		5,994	-
– Capital gains/losses from divestments	10	-17,115	763
– Equity related benefits		497	954
– Translation differences		-934	22,171
Tax paid	13	-10,887	-18,877
<b>Cash flow from operations before changes in working capital</b>		<b>607,649</b>	<b>437,157</b>
<i>Changes in working capital</i>			
Changes in current receivables		-33,836	-119,409
Changes in current liabilities		-36,576	78,703
<b>Cash flow from operations</b>		<b>537,238</b>	<b>396,451</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of intangible noncurrent assets	16	-43,831	-27,581
Acquisition of tangible fixed assets	17	-7,109	-17,380
Acquisition of shares in subsidiaries	19	-11,003	-
Acquisition of shares in associated companies	5	-203,788	-
Disposals of fixed assets	10, 16, 17	17,164	56
<b>Cash flow from investment activities</b>		<b>-248,567</b>	<b>-44,905</b>
<b>FINANCING ACTIVITIES</b>			
Premium received for subscription options		2,690	1,360
Share redemption		-275,759	-353,193
Repaid dividend		8	3
Costs for redemption programme		-206	-297
Tax effects of costs for redemption programme		54	78
Share issue (exercise of subscription options)		-	7,500
Cash exercise of subscription options and share options		-563	-6,620
<b>Cash flow from financing activities</b>		<b>-273,776</b>	<b>-351,169</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>-14,895</b>	<b>377</b>
Cash and cash equivalents opening balance		497,076	529,119
Exchange rate differences cash and cash equivalents		-2,299	-32,420
<b>CASH AND CASH EQUIVALENTS AT YEAR END</b>	22	<b>509,672</b>	<b>497,076</b>
<i>Additional information</i>			
Unutilised credit facilities amounted to		50,000	18,040
Interest paid during the year amounted to		-1,222	-41
Interest received during the year amounted to		3,053	1,845

# CHANGES IN CONSOLIDATED EQUITY

Amount in thousand SEK unless otherwise stated	Share capital	Other contributed capital	Conversion reserve	Retained earnings incl. 2011	Total equity
<b>OPENING EQUITY 1 JAN 2010</b>	<b>79,107</b>	<b>236,914</b>	<b>29,838</b>	<b>474,582</b>	<b>820,441</b>
<b>Total comprehensive income</b>					
Income for the year				365,655	365,655
<b>Other comprehensive income</b>					
Translation differences			-10,243		-10,243
<b>Total comprehensive income</b>			-10,243	365,655	355,412
<b>Transactions with the Company's owners</b>					
Share redemption	-39,554			-313,639	-353,193
Bonus issue	39,554			-39,554	0
Transaction costs for redemption programme				-297	-297
Tax effects of transaction costs for redemption programme				78	78
Share options, value of employee services				954	954
Premiums received for subscription options		1,360			1,360
Ongoing share issue (exercise of subscription options)		7,500			7,500
Cash exercise of options				-6,620	-6,620
Repaid, non distributed dividends/other				3	3
<b>CLOSING EQUITY 31 DEC 2010</b>	<b>79,107</b>	<b>245,774</b>	<b>19,595</b>	<b>481,162</b>	<b>825,638</b>
<b>Total comprehensive income</b>					
Income for the year				527,821	527,821
<b>Other comprehensive income</b>					
Translation differences			-20,372		-20,372
<b>Total comprehensive income</b>			-20,372	527,821	507,449
<b>Transactions with the Company's owners</b>					
Share redemption	-39,654			-236,105	-275,759
Bonus issue	39,654			-39,654	0
Transaction costs for redemption programme				-206	-206
Tax effects of transaction costs for redemption programme				54	54
Change of equity share in associated companies	1,369	116,323		13,700	131,392
Additional purchase price 1, Betsafe (Offset issue)	2,113	141,104			143,217
Registered new issue, see ongoing 2010	200	-200			
Share options, value of employee services				497	497
Premiums received for subscription options		2,690			2,690
Cash exercise of options				-563	-563
Change of equity share in associated companies				-80	-80
Repaid, non distributed dividends/other				8	8
<b>CLOSING EQUITY 31 DEC 2011</b>	<b>82,789</b>	<b>505,691</b>	<b>-777</b>	<b>746,634</b>	<b>1,334,337</b>



# PARENT COMPANY INCOME STATEMENT

Amount in thousand SEK unless otherwise stated	note	2011	2010
Revenues	4	15,596	16,264
<b>Total</b>		<b>15,596</b>	<b>16,264</b>
OPERATING EXPENSES			
Personnel expenses	5, 6, 7	-38,539	-23,189
Personalkostnader	8	-27,360	-19,348
Depreciation	9	-1,703	-1,459
Other operating income/expenses	10, 11	-790	-13,785
<b>Total</b>		<b>-68,392</b>	<b>-57,781</b>
<b>Operating income</b>		<b>-52,796</b>	<b>-41,517</b>
FINANCIAL ITEMS			
Profit/loss from participations in Group companies	12	535,058	375,865
Interest income and similar items		1,693	1,240
Interest expenses and similar items		-497	-65
<b>Total financial items</b>		<b>536,254</b>	<b>377,040</b>
<b>Income after financial items</b>		<b>483,458</b>	<b>335,523</b>
Appropriations	24	413	-
<b>Income before tax</b>		<b>483,871</b>	<b>335,523</b>
Tax	13	7,456	4,836
<b>INCOME FOR THE YEAR</b>		<b>491,327</b>	<b>340,359</b>
Proposed/actual dividend per share (SEK)	15	10.08 <sup>1</sup>	7.00 <sup>1</sup>

1) The dividend for 2011 refers to the proposed redemption of SEK 9.42 per share, and to 0.66 per share for the proposed dividend of the newly established subsidiary Angler plc and for the 2010 executed redemption.

# PARENT COMPANY BALANCE SHEET

Amount in thousand SEK unless otherwise stated	note	2011	2010
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<i>Tangible fixed assets</i>			
Inventory	17	5,393	5,954
<b>Total tangible fixed assets</b>		<b>5,393</b>	<b>5,954</b>
<i>Financial fixed assets</i>			
Participations in Group companies	18	1,243,012	584,685
Deferred tax receivables	13	13,654	6,143
<b>Total financial fixed assets</b>		<b>1,256,666</b>	<b>590,828</b>
<b>Total fixed assets</b>		<b>1,262,059</b>	<b>596,782</b>
<b>CURRENT ASSETS</b>			
<i>Current receivables</i>			
Receivables from Group companies		439,764	371,700
Tax receivable	13	510	465
Other receivables	20	760	15
Prepaid expenses and accrued income	21	2,204	2,230
<b>Total current receivables</b>		<b>443,238</b>	<b>374,410</b>
Cash and bank balances	22	67,954	282,961
<b>Total current assets</b>		<b>511,192</b>	<b>657,371</b>
<b>TOTAL ASSETS</b>		<b>1,773,251</b>	<b>1,254,153</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital		82,789	79,107
Paid up, unregistered share capital		-	200
Statutory reserve fund		253,279	253,279
<b>Total committed equity</b>		<b>336,068</b>	<b>332,586</b>
<i>Nonrestricted equity</i>			
Premium reserve		273,461	13,343
Retained earnings		477,216	399,401
Annual income		491,327	340,359
<b>Total disposable equity</b>		<b>1,242,004</b>	<b>753,103</b>
<b>Total equity</b>		<b>1,578,072</b>	<b>1,085,689</b>
Untaxed reserves	24	0	413
<b>CURRENT LIABILITIES</b>			
Accounts payable		2,677	3,555
Liabilities to Group companies		65,910	151,839
Other liabilities	25	116,377	5,975
Accruals and deferred income	26	10,215	6,682
<b>Total current liabilities</b>		<b>195,179</b>	<b>168,051</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,773,251</b>	<b>1,254,153</b>
Pledged assets	27	35,600	None

# PARENT COMPANY CASH FLOW STATEMENT

Amount in thousand SEK unless otherwise stated	note	2011	2010
<b>OPERATING ACTIVITIES</b>			
Income after financial items		483,458	335,523
Adjustment for items not included in cash flow:			
– Depreciation	9	1,703	1,459
– Write-downs of assets	12	-	499
– Losses on disposals of tangible fixed assets	12, 10	-413	763
– Other		2	36
Tax paid		-100	-301
<b>Cash flow from operations before changes in working capital</b>		<b>484,650</b>	<b>337,979</b>
Changes in working capital			
Changes in current receivables		-68,783	-77,862
Changes in current liabilities		-82,047	-14,438
<b>Cash flow from operations</b>		<b>333,820</b>	<b>245,679</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of tangible fixed assets	17	-1,142	-5,307
Acquisition of shares and shares of subsidiaries	18	-248,288	-73
Shareholders' contributions, paid to subsidiaries	18	-26,255	-
Liquidation/Merger of subsidiaries	18	636	-
<b>Cash flow from investment activities</b>		<b>-275,049</b>	<b>-5,380</b>
<b>FINANCING ACTIVITIES</b>			
Share redemption		-275,759	-353,193
Costs for redemption programme		-206	-297
Tax effects of costs for redemption programme		54	78
Premiums received for subscription options		2,690	1,360
Share issue (exercise of subscription options)		-	7,500
Cash exercise of subscription options and share options		-563	-6,620
Repaid dividend		8	3
<b>Cash flow from financing activities</b>		<b>-273,776</b>	<b>-351,169</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>-215,005</b>	<b>-110,870</b>
Cash and cash equivalents – opening balance		282,961	393,866
Exchange rate differences cash and cash equivalents		-2	-35
<b>CASH AND CASH EQUIVALENTS AT YEAR END</b>	22	<b>67,954</b>	<b>282,961</b>
<i>Additional information</i>			
Unutilised credits amounted to		50,000	-
Interest paid for the period amounted to		497	-9
Interest received for the period amounted to		1,857	1,121

# CHANGES IN PARENT COMPANY EQUITY

Amount in thousand SEK unless otherwise stated	RESTRICTED EQUITY			NONRESTRICTED EQUITY			Total equity
	Share capital	Share capital not registered	Statutory reserve fund	Premium reserve	Retained earnings	Annual income	
<b>OPENING EQUITY 1 JAN 2010</b>	<b>79,107</b>	<b>0</b>	<b>253,279</b>	<b>4,683</b>	<b>468,664</b>	<b>289,025</b>	<b>1,094,758</b>
Appropriation according to AGM					289,025	-289,025	-
– Share redemption	-39,554				-313,639		-353,193
– Bonus issue	39,554				-39,554		-
Transaction costs for redemption programme					-297		-297
Tax effects of transaction costs for redemption programme					78		78
New issued shares upon exercise of warrants		200		7,300			7,500
Cash payments upon exercise of stock options					-6,620		-6,620
Stock options, the value of employee performance					1,742		1,742
Premiums received for issued warrants				1,360			1,360
Annual income						340,359	340,359
Repaid, non distributed dividend					2		2
<b>CLOSING EQUITY 31 DEC 2010</b>	<b>79,107</b>	<b>200</b>	<b>253,279</b>	<b>13,343</b>	<b>399,401</b>	<b>340,359</b>	<b>1,085,689</b>
Appropriations according to AGM					340,359	-340,359	-
– Share redemption	-39,654				-236,105		-275,759
– Bonus issue	39,654				-39,654		-
Transaction costs for redemption programme					-206		-206
Tax effects of transaction costs for redemption programme					54		54
Share issue, exercise of TO 2010	200	-200					
Acquisition of Betsafe, payment with shares and rights issues	1,369			116,323	13,700		131,392
Additional purchase price Betsafe, set-off issue	2,113			141,104			143,217
Merger gains in absorption of a wholly owned subsidiary					223		223
Payment in cash upon exercise of stock option					-563		-563
Premiums received for subscription options				2,690			2,690
Annual income						491,327	491,327
Repaid, non distributed dividend					8		8
<b>CLOSING EQUITY 31 DEC 2011</b>	<b>82,789</b>	<b>0</b>	<b>253,279</b>	<b>273,460</b>	<b>477,217</b>	<b>491,327</b>	<b>1,578,072</b>

# NOTES

## Note 1 General information

Betsson AB (Parent Company, Corporate Identity Number 556090-4251) conducts, through subsidiaries (collectively referred to as the Group), gaming operations over the Internet. Operations are primarily carried out in companies in Sweden, Malta and Gibraltar.

The Parent Company is a limited liability company registered and based in Stockholm. The address of the Company's registered office is Regeringsgatan 28, 111 53 Stockholm. The Parent Company is listed on the Nasdaq OMX Nordic Mid Cap List.

These consolidated accounts were approved by the Board for publication on 16 April 2012.

## Note 2 Summary of important accounting and valuation principles

The most important accounting principles applied in these consolidated accounts are provided below. These principles have been applied consistently for all years presented, unless stated otherwise.

### Basis of preparation

The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary accounting regulations for Groups, and the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The accounts have been prepared using the acquisition value method except as concerns financial assets and liabilities (including derivative instruments) which have been measured at fair value through profit or loss.

The Parent Company has prepared its annual report according to the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR implies that the Parent Company, in its Annual Report for the legal entity, will apply all IFRS statements as adopted by the EU, as far as is possible within the framework of the Swedish Annual Accounts Act, taking into account the correlation between accounting and taxation. Any differences between the Parent Company's annual accounts and the consolidated accounts mainly relate to the presentation of the income statements and the balance sheet, which, for the Parent Company, follow the format stipulated in the Swedish Annual Accounts Act.

### Changes in accounting principles and information

New and amended standards applied by the Group.

None of the IFRS or IFRIC interpretations which were mandatory for the first time for the financial year beginning 1 January 2011 have had a significant effect on the Group.

New standards, amendments and interpretations to existing standards that have not yet entered into force and have not been early adopted by the Group.

IFRS 9 "Financial Instruments" addresses the classification, valuation and accounting of financial liabilities and assets. IFRS 9 replaces the parts of IAS 39 which are related to the classification and measurement of financial instruments. IFRS 9 stipulates that financial assets are to be classified in two categories: valued at fair value or valued at amortised cost. Classification is determined at initial recognition to the company's business model and the characteristics in the contractual cash flows. For financial liabilities, there will be no major changes compared with IAS 39. The main change relates to liabilities that are designated at fair value. The largest change addresses changes in liabilities which are valued at fair value. To such liabilities, the following is applied: the portion of the change in fair value which is attributable to the company's own credit risk is to be recognised in Other comprehensive income instead of Net profit/loss, so long as this does not result in an accounting mismatch. The Group intends to apply the new standard no later than the financial year beginning on 1 January 2015 and has not yet evaluated the effects. The standard has not yet been adopted by the EU.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated accounts. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning on 1 January 2013 and has not yet evaluated the effects on the financial statements. The standard has not yet been adopted by the EU.

IFRS 12 "Disclosures of Interests in Other Entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and

"structured entities" which have not been consolidated. The Group intends to apply IFRS 12 in the financial year starting on 1 January 2013 and has not yet evaluated the effects on the financial statements. The standard has not yet been adopted by the EU.

IFRS 13 "Fair Value Measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The requirements do not extend to the area of application for when the fair value should be applied but provides guidance regarding the manner in which it should be applied in areas where other IFRS already require or allow valuation at fair value. The Group has not yet assessed the full effect of IFRS 13 on the financial statements. The Group intends to apply the new standard in the financial year starting on 1 January 2013. The standard has not yet been adopted by the EU.

No other IFRS or IFRIC interpretations which have not yet entered into force are expected to have any significant impact on the Group.

### Applied basis of valuation and classification

The Parent Company's functional currency is Swedish krona (SEK), which is also the reporting currency for the Parent Company and for the Group. All amounts are, unless otherwise stated, rounded up/down to the nearest thousand.

Assets and liabilities are reported on the basis of acquisition value except for certain financial instruments which are measured at fair value. Financial assets and liabilities measured at fair value consist of financial instruments classified as financial assets measured at fair value through profit or loss.

Assets are classified as current assets if they are expected to be sold or are intended for sale or consumption during the company's normal operating cycle, if they are held primarily for trading purposes, or if they are expected to be realised within twelve months of closing date or if they comprise cash and cash equivalents. All other assets are classified as fixed assets.

Liabilities are classified as current liabilities if they are expected to be settled during the company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be settled within twelve months of the closing date or if the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the closing date. All other liabilities are classified as non-current liabilities.

### Estimations and assumptions in the financial statements

In order to prepare financial statements in accordance with IFRS, the use of various important estimations and assumptions for accounting purposes is required. The management is also required to undertake assessments regarding the application of the Group's accounting principles. The areas which include a high degree of assessment, which are complex or such areas in which estimations and assumptions are of material importance for the consolidated accounts include assumptions regarding the impairment testing of goodwill and other intangible assets with indefinite useful lifetimes. For further information, see Note 16.

### Basis for consolidation

The consolidated accounts encompass the Parent Company and companies in which the Parent Company, directly or indirectly, holds more than fifty percent of the votes or otherwise exercises a controlling interest.

The consolidated accounts have been prepared in accordance with the purchase method. This method implies that the Parent Company indirectly acquires the subsidiary's assets and assumes its liabilities. The difference between the purchase price and the fair value of the acquired identifiable net assets on the acquisition date represents the cost of goodwill, which is recognised as an asset in the balance sheet. If the difference is negative, it is reported as revenue in the income statement. Costs related to acquisitions are expensed as they arise.

Revenues and expenses, as well as assets and liabilities, attributable to subsidiaries are included in the consolidated accounts from the date on which control is assumed (acquisition date) and until the date on which such control is relinquished. Intra-Group receivables and liabilities, and transactions between Group companies, with associated gains, are eliminated in full.

### Associated companies

Associated companies are companies in which the Group has a significant, but not controlling, influence, which generally applies to shareholdings corresponding to between 20 and 50 percent of the votes. Participations in associated companies are reported in accordance with the equity method, according to which investments are initially valued at acquisition cost, after which the reported value is subsequently decreased or increased in order to reflect the Group's share of the associated company's profit or loss after the acquisition date. The value of participations in associated companies reported

by the Group includes goodwill identified upon acquisition.

The Group profit arising after the acquisition reported in the income statement, and its share of changes in Other comprehensive income after the acquisition, are reported in the Other comprehensive income with a corresponding change in the reported value of the participation holdings.

#### Segment reporting

Operational segments are reported in a manner consistent with the internal reporting, which is provided to the highest operative decision-making body in the Group. This body comprises the function responsible for allocating resources and assessing the financial performance of operating segments. In the Group, this function has been identified as Group management, who undertake strategic decisions regarding comprehensive guidelines.

#### Foreign currency

##### *Receivables and liabilities in foreign currency*

Receivables and liabilities in foreign currencies are valued at the closing rate of exchange. Exchange rate differences arising on translation are recognised in the income statement.

##### *Translation of foreign operations*

Operations with a functional currency other than Swedish krona (SEK) are translated into SEK through the translation of all assets, provisions and other liabilities at the closing rate and the translation of all items in the income statement at the average exchange rate. Exchange rate differences arising from this translation, referred to as translation differences, are reported in "Other comprehensive income".

On the disposal of a foreign business, the accumulated translation differences attributable to the business are realised in the consolidated income statement, after deductions for any hedging activities.

#### Revenue

Invoiced license revenue regarding the maintenance of the technical platform and income from the Group's gaming operations are reported as revenues. Marginal revenue generated from sold services and unrelated to gaming are also included.

Gaming transactions in which the Company's revenue consists of a commission, fixed percentage of winnings or similar are accounted for in accordance with IAS 18 "Revenue". Gaming revenues are reported net after deduction for player winnings, bonuses, jackpot contributions and loyalty programmes. This applies to Poker, Casino, Scratchcards, Bingo and Games.

Revenue attributable to gaming transactions in which the Company assumes an open position against the player are reported net after deductions for player winnings, bonuses, loyalty programmes, licensing fees and gaming taxes, which are calculated according to the outcome of the game. Outstanding amounts are derivatives and are reported at fair value according to IAS 39 "Financial instruments". The revenue reported in this manner refers to Sportsbook.

The portion of revenue, reversed for customer bonus points in Betsson's loyalty programme, is recorded as revenue only when the customers actually redeem the points.

Revenue from systems solutions offered to external gaming operators is recognised as leasing revenue at invoiced cost, based on the terms of the respective contract with the client.

Revenue from services sold is reported exclusive of VAT and discounts, and after the elimination of intra-Group sales. Services sold include consultancy, rental and management revenues. The majority of these services relate to intra-Group sales from the Parent Company to subsidiaries. External revenue from services sold is negligible.

#### Other revenue

Other revenue includes income from activities not conducted as a part of normal operations. This item is, primarily, composed of recovered written-off receivables, exchange rate gains from operations in the Parent Company, as well as profits on sales of fixed assets in the Parent Company.

#### Cost of services provided

Cost of services provided refers to expenditure within the gaming taxes, licensing fees to games providers, costs for payment services through bank and credit cards for deposits of bets and payment of winnings and costs for fraud. Regarding those games reported as financial instruments, the cost of gaming taxes and licensing fees which are calculated based on the outcome of the game are deducted from the revenue reported from the game.

#### Gross profit

Several gaming companies describe their gross profit as revenue from gaming operations (games surpluses or equivalent) and, thus, report licensing fees to games providers and costs for payment services as a reduction of revenue.

Betsson recognises these costs as expenses for services sold (except for Sportsbook which is identified as a financial instrument and reported net), but has also introduced the income level Gross profit in order to simplify comparison with other gaming companies.

Betsson has, however, chosen to continue recognising revenue as the result arising from transactions with end customers, namely, the players. At this level, success in the games themselves can be measured.

Gross profit also includes the results arising from transactions with third parties, that is, games providers and payment services providers, which implies that the success of Betsson's negotiations with suppliers can also be measured.

Gross profit from the Group's gaming operations consists of the net amount of received bets and paid out winnings after deductions for bonuses, jackpot contributions, loyalty programmes, gaming taxes, licensing fees to gaming providers, net income/expense for payment services via banks and credit cards for payment of winnings and costs for fraud (unapproved payment transactions).

#### Capitalised work for own account

Capitalised work for own account refers to direct expenditure for the period on salaries, other payroll-related costs and services purchased as well as indirect costs attributed to development projects, recorded as assets in the balance sheet.

#### Marketing expenses

This item includes external production costs and costs for the distribution of marketing material for Betsson and Betsson's games in various media, as well as the costs associated with collaboration partners and affiliates. Payment to partners and affiliates is volume-related and reflects the end customers' gaming transactions at Betsson.

#### Leasing

Leases are classified as either financial leases or operational leases in the consolidated accounts. Leasing of fixed assets, whereby the Group, essentially, is subject to the same risks and benefits as direct ownership, are classified as financial leasing. The leased asset is reported as a fixed asset and the corresponding leasing liability is reported in interest-bearing liabilities. Leasing of assets under which the lessor, essentially, remains the owner of the asset is classified as operating leases, and leasing fees are written off on a straight-line basis over the term of the lease.

All of Betsson's current leasing contracts are classified as operational leases. The extent of leasing payments is reported in Note 6.

#### Equity-related benefits

The Group has a number of share-based remuneration plans in which settlement is based on the provision of shares and as part of which the Company receives services from employees as compensation for the Group's equity instruments (options).

The fair value of the service entitling employees to be allocated share options is written off. The total amount to be written off is based on the fair value of granted options, excluding the impact of any non-market related services and vesting conditions for the options (for example, profitability, targets for sales increases and that the employee remains at the Company for a specified time period). Non-market related conditions for earning options are taken into consideration in the assumptions applied, as regards the number of options expected to be earned. The total amount to be written off is allocated during the vesting period which is the period during which all of the stated vesting conditions are to be fulfilled. Each closing date, the Company reviews all of its estimates regarding the number of shares which are expected to be earned, based on the non-market related earning conditions. Any deviations from initial assessments noted in such a review are reported in the income statement and corresponding adjustments are made in equity.

Payments received, after deduction for any directly attributable transaction costs, are credited to share capital (quotient value) and other contributed capital when the options are exercised.

The social security contributions arising upon the allocation of share options are regarded as part of the integrated portion of the allocation, and the expenses are managed as a cash-regulated, share-related remuneration.

#### Pension costs

Group payments concerning defined contribution pension plans are charged to income during the period in which the employee renders the services to which the contribution relates.

Portions of commitments for retirement pensions and family pensions for salaried employees in the Parent Company in Sweden are secured through insurance cover with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan involving several employers. For the financial years 2011 and 2010, the Company had no access to information enabling it to report this plan as a defined benefit plan. The ITP pension plan that is secured through insurance in Alecta is, consequently,



reported as a defined contribution plan. The year's pension contributions covered by Alecta amounted to SEK 492 (266) thousand. Alecta's surplus can be distributed to policyholders and/or the insured. At the end of 2011, the Alecta surplus in the form of collective consolidation was 113 (146) percent. The collective consolidation level consists of the market value of Alecta's assets as a percentage of insurance undertakings calculated according to Alecta's technical insurance assumptions, which do not comply with IAS 19.

#### Other operating income/expenses

Expenses for secondary activities conducted within the course of ordinary operations concerning receipts and payments are reported as other operating expenses. These include, primarily, exchange rate gains and losses on operations and gains and losses from sales, disposals or depreciation of fixed assets or operations. In order to reduce exposure to exchange rate fluctuations, Betsson has entered into forward exchange contracts in order to hedge portions of future cash flows. These derivatives are carried at fair value and changes in value are reported in the income statement, as with other operating income or expenses. Hedge accounting is not applied.

#### Taxes

Tax amounts in the income statement are comprised of current tax and deferred tax. Current tax consists of tax to be paid or received during the current year. This amount also includes the adjustment of current tax attributable to prior periods. Taxes are reported in the income statement, except when the tax relates to items reported in other comprehensive income or directly in equity. Deferred tax is calculated, using the balance sheet method, based on temporary differences between the reported and fiscal values of assets and liabilities by applying the tax rates and tax rules that have been determined or announced as of the closing day. Temporary differences are not taken into consideration in consolidated goodwill, nor are temporary differences attributable to participations in subsidiaries and associated companies, which are not expected to be taxed in the foreseeable future.

Deferred tax recoverables on deductible temporary differences and tax loss carry forwards are reported to the extent that it is probable that these will be utilised and will result in lower tax payments in the future.

#### Financial assets and liabilities

Financial assets subject to IAS 39 Financial Instruments, measurement are to be classified in one of the following classes:

- Financial assets and liabilities measured at fair value through profit or loss
- Loans and accounts receivable

Financial instruments are initially recorded at acquisition value, equivalent to the instrument's fair value plus transaction costs, except as regards financial instruments measured at fair value through profit or loss, for which transaction costs are written off immediately. The subsequent accounting treatment depends on the manner in which the instruments have been classified according to the definitions below.

#### Financial assets and liabilities measured at fair value through profit or loss

Financial assets and liabilities, in the form of derivatives, are recognised at fair value in the income statement in cases in which hedge accounting is not applied. The earnings effects for the games that are classified as derivatives are reported in revenue in the income statement, whilst other derivatives' earnings effects are reported as other operating income and other operating expenses.

#### Loan receivables and accounts receivable

Loans and accounts receivable are financial assets that are not derivatives with fixed payments or definable payments and which are not quoted on an active market. Loans receivable are valued at amortised cost, which is determined based on the effective annual rate of interest calculated on the acquisition date. Accounts receivable are recorded in the amounts that are expected to be received after deduction for bad debts that have been estimated without discount. The write-down of accounts receivable is reported in operating expenses.

#### Other financial liabilities

Financial liabilities not held for trading purposes are measured at amortised cost, which is determined on the basis of the effective interest rate when the liability was incurred. Consequently, any surplus and deficit values, as well as direct issue costs, are allocated over the term of the liability.

#### Intangible fixed assets

*Goodwill and intangible fixed assets with indefinite useful lives*  
Goodwill and the Betsson brand are expected to have an indefinite useful lifetime and are not subject to annual depreciation. These assets are assessed annually to identify any possible write-down requirement and are

reported at acquisition cost less accumulated write-downs.

#### Development costs and other intangible fixed assets

Intangible fixed assets also include development costs and acquired expenses in the form of other brands/domains and customer databases, etc. Development costs are capitalised as assets in the balance sheet to the extent that they are expected to provide future financial benefits. Only expenses incurred in conjunction with the development phase of online gaming products, gaming systems, gaming platforms and the integration of these and payment solutions are capitalised. Assets are recorded from the point in time at which the decision to proceed with the respective project is undertaken and the preconditions are in place to do so. The reported value includes costs for materials, services purchased, direct spending on salaries and indirect expenses which can be attributed to the asset in a reasonable and consistent manner. Development costs are included at acquisition value with deductions for accumulated depreciation and write-downs.

Other tangible assets are reported in the balance sheet at acquisition value with deductions for accumulated depreciation and write-downs.

The valuation of intangible assets' ability to generate revenue is undertaken continuously in order to identify any write-down requirements.

Maintenance costs for games, gaming systems and gaming platforms are written off as they arise.

#### Tangible fixed assets

Tangible fixed assets are reported at acquisition value after deductions for accumulated depreciation and any write-downs. Repairs and maintenance are charged to income as they arise.

#### Depreciation and impairment

Depreciation is based on the original acquisition value reduced by estimated residual value, taking into account prior write-downs. Depreciation is applied on a straight-line basis over the asset's estimated useful life.

The following useful lifetimes are applied:

Trademarks, domain names	indefinite or maximum of 5 years
Customer databases	2 years
Leaseholds	3-5 years
Capitalised development costs for gaming, gaming systems and gaming platforms are determined on the basis of the nature of the asset and amount to - investments made up to and including 2008	maximum 5 years
- investments made from 2009	maximum 3 years
Office equipment and fittings	5 years
Servers and similar	5 years
Other hardware	5 years
Computers within technology and development	written off directly
Vehicles	3-5 years

The assessment of an asset's residual value and useful life are reviewed on an annual basis. If there are any indications that the tangible or intangible fixed assets of the Group have an exceedingly high book value, an analysis is undertaken in which the specific type of the asset, or naturally coherent type of the assets, is determined as either the net realisable value or the value in use, whichever is the higher.

Value in use is measured as the expected future discounted cash flow. A write-down consists of the difference between the book value and the recoverable amount. A write-down is reversed when it is no longer justified. Such reversal is recorded at a maximum value, not to exceed the book value that would have been reported, with deduction for depreciation, if no write-down had taken place. Write-downs on goodwill are not undertaken.

In conjunction with the preparation of the annual accounts for 2008, management conducted a review of the useful lifetime of capitalised development costs of games, gaming systems, gaming platforms and payment solutions. In view of current and expected market and competition situations, it was deemed difficult to justify a depreciation period of five years. Consequently, for investments made from 2009 onwards, the depreciation period has been reduced to a maximum of three years. The new evaluation has not led to impairment requirements for existing platforms, etc. in addition to depreciation according to plan.

#### Accounts payable - trade

Accounts payable are obligations to pay for goods or services acquired in the normal course of operations from suppliers. Accounts payable are classified as current liabilities if they fall due for payment within one year or earlier (or during the normal operational cycles, whichever is longer). If these conditions are not met, they are classified as non-current liabilities.

Accounts payable – trade are initially reported at fair value and, subsequently, at amortised cost using the effective interest method.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available balances at banks and similar institutions plus short-term liquid investments maturing less than three months from acquisition date and which are subject to an only insignificant risk of value fluctuations.

#### Accounting principles for the Parent Company

The Parent Company applies the same principles as the Group, except for the fact that the Parent Company's accounts are prepared in accordance with RFR 2.2 Accounting for legal entities.

The differences between the Group's and the Parent Company's accounting principles are justified by the constraints imposed by the Swedish Annual Accounts Act (ÅRL) on the application of IFRS in the Parent Company and the taxation regulation permitting different accounting for legal entities and for the Group.

#### Group contributions and shareholders' contributions

Group contributions and shareholders' contributions are reported in accordance with statements from the Swedish Financial Reporting Board (RFR 2). Shareholders' contributions are recognised directly against equity by the recipient and are capitalised as shares and participations by the provider to the extent that no write-downs are necessary. Group contributions are reported according to their economic significance. This implies, for example, that Group contributions provided or received in order to minimise total Group tax are reported in the income statement, similar to tax effects.

#### Group companies

Participations in Group companies are reported in the Parent Company at acquisition cost, less any write-downs.

#### Division into restricted and non-restricted equity

In the Parent Company's balance sheet, equity is classified as either restricted or non-restricted equity in accordance with the Swedish Annual Accounts Act (ÅRL).

#### Untaxed reserves and balance sheet appropriations

The Parent Company reports deferred tax liabilities on untaxed reserves as a part of untaxed reserves, due to the relationship between accounting and taxation.

#### Definitions

**Revenue.** Revenue from gaming business after payment/payout of players' winnings, with deduction of jackpot contributions, loyalty programmes and bonuses and other operating income. Gaming taxes and license charges for game suppliers are also deducted from revenues for games recognised as financial instruments. License charges from invoicing for the maintenance of technical platforms to external game suppliers.

**Gross profit.** Revenue, as above, less gaming taxes, licensing fees for games suppliers, payments to suppliers and costs for fraud (unapproved payments).

**Average total capital.** The balance sheet total at the beginning of the financial year plus the balance sheet total at the end of the financial year, divided by two.

**Average capital employed.** The balance sheet total less non-interest bearing liabilities at the end and at the beginning of the financial year, divided by two.

**Average equity.** Equity at the beginning of the financial year plus equity at the end of the financial year added and divided by two.

**Return on total capital.** Income after financial items with the addition of financial expenses in relation to average total capital.

**Return on capital employed.** Income after financial items with the addition of financial expenses in relation to average capital employed.

**Return on equity.** Income after tax in relation to average equity.

**Profit margin.** Income after financial items in relation to the revenue for the period.

**Operating margin.** Operating income after financial items in relation to the revenue for the period.

**Equity/assets ratio.** Equity at the end of the period as a percentage of the balance sheet total at the end of the period.

**Cash liquidity.** Current assets in relation to current liabilities including proposed but not adopted dividends.

**Interest coverage ratio (multiple).** Income after financial items plus interest expenses in relation to interest expenses.

**Number of employees.** Number of employees on last month's payroll.

**Average number of employees.** Number of employees expressed as full-time equivalent (full year's work).

**Number of outstanding shares.** Number of outstanding shares (excluding repurchased shares) at the end of period.

**Average number of outstanding shares.** Weighted average number of outstanding shares during the period.

**Earnings per share.** Income after tax in relation to the average number of outstanding shares during the period.

**Earnings per share after dilution.** Income after tax, divided by the weighted average number of outstanding shares during the year, adjusted for additional number of shares for options with dilution effect.

**Equity per share.** Equity in relation to the number of outstanding shares at the end of the period.

**Dividend per share.** Actual/proposed dividend. Also includes share redemption programmes.

**Number of (registered) shareholders.** Number of direct shareholders and shareholders listed through an administrator named in the shareholder register kept by Euroclear Sweden AB

## Note 3 Revenues

	Group		Parent Company	
	2011	2010	2011	2010
<b>Revenues</b>				
Gaming business	1,421,661	1,603,211	-	-
License revenue, technical platform	314,904	-	-	-
Consultancy, management	-	-	2,784	2,784
Rental and office services	-	-	12,812	13,480
<b>Total</b>	<b>1,736,565</b>	<b>1,603,211</b>	<b>15,596</b>	<b>16,264</b>
<b>Other revenues</b>				
<b>Total</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>

## Note 4 Reporting per segment

### Segment Information

In line with the definition of operating segments, in the applicable accounting principles, the Group reports only one operating segment. The starting point for identifying operating segments to be reported is the internal reporting as reported to and followed up by the Group's most senior decision maker, which is Betsson AB's CEO. The CEO follows up the operating result for the entire business as one operating segment in a matrix organization.

The CEO assesses the operations of the subsidiaries, in the first instance from a customer perspective, in which the division is made into operations aimed directly at consumers (B2C) and business conducted with partners (B2B). These two parts are known internally as the two segments. The geographical perspective and product perspective are important components of the Betsson operational matrix. For accounting purposes, Betsson reports gross profit per geographic area and per product. This division is shown in the five-year overview on page 21, as well as in the table below.

The CEO evaluates segment performance based on the gross profit metric. The gross profit from the Group's operating units are comprised of invoiced licenses for the provision of technical platforms and the net receipt of gaming stakes and winnings paid out after gaming taxes, license fees to gaming suppliers, net income and expenses for payment services through bank and credit cards for deposits of bets and payouts of gains and the cost of fraud (unauthorised payment transactions). Betsson operates an integrated business model and does not, therefore, allocate assets and liabilities to customer category, geographical region or by product category.

Betsson AB, which is registered in Sweden, has no external revenues from Sweden. The distribution of income in the Group by function is shown in Note 3 and the table below. The Group has one customer with income in excess of ten percent but below 20 percent of total revenues. Of the Company's assets, 1.5 per cent derives from Sweden.

### Gross profit by segment

2011	B2C	B2B	Non allocated	Group
Revenues	1,036.6	699.9	-	1,736.5
Gross Profit	860.9	568.0	-	1,428.9
Gross margin (per cent)	83.0	81.1	-	82.3

2010	B2C	B2B	Non allocated	Group
Revenues	663.4	939.8	2	1,603.2
Gross Profit	558.0	724.1	2	1,282.1
Gross margin (per cent)	84.1	77.0		80.0

Gross profit by product	Casino	Poker	Sportsbook	Other products	Group
2011	955.9	83.9	326.9	62.2	1,428.9
2010	745.4	106.7	367.7	62.3	1,282.1

### Gross profit by geographical area, B2C

	Nordic countries	EU, non-Nordic countries	Rest of Europe	Rest of the world	Group
2011	659.5	183.1	3.9	14.4	860.9
2010	416.6	139.2	0.2	5.0	558.0

## Note 5 Business acquisitions

On 13 May 2011, Betsson AB announced that the Company had purchased 100 percent of the shares in Betsafe. On 15 June 2011, Betsson AB confirmed that the acquisition completed, consequently from that date onwards, the controlling interest in Betsafe's operations was transferred to Betsson.

The aim of the acquisition was to increase Betsson's market presence and enable continued strong growth in Betsson's primary markets in the Nordic countries within the B2C segment. In the long-term, favourable preconditions are created for an efficient cost structure through synergies.

No portion of the reported goodwill is expected to be deductible from income tax. The acquired customer base totals MEUR 2.5, the continuous depreciations of which will have an impact on the Group's income for a period of two years. The table below summarises the purchase price paid and the fair value of the acquired assets and liabilities.

### Preliminary acquisition analysis

	MEUR	tkr
<i>Purchase price</i>		
Cash and cash equivalents	27.1	248,195
Own capital instruments (918,824 Class B shares)	14.4	131,392
<b>Total purchase price paid</b>	<b>41.5</b>	<b>379,587</b>
<i>Additional purchase price paid</i>		
Equity instruments (1,056,403 Class B shares)	15.0	137,223
<i>Remaining additional purchase price</i>		
Additional purchase price	12.5	114,352
<b>Total purchase price</b>	<b>69.0</b>	<b>631,162</b>
<i>Reported amounts of identifiable acquired assets and liabilities taken over</i>		
Cash and cash equivalents	4.8	44,407
Tangible fixed assets	0.5	4,544
Customer base	2.5	22,871
Trademarks	7.4	67,697
Other intangible assets	0.8	7,121
Long-term receivables (deferred tax receivables)	0.0	76
Short-term receivables	9.9	90,269
Long-term liabilities (deferred tax liabilities)	-0.5	-4,528
Short-term liabilities	-7.9	-72,667
<b>Total identifiable net assets</b>	<b>17.5</b>	<b>159,790</b>
Goodwill	51.5	471,372
Total acquisition value	69.0	631,162
Cash purchase price paid		248,195
Acquired cash and cash equivalents		-44,407
Net effect on cash and cash equivalents		203,788

### Financial effects of acquisition

Betsafe was consolidated as a wholly-owned subsidiary on 15 June 2011. Between 15 June and 31 December 2011, Betsafe contributed SEK 229.0 million to the Group's gross income and SEK 73.1 million to the Group's operating income.

During the second quarter, the Group's income was affected by acquisition-related expenses amounting to SEK 10.1 million, referring to financial and legal consulting fees. These items are reported in the income statement in Other external expenses.

If Betsafe had been regarded as a subsidiary over the entire year, Betsson's gross profit would have amounted to SEK 1,574.7 million instead of the reported SEK 1,428.9 million, and the operating income to SEK 601.3 million, instead of the reported SEK 559.7 million, excluding acquisition expenses of SEK 10.1 million but including depreciation of customer base of SEK 11.4 million. During the year, Betsafe's gross profit amounted to SEK 374.9 million and its operating income to SEK 104.6 million.

### Purchase price

The purchase price is divided into an initial portion and an additional purchase price.

The initial purchase price for operations in Betsafe amounted to MEUR 34.0, divided into cash and cash equivalents of MEUR 19.6 and Betsson Class B shares at an amount of MEUR 14.4, corresponding to 234,555 Class B shares

from own acquisitions and 684,269 newly issued Class B shares which were delivered to the sellers on 15 June. In total, the initial purchase price for operations, thus, amounted to MEUR 34. Betsson paid an additional amount of MEUR 7.5 for acquired cash and cash equivalents and acquired income. The total initial purchase price amounted to MEUR 41.5, divided into cash and cash equivalents of MEUR 27.1 and Betsson Class B shares of MEUR 14.4.

During the third quarter of 2011, an additional purchase price of MEUR 15.0 was paid through new share issue/delivery of 1,056,403 Betsson Class B shares. The shares were issued at a market rate of SEK 135.57. The difference between the issuing share price and the share price at valuation date, a total of SEK 5,994,000, has been debited the Group net financial income.

The criteria for an additional purchase price based on the performance targets for 2011 have been met. The additional purchase price of MEUR 12.5 has, during the first quarter of 2012, been transferred to Betsafe's previous shareholders through new share issue and the delivery of an additional amount of 606,817 Class B shares. The shares were issued at a market rate of SEK 190. The difference between the issuing share price and the share price at valuation date, a total of SEK 943,000, has been debited the Group net financial income for Q1 2012.

As a result of the payment of the additional purchase price of MEUR 12.5, the purchase price of the operations amounted to MEUR 61.5 and the total purchase price (including the acquisition of cash and cash equivalents and the acquired income) amounts to approximately MEUR 69.0.

## Note 6 Leasing

Leasing costs for vehicles, rental costs for premises and other equipment that is rented and included in operational leasing amounted to:

	Group		Parent Company	
	2011	2010	2011	2010
Expensed leasing and rental charges	12,517	10,681	8,064	6,399

Future minimum charges concerning non terminable operational leasing and rental agreements are estimated to result in the following:

	Group		Parent Company	
	2011	2010	2011	2010
Within one year	13,309	9,822	8,092	7,848
Within two to five years	7,687	16,932	7,220	15,145
After five years	-	-	-	-
<b>Total</b>	<b>20,996</b>	<b>26,754</b>	<b>15,312</b>	<b>22,993</b>

## Note 7 Auditors' fees

The following remuneration has been paid to auditors and auditing companies for auditing and other examinations according to relevant legislation and for the provision of advice and other assistance as a result of observations made during the audit. Remuneration has also been provided for other independent advice, which relates primarily to ongoing tax consultations and advice on accounting issues.

	Group		Parent Company	
	2011	2010	2011	2010
<i>Auditing assignments</i>				
PricewaterhouseCoopers	1,548	1,518	496	235
Other auditing firms	66	-	-	-
<i>Other assignments than the auditing assignments</i>				
PricewaterhouseCoopers	362	115	362	115
<i>Tax consultations</i>				
PricewaterhouseCoopers	1,838	70	1,838	70
<i>Other services</i>				
PricewaterhouseCoopers	702	599	100	441
Other auditing firms	-	-	-	-
<b>Total</b>	<b>4,516</b>	<b>2,302</b>	<b>2,796</b>	<b>861</b>

## Note 8 Employees, salaries and fees

Average number of employees	2011		2010	
	Total	Of whom women, %	Total	Of whom women, %
<b>Parent Company</b>				
Sweden	8	41	7	43
<b>Total Parent Company</b>	<b>8</b>	<b>41</b>	<b>7</b>	<b>43</b>
<b>Subsidiaries</b>				
Sweden	69	12	64	14
Norway	2	50	3	33
Finland	-	-	1	0
Malta	252	29	191	33
Gibraltar	4	25	2	0
Italien	1	0	-	-
Kina	4	25	-	-
<b>Total subsidiaries</b>	<b>332</b>	<b>25</b>	<b>261</b>	<b>29</b>
<b>TOTAL GROUP</b>	<b>340</b>	<b>25</b>	<b>268</b>	<b>29</b>

### Proportion of women in executive management

	Group		Parent Company	
	2011	2010	2011	2010
Board of Directors, (per cent)	18	17	14	17
Other executive positions, (per cent)	8	14	0	0

### Salaries, other remuneration and social security contributions

	2011				2010			
	Salaries and remuneration	Of which CEO, Board & executive positions	Social security contribution	Of which expenses for pensions	Salaries and remuneration	Of which CEO, Board & executive positions	Social security contributions	Of which expenses for pensions
Parent Company	18,205	12,237	8,125	3,392	12,036	10,232	6,584	2,144
Subsidiary companies	144,769	11,610	20,181	2,674	127,621	13,549	19,701	3,381
<b>Total Group</b>	<b>162,974</b>	<b>23,847</b>	<b>28,306</b>	<b>6,066</b>	<b>139,657</b>	<b>23,781</b>	<b>26,285</b>	<b>5,525</b>

### Remuneration and other management benefits

	2011				2010			
	Salary/remuneration	Variable remuneration	Pension cost	Share-based compensation	Salary/remuneration	Variable remuneration	Pension costs	Share-based compensation
Pontus Lindwall, Chairman from 5 July	1,872	1,040	638	75	-	-	-	-
John Wattin, Chairman until 4 July	419				925			
John Wattin, Board Member from 5 July	200							
Per Hamberg	265				250			
Patrick Svensk	265				250			
Kicki Wallje-Lund	265				250			
Carl Lewenhaupt	265				250			
Lars Linder-Aronson	286				250			
<b>Total Board fees including Chairman's fees</b>	<b>3,837</b>	<b>1,040</b>	<b>638</b>	<b>75</b>	<b>2,175</b>	<b>0</b>	<b>0</b>	<b>0</b>
Board fees foreign subsidiaries	1,259	0	0	0	2,592	200	0	794
Magnus Silfverberg, CEO from 5 July	1,505	780	291	33	-	-	-	-
Pontus Lindwall, CEO until 4 July	1,872	1,177	610	76	3,780	2,183	485	328
<b>Other executives</b>								
Other executives until 4 July, total 6(6) individuals/positions	5,830	2,884	344	3,757	7,872	4,979	663	2,232
Other executives from 5 July, total 3 individuals/positions.	2,856	807	240	91	-	-	-	-
<b>Total</b>	<b>17,159</b>	<b>6,688</b>	<b>2,123</b>	<b>4,032</b>	<b>16,419</b>	<b>7,362</b>	<b>1,148</b>	<b>3,354</b>

## cont Note 8 Employees, salaries and fees

Notes on the above table:

Basic salary/fees refers to salary and other benefits including company car and fuel benefits. Variable compensation refers to bonuses which are based on quarterly targets achieved and which are paid out during the year in which they are earned and in the following year. The Group has only defined contribution pension plans (except for parts of pensions for employees in the Parent Company in Alecta, which are defined benefit pension plans but which are reported as defined contribution pension plans, see Note 2). Pension costs refer to the costs that have affected the year's earnings.

The previous Chairman of the Board (John Wattin) and Board Members have not received any remuneration other than Board fees. The current Chairman of the Board, Pontus Lindwall, is the working Chairman and receives the same salary, car benefits, bonuses, etc. from the Company as in his previous position as the CEO in accordance with the resolution made at the AGM.

The current management team is presented on page 18. Basic salaries in accordance with the above include, when appropriate, remuneration for consulting services within the Group.

### Equity-related benefits

Equity-related benefits are reported as consolidated accrued costs for employee options and the Company's future bonus remuneration when warrants are redeemed, plus costs occurring for the execution of warrants (option profits).

### Decision-making and preparation process

The Chairman and members of the Board are paid fees in accordance with the resolution of the Annual General Meeting. There is no remuneration for committee work.

### The 2011 Annual General Meeting Guidelines for Remuneration of Senior Executives

Senior executives are defined as the CEO and CFO of the Parent Company, the CEO of Betsson Malta and other members of the executive management team.

Remuneration is to be market-based and competitive in order to be able to attract and maintain competent senior management. Remuneration is to comprise fixed salary and, when necessary, variable compensation, pensions and other benefits such as, in some cases, a company car.

Any variable remunerations that may be offered to senior executives is to be determined on the basis of achievement of previously-established Group

and individual targets concerning operating income and the Company's financial development, as well as executives' individual development.

The normal retirement age is 65. Pension terms are to be market-based and based on defined contribution pension solutions.

Periods of notice are normally six to twelve months if the termination occurs on the initiative of the Company, and six months if the termination takes place on the initiative of the executive. Upon termination on behalf of the Company, the executive will be awarded severance pay in amounts of up to twelve months' salary.

The Board may diverge from these guidelines in individual cases in special circumstances.

### Bonuses

For the current CEO/Group President, the bonus for 2011 amounted to SEK 780,000. The bonus amounted to 52 percent of basic salary. For previous CEO/Group President, as well as the current Chairman of the Board, the bonus for 2011 amounted to SEK 2,217,000 (2,183,000). The bonus amounted to 59 (61) percent of basic salary.

For other senior executives, bonuses for 2011 amounted to SEK 3,691,000 (4,979,000). The bonus amount for other senior executives represented an average of 43 (63) percent of basic salary.

### Pensions

The retirement age for the CEO is 65. For other senior executives, retirement ages vary between 60 and 65. The pension agreement specifies that pension premiums are based on pensionable salary, which means basic salary, variable salary and benefits.

### Severance pay

Upon termination on behalf of Betsson, the CEO is entitled to a period of notice corresponding to six months and severance pay equivalent to twelve months' salary. Deductions from severance payments are not made if salary is received from other employment. Upon termination on behalf of the individual, the notice period is six months. Severance pay is not payable when an employee resigns.

For other executives, the mutual period of notice is six months. When termination of employment is carried out by the Company, the employee is entitled to severance pay equivalent to up to twelve months' salary. Severance pay is not payable when an employee resigns.

## Note 9 Depreciation

Depreciation specified according to various fixed assets:

	Group		Parent Company	
	2011	2010	2011	2010
Gaming products, systems and platforms	54,692	40,009	-	-
Customer Databases	7,542	1,047	-	-
Rental contracts	407	543	-	-
Inventory and IT-equipment	11,178	8,110	1,703	1,459
<b>Total</b>	<b>73,819</b>	<b>49,709</b>	<b>1,703</b>	<b>1,459</b>

## Note 10 Other operating income and other operating expenses

	Group		Parent Company	
	2011	2010	2011	2010
Capital gains on sale of fixed assets	17,164	-	-	-
Capital losses from sale/disposal/of fixed assets	-49	-763	-	-763
<b>Result from sale/disposal/of fixed assets</b>	<b>17,115</b>	<b>-763</b>	<b>-</b>	<b>-763</b>
Operational exchange gains	-	-	3,010	-
Operational exchange losses	-5,023	-29,204	-	-23,597
Exchange rate differences	-4,279	9,850	-3,800	10,575
<b>Currency effects</b>	<b>-9,302</b>	<b>-19,354</b>	<b>-790</b>	<b>-13,022</b>
<b>Total other operating expenses</b>	<b>7 813</b>	<b>-20 117</b>	<b>-790</b>	<b>-13 785</b>



## Note 11 Forward Agreements

Outstanding Exchange Rate Forward Agreements at year end and their effects are presented below

	Group		Parent Company	
	2011	2010	2011	2010
<b>Effects of exchange rate forward agreements</b>				
Exchange rate forward agreements, EUR	2,713	-	2,713	-
Exchange rate forward agreements, USD	152	610	-	-
Exchange rate forward agreements, GBP	-	102	-	-
<b>Total</b>	<b>2,865</b>	<b>712</b>	<b>2,713</b>	<b>-</b>

### Outstanding nominal amounts in local currencies

	Group	Parent Company
Valutaterminskontrakt, KEUR	12,400	-
Exchange rate forward agreements, USD	300	2,839
Exchange rate forward agreements, GBP	-	1,818

All of the group's exchange rate forward agreements are due within one year.

Betsson intends to sign, on continuous basis, new exchange rate forward agreements or correspondent hedging instruments in order to minimise currency exposures.

All outstanding exchange rate contracts are reported as other current liabilities, see Note 22. The income effect of the forward contracts is reported with operating expenses as earnings from exchange rate forward agreements, see Note 10 above.

## Note 12 Net Financial Income, financial items

GROUP	2011	2010
Interest income	3,060	1,928
Loss on liquidation of subsidiaries	-86	-
Exchange rate changes in financial assets	-115	-
<b>Financial income</b>	<b>2,859</b>	<b>1,928</b>
Interest expenses	1,145	41
Change of share price in rights issue	5,994	-
Exchange rate changes in financial liabilities	45	-
<b>Financial expenses</b>	<b>7,184</b>	<b>41</b>
<b>TOTAL NET FINANCIAL INCOME</b>	<b>-4,325</b>	<b>1,887</b>

PARENT COMPANY	2011	2010
Dividends from subsidiaries	517,146	361,051
Group contributions from Swedish subsidiaries	17,499	15,313
Dividend from liquidation of subsidiaries	413	-
Write-down of shares in subsidiaries	-	-499
<b>Total income from participation in Group companies</b>	<b>535,058</b>	<b>375,865</b>
Interest revenues, external	1,693	1,240
<b>Total interest income and similar items</b>	<b>1,693</b>	<b>1,240</b>
Interest costs, internal	-	56
Interest costs, external	497	9
<b>Total interest expenses and similar items</b>	<b>497</b>	<b>65</b>
<b>TOTAL FINANCIAL ITEMS</b>	<b>536,254</b>	<b>377,040</b>

## Note 13 Tax

Tax expenses in income statements

	Group		Parent Company	
	2011	2010	2011	2010
<b>Distribution between current and deferred tax</b>				
Current tax	-40,640	-24,804	-	-506
Deferred tax	13,044	8,022	7,456	5,342
<b>Total</b>	<b>-27,596</b>	<b>-16,782</b>	<b>7,456</b>	<b>4,836</b>

Tax expenses are distributed as follows:

	Group		Parent Company	
	2011	2010	2010	2010
<b>Current tax</b>				
Sweden	-4,602	-4,533	-	-506
Outside Sweden	-36,038	-20,271	-	-
<b>Total current tax</b>	<b>-40,640</b>	<b>-24,804</b>	<b>-</b>	<b>-506</b>
<b>Deferred tax</b>				
Sweden	12,070	9,370	7,456	5,342
Outside Sweden	974	-1,348	-	-
<b>Total deferred tax</b>	<b>13,044</b>	<b>8,022</b>	<b>7,456</b>	<b>5,342</b>

### Difference between actual tax cost and tax costs based on current tax rates

	Group	Parent Company
Reported income before tax	555,417	483,871
Tax according to current tax rate (26.3%)	-146,075	-127,258
Tax attributable to previous years	-589	-
Difference in tax in foreign operations	123,224	85,096
Tax effect CFC taxation	-1,049	-1,049
Tax effect of items that are not deductible	-3,216	-355
Tax effect of Items not liable to tax	109	136,118
<b>Reported tax expense</b>	<b>-27,596</b>	<b>7,456</b>

### Specification of deferred tax

	Group	Parent Company
Changed tax on temporary differences	12,070	9,370
Tax on appropriations	974	-
<b>Reported deferred tax expense</b>	<b>13,044</b>	<b>7,456</b>

Taxes in Balance Sheets

	Group		Parent Company	
	2011	2010	2011	2010
<b>Long-term receivables</b>				
Deferred tax on temporary differences	14,414	6,146	13,654	6,143
<b>Current receivables</b>				
Tax receivables	318,268	195,695	510	465
<b>Long-term liabilities</b>				
Deferred tax on untaxed reserves	-	214	-	-
Deferred tax on temporary differences	8,020	3,951	-	-
<b>Total</b>	<b>8,020</b>	<b>4,165</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Tax liabilities	373,283	224,523	-	-

## Note 14 Earnings per share

GROUP	2011	2010
Income after tax attributable to Parent Company shareholders	527,821	365,655
<b>Average number of shares</b>		
Average total number of shares	40,362,650	39,553,720
Reduced by average number of repurchased own shares	-119,127	-308,320
<b>Average number of outstanding shares before dilution</b>	<b>40,243,523</b>	<b>39,245,400</b>
Employee stock options	40,681	0
<b>Average number of outstanding shares after dilution</b>	<b>40,284,204</b>	<b>39,245,400</b>
<b>Earnings per share</b>		
– before dilution (SEK)	13.12	9.32
– after dilution (SEK)	13.10	9.32

Please refer to Note 2, Definitions, for calculation method.  
Average share price 2011 (2010): SEK 136,54 (109,79).

## Note 15 Dividend per share

For the past few years, Betsson has chosen to apply automatic share redemption programmes instead of traditional dividend. Transfers to shareholders paid in this manner in 2011 amounted to TSEK 275,759, which corresponded to SEK 7.00 per share.

At the Annual General Meeting on 11 May 2012, a share redemption for the financial year 2011 of SEK 9.42 per share - a total of TSEK 395,612 - will be proposed. The proposed transfer to shareholders has not been recognised as a liability in these financial statements.

In addition to the above, the Board also recommends that the Annual General Meeting resolve the dividend to Betsson's shareholders for the newly established subsidiary Angler plc. After the distribution, the new company will be listed on AktieTorget. Detailed information concerning the dividend and the separate listing can be found in a separate prospectus on Betsson's website, [www.betssonab.com](http://www.betssonab.com). The proposal is for a special dividend to shareholders of approximately MSEK 28, equivalent to SEK 0.66 per share (or MEUR 3.1, corresponding to approximately EUR 0.07 per share).



## Not 16 Intangible noncurrent assets

GROUP	Gaming products, systems & platforms	Brands	Customer databases	Lease/rental contracts acquired	Goodwill	Total
<b>Accumulated acquisition value</b>						
Opening balance 1 Jan 2010	159,472	82,437	9,089	1,900	320,682	573,580
Assets developed in-house	35,678	-	-	-	-	35,678
Investments	-	360	2,964	-	-	3,324
Currency exchange rate changes	-22,855	831	-	-	-	-22,024
<b>Balance carried over 31 Dec 2010</b>	<b>172,295</b>	<b>83,628</b>	<b>12,053</b>	<b>1,900</b>	<b>320,682</b>	<b>590,558</b>
Assets developed in-house	43,831	-	-	-	-	43,831
Investments	14,356	67,697	22,871	-	471,372	576,296
Currency exchange rate changes	-1,379	-2,038	-528	-	-15,016	-18,691
<b>Closing balance 31 Dec 2011</b>	<b>-229,103</b>	<b>149,287</b>	<b>34,396</b>	<b>0</b>	<b>777,038</b>	<b>1,191,724</b>
<b>Accumulated depreciation and write-downs</b>						
Opening balance 1 Jan 2010	63,084	0	9,089	950	36,273	109,396
Depreciation for the year	40,009	-	1,047	543	-	41,599
Currency exchange rate changes	-10,544	-	-59	-	-	-10,603
<b>Closing balance 31 Dec 2010</b>	<b>92,549</b>	<b>0</b>	<b>10,077</b>	<b>1,493</b>	<b>36,273</b>	<b>140,392</b>
Depreciation for the year	54,692	-	7,542	407	-	62,641
Investments	7,324	-	-	-	-	7,324
Currency exchange rate changes	-908	-	-80	-	-	-988
<b>Closing balance 31 Dec 2011</b>	<b>153,657</b>	<b>0</b>	<b>17,539</b>	<b>1,900</b>	<b>36,273</b>	<b>209,369</b>
<b>Book value</b>						
As per 1 Jan 2010	96,388	82,437	0	950	284,409	464,184
As per 31 Dec 2010	79,746	83,628	1,976	407	284,409	450,166
As per 31 Dec 2011	75,446	149,287	16,857	0	740,765	982,355

### Impairment testing of goodwill and brands with indefinite useful lives

Goodwill reported by the Group and trademarks derive from the acquisition of Net Entertainment (casinoeuro.com and cherrycasino.com) in 2000, the acquisition of Betsson (Betsson.com) at the beginning of 2005 and the acquisition of the Betsafe Group (betsafe.com) in 2011. All of these assets which, together, have a reported value of SEK 890,052,000 (of which goodwill amounts to SEK 740,765,000 and trademarks SEK 149,287,000), belong to B2C which was the cash generating unit at the point in time of the acquisition.

As these assets had not been depreciated, an impairment test was carried out in conjunction with 2011 bookclosing by calculating the recoverable value on the basis of the assets' value in use. This test showed that the recoverable amount significantly exceeded the reported value, and that no impairment requirement for goodwill and trademarks with indefinite useful lives existed.

### Important variables and methods for the estimating of values

The recoverable amount was based on the cash flow projections reflecting actual earnings from operations in 2011, the budget for 2012 as confirmed by the Board, and an estimate for years 2013-2015 in which an average annual rate of growth of 10 percent was assumed. Cash flows for years following 2015 were extrapolated to an annual growth rate of around 2 percent, representing the assumed average future pace of inflation.

The projected cash flows were discounted by 15 percent before tax. The effective tax rate was estimated at 6 percent.

Company management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market.

Betsson has conducted a sensitivity analysis as regards the following variables in the impairment testing of goodwill: discount rate, sales volume, growth rate. The sensitivity analysis indicates that there are good margins in the calculation.

## Note 17 Tangible fixed assets

Inventory, servers, hardware, etc.

	Group	Parent Company
<b>Accumulated acquisition value</b>		
Opening balance 1 Jan 2009	31,302	4,482
Investments	18,828	5,306
Disposals	-1,635	-1,512
Currency exchange rate changes	-3,132	-
<b>Closing balance 31 Dec 2010</b>	<b>45,363</b>	<b>8,276</b>
Investments	7,109	1,142
Disposals	6,516	-
Currency exchange rate changes	-211	-
<b>Closing balance 31 Dec 2011</b>	<b>58,777</b>	<b>9,418</b>
<b>Accumulated depreciation and write-downs</b>		
Opening balance 1 Jan 2010	14,109	1,612
Depreciation for the year	8,110	1,459
Disposals	-823	-749
Currency exchange rate changes	-1,683	-
<b>Closing balance 31 Dec 2010</b>	<b>19,713</b>	<b>2,322</b>
Depreciation for the year	11,178	1,703
Disposals	1,189	-
Currency exchange rate changes	-163	-
<b>Closing balance 31 Dec 2011</b>	<b>31,917</b>	<b>4,025</b>
<b>Book value</b>		
As per 1 Jan 2010	17,193	2,870
As per 31 Dec 2010	25,650	5,954
As per 31 Dec 2011	26,860	5,393

## Note 18 Participations in Group companies

Company	Corporate ID Number	Registered office	Participation (percent)	Participation (number)	Parent Company	
					2011	2010
Betsson Technologies AB	556651-8261	Stockholm	100	1,000	107	107
Betsson PR & Media AB	556118-8870	Stockholm	100	18,000	5,577	5,577
Shopsson AB	556750-4930	Stockholm	100	1,000	100	100
Shopsson S.B. AB	556824-7141	Stockholm	100	500	50	50
Betsson Malta Holding Ltd		Malta	100	10,000	571,519	571,519
– Betsson Malta Ltd		Malta	100	-	-	-
– Betsson Business Consulting Co. Ltd		Kina	1	-	-	-
– Betsson Payments ApSs	34081506	Denmark	100	-	-	-
– Clearpay Ltd		Malta	100	-	-	-
– Betsson Services Ltd		Malta	100	-	-	-
– Betsson Business Consulting Co. Ltd		Kina	1	-	-	-
– Betsson Platform Solutions Ltd		Malta	100	-	-	-
Artic Invest A/S	988178535	Norway	100	13,191,307	637,155	-
– Betsafe AB	556831-6300	Malmö	100	13,191,307	-	-
– Impero Holding Ltd	C42112	Malta	100	2,000	-	-
– Safepay Ltd	C42114	Malta	100	240,000	-	-
– Clearnet Ltd	C47336	Malta	100	1,165	-	-
BSG Limited	103233	Gibraltar	100	2,000	23	23
BSI S.R.L.	1311596	Italy	100		93	-
Great Pike Investments AB	556205-2307	Stockholm	100	6,000	27,066	812
– Betsson Business Consulting Co. Ltd		Kina	98	-	-	-
– Chusson Investment and Development Co. Ltd		Kina	100	-	-	-
– Chutian Media Sports Development Co. Ltd (note 19)		Kina	49	-	-	-
Intact Technology Stockholm AB	556561-4814	Stockholm	100	1,000	901	901
Cherry Leisure AB	556169-9843	Solna	100	2,500	290	290
AB Restaurang Rouletter	556133-3153	Solna	100	1,000	131	131
Betsson Ltd (liquidated)		England	0 (100)	0 (100)	-	2
The Open Exchange Ltd (liquidated)		England	0 (100)	0 (100)	-	1
Betsson PR & Media Ltd (liquidated)		England	0 (100)	0 (1)	-	0
BIA Communications SDN BHD (liquidated)		Malaysia	0 (100)	0 (250,000)	-	0
Cherry International AB (merged)	556561-8575	Stockholm	0 (100)	0,(8,000)	-	890
First Casino AB (merged)	556443-0527	Uppsala	0 (100)	0 (1,000)	-	1,000
Cherry Maritime Service Väst AB (merged)	556206-3403	Stockholm	0 (100)	0 (10,000)	-	2,642
Svenska Casino AB (merged)	556560-6869	Solna	0 (100)	0 (1,000)	-	100
Casinoinvest i Sverige AB (merged)	556444-6119	Solna	0 (100)	0 (5,000)	-	541
<b>Total</b>					<b>1,243,012</b>	<b>584,686</b>

### Changes in participations in Group companies

	2011	2010
Opening acquisition value	584,686	583,370
Investments	637,155	-
Shareholder contributions	26,254	1,742
Investment share capital in start-ups	93	73
Write down of shares in dormant subsidiaries	0	-499
Voluntary liquidation of foreign subsidiary	-3	-
Absorption of wholly owned Swedish subsidiary (merger)	-5,173	-
<b>Closing book value</b>	<b>1,243,012</b>	<b>584,686</b>

## Note 19 Participation in Group companies

Company	Reg office	Participation, %	Group	
			2011	2010
Chutian Media Sports Development Co. Ltd	Kina	49	10,205	-
<b>Consolidated book value</b>			<b>10,205</b>	<b>-</b>
<b>Changes in participation in Group companies</b>			<b>2011</b>	<b>2010</b>
Opening acquisition value			-	-
Acquisition			11,003	-
Result from			-858	-
Exchange rate differences			140	-
Other changes in equity			-80	-
<b>Closing book value</b>			<b>10,205</b>	<b>-</b>

Reported assets, liabilities etc. of associates' accounts for 2011 thousand are as follows:

Company	Reg office	Participation, %	Assets	Liabilities	Revenues	Result from
Chutian Media Sports Development Co. Ltd	China	49	1,860	3,544	0	-1,750

SEK 3,286,000 of the liabilities refers to short-term liabilities concerning disbursements made by companies in the Betsson Group, which will be regulated by all parties contributing additional capital in 2012. The parties intend to contribute, in 2012, an additional amount of CNY 20 million, of which the Betsson Group is to contribute its share of 49 percent.

## Note 20 Non-current receivables and other receivables

The Group and Parent Company have no other long-term receivables that are fixed assets.

Other receivables that are current assets

	Group		Parent Company	
	2011	2010	2011	2010
<b>At year end</b>				
Tax accounts	4	2	1	-
Receivables from payment system suppliers	206,868	264,559	-	-
Receivables from B2B/market partners	139,847	-	-	-
Receivables from gaming suppliers	3,909	-	-	-
Receivables from associated companies	3,286	-	-	-
Deposits at payment system suppliers and other deposits	6,590	3,760	-	-
Value Added Tax	24,088	22,662	741	-
Other	6,223	621	18	15
<b>Total</b>	<b>390,815</b>	<b>291,604</b>	<b>760</b>	<b>15</b>

Receivables from payment service providers refer to receivables relating to banks and other credit institutions who are credit providers (issuers of credit cards or similar) for Betsson customers. The risk of bad debts here refers to the individual players not being able to cover their purchases. Betsson has not allocated reserves for possible losses in outstanding receivables. Betsson's assessment, based on historical losses, is that credit losses in outstanding receivables are marginal compared to Group earnings. During the year, written off bad debts related to credit card sales amounted to SEK 0 (7 million, corresponding to 0 (0,5) per cent of total Group revenue.

Receivables for payment service providers are settled within 7-30 days.

## Note 21 Prepaid expenses and accrued income

	Group		Parent Company	
	2011	2010	2011	2010
Rental expenses	3,559	3,627	2,004	1,813
Production costs	3,045	251	-	-
Marketing partners	1,655	6,015	-	-
License costs	4,957	2,153	-	-
Consultants	2,327	3,951	-	-
IT-equipment	1,712	2,802	-	-
Travel costs	-	1,202	-	-
Interest	-	164	-	164
Other prepaid expenses	3,255	1,625	200	253
<b>Total</b>	<b>20,510</b>	<b>21,790</b>	<b>2,204</b>	<b>2,230</b>

## Note 22 Cash and cash equivalents

The following components comprise the item Cash and cash equivalents in the balance sheet and the cash flow statement:

	Group		Parent Company	
	2011	2010	2011	2010
Cash and Bank	282,700	194,531	67,954	182,961
Short term deposits	226,972	302,545	-	100,000
<b>Total</b>	<b>509,672</b>	<b>497,076</b>	<b>67,954</b>	<b>282,961</b>

## Note 23 Equity

Composition of share capital

PARENT COMPANY	2011		2010	
	Number of shares	Share capital	Number of shares	Share capital
Shares, Class A (10 votes)	5,420,000	10,840	5,420,000	10,840
Shares, Class B (1 vote)	35,974,392	71,949	34,133,720	68,267
<b>Total shares</b>	<b>,41,394,392</b>	<b>82,789</b>	<b>39,553,720</b>	<b>79,107</b>

During the period 2007-2008, the Parent Company repurchased a number of its own Class B shares. A certain amount of these shares have been used in the exercise of stock options during 2010 and 2011 and as part of the purchase consideration paid for Betsafegruppen in 2011. As of year-end, the Company's holding of own shares amounted to 4,222 (259,555) Class B shares.

The quotient value of each share is USD 2. Shares of both Class A and Class B entitle the holder to the same rights to the Company's assets and earnings. The composition of equity in the Group and the Parent Company is stated in Note 2. Reserves are reported in the summary of changes in equity.

## Note 24 Untaxed reserves, appropriations

PARENT COMPANY	2011	2010
<b>Balance sheet</b>		
Accumulated excess depreciation	-	413
<b>Total untaxed reserves</b>	<b>-</b>	<b>413</b>
Deferred tax in untaxed reserves are included in the sum of	-	109
<b>Income statements</b>		
Difference between book depreciation and depreciation according to plan	413	-
<b>Total balance sheet allocations</b>	<b>413</b>	<b>0</b>

## Note 25 Other liabilities

OTHER CURRENT LIABILITIES	Group		Parent Company	
	2011	2010	2011	2010
Employees' tax	3,049	4,462	1,120	1,141
Social security contributions	2,161	1,749	735	752
Liabilities to personnel	414	4,757	-	4,045
Marketing partners	104,208	137,994	-	-
Gaming tax	14,575	6,623	-	-
Licences	1,219	14,207	-	-
VAT	1,495	645	-	37
Players' accounts	142,137	120,189	-	-
Additional purchase price for acquisition	111,809	-	111,809	-
Currency futures	2,865	712	2,713	-
Other	939	2,584	-	-
<b>Total</b>	<b>384,871</b>	<b>293,922</b>	<b>116,377</b>	<b>5,975</b>

## Note 26 Accrued expensed and deferred income

	Group		Parent Company	
	2011	2010	2011	2010
Holiday pay liabilities	6,294	5,543	1,204	872
Social security contributions	5,091	3,756	1,309	977
Salaries	17,779	7,331	5,302	1,961
Reserves jackpot	67,992	63,161	-	-
Marketing costs	11,881	7,846	-	-
Rent and office lease	2,307	-	-	-
Consultancy costs	15,629	6,150	2,110	2,752
Emission rights	10,796	-	-	-
Other	7,808	7,163	290	120
<b>Total</b>	<b>145,577</b>	<b>100,950</b>	<b>10,215</b>	<b>6,682</b>

## Note 27 Pledged assets concerning own liabilities

	Group		Parent Company	
	2011	2010	2011	2010
Business mortgages	35,600	-	35,600	-
<b>Total</b>	<b>35,600</b>	<b>-</b>	<b>35,600</b>	<b>-</b>

Chattel mortgages in the company's own custody

	-	35,600	-	35,600
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The amounts refer to blocked bank funds at banks, etc. used as security for customer deposits.

## Note 28 Commitments and contingent liabilities

Through its subsidiaries, the Betsson Group has committed itself to further invest in the partly owned (joint venture) Chinese company, Hubei Chutian Media Sports Development Co. Ltd, during the first half of 2012. The parties intend to contribute a total of approximately MSEK 22 (which corresponds to MCNY 20) of which Betsson's share amounts to 49 percent (see Note 19). Consequently, Betsson Group's participation in the assignment amounts to SEK 10,778,000 as at bookclosing date.

## Note 29 Related party relationships

The Parent Company has a close relationship with its subsidiaries, see Note 18.

Services sold between the Parent Company and the subsidiaries mainly refer to accounting, IT and management services, as well as rental and office expenses.

The Betsson Group rents four (seven) apartments from Solporten Fastighets AB, in which CEO Pontus Lindwall and Board Member Per Hamberg are shareholders/Board Members. In 2011, purchases amounted to SEK 234,000 (392,000).

Betsson Malta and Betsson AB purchases legal services from WH Law, in which Board Member in Betsson Malta, Dr. Olga Finkel, is a Managing Partner. The Group's purchases in 2011 amounted to SEK 1,742,000 (959,000), of which Betsson AB's purchases SEK 229,000 (75,000).

Transactions with related parties are priced at market conditions. Services free of charge have not been supplied.

Board Member Per Hamberg has a large ownership influence in Betsson AB. For information on Board holdings in the Company, please refer to pages 16-17. For remuneration paid to Board Members and senior executives, please refer to Note 8.

Transactions with related parties

PARENT COMPANY	2011	2010
<b>Purchase of services from related parties</b>		
Purchases from subsidiaries	960	960
Purchases from other related parties	463	209
<b>Sale of services to related parties</b>		
Sales to subsidiaries	15,596	16,264
<b>Financial dealings with related parties</b>		
Dividend from subsidiaries	517,146	361,051
Group contribution from Swedish subsidiary	17,499	15,313
Capital gain/loss on liquidation of subsidiaries	413	-499
Interest costs to subsidiary	-	-56
<b>Liabilities to related parties</b>		
Liabilities to subsidiaries	65,910	151,839
<b>Receivables from related parties</b>		
Receivables from subsidiaries	439,764	371,700

## Note 30 Financial instruments

	Items recognised at fair value via income statement – derivatives	Loan receivables & accounts receivables	Other financial liabilities	Total recognised value	Non financial assets & liabilities	Total Balance Sheet
<b>Group 2011</b>						
Other long-term receivables						
Accounts receivable						
Other receivables		366,730		366,730	24,088	390,818
Cash and bank balances		509,672		509,672		509,672
<b>Total financial assets</b>	-	<b>876,402</b>	-	<b>876,402</b>	<b>24,088</b>	<b>900,490</b>
Accounts payable						
Other liabilities	6,254		27,011	27,011		27,011
<b>Total financial liabilities</b>	<b>6,254</b>	-	<b>165,759</b>	<b>172,013</b>	<b>239,869</b>	<b>411,882</b>
<b>Group 2010</b>						
Other long-term receivables						
Accounts receivable						
Other receivables		268,942		268,942	22,662	291,604
Cash and bank		497,076		497,076		497,076
<b>Total financial assets</b>	-	<b>766,018</b>	-	<b>766,018</b>	<b>22,662</b>	<b>788,680</b>
Accounts payable						
Other liabilities	5,131		38,929	38,929		38,929
<b>Total financial liabilities</b>	<b>5,131</b>	-	<b>154,699</b>	<b>159,830</b>	<b>173,021</b>	<b>332,851</b>
<b>Parent Company 2011</b>						
Other long-term receivables						
Accounts receivable						
Receivables from Group companies		439,764		439,764		439,764
Other receivables					760	760
Cash and bank		67,954		67,954		67,954
<b>Total financial assets</b>	-	<b>507,718</b>	-	<b>507,718</b>	<b>760</b>	<b>508,478</b>
Accounts payable						
Liabilities to Group companies			2,677	2,677		2,677
Other liabilities	2,713		65,910	65,910		65,910
<b>Total financial liabilities</b>	<b>2,713</b>	-	<b>180,396</b>	<b>183,109</b>	<b>1,855</b>	<b>184,964</b>
<b>Parent Company 2010</b>						
Other long-term receivables						
Accounts receivable						
Receivables from Group companies		371,700		371,700		371,700
Other receivables		15		15		15
Cash and bank balances		282,961		282,961		282,961
<b>Total financial assets</b>	-	<b>654,676</b>	-	<b>654,676</b>	-	<b>654,676</b>
Accounts payable						
Liabilities to Group companies			3,555	3,555		3,555
Other liabilities			151,839	151,839		151,839
<b>Total financial liabilities</b>	-	-	<b>155,394</b>	<b>155,394</b>	<b>5,975</b>	<b>161,369</b>

### Fair value

In order to determine the fair value of financial assets and liabilities, the value of assets and liabilities has been calculated based on market value, where possible. Interest-bearing financial assets and liabilities that are not derivatives are calculated based on future cash flows of capital amounts and interest according to the effective annual interest rate method. For short-term financial assets and liabilities with variable interest rates, fair value is considered to be the same as carrying value. The fair value of short-term, interest-bearing receivables and liabilities is considered, because of the shortness of the term, to be equal to carrying value.

In respect of the games in which Betsson assumes open positions against the players, these are treated as derivatives and are reported at fair value. Fair value is determined on the basis of a weighted probability calculation for various possible outcomes.

## Note 31 Share-based remuneration

Betsson's incentive programmes were introduced at the end of 2008. These programmes are determined by the AGM. Share warrants are allocated to the Betsson's senior executives and other key employees after initiation by the Board.

In total, three incentive programmes have been initiated and introduced since the beginning of 2008. Each incentive programme comprises two parts in which employees in Sweden have the opportunity to purchase share warrants at market rate and employees in other countries (primarily in Malta) are offered an allocation of stock options free of charge, provided that the participants have invested in Betsson shares. Share warrants are normally issued with a fixed redemption price amounting to 120 percent of the shares' market price on the allocation date. The Group assumes no legal or informal obligation to repurchase or regulate the warrants in cash.

Employee options are conditional on the employee remaining in the service of the Company during the period in which they are earned and that the employee maintains his/her initial investment in Betsson shares.

To those individuals holding share warrants, the Board may resolve on payment of a bonus corresponding to the amount of the option premium initially paid. Any bonus is conditional upon the employee utilising the share warrants and remaining in the service of the Group at the time of utilisation.

Share warrants are valued according to the Black-Scholes option valuation model. The table below presents the options' fair values and the assumptions made in calculations.

Type of instruments	Warrant	Employee stock option	Warrant	Employee stock option	Warrant	Employee Stock Option
Issuing date	2008-12-15	2009-01-14	2010-08-27	2010-08-27	2011-11-14	2011-11-14
Average share price on day of issue (SEK)	64.75	73.50	94.53	94.53	152.20	152.20
Redemption rate per share (SEK)	75.00	88.20	113.40	113.40	182.64	182.64
Number of participants	14	17	18	16	21	25
Number of paid share warrants/allocated stock options	260,000	352,536	359,800	376,000	449,000	395,330
Last subscription date	2010-12-31	2010-12-31	2012-12-31	2012-12-31	2014-03-31	2014-03-31
Anticipated duration (months)	24.5	23.5	27	27	27.5	27.5
Risk-free interest (percent)	1.91	1.91	1.30	1.30	1.00	1.00
Anticipated volatility (percent)	35.57	35.57	27.20	27.20	27.39	27.39
Fair value per share (SEK)	5.94	6.61	3.78	3.78	5.99	5.99

### Completed incentive programme: Programme 2008-2010

The programme was completed during the final quarter of 2010. In total, 260,000 subscription options were exercised. 100,000 were used to subscribe to 100,000 new Class B shares at a strike-price of SEK 75.00 per share. The remaining 160,000 subscription options were repurchased at the market value, which resulted in a pay out of SEK 5,778,000.

In addition to this, a total of 263,544 stock options were exercised through the repurchase of options at market value and the purchase of shares for gains (by transfer of the Company's own shares at market price). This formed a transfer of 50,445 Class B shares to the participants, and a payment of a total of SEK 842,000 regarding withheld tax on fringe benefits in Malta.

Changes in the amount of remaining stock options and their weighted average redemption price are presented in the table below.

	2011		2010	
	Strike price SEK	Options no.	Strike price SEK	Options no.
On 1 January	113.40	376,000	88.20	288,540
Allocated	182.64	395,330	113.40	376,000
Forfeited	113.40	-135,004	88.20	-24,996
Utilised	113.40	-93,396	88.20	-263,544
On 31 December	163.82	542,930	113.40	376,000



## Note 32 Financial risks

The Group's financial activities are conducted according to a financial policy adopted by the Board, which is characterised by the objective of minimising risk levels in the Group.

Financial activities and financial risk management are coordinated through the Parent Company, Betsson AB, which is also responsible for the investment of surplus liquidity. Financing of the subsidiaries is primarily undertaken via the Parent Company. The wholly-owned operating subsidiaries are solely responsible for the management of their own financial risks, within the framework established by their respective Boards of Directors after coordination with the Parent Company.

All of Betsson's financial liabilities fall due for payment within one year, implying that there is no discounting effect for these liabilities.

### Currency risks

The Group's revenue is exposed to exchange rate fluctuations when sales are made in currencies differing from those in which expenses are incurred (transaction exposure).

The Group's revenue is affected, primarily, by fluctuations in NOK, USD, EUR and TRY. The Group's expenses are affected mainly by fluctuations in USD and EUR. Results are also affected by exchange rate fluctuations when the financial results of foreign subsidiaries are translated to Swedish krona (translation exposure).

Furthermore, the Group's equity is influenced by exchange rate fluctuations when foreign subsidiaries' assets and liabilities are translated to Swedish krona (translation exposure).

The Company's policy stipulates that management should not undertake currency speculation. Instead, management must strive to minimise the P/L effects. Whenever possible, management works to match the incoming and outgoing cash flows in the same currency. Betsson uses financial hedging instruments in order to offset currency effects.

### Refinancing risk, liquidity risk and capital management

The Group's operations are financed through Company resources. The foreign subsidiaries will be financed mainly through equity, and, if necessary, internal loans from the Parent Company.

Betsson's goal has, traditionally, been to have a low level of debt, with an equity ratio of at least 40 per cent. Tangible fixed assets in the Group consist primarily of IT hardware and equipment. It has been determined that future investments in tangible fixed assets will primarily be financed through internally generated funds or leasing solutions. It has also been determined that the procurement of external financing may be necessary in connection with the expansion of Betsson's operations, as well as for the possibility of larger company acquisitions.

The primary objective as regards future acquisitions is for such acquisitions to be completed through cash payment and/or the issuance of treasury shares.

### Interest rate risk

Group revenue and cash flow from operations are essentially independent of changes to the market rate of interest. The Group's surplus funds are deposited in bank accounts in the short term, and the Group currently has no external loans. In the current situation, there is no substantive risk in regards to changes to external interest rates.

### Counterparty risk and credit risk

Gaming operations conducted on the Internet represent a credit risk for operators. The credit risk in e-commerce does not differ from the credit risk for other transactions using credit cards. To protect itself, Betsson has implemented internal systems which significantly reduce fraud. Betsson is of the opinion that it has taken sufficient steps to reasonably protect itself against fraud and credit risks.

## Note 33 Significant events after the closing date

On 19 January, Betsson was granted a gaming license on the Italian market. The commercial launch under the new license is planned for the beginning of Q2.

On 23 January, IGA Betsson was awarded the title "Online Sportsbook Operator of the Year".

In January, [www.betsson.dk](http://www.betsson.dk) and [www.casinoeuro.dk](http://www.casinoeuro.dk) were launched on the Danish market, under a Danish license.

On 9 March, Betsson paid the final supplementary purchase price for the acquisition of Betsafe. The purchase price of MEUR 12.5 was paid through a new share issue of 606,817 Class B shares.

The Board has announced its intention to propose, at the AGM on 11 May, that the company Angler plc. be allocated to Betsson's shareholders and listed on Aktietorget. A separate prospectus is available at [www.betssonab.com](http://www.betssonab.com).

No other significant events took place after the closing date.

# PROPOSED ALLOCATION OF PROFITS

The Parent Company provides the following profits to place at the disposal of the Annual General Meeting:

## Amounts in SEK

Net income for the financial year 2011	491,327,517
<u>Retained earnings and non-restricted reserves</u>	<u>750 676,926</u>
	1,242,004,443

The Board and the CEO propose that the entire amount, SEK 1,242,004,443 be carried forward.

## Transfer to share owners

### Ordinary transfer

The Board proposes to the Annual General Meeting that the amount of SEK 395,612 be transferred to shareholders. No transfer will be made for the 4,222 shares repurchased by the Company. Reversal is proposed via a share split 2 for 1, with mandatory redemption of the second share at a price of SEK 9.42 per share. After implementation of the proposed appropriation of profits and the redemption programme, earnings brought forward including unrestricted reserves and total equity in the Parent Company Betsson AB will amount to SEK 846,392,000 and SEK 1,182,460,000, respectively.

## Extra transfer

The Board also proposes that the Annual General Meeting resolve on the distribution of all shares in the wholly-owned subsidiary Angler plc. to Betsson's shareholders and the listing of the Company on the Aktietorget. The transfer to the shareholders amounts to approximately MSEK 28.0, which corresponds to approximately SEK 0.66 per share (or MEUR 3.1, corresponding to approximately EUR 0.07 per share).

The Annual Report and Consolidated Financial Statements for Betsson AB (publ) have been approved for publication in accordance with the Board's resolution on 16 April 2012. It is proposed that the Annual Report and the Consolidated Financial Statements be adopted by the Annual General Meeting on 11 May 2012.

The undersigned declare that the Consolidated Financial Statements and the Annual Report have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU, respectively generally accepted accounting principles, and provide a true and fair picture of the Group and Company's position and earnings, and the Group Directors' Report and the Parent Company Directors' Report provide an accurate overview of the development of Group and Company operations, financial position and earnings, as well as describing significant risks and factors of uncertainty faced by the companies included in the Group.

Stockholm, 16 April 2012

Pontus Lindwall  
CHAIRMAN

Per Hamberg  
BOARD MEMBER

Lars Linder-Aronson  
BOARD MEMBER

Patrick Svensk  
BOARD MEMBER

Kicki Wallje-Lund  
BOARD MEMBER

Carl Lewenhaupt  
BOARD MEMBER

John Wattin  
BOARD MEMBER

Magnus Silfverberg  
CEO

Our Auditors' Report was submitted on 13 April 2012  
PricewaterhouseCoopers AB

Michael Bengtsson  
AUTHORISED PUBLIC ACCOUNTANT  
CHIEF AUDITOR

# AUDIT REPORT

To the Betsson AB (publ) Annual General Meeting  
Corporate ID number 556090-4251

We have audited the annual accounts and consolidated accounts of Betsson AB (publ) for the financial year 2011. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 5 - 49.

## Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and for the preparation and fair presentation of consolidated accounts in accordance with international accounting standards, IFRS, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

## Opinion

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 as of 31 December 2011 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December

2011 and of its financial performance and cash flows for the year then ended, in accordance with IFRS, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting adopt the income statement for the Parent Company, the statement of comprehensive income for the Group, and the balance sheets for the Parent Company and the Group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Betsson AB (publ) for the year 2011.

## Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Swedish Companies Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

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

## Opinion

We recommend to the annual general meeting of shareholders that the profit 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.

Stockholm, 16 April 2012  
PricewaterhouseCoopers AB

Michael Bengtsson  
Authorised Public Accountant  
Chief Auditor

# ANNUAL GENERAL MEETING AND OTHER INFORMATION

## ANNUAL GENERAL MEETING

Betsson AB (publ) Annual General Meeting will be held on Thursday, 11 May 2012 at 10 a.m. at company headquarters at Regeringsgatan 28 in Stockholm, Sweden.

Shareholders wishing to attend the AGM must be

- registered in the Euroclear Sweden AB (formerly VPC) share book by Friday, 4 May 2012.
- notify their intention to participate in the AGM by Friday, 7 May 2012 by noon at the latest.

Notification of attendance at the Annual General Meeting must be made in writing to the company at address Regeringsgatan 28, 111 53 Stockholm, phone +46 8506 403 00, fax +46 8735 57 44 or via e-mail: [info@betssonab.com](mailto:info@betssonab.com).

Notification should include name, personal registration/organisation ID number, address, telephone number, shareholding and the number of representatives (maximum two). If participation is by proxy, the proxy instrument must be submitted with notification of participation in the Annual General Meeting.

Shareholders whose shares are managed through nominee shareholders must, in order to be entitled to participate in the Annual General Meeting, temporarily register their shares in their own names at Euroclear Sweden. Shareholders who wishing to re-register must notify their nominee well in advance of Friday 4 May 2012.

## OTHER INFORMATION

Betsson intends to publish financial information relating 2011 as follows;

Quarterly Report Q1, Interim Report January-March 2012	27 April 2012
Quarterly Report Q2, Interim Report January-June 2012	24 July 2012
Quarterly Report Q3, Interim Report January-September 2012	26 October 2012
Quarterly Report Q4 Full Year Report January-December 2013	8 February 2013

If you would like to subscribe to Betsson reports and press releases please visit [www.betssonab.com](http://www.betssonab.com).

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