betsson ab

ANNUAL REPORT 2016

Betsson AB (publ) is a holding company that invests in and manages fast-growing companies operating in the online gaming industry. It is one of the largest online gaming companies in Europe and has the ambition to outgrow the market organically and through acquisitions. This would be done in a profitable and sustainable manner, primarily in locally regulated markets. Betsson AB is listed on Nasdaq Stockholm, Large Cap (BETS).

11% Increase in revenues	**23%** operating margin	**6.34** earnings per share, SEK
11 local licences	**1,246** Games in Betsson's mobile casino	**48** nationalities represented among Betsson's employees

More information about Betsson is available at www.betssonab.com

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COMPANY DESCRIPTION

BETSSON AB

Business concept

Betsson AB (publ) is a holding company that invests in and manages fast-growing companies within online gaming. The company, and its subsidiaries should grow in a profitable and sustainable manor, primarily in locally regulated markets.

Objective

Betsson AB's objective is to outgrow the market, both organically and through acquisitions.

BETSSON'S SUBSIDIARIES

Vision

Betsson will provide the best customer experience in the industry.

Business model

Betsson subsidiary companies develop technologies and operate gaming sites for today's modern and demanding consumers. These sites offer customers opportunities to enjoy entertainment and big wins. The gaming sites operate on an in-house developed platform, which is the core of the offer and the customer experience. It processes and hosts payments, customer information, accounts, customer transactions and games. Revenues are generated via a margin on customer stakes, the so-called Gross Gaming Revenue from primarily sportsbook and Casino Games. First class customer experiences are crucial and Betsson continuously continuously invests in innovation and technology to reinforce its leading position.

Strategy

Betsson's susbsidiary's strategy is to be the most customer centric company in the industry. Betsson is transforming the business by being a data led, best in class digital marketing company that leverages multi-brand and a single technological platform.

Betsson's subsidiary's strategy is based on "5 Big Ideas":

1. DATA

Having access to information about customers, their behaviours and wishes is almost as important as the products themselves. Thanks to Betsson's multi-brand strategy, there is very large quantities of data that can be used to make relevant and personalised improvements to the customer experience.

2. CUSTOMER CENTRIC

Being customer-oriented is a process. A process that creates a smooth, fast and intuitive customer experience. Furthermore, it is about focusing on innovation in the areas that are most important for customers.

3. MULTI-BRAND

Betsson's various brands speak to different target groups and markets. By understanding what drives the various segments, Betsson can cater to different target groups by adapting offers and communication. In addition, the multi-brand model facilitate acquisitions and expansion into new markets.

4. SINGLE PLATFORM

Betsson's brands are operated on a single technology platform that provides access to a wide range of products and functionality for all brands. Product development is more effective on a single platform and scalability of processes and systems decreases the cost per user as volume increases. Acquired brands are migrated to the single platform in order to improve the customer experience. In addition to the product offering, the platform has features such as advanced customer management system, multiple payment options and opportunities for personalisation. The tech platform is developed internally and supports Betsson's growth strategy.

5. DIGITAL MARKETING

Customers spend more time online, especially on mobiles and tablets. The best customers are those who are actively looking for games on the internet and the majority of marketing efforts are now online. Digital media allows tailored, relevant and measurable marketing. In markets where Betsson has a local license more sophisticated and effective methods can be used to optimise marketing.

A WORD FROM THE CEO

2016 was a challenging year at times for Betsson AB, particularly the second quarter when our results did not live up to our expectations, or to those of others. The second half of the year developed positively, and Betsson enters 2017 with better products, strong underlying activity and a good presence in more countries. Betsson is well-positioned for continued profitable growth.

The Casino product group developed very well in 2016, and grew by 14 percent over the year. The growth was driven both by a wider range of games and an improved mobile casino customer experience. Casino represents approximately 70 percent of revenues, and provides a stable base. Sportbook is by nature a more volatile product, but several improvements related to risk management – trading – and the product offer were implemented. The lower revenues from Sportbook in 2016 are to a large extent due to lower licence revenues from Betsson's associate Realm, in part as a result of a negative currency exchange impact.

Our largest region, the Nordics, grew by 12 percent during the year. The Nordic region constitutes one of Europe's most competitive markets, and the fact that our operational subsidiary is taking market shares demonstrates its strong position as a responsible and customer centric operator. A position that will prove important when Sweden and other countries re-regulate the market.

'This demonstrates that Betsson has well-balanced operations, and can absorb both temporary declines in revenue and increased costs over time.'

Revenues increased by 11 percent and the operating margin reached 23 percent over the year, and earnings per share increased this year too. This demonstrates that Betsson has well-balanced operations, and can absorb both temporary declines in revenue and increased costs over time.

MARKET TRENDS

The gaming industry continues to develop rapidly. The two trends that are the primary drivers of growth are technology development and the introduction of new local regulations. The entire gaming industry is growing, and there is a clear shift from offline to online gaming. Technology drives development by making services accessible via computers, mobile phones and tablets. Many users also use several screens simultaneously, and consumers expect a smooth and personalised user experience. Recommendations, searchability and speed are taken for granted.

There are many types of regulations that impact the gaming industry: regulation pertaining to the game itself, marketing, handling of personal details, gaming taxes, anti-money laundering, etc. An increasing number of countries in Europe have introduced local regulations for online gaming over the past few years. Betsson's various subsidiaries now have local licences in eleven countries. We will continue to apply for licences in the markets where local regulations allow competition on fair terms and where it is commercially viable for us to operate.

The increasingly complex regulatory environment places increased demands on the ability to adapt technical systems and processes to local regulations, but it also means considerable opportunities. The rate of growth is higher in locally regulated markets, brands gain access to more effective marketing channels and consumers have more confidence in locally licensed operators. Our ambition is to increase the share of sustainable revenues in our Group; that is the revenues from locally regulated and/or locally taxed markets. Increased gaming taxes and compliance costs will have a short-term negative impact on margins, but the volume growth on our scalable technical platform and access to more effective marketing channels will compensate for this and result in increased earnings over time.

Being a responsible operator in relation to customers, suppliers, authorities, investors and other stakeholders is a cornerstone of the Betsson Group's business.

We are listed on Nasdaq Stockholm Large Cap, and both we and the outside world put high demands on our operations. So high that we sometimes decide to refrain from some markets where the licencing system is unclear or discriminatory. Betsson always has a long-term perspective. A full-time role that focuses on responsible gaming was created at Betsson as early as 2007. This role was probably the first of its kind in the industry. The team has now been expanded to seven members, and all employees have received responsible gaming training.

Betsson's size is a competitive advantage in terms of operating accurately in multiple markets with different licencing requirements.

PRIORITIES SET FOR 2016 IMPLEMENTED

In last year's annual report, I listed a number of priorities for the year, and we have worked with these priorities during the year:

1. We will continue to actively look for acquisition opportunities

During the year we acquired a locally licensed operator in Lithuania. We now have licences in the three Baltic states, which among other things enables consolidation of marketing initiatives. We also acquired RaceBets, an operator with licences in Germany, Ireland and the UK. RaceBets has one of the market's top horse racing betting products with more available gaming markets than anyone else. The horse racing betting product will be launched on our existing brands, starting with Betsafe in the third quarter 2017.

We made a recommended takeover bid to NetPlay's shareholders in the beginning of 2017 and the acquisition was completed on March 31st.

2. We will aim to grow sustainable revenues

In 2016, the Group obtained an additional four local gaming licences: Ireland, Latvia, Lithuania and Germany. Our acquisitions have resulted in locally regulated revenues, and our operations in Italy and the UK, for example, have grown substantially. The share of locally regulated revenues in the fourth quarter reached approximately 20 percent, which is an increase from 15 percent from the previous year. This also means that overall we paid SEK 129 million in local betting duties in 2016.

3. We will ensure that our investments deliver operational excellence and execute on their strategy.

Betsson's strategy is to outgrow the market. The subsidiaries' vision is to provide the best customer experience in the industry, and in 2016 their pace of product development was increased in order to promote growth. In the third quarter, for example, a new mobile casino was launched, which was built on OBG; a front-end framework that enables an improved customer experience and a faster launch of functions. With the framework, Betsson's gaming sites now offer the largest number of mobile casino games in the industry, which is a clear competitive advantage.

Significant improvements have also been made to the stability and scalability of the Sportsbook with the aim of increasing the number of available betting markets and adding new functionality. Sportsbook will also be launched on OBG in 2017.

CONTINUED GROWTH 2017

Betsson aims to outgrow the market organically and also continue to make acquisitions. Our long-term ambition is to continue being one of largest listed online gaming companies in Europe, and thus be able to provide our shareholders with the best possible returns.

Our priorities for 2017 are:

1) ensure that our subsidiaries capitalise on the product development that took place in 2016
2) continue our to actively look for acquisition opportunities
3) increase revenues from locally regulated markets
4) launch horse racing betting products on our brands
5) ensure that we continue to maintain a good balance in our portfolio of products, markets and brands

'There are many small operators that will have difficulty managing the complex and expensive regulations while also remaining profitable.'

ACQUISITION STRATEGY

Consolidation of the gaming market in Europe has only just begun. We are primarily interested in acquiring companies in Europe in markets that are locally regulated or that are in the process of becoming locally regulated, but outside the Nordic region since we already have a very strong position there.

There are many small operators that will have difficulty managing the complex and expensive regulations while also remaining profitable. If these operators also operate on third-party technology, there are excellent opportunities to achieve cost synergies when after acquisition, they are migrated to Betsson's technical platform, Techsson. The single technical platform also, among other things, enables access to CRM systems and a larger product offering.

We would also consider making strategic acquisitions in order to gain access to additional local licences and product technology.

POSITIONED FOR SUCCESS

The significant investments that have been made in product development are already visible in the revenues from mobile casino. I am convinced that Sportbook will also be very competitive in 2017 due to improved functionality and the launch of e.g. horse racing betting products. As mentioned, 2016 was a challenging year, but Betsson is much stronger today than a year ago.

Ulrik Bengtsson
President and CEO
Betsson AB

SUSTAINABILITY AND BETSSON

Betsson takes a long-term approach, and sustainability permeates our business operations. One example of this is the Company's ambition to increase revenues from locally licensed, and thereby locally taxed, markets. Responsible gaming is a natural focus area for the operational subsidiaries, as are anti-corruption, responsible marketing, customer integrity and creating attractive workplaces. Betsson also works with general issues that impact society and the environment.

In 2015, the Company launched a project to develop its sustainability work and reporting. The project will be implemented step by step over the next few years, with the goal of reporting in accordance with GRI Standards.

A materiality analysis was performed to determine on which areas the Company should focus its sustainability work moving forward. In 2016, the Company established procedures and began developing tools for measuring various aspects of sustainability.

The following aspects are considered to be the most relevant for Betsson's sustainability work:

- Responsible marketing
- Responsible gaming
- Anti-corruption
- Anti-money laundering
- Attractive and healthy workplaces
- Financial stability
- Personnel development
- Customer integrity and IT security
- Diversity and equality in Company workplaces

RESPONSIBLE GAMING

Responsible gaming is one of the most important parts of Betsson's sustainability work and is pursued at several different levels. Betsson wants gaming to be enjoyable and entertaining for everyone, and the Company is convinced that gaming in a controlled and responsible way is the key to satisfied, safe and loyal customers. Seven Betsson employees worked full time with responsible gaming issues in 2016. This work is given high priority and is relevant both to customer well-being and the Company's success. The Company's focus on responsible gaming can be seen in all areas of the organisation. These efforts are an essential part of the Company's development work and procedures, and serve as a tool in the day-to-day operations as well when making business decisions.

Betsson is one of the organisations behind and a member of BOS (Industry Association for Online Gaming), a lobbying body that seeks to influence Swedish legislation in a positive direction, where responsible gaming is an important aspect.

What is responsible gaming?

Responsible gaming is when an operator offers information, knowledge and tools that can help the customer control his or her gaming. Problem gaming can arise if the customer continuously fails to gamble at a desired level. In order to combat problem gaming, Betsson's operational subsidiaries offer customers several different tools. The customer can obtain a clear overview of his or her gaming volume and decide different deposit limits that restrict continued gaming in the event the gaming volume exceeds the limit.

Self-help tools provided by Betsson's operational companies:

Budget	The customer can set up a budget for gaming so that he or she never plays for more than intended. The budget can be set per day, week or month.
Self-help programme	If the customer wants to take control over his or her gaming, Betsson offers a free, online self-help programme, 'Gaming Help', which has been developed by Sustainable Interaction.
Self-test	Betsson offers 'GamTest', a self-test that customers can take to determine whether their own level of gaming is healthy or not. This service is accessible to everyone, customers and non-customers alike.
Gaming overview	The customer has a gaming overview that clearly shows the individual gaming history. The tool is designed to help players maintain control.
Self-exclusion	The customer can exclude him or herself from gaming for a period of 24 hours to 6 months, or forever. A suspended account may under no circumstances be opened again before the suspension period expires.

These tools have been set up to help Betsson's customers maintain control and safety, thus promoting a pleasant gaming experience.

Every year, Betsson initiates a number of activities designed to promote and support responsible gaming. Since Betsson's subsidiaries operate online, a large amount of data is collected on customer behaviour. This data is an important tool for Betsson in terms of understanding how players behave as well as which attributes might indicate that a customer has a gaming problem or is at risk of developing such a problem. Consequently, Betsson is developing a tool that will help discover gaming problems, and thus help to prevent them. Testing has started, but the tool has not yet been used in large scale.

Mandatory responsible gaming training for all employees

In Betsson's operational subsidiaries, investments are continuously made to improve the tools provided on the gaming sites. To maintain and further develop one of the world's highest standards as regards to responsible gaming, Betsson educates all employees in the Group, regardless of their position, on gaming addiction issues. Betsson has also introduced an online training tool that includes a personal evaluation.

All employees are to gain a basic understanding of the importance of promoting healthy gaming. Employees who have direct contact with customers also receive additional, more in-depth training. The in-depth course addresses issues such as signs of problem gaming and includes practical exercises with anonymised customer situations and a closer look at the Company's responsible gaming tools. Such courses are developed and evaluated on a regular basis. All communication with customers is documented, categorised and reviewed, which gives Betsson opportunities to regularly further develop its procedures. In 2016, 328 emplyees were educated by G4 (The Global Gambling Guidance Group). 207 employees participated in an e-learning regarding responsible gaming and 137 employees participated in the in-depth education.

Cooperation for enhanced responsible gaming

G4 is an internationally recognised responsible gaming training organisation that also audits and certifies gaming sites. Betsson also works with Sustainable Interaction, which has expert knowledge in the area.

Betsson aims to support research that can contribute to preventive actions and greater understanding of gaming problems in general. During the course of the year, Betsson has participated in a number of surveys and seminars on responsible gaming.

ATTRACTIVE EMPLOYER

Knowledgeable personnel and a workplace that offers development are just two of the reasons behind Betsson's success. To attract the best employees, the Company focuses on individual development plans, the work environment and health and wellness.

All employees are to have development discussions at least twice a year. In these talks, each individual is given feedback on his or her work and a personal skills development plan is also drawn up. 97 percent of Group employees had at least one development discussion in 2016.

The Group's annual employee survey helps the Company effectively obtain indications regarding on which areas employees want the Company to focus its development efforts.

Betsson protects employee rights and conditions, and executive management is proud of the high scores the Company achieves in its Employee Satisfaction Index (ESI). The index score in 2016 was 78 (76). The key figure for ESI is also used in the Betsson bonus system for higher level managers.

Diversity

Betsson's conviction is that diversity drives innovation and success. The Company gets stronger and more competitive by employing people of different genders, with varying backgrounds, with different experiences and from different cultures. At year-end, there were 48 nationalities represented in the Group, and women accounted for 38 percent of the employees. Betsson wishes to increase diversity in the workplace. When recruiting, in the event of two equally qualified candidates, the Company's guidelines dictate that the candidate from an under-represented group should be the preferred choice.

Betsson supports the UN conventions on human rights and there are clear directives in the Company's steering documents for how the Company is to relate to gender equality and discrimination.

Betsson employees by age group:	
18–30	767 (42%)
30–39	765 (42%)
>40	272 (16%)

Health and wellness

Wellness has always been an important part of Betsson's culture, and the Company works systematically to preserve the health of its employees. The Company gives its employees a wellness allowance, and joint exercise activities and competitions are also coordinated at the Company to support a healthier and fitter workforce. 'Betsson Training Challenge' is a voluntary competition that is based on the employees competing with themselves and each other in exercise activities.

Betsson also aims to improve health, safety and work environment. A work environment group has been appointed to give employees the opportunity to bring up areas in need of improvement.

Betsson Academy

Betsson offers an internship programme to university students, primarily within IT and marketing. During the internship, the students receive professional experience and the opportunity to develop practical skills. Students receive a salary from Betsson during the 12-week internship and gain insight into various projects at the Company. In 2016, 13 students took part in the programme, which has proven to be successful. Some of the students have been employed by the Company after graduation.

CORPORATE SOCIAL RESPONSIBILITY

Betsson's Code of Conduct is a supporting document for the Company's employees who are expected to show integrity and sound judgement and take a long-term approach in work-related duties. The Code of Conduct is based on the ten principles of the UN Global Compact, corporate values and practical experiences acquired from over 50 years in the industry. The Code of Conduct is part of the induction programme for new employees, and it is easily accessible along with other policy documents on the Group's intranet. The Code of Conduct is published in full on the Parent Company website.

In addition to the Code of Conduct, the Company has several other policies and supporting documents that contain more detailed guidance. The documents concern diversity, discrimination and harassment, remuneration issues, job security and fair and equal treatment. Betsson has launched a systematic project to improve and clarify all guidelines at Group level. The Group HR Director is responsible for ensuring compliance with the Company's Code of Conduct, values and policies.

Betsson acquired gaming operators Lošimų strateginė grupė, UAB and RaceBets at the end of the year. The new employees undergo an extensive introduction to Betsson, and received training on Betsson's values, Code of Conduct and the Company's whistleblowing system and procedures.

Anti-corruption

Betsson has clear guidelines and follows applicable rules and regulations and other legislation in relation to gifts, services and benefits. To further reduce the risk of conflicts of interest, the Company has also implemented a Four-Eye Principle, whereby at least two individuals in the Company must review and approve in writing agreements between Betsson and another party. The Company continuously trains managers and other relevant functions on the Company's stance on anti-corruption. These managers then discuss the issues with their respective employees.

Whistleblowing procedures

One of Betsson's goals is to ensure that all employees feel secure in reporting deviations in the Group. In conjunction with introducing the new Code of Conduct, the Company implemented an external whistleblowing system to ensure that potential breaches to the code are handled professionally and confidentially. As part of the implementation process of this system, employees attended a course where they specifically learned what to do if they wish to report something. There is a link to and information about the system on the Company's intranet, among other places.

The web-based whistleblowing system encrypts information to assure anonymity to the person reporting a concern. Only members of the whistleblowing-group, which consists of individuals outside the operational business, are able to read cases using a common and personal password. The group then resolves on what actions are required. The group can also ask the person reporting a concern additional questions via a dialogue in the system, where the person can remain anonymous.

Responsible marketing

Betsson has local gaming licenses in eleven jurisdictions, and adheres to all applicable local laws and regulations in the countries where it operates. As is the case with many other e-commerce companies, Betsson uses affiliate marketing, which means a third-party company has permission to drive traffic to Betsson's websites. The contract stipulates that Betsson's brands may not be marketed on websites that contain discriminatory, illegal or otherwise unsuitable content. The contract is terminated if the affiliate intentionally breaches the contract or demonstrates it lacks sufficient controls.

Anti-money laundering

The challenge faced by gaming companies is similar to the one faced by banks since we also handle large amounts of money on a daily basis. The process for counteracting money laundering is designed to work next to and synchronised with the process for preventing fraud. Since operations take place online, all transactions can be traced. Both technical and manual controls are used to monitor transactions. The processes protect against, forestall, track, manage, reduce and eliminate the internal and external risks to which Betsson is exposed.

The systems are developed on a continuous basis and all Betsson employees who work on issues related to anti-money laundering receive ongoing training. Betsson also adheres to all statutory obligations and applies all of the controls and due diligence required by the EU. The Company also adheres to the local requirements in each of jurisdictions where Betsson has a licence. Betsson has designated one person as responsible for reporting money laundering issues in each licensed jurisdiction. Betsson always cooperates with the police authorities in the battle against money laundering.

IT Security

Betsson has a team that focuses on digital and physical security on a full-time basis. Websense Data Security is used for IT security and data leakage. Betsson monitors the flow of sensitive data, such as bank card details, extracts from customer databases and source codes. Security is developed and improved on a continuous basis, and Betsson also has systems in place to ensure operations progress securely, even in the event of a power outage.

Customer integrity

All data processing is done in a secure and compliant way with the very latest security systems in an environment that satisfies all the requirements. Customer data are only accessible to personnel whose role and work-related duties require such access. Customer data are stored on a safe device that only a limited number of employees with specific authorisation rights can access. Logs are kept of all updates and all activities on customer accounts to guarantee an audit trail.

Indirect and direct financial support

On Malta, where most of the Group's employees are based, Betsson is an important contributor to the Malta Community Chest Fund. This fund is an independent charity organisation that provides financial grants to voluntary non-profit and non-governmental organisations that work with projects to help socially vulnerable groups. Betsson has contributed to the fund for the past six years, and it is the largest individual social project that Betsson supports. Government and local authority resources in Malta are nothing like those available in the Nordic countries, which is why Betsson's contributions are important to our employees.

Betsson also contributes to local charity projects at other locations where the Company operates. Betsson's gaming operations also sponsor team sports such as SHL (Swedish Hockey League) and individual athletes such as swimmer Vladyslava Kravchenko from Malta, who competed in the Paralymics in Rio in 2016.

Local gaming licenses

Betssos's operations are regulated by various international and local regulatory frameworks. As of 2004, the subsidiaries are licensed in Malta and there are lasting values in offering gaming services within the EU from Malta. The Company also holds gaming licenses in ten additional jurisdictions. A reason to introduce a local gaming license is to safeguard consumer protection and every locally licensed market has regulations regarding the gaming in itself, marketing, handling of personal data, anti-money laundering and not least gaming taxes. Betsson views revenues from locally regulated markets as sustainable and valuable revenue streams and the Company's ambition is to increase the share of revenues from locally regulated markets.

ENVIRONMENT

Betsson operates an online business and as such has little impact on the environment. As a modern company, however, Betsson views reducing its environmental impact as a natural aim. The Company aims to be climate neutral, which is achieved both by sponsoring energy conservation projects and by reducing its actual environmental impact at all of its offices.

Reduced Energy consumption

Betsson's server farm has been identified as one of the most important areas for energy efficiency measures. The number of physical servers has been reduced during the year and they have been replaced by virtual servers. At the end of 2016, the company server farm consisted of 190 physical and 2,050 virtual servers.

Electricity consumption (MWh)	2016	2015[1]	Change
IT hardware in offices	720	495	45%
Physical servers	595	1,048	57%
Virtual servers	1,599	1,095	46%

Carbon dioxide emissions[2] (Tonne CO2)	2016	2015[1]	Change
IT hardware in offices	288	198	45%
Physical servers	238	419	-43%
Virtual servers	640	438	46%

[1]excl. Europe-Bet.
[2]Betsson uses an emission factor of 400 g CO2/kWh for its environment calculations of electricity usage.

Virtual meetings

Betsson is an international company, and avoiding air travel entirely is not possible; however, the Company uses several different tools for virtual conferences such as Jabber, Webex and Skype. Meetings that do not require travelling are encouraged since they are both better for the environment and save time and money.

Sustainability area	Target 2014-2018	Focus in 2017
Responsible gaming	• Improved information/tools for customers • Continued high level of expertise in responsible gaming among the Company's employees • Being ranked among the most responsible operators	• Launch and evaluation of tools that can identify and thus prevent gaming problems • Continued employee education initiatives in responsible gaming - Improve user experience of gaming responsibility tools in mobile devices
Corporate Social Responsibility	• Increase employee awareness of the Code of Conduct • Deviations from the Code of Conduct are to be managed professionally • Reporting according to GRI • Permanent employment for a total of nine students	• Communication initiatives related to the Code of Conduct • Offer Betsson Academy in more countries
Attractive employer	• Encourage diversity and equality • Improved employee health and wellness • Employee Satisfaction Index (ESI) should be above average • Invest in employee development	• Develop key employees • Train managers and leaders • Annual employee survey • Encourage participation in our fitness activities and utilisation of fitness allowances
Environment	• Increase the number of virtual servers • Increase the number of virtual meetings	• Replace servers with more efficient hardware • Continue the campaign to reduce business travel in the Company • Increase amount of waste sorting and recycling
Finances	• Grow at a pace that exceeds the market growth rate, provide a long-term financial profit and contribute to the economic development in Sweden and abroad	• Economic growth • Increase revenues from locally licensed and thus locally taxed markets

MANAGEMENT REPORT

The group of Directors and the CEO of Betsson AB (publ), CIN 556090-4251, with its registered office in Stockholm, hereby present the annual report for the 2016 financial year for the Parent Company and the Group. The formal annual report, including the auditor's report, can be found on pages 11-22 and 27-55.

The results of operations for the year and the financial position of the Parent Company and the Group are presented in the Management Report and in the subsequent income statements, balance sheets, cash flow statements and statements of changes in equity, with associated notes and comments.

The reporting currency for the Parent Company and the Group is the Swedish krona (SEK). The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be presented for adoption at the Annual General Meeting on 11 May 2017.

MANAGEMENT REPORT

The group is oriented to internet gaming and the development of technology for internet gaming. The Parent Company, Betsson AB, invests in and administrate gambling companies operating within the online gaming industry. The Parent Company does not conduct any gaming operations.

Via partnerships and the websites of mainly the Malta based subsidiaries, our subsidiaries offer Poker, Casino, Sportsbook, Scratchcards, Bingo and other games to customers primarily in the Nordic countries and the rest of Europe. In addition, the subsidiaries offer systems solutions to other partners.

For reasons of simplicity, 'Betsson' is used throughout this annual report when describing the Group's gaming operations. This primarily relates to the gaming activities of our Maltese subsidiary that in 2016 operated via European gaming licences in Malta, and local gaming licences in Denmark, Estonia, Georgia, Germany, Ireland, Italy, Latvia, Lithuania and the UK.

THE GROUP'S REVENUES AND INCOME

The Group's revenues amounted to SEK 4,117.3 million (3,722.0), which is equivalent to an increase of 11 percent.

Gross profit was SEK 3,078.0 million (2,675.6), which is equivalent to an increase of 15 percent. Operating income increased to SEK 946.4 million (886.4) and operating margin amounted to 23.0 (23.8) percent.

Income before tax increased to SEK 936.0 million (883.0) and net income amounted to SEK 878.0 million (831.7), which is the equivalent of SEK 6.34 (6.02) per share.

PRODUCTS

Casino games are Betsson's largest product and accounted for 70.6 (68.3) percent of revenues during the year, followed by Sportsbook with 26.2 (27.2) percent, Poker 2.8 (3.2) percent and Other products that accounted for 0.3 (1.3) percent of revenues.

CUSTOMERS

At the end of the year, there were 10,101,045 (9,022,161) registered customers, an increase of 12 percent compared with the end of the previous year. There were 573,277 (526,291) active customers, an increase of 9 percent compared with the same period previous year.

An active customer is defined as a customer who has played for real money during the previous three-month period, without a deposit requirement.

SIGNIFICANT EVENTS IN 2016

Quarter 1

The CasinoEuro, Eurocasino, Sverigeautomaten and Norgesautomaten brands were migrated during the quarter to the shared technical platform, Techsson. This means that all brands, except for those mostly recently acquired, generate revenues from a shared technical platform. Betsson obtained a licence in Ireland.

Quarter 2

Betsson obtained a licence in Latvia. Betsson communicated that the market's expectations exceeded management's expectations for the second quarter's earnings.

Quarter 3

Betsson acquired Lošimų strateginė grupė, UAB, a locally licensed gaming operator in Lithuania. Betsson launched newly developed front-end technology (OBG).

Quarter 4

Betsson acquired RaceBets, a horse racing betting operator, and issued a SEK 1 billion, three-year senior unsecured bond loan within a framework amount of SEK 2 billion. Betsson.com has the world's largest mobile casino.

INVESTMENTS AND DEPRECIATION/AMORTISATION

The year's investments in tangible and intangible fixed assets amounted to SEK 316.7 million (235.1), of which SEK 211.8 million (146.9) referred to capitalised development expenditure.

Depreciation/amortisation for the year totalled SEK 211.9 million (160.7), of which SEK 155.5 million (118.7) referred to the amortisation of capitalised development expenditure.

Investments were made in domains, IT hardware, development of gaming platforms, integration of games and payment solutions and the conversion and furnishing of offices.

EQUITY

On balance day, shareholders' equity in the Group amounted to SEK 3,502.9 million (3,153.7), which corresponds to SEK 25.31 (22.78) per share after the transfer to shareholders via a redemption procedure of SEK 4.51 (3.98) per share, which took place in the second quarter. Return on equity was 26 (27) percent.

FINANCING, CASH, CASH FLOW AND GAMING LIABILITIES

Betsson's operations are financed through the Company's resources, while executed acquisitions have been financed through bank loans, company resources, corporate bonds and new share issues. As of the end of the year, the equity/assets ratio amounted to 56 (55) percent. Outstanding bond loans at year-end were reported as SEK 990.8 million and utilised bank credit facilities as SEK 334 million (733.5). Unutilised credit facilities amounted to SEK 1,032.8 million (788.6). Cash and cash equivalents were negatively impacted during the year by SEK 624.3 million (549.7) due to a distribution of funds to shareholders (redemption procedure). Cash and cash equivalents at the end of the year amounted to SEK 444.3 million (524.9).

Gaming liabilities, including reserves for accumulated jackpots, amounted to SEK 380.9 million (366.7) on the balance sheet date. Due to gaming authority regulations, this amount limits utilisation of the Company's cash and cash equivalents. The liabilities are partially covered by the Group's current receivables from payment services suppliers for outstanding customer payments, which amounted to SEK 307.0 million (316.2).

PERSONNEL

At the end of the year, Betsson had 1,821 (1,639) employees. The average number of employees in the Group during the year amounted to 1,661 (1,584), of which 953 (760) were based in Malta. In addition, the Group made use of 224 (151) consultants on a full-time basis, primarily within product development.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

At the beginning of 2017, up until publication of the year-end report for 2016, revenues were considerably higher than the average revenues in the first quarter of 2016 and higher than the average revenues in the fourth quarter of 2016.

As of 1 January 2017, gaming taxes on gross turnover in sports betting were increased at the same time that the annual licencing fee was raised in Georgia. If these changes had applied in the fourth quarter of 2016 while everything else remained the same, operating income would have been negatively impacted by SEK 5.7 million. Management is of the opinion that well-balanced regulation, whereby all aspects of the market are taken into account, is positive for Betsson's long-term earning ability.

An additional purchase consideration of EUR 2.0 million, which was reserved during 2016 for the acquisition of Lošimų strateginė grupė, UAB (TonyBet), was paid in 2017 after certain milestones were achieved.

Betsson AB and NetPlay TV plc ('NetPlay') have reached an agreement regarding the conditions for a recommended public cash takeover bid, through which Betsson has acquired all of the shares in NetPlay – a company listed on the London Stock Exchange's AIM list. The bid amounted to GBP 0.09 per share in cash, which corresponds to a total purchase price of GBP 26.4 million (fully diluted). The offer was conditional on, among other things, approval by NetPlay's shareholders as well as a British court (High Court of Justice) and was completed by end of March 2017.

Premier Casino, an operator that is licensed in Spain, was acquired in March 2017 for EUR 3.0 million. The acquisition will not have a significant impact on Betsson's short-term financial position, but it enables profitable growth in the Spanish market in a long-term perspective. Betsson is also considering launching additional brands under the licences, in accordance with the Company's strategy to run several brands.

Europe-Bet was migrated to the shared technical platform at the end of the first quarter of 2017.

THE PARENT COMPANY

The Parent Company, Betsson AB (publ), are primarily focused on shareholding and group administration. The Company provides services to Group companies in the areas of finance, communication, accounting and administration. The Parent Company's turnover for the entire year was SEK 17.2 million (16.8), and income before tax amounted to SEK 919.3 million (789.0). Net financial items included SEK 977.2 million (822.0) referring to dividends received from subsidiaries.

During the year, the Parent Company invested SEK 2.1 million (0.9) in property, plant and equipment. Cash and cash equivalents totalled SEK 45.3 million (103.3). At year-end, the Company had utilised bank credit facilities of SEK 334.8 million (723.5), which were secured in conjunction with acquisitions. During the year, the Parent Company executed a share redemption programme, which implied a distribution of SEK 624.3 million (549.7) to the shareholders. In conjunction with this share redemption programme, a bonus issue of a total of SEK 47.7 million (23.3) was undertaken in order to restore the Company's share capital.

MARKET FOR ONLINE GAMING

The entire gaming market, including both offline gaming and online gaming, is worth almost EUR 300 billion, and it is growing by 2 percent a year. Online gaming only constitutes 11 percent of the entire gaming market, but since an increasing amount of gaming is taking place online, the market is growing by a total of 7.5 percent a year. Growth in Betsson's core markets in Europe reached 8.5 percent. In the digitally mature markets in the Nordic countries, still only 30-35 percent of all gaming takes place online.

The growth is driven by higher e-commerce in general, as well as parallel usage of several screens such as a mobile phone, computer and tablet. Customers also expect to have games easily accessible when and where they want. Another important driving force is that an increasing number of European countries are introducing local regulations for online gaming whereby gaming companies can apply for a local licence and thus pay local gaming tax. The licence gives gaming companies the chance to compete on equal terms and to gain access to effective marketing channels and payment solutions. The markets that have introduced local regulations have also experienced a substantial growth increase in the years following regulation.

Local regulations entail increased demands, and benefit operators that have their own scalable platforms. This is resulting in increased consolidation in the locally regulated markets, which means Betsson has the opportunity to make acquisitions.

Betsson's subsidiaries currently have gaming licences in eleven different jurisdictions, and are planning to apply for additional gaming licences. The aim is to increase the share of revenues that derive from locally licensed markets. The underlying structural growth in gaming markets entails good opportunities for Betsson to continue growing organically for a long time to come. Beyond this, the Company's strategy includes growing through acquisitions.

SIGNIFICANT RISKS AND FACTORS OF UNCERTAINTY

General legal risks

In the majority of national markets, gambling and gaming are regulated by law and all such operations, in principle, require permits. Betsson operates its businesses under gaming licences in Malta, as well as in Denmark, Estonia, Georgia, Spain, Germany, Ireland, Italy, Latvia, Lithuania and the UK. Political decisions, new interpretations of laws and new regulations can significantly impact Betsson's earnings and financial position since operations are subject to licences.

Since the main purpose behind most of the local gaming legislation is to fund state finances, the resulting limitations on the free movement of services created by the states through these monopolies is impossible to defend in terms of compliance with applicable EU laws. In spite of this, a number of member states have maintained these types of restrictions with the aim of protecting their domestic monopoly companies and making it more difficult, or impossible, for private online gaming operators to compete.

Pressure continues to be put on EU countries to adapt their national legislation to comply with applicable EU law, and 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 in Betsson's major markets, but when this does take place, Betsson will have more opportunities for marketing and market presence. Furthermore it is unclear if there will be requirements, in relation to receiving a license or in general at the time of regulating or re-regulating of markets, demanding the settlement of any form of historic obligation and also the size of any such obligation.

Legal risks in specific countries

In terms of specific countries, Norway has, since 2010, implemented a prohibition against the execution of payments for gaming arranged outside Norway. This negatively impacts, amongst others banks, as providing redemption services in conjunction with the payment of gaming via credit, and payment cards with foreign gaming companies are prohibited. Betsson's assessment is that this legislation is in conflict with EU law.

In 2012 in Sweden, the Supreme Court quashed national legislation that prohibits the promotion of gambling, in the Gerdin/Sjöberg ruling. In 2014, the European Commission instigated a case against Sweden in the European Court claiming that Swedish legislation is not in compliance with EU law as regards online gambling. The risk that the prohibition on promotion would be used against Betsson has, consequently, been reduced. Sweden has taken a step towards liberalisation and in the official report on the re-regulation of the gaming market a path for re-regulation has been proposed.

Germany has two different regulatory frameworks for gaming — federal sports betting legislation and regional legislation — for casino and poker enterprises. Both these regulatory frameworks have faced extensive criticism for many years. The European Court previously criticised this federal sports betting legislation in the Ince case, and ruled that EU law prevents German authorities from introducing restrictions on gaming operators that are licensed in another EU country. Germany has taken steps to introduce new legislation, which is currently being reviewed by the European Commission. It has been proposed that the new law should go into force on 1 January 2018.

The proposed gaming legislation in the Netherlands is currently being handled by the Senate prior to final voting. The continued process will involve further debate and standpoint adoption before the licencing process can begin and licences can be issued. In light of the process above, it is expected to be possible to obtain licences at the beginning of 2019 at the earliest.

In 2007, Turkey introduced legislation against internet gaming that did not fall within the local regulatory framework, and it reinforced parts of this legislation in 2013. The objective of the legislation was primarily to protect the domestic nationalised gaming monopoly. A Betsson associate that has its own gaming license in Malta and is owned and managed separately, accepts that Turkish gamblers bet under this license. The internet-based gaming operations of Betsson's associates 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's laws are of equal value; consequently, the laws of one country cannot take precedence over those of another. The market place of Betsson's associate is primarily Malta, where operations are undertaken in accordance with Maltese legislation and governed by the Maltese legal system. As operators within Malta's market place, Betsson's associates are able to claim immunity as regards, among other local regulations, Turkish legislation. According to expert legal opinion, Turkey and other countries have accepted this principle via their membership of the WTO and other international agreements.

Nonetheless, the Turkish legislation has made operations more difficult for Betsson's associate on the Turkish market, even though Turkey, either now or previously, has not been able to apply any sanctions against Betsson's business associate or Betsson itself, due to the sovereignty principle. Pursuant to the legal situation described above, income originating from Turkey can be regarded to comprise a higher operational risk than income from other markets. Consequently, Betsson's future indirect income from Turkey may be regarded as more uncertain than the income generated by its other markets.

In this context, it should be further emphasised that Betsson does not offer services to customers that reside in the USA. This is a result of the proposed legislation regarding a ban on intermediary payment transactions for internet gaming in the USA gaining legal force in October 2006. France, Bulgaria, Spain, Portugal, Slovenia, Romania, Hungary, Greece, Belgium and the Czech Republic all have local licencing systems for gaming in where Betsson until the end of 2016 has chosen not to participate, and players from these countries were accordingly also blocked. As a result of acquiring a company with a licence in Spain after the financial year ended, Betsson enabled gaming from the Spanish market.

Other legal risks

Betsson has a system in place to detect fixed matches. Betsson is a member of ESSA, and uses ESSA's early warning system. There is, however, still a risk that Sportbook could potentially be improperly used for gambling on fixed matches.

Betsson actively works with KYC and fraud preventsion and through its many gaming licences, the Company is also subject to regulations pertaining to anti-money laundering and to combating the financing of terrorism. As is the case with other companies that accept payments, even though Betsson actively addresses the issues, the Company is at risk of being used to launder money or of being subjected to fraud.

Betsson is accredited by the G4 organisation, which works to prevent gambling addiction and, as part of its commitment to this work, the Company has adapted its websites so that they offer full support to players based on 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.

Despite this, individuals with a gambling dependency could sue companies within the Betsson Group for Betsson's role in the individual becoming addicted. Even though such claims would most likely be dismissed in court, they could give rise to considerable costs and could also reduce confidence in the Betsson Group, which could ultimately lead to decreased revenues. Betsson implements on-going measures to reduce this risk.

Many of the companies in the Betsson Group exist in a complex and variable landscape that includes both general and industry-specific taxation regulations. There is a risk that newly passed laws and modifications to current tax legislation as well as changes in practice could result in Betsson having to change the way it handles taxes so that its earnings and financial position are negatively impacted. Both on its own and in cooperation with industry associations, Betsson actively monitors development and educates lawmakers in the markets where the Group has interests.

Other risks

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 current economic situation has not, to date, affected the operations to any significant degree. Betsson is an international company with operations that are constantly exposed to various currencies. Changes in exchange rates affect Group income. The Company aims to reduce currency exposure through effective cash management and currency hedging. However, the Group will continue to be more or less exposed to exchange rate fluctuations.

DISPUTES

The Company has no ongoing material disputes.

RESEARCH AND DEVELOPMENT

Expenditure attributable to the development of gaming platforms and the integration of games and payment solutions is capitalised to the extent that future assessed financial gains are estimated to accrue.

ENVIRONMENT AND SUSTAINABILITY

Betsson does not conduct any operations requiring permits or registration under the Environmental Code. For information regarding sustainability, please see the separate section on 'Sustainability and Betsson' on page 8.

GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR MANAGEMENT

For a description of the guidelines for salaries and other remuneration to senior executives as determined by the Annual General Meeting 2016, see Note 8.

PROPOSED GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR MANAGEMENT

The Board proposes that the Annual General Meeting 2017 adopt the following guidelines for remuneration to senior executives. The category 'senior executive' relates to Group management, which comprises the CEO, CFO and the Vice Presiden of Corporate Communications of the Parent Company, the CEO of Betsson Malta and the Group's Head of Legal Affairs. If the Chairman of the Board is employed by the Company, these guidelines will also include that position. Remuneration is to be market-based and competitive, in order to be able to attract and retain skilled senior executives. Remuneration is to comprise a fixed salary and, when relevant, variable remuneration, pensions and other benefits such as, in some cases, a company car.

Variable remuneration will be paid only when pre-determined financial and non-financial goals, established by the Board, have been achieved. Variable remuneration will be based 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 Group's senior executives would be a maximum of approximately SEK 8.0 million. The normal retirement age is 65. Pension terms are to be market-based and based on defined-contribution pension solutions.

The period of notice should normally be six to twelve months if such notice is given by the Company, and six months if notice is given by the executive. If termination is initiated by the Company, the executive will be awarded severance pay corresponding to a maximum of twelve months' salary. The Board may take decisions diverging from these guidelines in individual cases, under special circumstances.

SHARES AND OWNERSHIP STRUCTURE

The number of shares in the Company at the end of the year totalled 144,493,238, of which 16,260,000 were A shares, 122,155,730 were B shares and 6,077,508 were C shares. Each A share entitles the holder to ten votes, whilst each B share entitles the holder to one vote. C shares are held by the Company and are not represented at shareholders' meetings. The shares have equal access to Betsson's assets and profit.

In December 2016, in line with the Annual General Meeting mandate, 1,384,157 C shares were issued to assure the Company's commitments under outstanding incentive programmes. The Company's B shares are listed on the NASDAQ Stockholm Large Cap List (BETS). At the end of the period, the Company had 41,056 (35,156) shareholders. The three shareholders with the greatest proportion of the voting power were Per Hamberg and companies with 3.8 percent of the outstanding capital and 18 percent of the outstanding votes, the Knutsson family and companies with 5.1 percent of the outstanding capital and 11.0 percent of the outstanding votes, and Novobis AB and companies with 3.2 percent of the outstanding capital and 9.6 percent of the outstanding votes.

MANDATE TO THE BOARD

The Annual General Meeting of 12 May 2016 resolved to authorise the Board of Directors up until the next annual general meeting, on one or several occasions, to resolve on a non-cash issue or conversion of shares and/or convertible preferred stock up to a maximum total of 14.3 million B shares, corresponding to a dilution of approximately 10 percent of the share capital and 4.9 percent of the voting rights. The Annual General Meeting 2016 further resolved to authorise the Board of Directors to determine 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 exercised during the 2016 financial year.

The Board was further authorised to resolve on the sale 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.

To expense the supply of shares or in any event assure the Company's costs, including costs for social charges, the Annual General Meeting resolved to authorise the Board to resolve on a directed share issue of C shares to a bank or a securities company, and resolved that the Board be mandated to resolve on the buyback of shares from subscribers. C shares will be held by the Company during the vesting period of the options. When exercising options or employee options, a requisite number of C shares can, on conversion to B shares, be transferred to participants in accordance with the terms and conditions of the options, or alternatively, be held to expense costs in association with the programmes, including social costs. In 2016, 1,384,157 C shares were issued.

PROPOSED DISTRIBUTION

The Board proposes that the Annual General Meeting, of 11 May 2017, resolve that no share dividend be paid, but that SEK 4.76 (4.51) per share be distributed to the shareholders, provided the number of shares remains unchanged up to the record date. This represents a transfer of funds to shareholders of SEK 658.9 million (624.3). The Board intends to propose to the Annual 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.

According to the dividend policy, which is applicable up to the distribution of the net profit for 2016 which the Board determined would come into force as of 2008, it is the Board's ambition to distribute up to 75 percent of the Group's income after tax to the shareholders, provided that an appropriate capital structure can be maintained. From the distribution of the net profit for 2017 the dividend policy has been updated to a distribution of 50 percent of net profit.

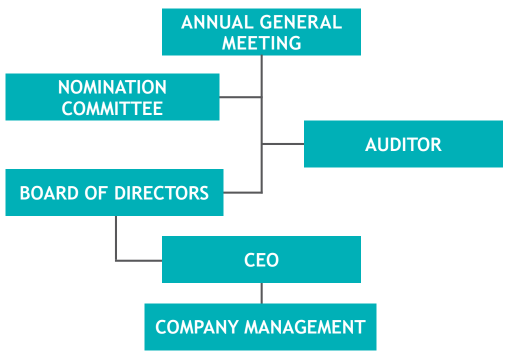
CORPORATE GOVERNANCE REPORT

GOOD GOVERNANCE AND CONTROL SUPPORTS SUSTAINABLE AND PROFITABLE GROWTH

Betsson has demonstrated strong growth for several years. One contributing factor to this development has been a good balance between ambition and attention to detail. For our part, good corporate governance means preserving a dynamic, hungry company culture in which individuals are rewarded and shown appreciation for their efforts, and where risks are managed on a sound commercial basis. A company such as Betsson, which operates in a high-speed, dynamic environment, has to be able to respond quickly, and consequently each employee must be given the space to act on his or her own initiative, within a set framework. Good government and control thereby enhance the commercial conditions for a company.

Pontus Lindwall
Chairman of the Board of Directors

COMPANY BODIES FOR GOVERNANCE AND CONTROL



EXTERNAL REGULATORY FRAMEWORKS
- Swedish Companies Act
- Swedish and international accounting legislation
- Nasdaq rules for issuers
- Swedish Code of Corporate Governance

INTERNAL REGULATORY FRAMEWORKS
- Articles of Association
- Formal work plan for the Board of Directors
- Terms of reference for the CEO
- Group policies
- Business plan and strategies
- Code of Conduct

CORPORATE GOVERNANCE REPORT 2016

In addition to the regulations stipulated in applicable legislation or other statutes, Betsson applies the Swedish Code of Corporate Governance, a regulatory code based on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO).

Betsson hereby presents its Corporate Governance Report for 2016. The Company applies the Code in full, with no deviations. This report comprises part of our management reporting and has been reviewed by the Company's auditors.

ALLOCATION OF RESPONSIBILITIES

The shareholders exercise their influence over Betsson AB at the Annual 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, applicable regulations for listed companies, the 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 B shares are listed on Nasdaq Stockholm Large Cap List (BETS). At the end of the period, the Company had 41,056 (35,156) shareholders. The three strongest shareholders in terms of votes were Per Hamberg with 3.7 percent of the capital and 18.0 percent of the outstanding votes, the Knutsson family with 4.9 percent of the capital and 11.0 percent of the outstanding votes and Novobis AB with 3.1 percent of the capital and 9.6 percent of the outstanding votes.

ARTICLES OF ASSOCIATION

The Articles of Association define the number and responsibilities of the directors and auditors, the kind of business to be undertaken, and the means by which the shareholders exert control over the Board of directors. The Company's Articles of Association stipulate no limitations regarding the number of votes which each shareholder is entitled to exercise at the Annual General Meeting. No specific regulations are stated in the Company's Articles of Association regarding the appointment and dismissal of Board Members. For the current Articles of Association, adopted by the Annual General Meeting of 12/05/2016, please go to www.betssonab.com.

ANNUAL GENERAL MEETING

The Annual General Meeting is the highest decision-making body in Betsson AB. The Annual General Meeting, which is held within six months of the end of the financial year, votes on the adoption of the income statement and balance sheet, and resolves on the proposed dividend. Directors are also elected and their fees and other remuneration set. In certain cases, auditors are elected and the Annual General Meeting resolves on their fees. Furthermore, other statutory matters and other proposals from the Board and shareholders are addressed, and resolutions are made regarding guidelines for remuneration to senior executives.

All shareholders registered in the shareholders' register on a given record 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 2016

The Annual General Meeting for 2016 was held on 12 May 2016. The Meeting was attended by shareholders, in person or by proxy, representing 61.7 percent of the voting rights and 33.9 percent of the capital. Pontus Lindwall was elected Chairman of the Meeting.

Resolutions

The minutes from this meeting can be found on Betsson's website. The resolutions made by the Annual General Meeting included:

Mandating the Board of Directors to resolve on the non-cash issue of shares and/or convertible preferred stock that entails the issuing or conversion of a maximum total of 14.3 million B shares (after the share split), corresponding to a dilution of approximately 10 percent of the share capital and 4.9 percent of the voting rights.

Mandating the Board of Directors to resolve on the combined acquisition of as many shares as required such that the Company's holding, at any given time, does not exceed 10 percent of all shares in the Company. This mandate was not exercised during the 2016 financial year. The Board was further authorised to resolve on the sale 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. To establish an incentive programme that would principally mean that the Company would offer senior executives and other key personnel the right to acquire share options or to receive employee share options in the Company. The maximum number of options that could be issued in accordance with the programme should be 1,384,157 corresponding to a dilution effect of approximately 1.0 percent of the share capital and approximately 0.49 percent of the voting rights in the Company after dilution.

To issue 1,384,157 C shares to ensure the Company's value in outstanding incentive programmes.

To approve the Board's proposal to distribute the equivalent of SEK 4.51 per share for 2015, through an automatic redemption procedure.

To re-elect Board members Kicki Wallje-Lund, Patrick Svensk, Lars Linder-Aronson, Martin Wattin, Jan Nord and to re-elect Pontus Lindwall as working Chair of the Board.

ANNUAL GENERAL MEETING 2017

The Betsson AB (publ) Annual General Meeting will be held on Thursday 11 May 2017 at 10:00AM at Filmstaden Sergel, Slöjdgatan 6, Hötorget, Stockholm, theatre 6. For further information regarding the Annual General Meeting 2017, please refer to the Company's website: www.betssonab.com.

THE NOMINATION COMMITTEE

In accordance with the resolution adopted at the Annual General Meeting 2016, the Chairman of the Board has been assigned to convene the meetings of the Company's Nomination Committee and to invite representatives of the Company's larger shareholders to join the Committee. The Nomination Committee is to consist of a minimum of three members, and the majority of the Nomination Committee's members may not be formed by 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. These proposals are to be submitted to the Annual General Meeting 2017 for resolution. The composition of the Nomination

Committee was announced on 20 October in Betsson's Interim Report for the third quarter of 2016 and on the Company's website.

The Nomination Committee for the Annual General Meeting 2017 is comprised of:

- John Wattin, representing Per Hamberg and companies with a total of 18 percent of the outstanding votes.
- Michael Knutsson, representing the Knutsson family and companies, with a total of 11 percent of the outstanding votes.
- Christoffer Lundström, representing the Rolf Lundström family and companies, with a total of 9.6 percent of the outstanding votes.
- Pontus Lindwall, Chair of the Board of Betsson AB and convener of the Nomination Committee.

The Nomination Committee represents a participating interest which, at year-end, amounted to 38.6 percent of the outstanding votes in the Company. An important source of information for 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 entails experience from executive positions in listed companies, expertise in the financial and gaming sectors or experience from international service companies.

The Nomination Committee further proposes, ahead of the Annual General Meeting, fees and remuneration to all Board members including the working Chair of the Board.

The Nomination Committee's complete proposals and background information, to be presented to the Annual General Meeting 2017, will be published on the Company's website, www.betssonab.com, in advance of the Annual General Meeting. Shareholders wishing to submit proposals to the Nomination Committee should do so by email to valberedning@betssonab.com or by post to the Company's 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 conclusion of the following 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 six members elected by the Annual General Meeting, with no deputies. At the 2016 Annual General Meeting, Kicki Wallje-Lund, Patrick Svensk, Lars Linder-Aronson, Martin Wattin, Jan Nord and Pontus Lindwall were re-elected as members. Pontus Lindwall was re-elected as Chairman. The members of the Board are presented on pages 20–21.

The Group President and CEO, Ulrik Bengtsson, presents a report at all Board meetings. The Group's CFO, Fredrik Rüdén, participates both to present reports and to serve as secretary. Other executives in the Group participate from time to time in Board meetings as required, either to present specific issues or to serve as secretary.

The Board's independence

According to the definition applied by the Stockholm Stock Exchange, the number of Board Members elected at the Annual General Meeting who are independent of the Company is 5 (83 percent) and the number of Board Members elected at the Annual General Meeting who are independent of the Company's major shareholders is 6 (100 percent). All members meet NASDAQ Stockholm's requirements concerning professional experience. Pontus Lindwall cannot be considered independent in relation to the Company, given his role as working Chairman of the Board. With this composition, Betsson's Board fulfils the regulations for listed companies and the regulations of the Swedish Code of Corporate Governance, which require 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 major shareholders. All Board members and all members of the Group management team have undergone the NASDAQ Stockholm course in Stock Exchange regulations.

Board meetings

In 2016, the Board held 21 (19) recorded meetings, of which one (one) was the statutory meeting and four (one) were per capsulam meetings. The Board had a four (four) percent absence rate during the year's Board meetings.

The meetings comprise the CEO's review of developments within the operations, current issues concerning important events, the risk aspects 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 during the year.

The attendance of Board Members at Board meetings is shown below, as a percentage (figures in brackets refer to the previous year).

Pontus Lindwall	100 (100)
Kicki Wallje-Lund	100 (100)
Lars Linder-Aronsson	94 (100)
Patrick Svensk	100 (93)
Martin Wattin	100 (100)
Jan Nord	88 (80)

Average attendance at Board and Committee meetings was 96 (96) percent.

Information provided to the Board of Directors

The work of the Board follows a specific plan in order to ensure that the Board receives all 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 operational report in which management describes developments.

Internal control and risk management

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

The Audit Committee

The Audit Committee's responsibility is to ensure compliance with established principles for financial reporting and internal controls. In accordance with the rules of procedure adopted after the 2016 Annual General Meeting, the Audit Committee continues to comprise three members, none of whom is to be Chair of the Board. The members of the Committee are Lars Linder-Aronson, Kicki Wallje-Lund and Martin Wattin.

The Audit Committee is responsible for monitoring and following up the reporting of Corporate Responsibility issues. The Audit Committee also acts as a finance committee tasked with supporting and monitoring financial operations and evaluating and proposing changes to treasury policy. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures to be taken are addressed by the Board on a continual basis. The Group auditors and Group CFO report to the Audit Committee. There was a 100 percent attendance record at the four Audit Committee meetings.

The Remuneration Committee

New rules of procedure for the Board were adopted at the end of the 2016 Annual General Meeting. It was resolved that the Remuneration Committee should consist of three members, none of whom should be the Chair of the Board. The Committee's members include Kicki Wallje-Lund, Patrick Svensk and Jan Nord. The Remuneration Committee held three meetings during the year where, among other issues, a proposal on a new incentive programme (options) was addressed.

The main responsibility of the Remuneration Committee is to prepare board decisions with regards to remuneration guidelines etc for the CEO, evaluation of the variable remuneration for senior executives and evaluation of the execution of remuneration guidelines and accruals for key employees as mandated at the AGM. Attendance at the Remuneration Committee´s three meetings during the year was 89 percent.

AREAS OF RESPONSIBILITY OF THE CHAIR OF THE BOARD AND CEO

The Company has a working Chair of the Board who primarily works in the following areas: planning of long-term strategy issues that lie outside the CEO's strategic brief within the applicable business plans, monitoring of regulatory and other legal changes in countries that can be of significance for Group activities and geographic expansion, regular evaluation of strategic alliances and large company acquisitions of a strategic nature, and support of Group management in strategic projects and in association with the recruitment of key expertise.

CEO AND GROUP MANAGEMENT

Betsson's President and CEO is responsible for the day-to-day management of both the Parent Company and the Group, a responsibility which does not include decision-making in operating online game activities. The CEO leads the work in the Parent Company and makes executive decisions in consultation with other senior executives. At the end of 2016, there were four (four) senior executives, including two women; see page 22.

The senior executives hold regular operational reviews under the leadership of the CEO. The operations of the Parent Company (Betsson AB) consist of the management and administration of the Company's investments and the evaluation of potential acquisitions or divestments of business operations. The Group's gaming operations are conducted in Malta, through several wholly-owned subsidiaries, each of which has a separate Board working under an operative management team that makes the operational decisions for Betsson's gaming operations.

Each respective CEO in the wholly owned subsidiaries acts in accordance with a set of CEO instructions which are in line with the Group CEO instructions.

Diversity

Betsson's conviction is that diversity drives innovation and success. The Company will get stronger and more competitive by employing people of different genders, with varying backgrounds, with different experiences and from different cultures. For further information regarding Betsson's diversity goals, see the section 'Sustainability and Betsson'.

REMUNERATION

Remuneration to the Members of the Board and the guidelines for remuneration to senior executives are determined at the Annual General 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 immediate manager must approve any decisions regarding remuneration.

The following principles, adopted at the Annual General Meeting 2016, 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 comprise a fixed salary and, when necessary, variable remuneration, pensions and other benefits such as a company car in some cases. Any variable remuneration which may be offered to senior executives will be decided on the basis of pre-determined Group-wide and individual goals relating to the management of the Company and the Company's financial development, and take 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 make decisions diverging from these guidelines for individual instances, under special circumstances.

AUDIT

At the Annual General Meeting 2016, PricewaterhouseCoopers AB was elected, with Authorised Public Accountant Niklas Renström as senior auditor.

The audit of the annual financial statements is carried out January-February. The audit of the annual report takes place March-April. A general audit is performed in association with the Company's interim reports for the third quarter. In addition, audits of internal procedures and control systems are regularly performed during the year and reported to the Group CFO, management group and the Board. In addition to the auditing assignment, Betsson has engaged PricewaterhouseCoopers AB for consultation on 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 operations. The internet-based gaming industry is constantly exposed to a rapidly changing environment, such as changes in legal systems, seasonality and currency fluctuations. To be able to manage this, an educational and adaptive approach is crucial. At the same time, it is important that Betsson's customers feel safe and secure with the gaming companies' games and payment solutions. This permeates all Company and Group customer offerings. Betsson has commissioned Ernst

& Young to conduct specific audit assignments, like those that a separate internal audit department would normally perform.

As a complement to this, the operations of several independent parties are also checked. Betsson is licensed in Malta by the Malta Gaming Authority (MGA). In order to obtain and maintain licences, the Company's routines and processes must meet certain quality standards. MGA carefully inspects business operations to ensure the Company satisfies all requirements. Betsson's companies are also PCI certified for secure card transactions, and cooperate with several large banks. As a result, all credit card information is handled securely and the Company meets the highest security standards as regards payments, withdrawals and deposits.

All private information sent to and from Betsson sites is encrypted and monitored. The random number generator behind Betsson's marketed third-party gaming has been tested and approved by independent third parties, including Itech Labs, Gaming Laboratories International (GLI), Quinel and eCogra. To ensure that poker software always produces random numbers, independent inspectors test the random number generator (RNG) on a monthly basis. To ensure players feel comfortable and secure in having a level playing field in terms of technology in relation to other poker players, Betsson's poker suppliers have developed internal control systems that are evaluated at the same time as external control systems.

The Audit Committee bears the preparatory responsibility within the Board to ensure compliance with the established principles of internal control. The President and CFO are responsible, on a continuous basis, for taking appropriate steps to maintain good internal control. Each company function is responsible for executing the internal control within its relevant operational area, based on stated conditions. Reports are prepared on an on-going basis at all levels.

SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

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 forms 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 detailed 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 makes decisions regarding the management of the risk of misstatement 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 these cover all significant areas, and identifies, when appropriate, any necessary measures to be implemented. The Company's largest operational risks are related to the rapidly evolving environment characterising the gaming industry, including, for example, changes in legal systems, seasonality and currency fluctuations. The financial reporting can be influenced by the risk of errors in allocation to periods when settling accounts with partners and the risk of errors in the valuation of intangible assets.

Control measures

On the basis of risk assessments carried out within the Group, control measures of both a preventive and a detection nature are implemented to ensure that any errors are addressed. We have placed special emphasis on mapping and assessing the most significant risks in the accounting practices as regards allocation to periods. 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

Internal information and external communication are regulated at a comprehensive level by, among other things, an information policy. Internal communication to and from the Board and management takes place via, for example, 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 considered at each scheduled meeting of the Board. The Company's auditor participates in the Board meetings at least once a year and shares any observations regarding practices and control systems. During this meeting, the members of the Board have the opportunity to ask questions. The Board re-evaluates the significant risk areas and assesses the internal control on an annual basis.

INVESTOR RELATIONS

Betsson shares information with shareholders by means of annual reports, arranged capital market days, year-end reports, quarterly reports and press releases and through the Company's website. Reports and press releases from previous years are also available on the website, www.betssonab.com. Communication and transparency are key to Betsson, to allow the Company's investors and analysts to make objective assessments of the Company's development and, consequently, make informed decisions in their 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 obtain a fair valuation of the Company. During 2016, Betsson arranged a capital market day and also participated in a number of IR activities, such as seminars, investor meetings and road shows in both Europe and the USA.

BOARD OF DIRECTORS

Pontus Lindwall
Chairman of the Board of Directors

Born in 1965, residence Stockholm

Member of the Board since 2011, Chair of the Board from 2011 to 20 July 2015 and from 1 March 2016. Group President and CEO 1998-2011 and from 21 July 2015 to 29 February 2016. Employed by the Group since 1991.

Other directorships:
Board member of Net Entertainment NE AB (publ), Nya Solporten Fastighets AB, Mostphotos AB and several companies within the Betsson Group.

Relevant background:
Many years of experience in the gaming industry in both offline and online gaming, for example founder of Net Entertainment, Group President and CEO of Cherryföretagen. Lindwall has an MSc in Civil Engineering from the Royal Institute of Technology (KTH), Stockholm.

Shareholding:
30,000 A shares and 973,782 B shares

Kicki Wallje-Lund
Board Member

Born in 1953, residence Nyköping

Board member since 2006.
CEO Wellnet AB.

Other directorships:
Chair of the Board of THQ Nordic AB and Board member of C-RAD AB and Wellnet AB.

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

Shareholding:
1,350 B shares

Patrick Svensk
Board Member

Born in 1966, residence Stockholm

Board member since 2005.
CEO Svensk Media Group

Other directorships:
Chair of the Board of Squid (Njuice AB).
Board member of Bright Group Nordic.
Board member of Patos Konsult.

Relevant background:
Experience from various executive positions in listed companies. Svensk has been Group President and CEO of Zodiak Television, CEO of Kanal 5 and TV3 Sweden.
Svensk has a degree in business and economics from the Stockholm School of Economics.

Shareholding:
5,000 B shares

Jan Nord
Board Member

Born in 1955, residence Lidingö

Board member since 2015.

Other directorships:
Board member of Svenska Brasserier AB.

Relevant background:
Creative Director focusing on brand strategy. Many years' experience as a creative director at H&M and Esprit over the past fifteen years. Previously head of the Nord & Co ad agency. Nord is a graduate of Stockholm University.

Shareholding:
1,800 B shares

Lars Linder-Aronson
Board Member

Born in 1953, residence Nacka

Board member since 2008, Chair of the Board from 20 July 2015 to 29 February 2016.
Chair of the Board of AB Svensk Exportkredit.

Other directorships:
Board member of Facility Labs AB, eCapital AB and Morco Förvaltning AB.

Relevant background:
Many years of experience from the financial and capital markets, primarily within investment banking in London, New York and Stockholm. Linder-Aronson was previously Head of Enskilda Securities and has worked for investment bank Dillon, Read & Co. Linder-Aronson has a degree in business and economics from the Stockholm School of Economics.

Shareholding:
152,835 B shares (including holdings via companies and related parties)

Martin Wattin
Board Member

Born in 1974, residence Stockholm

Board member since 2015.
CEO of Inbox Capital AB

Other directorships:
Chair of the Board of Rabble Communication and Board member of Acast and Smart Payments Nordic AB.

Relevant background:
Many years' experience from online companies as an entrepreneur and investor. Was also previously a director of Cherry AB. Wattin founded IT company Contur Software AB that was acquired by Accelrys Inc in 2011, since which time he has concentrated on his own investments. Wattin has a Master of Finance degree from the University of Colorado.

Shareholding:
23,160 B shares (including holdings via companies and related parties)

AUDITOR
Niklas Renström

Authorised Public Accountant
PricewaterhouseCoopers AB

Senior Auditor since 2015.

Born in 1974, residence Saltsjö-Boo

SENIOR EXECUTIVES

Ulrik Bengtsson
President and CEO, Betsson AB
CEO, BML Group Ltd

Born in 1972, residence Malta

Employed by the Group since 2012. CEO, BML Group Ltd since 2012. His role was expanded in 2016 to comprise Group President and CEO of Betsson AB.

Other directorships:
Board member of a number of internal Boards.

Relevant background:
Bengtsson has a consumer services background. Most recently, prior to Betsson, he was CEO of MTG's pay TV services in Eastern Europe having previously been CEO of Viasat in Sweden. Bengtsson has also previously worked for Telenor and IBM. He has a B Comm from Dalhousie University in Canada.

Shareholding:
70,000 B shares
380,000 employee share options and
5,000 share options

Fredrik Rüdén
CFO, Betsson AB

Born in 1970, residence Stockholm

Employed by the Group since 2008.

Other directorships:
Board member of a number of internal Boards.

Relevant background:
Rüdén has held various positions at Ernst and Young, Industriförvaltnings AB Kinnevik, Hallvard Leröy AS and Teligent AB. He has an LL.B. in business law and an MBA from Mälardalen University College.

Shareholding:
44,200 B shares (in endowment insurance)
195,000 share options

Abby Rachel Cosgrave
Vice President Legal, Betsson AB,
Head of Legal Affairs, Betsson Malta

Born in 1979, residence Malta

Employed by the Group since 2014. Vice President Legal since 2017.

Other directorships:
Board member of BOS, the industry organisation for online gaming.

Relevant background:
Cosgrave previously worked as an in-house counsel at NBC Universal Networks International and JD Sports Fashion PLC. She holds a bachelor's degree in Law & Politics and an LL.M in International Legal Practice.

Pia Rosin
Vice President Corporate Communications, Betsson AB

Born in 1976, residence Stockholm

Employed by the Group since 2016.

Other directorships:
Board member of THQ Nordic AB.

Relevant background:
Rosin has held various positions within communications and investor relations. She holds an M.Sc. in Business from Lund University.

Shareholding:
1,000 B shares
45,000 share options

THE SHARE AND SHAREHOLDERS

SHARE STRUCTURE

At year-end, Betsson had 144,493,238 shares divided into 16,260,000 A shares, 122,155,730 B shares and 6,077,508 C shares. Each A share carries ten votes. Each B share carries one vote, while C shares do not carry any voting rights. The shares have equal access to Betsson's assets and profit.

REPURCHASED SHARES

On balance day, Betsson held 1,084 (1,174) B shares and 6,077,508 (4,693,351) C shares in the Company. B shares were purchased at an average price of SEK 19.42 in 2007 and 2008. The C shares were acquired at nominal value. The number of shares outstanding at year-end, excluding repurchased shares, amounted to 138,414,646 shares, of which 16,260,000 were A shares and 122,154,646 were B shares.

SHARE SPLIT AND REDEMPTION PROGRAMME

The Annual General Meeting of 12 May 2016 resolved on an automatic redemption programme. As a result of the redemption programme, SEK 624.3 million, or SEK 4.51 per share, was distributed to the Company's shareholders on 20 June 2016.

BONUS ISSUE

In conjunction with the redemption procedure, a bonus issue of SEK 47.7 million was implemented to restore the Company's share capital.

NEW ISSUE AND CONVERSION OF C TO B SHARES

In 2016, 1,384,157 C shares were issued to expense the incentive programme in 2016/2019, and 90 B shares were distributed to employee stock option holders in conjunction with early redemption of the incentive programme 2016/2019.

OWNERSHIP STRUCTURE

As of 31 December 2016, there were 41,056 (35,156) shareholders in Betsson. The proportion of foreign share shareholders was 5 (5) percent. Foreign share ownership amounted to 34 (35) percent of the share capital and 30 (30) percent of the votes.

SHARE LIQUIDITY

A total of 235.3 (161.9) million shares changed hands during the year, which is the equivalent of 193 (133) percent of the average number of outstanding B shares. On average approximately 930,000 (645,000) shares were traded each day. On average there were 3,057 (2,152) completed trades on each trading day.

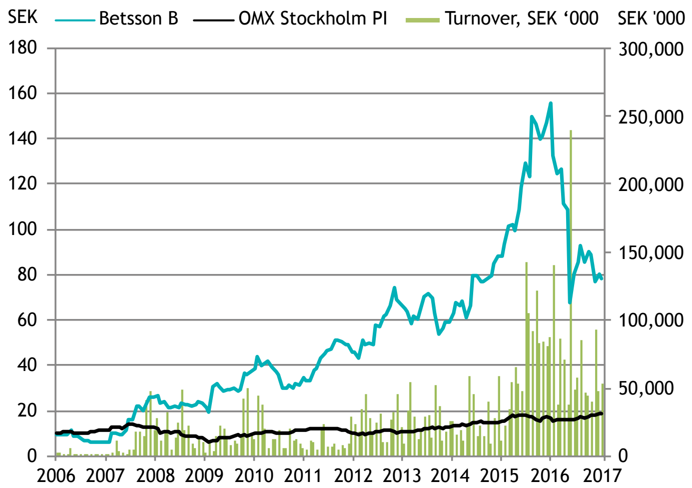
SHARE PRICE DEVELOPMENT AND TURNOVER

The share price during the year decreased by 43 percent. The share price (last paid) on closing day was SEK 87.90 (155.50), which represented a market value of SEK 12.2 (21.5) billion. The share reached a high for 2016 of SEK 153.00 (160.00) on 4 January, while the low for the year was SEK 63.05 (91.30) on 6 July. The average share price during the year was SEK 93.80 (127.59). Total turnover of shares during the year was SEK 22.1 billion (20.6), which is equal to an average of SEK 87.2 million (82.3) per trading day and an average of approximately SEK 29 thousand (38) per trade.

DIVIDEND POLICY AND PROPOSED DISTRIBUTION

The Board proposes that the Annual General Meeting resolve to approve a transfer to shareholders of SEK 4.76 (4.51) per share for the 2016 financial year, which, provided the outstanding number of shares does not change, corresponds to SEK 658.9 million (624.3).

Under the Company's applicable dividend policy, 75 percent of net profit may be transferred to the shareholders, provided that a suitable capital structure can be maintained. The Board intends to propose to the Annual 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. The dividend policy for the distribution of net profit for 2017 is updated to a distribution of 50 percent of net profit.



ANALYSTS COVERING BETSSON

Martin Arnell
DNB Bank ASA

Sharish Aziz
Danske Bank

Mikael Laséen
Carnegie

Mathias Lundberg
Swedbank

Viktor Bellak
SEB Enskilda

Anders Hillerborg
ABG Sundal Collier

Rasmus Engberg
Handelsbanken

Christian Hellman
Nordea

MAJOR SHAREHOLDERS AS PER 31 DECEMBER 2016

	Number of A shares	Number of B and C shares	Equity capital % (of total capital)	Voting share % (of outstanding votes)
Hamberg family and companies	5,098,500	225,000	3.7%	18.0%
Knutsson family and companies	2,710,000	4,350,000	4.9%	11.0%
Novobis AB	2,557,500	1,860,000	3.1%	9.6%
Kling, Lars	2,231,000	100,000	1.6%	7.9%
Lindwall, Berit Anita	1,683,000	70,000	1.2%	5.9%
Danske Bank International S.A.	1,500,000	29,443	1.1%	5.3%
Swedbank Robur Fonder	-	11,964,234	8.3%	4.2%
Handelsbanken Luxembourg	450,000	148,300	0.4%	1.6%
Försäkringsaktiebolaget, Avanza Pension	-	3,994,480	2.8%	1.4%
Ubs (lux) Equity Eicav - European	-	3,412,163	2.4%	1.2%
SEB Investment Management	-	2,331,974	1.6%	0.8%
JPM Chase	-	2,121,712	1.5%	0.7%
Norden	-	2,024,090	1.4%	0.7%
Didner & Gerge Fonder Aktiebolag	-	2,001,859	1.4%	0.7%
Carnegie fonder	-	1,795,564	1.2%	0.6%
Pictet	-	1,700,534	1.2%	0.6%
Pontus Lindvall	30,000	1,283,782	0.9%	0.6%
Nordnet Pensionsförsäkring AB	-	1,436,035	1.0%	0.5%
JP Morgan Bank Luxembourg S.A.	-	1,237,221	0.9%	0.4%
Bnymsanv re sanvfft Re Allianz Glob	-	1,219,482	0.8%	0.4%
JP Morgan Chase Bank N.A.	-	1,110,951	0.8%	0.4%
Evli Europa	-	1,057,459	0.7%	0.4%
Swedbank Försäkring AB	-	994,220	0.7%	0.3%
Other owners	-	75,686,143	52.4%	26.6%
External owners	16,260,000	122,154,646	96%	100%
Betsson AB (of which C 6,077,508)	-	6,078,592	4.2%	0.0%
Total	16,260,000	128,233,238	100.0%	100.0%

SHARE CAPITAL COMPOSITION AS PER 31 DECEMBER 2016

	Number of shares	Number of votes	Quota value	SEK
Shares, series A - 10	16,260,000	162,600,000	0.67	10,840,000
Shares, series B - 1	122,155,730	122,155,730	0.67	81,437,153
Shares, series C - 0	6,077,508	6,077,508	0.67	4,051,672
Total shares	144,493,238	290,833,238	0.67	96,328,825

SHARE DISTRIBUTION AS PER 31 DECEMBER 2016

Number of shares	Number of share-holders	Proportion of total number of shareholders	Number of shares	Number of total number of shares (%)	Share of voting rights
1-500	29688	72.3%	4,263,361	3.0%	1.5%
501-1,000	5100	12.4%	3,971,092	2.7%	1.4%
1,001-2,000	2980	7.3%	4,539,228	3.1%	1.6%
2,001-5,000	2027	4.9%	6,579,311	4.6%	2.3%
5,001-10,000	649	1.6%	4,768,940	3.3%	1.6%
10,001-20,000	250	0.6%	3,663,244	2.5%	1.3%
20,001-50,000	169	0.4%	5,342,503	3.7%	1.9%
50,001-100,000	59	0.1%	4,238,110	2.9%	1.5%
100,001-500,000	80	0.2%	18,934,609	13.1%	7.9%
500,001-1,000,000	31	0.1%	21,433,792	14.8%	7.4%
1,000,001-	23	0.1%	66,759,048	46.2%	71.8%
Total	41,056	100%	144,493,238	100.0%	100%

FIVE-YEAR SUMMARY

Amounts in SEK million unless otherwise stated	2016	2015	2014	2013	2012
Income Statement					
Revenues	4,117.3	3,722.0	3,035.1	2,476.7	2,203.7
Gross profit	3,078.0	2,675.6	2,231.3	1,772.6	1,549.3
Operating income	946.4	886.4	821.2	601.2	577.1
Profit/loss before tax	936.0	883.0	814.8	596.2	573.6
Income after tax	878.0	831.7	770.7	562.0	547.8
Balance Sheet					
Intangible fixed assets	4,627.5	3,980.3	3,402.2	2,037.9	1,664.6
Property, plant and equipment	85.9	57.0	50.9	53.8	28.5
Financial fixed assets	12.6	16.9	25.1	26.6	25.2
Deferred tax receivables	34.9	21.2	29.3	11.7	18.4
Current receivables	1,057.4	1,126.9	1,027.0	823.5	752.7
Cash and cash equivalents	444.3	524.9	478.1	562.5	467.2
Total assets	6,262.5	5,727.4	5,012.6	3,515.9	2,956.6
Shareholders' Equity	3,502.9	3,153.7	3,073.8	2,032.2	1,577.8
Provisions	21.0	115.8	5.4	4.1	9.3
Interest-bearing non-current liabilities	1,325.6	505.2	523.4	0.0	344.5
Current liabilities	1,413.0	1,952.7	1,410.1	1,479.6	1,025.0
Total equity and liabilities	6,262.5	5,727.4	5,012.6	3,515.9	2,956.6
Cash Flow					
Cash flow from operating activities	1,168.5	1,154.5	868.3	683.5	666.1
Cash flow from investing activities	-648.9	-620.5	-496.6	-154.3	-634.4
Cash flow from financing activities	-616.9	-469.2	-479.3	-447.5	-70.2
Total cash flow for continuing operations	-97.4	64.7	-107.6	81.6	-38.4
Revenues per product					
Casino	2,907.8	2,543.6	2,094.9	1,639.2	1,524.7
Poker	116.5	117.8	116.2	148.3	164.5
Sportbook	1,080.4	1,012.7	778.9	617.7	459.6
Other products	12.6	47.9	45.0	71.7	55.0
Total	4,117.3	3,722.0	3,035.1	2,476.8	2,203.7
Revenues per region					
Nordic countries	2013.8	1801.8	1731.8	1617.5	1,495.5
Western Europe	926.2	851.7	563.6	260.9	206.6
Central and Eastern Europe and Central Asia	1073.1	990.5	684.3	563.9	457.6
Other products	104.2	78.0	55.4	34.6	44.0
Total	4,117.2	3,722.1	3,035.1	2,476.8	2,203.7
Number of customers					
Number of registered customers (thousands)	10,101.0	9,022.2	7,732.4	6,732.7	5,777.9
Number of active customers (thousands)	573.3	526.3	390.7	401.4	520.4
Profitability and financial position					
Gross margin	74.8%	71.9%	73.5%	71.6%	70.3%
EBITDA margin	28.1%	28.1%	31.3%	28.6%	30.9%
Operating margin	23.0%	23.8%	27.1%	24.3%	26.2%
Profit margin	22.7%	23.7%	26.8%	24.1%	26.0%
Return on equity	26%	27%	30.0%	31.0%	38.0%
Equity/assets ratio	56%	55%	61.0%	58.0%	53.0%

Amounts in SEK million unless otherwise stated	2016	2015	2014	2013	2012
Deposited amounts					
Customer deposits, all gaming solutions (SEK million)	14,457.6	12,999.2	10,540.3	8,421.1	6,889.0
Investments					
Investments	316.7	235.1	156.3	138.5	101.0
Personnel					
Average number of employees	1,661	1,584	850	789	591
Number of employees at year-end	1,821	1,639	870	839	748
The share					
Share capital	96.3	95.4	93.1	86.9	84.5
Number of shares outstanding at year-end	144,493,238	143,109,081	139,618,581	130,299,009	126,805,410
Ongoing share issue (number of shares) at year-end					300,000
Number of own shares at year-end	6,078,592	4,694,524	1,566,279	1,914	1,914
Average number of shares outstanding	138,414,571	138,239,023	136,698,507	129,857,226	125,998,572
Average number of shares outstanding after dilution	138,414,571	138,239,023	136,779,423	129,947,070	126,651,543
Number of registered shareholders	41,056	35,156	21,443	18,825	17,225
Average share price (SEK)	93.80	127.59	77.15	63.86	63.35
Share price at year-end (SEK)	87.9	155.5	91.67	68.00	66.83
Market capitalisation at year-end (SEK million)	12,166.6	21,523.5	12,654.8	8,860.3	8,474.8
Earnings per share for continuing operations (SEK)	6.34	6.02	5.64	4.33	4.35
Earnings per share after dilution (SEK)	6.34	6.02	5.63	4.33	4.33
Equity per share (SEK)	25.31	22.78	22.27	15.60	12.44
Dividend or equivalent per share (SEK)	4.76	4.51	3.98	3.05	3.15

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	2016	2015
Revenues	3,4,5,20	4,117,309	3,721,987
Total		4,117,309	3,721,987
Operating costs in gaming operations		-1,039,336	-1,046,382
Gross profit		3,077,972	2,675,606
Operating expenses			
Work performed by the Company for its own use and capitalised		211,770	146,867
Marketing expenses		-822,308	-752,918
Other external expenses	6, 7	-638,378	-475,221
Personnel costs	8	-657,891	-543,477
Depreciation	9	-211,855	-160,676
Other operating income/expenses	10	-12,919	-3,768
Total operating expenses		-2,131,582	-1,789,193
Operating income		946,390	886,412
Net financial items	11, 12		
Financial income		2,134	8,632
Financial expenses		-12,510	-12,063
Total net financial items		-10,375	-3,431
Profit/loss before tax		936,015	882,981
Tax	13	-57,973	-51,245
Reported profit/loss		878,042	831,736
Of which attributable to:			
- shareholders in the parent company		878,042	831,736
- minority interests			
Earnings per share in continuing operations			
- before dilution (SEK)	14	6.34	6.02
- after dilution (SEK)	14	6.34	6.02
Proposed/paid dividend per share (SEK)	15	4.76	4.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	Note	2016	2015
Net income for the period		878,042	831,736
Other comprehensive income (items posted over equity)			
Items that can subsequently be reversed in the income statement			
Hedging of net investments in foreign currency	13	-66,119	36,378
Deferred tax on hedging of net investments in foreign currency		14,546	-8,003
Exchange rate differences on translation of foreign operations		143,857	-209,574
Other comprehensive income for the period (after tax)		92,284	-181,199
Total comprehensive income for the period		970,326	650,537

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	2016	2015
Assets			
Fixed assets			
Intangible fixed assets	16	4,627,458	3,980,337
Property, plant and equipment	17	85,937	57,045
Financial fixed assets	20	12,601	16,903
Deferred tax assets	13	34,851	21,242
Total fixed assets		4,760,847	4,075,527
Current assets			
Tax assets	13	490,346	474,951
Other receivables	21	483,817	553,341
Prepaid expenses and accrued income	22	83,264	98,642
Cash and cash equivalents	23	444,270	524,897
Total current assets		1,501,697	1,651,831
Total assets		6,262,544	5,727,357
Equity and liabilities			
Shareholders' Equity	24		
Share capital		96,329	95,406
Other contributed capital		1,437,525	1,436,798
Reserves		116,344	24,060
Retained earnings including net income for the year		1,852,737	1,597,453
Total shareholders’ equity attributable to Parent company shareholders		3,502,934	3,153,717
Provisions		20,090	109,873
Deferred tax liabilities	13	951	5,905
Total provisions		21,041	115,778
Non-current liabilities			
Bond loan	25	990,779	
Non-current liabilities to credit institutions	25	334,841	505,166
Total		1,325,620	505,166
Current liabilities			
Liabilities to credit institutions	25		228,375
Accounts payable		90,407	76,792
Tax liabilities	13	576,514	553,173
Other liabilities	26	464,855	808,064
Accrued expenses and deferred income	27	281,175	286,292
Total current liabilities		1,412,951	1,952,697
Total equity and liabilities		6,262,544	5,727,357

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2016	2015
Operating activities			
Income after financial items		936,015	882,981
Adjustments for items not included in cash flow			
- Depreciation	9	211,855	160,676
- Provision for gaming tax		-	109,872
- Share of shareholders' equity and share of profit in associated company		4,250	3,995
- Share-based remuneration		3,072	2,219
- Unrealised currency effects		-1,418	3,768
Paid company tax	13	-101,946	-27,720
Cash flow from operating activities before changes in working capital		1,051,828	1,135,791
Changes in working capital			
Changes in current receivables		140,218	3,433
Changes in current liabilities		-23,594	15,237
Cash flow from operating activities		1,168,452	1,154,461
Investing activities			
Acquisition of intangible fixed assets	16	-252,762	-185,815
Acquisition of property, plant and equipment	17	-63,970	-14,622
Divested tangible fixed assets		2,800	-
Acquisition of shares in subsidiary companies	5	-370,043	-442,998
Acquired cash and cash equivalents	5	35,049	22,918
Cash flow from investing activities		-648,926	-620,517
Financing activities			
Share redemption programme		-624,250	-549,719
Paid gaming tax/settlement provision		-90,210	-
Raised bank loans		-	436,700
Repayment of bank loans		-464,819	-200,084
- Additional purchase consideration		-430,700	-137,109
Bond loan		993,000	-
Premiums received for issued warrants		727	2,013
Cash paid upon redemption of warrants and employee stock options		-657	-20,991
Cash flow from financing activities		-616,909	-469,190
Change in cash and cash equivalents		-97,383	64,754
Cash and cash equivalents at the beginning of the year		524,897	478,122
Exchange rate differences in cash and cash equivalents		16,756	-17,979
Cash and cash equivalents at year-end	23	444,270	524,897
Unutilised credit facilities amounted to		1,032,008	788,610
Interest paid during the year amounted to		-8,502	-12,251
Interest received during the year amounted to		2,194	1,151

CHANGES IN EQUITY FOR THE GROUP

Amounts in SEK million unless otherwise stated	Share capital	Other contributed capital	Translation reserve	Retained earnings including net income for the year	Total equity
Shareholders' equity, 1 Jan 2015	93,079	1,434,785	205,259	1,340,644	3,073,767
Comprehensive income for the year 2015					
Profit/loss for the year				831,736	831,736
Hedging of net investments in foreign currency			28,375		28,375
Exchange rate differences on translation of foreign operations			-209,574		-209,574
Total comprehensive income for the period			-181,199	831,736	650,537
Transactions with the Company's owners 2015					
Share redemption	-23,270			-526,449	-549,719
Bonus issue	23,270			-23,270	0
New share issue C-shares	2,327				2,327
C-shares, treasury shares				-2,327	-2,327
Warrants, value of employee services				2,219	2,219
Premiums received for warrants		2,013			2,013
Redemption of employee stock options and warrants				-25,100	-25,100
Shareholders' equity, 31 Dec 2015	95,406	1,436,798	24,060	1,597,453	3,153,717
Comprehensive income for the year 2016					
Profit/loss for the year				878,042	878,042
Hedging of net investments in foreign currency			-51,573		-51,573
Exchange rate differences on translation of foreign operations			143,857		143,857
Total comprehensive income for the period			92,284	878,042	970,326
Transactions with the Company's owners 2016					
Share redemption	-47,703			-576,547	-624,250
Bonus issue	47,703			-47,703	0
New share issue C-shares	923				923
C-shares, treasury shares				-923	-923
Warrants, value of employee services				3,072	3,072
Redemption of employee stock options and warrants				-657	-657
Premiums received for warrants		727			727
Closing equity, 31 Dec 2016	96,329	1,437,525	116,344	1,852,737	3,502,934

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Note	2016	2015
Revenues	3	17,230	16,828
Total		17,230	16,828
Operating expenses			
Other external expenses	6, 7	-37,614	-28,090
Personnel costs	8	-24,631	-28,657
Depreciation	9	-622	-680
Other operating income/expenses	10	211	
Total operating expenses		-62,657	-57,427
Operating income		-45,427	-40,599
Financial items	**12**		
Income from participations in Group companies		977,163	820,306
Profit/loss from interests in Group companies, Group contributions		46,541	30,780
Interest income and similar profit/loss items		7,987	102
Interest expenses and similar profit/loss items		-67,000	-21,619
Total net financial items		964,691	829,570
Profit/loss before tax		919,264	788,970
Tax	**13**		
Profit/loss for the year		919,264	788,970
Proposed/paid dividend per share		4.76	4.51

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	2016	2015
Assets			
Fixed assets			
Property, plant and equipment			
Equipment	17	2,642	1,208
Total tangible fixed assets		2,642	1,208
Financial fixed assets			
Participations in Group companies	18	4,729,942	3,900,966
Deferred tax receivables	13	11,660	11,660
Total financial fixed assets		4,741,601	3,912,626
Total fixed assets		4,744,244	3,913,834
Current assets			
Current receivables			
Receivables from Group companies		567,131	422,313
Tax assets	13	848	848
Other receivables	21	1,171	1,026
Prepaid expenses and accrued income	22	2,929	2,675
Total current receivables		572,080	426,862
Cash and bank balances		45,307	103,259
Total current assets		617,387	530,121
Total assets		5,361,631	4,443,955
Equity and liabilities			
Shareholders' Equity	24		
Restricted equity			
Share capital		96,329	95,406
Statutory reserve fund		253,279	253,279
Total restricted equity		349,608	348,685
Non-restricted equity			
Share premium reserve		1,192,408	1,192,408
Retained earnings		1,286,109	1,122,968
Profit/loss for the year		919,264	788,970
Total non-restricted equity		3,397,781	3,104,346
Total equity		3,747,388	3,453,031
Non-current liabilities			
Bond loan	25	990,779	
Liabilities to credit institutions	25	313,647	502,204
Total non-current liabilities		1,304,426	502,204
Current liabilities			
Liabilities to credit institutions			221,300
Accounts payable		4,771	2,262
Liabilities to Group companies		225,452	115,519
Other liabilities	26	65,277	140,363
Accrued expenses and deferred income	27	14,316	9,277
Total current liabilities		309,816	488,721
Total equity and liabilities		5,361,631	4,443,955

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2016	2015
Operating activities			
Income after financial items		919,264	788,970
Adjustments for items not included in cash flow			
- Depreciation	9	622	680
- Impairment of assets		0	1,788
- Capital gains/losses from divestments/disposals		-6,933	0
- Exchange differences and other		58,410	6,305
Cash flow from operating activities before changes in working capital		971,363	797,743
Changes in working capital			
Changes in operating receivables		-138,218	7,747
Changes in operating liabilities		-70,135	68,651
Cash flow from operating activities		763,010	874,142
Investing activities			
Acquisition of property, plant and equipment		-2,056	-836
Acquisitions of shares and participations, subsidiaries	5	-333,879	-444,219
Acquisitions of other shares and participations		0	12
Paid shareholder contributions		-250,830	
Cash flow from investing activities		-586,765	-445,043
Financing activities			
Share redemption		-624,250	-549,719
Premiums received for issued warrants		727	2,013
Cash paid upon redemption of warrants and employee stock options		-657	-20,991
Raised loans		993,000	436,701
Repaid loans		-464,818	-200,084
Repaid additional purchase consideration		-138,200	-137,109
Cash flow from financing activities		-234,198	-469,190
Change in cash and cash equivalents		-57,953	-40,091
Cash and cash equivalents at the beginning of the year	23	103,259	143,349
Cash and cash equivalents at year-end		45,307	103,259
Additional information			
Unutilised credit facilities amounted to		1,032,088	788,610
Interest paid during the year amounted to		-8,502	-10,951
Interest received during the year amounted to		2	102

CHANGES IN CAPITAL FOR THE PARENT COMPANY

	Restricted equity			Non-restricted equity		
Amounts in SEK thousand	**Share capital**	**Statutory reserve fund**	**Share premium reserve**	**Retained earnings**	**Profit/loss for the year**	**Total equity**
Shareholders' equity, 1 Jan 2015	93,079	253,279	1,192,408	932,972	765,178	3,236,916
						0
Appropriation according to AGM				765,178	-765,178	0
- Share redemption	-23,270			-526,449		-549,719
-Dividend				0		0
- Bonus issue	23,270			-23,270		0
Transaction costs for redemption programme				-49		-49
Payment Incentice 2015-2018				2,013		2,013
Registered new issue (C shares held by company)	2,327			-2,327		0
Redemption of employee stock options and warrants				-25,100		-25,100
Group contributions					30,780	30,780
Profit/loss for the year, excl, Group contributions					758,190	758,190
Shareholders' equity, 31 Dec 2015	95,406	253,279	1,192,408	1,122,968	788,970	3,453,031
						0
Appropriation according to AGM				788,970	-788,970	0
- Share redemption	-47,703			-576,547		-624,250
-Dividend						
- Bonus issue	47,703			-47,703		0
Registered new issue (C shares held by company)	923			-923		0
Redemption of employee stock options and warrants				-657		-657
Group contributions					46,540	46,540
Profit/loss for the year, excl, Group contributions					872,725	872,724
Closing equity, 31 Dec 2016	96,329	253,279	1,192,408	1,286,109	919,264	3,747,388

NOTES

NOTE 1 General information

Betsson AB (parent company, CIN 556090-4251) conducts gaming operations over the internet through its subsidiaries. Business activities are primarily operated via companies in Sweden, Malta, Gibraltar and Georgia.

The parent company is a limited company with registered address in Stockholm. The address of the Company's registered office is Regeringsgatan 28, 111 53 Stockholm. The parent company is listed on Nasdaq Stockholm Large Cap List.

These consolidated financial statements were approved by the Board for publication on 31 March 2017. All amounts stated in these Notes are in SEK thousand, unless stated otherwise.

NOT 2 Summary of important accounting and valuation principles

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups, and International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. The accounts have been prepared using the cost method except for financial assets and liabilities (including derivative instruments), which have been measured at fair value through profit and 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, and taking into account the correlation between accounting and taxation.
Any differences between the parent company's annual financial statements and the consolidated financial statements relate mainly to the presentation of the income statements and the balance sheets, which, for the parent company, follow the format stipulated in the Swedish Annual Accounts Act.

New standards, amendments and interpretations

A number of new standards and interpretations come into force for financial years starting after 1 January 2016 and these have not been applied when producing this financial report. None of these is expected to have any material effect on the Group financial reports except for the below.

IFRS 9 'Financial instruments' address the classification, valuation and recognition of financial assets and liabilities. This replaces those parts of IAS 39 that deal with the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation model, but simplifies certain aspects. There will be three valuation categories for financial assets; accrued acquisition cost, fair value through other comprehensive income and fair value through the income statement. The classification of an asset is based on the Company's business model and the characteristics of the instrument's contractual cash flows.

Investments in equity instruments are to be valued at fair value through profit and loss, although the option exists for initial recognition of the instrument at fair value through other comprehensive income. In the event that this option is exercised, no reclassification to the income statement is permitted upon the sale of the instrument. IFRS 9 also introduces a new model for the calculation of credit loss reserves which is based on anticipated credit losses. For financial liabilities, there is no change to classification or valuation, with the exception of cases where a liability is reported at fair value via the income statement on the basis of the fair value alternative. Changes in value attributable to changes in the entity's own credit risk should, in such cases, be reported in other comprehensive income. IFRS 9 reduces hedge accounting requirements, in that the 80-125 criterion is replaced with requirements related to the economic relationship between the hedging instrument and the hedged item, and that the hedge ratio is identical to the ratio applied in risk management. Hedging documentation has also been changed slightly compared with documentation prepared pursuant to IAS 39. The new model for calculating credit loss reserves is based on estimated credit losses, which can entail earlier reporting of credit losses. The standard has been adopted by the EU and is mandatorily effective for financial years beginning on 1 January 2018. Early adoption is permitted. The Group is yet to evaluate the effects of the implementation of the standard.

IFRS 15 'Revenue from contracts with customers' addresses the manner in which revenues are to be reported. The principles on which IFRS 15 is based provide the user of financial reports with more usable information regarding the entity's revenues. The extended disclosure requirements entail that information regarding type of revenue, date of payment, uncertainties related to the revenue recognition and cash flows attributable to the entity's contracts with customers are to be presented. According to IFRS 15, revenue is to be recognised when the customer assumes control over the sold item or service and has the ability to use and obtain benefit from those items or services. IFRS 15 replaces IAS 18 'Revenues' and IAS 11 'Construction Contracts' and associated SIC and IFRIC. The IFRS 15 standard has been adopted by the EU and comes into force on 1 January 2018. Early adoption is permitted. The Group is yet to evaluate the effects of the implementation of the standard.

IFRS 16 Leases was published by IASB in January 2016. The standard regulates the accounting of leasing and will replace IAS 17 Leasing Contracts and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leasing contracts, with some exceptions, to be reported in the balance sheet. This report is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for this right. Reporting for the lessor will essentially be unchanged. The standard is applicable for financial years beginning on or after 1 January 2019. Early adoption is permitted. The Group has yet to evaluate the effects of IFRS 16. The standard has not been adopted by the EU yet.

IAS 7 A company must declare changes in liabilities related to the financing activities. This includes changes in cash flows (for example, procurement and repayment of loans) and non-cash items such as acquisitions, disposals, accrued interest and unrealised exchange rate differences.
Changes in financial assets must be included in this disclosure if cash flows were included (or will be included) in the cash flows from financing activities. This may occur, for example, when assets secure liabilities which have arisen out of financial liabilities. Companies may include changes in other items as a part of this disclosure, for example, by including a net liability's reconciliation. Items which do not stem from financing activities must be reported separately for such cases. The standard is applicable for financial years beginning on 1 January 2017.

None of the other IFRS or IFRIC interpretations yet to enter into force are expected to have any impact on the Group's financial statements.

Applied basis of valuation and classification

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

Assets and liabilities are reported at acquisition cost, except for certain financial instruments which are reported at fair value. Financial assets and liabilities reported at fair value consist of financial instruments classified as financial assets measured at fair value through profit and 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, if they are expected to be realised within twelve months of the 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 application of various important estimations and assumptions for accounting purposes is required. Management is also required to make assessments regarding the application of the Group's accounting principles. The areas including a high degree of assessment, which are complex, or in which estimations and assumptions are of material importance for the consolidated financial statements, include assumptions regarding the impairment testing of goodwill and of other intangible assets with indefinite useful lifetimes (for further information, see Note 16), as well as including the valuation of the liability for the additional purchase consideration attributable to the acquisition of RaceBets, (for further information, see Note 5).

Basis for consolidation

The consolidated financial statements include the parent company and companies in which the parent company, directly or indirectly, holds more than fifty percent of the voting rights or otherwise exercises a controlling interest.

The consolidated financial statements have been prepared in accordance with the purchase method. The acquisition method means that the parent company indirectly acquires the subsidiary company's assets and assumes its liabilities. The difference between the purchase consideration and the fair value of the acquired identifiable net assets on 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.

Subsidiaries are all companies (including structured entities) over which the Group exercises a controlling influence. The Group is considered to exercise control over a company when it is exposed or entitled to variable returns on the basis of its participation in the Company and is able to impact this return through its influence in the Company.

Subsidiary companies are included in the consolidated financial statements with effect from the day controlling interest is transferred to the Group. They are excluded in the consolidated financial statements with effect from the day controlling interest expires. Revenues, expenses, assets and liabilities which are attributable to subsidiaries are included in the consolidated financial statements 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. Holdings in associated companies are reported in accordance with the equity accounting method. When applying the equity accounting method, 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 carrying 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's profit arising after the acquisition reported in the income statement, and the Group's share of changes in Other comprehensive income after the acquisition, are reported in the Other comprehensive income, with a corresponding change in the carrying value of the participating interest.

Reporting per segment

The Group's operations are reported on the basis of one single operating segment, in accordance with the definition of an operating segment as stated in the applicable accounting principles. The basis applied for identifying operating segments for which separate reports can be prepared is the internal reporting presented to and followed-up on by the Group's most senior executive decision-making body, which is, in Betsson AB's case, the CEO. The CEO monitors operating income for the entire operations as one operating segment in a matrix organisation.

Foreign currencies

Receivables and liabilities in foreign currencies

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 the 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 entity, the accumulated translation differences attributable to the business are realised in the consolidated income statement after deduction of any hedging agreements.

Revenues

Invoiced licence revenues regarding the provision of the technical platform and revenues from the Group's gaming operations are reported as revenues. Marginal revenues 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 costs for loyalty programmes. This applies to Poker, Casino, Scratchcards, Bingo and Games.

Revenues attributable to gaming transactions in which the Company assumes an open position against the player are reported net after deduction of player winnings, bonuses and loyalty programmes. The revenues reported in this manner refer to Sportsbook.

The portion of revenues reserved for customer bonus points in Betsson's loyalty programme is reported only when the customers actually redeem the points.

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

Revenues from services sold are 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 revenues from services sold are negligible.

Other revenues

Other revenues include revenues 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 gains on sales of non-current assets in the parent company.

Cost of services provided

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

The cost of goods sold also includes commission to partners and affiliates. Payment to partners and affiliates is volume-related and reflects the volume of the end customers' mediated gaming transactions.

Gross profit

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

The gross profit also includes profits from transactions with third parties, i.e. partners, affiliates, game suppliers and payment service suppliers. This means that how successful Betsson has been in negotiations with suppliers can be measured.

Gross profit from the Group's gaming operations consists of the net amount of deposited bets and paid out winnings after deductions for bonuses, jackpot contributions, loyalty programmes, gaming taxes, licencing fees to game suppliers, commission to partners and affiliates, net income/expense for payment services via banks and bank cards for payment of winnings and costs for fraud (unapproved payment transactions).

Work performed by the Company for its own use and capitalised

Work performed by the Company for its own use and capitalised 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 post includes external costs for production and distribution of marketing in different media.

Leasing

Leases are classified as either financial leases or operational leases in the consolidated financial statements. 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 operational leasing, 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 paid leasing fees is reported in Note 6.

Share-based remunerations

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

The fair value of the services entitling employees to be allocated options is expensed. The total amount to be written off is based on the fair value of the allocated 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 with the Company for a specified time period). Non-market-related conditions for vesting are taken into consideration in the assumptions applied as regards the number of options expected to be earned. The total amount to be expensed is distributed over the entirety of the vesting period, which is the period during which all of the stated vesting conditions are to be fulfilled. On each closing date, the Company reviews all of its estimates regarding the number of shares expected to be earned, based on the non-market related vesting conditions. Any deviations from initial assessments noted in such a review are reported in the income statement and corresponding adjustments are made in shareholders' 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.

Social security contributions arising on the allocation of options are regarded as an integral component of the allocation, and these expenses are managed as a share-based payment paid in cash.

Pension costs

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

Commitments for retirement pensions and family pensions for salaried employees 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 2016 financial year, the Group has not had access to information enabling it to report its proportional share of the plan's obligations plan assets and expenses, implying that it has been impossible 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 premium for the defined-contribution plan is individual and is determined on the basis of, among other things, the age, salary and previous earned pension of the insured. Expected fees for the next reporting period for pension insurance secured with Alecta amount to SEK 696,000. The Group's share of the plan is immaterial. The collective funding ratio consists of the market value of Alecta's assets as a percentage of insurance undertakings calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19. The collective funding ratio is normally allowed to vary between 125 and 155 percent. If Alecta's collective funding ratio is less than 125 percent or greater than 155 percent, measures shall be taken in order to create the conditions for the funding ratio to return to the normal range. In the event that the collective funding ratio exceeds 155 percent, Alecta's surplus may be distributed to the policyholders and/or the insured. However, Alecta implements premium reductions to avoid a surplus arising.

At the end of 2016, Alecta's surplus in the form of the collective funding ratio amounted to 148 percent (153 percent).

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/amortisation of fixed assets or businesses. In order to reduce exposure to exchange rate fluctuations, Betsson has entered into forward exchange agreements in order to hedge portions of future cash flows. These derivatives are reported 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 to these instruments.

Taxes

Tax reported in the income statement comprises current tax, deferred tax and, where appropriate, gaming-related taxes. 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 shareholders' 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 balance 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 assets 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 that are subject to IAS 39 Financial Instruments: Recognition and Measurement are to be classified according to the following categories:

- Financial assets and liabilities measured at fair value through profit and loss
- Loans and receivables.

Financial instruments are initially recognised at acquisition cost, equivalent to the instrument's fair value plus transaction costs, except as regards financial instruments measured at fair value through profit and 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 and 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 revenues in the income statement, whilst other derivatives' earnings effects are reported as other operating income and other operating expenses.

Loans and receivables

Loans and receivables are financial assets that are not derivatives with fixed payments or definable payments and which are not quoted on an active market. Loans are valued at accrued 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 deductions for estimated, undiscounted bad debts. The impairment of accounts receivable is reported in operating expenses.

Other financial liabilities

Financial liabilities not held for trading purposes are measured at accrued 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 brands are expected to have an indefinite useful lifetime and are not subject to annual amortisation. These assets are assessed as having a useful life for which no expiry date has been determined and the value of these assets, therefore, remains unchanged, as long as the anticipated discounted net inflow from the intangible assets is equal to or greater than the assets' respective carrying values. Tests are conducted annually to identify any possible impairment requirement and, if such a requirement is identified, the asset's value is reduced by accumulated impairment.

Development expenditure and other intangible fixed assets

Intangible fixed assets also include development expenditure and acquired expenses in the form of other brands/domains and customer databases, etc. Development expenditure is capitalised as assets in the balance sheet to the extent that it is 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 conditions are in place to do so. The carrying 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 expenditure is included at acquisition cost with deductions for accumulated depreciation/amortisation and impairment.

Other intangible assets are reported in the balance sheet at cost with deductions for accumulated amortisation and impairment.

The valuation of intangible assets' ability to generate revenues is undertaken continuously in order to identify any impairment requirements. Maintenance costs for games, gaming systems and gaming platforms are expensed as they arise.

Property, plant and equipment

Property, plant and equipment are reported at cost after deductions for accumulate depreciation and any impairment. Repairs and maintenance are expensed as they arise.

Depreciation/amortisation and impairment

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

The following useful lifetimes are applied:

Brands, domain names	Indefinite
Customer databases	2-3 years
Capitalised development expenditure for games, gaming systems and gaming platforms	max 3 years
Office equipment and fittings	5-7 years
Servers and similar	5 years
Other hardware	5 years
Computers within technology and development	expensed 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 property, plant and equipment or intangible fixed assets of the Group have an exceedingly high carrying value,
an analysis is undertaken in which the specific type of the asset, or naturally related types of 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. Intangible assets which are not yet ready for use or sale are tested annually for impairment, regardless of whether there is an indication of a decrease in value.

Any impairment consists of the difference between the carrying value and the recoverable amount. Impairment is reversed when it is no longer justified. Such reversals are recognised at a maximum value, not to exceed the book value that would have been reported, with deduction for depreciation, if no impairment had taken place. Goodwill impairments are not reversed.

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 only to an insignificant risk of value fluctuations.

Borrowing

Borrowing is initially reported at fair value, net after transaction costs. Borrowing is thereafter reported at accrued cost and any difference between the received amount (net after transaction costs) and the repayment amount is reported in the income statement distributed over the loan period, with application of the effective interest method. Charges which are paid for loan facilities are reported as transaction costs for borrowing to the extent it is likely that parts of or the entire credit margin will be utilised. In such cases, the charge is reported when the credit margin is utilised. When there is no evidence that it is likely that parts of or the entire credit margin will be utilised, the charge is reported as an advance payment for financial services and is distributed over the applicable loan commitment's duration.

Accounts payable

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.

Accounting principles for the parent company

The parent company applies the same principles as the Group, except for the fact that the parent company accounts are prepared in accordance with RFR 2. Accounting for legal entities and Swedish Financial Reporting Board statements.

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 on the application of IFRS in the parent company and the taxation regulation permitting different accounting for legal entities than for the Group.

Group contributions and shareholder contributions

Group contributions and shareholder contributions are reported in accordance with a statement issued by the Swedish Financial Reporting Board, RFR2. Shareholder contributions are recognised directly against shareholders' equity by the recipient and are capitalised as shares and participations by the provider to the extent that no impairment is necessary Group contributions are reported according to their economic significance. This implies, for example, that Group contributions provided or received in order to minimise the total amount of tax payable by the Group are reported in the income statement, similar to tax effects.

Group companies
Participations in Group companies are reported in the parent company at cost, less any impairment.

The values of subsidiaries are re-assessed when there is an indication of impairment. Dividends received from subsidiaries are reported as financial income. Transaction costs associated with the acquisition of companies is reported as part of the cost. Contingent purchase consideration is reported as part of the cost if it is likely to be required. If, in subsequent periods, it becomes evident that the initial assessment is in need of revision, then the cost must be adjusted.

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.

Untaxed reserves and balance sheet appropriations
In the parent company, due to the relationship between accounting and taxation, deferred tax liabilities on untaxed reserves are reported as part of untaxed reserves,

Definitions

Revenues. Revenues from gaming business are reported after payment/payout of players' winnings, with deductions for jackpot contributions, loyalty programmes and bonuses and other operating income. Revenues from Sportsbook are also reduced by gaming taxes and licence charges to game suppliers. Licence charges from invoicing for the maintenance of technical platforms to external game suppliers.

Gross profit. Revenues, as above, less commission to partners and affiliates, gaming taxes, licencing fees to games suppliers, payments to payment suppliers and so-called 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 costs 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 revenues for the period.

Operating margin. Operating income after financial items in relation to the revenues 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 programs.

Number of (registered) shareholders. Number of direct shareholders and shareholders listed through a nominee shareholder registered in the shareholder register kept by Euroclear Sweden AB

NOTE 3 Revenues

	Group		Parent company	
Revenues	**2016**	**2015**	**2016**	**2015**
- Gaming operations	3,565,478	3,028,846		
- licencing revenues	551,831	693,141		
- Consultancy, management			2,907	2,552
- Rental fees and office services			14,323	14,275
Total	4,117,309	3,721,987	17,230	16,828

NOTE 4 Revenues per product and region

Segment Information

The Group's operations are reported on the basis of one single operating segment, in accordance with the definition of an operating segment as stated in the applicable accounting principles. The basis applied for identifying operating segments for which separate reports can be prepared is the internal reporting presented to and followed-up on by the Group's most senior executive decision-making body, which is, in Betsson AB's case, the CEO. The CEO monitors operating income for the entire operations as one operating segment.

Betsson's operational organisation is divided into geographical areas and product categories respectively. This specification is shown in the five-year summary on page 25, and in the following table.

The CEO evaluates the operations based on the revenues metric. Revenues from Group operational units consist of invoiced licences for the provision of a technology platform and net of gaming stakes received and gaming winnings paid. Betsson operates an integrated business model and, therefore, does not allocate assets and liabilities according to customer category, geographical region or product category.

Betsson AB, which has its registered office in Sweden, has no external revenues in Sweden. The distribution of revenues in the Group per function is shown in Note 3 and the table below. One of the Group's corporate customers, Realm Entertainment ltd, has revenues accounting for 13 (18) percent of total revenues. Of the Company's non-current assets, 0.5 (0.3) percent are attributable to Sweden.

	2016	2015
Revenues per product		
Casino	2,907.8	2,543.6
Poker	116.5	117.8
Sportbook	1,080.4	1,012.7
Other products	12.6	47.9
Total	4,117.3	3,722.0
Revenues per region		
Nordic countries	2,013.8	1,801.8
Western Europe	926.2	851.7
Central and Eastern Europe and Central Asia	1073.1	990.5
Other products	104.2	78.0
Total	4,117.2	3,722.1

NOTE 5 Business combinations

Financial effects of acquisitions

Business combination Lošimų strateginė grupė UAB

During the third quarter, an agreement on acquisition of Lošimų strateginė grupė, UAB, was concluded, which conducts operations as TonyBet in Lithuania. The acquisition was completed during the fourth quarter. TonyBet is the second largest online operator in Lithuania and as a result of the acquisition, Betsson is strengthening its position in the Baltic States with local licences in Estonia, Latvia and Lithuania. The initial purchase consideration amounted to EUR 4.0 million and was paid during the fourth quarter. During the first six months of 2016, revenues in the acquired operations amounted to EUR 3.0 million and adjusted EBIT was EUR 0.55 million. The annualised acquisition multiple is approximately 3.6x EBIT. An additional purchase consideration of EUR 2.0 million has been paid in 2017 after certain milestones were achieved. The total purchase consideration then corresponds to maximum 7.25x adjusted annualised EBIT for 2016. The acquisition was consolidated from the fourth quarter but is not material enough to be reported separately.

Business combination RaceBets International Gaming Ltd

During the fourth quarter, the gaming operator RaceBets was acquired. The acquisition supplements Betsson's offer with a competitive horse racing betting product and an experienced trading team for gaming for horses. Horse racing betting will be added to Betsson's product offering, for the benefit of all Betsson's trademarks. RaceBets has licences in the UK, Ireland, Malta and Germany.

RaceBets' recognised revenues for 2015 amounted to EUR 9.3 million and adjusted EBIT amounted to EUR 3.36 million. The annual growth for 2013-2015 was 12 percent. The initial purchase consideration for the operations amounts to EUR 34 million to be paid in cash. The acquisition multiple is 10.1x 2015 EBIT. An additional purchase consideration of EUR 6 million may be paid provided that certain financial and non-financial milestones are achieved. The total purchase consideration amounts to maximum EUR 40 million. Betsson has also paid SEK 12.5 million for surplus liquidity in the Company. The acquisition of RaceBets was completed on 30 December 2016. This means that Racebets' balance sheet is a part of Betsson's balance sheet on 31 December 2016 but Racebets' income statement will contribute to Betsson's earnings from 1 January 2017. RaceBets' operating income will be impacted negatively by EUR 750 thousand in 2017 as a result of restructuring in the acquired company. Acquired licences, integration and cost synergies for the development of the acquired companies and revenue synergies explain the total surplus value in goodwill.

The table below summarises the purchase consideration paid, and fair value of acquired assets and assumed liabilities.

Current receivables and liabilities do not involve any derivatives and their fair values are equivalent to their reported values. The acquired customer bases have been valued at SEK 15.8 million and the ongoing amortisation of this item will be charged to the Group's income over a period of three years. No portion of this amortisation is expected to be tax-deductible. The integration and development of the acquired gaming platform and the cost synergies lie behind the surplus value of goodwill. No portion of the reported goodwill is expected to be deductible against income tax.

	Tonybet	Racebet	Total
Purchase consideration			
Initial purchase consideration (cash and cash equivalents)	39.0	331.0	370.0
Additional purchase price (conditional)	19.5	64.3	83.8
Total purchase consideration	58.5	395.3	453.8
Reported amount of identifiable acquired assets and assumed liabilities			
Cash and cash equivalents	9.2	25.8	35.0
Property, plant and equipment	1.5	0.8	2.3
Customers	2.1	13.6	15.8
Brands	0.0	114.2	114.2
Current receivables	2.0	29.8	31.7
Current liabilities	-8.5	-36.4	-45.0
Total identifiable net assets	6.3	147.8	154.1
Goodwill	52.2	247.5	299.7

NOTE 6 Leasing

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

	Group		Parent company	
	2016	2015	2016	2015
Expensed leasing and rental fees	47,595	30,683	9,693	9,316

Future minimum fees referring to non-cancellable operational leasing and rental agreements are estimated as follows:

	Group		Parent company	
	2016	2015	2016	2015
- within one year	34,795	52,437	9,596	7,926
- within two to five years	30,299	43,994	2,375	9,835
- after five years	-	-	-	-
Total	65,094	96,431	11,971	17,761

NOTE 7 Auditors' fees

The following remuneration has been paid to auditors and auditing companies for auditing and other review procedures undertaken according to relevant legislation, and for the provision of advisory services and other assistance arising as a result of observations made during the audit. Remuneration has also been paid for other independent advisory services, relating primarily to on-going tax consultations, and advice on accounting issues.

	Group		Parent company	
	2016	2015	2016	2015
Audit assignment				
PricewaterhouseCoopers	2,488	2,392	695	670
Other auditing firms	83	45		-
Audit activities other than the audit assignment				
PricewaterhouseCoopers	368	767	125	301
Other auditing firms	241	497	241	497
Tax advisory services				
PricewaterhouseCoopers	366	445	0	34
Other auditing firms				-
Other services				
PricewaterhouseCoopers	3,035	184	2,920	-
Other auditing firms	607	523		-
Total	7,188	4,853	3,981	1,502

NOTE 8 Employees, salaries and fees

	2016		2015	
	Total	of whom women	Total	of whom women
Parent company				
Sweden	11	64%	12	58%
Total parent company	11	64%	12	58%
Subsidiaries				
Sweden	123	16%	111	17%
Denmark	2	0%	8	13%
Gibraltar	4	25%	4	25%
Hungary	2	0%	0	0%
China	3	67%	4	25%
Italy	1	100%	3	67%
Estonia	56	39%	52	33%
Lithuania	16	90%	0	0%
UK	10	40%	0	0%
Malta	953	31%	760	33%
Georgia	480	68%	630	62%
Total subsidiary companies	1,650	41%	1,572	44%
Group total	1,661	41%	1,584	44%

	Group		Parent company	
Proportion of women in executive management	2016	2015	2016	2015
Board of Directors	25%	22%	17%	17%
Other senior executives,	50%	20%	33%	33%

Salaries, other remuneration and social security contributions

	2016				2015			
	Salaries and remuneration	Of which CEO, Board and senior executives	Social security contribu-tions	Of which pen-sion costs	Salaries and remuneration	Of which CEO, Board and senior executives	Social security contribu-tions	Of which pension costs
Parent com-pany	16,948	13,214	9,202	3,619	20,115	16,357	7,196	3,445
Subsidiaries	535,268	7,921	63,143	8,253	438,453	22,004	53,755	5,057
Total Group	552,216	21,135	72,345	11,872	458,568	38,361	60,951	8,502

Remuneration and other benefits to the management during the year

	2016				2015			
	Basic salary/fee/ benefit	Variable remunera-tion	Share-based payment	Share-based remuneration	Basic salary/ fee/benefit	Variable remunera-tion	Share-based payment	Share-based remunera-tion
Pontus Lindwall	5,199	486	1,820		3,600	3,511	1,358	
John Wattin, up to May 2015					273			
Patrick Svensk	517				478			
Kicki Wallje-Lund	524				487			
John Wattin, up to May 2015					137			
Lars Linder-Aronson	826				460			
Martin Wattin, as of 1 June 2015	472				278			
Jan Nord, as of 1 June 2015	464				233			
Total Board fees including Chairman's fees, parent company	8,002	486	1,820	0	5,946	3,511	1,358	0
Board fees, foreign subsidiaries	796				1,867			
Ulrik Bengtsson	3,540	2,214	75	619				
Magnus Silfverberg, up to July 2015					2,140	179	530	240
Other Group management	4,930	627	930	267	7,596	5,378	991	11,505
Total	17,268	3,327	2,825	886	17,549	9,068	2,879	11,745

Notes on the above table:

Variable remuneration refers to bonuses that are based on quarterly revenues and operating income targets, annual business-driven key figures and that are paid in the year in which they are earned and in the following year. The Group has only defined-contribution pension plans (except for portions 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 net income for the year. The present Chairman of the Board, Pontus Lindwall, is the working Chairman and receives salary, company car benefits and bonuses in accordance with the guidelines decided at the Annual General Meeting. Pontus Lindwall did not receive any extra remuneration – in addition to the fee as working Chairman for the period between August 2015 to February 2016 when he was President and CEO. For current executive managers please see page 22. Basic salaries stated above include, where appropriate, fees for consulting services within the Group.

Ulrik Bengtsson took over as President and CEO in March 2016, details of his remuneration for 2015 are available in the line Other Group management.

Share-based remunerations

Share-based remuneration includes the Group's accrued costs for employee stock options and the Company's future bonus remuneration upon redemption of warrants, plus expenses arising in conjunction with the exercise of warrants (option gains).

Decision-making and preparation process

Fees are paid to the directors of the Board in accordance with decision of the Annual General Meeting, fees for the working Chair of the Board are determined by the remuneration committee in accordance with guidelines decided at the Annual General Meeting.

Guidelines for remuneration to senior executives adopted by the Annual General Meeting for 2016

The category 'senior executive' relates to Group management, which comprises the CEO, CFO and Vice President Corporate Communications of the Parent company and the Group's Head of Legal Affairs. If the Chairman of the Board is employed by the Company these guidelines will also include that position. Remuneration is to be market-based and competitive, in order to be able to attract and retain competent senior executives. Remuneration is to comprise a fixed salary and, when necessary, variable remuneration, pensions and other benefits such as a company car in some cases.

Variable remuneration will be paid only when pre-determined financial and other measureable goals, established by the Board, have been achieved. Variable remuneration was based on the extent to which the targets have been achieved or exceeded. If the targets were exceeded at the highest level (outperformed), the estimated cost for variable remuneration to the Chairman of the Board and senior executives of the Group could have reached a maximum of approximately SEK 8.6 million, including social security contributions.

The normal retirement age is 65. Pension terms are to be market-based and based on defined-contribution pension solutions.
The period of notice ought normally be six to twelve months if such notice is given by the Company, and six months if notice is given by the executive. Upon termination initiated by the Company, the executive will be awarded severance pay corresponding to a maximum of twelve months' salary.
The Board may take decisions diverging from these guidelines in individual cases, if special circumstances arise.

Bonuses

For the current CEO/Group President, the bonus for 2016 amounted to SEK 2,214 thousand (SEK 2,341 thousand). This bonus equalled 63 (86) percent of basic salary. The working Chair of the Board, earned a bonus for 2016 of SEK 486 thousand (SEK 1,224 thousand). This bonus equalled 10 (68) percent of basic salary.
Other senior executives received bonuses for 2016 totally SEK 627 thousand (SEK 5,330 thousand). The bonus for other senior executives corresponded to an average of 13 (61) percent of basic salary.

Pensions

The pensionable age for the CEO is 65 years. 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 the initiative 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 do not apply if salary is received from other employment. Upon termination on the initiative of the individual, the period of notice is six months. Severance pay is not payable when an employee resigns.
For other senior executives, the mutual period of notice is six months. When termination of employment takes place on the initiative of 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/amortisation specified according to category of fixed asset:

	Group		Parent company	
	2016	2015	2016	2015
Gaming products, systems and platforms	158,853	121,140		
Customer databases	22,529	16,591		
Inventories, IT equipment, fixed installations, etc.	30,473	22,945	622	680
Total	211,855	160,676	622	680

NOTE 10 Other operating income and other operating expenses

	Group		Parent company	
	2016	2015	2016	2015
Profit/loss from divestment of associated companies		-1,788		
Capital result on sale/ disposal/ depreciation/write down of non-current assets	-4,138	-1,224	407	
Profit/loss from sale/disposal of non-current assets	-4,138	-3,011	407	0
Operational exchange gains	12	4,606		0
Operational exchange losses	-8,794	-5,363	-196	-
Currency effects	-8,782	-757	-196	0
Total other operating income/ expenses	-12,919	-3,768	211	0

NOTE 11 Forward agreements

Outstanding exchange rate forward contracts at year-end and their effects are stated below:

	Group		Parent company	
Effects of outstanding contracts	2016	2015	2016	2015
Exchange rate forward contracts EUR	-		-	
Exchange rate forward contracts USD	-	-6,143	-	
Exchange rate forward contracts USD	-		-	
Total	-	-6,143	-	
Outstanding nominal amounts in local currency				
Exchange rate forward contracts USD		34,420,000		34,420,000

There are no outstanding exchange rate forward contracts at the year-end. If necessary, Betsson intends to sign, on a continuous basis, new forward exchange agreements or equivalent hedging instruments, in order to minimise currency exposure.
All outstanding forward exchange agreements have been reported as current liabilities, see Note 26. The effect on income from the forward exchange agreements is reported within operating expenses as Income from forward exchange agreements, see Note 10 above. Forward exchange agreements are not subject to offsetting.

NOTE 12 Net financial items

Group	2016	2015
Interest income	2,182	1,168
Liquidation profit/loss	-296	66
Exchange rate fluctuations in financial assets	249	7,397
Financial income	2,134	8,632
Interest expenses	-12,510	-12,063
Financial expenses	-12,510	-12,063
Total net financial items	-10,375	-3,431

Parent company	2016	2015
Dividends from subsidiaries	977,163	822,047
Group contributions from Swedish subsidiaries	46,541	30,780
Income from participations in Group companies	0	-1,741
Capital gains on liquidation of subsidiary company	7,984	
Total income from participations in Group companies	1,031,688	851,087
Interest income, other	2	102
Total financial income and similar profit/loss items	1,031,691	851,189
Interest expenses, other	-12,247	-10,906
Exchange rate fluctuations, financial assets and liabilities	-54,753	-10,714
Total financial expenses and similar profit/loss items	-67,000	-21,619
Total net financial items	964,691	829,570

NOTE 13 Tax

Tax reported in income statements:

	Group		Parent company	
Distribution between current and deferred tax	2016	2015	2016	2015
Current tax	-61,359	-56,595		-
Deferred tax	3,385	5,350		0
Total	-57,973	-51,245		0

Reported tax is distributed as follows:

	Group		Parent company	
	2016	2015	2016	2015
Current tax				
Sweden	0	0		-
Outside Sweden	-61,359	-56,595		-
Total current tax	-61,359	-56,595		0
Deferred tax				
Sweden	0	0		0
Outside Sweden	3,385	5,350		-
Total deferred tax	3,385	5,350		0
Difference between tax expense and tax based on applicable tax rate				
Reported income before tax	936,015	882,981	919,264	788,970
Tax according to current tax rate (22.0%)	-205,923	-194,256	-202,238	-173,573
Tax attributable to previous years				
Difference in tax in foreign operations	151,083	147,638		
Tax effect CFC taxation				
Tax effect of non-deductible items	-3,133	-4,628	-97	-437
Tax effect of non-taxable items	0	0	202,335	174,010
Reported tax expense	-57,973	-51,245	0	0
Specification of deferred tax expense				
Changes in tax on temporary differences	3,385	5,350		
Deferred tax on hedges in net investments in foreign currency	14,546	-8,003		-

NOTE 14 Earnings per share

	2016	2015
Income after tax attributable to the Parent company's shareholders	878,042	831,736
Average number of shares		
- average total number of shares	143,166,754	139,744,627
- reduced by average number of repurchased shares	-4,752,198	-1,505,604
- average number of outstanding shares before dilution	138,414,556	138,239,023
- employee stock options	0	0
- average number of outstanding shares after dilution	138,414,556	138,239,023
Earnings per share		
- before dilution (SEK)	6.34	6.02
- after dilution (SEK)	6.34	6.02

Please refer to Note 2, Definitions, for calculation method.
Average share price for 2016, SEK 93.80 (SEK 127.59).

NOTE 15 Dividend per share

Betsson is not paying traditional dividend, instead a transfer to the shareholders via an automatic redemption process has been applied. Transfers to shareholders paid in this manner in 2016 amounted to SEK 624.3 million (SEK 549.7 million), which corresponded to SEK 4.51 (3.98) per share. At the Annual General Meeting of 11 May 2017, a share redemption for the 2016 financial year of SEK 4.76 per share will be proposed. Provided there is no change in the number of outstanding shares, this will amount to SEK 658.9 million, see further details in the section Dividend policy and proposed dividend on page 23. The proposed transfer to shareholders has not been recognised as a liability in this report.

NOTE 16 Intangible fixed assets

Group	Gaming products, gaming systems and gaming platforms	Brands	Customer databases	Goodwill	Total
Accumulated cost					
Opening balance 1 Jan 2015	643,383	990,675	115,960	2,230,704	3,980,722
Assets developed by the Group	143,394				143,394
Investments	12,408	64,558			76,966
Acquisitions	6,801	384,119	24,075	281,621	696,615
Exchange rate fluctuations	-29,644	-73,392	-6,295	-111,395	-220,725
Closing balance 31 Dec 2015	776,342	1,365,960	133,740	2,400,930	4,676,973
Assets developed by the Group	211,770				211,770
Investments	40,992				40,992
Acquisitions	1,620	114,155	15,776	299,713	431,264
Exchange rate fluctuations	39,024	42,187	4,448	94,363	180,022
Closing balance 31 Dec 2016	1,069,749	1,522,302	153,964	2,795,006	5,541,021
Accumulated depreciation and impairment					
Opening balance 1 Jan 2015	-458,758	0	-83,476	-36,273	-578,507
Depreciation/amortisation for the year	-121,397		-16,591		-137,988
Acquisitions	-5,064				-5,064
Exchange rate fluctuations	21,429		3,495		24,923
Closing balance 31 Dec 2015	-563,791	0	-96,573	-36,273	-696,637
Depreciation/amortisation for the year	-162,363		-21,191		-183,554
Acquisitions	-1,572				-1,572
Exchange rate fluctuations	-27,953		-3,848		-31,801
Closing balance 31 Dec 2016	-755,679	0	-121,612	-36,273	-913,564
Carrying value					
As per 31 Dec 2014	184,625	990,675	32,484	2,194,431	3,402,215
As of 31 Dec 2015	212,551	1,365,960	37,167	2,364,657	3,980,336
As of 31 Dec 2016	314,070	1,522,302	32,352	2,758,733	4,627,458

Impairment testing of goodwill and trademarks with indefinite useful lives

The Group's reported goodwill and brands derive from the acquisition of Net Entertainment (casinoeuro.com) in 2000, the acquisition of Betsson (Betsson.com) at the beginning of 2005, the acquisition of the Betsafe Group (betsafe.com) in 2011, the acquisition of the NGG Group in 2012 and from the acquisition of the Automaten brands in 2013, the acquisitions of the Class One Holding (Oranje & Kroon Casino) Group in 2014 and the acquisition of the Europe-Bet Group in 2015 as well as from the acquisition of Lošimų strateginė grupė UAB (TonyBet) and RaceBets International Gaming Ltd in 2016. All of these assets which, together, have a carrying value of SEK 4,281,036 thousand (of which goodwill amounts to SEK 2,758,734 thousand and brands of SEK 1,522,302 thousand) are part of a single cash-generating unit.

As these assets are not amortised, an impairment test was performed in conjunction with the 2016 annual accounts by calculating the recoverable amount based on their value in use. This test showed that the recoverable amount significantly exceeded the carrying value, and that no impairment requirement for goodwill and brands with indefinite useful lives existed.

Intangible assets which are not yet ready for use, are tested annually for impairment, regardless of whether there is an indication of a decrease in value.

Important variables and methods for the estimating of values

The recoverable amount was based on the cash flow projections reflecting actual income from operations in 2016, the budget for 2017 as confirmed by the Board, and an estimate for years 2018-2021 in which an average annual rate of growth of 10 (10) percent was assumed. Cash flows for years following 2021 were extrapolated with an annual growth rate of around 2 (2) percent, which corresponded to an assumed average future rate of inflation.

The projected cash flows were discounted by 15 (15) percent before tax. The effective tax rate was estimated at 6 (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 and growth rate. The sensitivity analysis indicates that there are good margins in the calculation.

NOTE 17 Property, plant and equipment

Inventories, servers, hardware, vehicles, etc.	Group	Parent company
Accumulated cost		
Opening balance 1 Jan 2015	149,753	9,714
Investments	14,824	
Acquisitions	44,990	836
Sales/disposals	-2,607	
Exchange rate fluctuations	-5,460	-
Closing balance 31 Dec 2015	201,500	10,550
Investments	63,970	2,085
Acquisitions	3,653	
Sales/disposals	-7,956	-974
Exchange rate fluctuations	3,622	
Closing balance 31 Dec 2016	264,789	11,661
Accumulated depreciation and impairment		
Opening balance 1 Jan 2015	-98,843	-8,662
Acquisitions	-30,824	-
Sales/disposals		
Depreciation/amortisation for the year	-18,877	-680
Exchange rate fluctuations	4,089	-
Closing balance 31 Dec 2015	-144,455	-9,342
Acquisitions	-2,558	
Depreciation/amortisation for the year	-30,788	-622
Sales/disposals	2,037	945
Exchange rate fluctuations	-3,088	
Closing balance 31 Dec 2016	-178,852	-9,019
Carrying value		
As of 1 Jan 2015	50,909	1,052
As of 31 Dec 2015	57,045	1,208
As of 31 Dec 2016	85,937	2,642

NOTE 18 Participations in Group companies as of 31 Dec 2016

Company	Corporate identity number	Registered offices	Participating interest (%)	Number of shares	Parent company 2016	Parent company 2015
Betsson Technologies AB	556651-8261	Stockholm	100%	1,000	907	607
Betsson PR & Media AB	556118-8870	Stockholm	100%	18,000	5,577	5,577
AB Restaurang Rouletter	556133-3153	Solna	100%	1,000	131	131
Shopsson AB	556750-4930	Stockholm	100%	1,000	0	100
Shopsson S.B. AB	556824-7141	Stockholm	100%	500	0	50
Finansson EURO AB		Stockholm	100%		831,375	
Finansson AB	556169-9843	Solna	100%	2,500	290	290
Intact Technology Stockholm AB	556561-4814	Stockholm	100%	1,000	0	901
BSG Limited	103233	Gibraltar	100%	2,000	23	23
BSI S.R.L.	1311596	Italy	100%		93	93
Betting Technologies Inc		Philippines	100%		3,504	3,504
Betsson Malta Holding Ltd	C37767	Malta	100%	10,000	1,473,586	1,473,586
- Clearpay Ltd	C47336	Malta	100%	-		
- Betsson Platform Solutions Ltd	C41277	Malta	100%	-		
- Scandinavian Slots Ltd	C59181	Malta	100%			
- BML Group Ltd	C34836	Malta	100%	-		
- Betsson Business Consulting Co. Ltd		China	1%	-		
- Betsson Payments ApS	34081506	Denmark	100%	-		
- Latsson Licensing SIA	40103940885	Latvia	100%			
- Betsson Services Ltd	C44114	Malta	100%	-		
- Betsson Business Consulting Co. Ltd		China	1%	-		
- Applied Digital Technologies Ltd		UK	100%			
- Hubsson Kft		Hungary	100%			
Great Pike Investments AB	556205-2307	Stockholm	100%	6,000	27,066	27,066
- Betsson Business Consulting Co. Ltd		China	98%	-		
- Chusson Investment and development Co. Ltd		China	100%			
- Media Sports Development Co. Ltd		China	49%	-		
Transvectio Ltd	11079281	Malta	100%	1,000	123,451	774,076
- Estneti OU	10858474	Estonia	100%			
- Triogames OU	11079281	Estonia	100%			
Sargo Management Ltd	C56645	Malta	100%			
- Litsson Management UAB		Lithuania	100%			
- Losimu Strategine Grupe UAB		Lithuania	100%			
Betsson Perch Investments AB	559016-1484	Stockholm	100%	500	694,549	443,719
- Championebi LLC		Georgia	100%			
- Europebet LLC		Georgia	100%			
- Geoslot LLC		Georgia	100%			
- Europebet Gori LLC		Georgia	100%			
- Europebet Rustavi LLC		Georgia	100%			
- Vip Beti LLC		Georgia	100%			
Class One Holdings Ltd		Malta	100%		1,171,243	1,171,243
- Continent Publishing Ltd		Malta	100%			
- Corona Ltd		Malta	100%			
- Oranje Casino Ltd		Malta	100%			
- Swissgame Ltd		Malta	100%			
RaceBets International Gaming Ltd		Malta	100%		398,147	
- Racebets Gaming Ltd		Malta	100%			
- HBMT Ltd		Gibraltar	100%			
Total					4,729,942	3,900,966

NOTE 19 Changes in participations in Group companies

	2016	2015
Opening cost	3,900,966	3,456,747
Acquisitions RaceBets	398,147	443,669
Shareholder contributions	1,082,505	500
Investment of share capital in start-ups	-	50
Corrected additional purchase consideration NGG Tranvectico		
Impairment of shares in Transvectio Ltd	-650,625	
Voluntary liquidation of wholly-owned subsidiaries	-1,051	
Closing carrying value	4,729,942	3,900,966

NOTE 20 Participations in associated companies

			Group	
Company	**Registered offices**	**Participating interest (%)**	**2016**	**2015**
Media Sports Development Co. Ltd	China	49%	12,601	16,903
Total carrying value in the Group			12,601	16,903
Changes in participations in associated companies, reported according to the equity method				
Opening cost			16,903	23,255
Share of income			-4,521	-3,995
Exchange rate differences			219	-2,357
Closing carrying value			12,601	16,903

Betsson cooperates with Media Sports Development to develop gaming solutions for the Chinese market. Reported assets, liabilities and profits in the associated companies' accounts are presented, in SEK thousand, in the table below. An amount of SEK 903 thousand (SEK 888 thousand) of the liabilities refers to current liabilities related to disbursements made by companies in the Betsson Group.

	2016	2015
Fixed assets	8 512	9,744
Current assets	974	8,991
Current liabilities	759	1,933
Net assets	8,727	16,802
Income and comprehensive income	-9,226	-8,153
Profit/loss from continuing operations	-9,226	-8,153
Total comprehensive income	-9,226	-8,153
Dividends received	-	-

NOTE 21 Other receivables

The Group and parent company have no other non-current receivables reported as fixed assets.

Other receivables reported as current assets:

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
At year-end				
Tax account	17	473	3	177
Receivables from payment system suppliers	306,989	316,198		
Receivables from B2B/ market partners	134,503	168,372		
Receivables from associated companies	903	888		
Deposits made to payment system suppliers and other deposits	25,421	29,000		
VAT	7,434	36,157	1,139	701
Other products	8,550	2,253	29	148
Total	483,817	553,341	1,171	1,026

Receivables from payment service providers refer to receivables from banks and other credit institutions serving as credit providers (issuers of credit cards or similar) to Betsson customers. Here, the risk of bad debts refers to the individual players not being able to cover their purchases. Betsson has reported no provisions for bad debts on outstanding receivables. Betsson's assessment, based on historical losses, is that credit losses in outstanding receivables are marginal in relation to the Group's income. Receivables from gaming suppliers and payment system suppliers are to be settled within 90 days, while no significant amounts under other items were due as per closing date.

NOTE 22 Prepaid expenses and accrued income

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Rental fees/leasing	14,175	4,396	2,462	2,395
Production costs	19,461	46,852		
Licencing costs/gaming tax	24,836	24,161		
Consultants	212	573		
IT equipment	159	497		
Other prepaid expenses	24,421	22,162	467	280
Total	83,264	98,641	2,929	2,675

NOTE 23 Cash and cash equivalents

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

	Group		Parent company	
	2016	2015	2016	2015
Cash and bank balances	444,270	507,629	45,307	103,259
Short-term deposits (bank deposit account)	-	17,268	-	-
Total	444,270	524,897	45,307	103,259

NOTE 24 Shareholders' Equity

Composition of share capital

	2016		2015	
Parent company	Number of shares	Share capital	Number of shares	Share capital
A shares (10 votes)	16,260,000	10,840	16,260,000	10,840
B shares (1 vote)	122,155,730	81,437	122,155,730	81,437
C shares (no voting right)	6,077,508	4,052	4,693,351	3,129
Total shares	144,493,238	96,329	143,109,081	95,406

During the period 2007-2008, the parent company repurchased a number of its own B shares. A certain number of these shares have been used in the exercise of employee stock options during 2010, 2011, 2012 and 2016 and as part of the purchase consideration paid for the Betsafe Group in 2011. As of year-end, the Company held 1,084 B shares and 6,077,508 C shares.

The quota value of each share is SEK 0.667. Both A shares and B shares entitle the holder to the same rights to the Company's assets and profits. The composition of equity in the Group and the parent company is specified in Note 2. Reserves are reported in the summary of changes in equity for the Group.

NOTE 25 Bond loan and liabilities to credit institutes

	Group		Parent company	
	2016	2015	2016	2015
Bond loan 3Y, 3M variable 2.907%'	990,779	-	990,779	-
Bank loan, carrying value in SEK '000, long-term	334,841	505,166	313,647	502,204
Bank loan, carrying value in SEK '000, short-term	0	228,375	0	221,300
Nominal amount, EUR thousand	35,000	80,300	35,000	80,300

The loan denoted in EUR is reported on the basis of hedge accounting, implying that the currency effects are reported in the consolidated financial statements directly in Other comprehensive income. No currency translation is undertaken in the parent company. At year-end, utilised bank credit facilities amounted to SEK 1,032 million, of which SEK 287 million matured in February 2017 and SEK 745 million is due in June 2018. The average interest rate incurred by the loan has been 0.82 percent, and fixed interest rates are established for 30-90 day periods. At December 30 was the bond listed to a rate of 101.13. The fair value of the bond, December 31 2017, according to the valuation hierarchy level 1 is 1,011.3 Million SEK.

NOTE 26 Other liabilities

	Group		Parent company	
	2016	2015	2016	2015
Other current liabilities				
Other current liabilities	8,838	11,543	587	846
Social security contributions	2,887	2,456	402	573
Forward exchange agreements		6,143		6,143
Market partners	62,594	50,428		
Gaming tax	14,544	6,106		
Licences	20,662	14,413		
VAT		15,811		
Player accounts	268,641	268,875		
Additional purchase price Orange & Kroon		137,025		132,787
Additional purchase price Georgia		287,490		
Additional purchase consideration Racebet (see note 5)	64,274		64,274	
Additional purchase consideration Tonybet (see note 5)	19,134			
Other products	3,281	7,774	14	13
Total	464,855	808,064	65,277	140,362

NOTE 27 Accrued expenses and deferred income

	Group		Parent company	
	2016	2015	2016	2015
Holiday pay liabilities	16,306	14,151	1,935	2,080
Social security contributions	10,421	11,047	1,566	1,569
Salaries	13,774	26,665	1,266	4,500
Jackpot reserve	112,264	97,830		
Marketing expenses	66,651	51,551		
Consultancy costs	13,597	2,452	5,818	707
Restructuring costs Manila		3,031		
Interest	3,537	132	3,537	132
Domain costs		34,031		
Other products	44,625	45,403	194	289
Total	281,175	286,293	14,316	9,277

NOTE 28 Pledged assets concerning own liabilities

	Group		Parent company	
	2016	2015	2016	2015
Floating charges held by the Group/company	35,600	35,600	35,600	35,600

NOTE 29 Contingent liabilities

Neither the Betsson Group nor its subsidiaries have any significant contingent liabilities or commitments.

NOTE 30 Closely related parties

The parent company has a close relationship with its subsidiary companies, see Note 18.

Services sold between the parent company and its subsidiary companies mainly refer to accounting, IT and management services, plus rental fees and office expenses.

The Betsson Group leases five (three) apartments from Solporten Fastighets AB, in which CEO Pontus Lindwall and former director Per Hamberg are shareholders/directors. In 2016, purchases amounted to SEK 293 thousand (SEK 230 thousand).

Betsson Malta and Betsson AB commission legal services from WH Law, in which director in Betsson Malta, Dr Olga Finkel, is Managing Partner. In 2016, the Group's purchases amounted to SEK 1,120 thousand (SEK 1,572 thousand), of which Betsson AB's purchases amounted to SEK 25 thousand (SEK 58 thousand).

Transactions with related parties are priced at market conditions. No services have been supplied free of charge.
For information on Board holdings in the Company, please refer to pages 20-21. For remuneration to directors and senior executives, please see Note 8.

	Parent company	
	2016	**2015**
Purchases of services from related parties		
Purchases from subsidiaries	960	960
Purchases from other related parties	318	288
Sales of services to related parties		
Sales to subsidiaries	17,230	16,811
Financial transactions with related parties		
Dividend from subsidiaries	977,163	822,047
Group contributions from Swedish subsidiaries	46,541	30,780
Capital gains/losses on liquidation of subsidiary company	7,984	-1,741
Interest expenses to subsidiaries	-	-
Liabilities to related parties		
Liabilities to subsidiaries	225,452	49,579
Receivables from related parties		
Receivables from subsidiaries	567,131	529,220

NOTE 31 Financial instruments

	Items were reported at fair value via the income statement - Derivatives	Loans and receivables	Other financial liabilities	Total carrying value	Non-financial assets and liabilities	Total in the balance sheet
Group 2016						
Accounts receivable						
Other receivables	0	476,383		476,383	7,434	483,817
Cash and bank balances		444,270		444,270		444,270
Total financial assets	0	920,653	-	920,653	7,434	928,087
Bond loan and non-current liabilities to credit institutions			1,325,620	1,325,620		1,325,620
Accounts payable			90,407	90,407		90,407
Other liabilities (of which derivatives 0)	83,408		334,516	417,924	46,931	464,855
Total financial liabilities	83,408	0	1,750,543	1,833,951	46,931	1,880,882
Group 2015						
Other receivables	0	517,184		517,184	36,157	553,341
Cash and bank balances		524,897		524,897		524,897
Total financial assets	0	1,042,081		1,042,081	36,157	1,078,238
Non-current liabilities to credit institutions			505,166	505,166		505,166
Current liabilities to credit institutions			228,375	228,375		228,375
Accounts payable			76,792	76,792		76,792
Other liabilities (of which derivatives 6,143)	430,658		327,077	757,735	50,329	808,064
Total financial liabilities	430,658	0	1,137,410	1,568,068	50,329	1,618,397
Current liabilities to credit institutions						
Parent company 2016						
Receivables from Group companies		567,131		567,131		567,131
Other receivables	0	32		32	1,139	1,171
Cash and bank balances		45,307		45,307		45,307
Total financial assets	0	612,470	-	612,470	1,139	613,609
Bond loan and non-current liabilities to credit institutions			1,304,426	1,304,426		1,304,426
Accounts payable			4,771	4,771		4,771

NOTE 31 *Continuation from previous page.*

	Items were reported at fair value via the income statement - Derivatives	Loans and receivables	Other financial liabilities	Total carrying value	Non-financial assets and liabilities	Total in the balance sheet
Liabilities to Group companies			225,452	225,452		225,452
Other liabilities (of which derivatives 6,143)			64,274	64,274	1,003	65,277
Total financial liabilities	0	0	1,598,923	1,598,923	1,003	1,599,926
Parent company 2015						
Receivables from Group companies		422,313		422,313		422,313
Other receivables	0	325		325	701	1,026
Cash and bank balances		103,259		103,259		103,259
Total financial assets	0	525,897	-	525,897	701	526,598
Non-current liabilities to credit institutions			502,204	502,204		502,204
Current liabilities to credit institutions			221,300	221,300		221,300
Accounts payable			2,262	2,262		2,262
Liabilities to Group companies			115,519	115,519		115,519
Other liabilities (of which derivatives 6,143)	6,143		132,787	138,930	1,433	140,363
Total financial liabilities	6,143	0	974,072	980,215	1,433	981,648

Financial instruments at fair value are classified according to a fair value hierarchy. The different levels of the value hierarchy are defined as follows:
- *Listed prices (unadjusted) on active markets for identical assets or liabilities (Level 1)*
- *Observable data for the asset or liability other than listed prices included in Level 1, either directly (i.e. price listings) or indirectly (i.e. derived from price listings) (Level 2).*
- *Data for the asset or liability which is not based on observable market data (i.e. non-observable data) (Level 3)*

The Company's items at fair value within Level 3 for 2016 consist of liabilities for additional purchase consideration of SEK 83,408 thousand (SEK 424,515 thousand).
The Company's items at fair value within Level 1 for 2015 consist of a forward exchange agreement of SEK 6,143 thousand and, within Level 3, a liability for additional purchase consideration of SEK 424,515 thousand.

Fair value

The fair values of financial assets and liabilities have been calculated based on market value, where possible. The fair values of interest-bearing financial assets and liabilities that are not derivatives are calculated based on future cash flows of principal and interest according to the effective interest method.

For current financial assets and liabilities, including liabilities to credit institutions, with variable interest rates and short terms to maturity (90 days), fair value is considered to be the same as carrying value. The fair value of current, interest-bearing receivables and liabilities is considered, because of the short duration of the term, to be equal to carrying value. Outstanding bets in the games in which Betsson assumes open positions against the players are expensed (i.e. no profits are reported from games which have not been concluded as per the balance sheet date) and are included in the item Other financial liabilities at acquisition cost.

NOTE 32 Share-based remunerations

Betsson's incentive programmes were introduced at the end of 2008. The programmes are resolved on by the Annual General Meeting. Share warrants are allocated the Betsson's senior executives and other key employees as determined by the Board.

In total, seven incentive programmes have been resolved on and initiated since the beginning of 2008. Each incentive programme consists of various elements, where employees (in Sweden) are offered share options at the market price or offers (Sweden and abroad) compensation free employee stock options, provided the participants have invested in Betsson shares or that the Company achieves a pre-determined turnover target. Share options are issued with a fixed redemption price amounting to 130 percent of the share market price on the allocation date. The share-based remunerations have a ceiling corresponding to the latest price paid before launch of the programmes multiplied by 2.3 (i.e. an increase of 130 percent). The Group assumes no legal or informal obligation to repurchase or settle the warrants in cash.

Employee stock options are conditional on the employee remaining in the service of the Company during the earnings period and that the employee has retained their initial investment in Betsson shares or that the Company has reached a pre-determined turnover target (Incentive 2015-2018).

For individuals holding share options, 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 exercising the purchase options and remaining in the service of the Group at the time of exercise.

The options are valued in accordance with the Black-Scholes option valuation model. The table below shows the fair value of the warrants and the assumptions included in calculations. Volatility has been determined on the basis of historic volatility and expected volatility adjusted for the growth in the size and stability of the Company, and of the industry.

Type of instrument	Purchase option	Employee stock option	Purchase option	Employee stock option
Issue date	30/06/2016	30/06/2016	30/06/2015	30/06/2015
Average share price on issue date (SEK)	70.10	70.10	115.33	115.33
Redemption price per share (SEK)	91.70	91.70	149.93	149.93
Number of participants during allocation	10	76	16	79
Number of paid warrants/allocated employee stock options	173,000	1,035,944	565,406	2,839,600
Final redemption date	16/08/2019	16/08/2019	15/08/2018	15/05/2018
Anticipated duration (months)	37.2	37.2	37.8	37.8
Risk-free interest rate (percent)	-0.60	-0.60	-0.27	-0.27
Expected volatility (percent)	30.00	30.00	21.04	21.04
Fair value per option (SEK)	4.20	4.20	3.56	3.56

Changes in the number of outstanding employee stock options and their weighted average redemption price are presented in the table below:

	2016		2015	
	Redemption price/option (SEK)	Number of options	Redemption price/option (SEK)	Number of options
As per 1 January	149.93	2,507,600	71.54	1,022,100
Allocated	91.70	1,035,944	149.93	2,839,600
Forfeited	147.97	-758,011	144.22	-358,100
Exercised	91.70	-989	71.54	-996,000
As per 31 December	128.77	2,784,544	149.93	2,507,600

NOTE 33 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 via 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.

Currency exchange risks

The Group's income is exposed to exchange rate fluctuations when sales are made in currencies differing from those in which expenses are incurred (transaction exposure). Group revenues are affected primarily by fluctuations in GBP, NOK, SEK, EUR, GEL and TRY. Group costs are affected mainly by fluctuations in SEK, EUR and GEL.

As per year-end 2016, the Group had external loans amounting to SEK 392.2 million (consisting of bank loans amounting to EUR 334.8 million (EUR 35 million) and liability regarding additional purchase consideration amounting to EUR 57.4 million (EUR 6 million), denominated in EUR, for which hedge accounting is applied to protect against exchange rate fluctuations in net investments in foreign subsidiaries, i.e. no currency effects from the external loans impact net income for the year; these are reported in Other comprehensive income. See Note 25. The loans have been raised in order to finance acquisitions of companies whose assets are located in EUR countries and whose presentation currency, consequently, is EUR. The value of the loans is lower than the acquired assets, which amount to EUR 177 million, and the hedging is 100 percent effective. The amounts reported above are fair values and the values recognised in the consolidated balance sheet.

Income is also affected by exchange rate fluctuations when the financial results of foreign subsidiaries are translated to Swedish krona (translation exposure). The Company's policy stipulates that management should not speculate on exchange rate fluctuations. Instead, management shall seek to minimise the impact of exchange rate fluctuations on the income statement. To the greatest extent possible, management works to match incoming and outgoing cash flows in the same currency. Betsson uses financial hedging instruments in order to offset currency effects.

Sensitivity analysis

Company exposure in various currencies is complex, and the Company continually evaluates models for sensitivity analysis, but, to date, Betsson has yet to identify a model that has proved to be sufficiently accurate to be able to show, in a simple manner, how currency fluctuations impact the various items in the income statement.

Factors important in this context are revenues and expenses in varying currencies where the volume of such items in given currencies fluctuates over time. Furthermore, balance sheet items in various currencies invested in companies in various countries during given periods can produce a greater exposure than reported in the income statement as operational exposure. In addition to these factors, it can be pointed out that management actively seeks to minimise currency exposure and the degree to which Betsson succeeds in this effort also impacts, in the end, the Company's income. Consequently, management has found that the models which have been analysed to date have not been sufficiently detailed to provide a true and fair view of the Company's currency exposure, but, instead, have had a negative impact on the understanding of the actual currency exposure. For example, it is possible to produce a currency exposure analysis covering solely the Company's total fixed expenses, but it is not possible to relate the outcome of this analysis directly to operating income, due to the fact that a portion of the currency effect would be counter-impacted by equivalent movements in revenues, and due to the fact that other fluctuations in revenues in other currencies would occur.

Refinancing risk, liquidity risk and capital management

The Group's operative gaming activities are financed via its own resources, while acquisitions have been financed via corporate bonds, new share issues and external credit. The foreign subsidiaries are financed mainly through equity, and, if necessary, internal loans from the parent company. Since June 2012 (in association with the acquisition of NGG) and onwards, external credit has been utilised. Betsson's goal, traditionally, has been to have a low level of debt, with an equity/assets ratio of at least 40 percent. As shown in the five-year review earlier in the annual report, the equity/assets ratio has not dropped below 53% in the last 5 years. The Group's property, plant and equipment consist primarily of IT hardware and inventory. 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 also be necessary in connection with the expansion of Betsson's operations in the future, as well as for the possibility of larger company acquisitions.

Interest rate risk

Group revenues and cash flow from operations are essentially independent of changes to the market interest rates. Surplus liquidity in the Group is primarily used to pay revolving short-term bank credit. As per year-end 2016, the Group had a bond loan reported as SEK 990.8 million with an interest based on 3 M Stibor plus a margin of 3.5 percent (interest currently approximately 2.9 percent), as well as bank loans of SEK 334.8 million with rolling Euribor 1-3 month fixed interest periods (interest currently approximately 0.8 percent, see note 25). Prevailing interest rates are currently low, which may change over time and as a result the Group's earning potential may be affected.

Counterparty risk and credit risk

The Group's financial transactions give rise to credit risks on financial counterparties. Betsson has no significant concentration of credit risks.

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 that significantly reduce fraud. Betsson is of the opinion that it has taken sufficiently reasonable steps to protect itself against fraud and credit risks.

NOTE 34 Significant events after the closing date

At the beginning of 2017 revenues were considerably higher than the average revenues in the first quarter of 2016 and higher than the average revenues in the fourth quarter of 2016. As of 1 January 2017, gaming taxes on gross turnover in sports betting were increased at the same time that the annual licencing fee was raised in Georgia. If these changes had applied in the fourth quarter of 2016 while everything else remained the same, operating income would have been negatively impacted by SEK 5.7 million. Management is of the opinion that well-balanced regulation, whereby all aspects of the market are taken into account, is positive for Betsson's long-term earning ability.

An additional purchase consideration of EUR 2.0 million which was reserved during 2016 for the acquisition of Lošimų strateginė grupė, UAB (TonyBet) was paid in 2017 after certain milestones were achieved.

Betsson AB and NetPlay TV plc ('NetPlay') have reached an agreement regarding the conditions for a recommended public cash takeover bid, through which Betsson will acquire all of the shares in NetPlay – a company listed on the London Stock Exchange's AIM list. The offer amounts to GBP 0.09 per share in cash, which corresponds to a total purchase price of GBP 26.4 million (fully diluted). The offer is conditional on, among other things, approval by NetPlay's shareholders as well as a British court (High Court of Justice). The transaction was completed by end of March 2017.

Premier Casino, an operator that is licenced in Spain, was acquired in March 2017 for EUR 3.0 million. The acquisition will not have a significant impact on Betsson's short-term financial position, but it enables profitable growth in the Spanish market from a long-term perspective. Betsson is also considering launching an additional brand under the licences, in accordance with the Company's strategy to run several brands

There have been no other significant events after the end of the reporting period.

PROPOSED APPROPRIATION OF PROFITS

The Annual General Meeting of shareholders has the following profits in the parent company at its disposal:

Amounts in SEK	
Net profit/loss for financial year 2016	919,263,691
Retained earnings and non-restricted reserves	2,478,516,645
	3,397,780,335

The Board and the CEO propose that the entire amount, SEK 3,397,780,335, be carried forward.

TRANSFER TO SHAREHOLDERS

Ordinary transfer

The Board proposes to the Annual General Meeting that the amount of SEK 658,854 thousand (provided that the number of outstanding shares does not change) be transferred to shareholders. No transfer will be made for the 1,084 B shares and the 6,077,508 C shares held 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 4.76 per share. After implementation of the proposed appropriation of profits and the redemption programme, retained earnings and non-restricted reserves, and total equity in the Parent company Betsson AB will amount to SEK 2,738,926,620 and SEK 3,088,533,987 respectively.

The annual report and consolidated financial statements for Betsson AB (publ) for the year 2016 have been approved for publication in accordance with the Board's resolution on 31 March 2017. It is proposed that the annual report and consolidated financial statements be adopted by the Annual General Meeting on 11 May 2017.

The undersigned hereby declare that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and generally accepted accounting principles, respectively, and provide a true and fair view of the Group's and the parent company's financial position and results, and that the Group Management Report and the parent company Management Report provide an accurate overview of the development of Group's and the parent company's operations, financial position and results, as well as describing significant risks and factors of uncertainty faced by the companies included in the Group.

Stockholm 31 March 2017

Pontus Lindwall
Chairman of the Board of Directors

Lars Linder-Aronson
Board Member

Patrick Svensk
Board Member

Kicki Wallje-Lund
Board Member

Jan Nord
Board Member

Martin Wattin
Board Member

Ulrik Bengtsson
President and CEO, Betsson AB

Our audit report was submitted on 3 April 2017
PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Betsson AB (publ), corporate identity number 556090-4251

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Betsson AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 11-22 and 27-55 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview

- Overall group materiality level MSEK 42, which represents 5% of profit before tax.
- The scope of our audit is based on our understanding of Betsson's risk areas, the significance of these and how these are monitored and controlled by the company. Major importance is attributed to those risk areas deemed to be most significant and where the risk of material misstatement is greatest. In this assessment, consideration is also given to whether the reporting is dependent on estimations or subjective judgments undertaken by the company management.
- Process for monitoring compliance with laws and regulations given the developing nature of gaming sector in various national markets.

Audit scope

Betsson's operations are oriented to internet gaming and the development of technology for internet gaming. The Parent Company, Betsson AB, invests in and manages gaming and gambling companies operating within the online gaming industry. Betsson AB does not conduct any gaming operations. Revenue from the group's operating units is comprised of Gaming Revenues and of invoiced licenses for the provision of technical platforms, so-called Licensing Revenues. Via partnerships and the Malta based subsidiary company websites, Casino, Sportsbook, Poker and other games are offered to customers, primarily in the Nordic countries and the rest of Europe. The Maltese subsidiaries' gaming operations were operated during 2016 via European gaming licenses in Malta and a local gaming licenses in Denmark, Estonia, Georgian, Ireland, Italy, Latvia, Lithuania, the UK and Germany.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality: 42 msek (2015: 49 msek)
How we determined it: 5% of profit before tax
Rationale for the materiality benchmark applied: We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 2,5 million SEK as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter

Process for monitoring compliance with laws and regulations considering the developing nature of gaming sector in various national markets

Refer to pages 13-14 "Significant risks and factors of uncertainty" in the Management report.

Betsson operates on the basis on its international license in Malta and on a number of territory specific licences.

The international legal and licencing framework for digital gaming is territory specific. Regulations are developing and this evolving environment makes compliance an increasingly complex area with territory specific regulations, responsible gambling and antimony laundering obligations.

Given the potential risk for litigation and licence withdrawal, the risk of non-compliance with digital gaming laws and licence regulations could give rise to among other material fines, taxes, legal claims or market exclusion.

How our audit addressed the Key audit matter

We evaluated management's processes and controls in respect of compliance with regulations in the main national markets in which Betsson operates. As a part of our audit, we assessed management's routines for monitoring changes in laws and regulations in the various national markets. We also considered management's judgment regarding the possible impact that changes in such laws and regulations could have on Betsson's operations.

We also evaluated the group's position on current legal disputes, or areas of uncertainty regarding the legal situation in certain markets. We discussed material cases and the Group's assessment of the likelihood and magnitude of any liability that may arise. We also read external legal or regulatory advice to the degree that these existed and were considered substantial.

Whilst acknowledging that this is a judgmental area, we found that the Group had an appropriate basis of accounting for these matters in the financial reporting.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-11 och 23-26. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/

rev dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Betsson AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the 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 Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Stockholm April 3, 2017
PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

ANNUAL GENERAL MEETING AND OTHER INFORMATION

ANNUAL GENERAL MEETING

The Betsson AB (publ) Annual General Meeting will be held on Thursday 11 May 2017 at 10:00AM in Filmstaden Sergel Stockholm, Slöjdgatan 6, Hötorget, Stockholm, theatre 6.

Shareholders wishing to attend the Annual General Meeting must:

- be registered in the shareholder register maintained by Euroclear Sweden AB by no later than Friday 5 May 2017.
- have notified the Company of their intention to participate in the Annual General Meeting by no later than Monday 8 May 2017, 12.00 pm.

Notification of attendance at any General Meeting of Shareholders must be registered via the booking form at www.betssonab.com. Prospective attendees can also register by phone on +46 8506 403 00. Notification to attend shall include the attendee's name, personal identity number/corporate identity number, address, telephone number and shareholding. If participation is by proxy, the notification of attendance the General Meeting must be accompanied by the power of attorney, incorporation certificate or other appropriate documentation, sent to the Company (anders.eriksson@betssonab.com). A power of attorney form for shareholders wishing to attend by proxy will be available on the Company's website, www.betssonab.com. Shareholders whose shares are managed through nominee shareholders must, in order to be entitled to participate in the General Meeting, temporarily register their shares in their own names with Euroclear Sweden AB. Shareholders wishing to re-register must notify their nominee well in advance of 5 May 2017.

OTHER INFORMATION

Betsson intends to publish financial information relating to the 2017 financial year as follows:

Quarterly Report Q1

Interim report January–March 2017 ....27 April 2017

Quarterly Report Q2

Interim report January–June 2017 ....19 July 2017

Quarterly Report Q3

Interim Report January–September 2017 20 October 2017

Quarterly Report Q4

Year-End Report January–December 2017 8 February 2018

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***Translated copy.** This is an English version of the Swedish original of The Annual Report.*

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