
BETSSON AB

ANNUAL REPORT

2010

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

1,6 SEK BILLION

SEK 1.6 billion turnover 2010

23%

23 per cent growth 2010

23

23 nationalities employed

78%

78 per cent Sportsbook growth 2010

5 MILLION

5 million bets per day

282

282 employees

More about Betsson:

Betsson's Annual Report can be found at www.betssonab.com

This site also provides reports, presentations and press releases



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Translation This document is a translation of the Swedish original.

ANNUAL REPORT 2010

The Board and the CEO of Betsson AB (publ), Corporate Identity Number 556090-4251, registered in Stockholm, hereby present this Annual Report for the financial year 2010 for the parent company and group. The formal Annual Report, including the Audit Report, is shown on pages 4-10 and 18-42.

The results of this year's operations and the financial position of the parent company and group, are provided in the Directors' Report and associated income statement, balance sheet, cash flow statement and equity summary with relevant notes and comments.

The reporting currency for the parent company and consolidated reports is Swedish kronor (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 12 May 2011.

DIRECTORS' REPORT

The group's operations concentrate on Internet gaming. The parent company, Betsson AB, invests in and administers gaming companies operating within the online gaming business. The parent company does not conduct any gaming operations of its own.

Via partnerships and the subsidiary company, Betsson Malta's Internet sites (www.betsson.com, www.casinoeuro.com and www.cherrycasino.com), Betsson Malta offers Poker, Casino, Sportsbook, Scratch Cards, Bingo and Games to customers primarily in the Nordic countries and the rest of Europe.

In this Annual Report, for the sake of simplicity, the word "Betsson" is used throughout to refer to the group's gaming operations which consist of the gaming operations of the subsidiary Betsson Malta, which are operated on the basis of gaming licences in Malta.

CONSOLIDATED REVENUES AND PROFIT

Consolidated revenues amounted to SEK 1 603.2 (1 299.7) million, or an increase of 23 per cent. Gross profit was SEK 1 282.1 (1 045.0) million, which is an increase of 26 per cent. Operating income increased to SEK 380.6 (316.9) million and the operating margin amounted to 23.7 (24.4) per cent.

Income before tax increased to SEK 382.5 (318.9) million and income totalled SEK 365.7 (303.3) million, which is the equivalent of SEK 9.32 (7.73) per share, a rise of 21 per cent.

PRODUCTS

Casino games are Betsson's major product and accounted for 58 (64) per cent of the total gross profit during the year followed by Sportsbook 29 (20) per cent, Poker 8 (13) per cent and Other products which together accounted for 5 (4) per cent of gross profit.

MARKETS

Betsson has a strong market in the Nordic countries but is growing increasingly rapidly in the rest of Europe. www.betsson.com is available in 19 languages, www.casinoeuro.com in 16 and www.cherrycasino.com in 12.

Of the year's gross profit, the Nordic countries accounted for 46 (58) per cent, EU outside the Nordic countries for 12 (13) per cent and

the rest of Europe (including Turkey) for 42 (28) per cent.

CUSTOMERS

At the end of the year there were 3 158 200 (2 117 800) registered customers which is an increase of 49 per cent compared to the end of the previous year.

There were 300 500 (288 700) active customers, representing an increase of 4 per cent compared to the previous year. An active customer is defined as a customer who has played for real money during the previous three-month period. Consequently, this definition includes all players who have played free spins/bets based on offerings from Betsson or Betsson's partners.

KEY EVENTS IN 2010

In January Betsson Business Solutions was launched which is a unit with its focus on cooperation with other companies (B2B).

In line with Betsson's B2B strategy, agreements were established by the end of the year with an Asian operator. In conjunction with this, the group has strengthened its presence in the region with the establishment of an Indian development company. Management sees this as a clear step into a new region with huge potential. It is assessed that this project with the Indian development company will cover its costs during 2011, and, thereafter, generate a surplus.

In December Betsson signed an agreement with Realm Entertainment, for the provision of a complete gaming portal, as well as the technical operation of this portal. This portal, which has been translated to English, Greek, Dutch, Turkish, German and Spanish, is a further development of Betsson's platform. This provides new, attractive technical solutions to players of games including, amongst others, Sportsbook, Poker and Casino. This next generation platform is adapted to operate both its own and external brands. At the same time, agreements were signed for the sale of the Turkish client base to the same company, Realm Entertainment. Management deems that this gaming solution, together with the partners' industry experience, creates positive premises for future growth. Only after all of the commitments stipulated in the introductory phase of the agreements have been fulfilled, which has taken place in the mid first quarter 2011, will the results of these agreements have any impact on the accounts. This implies that the revenues attributable to the sale of the client base will first be reported in 2011.

INVESTMENTS AND DEPRECIATION

This year's investments amounted to SEK 44.9 (58.5) million, of which SEK 23.4 (48.6) million referred to capitalised development expenditure.

The year's depreciation totalled SEK 49.7 (36.6) million, of which SEK 40.0 (30.0) million referred to depreciation of capitalised development expenditure.

Investments were made in the development of gaming platforms, the integration of game- and payment solutions, domains, IT hardware for the operation of the Internet games and in the rebuilding and interior design of offices.

EQUITY

Equity in the group amounted to SEK 825.6 (820.4) million on closing date which was equivalent to SEK 20.96 (20.91) per share after transfer to shareholders via the redemption procedure at SEK 9.00 (5.10) per share which took place during the third (second) quarter.

Return on equity was 44 (39) per cent.

FINANCING, CASH, CASH FLOW AND GAMING LIABILITIES

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

Cash flow before changes in working capital amounted to SEK 437.2 (355.9) million, which is an increase of 23 percent. Changes in working capital decreased cashflow by SEK 40.7 (increased by 69.0) million. In addition transfer of funds to shareholders (share redemption) reduced cashflow by SEK 353.2 (200.1) million. At the end of the year cash and bank balances amounted to SEK 497.1 (529.1) million.

Gaming liabilities, including reserves for accumulated jackpots, amounted to SEK 183.4 (203.6) million at the end of the year.

Debts to players are well covered by current receivables from payment suppliers referring to yet unsettled customer payments, and amounted to SEK 270.6 (164.9) million.

PERSONNEL

At the end of the year there were 282 (258) employees in the company. In order to create, and meet the challenges of, anticipated future growth, the total number of employees has increased by 24 (73) during the year.

The average number of employees in the group was this year 268 (226), of whom 192 (149) were based in Malta.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

In line with the B2B-strategy, Betsson has entered an agreement with the objective of initiating a Joint Venture in Italy.

Betsson has entered an agreement with a Chinese state-owned company with the objective of establishing operations in China.

During the first quarter of 2011, a complete gaming portal was launched on behalf of Realm Entertainment. This gaming portal includes a complete supply of games which are, technically and commercially, offered to third parties.

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

PARENT COMPANY

The parent company's, Betsson AB's (publ), operations are primarily aimed at group management and administration. The company provides and sells services including finance, administration and management functions to certain other group companies.

Parent company revenue for the year was SEK 16.3 (10.8) million and income before taxes amounted to SEK 320.2 (288.3) million.

Net interest income included SEK 360.5 (298.2) million as concerns dividends from shares in subsidiary companies.

Parent company investments for the year amounted to SEK 5.3 (0.5) million. Cash and cash equivalents were SEK 283.0 (393.9) million.

The company has no bank loans and has utilised no bank credits.

During the year, the parent company has executed a share redemption programme corresponding to a transfer of SEK 353.2 (200.1) million to the shareholders. In connection with this share redemption programme, a bonus issue totalling SEK 39.6 million was undertaken in order to restore the company's share capital.

OUTLOOK FOR 2011

Betsson expects that the market for Internet gaming will continue to develop strongly. Large numbers of people around the world have no, or very little, access to the Internet. However the number of people who do have access is increasing rapidly, which has provided a considerable driving force for this business area.

In the regions where the Internet is available, confidence in it as a market place is growing and increasing numbers of people are using it for banking, share trading, insurance matters and ordinary shopping. This change in behavioural patterns and improved confidence in e-commerce is vital to the development of the market.

H2 Gambling Capital forecasted, in January 2011, that the European Internet gaming market will increase by 15.2 percent to USD 15.3 billion during 2011. Betsson intends to continue exceeding this growth level.

High levels of customer deposits and high levels of activity on Betsson gaming sites indicate continued healthy growth prospects.

SIGNIFICANT RISKS AND FACTORS OF UNCERTAINTY

Betsson's operations are financed on the basis of in-house funding and the group's financial policy is characterised by low levels of risk. Financial risks are described in Note 28.

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

The European Court of Justice has recently ruled on Internet gaming (Carmen Media, Marcus Stoss, WinnerWetten and Engelman) which further strengthens the obligations for national monopolies to comply with applicable EU-law. As the major purpose, currently, behind national monopolies is to generate cash inflows to the governments, the resultant limitation on the free movement of services created by the states in this context is impossible to defend in compliance with applicable EU law. The conclusion, according to Betsson's opinion, is that, based on the new rulings, it will be even more difficult for domestic courts to rule, within the "margin of appreciation" in favour of the monopolies. Betsson concludes that these rulings will significantly weaken the existing ban in Germany. Betsson also assumes this to be an important precedent for other court cases in terms of whether local monopoly legislation in other EU countries are in breach of applicable EU law.

Within the near future, more European gaming monopolies will probably be challenged in the form of domestic legal processes. Currently, it is difficult to obtain a clear view of how the legal situation will affect the commercial premises for online operators. It should be emphasised here, that Betsson does not offer its services to customers residing in the USA due to legislation implying a ban on the forwarding of payment transactions linked to Internet gaming in USA, which came into force in October 2006.

There continues to be pressure put on EU countries to adapt their national legislation to applicable EC law, with its free movement of goods and services. Several countries have announced that they are working on new legislation in line with EU requirements. However

it is still not clear when such new legislation will be introduced into Betsson's major markets, on the other hand, when this does occur, the company will be able to enjoy increased marketing opportunities and market presence.

In 2007, Turkey introduced legislation regarding Internet gaming with the aim of protecting its state gaming company, IDDAA. Betsson's Internet-based gaming operations exhibit a clearly-defined, cross-border character which implies that international law is applicable. According to the principle of the sovereignty of states, each country is of equal value; consequently one state's laws cannot take precedence over those of another. Betsson's marketplace is Malta and its operations are undertaken in accordance with Maltese legislation and are subject to the Maltese legal system. As a part of Malta's market place, Betsson is able to claim immunity to Turkish regulations which are seen to aim at preventing Betsson from carrying out its operations. This is, according to legal experts, a principle that Turkey accepted through its membership in WTO and through other international agreements. In addition to the above, Turkey has the intention of becoming a full member state of the EU and has accepted, in principle, the EU treaty concerning the free movement of goods and services between member states. Turkey has signed an Association Agreement which is to regulate the country's journey to full membership. According to legal expertise, Turkish gaming legislation is in breach of EU law and is not strictly in line with the Association Agreement. This Turkish legislation has made operations more difficult for Betsson's partners in the Turkish market, even though Turkey can apply no sanctions against Betsson due to the principle of sovereignty. Consequently, Betsson's future revenues from Turkey continue to be more uncertain than those generated by its other markets. Betsson signed an agreement at the end of 2010 regarding the sale of the Turkish client base.

Norway expanded the ban on promoting games organized from abroad. The ban impacts banks, in that payment services to gaming companies, regarding transactions made using debit and credit cards have been made criminal. The ban has had a negative effect on group earnings in 2010.

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

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

Betsson is subject to both seasonal and economic situation variations. Seasonal variations can seriously affect the company's operations during periods of lower gaming activity and varying results in different sporting events. The economic situation has, to date, not affected operations on any significant scale.

The interpretation of the relevant Maltese VAT rules was amended in 2007 and may impact the costs of the Maltese subsidiaries. In

2008, Betsson took steps to reduce the risk of additional VAT for 2008 and onwards. Betsson has reported the tax amount it believes to be correct and considers reasonable, based on the uncertainty inherent in the situation, to the Maltese tax authorities. This amount may, however, prove to be inadequate if the Maltese tax authorities favour an interpretation of the VAT rules that is more restrictive than the assessment Betsson has made and which Betsson currently considers to be correct.

Betsson is an international company with operations that are constantly exposed to various currencies; consequently changes to exchange rates affect group earnings. The parent company aims to reduce currency exposure through effective cash management and currency hedging. The group will, however, continue to be exposed to currency fluctuations to varying degrees and will, therefore, continue to, more or less, be vulnerable to exchange rate fluctuations.

DISPUTES

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

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

Betsson that review dispensation would not be granted, implying, concretely that the decision from the Administrative Court was upheld. In order to avoid penalties, Betsson closed the shop. Betsson, however, deems that the shop, generally, has positive premises for development and, on 22 December 2010, the shop was opened for the third time. Betsson is now required to follow the Gaming Board's regulations of 2008, which imply that none of Betsson's advertising or logotypes can be shown in the shop.

On 22 September 2009, the police executed a house search with the purpose of investigating to determine if illegal gambling was taking place in the shop. The Prosecutor subsequently sided with management as regards their interpretation that the prosecution had no basis, and this decision was announced in January 2011.

RESEARCH AND DEVELOPMENT

Betsson does not conduct any research operations. Expenditure on development of gaming platforms and the integration of games and payment solutions is capitalised in as much as the platforms, games and payment solutions are expected to provide future financial benefits.

ENVIRONMENT

Betsson does not conduct any operations subject to authorisation or notification under the Environmental Code.

E-commerce is by nature more friendly to the environment than traditional commerce, as customers do not have to use cars or other modes of transport to visit shops.

All of Betsson's offices around the world are equipped with video-conference equipment in order to minimize the need for employees to travel between offices when performing their tasks in conjunction with different development projects. When travelling is unavoidable, Betsson purchases emission rights to compensate the climate for all of the travel undertaken by group employees, regardless of the mode of transportation.

MOST RECENT GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR EXECUTIVES:

For a description of the guidelines adopted by the 2010 Annual General Meeting, please refer to Note 7.

THE BOARD'S PROPOSAL FOR GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR EXECUTIVES

The Board proposes that the Annual General Meeting adopts the following guidelines for remuneration of senior executives. Senior executives are defined as the CEO and CFO of the parent company, the CEO, CFO and HR Director of Betsson Malta, the CEO of Betsson Technologies AB and the Group General Counsel.

Financial compensation levels are to be market based and competitive in order to be able to attract and retain competent senior executives. Remuneration is to be comprised of fixed salary, and, where applicable, variable remuneration and pension benefits, as well as other benefits such as, in some cases, a company car.

Variable remuneration will be paid only when certain financial targets established by the Board are achieved and will vary in size depending on the extent to which targets have been achieved or exceeded. If the financial targets are exceeded at the highest level ("out-perform"), the estimated cost for variable remuneration to the senior management group would be approximately SEK 19.6 million including social security contributions.

Normal retirement age is 65. Pension terms are to be market-determined and based on defined contribution pension arrangements.

The notice period should normally be six to twelve months if employment is terminated by company and six months if the termination takes place on the initiative of the executive. Upon termination initiated by the company, severance pay may be provided in the amount not to exceed more than twelve months' salary.

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

SHARES AND OWNERSHIP STRUCTURE

The number of shares in the company totals 39 553 720 of which 5 420 000 are Class A shares and 34 133 720 are Class B shares. An additional 100 000 Class B shares were subscribed to and paid for at the end of the year are yet to be issued and registered. Each Class A share entitles the holder to ten votes, while each Class B share carries one vote. All shares entitle equal right to Betsson's assets and earnings.

The company's Class B shares are listed on Nasdaq OMX Nordic List Mid Cap (BETS). At the end of period, the company had 11 484 (9 905) shareholders.

The largest shareholders (owners of more than 10 per cent of the votes) were Per Hamberg with 8.9 per cent of capital and 21.4 per cent of votes, the Knutsson family with 6.5 per cent of capital and 11.1 per cent of votes and Rolf Lundström with 3.9 per cent of capital and 10.5 per cent of votes.

AUTHORISATION FOR THE BOARD OF DIRECTORS

The Annual General Meeting of June 3, 2010 resolved to authorise the Board to, during the period until the next Annual General Meeting, on one or more occasions, resolve on the non-cash issue of shares not to exceed, in total 4 million Class B shares (corresponding to a dilution of approximately 10 per cent). This mandate was not utilised in 2010.

The 2010 Annual General Meeting further determined to authorise the Board to resolve as to 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 per cent of all shares in the company. In addition it was decided to authorise the Board to dispose of company's own shares as payment for the acquisition of companies or operations at a price equivalent to market price at the time of transfer. This mandate was not utilised in 2010.

PROPOSED DIVIDEND

The Board proposes to the Annual General Meeting that no share dividend be paid, however, that SEK 7.00 (9.00) per share be transferred to the shareholders of which SEK 7.00 (5.75) covers transfers for the financial year and SEK 0.00 (3.25) is to be designated as additional transfers. This represents a total transfer of funds to shareholders of SEK 275.8 (353.2) million.

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

According to the Dividend Policy which the Board adopted in 2008, it is the Board's ambition to transfer up to 75 per cent of group income after tax to the shareholders provided that an appropriate capital structure can be maintained.

CORPORATE GOVERNANCE REPORT

GOOD GOVERNANCE AND CONTROL SUPPORTS STABLE GROWTH

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

At Betsson, good order in decision-making processes, clarity in areas of responsibility and accountability have always been vital to our success. In recent years, Betsson has intensified its efforts to scrutinise, update and coordinate the reporting and control procedures on which to base decision making in the group's legal and business operations. We have placed particular emphasis on identifying and evaluating the most significant risks in routines and have worked hard on controls aimed at managing these risks. This is a continuous aspect of our daily work.

Improved governance and control in the gaming field facilitates good business and is a competitive tool in the capital markets, as well as strengthening the industry's position in the eyes of the public.

John Wattin, Chairman

COMPANY GOVERNANCE REPORT 2010

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

Betsson hereby submits its Corporate Governance Report for 2010. Based on this review, the company has concluded that it has not any deviations to report.

SHAREHOLDERS

Betsson has been a listed company since 1996, and listed on the Stockholm Stock Exchange since 2000. The company's Class B shares are listed on Nasdaq OMX Nordic List Mid Cap (BETS). At the end of period, the company had 11 484 (9 905) shareholders. The largest shareholders (owners of more than 10 per cent of the votes) were Per Hamberg with 8.9 per cent of capital and 21.4 per cent of votes, the Knutsson family with 6.5 per cent of capital and 11.1 per cent of votes and Rolf Lundström with 3.9 per cent of capital and 10.5 per cent of votes.

AGM

The Annual General Meeting for 2010 was held on June 3, 2010. The meeting was attended by shareholders, in person or by proxy, representing 42.2 per cent of the votes and 24.3 per cent of capital. John Wattin was elected to Chairman at the meeting. Four (of six) Board members elected at the meeting were present.

Decisions made at the 2010 AGM

Minutes from this meeting can be found on the Betsson website.

Some of the decisions taken by the AGM include:

- To, in accordance with the Board proposal, distribute the equivalent of SEK 9.00 per share for 2009 through an automatic redemption procedure.
- To re-elect Board Members, John Wattin, Per Hamberg, Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt and Lars Linder-Aronson.
- To re-elect John Wattin as Chairman.

EGM 2010

Extra General Meeting was held August 23, 2010.

Decisions made at the EGM

Minutes from this meeting can be found on the Betsson AB website.

The General Meeting resolved to establish two incentive programmes: warrants for senior executives and other key individuals employed in Sweden and Stock Options for senior executives and other key individuals employed in other countries than Sweden.

AGM 2011

The Annual General Meeting of Betsson AB (publ) will be held on Thursday, May 12 2011 at 10 a.m. at the Company headquarters located at Regeringsgatan 28, Stockholm.

For further information regarding the 2011 Annual General Meeting, please refer to the company website at www.betssonab.com.

NOMINATION COMMITTEE

It was the decision of the 2010 Annual General Meeting to request that the Chairman convene the meetings dealing with the company's nomination activities and that the Chairman request representatives of the company's larger shareholders to join the Nomination Committee. The Nomination Committee should consist of at least three members, and the majority of the Nomination Committee members should not be employees or members of the Board. The Nomination Committee shall prepare the proposed list of Board members, as well as a proposal for the Chairman, Auditor, and shall also propose remuneration for Board members, Board committees and Auditors, which proposals will be submitted to the 2011 Annual General Meeting for resolution. The Nomination Committee's composition was announced on 26 October in Betsson's Interim Report for the third quarter of 2010 and on the company's website.

The Nomination Committee for the 2011 Annual General Meeting comprised of:

- Per Hamberg, representing the Hamberg family and companies with a total of 21.4 per cent of the vote.
- Michael Knutsson, representing the Knutsson family and companies, with a total of 11,1 per cent of the vote.
- Christoffer Lundström, representing the Lundström family and companies, with a total of 10.5 per cent of the vote.
- John Wattin, Chairman of Betsson AB and convener of the committee.

The Nomination Committee represents ownership interest that, as per year end, amounted to 43 per cent of the votes in company. The Nomination Committee has held one meeting and maintained telephone contacts. An important input to the Nomination Committee's work is the yearly valuation of the Board's performance.

The Nomination Committee seeks to identify individuals to nominate who, together with the existing members, are able to provide the Board with the appropriate cumulative competence. Consequently the members must possess experience of leading positions in listed companies, expertise in finance and the gaming industry and experience from international service companies.

The Nomination Committee's complete proposals and background information that will be presented to the 2011 Annual General Meeting will be published on the company website, www.betssonab.com, well in advance of the Annual General Meeting.

Shareholders wishing to submit proposals to the Nomination Committee should e-mail valberedning@betssonab.com or write to company headquarters.

THE BOARD OF DIRECTORS

Board members are elected annually by the Annual General Meeting for the period until the next Annual General Meeting. There are no rules in place that stipulating the maximum period of time a member may serve on the Board. Betsson's Board is comprised of six members with no deputies, and is elected by the AGM. The CEO is not part of the Board. At the 2010 Annual General Meeting the following individuals were re-elected as Board members: John Wattin, Per Hamberg, Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt and Lars Linder-Aronson. John Wattin was also re-elected as Chairman. The Board is presented on pages 11-12.

Group CEO Pontus Lindwall participates as the presenter of the reports at all Board meetings. Group CFO, Frederick Rüdén, participates both as report presenter and as secretary. Other officials from the group participate from time to time in Board meetings as required, either as presenters of specific issues or as secretary.

The Board's independence

According to the Stockholm Stock Exchange definition, the number of Board members elected at the AGM and who are independent of the company is six (100 percent) and the number of Board members elected at the AGM who are independent of the company's major shareholders is five (83 per cent), and all members meet Nasdaq OMX's requirements concerning professional experience. Member Per Hamberg holds 8,9 per cent of capital and 21.4 per cent of the votes and is thus not to be considered as independent of the company's major shareholders. With this composition the Betsson Board fulfils the regulations for listed companies and the Swedish Code of Corporate Governance, which requires that the majority of the elected members be independent of the company and company management, and that at least two of these also are independent of the company's major shareholders. All Board members and all members of the group management team have undergone, or will undergo, Nasdaq OMX's training input on Stock Exchange regulations.

Board meetings

In 2010, the Board held sixteen (twelve) minuted meetings, of which one (one) was statutory and six (three) were telephone-/mail meetings and three (three) were correspondence meetings. The Board has shown a seven (ten) percent absence rate during the year's Board meetings.

All the meetings dealt with the CEO's review of developments within operations and current issues concerning important events, major contracts, potential acquisitions and legal trends in the gaming market.

The Board has paid particular attention to strategic, financial matters and issues concerning internal controls and larger investments.

Members' attendance is shown below, (figure in brackets refers to preceding year).

John Wattin, Chairman	100 % (92 %)
Per Hamberg, member	100 % (92 %)
Kicki Wallje-Lund, member	94 % (83 %)
Patrick Svensk, member	88 % (92 %)
Carl Lewenhaupt, member	81 % (83 %)
Lars Linder-Aronson, member	94 % (100 %)

Average attendance at Board and committee meetings was a little higher than 93 (90) percent.

Information to the Board of Directors

The Board's work follows a plan that will ensure that it receives all of the necessary information. Company auditors report their observations based on the audit of financial statements and their assessment of company internal procedures and controls to the Board. The Board receives, on a monthly basis, a detailed operations report describing developments. The Board also receives a daily report showing the gaming operation outcome from the previous day.

Internal control and risk management

The Board applies the decision-making rules and formal work plan, as well as the instructions pertaining to its own, the Compensation Committee's, the Audit Committee's and the Managing Director's work, with the aim of achieving an efficient handling of the operational risks, see section on significant risks and factors of uncertainty in the Administration Report. The Board updates, as required, and adopts yearly the Board's work plan, Managing Director instructions and decision-making rules and authorisation routines.

The Audit Committee

The Audit Committee consists of the entire Board and meets in conjunction with Board meetings with the primary task of ensuring that established principles for financial reporting and internal controls are complied with. The Audit Committee is responsible for monitoring and following up the reporting of issues involved with corporate responsibility. The Audit Committee also fulfils the functions of a finance committee tasked to support and follow financial operations and to annually evaluate and propose amendments to the treasury policy. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures are dealt with by the Board on a continuous basis. Group auditors and group CFO present reports to the Audit Committee.

The Remuneration Committee

Similar to the Audit Committee, the Remuneration Committee consists of the entire Board and meets in conjunction with Board meetings. The Remuneration Committee bears the primary responsibility for dealing with remuneration and employment conditions for the CEO and the executives who report directly to him, based on the guidelines for remuneration and employment conditions for the CEO and other executive positions adopted by the Annual General Meeting.

CEO AND GROUP MANAGEMENT

The company CEO and President of the group is responsible for the daily management of both the parent company and the group. The CEO leads the work of the management team and makes decisions in consultation with the other senior executives. The management team consists of heads of business areas and staff positions. At the end of 2010 the management team consisted of seven (six) individuals;

please refer to Senior Management on page 13.

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

The operations of the parent company (Betsson AB) consist of the management and administration of company investments and the evaluation of potential acquisition or divesting of operational branches. Group gaming operations are conducted in Malta, where the company has its own Board who make the operational decisions for Betsson's gaming operations using its own management team.

CEO instructions have been established for the CEOs of all wholly-owned subsidiaries, which reflect the group CEO's instructions.

REMUNERATION

Board fees are determined at the AGM. Remuneration of the President of the group is determined by the Remuneration Committee. Remuneration for executives directly subordinate to the CEO is determined by the CEO after consultation with the Remuneration Committee. The group applies the principle that a manager's superior must approve any decisions on remuneration issues.

The following principles apply to senior executives in the group. These principles were adopted at the 2010 Annual General Meeting:

- Financial compensation levels are to be market-based and competitive in order to be able to attract and retain competent senior executives. Remuneration is to be comprised of fixed salary, and where applicable, variable remuneration, pension and other benefits such as, in some cases, a company car will apply.

- Variable remuneration which may be provided senior executives will be determined on the basis of the fulfilment of certain financial targets (individual and group) established in advance concerning company earnings and financial development, plus the personal development of the individual concerned. Current such payments to senior executives are described in more detail in Note 7.

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

AUDIT

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

Michael Bengtsson has been an authorised public accountant since 1988 and has additional assignments in, for example, Haldex, Morphic Technologies, ENEA Nordic Service Partners and Carnegie.

The audit of annual accounts is carried out January-February each year and the audit of the Annual Report takes place during March-April. A review is carried out of the company's interim reports. In addition, audit of internal procedures and control systems is undertaken continuously during the year, which is reported to Group CFO, management team and Board.

Betsson has, in addition to auditing tasks, employed PricewaterhouseCoopers AB for consultations in VAT and tax issues, accounting matters and for various other studies.

INTERNAL AUDIT

Betsson's profitable growth stems from a willingness and desire to constantly improve. The Internet-based gaming industry is constantly exposed to a rapidly changing environment such as shifts in legal systems, seasonality and currency fluctuations. In order to be able to manage these situations, it is of great importance to learn and adapt, at the same time as it is vital that customers feel safe and secure with Betsson's gaming and payment solutions. This permeates all company

and group customer offerings. Consequently, Betsson's internal audit of controls and other activities constitutes an integral part of day-to-day operations.

Operations are also monitored by several independent parties, as a complement to the internal audit. Betsson is licensed in Malta by the Lotteries and Gaming Authorities (LGA). In order to obtain and maintain licenses, company routines and processes must meet certain quality standards. LGA scrutinises operations in order to ensure that the company complies with all such standards.

Betsson is also PCI-compatible for secure card transactions and cooperates with several large banks. As a result, all credit card information is safely managed and the company meets the highest security standard as regards payments, withdrawals and deposits.

All private information transferred to and from the Betsson-site is encrypted by Verisign SSL and is monitored 24 hours a day, 7 days a week. The random numbers generator behind Betsson's casino games, which guarantees equitable gaming, has been tested and approved by two, independent third parties, the National Laboratory of Forensic Science in Sweden and Technical Systems Testing in Canada. Betsson's casino supplier is also certified by eCOGRA.

In order to ensure that the poker program software always produces random numbers, independent controllers test the random number generator (RNG) on a monthly basis. These monthly reports are published on an ongoing basis for those who are interested. Players using "poker bot" programs to make decisions during the game are seen to be cheating. Betsson has secured the poker board against the use of these programs via Botguard; this is in order that the players can feel comfortable and secure in that the same technical premises apply to all of the poker players. In order to ensure that the poker software consistently produces pure chance numbers, the random numbers generator has been evaluated, in iTech Labs, which Entraction Solutions AB uses, and it has been determined that this generator meets the requirement of the RNG standard.

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

INVESTOR RELATIONS

Betsson information to shareholders is provided via the Annual Report, year-end report, quarterly report and press releases as well as on the company website. On the www.betssonab.com website there are also reports and press releases covering the past few years.

For Betsson, communication and transparency are vital in order to maintain good relations with investors and analysts. The company attaches great weight to investor relations where the aim is to inform the capital market of Betsson's financial position, operations and development in order to increase knowledge levels and interest in the company so that a fair valuation can be obtained.

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

BOARD OF DIRECTORS



John Wattin
CHAIRMAN

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

OTHER COMMISSIONS: Chairman of Mosync AB, Qbranch AB and Sturehof AB. Board member of Touring Exhibition Sweden AB and Silentium AB

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

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



Per Hamberg
BOARD MEMBER

Born In 1943, Ekerö
Board Member since 1974

OTHER COMMISSIONS: Board member of Cherryforetagen AB, Nya Solporten Fastighets AB and Hamberg Forvaltning AB

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

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



Carl Lewenhaupt
BOARD MEMBER

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

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

SHAREHOLDING: 1,440 Class B shares.



Lars Linder-Aronson
BOARD MEMBER

Born in 1953, Saltsjöbaden
Board Member since 2008

OTHER COMMISSIONS: Board member of Cataellal Advisory Sweden AB, e-Capital AB and Ventshare AB

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

SHAREHOLDING: 102,600 Class B shares (including holdings via companies and related parties)



Patrick Svensk
BOARD MEMBER

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

OTHER COMMISSIONS: Board member of Next Generation Broadcasting AB

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

SHAREHOLDING: 3,000 Class B shares



Kicki Wallje-Lund
BOARD MEMBER

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

OTHER COMMISSIONS: Board member of Syntensia AB, Followit AB and Wellnet AB

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

SHAREHOLDING: 450 Class B shares



AUDITORS

PricewaterhouseCoopers AB

Michael Bengtsson
CHIEF AUDITOR since 2008

Born in 1959, Stockholm
Authorised Public Accountant
Chief Auditor

SENIOR MANAGEMENT



1



2



3



4



5



6



7

1. Pontus Lindwall
CEO AND GROUP PRESIDENT,
BETSSON AB

Born in 1965, Stockholm
Employed in the group since 1991. Board member in Net Entertainment NE AB (publ), Nya Solporten Fastighets AB, Mostphotos AB and several companies within the Betsson Group

SHAREHOLDING: 10,000 Class A shares, 581,594 Class B shares, 90,000 subscription options

2. Fredrik Rüdén
CFO, BETSSON AB

Born in 1970, Nacka
Employed in the group since 2008

SHAREHOLDING: 0,
50,000 subscription options

3. Pierre de Boer
CEO, BETSSON
TECHNOLOGIES AB

Born in 1969, Stockholm
Employed in the group since 2008

SHAREHOLDING: 500 Class B shares, 50,000 subscription options

4. Fredrik Nilsson
CFO, BETSSON MALTA LTD

Born in 1973, Malta
Employed in the group since 2004

SHAREHOLDING: 0,
50,000 employee stock options

5. Elsebeth Alfvegren
HRD, BETSSON MALTA LTD

Resigned 2011

Born in 1966, Malta
Employed by the group 2006

SHAREHOLDING: 7,774 Class B shares, 35 000 employee stock options

6. Magnus Silfverberg
CEO, BETSSON MALTA LTD

Born in 1973, Malta
Employed in the group since 2009. Board member of several companies within the Betsson Group

SHAREHOLDING: 6,250 CLASS B shares, 85,000 employee stock options

7. Martin Thorvaldsson
CEO, BSG LTD AND GROUP
GENERAL COUNSEL

Born in 1970, Gibraltar
Employed in the group since 2010

SHAREHOLDING: 536 Class B shares, 15,000 employee stock options

SHARE AND OWNERS

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

SHARE STRUCTURE

At the end of the year, Betsson had 39,553,720 shares, distributed as 5,420,000 Class A shares and 34,133,720 Class B shares. Each Class A share is entitled to 10 votes per share, while each Class B share is entitled to one vote per share.

All shares have equal entitlement to Betsson assets and earnings.

REPURCHASED SHARES

The company's holdings of its own shares on closing day amounted to 259,555 Class B shares which had been acquired at an average share price of SEK 58.27 during the period 2007-2008. The number of shares outstanding, excluding repurchased shares, amounted, on closing day, to 39,294,165 shares of which 5,420,000 were Class A shares and 33,874,165 were Class B shares.

REDEMPTION PROGRAMME

The Annual General Meeting on 3 June 2010 resolved to execute a share split 2:1 and to undertake an automatic redemption programme of the redeemable shares arising from the share split. The redemption procedure resulted in SEK 353.2 (200.1) million, the equivalent of SEK 9.00 (5.10) per share, to be transferred out to the company shareholders on 7 July 2010.

BONUS ISSUE ETC.

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

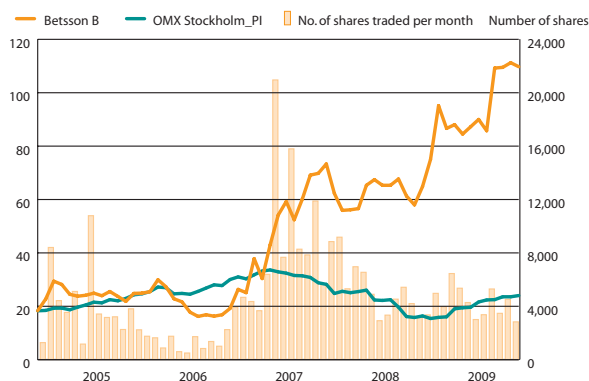
INCENTIVE PROGRAMME

2010-2012: At the EGM that was held on August 23, 2010, it was resolved to implement two incentive programmes - one aimed at employees in Sweden (subscription options) and one aimed at employees abroad (stock options).

On the final date of the Swedish offer, 359,800 options/warrants had been subscribed at a market rate premium of SEK 3.78 per warrant, which has provided an additional SEK 1,360 thousand to equity. On the final date of the foreign offer, 376,000 stock options had been subscribed.

Each option entitles the holder to subscribe to one new Class B share in Betsson AB in late 2012 at a price of SEK 113.40 per warrant or per employee stock option.

SHARE PRICE TRENDS



2008-2010: These two incentive programmes were exercised during the fourth quarter 2010.

All ongoing and executed option programmes and their effects are described in Note 28.

OWNERSHIP STRUCTURE

As of 30 December 2010, there were 11,484 (9,905) shareholders in Betsson. The proportion of foreign shareholders amounted to 5 (5) per cent. Foreign share ownership amounted to 24 (34) percent of share capital and 19 (30) percent of the votes.

The proportion of private individuals owning shares was 89 (89) per cent. The proportion of shares owned by private individual was 25 (24) per cent of share capital and 25 (25) per cent of the votes.

SHARE LIQUIDITY

Totally 38.0 (49.5) million shares changed hand during the year, which is the equivalent of 97 (126) per cent of the average number of outstanding Class B shares. On average 150,000 (197,000) shares changed hand per trading day, and the number of trades averaged 462 (439) per trading day.

SHARE PRICE PERFORMANCE AND TURNOVER

Share price during the year increased by 7 (60) per cent. The share price (last paid) on the closing day was SEK 117.00 (109.75), which generated a market value of SEK 4.6 (4.3) billion.

The highest price quotation during 2010 was SEK 134.25 (121.00) on February 1 (November 10) and the lowest quotation was SEK 87.00 (67.75) on July 1 (January 5). The average share price during the year was SEK 109.79 (95.09).

Total turnover of shares during the year was SEK 4,168 (4,709) million, which is equal to an average of SEK 16.5 (18.8) million per trading day and approximately SEK 36,000 (43,000) per average deal.

DIVIDEND POLICY AND PROPOSAL

The Board proposes that the Annual General Meeting resolve to transfer SEK 7.00 (9.00) per share, of which 7.00 (5.75) SEK refers to transfers for the 2010 financial year, and SEK 0.00 (3.25) refers to an additional transfer to the shareholders. This represents a transfer to shareholders totalling SEK 275.8 (353.2) million.

The company's dividend policy stipulates that 75 per cent of earnings may be transferred to the shareholders, provided that a suitable capital structure can be maintained. The Board intends to propose to the AGM that such 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.

ANALYSTS MONITORING BETSSON

Dawid Myslinski
Redeye

Karen Hooi
Goldman Sachs
International

Henrik Fröjd
Swedbank

Johan Isaksson
Remium AB

Bile Daar
Danske Bank

Martin Arnell
ABGSC

Daniel Ek
Carnegie Investment
Bank

Rasmus Engberg
Handelsbanken

James Hollins
Daniel Stewart &
Company

Stefan Nelson
SEB Enskilda

Johan Grabe
Nordea

Mikael Holm
Penser

MAJOR SHAREHOLDERS AS PER 30 DECEMBER 2010

Owner ²	Number of A shares	Number of B shares	Capital share (%)	Number of votes (%)	Adjusted capital share ¹ (%)	Adjusted number of votes ¹ (%)
Per Hamberg family and company	1,699,500	1,802,758	8.9	21.3	8.9	21.4
Bertil Knutsson and company	800,000	1,741,000	6.4	11.0	6.5	11.1
Rolf Lundström family and company	852,500	682,191	3.9	10.4	3.9	10.5
Lars Kling	797,000	186,245	2.5	9.3	2.5	9.3
Svenska Handelsbanken S.A.	700,000	85,736	2.0	8.0	2.0	8.0
Bill Lindwall family (estate)	561,000	72,595	1.6	6.4	1.6	6.4
Swedbank Robur Fonder		2,830,950	7.1	3.2	7.2	3.2
SEB Investment Management		1,766,181	4.4	2.0	4.5	2.0
Handelsbanken Fonder		1,529,282	3.9	1.7	3.9	1.7
Lannebo Fonder		1,491,800	3.8	1.7	3.8	1.7
Other Shareholders	10,000	21,643,246	54.8	24.7	55.2	24.7
External owners	5,420,000	33,874,165	99.3	99.7	100.0	100.0
Betsson AB		259,555	0.7	0.3		
Total	5,420,000	34,133,720	100.0	100.0		

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

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

SHARE CAPITAL COMPOSITION

	Votes	number of shares	Number of votes	Par value (SEK)	Thousand SEK
Shares, Class A	10	5,420,000	54,200,000	2	10,840
Shares, Class B	1	34,133,720	34,133,720	2	68,267
Total shares		39,553,720	88,333,720		79,107

SHARE DISTRIBUTION AS OF 30 DECEMBER 2010

Number of shares	Number of shareholders	Proportion number of shareholders (%)	Number of shares	Proportion of number of shares (%)	Proportion of vote value (%)
1-500	8,888	77.4	1,425,253	3.6	1.6
501-1,000	1,360	11.8	1,191,377	3.0	1.4
1,001-2,000	534	4.7	882,144	2.2	1.0
2,001-5,000	362	3.1	1,260,998	3.2	1.4
5,001-10,000	116	1.0	889,981	2.2	1.0
10,001-20,000	73	0.6	1,056,853	2.7	1.2
20,001-50,000	54	0.5	1,771,328	4.5	2.0
50,001-100,000	28	0.2	1,974,815	5.0	2.2
100,001-500,000	52	0.5	11,683,571	29.5	13.2
500,001-1,000,000	10	0.1	6,910,938	17.5	28.9
>1,000,001	7	0.1	10,506,462	26.6	46.1
Total	11,484	100.0	39,553,720	100.0	100.0

FIVE-YEAR REVIEW

Amount in SEK millions unless otherwise stated	2010	2009	2008	2007	2006
INCOME STATEMENT					
Revenues	1,603.2	1,299.7	1,037.8	649.0	293.6
Gross profit (gaming surplus)	1,282.1	1,045.0	828.1	520.8	232.2
Operating income	380.6	316.9	276.6	189.9	18.9
Income before tax	382.5	318.9	280.7	192.7	17.8
Income after tax for continuing operations	365.7	303.3	267.3	179.4	32.0
Income from discontinued operations	-	-	-	11.5	30.5
Income after tax	365.7	303.3	267.3	190.9	62.5
– of which attributable to parent company shareholders	365.7	303.3	267.3	190.9	62.3
BALANCE SHEET					
Intangible noncurrent assets	450.2	464.2	441.7	402.2	403.4
Tangible fixed assets	25.7	17.2	18.5	12.3	10.6
Long-term receivables including deferred tax receivables	6.1	1.5	2.4	1.3	0.7
Short-term receivables	509.0	380.2	312.6	195.1	100.6
Current assets	497.1	529.1	373.2	232.7	77.2
Total assets	1,488.1	1,392.2	1,148.4	843.6	592.5
Equity	825.6	820.4	720.2	623.5	491.3
Interest-bearing long-term liabilities	-	-	-	-	-
Other long-term liabilities	4.2	4.5	4.3	0.2	0.9
Interest-bearing current liabilities	-	-	-	-	-
Other current liabilities	658.3	567.3	423.9	219.9	100.3
Total equity and liabilities	1,488.1	1,392.2	1,148.4	843.6	592.5
CASH FLOW					
Cash flow from operating activities	396.5	424.9	384.3	239.3	15.6
Cash flow from investment activities	-44.9	-58.5	-67.5	-36.8	-15.7
Cash flow from financing activities	-351.2	-200.3	-199.7	-37.9	-29.1
Total cash flow from continuing operations	0.4	166.1	117.1	164.6	-29.2
GROSS PROFIT BY GEOGRAPHICAL AREA					
Nordic countries	587.1	605.0	478.2	351.4	158.0
EU, outside Nordic region	153.4	139.7	97.2	66.3	28.8
Others Europe	533.9	295.9	250.4	89.3	34.1
Rest of the world	7.7	4.4	2.3	1.5	6.1
Others, adjustments	0.0	0.0	0.0	12.3	5.2
Total	1,282.1	1,045.0	828.1	520.8	232.2
GROSS PROFIT BY PRODUCT					
Casino	745.4	670.4	481.3	254.2	126.8
Poker	106.7	131.9	158.5	193.0	83.1
Sportsbook	367.7	206.6	159.0	56.8	14.6
Other products	62.3	36.1	29.3	4.5	2.5
Others, adjustments	0.0	0.0	0.0	12.3	5.2
Total	1,282.1	1,045.0	828.1	520.8	232.2
NUMBER OF CUSTOMERS					
Number of registered customers (in thousands)	3,158.2	2,117.8	1,499.9	996.2	543.6
Number of active customers (in thousands)	300.5	288.7	167.4	107.0	92.6

Amount in SEK millions unless otherwise stated	2010	2009	2008	2007	2006
PROFITABILITY AND FINANCIAL POSITION					
Gross margin (%)	80.0	80.4	79.8	80.2	79.1
EBITDA margin (%)	26.8	27.2	28.6	31.2	10.4
Operating margin (%)	23.7	24.4	26.7	29.3	6.4
Profit margin (%)	23.9	24.5	27.0	29.7	6.1
Return on equity (%)	44	39	40	32	7
Equity/assets ratio (%)	55	59	63	74	83
DEPOSITED AMOUNT					
Customer deposits (million)	3,894.1	3,258.0	2,279.7	1,346.6	748.8
INVESTMENTS					
Investments in continuing operations	44.9	58.5	67.8	36.1	18.0
PERSONNEL					
Average number of employees	268	225	154	106	71
Number of employees at year-end	282	258	185	136	95
SHARES					
Share capital	79.1	79.1	79.1	79.1	79.1
Number of shares outstanding at year-end	39,294,165	39,243,720	39,243,720	39,309,720	39,553,720
Ongoing share issue (number of shares) at year-end	100,000	-	-	-	-
Number of own shares at year-end	259,555	310,000	310,000	244,000	0
Average number of shares outstanding	39,245,400	39,243,720	39,256,835	39,472,002	39,088,161
Average number of shares outstanding after dilution	39,245,400	39,269,264	39,256,835	39,472,002	39,553,720
Number of registered shareholders	11,484	9,905	5,790	5,952	3,256
Average share price (SEK)	109.79	95.09	66.08	57.00	25.04
Share price at end of year (SEK)	117.00	109.75	68.50	83.25	21.80
Market Cap at end of year (million)	4,627.8	4,341.0	2,709.4	3 292.8	862.3
Earnings per share for continuing operations (SEK)	9.32	7.73	6.81	4.55	0.82
Earnings per share after dilution (SEK)	9.32	7.72	6.81	4.55	0.81
Equity per share (SEK)	20.96	20.91	18.34	15.85	12.41
Dividend or equivalent per share (SEK)	7.00 ¹	9.00 ¹	5.10 ¹	5.00 ¹	0.50

¹⁾ Dividend for 2010 refers to the proposed redemption programme and the dividends for 2007-2009 refer to executed redemption programmes.

CONSOLIDATED INCOME STATEMENT

Amount in thousand SEK unless otherwise stated	note	2010	2009
Revenues	3, 4	1,603,211	1,299,701
Other revenues	3, 4	2	13
Total		1,603,213	1,299,714
Operating expenses for gaming operations		-321,157	-254,679
Gross profit		1,282,056	1,045,035
Capitalised development costs		35,678	53,319
Marketing expenses		-527,647	-440,009
Other external expenses	5, 6	-160,104	-150,916
Personnel expenses	7	-179,607	-150,379
Depreciation	8	-49,709	-36,638
Other operating income	9, 10	9,850	21,407
Other operating expenses	9	-29,967	-24,919
Total		-901,506	-728,135
Operating income		380,550	316,900
NET FINANCIALS	11		
Financial income		1,928	2,166
Financial expenses		-41	-141
Total net financial items		1,887	2,025
Income before tax		382,437	318,925
Tax	12	-16,782	-15,666
INCOME FOR THE YEAR		365,655	303,259
Of which attributable to:			
– parent company shareholders		365,655	303,259
– minority interests		-	-
<i>Earnings per share</i>			
– before dilution (SEK)	13	9.32	7.73
– after dilution (SEK)	13	9.32	7.72
Proposed/actual dividend per share (SEK)	14	7.00 ¹	9.00 ¹

¹ Dividend for 2010 refers to proposed redemption programme and the dividend for 2009 refers to the executed redemption programme.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in thousand SEK unless otherwise stated	2010	2009
Income for the year	365,655	303,259
Other comprehensive income		
Revenues and expenses reported directly in equity		
Currency exchange rate differences when translating overseas operations	-10,243	-3,692
Other comprehensive income for the year (after tax)	-10,243	-3,692
Total comprehensive income for the year	355,412	299,567

CONSOLIDATED BALANCE SHEET

Amount in thousand SEK	note	2010	2009
ASSETS			
FIXED ASSETS			
Intangible noncurrent assets	15	450,166	464,184
Tangible fixed assets	16	25,650	17,193
Deferred tax receivables	12	6,146	1,536
Total fixed assets		481,962	482,913
CURRENT ASSETS			
Tax receivables	12	195,695	186,175
Other receivables	18	291,604	178,617
Prepaid expenses and accrued income	19	21,790	15,368
Cash and bank holdings		497,076	529,119
Total current assets		1,006,165	909,279
TOTAL ASSETS		1,488,127	1,392,192
EQUITY AND LIABILITIES			
EQUITY			
	20		
Share capital		79,107	79,107
Other contributed capital		245,774	236,914
Reserves		19,595	29,838
Retained earnings including annual income		481,162	474,582
Shareholders' equity attributable to parent company shareholders		825,638	820,441
Minority interests		-	-
Total equity		825,638	820,441
LONG-TERM LIABILITIES			
Deferred tax liabilities	12	4,165	4,508
Total long-term liabilities		4,165	4,508
CURRENT LIABILITIES			
Accounts payable		38,929	19,757
Tax liabilities	12	224,523	212,145
Other liabilities	22	293,922	223,908
Accruals and deferred income	23	100,950	111,433
Total current liabilities		658,324	567,243
TOTAL EQUITY AND LIABILITIES		1,488,127	1,392,192
<i>Pledged assets and contingent liabilities</i>			
Pledged assets	24	-	17,764
Contingent liabilities	25	None	None

CONSOLIDATED CASH FLOW STATEMENT

Amount in thousand SEK	2010	2009
OPERATING ACTIVITIES		
Income after financial items	382,437	318,925
Adjustments for items not included in cash flow:		
– Depreciation	49,709	36,638
– Capital gains/losses from divestments	756	754
– Equity related benefits	954	975
– Translation differences	22,178	6,482
Tax paid	-18,877	-7,868
Cash flow from operations before changes in working capital	437,157	355,906
<i>Changes in working capital</i>		
Changes in current receivables	-119,409	-48,617
Changes in current liabilities	78,703	117,619
Cash flow from operations	396,451	424,908
INVESTMENT ACTIVITIES		
Acquisition of intangible noncurrent assets	-27,581	-53,809
Acquisition of tangible fixed assets	-17,380	-4,721
Sale of fixed assets	56	-
Cash flow from investment activities	-44,905	-58,530
FINANCING ACTIVITIES		
Premium received for subscription options	1,360	-
Share redemption	-353,193	-200,143
Repaid dividend	3	3
Costs for redemption programme	-297	-247
Tax effects of costs for redemption programme	78	65
Share issue (exercise of subscription options)	7,500	-
Cash exercise of subscription options and share options	-6,620	-
Cash flow from financing activities	-351,169	-200,322
CHANGES IN CASH AND CASH EQUIVALENTS	377	166,056
Cash and cash equivalents opening balance	529,119	373,223
Exchange rate differences cash and cash equivalents	-32,420	-10,160
CASH AND CASH EQUIVALENTS AT YEAR END	497,076	529,119
<i>Additional information</i>		
Unutilised credit facilities amounted to	18,040	-
Interest paid during the year amounted to	-41	-141
Interest received during the year amounted to	1,845	3,022

CHANGES IN CONSOLIDATED EQUITY

Amount in thousand SEK	Share capital	Other contributed capital	Con- version reserve	Retained earnings including this year's	Total	Minorities	Total equity
OPENING EQUITY 1 JAN 2009	79,107	236,914	33,530	370,248	719,799	408	720,207
Total comprehensive income			-3,692	303,259	299,567		299,567
Total change in assets charged directly to equity, excluding transactions with the company's owners			-3,692	303,259	299,567		299,567
Share redemption	-39,554			-160,589	-200,143		-200,143
Bonus issue	39,554			-39,554	0		0
Transaction costs for redemption programme				-247	-247		-247
Tax effects of transaction costs for redemption programme				65	65		65
Share options, value of employee services				975	975		975
Acquisition of minority shares in subsidiary				408	408	-408	0
Repaid, non distributed dividends/other				17	17		17
CLOSING EQUITY 31 DEC 2009	79,107	236,914	29,838	474,852	820,441	0	820,441
Total comprehensive income			-10,243	365,655	355,412		355,412
Total change in assets charged directly to equity, excluding transactions with the company's owners			-10,243	365,655	355,412		355,412
Share redemption	-39,554			-313,639	-353,193		-353,193
Bonus issue	39,554			-39,554	0		0
Transaction costs for redemption programme				-297	-297		-297
Tax effects of transaction costs for redemption programme				78	78		78
Share options, value of employee services				954	954		954
Premiums received for subscription options		1,360			1,360		1,360
Ongoing share issue (exercise of subscription options)		7,500			7,500		7,500
Cash exercise of options				-6,620	-6,620		-6,620
Repaid, non distributed dividends/other				3	3		3
CLOSING EQUITY 31 DEC 2010	79,107	245,774	19,595	481,162	825,638	0	825,638

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand unless otherwise stated	note	2010	2009
Revenues	4	16,264	10,760
Other revenues	4	-	1
Total		16,264	10,761
OPERATING EXPENSES			
Other external expenses	5,6	-23,189	-15,634
Personnel expenses	7	-19,348	-14,072
Depreciation	8	-1,459	-808
Other operating income	9,10	10,575	21,407
Other operating expenses	9	-24,360	-12,905
Total		-57,781	-22,012
Operating income		-41,517	-11,251
FINANCIAL ITEMS			
Profit/loss from participations in group companies	11	360,552	298,177
Interest income and similar items		1,240	1,389
Interest expenses and similar items		-65	0
Total financial items		361,727	299,566
Income after financial items		320,210	288,315
Appropriations	21	-	-
Income before tax		320,210	288,315
Tax	12	8,863	710
INCOME FOR THE YEAR		329,073	289,025
Proposed/actual dividend per share (SEK)	14	7.00 ¹	9.00 ¹

1) Dividend for 2010 refers to proposed redemption programme and the dividend for 2009 refers to the executed redemption programme.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	note	2010	2009
ASSETS			
FIXED ASSETS			
<i>Tangible fixed assets</i>			
Inventory	16	5,954	2,870
Total tangible fixed assets		5,954	2,870
<i>Financial fixed assets</i>			
Participations in group companies	17	584,685	583,370
Deferred tax receivables	12	6,143	723
Total financial fixed assets		590,828	584,093
Total fixed assets		596,782	586,963
CURRENT ASSETS			
<i>Current receivables</i>			
Receivables from group companies		371,700	293,273
Tax receivable	12	465	748
Other receivables	18	15	1,830
Prepaid expenses and accrued income	19	2,230	980
Total current receivables		374,410	296,831
Cash and bank balances		282,961	393,866
Total current assets		657,371	690,697
TOTAL ASSETS		1,254,153	1,277,660
EQUITY AND LIABILITIES			
EQUITY			
<i>Restricted equity</i>			
Share capital		79,107	79,107
Paid up, unregistered share capital		200	-
Statutory reserve fund		253,279	253,279
Total committed equity		332,586	332,386
<i>Nonrestricted equity</i>			
Premium reserve		13,343	4,683
Retained earnings		410,687	468,664
Annual income		329,073	289,025
Total disposable equity		753,103	762,372
Total equity		1,085,689	1,094,758
Untaxed reserves	21	413	413
CURRENT LIABILITIES			
Accounts payable		3,555	1,065
Liabilities to group companies		151,839	177,590
Other liabilities	22	5,975	647
Accruals and deferred income	23	6,682	3,187
Total current liabilities		168,051	182,489
TOTAL EQUITY AND LIABILITIES		1,254,153	1,277,660
Pledged assets	24	None	None
Contingencies	25	None	60

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousand	2010	2009
OPERATING ACTIVITIES		
Income after financial items	320,210	288,315
Adjustment for items not included in cash flow:		
– Depreciation	1,459	808
– Write-downs of assets	499	-
– Losses on disposals of tangible fixed assets	763	-
– Other	36	3,071
Tax paid	3,726	6,664
Cash flow from operations before changes in working capital	326,693	298,858
Changes in working capital		
Changes in current receivables	-66,576	8,949
Changes in current liabilities	-14,438	142,066
Cash flow from operations	245,679	449,873
INVESTMENT ACTIVITIES		
Acquisition of tangible fixed assets	-5,307	-516
Acquisition of shares and shares of subsidiaries	-73	0
Cash flow from investment activities	-5,380	-516
FINANCING ACTIVITIES		
Share redemption	-353,193	-200,143
Costs for redemption programme	-297	-247
Tax effects of costs for redemption programme	78	65
Premiums received for subscription options	1,360	-
Share issue (exercise of subscription options)	7,500	-
Cash exercise of subscription options and share options	-6,620	-
Repaid dividend	3	3
Cash flow from financing activities	-351,169	-200,322
CHANGES IN CASH AND CASH EQUIVALENTS	-110,870	249,035
Cash and cash equivalents – opening balance	393,866	147,902
Exchange rate differences cash and cash equivalents	-35	-3,071
CASH AND CASH EQUIVALENTS AT YEAR END	282,961	393,866
<i>Additional information</i>		
Unutilised credits amounted to	-	-
Interest paid for the period amounted to	-9	0
Interest received for the period amounted to	1,121	2,081

CHANGES IN PARENT COMPANY EQUITY

Amounts in SEK thousand	RESTRICTED EQUITY			NONRESTRICTED EQUITY			Total equity
	Share capital	Share capital not registered	Statutory reserve fund	Premium reserve	Retained earnings	Annual income	
OPENING EQUITY 1 JAN 2009	79,107		253,279	4,683	268,827	393,345	999,241
Appropriation according to AGM					393,345	-393,345	0
– Share redemption	-39,554				-160,589		-200,143
– Bonus issue	39,554				-39,554		0
Transaction costs for redemption programme					-246		-246
Tax effects of transaction costs for redemption programme					65		65
Group contributions after tax					6,813		6,813
Annual income						289,025	289,025
Repaid, non distributed dividend					3		3
CLOSING EQUITY 31 DEC 2009	79,107		253,279	4,683	468,664	289,025	1,094,758
Appropriations according to AGM					289,025	-289,025	0
– Share redemption	-39,554				-313,639		-353,193
– Bonus issue	39,554				-39,554		0
Transaction costs for redemption programme					-297		-297
Tax effects of transaction costs for redemption programme					78		78
Group contributions after tax					11,285		11,285
Share issue (exercise of subscription options)		200		7,300			7,500
Cash exercise of subscription options and share options					-6,620		-6,620
Share options, value of employee services					1,742		1,742
Premiums received for subscription options				1,360			1,360
Annual income						329,073	329,073
Repaid, non distributed dividend					3		3
CLOSING EQUITY 31 DEC 2010	79,107	200	253,279	13,343	410,687	329,073	1,085,689

NOTES

NOTE 1 General information

Betsson AB (Parent company, Corporate ID Number 556090-4251) operates, through subsidiaries (collectively referred to as the group), gaming operations over the Internet. Operations are carried out by companies in Sweden, Malta, Gibraltar and England.

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

These consolidated accounts were approved by the Board for publication on April 13, 2011.

NOTE 2 Summary of the most important accounting- and valuation principles

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

Basis of preparation

Consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpreted by the International Financial Reporting Interpretations Committee (IFRIC) as they have been adopted by the EU Commission. Consolidated accounts are prepared in accordance with the Swedish Annual Accounts Act, the recommendations of the Council for Financial Reporting RFR 1 Supplementary Accounting Regulations for Groups. They have been prepared using the acquisition value method except as concerns financial assets and liabilities (including derivative instruments) which have been valued at their fair value via income statements.

The parent company has prepared its Annual Report according to the Swedish Annual Reports Act and RFR 2 Accounting for Legal Entities. RFR 2 implies that the parent company, in its Annual Report for the legal entity, will apply all EU-adopted IFRS statements, as far as is possible within the framework of the Annual Reports Act, taking into account the correlation between accounting and taxation. The differences in the Parent Company Income Statements compared with the consolidated accounts are mainly in the reporting of the income statement and the balance sheet which follow the format stipulated in the Swedish Annual Reports Act.

Changes in accounting principles and information

The following standards and amended standards are mandatory for the first time as regards the consolidated accounts for financial years beginning 1 January 2010 and have been applied by the group:

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with certain significant changes. For example, all payments in purchasing a business are recorded at fair value at acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value, or at the non-controlling interest's proportionate share of the acquirer's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies that when a parent company no longer has controlling interest, any remaining interest is to be re-measured at fair value and any gain or loss is to be recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

Standards, amendments and interpretations to existing standards that have been published and are mandatory, but are currently of no relevance for the group's accounting:

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

IFRIC 9 and IAS 39, Embedded derivatives (changed), effective 1 July 2009.

IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009.

IAS 38 (amendment), 'Intangible assets', effective 1 January 2010.

IAS 1 (amendment), 'Presentation of financial statements'.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010.

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'

New standards and amendments and interpretations of existing standards where changes have not yet entered into force and have not been applied in advance by the group:

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been adopted by the EU.

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for financial years beginning on or after 1 January 2011.

None of the new standards and interpretations of existing standards have had any significant impact on the group's income statements and financial position. Otherwise accounting policies are unchanged from the previous periods.

Applied basis of valuation and classification

The parent company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the parent company and for the group. All amounts are, unless otherwise indicated, rounded up/down to the nearest thousand.

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

Assets classified as current assets are expected to be sold or intended for sale or consumption during the company's normal operating cycle, if they are held primarily for trading purposes, or if they are expected to be realised within twelve months of closing date or if in the form of 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 closing day or if the company does not have an unconditional right to defer settlement of the liability for at least twelve months after closing day. All other liabilities are classified as long-term liabilities.

Assessments and estimates in financial reports

In order to prepare financial reports in accordance with IFRS, it is necessary that management undertake assessments and estimates, as well as make assumptions affecting the application of accounting principles and the reported amounts of assets, liabilities, revenues and costs. The actual outcome could differ from these estimates and assessments.

The areas involving a high degree of assessment, that are complex or such areas where assumptions and estimates are of great importance are primarily the assumptions on which write-down tests for goodwill and other intangible assets with indefinite economic lifetimes are based. See Note 15.

Bases for consolidation

Consolidated Income Statements encompass the parent company and companies in which the parent company, directly or indirectly, holds more than fifty percent of the votes or otherwise has a controlling interest.

Consolidated accounts have been prepared in accordance with the acquisition accounting method. This method implies that the parent company indirectly acquires all subsidiary company assets and assumes its liabilities. The difference between the share purchase price and the fair value at acquisition date of the acquired identifiable net assets 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 statements.

Revenues from subsidiary companies and costs as well as assets and liabilities, are included in the consolidated accounts from the date on which control

is assumed (acquisition date) and until the date of termination. Intra-group receivables and liabilities, and the transactions between group companies and their associated profits, are eliminated in full.

Reporting by segment

Operational segments are reported in a manner consistent with the internal reporting which is provided to the highest operative decision-making official in the company. This level is the function responsible for allocating resources and assessing operating segment earnings. In the group this function has been identified as the executive management team undertaking the strategic decisions.

Discontinued operations

A discontinued operation is part of the group that has been discontinued, divested or classified as held for sale. A discontinued operation consists of an independent business or a subsidiary company that had been acquired with the exclusive purpose of resale.

Foreign currency

Receivables and liabilities in foreign currency

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

Translation of foreign operations

Operations whose functional currency is other than Swedish kronor (SEK) are translated into SEK using the current method. Consequently all assets, provisions and other liabilities are translated at the closing day rate of exchange and income statement items are translated at the average exchange rate. Exchange rate differences arising from translation, translation differences, are entered directly against equity.

On the disposal of a foreign operation, the operations-related cumulative translation differences, after deduction for any hedging activities, are realised in the Consolidated Income Statement.

Revenues

Revenues from group gaming operations are reported as revenues. Marginal revenues generated by services sold are also included. Gaming transactions where the company's revenue consists of commission, rakeback, fixed percentage or similar are accounted for in accordance with IAS 18 Revenues, gaming revenues reported net after deduction of players' winnings, variable remuneration and loyalty programmes. This applies to Poker, Casino, Exchange, Scratch Cards, Bingo and Games.

Revenues concerning gaming transactions in which the company takes open positions against the player are reported net after deduction of players' winnings, variable remuneration, loyalty programmes and licensing fees and gaming taxes which are calculated according to the outcome of the game. Outstanding amounts are derivatives and are reported at fair value according to IAS 39 Financial Instruments. The revenue reported in this manner refers to Sportsbook and Trader (financialbetting).

That portion of revenue dedicated to customer bonus points in Betsson's loyalty programmes is recorded as revenue only when the customers actually use the points.

Revenue from services sold are reported exclusive VAT and discounts, and after elimination of sales within the group. Services sold include consultancy, rental and licence revenues. The majority relate to group internal sales from the parent company to subsidiary companies. External revenues from services sold are of marginal value only.

Other revenues

Other revenues include income from activities outside normal operations, primarily recovered written-off receivables, exchange rate gains from operations for the parent company, as well as profits on sales of assets.

Operating expenses for gaming operations

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

Gross profit

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

revenues. Betsson recognises these costs as operating expenses for gaming operations (except for Sportsbook and financial betting which are identified as financial instruments and reported net), but has also introduced the income level Gross profit in order to simplify comparison with other gaming companies.

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

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

Gross profit from group gaming operations consists of the net of received gaming bets and paid out winnings minus gaming taxes, licensing fees to games suppliers, net revenues and costs of payment services through banks and credit cards for deposits of bets and payment of winnings and costs for frauds (unapproved payment transactions).

Capitalised development costs

Capitalised development costs refer to the period's direct expenditures 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

These include external costs of production and distribution of marketing of Betsson and Betsson games in various media and the costs associated with cooperating partners and affiliates. Payments to partners and affiliates are volume-related and reflect the end customers' gaming transactions at Betsson.

Leasing

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

All of Betsson's current leasing contracts are classified as operational. The extent of leasing payments is shown in Note 5.

Equity-related benefits

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 own capital instruments (options) issued to the employees.

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

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

Pension expenses

Group payments concerning contribution pension plans are charged to income during the period in which the employee renders the services to which the contribution relates. Portions of commitments for retirement pensions and family pensions for salaried employees in the parent company in Sweden are secured through insurance cover with Alecta. According to a statement by the Council for Financial Reporting, UFR 3, this is a defined benefit plan covering several employers. For 2010 and 2009 the company has not had access to information that enables it to report this plan as a defined benefit plan. The ITP pension plan that is secured through insurance in Alecta is, consequently, reported as a defined contribution plan. The year's pension contributions covered by Alecta amounted to SEK 266 (213) thousand. Alecta's surplus can be distributed to policyholders and/or the insured. At the end of 2010, the

Alecta surplus in the form of collective consolidation level was 146 (141) per cent. The collective consolidation level consists of the value of Alecta assets in per cent of insurance undertakings calculated according to Alecta technical insurance assumptions, which do not comply with IAS 19.

Other operating income

In order to reduce exposure to currency exchange rate fluctuations, Betsson has entered into forward exchange contracts in order to secure portions of future cash flows. These derivatives are carried at fair value and any valuation changes are reported via the income statements, as with other operating revenues. Hedge accounting is not applied.

Other operating expenses

Expenses for secondary activities within ordinary operations concerning receivables and payables are reported as other operating expenses. These include, primarily, exchange rate losses on operations and losses from sales or depreciation of fixed assets or operations.

Taxes

Taxes in income statements consist of current tax and deferred tax. Current tax consists of tax to be paid or received during the year in question. This also includes the adjustment of current tax attributable to prior periods. Taxes are reported in the income statements, except when the tax relates to items reported directly in equity. Deferred tax is calculated using the balance sheet method based on temporary differences between the reported fiscal values of assets and liabilities by applying the tax rates and tax rules that have been enacted or, substantially, enacted as at closing day. Temporary differences are not taken into consideration in group goodwill, nor are the differences attributable to shares of subsidiaries and associated companies not expected to be taxed in the foreseeable future.

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

Financial assets and liabilities

Financial assets subject to IAS 39 Financial Instruments, reporting and valuation are to be classified in any of the following classes:

- Financial assets and liabilities reported at fair value through income statement
- Investments held to maturity
- Loans and accounts receivable
- Financial assets available for sale.

Financial instruments are initially recorded at acquisition value equivalent to the instrument's fair value plus transaction costs, except as regards the financial instruments measured at fair value in the income statement, where transaction costs are written off immediately. Subsequent treatment depends on how the financial instruments have been classified according to the definitions provided below.

Financial assets and liabilities reported at fair value via income statements

Financial assets and liabilities in the form of derivatives are recorded at fair value in the income statement where hedge accounting is not applied. The earnings effects for the games that are classified as derivatives are reported in revenues in the income statement, while other derivatives' earnings effect are reported as other operating revenues and other operating expenses.

Investments held to maturity

Consist of financial assets that have payment flows that are fixed, or that may be specified in advance, and with a fixed tenor regarding which the company has expressly stated that it intends to hold to maturity. Assets in this category are valued at amortised cost. Amortised cost is determined based on the effective annual rate of interest calculated at acquisition date. This implies that surplus and deficit values, as well direct transaction costs, are allocated over the investment's lifetime.

Loan receivables and accounts receivable

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

Financial assets available for sale

The category financial assets available for sale includes financial assets that are not classified in any other category or are financial assets that the company initially chose to classify in this category. Assets in this category are valued at fair value with any value change against equity. At the point in time at which the investments are removed from the balance sheet, previously reported accumulated profits or losses in equity are transferred to the income statement.

Other Financial liabilities

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

Intangible noncurrent assets

Goodwill and intangible noncurrent assets with indefinite useful lives

Goodwill and the Betsson brand are expected to have an indefinite useful lifetime and are not subject to annual depreciation. These assets are assessed annually to identify any possible necessary depreciation and are reported at acquisition cost less accumulated write-down and accumulated losses.

Development costs and other intangible noncurrent assets

Intangible noncurrent assets also include development costs and acquired assets in the form of other brands/domains and customer databases, etc. Expenses for development are capitalised as assets in the balance sheet to the extent they are expected to provide future financial benefits. Only expenses incurred in connection 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 made and the pre-conditions are in place to do so. The reported value includes costs for materials, services purchased, direct spending on salaries and indirect expenses which can be attributed to the asset in a reasonable and consistent manner. Development costs are included at acquisition value less accumulated depreciation and write-down losses.

Other intangible assets are reported in the balance sheet at acquisition value less accumulated depreciation and impairment losses. Valuation of intellectual property assets' ability to generate revenue is undertaken continuously in order to identify any write-down requirement needs.

Tangible fixed assets

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any write-down losses. Repairs and maintenance are charged to income as they occur.

Depreciation and impairments

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

The following useful lifetimes are applied:

Trademark, brand, domain name	indefinite or maximum of 5 years
The Betsson brand	indefinite, not amortised
Customer databases	2 years
Leaseholds	3-5 years
Capitalised development costs for games, gaming systems and gaming platforms are determined based on the nature of the asset and are	
- investments made up to and including 2008	maximum 5 years
- investments made from 2009	maximum 3 years
Office inventory	5 years
Servers and similar	5 years
Computers	5 years
Computers within technology and development	written off directly
Vehicles	3-5 years

The assessment of an asset's residual value and useful life is reviewed annually. If there are any indications that the tangible or intangible noncurrent assets of the group have an exceedingly high book value, an analysis is undertaken in which the specific type of assets or naturally coherent types of assets, is determined as either the net sales value or the value in use, whichever is the highest.

Value in use is measured as the expected future discounted cash flow. A write-down consists of the difference between the book value and the

recoverable amount. A write down is reversed when it is no longer justified. Such reversal is recorded at a maximum value, not to exceed the book value that would have been reported, with reduction for depreciation, if no write-down had taken place.

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

Accounts payable

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

Trade payables are initially reported at fair value and subsequently at amortised cost using the effective annual rate of interest method.

Cash and cash equivalents

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

Accounting policies for parent company

The parent company applies the same principles as the group, except that the parent company's accounts are prepared in accordance with RFR 2.2 Accounting for legal entities.

The difference between group and parent company accounting principles is justified by the constraints imposed by the Swedish Annual Report Act (ÅRL) on the application of IFRS in the parent company and the taxation regulations permitting different accounting for legal entities and for the group.

Group contributions and shareholders contributions

Group contributions and shareholders' contributions are reported in accordance with the statement from the Council for Financial Reporting (UFR 2). Shareholders' contributions are entered directly against equity by the recipient of the contribution and are capitalised as shares and participations by the provider of the contribution to the extent that no write-downs are necessary. Group contributions are reported according to their economic significance. This implies, for example, that group contributions provided or received in order to minimise total group tax are reported directly against retained profits, after deduction of the actual tax effect.

Group companies

Shares in group companies are reported in the parent company at acquisition value, less any write-downs.

Restricted and non-restricted equity

In the parent company balance sheet, equity is divided into restricted and unrestricted equity in accordance with the Annual Accounts Act.

Untaxed reserves and balance sheet appropriations

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

Definitions

Revenue. Revenues from the gaming business after payment/payout of players' winnings, the loyalty program and bonuses, as well as other operating revenue. Gaming taxes and license charges for game suppliers are also deducted from revenues for games recognised as financial instruments.

Gross Profit (gaming surplus). Revenue, as above, less gaming taxes, license fees for games suppliers, payments to suppliers and frauds (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 including deferred tax liabilities at the end and the beginning of the financial year divided by two.

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

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

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

Return on equity. Income after tax relative to average equity.

Profit margin. Income after financial items relative to revenue for the period.

Operating margin. Operating income relative to revenue for the period.

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

Cash liquidity. Current assets relative to current liabilities including proposed but not adopted dividends.

Interest coverage ratio (multiple). Income after financial items plus interest expenses relative 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 end of period.

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

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

Earnings per share after dilution. Income after tax adjusted for interest expenses after tax attributable to outstanding convertible bonds divided by the weighted average number of outstanding shares during the year adjusted for additional shares upon conversion and options with dilution effects.

Equity per share. Equity relative to the number of outstanding shares at the end of the period.

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

Number of (registered) shareholders. Number of shareholders registered in trust or in the register of shareholders kept by Euroclear Sweden AB (former VPC AB) (the Swedish Securities Register Centre) according to the shareholder/share register.

NOTE 3 Reporting per segment

Segment information

Operating segments are determined based on the information considered by the group executive management and are utilised in undertaking strategic decisions.

Group Management assesses operations in the first instance from a geographical perspective and secondly from a product perspective. Geographical assessments are carried out based on earnings from gaming operations in the Nordic countries, EU except the Nordic countries, in the rest of Europe and the rest of the world. Product-wise earnings from Casino, Sportsbook, Poker and Other Products are assessed.

All operating segments for which information is provided generate their revenue from gaming operations, except the segment "Other non allocated" which includes marginal, non-game related revenues.

Group management assesses operating segment earnings based on the measurement gross profit (gaming surplus). Gross profit from group gaming

operations consists of the net receipts of bets and payouts minus gaming taxes, license fees for games suppliers, net of revenues and costs for payment services through bank and credit cards for deposits of bets and payments of winnings plus costs for fraud (unapproved payment transactions). Management believes that the gaming surplus is adequate for the measurement of operations and in order to undertake strategic decisions, as gaming surplus both measures the success of the transactions with customers and the success of transactions with third parties, i.e. the success of Betsson's negotiations with game and payment services suppliers.

In addition to cases in which the revenue and expenses are specifically attributable to the operating segments described above, there are common costs related to all operating segments, which are found in the joint operating platform. These joint operating overhead costs, see consolidated income statement, are reported under the segment "Other non allocated" with revenues and expenses not arising from gaming operations.

Information on assets, liabilities and investments is based on the location of the company holding the assets. Product-wise, no allocation of assets, etc. is made, as all products are operated on a joint platform.

2010	Nordic countries	EU, non-Nordic countries	Rest of Europe	Rest of the world	Other, non allocated	Group
Revenues	704,832	190,734	699,520	8,125	2	1,603,213
Gross Profit (gaming surplus)	587,061	153,352	533,917	7,724	2	1,282,056
Gross margin (per cent)	83.3	80.4	76.3	95.1	-	80.0
Operating income	587,061	153,352	533,917	7,724	-901,506	380,550
Profit before tax						382,437
Profit after tax						365,655
Assets	181,977	1,312,737	332	526	0	1,495,572
Liabilities	36,889	631,323	1,365	357	0	669,934
Investments	15,401	29,560	0	0	0	44,961
Depreciation	3,530	46,170	0	9	0	49,709
Write-downs/disposals of fixed assets	763	0	0	0	0	763
2009	Nordic countries	EU, non-Nordic countries	Rest of Europe	Rest of the world	Other, non allocated	Group
Revenues	700,074	170,799	423,879	4,949	13	1,299,714
Gross profit (gaming surplus)	604,998	139,751	295,898	4,375	13	1,045,035
Gross margin (per cent)	86.4	81.8	69.8	88.4	-	80.4
Operating income	604,998	139,751	295,898	4,375	-728,122	316,900
Profit before tax						318,925
Profit after tax						303,259
Assets	242,704	1,147,718	335	1,435	0	1,392,192
Liabilities	18,400	550,554	469	2,328	0	571,751
Investments	963	57,567	0	0	0	58,530
Depreciation	2,181	34,415	0	42	0	36,638
Write-downs/disposals of fixed assets	0	754	0	0	0	754
GROSS PROFIT PER PRODUCT	Casino	Sportsbook	Poker	Other products	Other, non allocated	Group
2010	745,420	367,652	106,725	62,257	2	1,282,056
2009	670,423	206,591	131,876	36,132	13	1,045,035

NOTE 4 Revenues

	Group		Parent company	
	2010	2009	2010	2009
Revenues				
Gaming business	1,186,205	1,069,145	-	-
Gaming business, derivatives	417,006	230,556	-	-
Consultancy, management	-	-	2,784	2,736
Rental and office services	-	-	13,480	8,024
Total	1,603,211	1,299,701	16,264	10,760
Other revenues				
Bad debts recovered	-	1	-	1
Other	2	12	-	-
Total	2	13	-	1

NOTE 5 Leasing

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

	Group		Parent company	
	2010	2009	2010	2009
Expensed leasing and rental charges	10,681	7,492	6,399	3,887

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

	Group		Parent company	
	2010	2009	2010	2009
Within one year	9,822	7,477	7,848	6,040
Within two to five years	16,932	21,512	15,145	21,160
After five years	-	-	-	-
Total	26,754	28,989	22,993	27,200

NOTE 6 Auditors' fees

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

	Group		Parent company	
	2010	2009	2010	2009
Auditing assignments				
PricewaterhouseCoopers	1,518	1,592	235	235
Other auditing firms	-	139	-	-
Other assignments than the auditing assignments				
PricewaterhouseCoopers	115	115	115	115
Tax consultations				
PricewaterhouseCoopers	70	378	70	108
Other services				
PricewaterhouseCoopers	599	705	441	379
Other auditing firms	-	9	-	-
Total	2,302	2,938	861	837

Salaries, other remuneration and social security contributions

	2010				2009			
	Salaries and remuneration	Of which CEO, Board & executive positions	Social security contribution	Of which expenses for pensions	Salaries and remuneration	Of which CEO, Board & executive positions	Social security contributions	Of which expenses for pensions
Parent company								
Sweden	12,036	10,232	6,584	2,144	10,499	7,843	4,514	1,492
Subsidiary companies								
Sweden	36,632	1,727	15,849	3,291	35,297	1,165	14,257	3,568
Norway	1,833		350	71	2,054		396	88
Finland	569		-160		1,108		120	
England					230		27	
Malta	86,408	11,390	3,510		66,419	7,392	2,527	
Gibraltar	2,111	432	433		111		16	16
Malaysia	70		19	19	1,101		200	200
Total group	139,657	23,781	26,285	5,525	116,819	16,400	22,057	5,364

NOTE 7 Employees, salaries and fees

Average number of employees	2010		2009	
	Total	Of whom women, %	Total	Of whom women, %
Parent company				
Sweden	7	43	7	43
Total parent company	7	43	7	43
Subsidiaries				
Sweden	64	14	63	13
Norway	3	33	3	33
Finland	1	0	1	0
Malta	191	33	149	40
Gibraltar	2	0	-	-
Malaysia	0	0	2	50
Total subsidiaries	261	29	218	32
TOTAL GROUP	268	29	226	32

Proportion of women in executive management

	Group		Parent company	
	2010	2009	2010	2009
Board of Directors, (per cent)	17	17	17	17
Other executive positions, (per cent)	14	17	0	0

NOTE 7 Employees, salaries and fees (continuing)

Remuneration and other management benefits

	2010				2009			
	Basic salary/fees	Variable remuneration	Pension expenses	Equity related benefits	Basic salary/fees	Variable remuneration	Pension expenses	Equity related benefits
John Wattin, Chairman	925				748			
Per Hamberg	250				229			
Patrick Svensk	250				229			
Kicki Wallje-Lund	250				229			
Carl Lewenhaupt	250				229			
Lars Linder-Aronson	250				229			
Total Board fees including Chairman's fees	2,175	0	0	0	1,893	0	0	0
Board fees foreign subsidiaries	2,592	200	0	794	1,196			84
Pontus Lindwall, CEO	3,780	2,183	485	328	4,400	0	533	316
Other executives, 6 (5) individuals/positions	7,782	4,979	663	2,232	7,534	316	552	661
Total	16,419	7,362	1,148	3,354	15,023	316	983	1,061

Notes on above table:

Basic salary/fees refers to salary and other benefits including company car and fuel benefits. Variable compensation costs refers to bonuses which are based on achieved quarterly targets and which are paid out during the year in which they are earned and in the following year. The group has only defined contribution pension plans. Pension costs refers to the costs that have affected the year's earnings.

The Chairman and the board members have not received any remuneration other than Board fees.

The current management team is presented on page 13. Basic salary as above includes remunerations for consultancy services provided within the group.

Equity related benefits

During the fourth quarter of 2010 the incentive programmes 2008-2010 were exercised. CEO of Betsson AB subscribed 100,000 Class B shares at the price of SEK 75 per share. The other senior executives sold their options at market price and received cash payment or purchased shares for their profit from selling options. In total, SEK 2,336 thousand was paid out and 12,787 Class B shares were transferred to senior management. Company costs for the stock options are reported in the table above as share-based remuneration. SEK 4,284 thousand was paid out to other key employed option holders and 37,658 Class B shares were transferred.

In 2010 the company's EGM resolved on a new incentive programme for employees through the issuance of financial instruments in the form of stock options to employees. The programme is described in Note 27. Subscription options were allocated to personnel in Sweden while stock options were allocated to personnel employed outside Sweden.

CEO Betsson AB was allocated 90,000 subscription options. The other six senior executives were allocated a total of 100,000 subscription options and 185,000 stock options. Company costs for these are reported in the table above as share-based remuneration. Other key employees in the group subscribed to 169,800 subscription options and 191,000 stock options.

Decision-making and preparation process

The Chairman and members of the board are paid fees according to the resolution of the Annual General Meeting. There is no remuneration for committee work.

The 2010 Annual General Meeting Guidelines for Remuneration for Senior Executives

Senior executives are defined as the CEO and CFO of parent company, the CEO of Betsson Malta and other members of the executive management team. Remuneration is to be market level and competitive in order to attract and retain competent management employees. Remuneration will consist of fixed salary, when necessary variable compensation, as applicable, will include pensions and other benefits such as, in some cases, a company car.

Variable compensation that may be offered to senior executives is to be determined based on achievement of previously established group and individual targets concerning operating income and the company's financial

development as well as on the assessment of the executives' individual development. The normal retirement age is 65. Pension terms are to be market based and defined contribution pension plans.

Periods of notice are normally six to twelve months if the termination occurs on the initiative of company and normally six months if the termination takes place on the initiative of the executive. Upon termination from the company's side, the employee will be awarded severance pay in amounts of up to twelve months' salary. The Board may diverge from these guidelines in individual cases in special circumstances.

Bonuses

For the CEO/Group President the bonus for 2010 was SEK 2,183 (0) thousand. Bonus amounted to 61 (0) percent of basic salary.

For other senior executives bonuses for 2010 amounted to SEK 4,979 (316) thousand. The bonus amount for other senior executives represented an average of 63 (4) per cent of basic salary.

Pensions

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

Severance pay

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

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

Sick leave rates in Sweden

PROPORTION OF NORMAL WORKING HOURS, %	Group	
	2010	2009
Total absence due to illness	1.6	1.2
Proportion of sick leave that referring to absence of more than 60 consecutive days; long-term sick leave	0.0	0.0
Sick leave rate for men	1.6	1.2
Sick leave rate for women	1.4	1.6
Employees, 29 or younger	2.0	1.6
Employees, 30-49 years old	1.4	1.2
Employees, 50 or older	0.0	0.0

NOTE 8 Depreciation

Depreciation is allocated to the relevant activities as below:

	Group		Parent company	
	2010	2009	2010	2009
Gaming products, systems and platforms	40,009	30,004	-	-
Customer Databases	1,047	-	-	-
Rental contracts	543	543	-	-
Inventory and IT-equipment	8,110	6,091	1,459	808
Total	49,709	36,638	1,459	808

NOTE 9 Other operating income and other operating expenses

	Group		Parent company	
	2010	2009	2010	2008
Earnings from exchange rate forward agreements	9,850	21,407	10,575	21,407
Total other operating income	9,850	21,407	10,575	21,407
Write-down/disposal of fixed assets	763	754	763	-
Exchange rate differences	29,204	24,165	23,597	12,905
Total other operating expenses	29,967	24,919	24,360	12,905

NOTE 10 Forward Agreements

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

	Group		Parent company	
	2010	2009	2010	2009
Effects of outstanding contracts (in SEK thousand)				
Exchange rate forward agreements, USD	610	-	-	-
Exchange rate forward agreements, GBP	102	-	-	-
Total	712	-	-	-
Outstanding nominal amounts in local currencies				
Exchange rate forward agreements, USD	2,839,000	-	-	-
Exchange rate forward agreements, GBP	1,818,108	-	-	-

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

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

All outstanding exchange rate contracts are reported as other current liabilities, see Note 22. The income effect of the forward contracts is reported with operating expenses as earnings from exchange rate forward agreements, see Note 9 above.

NOTE 11 Net Financial Income, financial items

GROUP	2010	2009
Interest income	1,928	2,166
Net exchange rate changes	-	-
Financial income	1,928	2,166
Interest expenses	41	141
Financial expenses	41	141
TOTAL NET FINANCIAL INCOME	1,887	2,025
PARENT COMPANY	2010	2009
Dividends from subsidiaries	361,051	298,177
Write-down of shares in subsidiaries	-499	-
Total income from participation in group companies	360,552	298,177
Interest revenues, external	1,240	1,389
Exchange rate differences	-	-
Total interest income and similar items	1,240	1,389
Interest costs, internal	56	-
Interest costs, external	9	0
Total interest expenses and similar items	65	0
TOTAL FINANCIAL ITEMS	361,727	299,566

NOTE 12 Tax

Tax expenses in income statements

	Group		Parent company	
	2010	2009	2010	2009
Distribution between current and deferred tax				
Current tax	-24,804	-16,695	-506	-2,444
Deferred tax	8,022	1,029	9,369	3,154
Total	-16,782	-15,666	8,863	710

Tax expenses are distributed as follows:

	Group		Parent company	
	2010	2009	2010	2009
Current tax				
Sweden	-4,533	-2,431	-506	-2,444
Outside Sweden	-20,271	-14,264	-	-
Total current tax	-24,804	-16,695	-506	-2,444
Deferred tax				
Sweden	9,370	3,154	9,369	3,154
Outside Sweden	-1,348	-2,125	-	-
Total deferred tax	8,022	1,029	9,369	3,154
Difference between actual tax cost and tax costs based on current tax rates				
Reported income before tax	382,437	318,925	320,210	288,315
Tax according to current tax rate (26.3%)	-100,581	-83,877	-84,215	-75,827
Tax attributable to previous years	-523	-	-506	-
Difference in tax in foreign operations	85,096	69,137	-	-
Tax effect CFC taxation	-909	-804	-909	-804
Tax effect of items that are not deductible	-403	-133	-463	-64
Tax effect of Items not liable to tax	538	11	94,956	77,405
Reported tax expense	-16,782	-15,666	8,863	710
Specification of deferred tax				
Changed tax on temporary differences	9,370	3,154	9,369	3,154
Tax on appropriations	-1,348	-2,125	-	-
Reported deferred tax expense	8,022	1,029	9,369	3,154

Taxes in Balance Sheets

	Group		Parent company	
	2010	2009	2010	2009
Long-term receivables				
Deferred tax on temporary differences	6,146	1,536	6,143	723
Current receivables				
Tax receivables	195,695	186,175	465	748
Long-term liabilities				
Deferred tax on untaxed reserves	214	214	-	-
Deferred tax on temporary differences	3,951	4,294	-	-
Total	4,165	4,508	-	-
Current liabilities				
Tax liabilities	224,523	212,145	-	-

NOTE 13 Earnings per share

GROUP	2010	2009
Income after tax attributable to parent company shareholders	365,655	303,259
Average number of shares		
Average total number of shares	39,553,720	39,553,720
Reduced by average number of repurchased own shares	-308,320	-310,000
Average number of outstanding shares before dilution	39,245,400	39,243,720
Employee stock options	0	25,544
Average number of outstanding shares after dilution	39,245,400	39,269,264
Earnings per share		
– before dilution (SEK)	9.32	7.73
– after dilution (SEK)	9.32	7.72

Please refer to Note 2, Definitions, for calculation method.
Average share price 2010 (2009): SEK 109.79 (95.09).

NOTE 14 Dividend per share

For 2009 and 2010, Betsson has chosen to execute an automatic share redemption programme, instead of a traditional share dividend. The transfer to shareholders who were paid in this manner in 2010 and 2009 amounted to SEK 353,193 thousand (9.00 per share) and SEK 200,143 thousand (5.10 per share). A share redemption programme will be proposed for 2010 at the Annual General Meeting on May 12, 2011, for SEK 7.00 kronor a share – a total of SEK 275,759 thousand. The proposed transfer to shareholders has not been reported as a liability in these financial reports.

NOTE 15 Intangible noncurrent assets

GROUP	Gaming products, systems & platforms	Brand "Betsson"	Brand Other	Customer databases	Lease/rental contracts acquired	Goodwill	Total
Accumulated acquisition value							
Opening balance 1 Jan 2009	114,538	77,261	0	9,089	1,900	320,682	523,470
Assets developed in-house	51,972	-	-	-	-	-	51,972
Investments	-	-	5,176	-	-	-	5,176
Assets disposed of	-1,269	-	-	-	-	-	-1,269
Currency exchange rate changes	-5,769	-	-	-	-	-	-5,769
Balance carried over 31 Dec 2009	159,472	77,261	5,176	9,089	1,900	320,682	573,580
Assets developed in-house	35,678	-	-	-	-	-	35,678
Investments	-	-	360	2,964	-	-	3,324
Currency exchange rate changes	-22,855	1,507	-676	-	-	-	-22,024
Closing balance 31 Dec 2010	172,295	78,768	4,860	12,053	1,900	320,682	590,558
Accumulated depreciation and write-downs							
Opening balance 1 Jan 2009	36,025	0	0	9,089	407	36,273	81,794
The year's depreciation	30,004	-	-	-	543	-	30,547
Assets disposed of	-515	-	-	-	-	-	-515
Currency exchange rate changes	-2,430	-	-	-	-	-	-2,430
Closing balance 31 Dec 2009	63,084	0	0	9,089	950	36,273	109,396
The year's depreciation	40,009	-	-	1,047	543	-	41,599
Currency exchange rate changes	-10,544	-	-	-59	-	-	-10,603
Closing balance 31 Dec 2010	92,549	0	0	10,077	1,493	36,273	140,392
Book value							
As per 1 Jan 2009	78,513	77,261	-	0	1,493	284,409	441,676
As per 31 Dec 2009	96,388	77,261	5,176	0	950	284,409	464,184
As per 31 Dec 2010	79,746	78,768	4,860	1,976	407	284,409	450,166

Impairment testing of goodwill and brands with indefinite useful lifetimes

Group goodwill and the Betsson brand derives from the acquisition of Betsson at the beginning of 2005. Both of these assets, which together have a reported value of SEK 363.2 (361.7) million, are owned by the cash-generating unit at point of acquisition, Betsson Online. After the company had distributed the Cherry companies and Net Entertainment to shareholders in 2006 and in 2007, there remains only one cash-generating unit in the group.

As these assets had not depreciated, an impairment test was carried out in February 2007 (in conjunction with the annual accounts for 2006) by calculating the recoverable value based on the assets' value in use. This test showed that the recoverable amount significantly exceeded the carrying value.

Since the most recent calculation of the recoverable amount, no events have occurred which could have a negative impact on the estimated recoverable amount. The assets and liabilities constituting the unit have not changed in any significant manner. It is, therefore, unlikely that a new estimate of the recoverable amount would prove to be less than the carrying value.

The recoverable amount as calculated in February 2007 was based on cash flow projections based on earnings from operations up to and including 2006 and on a five-year forecast which was based on a business plan for the same period and a budget for 2007. Cash flow for the years following 2011 was extrapolated to an annual growth rate of around 3 per cent, representing an assumed average future pace of inflation. The growth rate in the first five years is expected to be higher than industry as operations are relative operations with opportunities for continued strong growth. The projected cash flow was discounted by 16 per cent before tax. The most important assumptions in the five-year forecast and the methods used to estimate values are as follows:

IMPORTANT VARIABLES

Sales

Methods for estimating values

A forecast based on current marketing plans is updated annually reflecting actual results. The forecast is based on past experience and external information sources.

Operating margin

The operating margin is largely dependent on the implemented marketing investments. The amounts are determined in annual budgets for the unit. The forecast is based on past experience and external information sources.

The actual outcomes of 2010, 2009, 2008 and 2007 operations in Betsson Online are much higher than the assumptions on which the 2006 estimated recoverable amount is based. Budgets for 2011 and assumptions concerning other important variables in the calculation also affect the value positively.

Consequently, it is anticipated that there is no need for impairment write-downs of goodwill and brands with indefinite useful lifetime.

NOTE 16 Tangible fixed assets

Inventory, servers, hardware etc.

	Group	Parent company
Accumulated acquisition value		
Opening balance 1 Jan 2009	27,054	3,965
Investments	2,941	517
Currency exchange rate changes	1,307	-
Closing balance 31 Dec 2009	31,032	4,482
Investments	18,828	5,306
Disposals	-1,635	-1,512
Currency exchange rate changes	-3,132	-
Closing balance 31 Dec 2010	45,363	8,276
Accumulated depreciation and write-downs		
Opening balance 1 Jan 2009	8,491	804
The year's depreciation	6,091	808
Currency exchange rate changes	-473	-
Closing balance 31 Dec 2009	14,109	1,612
The year's depreciation	8,110	1,459
Disposals	-823	-749
Currency exchange rate changes	-1,683	-
Closing balance 31 Dec 2010	19,713	2,322
Book value		
As per 1 Jan 2009	18,563	3,161
As per 31 Dec 2009	17,193	2,870
As per 31 Dec 2010	25,650	5,954

NOTE 17 Participations in group companies

Company	Corporate ID Number	Registered offices	Participation (percent)	Participation (number)	Parent company	
					2010	2009
Betsson Technologies AB	556651-8261	Stockholm	100	1,000	107	107
Betsson PR & Media AB	556118-8870	Stockholm	100	18,000	5,577	5,577
Shopsson AB	556750-4930	Stockholm	100	1,000	100	100
Shopsson S.B. AB	556824-7141	Stockholm	100	500	50	-
Betsson Malta Holding Ltd		Malta	100	10,000	571,519	569,777
– Betsson Malta Ltd		Malta	100	-	-	-
– Clearpay Ltd		Malta	100	-	-	-
– Betsson Services Ltd		Malta	100	-	-	-
– Betsson Platform Solutions Ltd		Malta	100	-	-	-
Betsson Ltd (liquidation in progress)		England	100	100	2	2
The Open Exchange Ltd (liquidation in progress)		England	100	100	1	1
Betsson PR & Media Ltd (liquidation in progress)		England	100	1	0	0
BIA Communications SDN BHD (liquidation in progress)		Malaysia	100	250,000	0	499
BSG Limited		Gibraltar	100	2,000	23	0
Intact Technology Stockholm AB	556561-4814	Stockholm	100	1,000	901	901
Cherry International AB	556561-8575	Stockholm	100	8 000	890	890
Great Pike Investments AB	556205-2307	Stockholm	100	6 000	812	812
First Casino AB	556443-0527	Uppsala	100	1 000	1,000	1,000
Cherry Maritime Service Väst AB	556206-3403	Stockholm	100	10,000	2,642	2,642
Cherry Leisure AB	556169-9843	Solna	100	2,500	290	290
AB Restaurang Rouletter	556133-3153	Solna	100	1,000	131	131
Svenska Casino AB	556560-6869	Solna	100	1,000	100	100
Casinoinvest i Sverige AB	556444-6119	Solna	100	5,000	541	541
Total					584,686	583,370

NOTE 17 Participations in group companies (continuing)

Changes in participations in group companies

	2010	2009
Opening acquisition value	583,370	583,370
Investment share capital in start-ups	73	0
Write down of shares in dormant subsidiaries	-499	-
Share holder contributions	1,742	-
Closing book value	584,686	583,370

NOTE 18 Long-term receivables and other receivables

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

Other receivables that are current assets

	Group		Parent company	
	2010	2009	2010	2009
At year end				
Tax accounts	2	45	-	45
Receivables from payment system suppliers	264,559	157,703	-	-
Deposits at payment system suppliers and other deposits	3,760	7,643	-	1,358
Value Added Tax	22,662	12,583	-	418
Other	621	643	15	9
Total	291,604	178,617	15	1,830

Receivables from payment service providers refer to receivables relating to banks and other credit institutions who are credit providers (issuers of credit cards or similar) for Betsson customers. The risk of bad debts here refers to the individual players not being able to cover their purchases. Betsson has not allocated reserves for possible losses in outstanding receivables. Betsson's assessment, based on historical losses, is that credit losses in outstanding receivables are marginal compared to group earnings. During the year, written off bad debts related to credit card sales amounted to SEK 7 (12) million, corresponding to 0.5 (0.9) per cent of total group revenue.

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

NOTE 19 Prepaid expenses and accrued income

	Group		Parent company	
	2010	2009	2010	2009
Rental expenses	3,627	1,565	1,813	736
Production costs	251	289	-	-
Marketing partners	6,015	9,329	-	-
License costs	2,153	-	-	-
Consultants	3,951	3,293	-	-
IT-equipment	2,802	-	-	-
Travel costs	1,202	-	-	-
Interest	164	80	164	46
Other prepaid expenses	1,625	812	253	198
Total	21,790	15,368	2,230	980

NOTE 20 Equity

Composition of share capital

	2010		2009	
	Number of shares	Share capital	Number of shares	Share capital
PARENT COMPANY				
Shares, Class A (10 votes)	5,420,000	10,840	5,420,000	10,840
Shares, Class B (1 vote)	34,133,720	68,267	34,133,720	68,267
Total shares	39,553,720	79,107	39,553,720	79,107

At the end of the year, 100,000 Class B newly issued shares, (referring to the redemption of subscription options 2008-2010) had been paid for but not registered with the Swedish Companies Registration Office. These are not included in the above table. The parent company has, during the period 2007-2008, repurchased its own Class B shares. Portions of these holdings have been utilised in executing the employee stock options during 2010. At year-end, the company's own holdings amounted to 259,555 (310,000) Class B shares.

The quotient value of the share is SEK 2. Both Class A and Class B shares entitle the same right to the company's assets and earnings. The specification of equity into group and parent company appears in Note 2. Reserves are shown in the summary of changes in group equity.

NOTE 21 Untaxed reserves, appropriations

PARENT COMPANY	2010	2009
Balance sheet		
Accumulated excess depreciation	413	413
Total untaxed reserves	413	413
Deferred tax in untaxed reserves are included to the sum of	409	109
Income statements		
Difference between book depreciations and depreciation according to plan	-	-
Total balance sheet allocations	0	0

NOTE 22 Other liabilities

OTHER CURRENT LIABILITIES	Group		Parent company	
	2010	2009	2010	2009
Employees' tax	4,462	1,698	1,141	377
Social security contributions	1,749	1,425	752	270
Liabilities to personnel	4,747	-	4,045	-
Marketing partners	137,994	79,906	-	-
Gaming tax	6,623	350	-	-
Licences	14,207	19,587	-	-
VAT	645	279	37	-
Players' accounts	120,189	120,663	-	-
Other	3,296	-	-	-
Total	293,922	223,908	5,975	647

NOTE 23 Accrued expensed and deferred income

	Group		Parent company	
	2010	2009	2010	2009
Holiday pay liabilities	5,543	6,204	872	780
Social security contributions	3,756	2,759	977	583
Salaries	7,331	2,671	1,961	-
Reserves jackpot	63,161	82,916	-	-
Marketing costs	7,846	1,985	-	-
Consultancy costs	6,150	6,553	2,752	1,694
Emission rights	120	130	120	130
Other	7,043	8,215	-	-
Total	100,950	111,433	6,682	3,187

NOTE 24 Pledged assets concerning own liabilities

	Group		Parent company	
	2010	2009	2010	2009
Bank balance	-	17,764	-	-
Total	-	17,764	-	-
Chattel mortgages in the company's own custody	35,600	35,600	35,600	35,600

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

NOTE 25 Contingencies

	Group		Parent company	
	2010	2009	2010	2009
Guarantee commitment for subsidiary	-	-	-	60
Total	-	-	-	60

NOTE 26 Related party relationships

The parent company has a close relationship with its subsidiary companies, see Note 16.

Services sold between parent company and subsidiary company mainly refer to accounting, information technology and management services, as well as rental and office expenses.

The Betsson group rents seven (three) apartments from Solporten Fastighets AB, in which CEO Pontus Lindwall and Board member Per Hamberg are shareholders/ Board members. In 2010 purchases amounted to SEK 392 (142) thousand.

Betsson Malta and Betsson AB purchases legal services from WH Law, where Board member in Betsson Malta, Dr. Olga Finkel, is a Managing Partner. Purchases in 2010 amounted to SEK 959 (1,463) thousand.

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

Board member Per Hamberg has a large ownership influence in Betsson AB. For information on the Board's holdings in the company please refer to pages 11-12. For remuneration paid to Board members and senior executives, please refer to Note 7.

Transactions with related parties

PARENT COMPANY	2010	2009
Purchase of services from related parties		
Purchases from subsidiaries	960	480
Purchases from other related parties	259	142
Sale of services to related parties		
Sales to subsidiaries	16,264	10,760
Financial dealings with related parties		
Dividend from subsidiaries	361,051	298,177
Interest costs to subsidiary	56	-
Liabilities to related parties		
Liabilities to subsidiaries	151,839	177,590
Receivables from related parties		
Receivables from subsidiaries	371,700	293,373

NOTE 27 Financial instruments

	Items recognised at fair value via income statement – derivatives	Loan receivables & accounts receivables	Other financial liabilities	Total recognised value	Fair value	Non financial assets & liabilities	Total Balance Sheet
Group 2010							
Other long-term receivables							
Accounts receivable							
Other receivables		268,942		268,942	268,942	22,662	291,604
Cash and bank balances		497,076		497,076	497,076		497,076
Total financial assets	-	766,018	-	766,018	766,018	22,662	788,680
Accounts payable							
Other liabilities	4,419		38,929	38,929	38,929		38,929
Total financial liabilities	4,419	-	154,699	159,118	159,118	173,733	332,851
Group 2009							
Other long-term receivables							
Accounts receivable							
Other receivables		166,034		166,034	166,034	12,583	178,617
Cash and bank		529,119		529,119	529,119		529,119
Total financial assets	-	695,153	-	695,153	695,153	12,583	707,736
Accounts payable							
Other liabilities	2,589		19,757	19,757	19,757		19,757
Total financial liabilities	2,589	-	140,420	143,009	143,009	100,656	223,908
Total financial liabilities	2,589	-	140,420	143,009	143,009	100,656	243,665
Parent company 2010							
Other long-term receivables							
Accounts receivable							
Receivables from group companies		371,700		371,700	371,700		371,700
Other receivables		15		15	15		15
Cash and bank		282,961		282,961	282,961		282,961
Total financial assets	-	654,676	-	654,676	654,676	-	654,676
Accounts payable							
Liabilities to group companies			3,555	3,555	3,555		3,555
Other liabilities			151,839	151,839	151,839	5,975	151,839
Total financial liabilities	-	-	155,394	155,394	155,394	5,975	161,369
Parent company 2009							
Other long-term receivables							
Accounts receivable							
Receivables from group companies		293,273		293,273	293,273		293,273
Other receivables		1,412		1,412	1,412	418	1,830
Cash and bank balances		393,866		393,866	393,866		393,866
Total financial assets	-	688,551	-	688,551	688,551	418	688,969
Accounts payable							
Liabilities to group companies			1,065	1,065	1,065		1,065
Other liabilities			177,590	177,590	177,590	647	177,590
Total financial liabilities	-	-	178,655	178,655	178,655	647	179,302

Fair value

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

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

NOTE 28 Share-based remuneration

Betsson's incentive programmes for senior executives and other key personnel were adopted at the EGM held on 21 November 2008 and at the EGM held on 23 August 2010.

Programme 2008-2010

The programmes were exercised during the last quarter of 2010. In total, 260,000 subscription options were exercised. 100,000 were used to subscribe for 100,000 new Class B shares at strike-price of SEK 75.00. The remaining 160,000 subscription options were repurchased by Betsson AB at market value, which resulted in a pay out of SEK 5,778 thousand.

In addition to this, a total of 263,544 stock options were exercised as Betsson AB repurchased the stock options at market value and used the gain to buy Class B shares for the employees (by transfer of the company's own shares at market price). In total, 50,445 Class B shares were transferred to the stock option holders and SEK 842 thousand was paid out in cash (regarding withheld tax on fringe benefits in Malta).

Programme 2010-2012

One programme was aimed at employees in Sweden and involved the issuance of subscription options. The personnel were offered options at the market rate established, as per the last day for subscription, at SEK 3.78 per warrant. When the offer expired, 260 000 options had been subscribed. In 2010, this resulted in an addition to equity of SEK 1,360 thousand. Each warrant entitles the holder to, during the period from the day after publication of the company's quarterly report for the third quarter of 2012 and no later than 1 December 2012 up to and including 31 December 2012, subscribe for a new Class B share in Betsson AB at a rate of SEK 113.40 per share.

The second programme was aimed at employees in countries other than Sweden. In order to participate in this programme it was required that participants invested in Betsson shares. These shares could have been held previously or acquired on the market in connection to the notification of participation in the programme. The participants then received a free allocation of stock options. Provided that the participant was still employed by the group upon the exercise of options, and that the holders had maintained their initial investment in Betsson shares, each stock option entitled the employee to acquire a Betsson Class B share at a price fixed at SEK 113.40 per share. At the expiry of the offer, 376,000 options had been subscribed.

The fair value of the options and assumptions that formed the basis of the calculations is as follows;

	Subscription options	Stock options
Day of issue	27 Aug 2010	27 Aug 2010
Average share price on day of issue (SEK)	94.53	94.53
Last subscription date	31 Dec 2012	31 Dec 2012
Anticipated duration (months)	27	27
Vesting date	1 Dec 2012	1 Dec 2012
Vesting period (months)	27	27
Strike price (SEK)	113.40	113.40
Risk free interest (per cent)	1.30	1.30
Anticipated volatility (per cent)	27.20	27.20
Number of options issued	359,800	376,000
Value according to Black & Scholes	3.78	3.78
Expected number of utilised options according to assessment on 31 Dec 2010	359,800	333,700

If subscription options are fully subscribed, the parent company's equity will increase by a maximum of SEK 40.8 million and the number of shares will increase by 359,800 Class B shares with an total quotient value amounting to SEK 0.7 million.

If the stock options are fully subscribed according to the above expectations, the parent company's equity will be increased by a maximum of SEK 37.8 million of which the number of shares will increase by 333,700 B shares with an total par value amounting to SEK 0.7 million.

NOTE 29 Financial risks

Group financial operations are conducted according to a financial policy adopted by the Board which is characterised by goal of minimising group risk levels.

Financial operations and financial risk management are coordinated through the parent company Betsson AB, which is also responsible for investment of surplus liquidity. Financing of the subsidiary companies 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 boards after coordination with the parent company.

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

Currency risks

Group earnings are exposed to exchange rate changes when sales are partly in currencies other than those of the costs (transaction exposure). Betsson has, from 2009, used financial hedging instruments with the aim of offsetting this exposure.

Earnings are also affected by exchange rate changes when foreign subsidiaries' earnings are converted into SEK (translation exposure). In addition, group equity is affected by foreign exchange rate changes when assets and liabilities in foreign subsidiary companies are translated to SEK (translation exposure).

Given the complexity of Betsson's transaction flow, no sensitivity analysis is given of, for example, the relationship SEK/EUR, as this does not provide a true picture.

Refinancing risk, liquidity risk and capital management

Group operations are financed through company resources. The foreign subsidiary companies will be financed mainly through equity, and, if necessary, internal loans from parent company.

Betsson's goal has traditionally been to have a low level of debt with an equity ratio of at least 40 per cent. Group tangible fixed assets consist primarily of IT hard-ware and inventory. It has been determined that future investments in tangible fixed assets will be primarily financed by internally-generated funds or rental solutions. It has also been determined that the necessity of external financing may occur in connection with the expansion of Betsson's operations and for the possibility of larger company acquisitions.

The primary aim is acquisition through cash payment and/or the issuance of treasury shares.

Interest rate risk

Group revenue and cash flow from operations is essentially independent of the changes to market interest rates. Group surplus funds are placed in banks for the short term, and the group currently has no external loans. In the current situation, there is no substantive risk in regards to changes to external interest rates.

Counterpart risk and credit risk

Group financial transactions give rise to credit risks as regards financial counterparts. Betsson has no significant concentration of credit risk.

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

NOTE 30 Significant events after closing date

In line with the B2B-strategy, Betsson has entered an agreement with the objective of initiating a Joint Venture in Italy.

Betsson has entered an agreement with a Chinese state-owned company with the objective of establishing operations in China.

During the first quarter of 2011, a complete gaming portal was launched on behalf of Realm Entertainment. This gaming portal includes a complete supply of games which are, technically and commercially, offered to third parties.

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

PROPOSED ALLOCATION OF PROFITS

The parent company provides the following profits to place at the disposal of the Annual General Meeting:

Amount in SEK	
Net income for 2010	329,072,889
Retained earnings and non-restricted reserves	424,030,075
	<hr/>
	753,102,964

The Board and CEO propose that the entire amount, SEK 753,102,964 be carried forward.

Transfers to share owners

The Board proposes to the Annual General Meeting that the amount of SEK 275,759 thousand be transferred to shareholders. No transfer will be made for the 259,555 shares repurchased by the company. Reversal is proposed

via a share split 2 for 1 with mandatory redemption of the second share at a price of SEK 7.00 per share. After the implementation of the proposed appropriation of profits and the redemption programme, earnings brought forward including unrestricted reserves and total equity of the parent company Betsson AB will amount to SEK 477,344 thousand and SEK 809,930 thousand, respectively.

The Annual Report and Consolidated financial statements for Betsson AB (publ) for 2010 have been approved for publication in accordance with the Board's resolution on 13 April 2011. It is proposed that the Annual Report and the consolidated financial statements be adopted by the Annual General Meeting on 12 May 2011.

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

Stockholm, 13 April 2011

John Wattin
CHAIRMAN

Per Hamberg
BOARD MEMBER

Lars Linder-Aronson
BOARD MEMBER

Patrick Svensk
BOARD MEMBER

Kicki Wallje-Lund
BOARD MEMBER

Carl Lewenhaupt
BOARD MEMBER

Pontus Lindwall
CEO

Our Auditors' Report has been submitted on 13 April 2011
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant
Chief Auditor

AUDIT REPORT

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Betsson AB (publ) for the year 2010. The company's annual accounts and the consolidated accounts are included in the printed version on pages 4-10 and pages 18-42. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any

other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. A Corporate Governance Report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 13 April 2011
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant
Chief Auditor

ANNUAL GENERAL MEETING AND OTHER INFORMATION

ANNUAL GENERAL MEETING

Betsson AB (publ) Annual General Meeting will be held on Thursday, 12 May 2011 at 10 a.m. at company headquarters at Regeringsgatan 28 in Stockholm, Sweden.

Shareholders wishing to attend the AGM must be

- registered in the Euroclear Sweden AB (formerly VPC) share book by Friday, 6 May 2011.
- notify their intention to participate in the AGM by Friday, 6 May 2011 by noon at the latest.

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

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

Shareholders whose shares are managed through nominee shareholders must, in order to be entitled to participate in the Annual General Meeting, temporarily register their shares in their own names at Euroclear Sweden. Shareholders who wish to re-register must notify their nominee well in advance of Friday 6 May 2011.

OTHER INFORMATION

Betsson intends to publish financial information relating 2011 as follows;

Quarterly Report Q1, Interim Report January-March 2011	28 April 2011
Quarterly Report Q2, Interim Report January-June 2011	26 July 2011
Quarterly Report Q3, Interim Report January-September 2011	28 October 2011
Quarterly Report Q4 Full Year Report January-December 2011	10 February 2012

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