

ANNUAL REPORT 2007

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INVITATION TO THE ANNUAL GENERAL MEETING

The annual general meeting of Betsson AB (publ) will be held at 3 pm on Monday 12 May 2008 in the lecture rooms of Delphi Attorneys at Regeringsgatan 30-32, SE-111 53 Stockholm. Shareholders wishing to attend the annual general meeting must be registered in the share register kept by the Swedish Securities Center Register, VPC AB, by Tuesday 6 May 2008 and notify their intention to attend the meeting at the latest by 12 noon on Friday 9 May 2008. Notification of participation in the annual general meeting must be submitted in writing to the corporate address at Regeringsgatan 30-32, SE-111 53 Stockholm, Sweden, or by phoning +46 (0)8 506 403 00, or by fax to +46 (0)8 735 57 44, or via email to info@betsson.se. Submit your name, social security number/corporate registration number, address, phone number, share holding and the number of assistants (maximum of two) along with the notification. If you are attending by proxy the letter of attorney must be submitted with the notification to attend the annual general meeting. Shareholders who have registered their shares in trust must temporarily register the shares in their own name to be entitled to attend. Shareholders wishing to reregister share in this manner must inform their trustees in good time before Tuesday 6 May 2008.

FINANCIAL INFORMATION 2008

Quarterly report Q1
January-March 2008
29 April 2008

Quarterly report Q2
January-June 2008
1 August 2008

Quarterly report Q3
January-September 2008
31 October 2008

If you would like to read Betsson's reports and press releases, please visit www.betsson.se to download them.

EVENTS WITHIN THE BETSSON GROUP 2007:

121 PER CENT GROWTH AND ALMOST A MILLION CUSTOMERS

Record 121 per cent growth and a customer register approaching the million mark are just two of the many events which Betsson experienced in 2007.

- ★ Betsson distributed the gaming development company Net Entertainment to the shareholders.
- ★ Betsson was upgraded from the Small Cap to the Mid Cap of the OMX Nordic Exchange.
- ★ There were 996,000 registered customers by the end of the year. This corresponds to an 83 per cent increase compared with the previous year.
- ★ The number of active customers increased and reached 107,000 by the end of the year.
- ★ Group revenues increased by 121 per cent compared with the previous year. As a result, Betsson has grown by more than 300 per cent since 2005.
- ★ Betsson launched a new customer loyalty system which comprises all products with Betsson.
- ★ Betsson increased its focus on responsible gaming and introduced a support service open around the clock all day all week.
- ★ The new games Betsson Bingo, Trader and Games were launched.
- ★ Betsson entered five new markets, i.e. Germany, France, Spain, Italy and Greece.
- ★ Betsson was the annual share price winner on the Stockholm Stock Exchange for the second time. The share rose by 282 per cent.

The Betsson group's values

FAIRNESS »

The national monopolies does not meet the consumers' demands. The company will fill the gap by acting responsibly and fairly in all situations towards both internal and external customers and other interested parties. Betsson will grow quicker than its competitors by means of this corporate culture.

GROWTH »

Betsson's ambition is to continually grow! This will take place by means of both organic growth and acquisitions. The company expects to see an increase in consolidation in the industry, although are still very good opportunities for organic growth.

PROFITABILITY »

Betsson will create value for its shareholders through persistent profitability. Profitability will also form the basis for strong growth in the future. Good profitability will also contribute to the company's ability to attract capital and increase its credit standing.

IMPROVEMENT »

Betsson exists for its end customers, i.e. everyone who gambles at the company's websites. That is why the services offered to our customers must be continually improved and developed. Betsson will offer fun, quick and safe games that are of a high quality and are very accessible, with first class customer support for all customer groups.

DYNAMIC »

Betsson will create, find and take advantage of opportunities within a changeable industry. This will make great demands of us to react quickly to changes in the world around us. That is why Betsson must be a quick, flexible and dynamic organisation with a great deal of confidence in the abilities of its employees.

BUSINESS CONCEPT

The parent company's business concept is » to invest in and manage rapidly growing and profitable companies offering a wide range of games within the gambling industry. «

OBJECTIVE

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

VISION

Betsson will be the world's most successful company in the area of modern types of gambling.

STRATEGY

PARENT COMPANY
Growth. Growth has high priority. The company shall grow organically and through acquisitions. The company shall expand to new geographic markets, principally in Europe.

STRATEGY

SUBSIDIARIES
Creating loyal customers. Having a loyal clientele is important, especially for increasing cross sales.

Local presence. By being present in local markets Betsson ensures that the company can always satisfy customers' wishes in each particular market.

Product range. Betsson provides top class products and outstanding customer care.



THE CEO'S COMMENTS:

» WE HAVE ONLY
SCRATCHED THE
SURFACE OF THE
OPPORTUNITIES
OPEN TO US. «

After quite a few years as CEO of what is today Betsson, for the sake of simplicity I usually characterise each year with a couple of key words in order to distinguish between them more easily. The key words for 2007 were division and growth. We have managed both to divide up the company and to enjoy rapid growth. And I believe that dividing up the company has laid the foundations for continued powerful growth.

THE DISTRIBUTION of the old Cherry group was completed in 2007 when Net Entertainment, which is an out-and-out B2B company, was distributed to Betsson's shareholders. Through what was to be a quite natural division Betsson became an out-and-out B2C company, and there can be no doubt that outside observers and our own staff found us easier to grasp as a company. Moreover, Betsson became more like some of our rivals, thus, of course, facilitating comparison. One of the

board of directors' intentions in dividing up the company was that each company should have the resources needed to develop independently, and I believe this has been done. For example, Betsson now has a board of directors which deals only with issues concerning Betsson AB. There is no doubt that the division has strengthened Betsson's identity as a result of the simplification and clarification of the business concept, and this, in turn, has resulted in increased interest in both the

» stock and labour markets, and recruitment is now easier than was previously the case. Betsson has become a more focused company!

Growth

In 2007, Betsson grew at a furious pace which amounted to 121 per cent overall. Our internal target had been growth of 100 per cent, and this is certainly no easy task in such a competitive business. At the start of 2007 we were helped along by strong growth in Turkey. However, February ended in a cold shower when Turkey introduced new legislation which hindered Betsson business targeted at Turkish people both inside and outside Turkey. Betsson's other markets also developed strongly and according to surveys in which Betsson participated, we captured market shares in all our main markets in the Nordic region. There were a variety of factors involved in Betsson's successful capture of market shares in such a competitive market, but underlying it all was the ability to procure and hold on to customers. Betsson managed to procure customers through an efficient marketing strategy whereby company advertising had the desired impact. Advertising was assisted by affiliate marketing where Betsson has many years of sound experience and a well developed infrastructure and culture. In order to attract and retain customers Betsson consciously worked on its product. Our website is more up-to-date than those of our competitors and we have an extremely competitive product range. During the year, Betsson launched a loyalty system covering all products, under which Betsson customers collect points regardless of the game they are playing and subsequently these points can be converted to money or used to gamble on other products or consumption on the site. Overall, it is reminiscent of airline point systems. Customer procurement and our ability to retain customers resulted in that powerful 121 per cent growth, while our competitors only grew modestly.

Legal issues

I would like to comment on some legal issues, not just because there are major future opportunities for us in the legal arena but also because the law is the very basis of our existence. The monopoly was founded on political decisions and the subsequent legislation. Thus no market forces are involved in the process nor is there any question of customer-driven development. Irrespective of what the original intention of the monopoly

may have been, it is clear to all concerned, including our politicians, that the present purpose is to reinforce government funding. Any traces of consumer protection have long since had to give way to considerations of growth and profit maximization. But customers want freedom of choice. Therefore, in every consumer product area there are several different brands or suppliers. Customers now also being to exercise their freedom of choice in the gaming area merely meets a need that has always been there. Increased competition also pushes down prices to the benefit of customers, who are able to purchase products at a fifth of the price charged by monopolies, but with increased chances of winning. Legal action in 2007 points in the right direction. The Commission will continue to exert pressure on member countries to force them to allow more suppliers to compete. And naturally, this process will benefit consumers just as it did in similar situations within other areas, such as the deregulation of the telecommunications market. Some countries may continue presenting outdated protectionist proposals but these may be regarded as desperate attempts against all better judgement, and we must continue to develop our products and our organisation for the reality everyone knows is coming.

The future

Betsson has come a little way along the road, but we have only scratched the surface of the opportunities open to us. The infrastructure is growing better and better. People are becoming increasingly accustomed to use the internet for eCommerce. The consumer of today is satisfied with a single product. Freedom of choice is an evident need. And through this freedom of choice the consumer controls development. Thus high priced products of limited availability are simply not good enough. This is why we still have considerable leeway for further growth. And that is what we intend to do.

Stockholm, March 2008



Pontus Lindwall
CEO

» There were a variety of factors involved in Betsson's successful capture of market shares in such a competitive market, but underlying it all was the ability to procure and hold on to customers. «

THE SHARE AND OWNERS

Betsson's B-share is listed on the OMX Nordic Exchange. In July 2007, the share was upgraded to the Mid Cap index. Betsson was the share price winner on the Stockholm Stock Exchange in 2007.

Share structure

At the end of the year Betsson had 39,553,720 shares – 5,420,000 (5,610,000) A-shares and 34,133,720 (33,943,720) B-shares. During the year 190,00 A-shares were converted to B-shares at the request of shareholders. Each A-share entitles its holder to 10 votes, while each B-share entitles its holder to one vote. All shares are equally entitled to Betsson's assets and profits.

Convertible debenture and warrant program

There were no new share-based incentive schemes in 2007. All old schemes have been terminated.

Ownership structure

As at 28 December 2007, Betsson had 5,952 (3,256) shareholders. 5 (4) per cent of these were foreign shareholders. 45 (60) per cent of the shares are foreign owned, as is 45 (60) per cent of the share capital and 35 (55) per cent of the votes. During the year, Betsson's largest owner, the Icelandic Straumur Investment Bank, sold the whole of its holding in the company to institutions and other major Betsson shareholders.

91 per cent of the owners were natural persons. 33 per cent of the share capital was owned by natural persons as were 36 per cent of the votes.

A large number of major holdings in the company are registered in trust with foreign banks. As a result, the board of directors has no information about who certain of the final owners of Betsson are.

Liquidity guarantees etc

Since October 2003 Remium has acted as liquidity guarantor, under which Remium guarantees to trade in the share under share exchange surveillance. Liquidity in 2007 was extremely good, as there was increased interest in the Betsson share in the stock market. Since the share was upgraded to the Mid Cap index at the beginning of July liquidity has increased even more. As a result, Betsson has decided to terminate collaboration with Remium

as from 1 January 2008, as it is assessed that there is no longer a need for a liquidity guarantor.

A total of 88.8 (14.4) million shares were traded during the year, which is equivalent to 259 (43) per cent of the average total issued B-shares. An average of 357,000 (58,000) shares changed hands each trading day. The average numbers of contracts per trading day was 324 (35).

Share price and revenues

The share price increased by approximately 282 per cent (23 per cent decline) during the year. The (latest) price on balance sheet date was SEK 83.25 (21.80), which is equivalent to a market value of SEK 3,293 (862) million. The highest price of SEK 88.00 (35.90) was paid on 12 December (7 April) and the lowest was SEK 21.00 (16.20) on 3 January (5 October). The average price during the year was SEK 57.00 (25.04).

Total turnover during the year was SEK 5,061 million (360), which is equivalent to an average of just over SEK 20.3 (1.4) million per trading day and approximately SEK 81,000 (42,000) per average transaction.

A standard trading unit in Betsson B is 200 shares.

Dividend and buyback in 2007

In 2007, Net Entertainment was distributed to Betsson's shareholders. Since 5 April, Net Entertainment's B-share has been listed on NGM Equity. In 2006, Cherryföretagen (the Cherry Casino business area) was distributed to Betsson's shareholders and listed on the Equities Market Place.

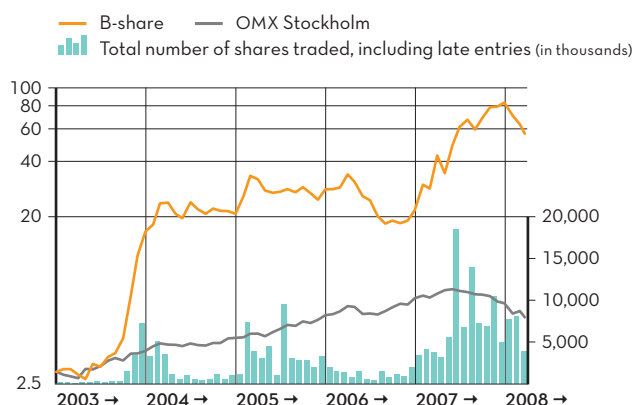
The 2007 general meeting resolved to distribute a cash dividend of 50 Swedish öre (SEK 0.50) per share.

The company bought back own shares in the third quarter. A total of 244,000 B-shares were acquired at an average price of SEK 58.02. The buyback complied with the mandate given to the board of directors by the annual general meeting.

Dividend policy

On 22 May 2007 the board of directors adopted a new dividend policy to apply from 2008. It is the board of directors' ambition that ordinary dividends should amount to 75 per cent of consolidated after tax income provided that a suitable capital structure can be retained. Dividends may be distributed via share dividends, share redemption or share buy backs. For 2007, the board of directors will propose the transfer of retained earnings equivalent to SEK 5 per share. For more information, please contact about the proposal please get in touch with Betsson. ○

DEVELOPMENT OF SHARE PRICE



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ANALYSTS WHICH MONITOR BETSSON

Anders Wiklund
 Evli Bank PLC, Stockholm branch

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 Redeye

Johan Isaksson
 Equity Research

Martin Arnell
 Carnegie Investment Bank

Stefan Nelson
 SEB

Karen Hooi
 Goldman Sachs International

THE LARGEST SHAREHOLDERS AS AT 28 DECEMBER 2007

Owner	Number of A-shares	Number of B-shares	Percentage of capital	Percentage of votes	Adjusted ¹⁾ percentage of capital	Adjusted ¹⁾ percentage of votes
The family of Per Hamberg and company	1,699,500	1,831,560	8.9	21.3	9.0	21.4
The family of Rolf Lundström and company	852,500	1,182,191	5.1	11.0	5.2	11.0
Lars Kling	797,000	769,613	4.0	9.9	4.0	9.9
Bertil Knutsson and company	800,000	447,500	3.2	9.6	3.2	9.6
The family of Bill Lindwall (estate)	561,000	72,595	1.6	6.4	1.6	6.5
Ingela Kling	350,000	132,575	1.2	4.1	1.2	4.1
Maria Kling	350,000	132,575	1.2	4.1	1.2	4.1
JP Morgan Chase Bank		1,882,345	4.8	2.1	4.8	2.1
SEB Enskilda		1,453,744	3.7	1.7	3.7	1.7
Cbldn-Cip-Resolutionasset		1,198,677	3.0	1.4	3.0	1.4
Livförsäkrings AB Skandia		969,400	2.5	1.1	2.5	1.1
Pontus Lindwall	10,000	734,594	1.9	0.9	1.9	0.9
Avanza Pension		722,416	1.8	0.8	1.8	0.8
Other shareholders		22,359,935	56.5	25.3	56.9	25.4
External shareholders	5,420,000	33,889,720	99.4	99.7	100.0	100.0
Betsson AB		244,000	0.6	0.3		
Total	5,420,000	34,133,720	100.0	100.0		

SHARE CAPITAL COMPOSITION

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

¹⁾ Capital shares and vote shares adjusted for Betsson.

SHARE DISTRIBUTION AS AT 28 DECEMBER 2007

Number of shares	Number of shareholders	Percentage of number of shareholders	Number of shares	Percentage of number of shares	Percentage of votes
1-500	3,853	64.8	738,441	1.9	0.8
501-1,000	902	15.2	774,643	2.0	0.9
1,001-2,000	512	8.6	834,066	2.1	0.9
2,001-5,000	326	5.5	1,118,678	2.8	1.3
5,001-10,000	131	2.2	1,003,671	2.5	1.1
10,001-20,000	73	1.2	1,046,249	2.6	1.2
20,001-50,000	66	1.1	2,214,412	5.6	2.5
50,001-100,000	31	0.5	2,415,830	6.1	2.8
100,001-500,000	37	0.6	8,688,587	22.0	17.1
500,001-1,000,000	13	0.2	8,245,138	20.8	15.0
1,000,001→	8	0.1	12,474,005	31.6	56.4
Total	5,952	100.0	39,553,720	100.0	100.0



ACTIVITIES:

QUICK, SIMPLE AND FUN WITH FEW STEPS TO GAMBLING

Betsson AB is the parent company of Betsson Malta Ltd, which develops and engages in internet gaming at the Betsson.com, CasinoEuro.com and CherryCasino.com sites. Betsson's gaming portals are mainly intended for players in the Nordic countries and the rest of Europe, and are available in a total of 15 languages.

today Betsson is one of the leading private gambling companies in Europe, a position achieved by the company through offering top quality gambling with a real gambling feel and optimum functionality in a safe and secure environment. Besides being a rapidly growing company in a rapidly growing industry, Betsson with its 44 years of experience is also one of the oldest gambling companies in Europe. This puts the company in a unique position when setting up in new, primarily European, markets.

Betsson offers gambling to all categories of players in a market in explosive growth. Besides the two casino sites CasinoEuro.com and CherryCasino.com, via Betsson.com customers have eight product groups available to them with thousands of different gambling options. The fundamental concept is based on user-friendliness, good customer service and being constantly at the forefront, creating the new and innovative types of gambling which customers are seeking. In this way Betsson reaches and satisfies a broad target

group with a variety of gambling interests and financial means.

WEBSITES WHICH DRAW ATTENTION AND WIN AWARDS

Betsson's websites are the company's face to the world. Therefore, the company works constantly on developing, renewing and improving it. The company's philosophy is that the sites must be easy to navigate, including for inexperienced computer users, while they must have a strong gambling feel, and they must surprise and satisfy people's various gambling interests. They must also have the highest uptimes (the time the site is available without interruptions), the fastest download times – and here Betsson is among the top ten in the industry – and should, responsibly, have as low a threshold as possible for playing.

The fact that Betsson.com has attracted a great deal of attention and admiration during recent years is proof of the company's successful management of these issues. In 2006, the magazine Internetworld name the site "Sweden's

Best Sport and Gambling Site” and Betsson was nominated for the same prize in 2007.

But even the good can be better, and therefore in 2007, among its initiatives Betsson launched new and even more dynamic first pages for its Betsson.com and CasinoEuro.com sites. In addition, Betsson further developed the sites to market the company's products and advertise events of interest.

RESPONSIBLE GAMBLING

One false argument for keeping the government monopoly used to be that the government gambling companies take greater responsibility for preventing gambling addiction.

Betsson endeavours to create an environment which encourages responsible gambling, and the company is dedicated to applying and maintaining rules in support of such for our customers, staff and management.

To enable players to establish limits, budgets and frameworks for their gambling activities, Betsson collaborates with The Global Gambling Guidance Group, which designs rules and services for responsible gambling.

For example, on Betsson.com there is a self test for players who feel they may be at risk of becoming addicted to gambling. Betsson also has a tool for parents who wish to block children's access to the gambling portal and advice for concerned family members.

In addition to this, Betsson has a department exclusively dedicated to these issues. During 2007 this support service was introduced around-the-clock.

WORLD CLASS GAMBLING

Betsson.com offers eight product groups: Poker, Casino, Sportsbook, Exchange, Scratch, and new in 2007, Trader, Bingo and Games.

Anyone wishing to gamble on Betsson.com must be a registered customer, over 18 years of age and have an account with Betsson. Most games have a try-out feature which enables players to gamble for play money while learning the rules of the game. Moreover, certain games have an interactive and pedagogically designed school for beginners. To play for real money, customers must deposit money in their Betsson accounts. Betsson accepts a wide range of locally adapted payment options.

As a service to customers and to add to their security, the company also has a customer service desk which is available around the

clock to be available to customers.

Poker

The interest in Poker in general and internet poker in particular is steadily increasing. In 2007, the number of poker players on Betsson.com increased, and is today one of the company's most popular products.

Betsson Poker offers a wide range of poker games, such as Texas Hold'em, Omaha, 7 Card Stud and Black Jack. Also, in some markets the company has launched local poker varieties.

Anyone wishing to play poker on Betsson.com has three options open to them. The first and from the standpoint of functionality the best alternative is to download Betsson's poker client. The remaining options are to gamble via web browser or mobile phone.

In 2007, Betsson dedicated much energy and time to making the game feel more real by increasing the focus on tournaments and rankings. Playing poker today is not just a question of winning money but also of competing with opponents for the highest points. The company also sponsors Team Betsson, which at this point in time consists of two of Europe's leading pokers players, William Thorsson and Johnny Lodden. Team Betsson regular participates in various European tournaments and visitors to Betsson.com can challenge it to games, chat and/or read the Team Betsson blogs.

Betsson is part of the world's most extensive poker network, Ogame Network. Through the network Betsson's poker customers have access to more than 12 million potential opponents throughout the world.

Casino

Casino is a collective term for everything from roulette and poker to slot machines, quick bingo, Keno and many other games. Betsson Casino has games for all categories of gamblers, both experienced and inexperienced, and playing on Betsson Casino requires no downloading but is done directly on the site, against Betsson or by participating in one of the many highly appreciated tournaments. This increases availability and simplifies matters for players.



Betsson is known for its high jackpots and good customer service. In February 2008, Niklas Karlsson won SEK 10.5 million after head deposited SEK 500 and bet EUR 5 on the Arabian Nights game. His winnings were deposited in his account within 24 hours.

» It's an incredible service and entirely unique. «

NIKLAS KARLSSON

1 Betsson offers poker via mobile phone as an alternative to playing by web browser or downloading our poker client. 2 Betsson Casino offers an ever increasing range of games which require no downloading.



3 Betsson Sport – betting on everything from the Champions League final to the Eurovision Song Contest and Let's Dance. 4 Bet with a player on the Exchange. 5 Betsson's Trio lots have 74 per cent more winning lots than the Tris Lots offered by Svenska Spel. 6 Betsson Trader – betting on shares at fixed odds – unique in the gaming industry and one of Betsson's innovations in 2007.

» In order to meet customer demand and interest the company is constantly adding new games and offers to Betsson Casino. A total of 28 new games were launched in 2007: Oasis Poker Professional Series, Pacific Attack, Crusade of Fortune, Trey Poker Professional Series, Let It Ride Professional Series, Bonus Keno, Super Lucky Frog, Mystery at the Mansion, Joker Wild, Jacks or Better, Deuces Wild, All American, Black Jack Professional Series, Triple Wins High Roller, Voodoo Vibes, Tales of Krakow, Joker Wild, Jacks or Better, Deuces Wild, French Roulette, Arabian Nights, Triple Win, Cash Bomb, Roulette Advanced, Fishy Fortune, Tiki Wonder, Icy Wonder, Texas Hold'em Professional Series.

Sportsbook

Betting on the internet is a growing pleasure. The number of betting customers on Betsson.com grew rapidly during the year and this trend appears to be holding.

Betsson Sport is known for its up-to-date games at attractive odds and rapid payouts. Betsson offers betting on everything from sporting events to politics and entertainment, and carefully monitors events in the world around us so as to quickly update its list of betting options. Customers can also get in touch with Betsson and put forward suggestions for games.

During the year, betting on the Champions League final between Milan and Liverpool was popular in the sporting category, as was the last Formula 1 event where Raikkönen passed Hamilton. In the entertainments category, worthy of note were the Eurovision Song Contest and the worldwide vote to nominate the Seven Wonders of the World.

Exchange

Betsson's Exchange is a marketplace for betting. The difference to Betsson Sportsbook is that here customers gamble directly against each other. Thus Betsson is not the bookmaker and assumes no risk. As a result, a large proportion of bets are returned to players as wins and it enables Betsson to offer higher odds than other gaming sites. On average players win 98 per cent of the bets placed, and this attracts many players to the Exchange page. Betsson obtains its income from an arrangement fee, a commission.

The Exchange offers several live games, which means that one can go in and play during the course of a match or sporting event.

Scratch

The Trio scratch card was launched in the summer of 2006 and since then has grown into a popular product. The Trio lot is a scratch card and more than every third lot is a winner. The win percentage is considerably higher than for traditional scratch cards such as Svenska Spel's Tris lots. A scratch card costs SEK 25 and one can win up to SEK 1 million. Moreover, for each card it is possible to double winnings up to ten times, though the highest win never exceeds SEK 1 million.

NEW GAMES 2007

Trader

Betsson Trader is a product for betting on shares and indexes at fixed odds. Betsson Trader was launched in October 2007, and has attracted both existing customers and also customers who were previously not used to gambling.

Betsson Trader is unique in the gaming company world. It is equally player friendly as a sportsbook and has an interactive user interface. Its rapid ordering and the choices available in real time are reminiscent of the financial markets.

Trading is also possible in Trader, as bets can be resold during their life. And it is equally easy to speculate both during stock market upturns and downturns. It is also possible to bet on stagnant markets, which in the real financial markets usually requires expert knowledge and high stakes.

Trader is a strong companion to the traditional stock, warrant and option markets, while its rapid lever provides for quick and volatile changes in odds.

Hitherto betting has been offered on Swedish, Finnish and Norwegian shares, but the available markets are being expanded.

Bingo

Bingo is also one of the new products of the year on Betsson.com. The game was launched in Sweden in March 2007 and since the middle of January 2008 it has also been available in Norway, Denmark, the UK, France and Turkey. Betsson plans to launch bingo in more markets in 2008.

According to Global Betting and Gaming Consultants in the UK, every year internet bingo generates revenues of USD 800 million, and in the next two years growth of 400 per cent is expected.

Compared with traditional bingo halls, internet bingo appeals to the younger player, primarily women aged between 25 and 45.



Traditional bingo halls have always had a social function. People visit bingo halls to meet old acquaintances and get to know new people. Betsson believes it is important for internet bingo to also act a social meeting place, and therefore the company has created a virtual bingo hall where players can chat with each other and where it is easy to make contact with other players. The site also has a link to bingo hostesses whose job it is to answer questions and present surprises in the form of various chat games etc.

Games

Betsson Games was launched in December 2007. This is a game for those seeking entertainment and relaxation in the same product. It is fast and fun with opportunities for high wins besides. Here you will find everything from virtual trotting races to dice games and wheel of fortune. Players themselves set their stakes and odds and choose between playing with play money or real money.

CASINO PORTALS FOCUSING ON EUROPE

With its two casino portals CasinoEuro.com and CherryCasino.com Betsson reaches a somewhat different target group to Betsson.com, a more pronounced casino public who feel quite at home in the casino environment. The three portals complement each other, and since they have a joint customer support service, payment department and operating surveillance, they

exploit internal resources to the full with increased efficiency and profitability as a consequence.

CasinoEuro.com

CasinoEuro.com is the European casino player's meeting place on the internet, where they can play for the big win. The casino has been structured so as to offer the whole of Europe easily accessible casino gaming. Particular importance has been attached to simplicity – even the less experienced computer user must find it easy to play on CasinoEuro.com.

Today, the casino is available in 16 different languages and offers a range of games which can compete both with other internet casinos and with onshore casinos.

Locally customized payment systems and support services are other factors contributing to CasinoEuro.com's success.

CherryCasino.com

Cherry Casino was launched in 2000, and it quickly attracted many players, especially in the US and Canada. Since that time, European players have also started to gamble with Cherry Casino.

When, in 2006, Betsson closed down all gambling from the US, Cherry Casino shifted focus to the European gambling market. As a result, today the site is available in 11 languages and also offers local payment options. ○



7 Each year, internet bingo generates revenues of USD 800 million according to Global Betting and Gaming Consultants, which also predicts 400 per cent growth in the game over the next two years. 8 Games is one of Betsson's three new games groups.

Betsson takes security seriously

- ★ To guarantee the security of the Betsson portals the company has been certified by and collaborates with several acknowledged players.
- ★ Betsson has gaming licenses in Malta.
- ★ Betsson collaborates with some of the world's most important and reliable banks.
- ★ Betsson's security procedures guarantee secure betting. Among other things, customers' money is deposited in customers' accounts at some of the banks the company collaborates with.
- ★ Payments through Betsson are extremely secure. All information on payments is encrypted and the company has a separate department which monitors payments automatically and manually.
- ★ Betsson Casino uses a random number generator approved by two independent third parties (National Laboratory of Forensic Science in Sweden and Technical Systems Testing in Canada). This generator is used both for gaming with real and play money.
- ★ Betsson Poker is monitored by manual and automatic systems securing the system from the risk of fraud.
- ★ Betsson has a department working exclusively and pro actively on the prevention of gambling addiction and who works to ensure that Betsson sites are as secure as possible. The results are more constant training of staff, prevention work around the clock to assist those affected and collaboration with authorities in a number of countries to together work towards the goal of fewer people becoming addicted to gambling.
- ★ Betsson has been certified by the Global Gambling Guidance Group (G4), which aims to minimize the impact of problem gaming. To be certified company personnel must have taken a course of training and must offer customers information and tools to counteract gaming dependency.

THE MARKET:

THE NATIONAL GAMING MONOPOLY WAVERING

The market for online gaming has grown steadily in recent years and according to a number of forecasts this trend is expected to continue. Growth of between 20 and 30 per cent is expected in 2008. For Betsson and other players in the market, the joker in the pack is the action taken by national governments to protect government monopolies.



the apparently promising future largely stems from the increasing number of people with good internet connections and the fact that increasing numbers of both men and women are turning to the internet for entertainment. In many ways, one might say that online gaming today competes with tv, the cinema and other amusement activities.

New statistics show that more than 43 per cent of Europeans have access to the internet. When it comes to broadband connections, figures vary greatly from country to country. For example, in Poland less than 7 per cent of the population have broadband connections whilst over 27 per cent of Swedes have access to broadband. Of the countries where Betsson is established, the Nordic countries have the highest percentage of broadband connections.¹⁾

¹⁾ SOURCE:
Internet World Stats.

²⁾ SOURCE:
Lotterinspektionen,
Spelmarknadens
utveckling i Sverige
och internationellt 2007.

MARKET TRENDS

The Swedish Lottery Inspectorate's market survey for 2007 found that the industry is becoming increasingly technology heavy. New technological innovations generate new concepts and types

of gaming. One such example is the ability to surf via mobile phone and digital tv, and today Betsson can offer poker via mobile phone as an alternative to the downloadable poker client and gaming by web browser. Asia, for example, is a part of the world where online gambling by mobile phone has grown strongly. But no real progress is expected for mobile phones until there are clear standards both for hardware (telephones) and operating systems.²⁾

Another noticeable trend is that both Swedish and foreign players are taking greater responsibility for gambling, and gambling dependency is being emphasised as an important issue for the industry.²⁾

Security is a growing challenge to eCommerce. Several of the major security companies report that the amount of harmful software is increasing more quickly than ever before and in a study performed by Microsoft it was found that as much as 50 per cent of all email spam contain attempts to fraud.

A great deal of work is being done to deal with the security problem. Betsson, which markets itself

as a secure gaming environment, has taken a number of measures to reduce the risks as much as possible (see fact sheet on security solutions on page 11).

NEW MARKETS 2007

Betsson today operates in 15 markets: Sweden, Finland, Norway, Denmark, Iceland, the UK, France, Germany, Poland, the Czech Republic, Turkey, Italy, Greece, Spain and Peru. The Nordic countries are still Betsson's main market. However, the company is growing rapidly in Europe and during the year Betsson.com was launched in German, French, Spanish, Italian and Greek.

ADAPTATION TO LOCAL GAMING INTERESTS

Poker is the most popular gambling group in the Nordic countries, while Betsson Sportsbook and Exchange have attracted most customers in the rest of Europe. Casino is popular in all markets and today accounts for approximately 40 per cent of Betsson sales. Betsson Bingo, which was launched in 2007, got off to a good start and looks to be a considerable source of income for the company in future. There is also great interest in Betsson Trader. Since its beginning in October 2007 and until February 2008, the product has attracted a large number of players.

The range of products offered in all Betsson's geographical markets is tailored to meet local gaming interests. The company still has its finger in the wind feeling in which direction the gaming wind is blowing. In Sweden, for instance, betting on Let's Dance has grown rapidly.

INCREASE IN THE NUMBER OF ACTIVE CUSTOMERS

In December 2007, Betsson had 996,200 registered customers. This is an increase of 83 per cent compared with the 2006. The number of active customers was 107,000, which is an increase of almost 16 per cent compared with the previous year. However, the number of active customers decreased during the second quarter of 2007 as a result of the Turkish government's legislation against internet gaming companies, making it difficult for Turkish customers to access Betsson's portal. Exclusive of Turkish gamblers, the number of active customers in the company's other markets increased by 54 per cent compared with 2006. Betsson removed American gamblers from its customer records at the beginning of 2007. Active customers are those

who have gambled for real money over the latest three months. Most of these have gambled on more than one game, but the statistics count them once only.

THE MAIN COMPETITORS ARE THE NATIONAL MONOPOLIES

Competition in the online gaming market has intensified in recent years. Online gaming is a relatively young and hot industry which is attracting more and more operators. At the same time, Betsson is seeing diversification in the market where previously specialized companies which, for instance, only had poker in their product portfolios are starting to provide several different products.²⁾ Betsson takes this increasing competition extremely seriously, but also views it as a spur urging the company forward and helping it to maintain focus, develop and exploit the creative and innovative resources to the maximum.

Above all, Betsson competes with the national monopolies. Other competitors include Unibet, Expekt, Ladbrokes and Bwin.

PROSPECTS FOR 2008

Betsson intends to grow more quickly than the market, which is estimated to be growing between 20 and 30 per cent. Above all the target is to grow organically, but the company also sees opportunities for acquisitions.

The company has relatively low technical system costs and an extremely efficient and smooth running organisation. The most costly part of the business is marketing.

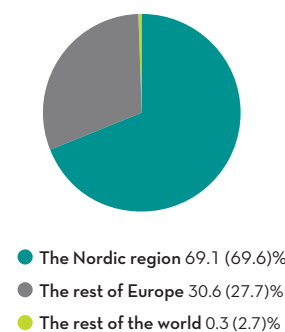
LEGAL ASPECTS WHICH AFFECT BETSSON

Betsson's greatest challenge are the legal conditions in various countries associated with assiduous government efforts to defend national monopolies. And there is a lot of money at stake for government coffers. In Sweden alone, it is estimated that Svenska Spel brings SEK 5 billion into the Swedish treasury, and the figure for the whole of the EU is all of SEK 1,200 billion.

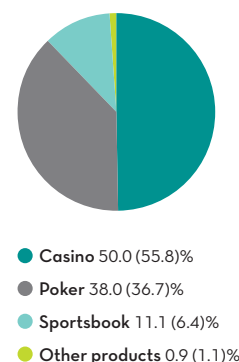
Formal notifications for several EU countries

In the EU, the EU Commission has gone to war against a number of government monopolies. A year ago, an investigation started into seven countries, Sweden, Finland, Denmark, Germany, Holland, Hungary and Italy to discover whether foreign gaming companies were being treated unfairly and whether these countries were thus breaking EU rules about free movement across

Annual gaming surplus (gross profit) by markets.



Annual gaming surplus (gross profit) by products.



Underlying factors driving the market and thus creating a perfect climate for Betsson business:

- ✪ Internet penetration
- ✪ Broadband capacity
- ✪ Credit cards

²⁾ SOURCE: Lotterinspektionen, Spelmarknadens utveckling i Sverige och internationellt 2007.



» national borders. In the case of Sweden, this led to sharp criticism by the Commission questioning the Swedish rules for betting on sport and poker. The Commission states that the government monopoly companies offer large scale poker playing and betting, but operators with gaming licences in other EU countries are forbidden to do the same. The Commission is now threatening to bring action against Sweden in the EU Court.

In a judgement by the EU Court, the so-called Placanica Judgement, it was found that Italy's gaming monopoly also contravenes freedom of establishment pursuant to Article 43 and free movement pursuant to Article 49 of the EU Treaty.

Finland, Denmark, France and Hungary have also received so-called reasoned opinions in which the Commission makes it clear that monopolies in these countries explicitly contravene Article 49 of the EU Treaty.

Attempts to stop payments

So far there has been no response to the Commission's criticisms. On the contrary, several countries have instead taken measures to make things even more difficult for foreign gaming companies. For example, Germany and France

have taken action to prevent national banks from mediating payments to gaming companies operating on the internet. In Norway equivalent proposals have been put forward. The Norwegian suggestion has met intense criticism among both politicians and gaming operators, and it is doubtful it will be adopted. The proposed Norwegian bill is similar to that adopted by the US in 2006, where the result has been all listed gaming companies which allow inspection leaving the market. The companies left are private ones which allow no inspection of their activities, and usually have no policy at all for responsible gambling.

Turkey has also adopted legislation which forbids banks and other companies from providing services to gaming companies operating in Turkey. Betsson believes that the Turkish law conflicts with an undertaking given by Turkey to the EU, and that it is solely intended to protect the national monopoly.

Like the EU Commission during the year, the WTO took action in favour of internet gaming companies. Among other things, the organisation maintained that the US prohibition against internet gaming companies is illegal and ordered the American government to pay USD 210 million in annual trade sanctions until the prohibition is removed.

Long awaited decision by the Swedish Supreme Court

Overall it can be said that despite the insistent attempts of many governments to promote the monopolies, there are many powerful forces working against them, in Sweden, the government has set up a commission to investigate the gaming market aimed at producing sustainable legislation in the future. Moreover, the annual meeting of the Swedish Conservative party in October 2007 decided that the gaming monopoly should be abolished in the future, despite the recommendation of Anders Borg, the Minister of Finance.

February 2008 also saw the long awaited decision of the Swedish Supreme Court. The Court laid down that the earlier judgements against the chief editors of the Aftonbladet and Expressen newspapers for publishing adverts for foreign gaming companies must be re-examined by the court of appeal. The Supreme Court asserted that there were earlier EU Court judgements which assert that Swedish lottery legislation does not obey EU law. ○

How Betsson earns money

Betsson's business concept is based on the company attracting many new customers at low cost and little risk. Betsson has two different revenue models linked to two main gaming groups.

BETSSON PLAYS AGAINST ITS CUSTOMERS

Casino, Sportsbook, Scratch, Trader, Bingo and Games

In these games Betsson takes the bank and may lose each time money is bet. But thanks to the large number of bets, these games still generate income for Betsson. Profitability in the Sportsbook area depends on the company's professional odds setters and their ability to assess the odds for various gambling objects. Within the Casino business area the odds are mainly built into the games themselves and Betsson's financial risks are consequently lower.

CUSTOMERS PLAY AGAINST EACH OTHER

Poker and Exchange

In the Poker business area Betsson charges a commission (less than 5 per cent of the winnings) on each pot played. Because poker moves quickly and players can play several hands in a short time, this is a profitable game for Betsson. Customers also gamble against each other in Exchange, and Betsson charges a commission on the winnings. The more customers who play Exchange, the greater the winnings for Betsson. Gaming and income options depend on the number of events in Exchange.



EMPLOYEES:

A WORKPLACE TO BE PROUD OF

To achieve business targets and objectives you must have your employees on board, which is why Betsson attaches great importance to creating a dynamic and attractive workplace which employees can be proud of.

BETSSON TO A VERY large extent operates in a growing market. This makes particular demands on employees' know-how, creativity and dedication. But it also requires much of Betsson as an employer and workplace to create an environment where employees feel that they both can and want to perform as well as possible. Therefore, the company has decided to attach great importance to having modern technical aids, attractive premises and personnel care initiatives for employees.

In an employee survey conducted in 2007, 90 per cent of those questioned stated that they were proud to work for Betsson. More than 95 per cent said they were extremely dedicated to their work and 75 per cent also proved to be satisfied with their general work situation. These are high percentages for such positive answers and confirm the success of the work done so far to create a dynamic work environment. As additional proof, personnel churn during the year was less than 2.1 per cent. Betsson intends to continue working to further increase these positive results.

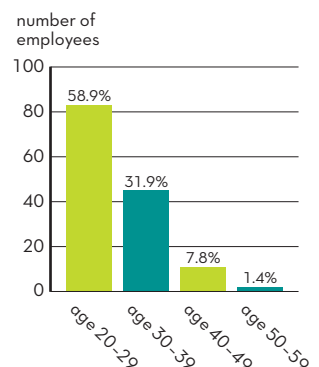
Low average age

At the end of the year, the Betsson group had a total of 136 employees. Of these, 42 worked at the Stockholm office and 94 at the office in Malta.

Betsson is a relatively young organisation. Almost 60 per cent of staff are aged between 20 and 29. The organisation is characterised throughout by extremely high levels of skills among staff, of whom about 80 per cent have an academic education.

70 per cent of employees are men and 30 per cent women. At present Betsson is actively working on recruiting personnel to level out gender distribution in the company, but without setting quotas. ○

Over 90 per cent of Betsson's employees are aged between 20 and 39. The company's customers, the gamblers, are also mostly within this age range.



THE GROUP:

FIVE-YEAR REVIEW

BY THE END OF 2004, the Betsson group consisted of traditional gaming business within the business area of Cherry Casino and development and gaming sales to other gaming operators within the business area of Net Entertainment.

In February 2005, the Betsson group acquired the Betsson.com gaming portal. Subsequent to the acquisition the group's business expanded to online gaming directly to customers. This new business formed a new business area, which was named Betsson Online.

The business which now remains within Betsson after the dividend of Cherry and Net Entertainment has not previously been accounted for. Therefore, the Betsson group cannot provide meaningful information about the income statement for periods previous to 2005, as historical figures lie with the companies that were distributed. ○

Amounts in SEK '000 unless otherwise specified	2007	2006	2005	2004	2003
INCOME STATEMENT					
Revenues	648,956	293,590	157,069		
Gross profit	520,781	232,247	119,614		
Operating income	189,863	18,928	4,685		
Net financials	2,876	-1,128	137,111		
Income before tax		17,800	141,796		
Income after tax for the continuing operations	179,454	32,004	141,914		
Income from discontinued operations	11,468	30,005	36,152		
Annual income after tax	190,922	62,509	178,066	12,071	3,487
– of which attributable to the parent company's shareholders	190,921	62,272	176,919	11,354	2,565
BALANCE SHEET					
Intangible noncurrent assets	402,176	403,469	395,200	18,532	10,969
Tangible fixed assets	12,294	10,574	27,309	27,776	24,998
Financial fixed assets	1,282	713	2,313	34,896	14,360
Current assets	427,853	177,796	148,579	70,378	69,708
Total assets	843,605	592,552	573,401	151,582	120,035
Equity (including minorities)	623,466	491,335	474,130	101,301	77,991
Interest-bearing long-term liabilities	–	–	9,687	4,674	5,417
Other long-term liabilities	227	957	14,393	4,833	789
Interest-bearing current liabilities	–	–	3,504	806	936
Other current liabilities	219,912	100,260	71,687	39,968	34,902
Total liabilities and equity	843,605	592,552	573,401	151,582	120,035
FINANCIAL POSITION					
Equity/assets ratio (%)	77	83	83	67	65
Cash liquidity (%)	206	177	195	167	188
PROFITABILITY					
Return on total capital (%)	29	4	30		
Return on equity (%)	34	7	35		
Return on capital employed (%)	36	4	35		
Gross margin (%)	80.2	79.1	76.2		
Operating margin (%)	29.3	6.4	3.0		
Profit margin (%)	29.7	6.1	90.3		

Amounts in SEK '000 unless otherwise specified

	2007	2006	2005	2004	2003
INVESTMENTS					
Tangible fixed assets	11,335	26,655	14,553	13,597	7,607
Intangible noncurrent assets	29,772	19,311	13,820	3,970	2,240
Shares and miscellaneous	1	–	1,000	13,861	2,145
PERSONNEL					
Average number of employees	106	71	28		
Number of employees at end of year	136	95	52		
THE SHARE					
New issue (before issuing costs)	–	6,129	229,642	12,756	–
Share capital	79,107	79,107	76,117	62,407	61,227
Outstanding convertibles (shares)	–	–	800,000	800,000	800,000
Outstanding options (shares)	–	–	710,000	710,000	710,000
Number of outstanding shares at end of year	39,309,720	39,553,720	38,058,726	31,203,726	30,613,684
Number of shares at end of year	244,000	0	0	0	0
Average number of outstanding shares	39,472,002	39,088,161	36,049,178	30,948,468	30,613,684
Average number of outstanding shares after dilution	39,472,002	39,553,720	37,466,258	32,337,316	31,733,166
Number of registered shareholders	5,952	3,256	3,785	2,828	3,288
Market price at year-end (SEK)	83.25	21.80	28.20	20.80	16.70
<i>Continuing operations</i>					
Earnings per share (SEK)	4.55	0.82	3.93		
Earnings per share after dilution (SEK)	4.55	0.81	3.78		
<i>Total business</i>					
Earnings per share (SEK)	4.84	1.59	4.91	0.37	0.08
Earnings per share after dilution (SEK)	4.84	1.58	4.73	0.36	0.08
Equity per share (SEK)	15.85	12.41	12.38	3.19	2.48
Equity per share after dilution (SEK)	15.85	12.41	12.06	3.24	2.56
Dividends or equivalent per share (SEK)	5.00 ¹⁾	0.50	0.00	0.00	0.00

¹⁾ Dividend for 2007 refers the proposed redemption program.

» The share price increased by approximately 282 per cent. The price on balance sheet date was SEK 83.25, which is equivalent to a market value of SEK 3,293 million. «

ANNUAL REPORT

betsson™

WHAT'S YOUR THRILL?



DIRECTORS' REPORT

The board of directors and the CEO of Betsson AB (publ), Corp ID 556090-4251, domiciled in Stockholm, hereby submit the annual financial statements of the parent company and the group for the 2007 fiscal year. The annual report including the auditor's report comprise pages 18-45.

The results of the year's business and the financial position of the parent company and the group are described in the directors' report and the subsequent income statements and balance sheets, cash flow statements, compiled statements of changes in equity and the appurtenant notes and comments.

The reporting currency used in the parent company's and consolidated financial statements is Swedish kronor.

The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented to the annual general meeting on 5 May 2008 for adoption.

General information about the company

The group's object is internet gaming. The parent company Betsson AB invests in and manages companies within the online gaming business. The parent company does not conduct any gaming activities.

Through the subsidiary Betsson Malta's websites Betsson.com, CasinoEuro.com and CherryCasino.com Betsson offers poker, casino, sportsbook, scratch cards, exchange, bingo, financial trading and games to customers mainly originating from the Nordic region and the rest of Europe.

For reasons of better readability the annual report refers to "Betsson" when describing the group's gaming activities. This refers to the subsidiary Betsson Malta's gaming activities which are conducted via gaming licenses in Malta.

Discontinued operations

The group's business area for the development and licensing of gaming software for online gaming – the Net Entertainment business area – was distributed to Betsson's shareholders in accordance with the decision of an extraordinary general meeting held on 30 March, and listed on NGM Equity on 5 April 2007.

The financial results of the Net Entertainments business area for the January-March 2007 quarter are included in the present Betsson annual financial statements. Net Entertainment revenue and expense items have been excluded from the income statement and reported net under the item Income from discontinued operations. The Cherry Casino business area was distributed to the shareholders in September 2006. Operating results are recognized under the item Income from discontinued operations for the 2006 comparison year.

Consolidated revenue and income

Consolidated revenue increased by 121 per cent to SEK 649.0 (293.6) million compared with the corresponding period the previous year and operating income increased to SEK 189.9 (18.9) million. The operating margin was 29.3 (6.4) per cent.

Income before tax increased to SEK 192.7 (17.8) million.

Annual after-tax income for the continuing business amounted to SEK 179.4 (32.0) million, equivalent to SEK 4.55 (0.82) per share. Annual after-tax profit including discontinued operations amounted to SEK 190.9 million (62.5), equivalent to SEK 4.84 (1.59) per share. Income for discontinued operations refers to the previously included Net Entertainment and Cherry Casino business areas and amounted to SEK 11.5 (30.5) million, equivalent to SEK 0.29 (0.77) per share.

Return on equity was 34 (7) per cent and return on total capital was 29 (4) per cent. On balance sheet date equity per share amounted to SEK 15.85 (12.41).

Important events in 2007

During the year Betsson launched a number of new products: betting on shares and indexes through Betsson Trader, Live Betting on Betsson Sport, Bingo in the Swedish market and Games. In addition, Betsson launched a unique loyalty program which gives customers bonus points for all gaming products.

Betsson.com was launched in France, Spain, Italy and Greece.

In 2007, Turkey introduced legislation against internet gaming. According to legal opinion, the legislation, the purpose of which is to protect the state-owned gaming company IDDA, contravenes existing agreements between Turkey and the EU, which are intended to regulate Turkey's progress towards possible future EU membership. The Turkish legislation obstructed Betsson business in the Turkish market.

Investments

During the year the group invested SEK 37.2 (18.0) million in the continuing business. Most of this was for the development of gaming platforms, game integration, payment solutions and IT hardware for operating internet gaming.

Investments in intangible assets amounted to SEK 28.1 (12.0) million, mostly for the development of gaming platforms, game integration and payment solutions. SEK 9.1 (6.0) million was invested in tangible assets, primarily IT hardware for operating internet gaming and office equipment and inventory.

Financing

Betsson's operations are self financed. At the end of the year the equity/assets ratio was 77 (83) per cent.

Distribution of subsidiaries

The extraordinary general meeting held on 30 March 2007 adopted the board of directors' proposal to distribute the Net Entertainment business area to Betsson shareholders. Net Entertainment's B-share was listed on NGM Equity on 5 April. Distribution decreased consolidated equity by SEK 30.1 million, of which SEK 2.4 million referred to transaction costs.

Personnel

During the year, the group employed an average staff of 107 (72). At the end of the year the figure was 136 (95).

Significant events after the end of the financial year

In January 2008, Betsson embarked upon operations in Peru together with a local partner. Betsson sees the project as a chance to evaluate business opportunities in South America.

Betsson opened Bingo in Norwegian, Danish, English and Turkish and increased the number of gaming options in the Sportsbook's Live Betting.

The group got off to a powerful start in the first quarter of 2008. Sales in January were the highest so far and exceeded December's sales by 6 per cent. Sales in February exceeded January's sales.

The EU has raised new legal issues against Sweden questioning the sole right exercised by the government owned company to arrange poker on the internet. The Swedish lottery law discriminates against operators from other EU countries, as they cannot obtain licenses for similar games.

Sweden's largest casino win ever of SEK 10.5 million was won at the beginning of February by a Betsson Casino player. The win was good publicity for Betsson.

The parent company

The parent company Betsson AB (publ) is primarily concerned with group management. The company provides and markets internal services to the other group companies relating to finance, economy, administration and management, and it also had certain external rental revenues during the year.

Revenue (including certain internal group items) for the year amounted to SEK 13.3 (9.9) million and income after financial items was SEK 128.6 (-2.5) million.

The parent company invested SEK 3.0 (0.0) million in fixed assets during the year. Most of this referred to equipment and office investments. On balance sheet date, liquid funds amounted to SEK 76.3 (9.6) million. The company has no bank loans and utilised no credit lines. During the year, the parent company distributed a cash dividend of SEK 19.8 million, distributed shares in subsidiaries (Net Entertainment) to shareholders to a book value of SEK 4.0 million and bought back own shares for SEK 14.2 million. The parent company also recognized forestalled dividends from Betsson Malta Holding relating to the 2007 financial year to a value of EUR 14 million, which are included in the net financial items.

Prospects for 2008

Betsson assesses that the internet gaming market will continue its rapid growth. The pressure on EU countries to change legislation and allow competition increased considerably in 2007. Several countries have announced that they are working on new legislation which will conform with EU requirements. It is unclear when such legislation will be introduced into Betsson's main markets, but when it is, Betsson will have increased marketing and market presence opportunities.

Confidence in the internet as a marketplace is increasing and more and more people are using the internet for their banking business, stock dealings, insurance business and for ordinary commerce. This increased confidence is important for market growth, especially in countries where there has been little confidence in eCommerce up to now. Growth is the fundamental driving force behind the development of internet gaming.

The Turkish legislation has obstructed Betsson business in the Turkish market.

Norway has announced its intention to introduce legislation which aggravates the possibilities for consumers to take part in foreign internet games. Betsson assesses that it will be difficult to pass the proposed legislation. If the Norwegian draft legislation were to be adopted and enter into force, in the short term it would likely have a negative impact on Betsson. Norway is one of Betsson's three largest markets.

The group got off to a powerful start in the first quarter of 2008.

It is estimated that the internet gaming market will grow by 20 to 30 per cent during the year. Betsson intends to grow more than the market.

Significant risks and uncertainty factors

Betsson's business is primarily financed from its own funds and the group's finance policy is characterized by low risk. Financial risks are described in Note 26.

In most national markets, gaming is regulated by law and in principle, all gaming must be licensed. Therefore, political decisions can affect Betsson's business (see Norway and Turkey in the previous paragraph). Betsson is dependent on the legal situation as it refers to the gaming industry,

especially within the EU where most of the group's customers are. In a series of precedential judgements which have attracted much attention (the Schindler, Läära, Gambelli, Lindman and Placanica judgements) the EU Court found that in principle government restrictions in the gaming area may be regarded as contravening basic EU principles. Despite this, a number of member countries have retained restrictions in order to obstruct or entirely prevent private online operators doing business.

Within the near future more European gaming monopolies are likely to be challenged in national courts. At present, it is difficult to gain a clear picture of how the legal situation will affect commercial conditions for the online operators. In this context, it should be noted that Betsson does not offer its services to customers domiciled in the US, after the proposed bill forbidding the passing on of payment transactions for internet gaming in the US was adopted and entered into force in October 2006.

Persons who become addicted to gambling may bring legal actions against companies within the Betsson group because of their addiction. Although such claims are likely to be rejected, they may result in considerable costs and also harm confidence in the Betsson group, which could eventually impair revenues. Betsson is accredited by the G4 organization which is dedicated to reducing gambling addiction, and as part of this collaboration the company has adapted its websites so as to offer complete support for the guidelines G4 has established. In addition, Betsson has set up a department for responsible gaming. Qualified, experienced personnel have been recruited in order to enable Betsson to retain its leading position within the responsible gaming area.

Betsson is exposed to seasonal variations, as gaming decreases in the summer months. Nor is Betsson immune to fluctuations in the general economic climate. However, seasonal and economic fluctuations have no significant impact on business.

The Maltese business has previously been exempted from sales tax. At present, the Maltese authorities are reviewing their rules, but as things stand today it is difficult to obtain a clear picture of what changes may be made to the rules. If more parts of the company's business become subject to sales tax, this is likely to have a negative impact on Betsson's income.

Disputes

In 2001, Betsson reported the Swedish government to Swedish Office of the Chancellor Justice (Justitiekanslern or JK) denouncing the government for on the one hand not notifying the prohibition against pinball machines and wheel of fortune and on the other not introducing reasonable transition rules. Failure to do so cost Betsson considerable sums. Betsson wanted JK to examine whether the government was liable to pay damages. JK found against Betsson in 2003. The reason for the negative decision was unclear and therefore Betsson has employed external legal services to examine the possibilities of bringing an action against the government and claiming damages for an infringement of EU law. The investigation found that the government was wrong in not notifying the change to the law in 1997 (wheel of fortune) in accordance with the provisions on technical standards and regulations in Directive 98/34 EC. Thus the prohibition was without effect and could not be applied against Betsson. Therefore the government is guilty of a normative fault which infringes EU law. Thus according to the expert's assessment there is a good chance of being awarded damages for the 1997 law change. This conclusion is underpinned by recent judgements by the European Court and the Swedish High Court. On 1 November 2006, Betsson issued a writ against the government. In it, Betsson claims damages of SEK 81 million from the government.

Betsson is also claiming the restitution of illegally exacted taxes. The claim, which involves some SEK 20 million, is based, among other things, on the same normative fault as above, i.e. the failure of the government to notify the change to the law in 1997 to the EU. The County Court in the county of Dalarna rejected Betsson's petition on 9 March 2007. Betsson has appealed against the decision to the Administrative Court of Appeal in Sundsvall.

Research and Development

Betsson has no research activities. Development costs for gaming platforms and the integration of gaming and payment platforms are capitalized to the extent these are assessed as providing future financial benefits.

Environment

Betsson has no operations which are subject to statutory reporting or licensing under the environmental code.

Corporate governance

For information about the work of the board of directors during the year and corporate governance, refer to the section entitled *Corporate Governance*.

Guidelines for salaries and other remuneration for leading officials

Latest decisions about guidelines

Refer to Note 7 for a description of the guidelines adopted by the 2007 general meeting.

Guidelines proposed by the board of directors

The board of directors proposes that the annual general meeting should adopt the following guidelines for the payment of leading officials. Leading officials are the CEO and the CFO of the parent company and the CEO of Betsson Malta Ltd and other members of the executive management of Betsson Malta.

Remuneration shall be paid on ordinary market and competitive terms in order to attract and retain competent leading officials. Remuneration consists of a fixed salary, possible bonuses, pensions and other fringe benefits such as company vehicles.

Bonuses may be payable provided that certain financial goals set by the board of directors have been fulfilled. Bonuses vary according to the extent at which the goals have been fulfilled or surpassed. If the financial goals have been surpassed to the highest level ('over-perform'), the group's cost for bonuses to the group's leading executives is estimated to reach approximately SEK 27 million, including social charges.

The ordinary pensionable age is 65. Ordinary market terms and conditions apply to pensions, which are based on defined contribution schemes. The maximum pension premium is 35 per cent of the annual salary plus bonuses.

The ordinary period of notice is 6 to 12 months when given by the company and 6 months when given by the leading official. When notice is given by the company, severance pay of up to 12 months' salary may be paid.

The board of directors may abandon the guidelines where there are special reasons for doing so.

Ownership structure

There are a total of 39,553,720 shares in the company, of which 5,420,000 are A-shares and 34,133,720 are B-shares. Each A-share entitles its

holder to 10 votes, while each B-share entitles its holder to 1 vote. All shares are equally entitled to Betsson's assets and income. The company's B-share is listed on OMX Nordic Exchange in Stockholm, Mid Cap. The company has some 5,950 (3,250) shareholders in all. At the end of 2007, the largest owners (with more than 10 per cent of the votes) were Per Hamberg with 8.9 per cent of the capital and 21.3 per cent of the votes and Rolf Lundström with 5.1 per cent of the capital and 11.0 per cent of the votes.

Authorization for the board of directors

The annual general meeting held on 22 May 2007 decided to authorize the board of directors until the time of the next annual general meeting to, on one or more occasions, with or without preferential rights for shareholders, resolve on the issue of a maximum of 4,000,000 B-shares against cash payment and/or payment in kind, offset or on other conditions. The mandate was not exercised during the 2007 financial year.

The 2007 general meeting also resolved to authorize the board of directors to decide upon the acquisition of shares such that the number of shares at no time exceeds 10 per cent of the total number of shares in the company. It also decided to authorize the board of directors to decide upon the divestment of the company's own shares as liquidity for the acquisition of companies or business areas. Shares may also be divested in order to fund such acquisitions. The mandate was exercised in the 2007 financial year as described below.

Buyback of own shares

In August–September 2007, Betsson bought back 244,000 B-shares at an average price of SEK 58.02. At balance sheet date on 31 December 2007, the company held a total of 244,000 B-shares. The total purchase price including brokerage for these shares was SEK 14.2 million.

The nominal value of the repurchased shares was SEK 2 per share and is equivalent to 0.6 per cent of the total share capital.

Re-stamping of A-shares

At the request of the shareholders, the board of directors re-stamped 190,000 A-shares to B-shares during the year. At the end of the year, the number of outstanding shares excluding repurchased shares amounted to 39,309,720, of which 5,420,000 were A-shares and 33,889,720 were B-shares.

Proposed dividend

The board of directors proposes to the annual general meeting that no share dividend should be paid, but that SEK 197.8 million, equivalent to SEK 5.00 (0.50) per share, should be transferred to the shareholders through a redemption program, of which SEK 3.50 refers to transfer for the 2007 financial year and SEK 1.50 to an extra transfer.

The board of directors' complete proposed redemption program will be presented in good time prior to the annual general meeting.

The proposed transfer is in line with the dividend policy which the board of directors resolved upon during the year to apply from 2008 onwards. It is the ambition of the Betsson board that ordinary dividends shall be paid equivalent to 75 per cent of the group's after-tax income provided that a suitable capital structure can be maintained.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK '000 unless otherwise specified	Note	2007	2006
Revenues	3, 4	645,238	293,277
Other operating income	3, 4	3,718	313
Total		648,956	293,590
Operating expenses for gaming activities		-128,175	-61,343
Gross profit		520,781	232,247
OPERATING EXPENSES			
Capitalized development costs		26,896	12,101
Marketing costs		-189,108	-106,245
Other external costs	5, 6	-91,199	-59,214
Personnel costs	7	-62,402	-46,512
Depreciation	8	-12,309	-11,511
Other operating costs	9	-2,796	-1,938
Total operating expenses		-330,918	-213,319
Operating income		189,863	18,928
NET FINANCIALS	10		
Financial income		2,916	1,802
Financial expenses		-40	-2,930
Total net financial items		2,876	-1,128
Income before tax		192,739	17,800
Tax	11	-13,285	14,204
INCOME FROM CONTINUING OPERATIONS		179,454	32,004
Income from discontinued operations	12	11,468	30,505
INCOME FOR THE YEAR		190,922	62,509
Of which attributable to:			
– parent company's shareholders		190,921	62,272
– minority interests		1	237
<i>Earnings per share from continuing operations</i>			
– before dilution (SEK)	13	4.55	0.82
– after dilution (SEK)	13	4.55	0.81
<i>Earnings per share from discontinued operations</i>			
– before dilution (SEK)	13	0.29	0.77
– after dilution (SEK)	13	0.29	0.77
<i>Earnings per share, total income</i>			
– before dilution (SEK)	13	4.84	1.59
– after dilution (SEK)	13	4.84	1.58
Proposed/actual dividend per share (SEK)		5.00 ¹⁾	0.50

¹⁾ Dividend for 2007 refers the proposed redemption program.

CONSOLIDATED BALANCE SHEET

Amounts in SEK '000	Note	2007	2006
ASSETS			
FIXED ASSETS			
Intangible noncurrent assets	14	402,176	403,469
Tangible fixed assets	15	12,294	10,574
Deferred tax receivables	11	987	–
Other long-term receivables	17	295	713
Total fixed assets		415,752	414,756
CURRENT ASSETS			
Accounts receivable		1,426	6,017
Tax assets	11	77,962	19,404
Other receivables	17	107,270	56,076
Prepayments and accrued income	18	8,515	19,074
Liquid funds		232,680	77,225
Total current assets		427,853	177,796
TOTAL ASSETS		843,605	592,552
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
	19		
Share capital		79,107	79,107
Other contributed capital		235,370	235,370
Reserves		4,353	-919
Retained earnings including annual income		304,228	177,370
Shareholders' equity attributable to the parent company's shareholders		623,058	490,928
Minority interests		408	407
Total equity		623,466	491,335
LONG TERM LIABILITIES			
Deferred tax liabilities	11	227	957
Total long-term liabilities		227	957
CURRENT LIABILITIES			
Accounts payable		18,969	19,908
Tax liabilities	11	88,444	31,895
Other liabilities	21	79,091	29,679
Accrued costs and prepaid income	22	33,408	18,778
Total current liabilities		219,912	100,260
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		843,605	592,552
<i>Assets pledged and contingent liabilities</i>			
Pledged assets	23	24,050	3,620
Contingent liabilities		None	None

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK '000	2007	2006
OPERATING ACTIVITIES		
Income after financial items continuing operations	192,739	17,800
Income after financial items continuing operations	12,521	42,629
Adjustments for items not included in the cash flow:		
– Depreciation	14,301	22,747
– Capital gains/losses from divestments	122	613
– Other	1,719	1,526
Tax paid	-8,605	-1,993
Cash flow from operations before changes in working capital	212,797	83,322
<i>Changes in working capital</i>		
Changes in stock	–	273
Changes in current receivables	-66,426	-39,595
Changes in current liabilities	85,090	25,619
Cash flow from operations	231,461	69,619
INVESTMENT BUSINESS		
Acquisition of noncurrent assets	-30,343	-26,655
Acquisition of tangible fixed assets	-10,764	-19,311
Sale of tangible fixed assets	111	683
Sale of shares and participations, subsidiaries	–	-242
Changes in long-term receivables	369	502
Cash flow from investment activities	-40,627	-45,023
FINANCING BUSINESS		
New share issue	–	2,849
Cash dividend	-19,777	–
Hive-off of operations, subsidiaries	-1,518	-24,074
Transaction costs, distribution subsidiaries	-2,387	-4,768
Repaid dividends	2	2
Long-term loans raised	–	2,769
Buyback of own shares	-14,199	–
Cash flow from financing business	-37,879	-23,222
CHANGES IN LIQUID ASSETS	152,955	1,374
Cash and cash equivalents – opening balance	77,225	78,412
Exchange rate differences cash and cash equivalents	2,500	-2,561
CASH AND CASH EQUIVALENTS AT YEAR-END	232,680	77,225
Of which cash flow from discontinued operations:		
– Operations	-7,761	54,027
– Investment business	-3,897	-29,307
– Financing business	–	5,892
<i>Additional information</i>		
Unutilized credit facilities amounted to	–	–
Interest paid during the year amounted to	-41	-130
Interest received during the year amounted to	2,751	788

CHANGES IN CONSOLIDATED EQUITY (highlights)

Amounts in SEK '000	Share capital	Other contributed capital	Conversion reserve	Retained earnings including annual	Total	Minorities	Total equity
OPENING EQUITY 01-01-2006	76,117	232,231	-153	162,796	470,991	3,139	474,130
Conversion differences for the year			-766		-766	-52	-818
Total change in assets charged directly to equity, excluding transactions with the company's owners			-766		-766	-52	-818
Annual income				62,272	62,272	237	62,509
Total change in assets, excluding transactions with the company's owners			-766	62,272	61,506	185	61,691
Issue, exercise convertible promissory notes and share options	2,990	3,139			6,129		6,129
Distribution of subsidiaries to shareholders				-44,267	-44,267	-2,917	-47,184
Transaction costs distribution of subsidiaries after tax				-3,433	-3,433		-3,433
Repaid non-distributed dividend				2	2		2
CLOSING EQUITY 12-31-2006	79,107	235,370	-919	177,370	490,928	407	491,335
Conversion differences for the year			5,272		5,272		5,272
Total change in assets charged directly to equity, excluding transactions with the company's owners			5,272		5,272		5,272
Annual income				190,921	190,921	1	190,922
Total change in assets, excluding transactions with the company's owners			5,272	190,921	196,193	1	196,194
Cash dividend				-19,777	-19,777		-19,777
Distribution of subsidiaries to shareholders				-27,702	-27,702		-27,702
Transaction costs distribution of subsidiaries after tax				-2,387	-2,387		-2,387
Buyback of own shares				-14,199	-14,199		-14,199
Repaid non-distributed dividend				2	2		2
CLOSING EQUITY 12-31-2007	79,107	235,370	4,353	304,228	623,058	408	623,466

PARENT COMPANY INCOME STATEMENT

Amounts in SEK '000 unless otherwise specified	Note	2007	2006
Revenues	4	9,592	9,835
Other operating income	4	3,718	61
Total		13,310	9,896
OPERATING EXPENSES			
Other external costs	5, 6	-13,554	-12,147
Personnel costs	7	-8,044	-7,384
Depreciation	8	-178	-152
Other operating costs	9	-82	-788
Total operating expenses		-21,858	-20,471
Operating income		-8,548	-10,575
FINANCIAL ITEMS	10		
Profit/loss from participations in group companies		132,629	7,869
Interest income and similar income items		4,569	321
Interest expenses and similar profit/loss items		-29	-102
Total financial items		137,169	8,088
Profit/loss after financial items		128,621	-2,487
Appropriations	20	-382	67
Income before tax		128,239	-2,420
Tax	11	1,174	1,693
INCOME FOR THE YEAR		129,413	-727
Proposed/actual dividend per share (SEK)		5.00 ¹⁾	0.50

¹⁾ Dividend for 2007 refers the proposed redemption program.

PARENT COMPANY BALANCE SHEET

Amounts in SEK '000	Note	2007	2006
ASSETS			
FIXED ASSETS			
<i>Tangible fixed assets</i>			
Stores	15	2,967	317
Total tangible fixed assets		2,967	317
<i>Financial fixed assets</i>			
Participations in the group companies	16	587,100	591,148
Other long-term receivables	17	295	655
Total of tangible fixed assets		587,395	591,803
Total fixed assets		590,362	592,120
CURRENT ASSETS			
<i>Current receivables</i>			
Accounts receivable		76	75
Receivables from group companies		156,452	126,883
Tax assets	11	4,302	–
Other receivables	17	1,449	2,499
Prepayments and accrued income	18	926	3,167
Total of short-term claims		163,205	132,624
Cash and bank balances		76,298	9,589
Total current assets		239,503	142,213
TOTAL ASSETS		829,865	734,333
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
<i>Restricted equity</i>			
Share capital	19	79,107	79,107
Reserve fund		506,557	506,557
Total of committed equity		585,664	585,664
<i>Nonrestricted equity</i>			
Premium reserve		3,139	3,139
Retained earnings		83,435	119,164
Annual income		129,413	-727
Total disposable equity		215,987	121,576
Total shareholders' equity		801,651	707,240
Untaxed reserves	20	413	31
CURRENT LIABILITIES			
Accounts payable		4,437	2,507
Liabilities to group companies		20,216	16,954
Tax liabilities	11	–	2,983
Other liabilities	21	1,344	499
Accruals and deferred income	22	1,804	4,119
Total current liabilities		27,801	27,062
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		829,865	734,333
Pledged assets	23	–	3,620
Contingent liabilities		None	None

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK '000	2007	2006
OPERATING ACTIVITIES		
Profit/loss after financial items	128,621	-2,487
Adjustments for items not included in the cash flow:		
– Depreciation	178	152
– Write-downs on assets	–	3,075
– Capital gains/losses from divestments	103	-1,117
– Miscellaneous	-323	458
Tax paid	-6,110	-2,418
Cash flow from operations before changes in working capital	122,469	-2,337
<i>Changes in working capital</i>		
Changes in current receivables	-20,872	9,014
Changes in current liabilities	3,722	-4,443
Cash flow from operations	105,319	2,234
INVESTMENT BUSINESS		
Acquisition of tangible fixed assets	-3,030	-39
Sale of tangible fixed assets	98	93
Acquisition of shares and participations, subsidiaries	–	-4,000
Acquisition of shares and participations	–	146
Paid shareholder contribution	–	-7,000
Changes in long-term receivables	360	-655
Cash flow from investment activities	-2,572	-11,455
FINANCING BUSINESS		
Cash dividend	-19,777	–
New share issue	–	2,849
Buyback of own shares	-14,199	–
Transaction costs, distribution subsidiaries	-2,387	-3,433
Repaid dividend	2	2
Cash flow from financing business	-36,361	-582
CHANGES IN LIQUID	66,386	-9,803
Cash and cash equivalents – opening balance	9,589	19,850
Exchange rate differences cash and cash equivalents	323	-458
CASH AND CASH EQUIVALENTS AT YEAR-END	76,298	9,589
<i>Additional information</i>		
Unutilized credit facilities amounted to	0	0
Interest paid during the year amounted to	-29	-102
Interest received during the year amounted to	1,014	281

CHANGES IN PARENT COMPANY EQUITY (highlights)

Amounts in SEK '000	RESTRICTED EQUITY		NONRESTRICTED EQUITY			Total equity
	Share capital	Reserve fund	Premium reserve	Retained earnings	Annual income	
OPENING EQUITY 01-01-2006	76,117	506,557	0	24,466	125,174	732,314
Appropriation according to the annual general meeting				125,174	-125,174	0
Group contribution after tax				15,492		15,492
Annual income					-727	-727
Issue, exercise convertible promissory notes and share options	2,990		3,139			6,129
Distribution of subsidiaries to shareholders				-42,537		-42,537
Transaction costs distribution of subsidiaries after tax				-3,433		-3,433
Repaid non-distributed dividend				2		2
CLOSING EQUITY 12-31-2006	79,107	506,557	3,139	119,164	-727	707,240
Appropriation according to the annual general meeting				-20,504	727	-19,777
Group contribution after tax				5,407		5,407
Annual income					129,413	129,413
Buyback of own shares				-14,199		-14,199
Distribution of subsidiaries to shareholders				-4,048		-4,048
Transaction costs distribution of subsidiaries after tax				-2,387		-2,387
Repaid non-distributed dividend				2		2
CLOSING EQUITY 12-31-2007	79,107	506,557	3,139	83,435	129,413	801,651

NOTES

Note 1

General information

Betsson AB (Parent Company, Corp ID 556090-4251) via subsidiaries (the combined group) engages in gaming business over the internet. The business is run through companies in Sweden, Malta and the UK.

The parent company is a corporation registered in and domiciled in Stockholm. The address of the head office is Regeringsgatan 30-32, SE-111 53 Stockholm. The parent company is listed on the OMX Nordic Exchange in Stockholm.

The present consolidated financial statements were approved by the board of directors on 31 March 2008 for publication.

Note 2

Accounting and valuation principles

The basis of presentation

The consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretation statement of the International Financial Reporting Interpretations Committee (IFRIC), which has been approved by the EU commission for application within the EU. In addition, Recommendation RFR 1.1, Complementary accounting rules for groups of the Swedish Financial Accounting Standards Council, has also been applied prematurely.

The parent company applies the same policies as the group, except that the financial statements of the parent company have been prepared in accordance with recommendation RR 2.1:05 Reporting for legal entities of the Swedish Financial Accounting Standards Council.

Changed accounting policies

The accounting policies remain unchanged from previous periods with the below exceptions.

Gaming transactions where the company takes open positions against players are recognized in accordance with IAS 39 Financial instruments, as outstanding bets may be regarded as derivatives. For Betsson this means Betsson Sport and Betsson Trader revenues are deducted for certain operating expenses and opening what is recognized as derivatives in the balance sheet. Previously this revenue was recognized in accordance with IAS 18 Revenue. The change was the result of a statement from IFRIC (July 2007) on the recognition of gaming transactions.

Betsson has decided to apply IFRIC's pronouncement about customer loyalty programs (IFRIC 13, July 2007) prematurely. As a result, revenue allocated for customer bonus points is not charged to income until the customer exercises the points. In previous reports, Betsson recognized the full revenue and charged the bonus part to income.

As a result of these changes to accounting policies the way the group reports revenue and expenses has been changed in that certain expenses are now deducted from revenue instead of being recognized gross. Consolidated income is not affected by these changes in policies. Previous reporting periods have been translated in accordance with the new policies. Calculated according to previous accounting policies revenue amounted to SEK 685 million (320 million).

When preparing the consolidated financial statements as at 31 December 2007, the following standards and interpretations entered into force or were changed compared with previous years:

- IAS 7 Financial instruments – Information which involves increased disclosure requirements so that users of the financial statements should be able to evaluate the significance of the company's financial instruments and the nature and extent of the risks associated with them.
- Amendment to IAS 1 Design of financial reports, as a result of which the company must submit information which enable users of the financial statements to assess the company's objectives, principles and methods for the management of capital.
- IFRIC 7 Applying the restatement approach according to IAS 29

- IFRIC 8 The scope of IFRS 2
- IFRIC 9 Revaluation of embedded derivatives
- IFRIC 10 Interim financial reporting and impairment

Where these standards have applied to Betsson, they have only affected supplementary disclosures in Betsson.

The following standards and pronouncements will be applied to the 2008 calendar year or later:

- Redesignated IAS 1 – Design of financial reports
- IFRS 8 Operating segments
- Redesignated IAS 23 Borrowing costs
- IFRIC 11 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programs
- IFRIC 14 IAS 19 The limit on a Defined Benefit Asset

The group has decided not to apply any new standards, changes to standards or pronouncements prematurely except for IFRIC 13 described above. The new standards and pronouncements are not expected to have any effect on the accounting policies applied by Betsson during the forthcoming periods, but only on the disclosures submitted.

Assessment assumptions and classification

The parent company's operating currency is the Swedish crown, which is also the reporting currency for the parent company and the group. Unless otherwise stated, all amounts are rounded to the nearest thousand.

Assets and liabilities are recognized based on their acquisition values except for certain financial instruments which are valued at fair value. Financial assets and liabilities valued at fair value consist of derivatives, financial assets classified as financial assets valued at fair value in the income statement or as financial assets which can be sold.

Assets are classified as current assets if they are expected to be sold or are intended for sale or use during the normal financial year of the company, if they are held mainly for trading purposes, if they are expected to be realized within 12 months of the balance sheet date or if they consist of liquid assets. All other assets are classified as fixed assets.

Liabilities are classified as current liabilities if they are expected to be settled during the normal financial year of the company, if they are held mainly for trading purposes, if they are expected to be settled within 12 months after the balance sheet date or if the company does not have an unconditional right to reschedule settlement of the liability to at least 12 months after the balance sheet date. All other liabilities are classified as long-term liabilities.

Estimates and assessments in the financial statements

Preparing the financial reports in accordance with the IFRS requires that the company management make estimates and assessments and make assumptions which affect the application of the accounting policies and the recognized amounts with regard to assets, liabilities, earnings and costs. The actual outcome may vary from these estimates and assessments.

Areas where many assessments are required, which are complex or areas where assumptions and estimates are of material importance are above all assumptions concerning the need for write-downs of goodwill and other intangible assets of indeterminate financial life.

Grounds for consolidation

The consolidated financial statements comprise the parent company and companies in which the parent company directly or indirectly holds more than half of the votes or otherwise exercises a controlling influence. The consolidated accounts have been prepared in accordance with the purchase method.

Under the purchase method the parent company indirectly acquires its subsidiaries' assets and assumes its liabilities. The difference between the acquisition cost of the stock and the fair value at the time of acquisition of acquired identifiable net assets constitutes the acquisition value of goodwill, which is recognized as an asset in the balance sheet. If the difference is negative, the difference is recognized as income in the income statement.

The revenues and expenses and assets and liabilities of subsidiaries are included in the consolidated financial statements from the day the controlling influence arises (the acquisition date) and until the day it ceases. Intra-group

receivables and liabilities and transactions between companies in the group along with the related income are eliminated in their entirety.

Segment reporting

Betsson's primary segments were previously divided into the Betsson Online, Net Entertainment and Cherry Casino business areas. In 2006 and 2007, Cherry Casino and Net Entertainment respectively were distributed to the shareholders. The continuing Betsson Online business area is subject to the same types of opportunities and risks, and therefore this segment has not been divided further.

The group's internal reporting system is based on the monitoring of the group's business areas.

Discontinued operations

A discontinued operation is a part of the group which has been terminated, divested or which is classified as an asset for sale. A discontinued operation constitutes a separate business area or is a subsidiary which has been acquired exclusively for resale. The distributed Net Entertainment and Cherryföretagen business areas are reported as discontinued operations.

Foreign currency

Receivables and liabilities in foreign currency

Receivables and payables in foreign currency are valued at the rate on balance sheet day. Exchange rate differences arising during translation are recognized in the income statement.

Translation of foreign subsidiaries

Companies whose functional currency is not Swedish kronor are translated to Swedish kronor according to the current rate method, whereby all assets, provisions and other liabilities are translated at the rate on balance sheet date and income statements items are translated at the average rate. Exchange rate differences arising from translation, translation differences, are charged directly to equity.

When independent foreign subsidiaries are divested, the accumulated translation differences attributable to the company after deduction of any currency hedges are recognized in the consolidated income statement.

Revenues

Revenues record revenue from the group's gaming business. They also include marginal revenues from services sold.

Gaming transactions where company revenues stem from commissions, rake-backs, fixed winnings percentages etc are recorded in accordance with IAS 18 Revenue. Gaming revenues are recognized net after the deduction of players' winnings, bonuses and the loyalty program. This applies to Poker, Casino, Exchange, Scratch, Bingo and Games.

Revenues from gaming transactions where the company takes open positions against players are recognized net after the deduction of players' winnings, bonuses and the loyalty program as well as license income and gaming taxes, which are calculated according to the outcome of the game. Outstanding amounts are derivatives and are recognized at fair value according to IAS 39 Financial instruments. The revenues recognized in this manner refer to Betsson Sport and Betsson Trader (financial betting).

The part of revenues which are allocated for customer bonus points in Betsson's loyalty program are first charged to income when the customer exercises the points.

Revenue from sold services is recognized exclusive of sales tax and discounts and after eliminating group sales. Sold services comprise consultancy, rental and license revenues. Most refer to intragroup sales from the parent company to subsidiaries. External revenues from sold services are only marginal.

Other operating income

Revenue from business other than ordinary operations is recognized under other operating revenues. The item mainly includes reversed written-off receivables, capital gains from operations and income from the sale of fixed assets.

Operating expenses for gaming activities

Operating expenses in gaming activities refer to gaming tax expenses, license charges for game suppliers, bank or credit card payment service expenses for

the depositing of bets and the payment of winnings, and the expenses associated with fraud. In the case of gaming recognized as financial instruments, gaming tax and license fee expenses which are calculated based on the outcome of games are deducted from the revenue reported from the game.

Gross profit

Several gaming companies refer to gross profit as revenue from gaming activities (gaming profit or the equivalent) and thus report game supplier license charges and payment service expenses as a reduction in revenues. Betsson recognizes these costs as Operating expenses in gaming activities (besides for sporting betting and financial betting, which are designated as financial instruments and recognized net), but has also introduced an income level, Gross profit, to simplify comparison with other gaming companies.

However, in future Betsson has decided to recognize revenues as the result of transactions with end customers, i.e. the players. In this way, progress in actual gaming can be measured.

Gross profit also includes the results of transactions with third parties, i.e. game suppliers and payment suppliers, which also allows for progress in Betsson's negotiations with suppliers to be measured.

Gross profit from the group's gaming activities consists of net received gaming bets and paid-out winnings minus gaming taxes, game supplier license charges, net revenue and expense for bank and credit card payment services for deposits of gaming bets and the payment of winnings and fraud expenses (non-approved payment transactions).

Capitalized development costs

Capitalized development costs refer to direct salary and other personnel-related expenses and indirect expenditure attributable to development projects recognized as assets in the balance sheet.

Marketing costs

This item includes external expenses for production and distribution of marketing by Betsson and Betsson games in various media and also collaboration and affiliate agreements.

Leasing

Leasing is classified either as financial or operational leasing in the consolidated financial statements. Leasing of fixed assets where the group is essentially subject to the same risks and benefits as through direct ownership is classified as financial leasing. The leased assets are recognized as fixed assets and the corresponding leasing liability is attributed to interest-bearing liabilities. Leasing of assets where the lessor essentially retains ownership of the asset is classified as operational leasing and the leasing charge is charged in a straight line over the term of the lease.

All of Betsson's current leasing contracts have been classified as operational. The amount of leasing charges paid is shown in Note 5.

Pension expenses

Group payments for defined contribution pension plans are charged to income during the period the employees performed the services the contribution refers to.

Parts of the pension commitments for company officials in Sweden are secured through insurance with Alecta (traditional ITP pensions). According to a pronouncement UFR 3 by the Emerging Issues Task Force of the Swedish Accounting Standards Board this is a defined benefit plan which includes several employers. During the 2007 and 2006 financial years, Betsson has received no information that would allow this plan to be recognized as a defined benefit plan. The pension plan which is secured through insurance in Alecta is therefore reported as a defined contribution plan.

Other operating costs

The expense of secondary activities within the ordinary business relating to operating receivables and liabilities are reported as other operating expenses. The item mainly includes operating exchange rate losses and losses from the sale of fixed assets or business.

Taxes

Corporate income tax in the income statement consists of current tax and deferred tax. Current tax is tax which must be paid or received during the current year. This also applies to the adjustment of current tax attributable to previous periods. Deferred tax is calculated according to the balance sheet method based on all significant temporary differences between the accounting and tax values of assets and liabilities applying the tax rates and tax regulations in force or notified on balance sheet date. Temporary differences are ignored in group associated companies which are not expected to be taxed within the foreseeable future.

Deferred tax receivables referring to deductible temporary differences and loss carry forwards are only recognized to the extent it is likely they can be utilized and reduce tax payments in the future.

Acquired assets and liabilities

Financial assets comprised by IAS 39 Financial instruments: recognition and measurement are classified into one of the following categories:

- Financial assets and liabilities recognized at fair value in the income statement
- Investments held to maturity
- Loan receivables and accounts receivable
- Financial assets for sale

Financial instruments are initially recognized at acquisition value corresponding to the instrument's fair value with the addition of transaction costs except for financial instruments which are assessed at fair value in the income statement, where transaction costs are charged immediately to income. Subsequent accounts depend on how they are classified in accordance with the below.

Financial assets and liabilities recognized at fair value in the income statement

Financial assets and liabilities in the form of derivatives are recognized at fair value in the income statement where hedge accounting is not used. The impact on income of the games which are classified as derivatives is recognized in revenues in the income statement, whilst for other derivatives the impact on income is recognized as other operating revenue and other operating expenses.

Investments held to maturity

Made up of financial assets which have fixed payment flows or the payment flows of which can be determined in advance and which have fixed maturities which the company expressly intends to hold to maturity. Assets in this category are valued at accrued acquisition value. The accrued acquisition value is determined based on the effective interest rate calculated at the time acquisition. This involves any surplus or deficit values and direct transaction costs being accrued over the maturity of the instrument.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets which are not derivatives with fixed payments or with payments which can be determined, and which are not listed on an active market. Loan receivables are valued at accrued acquisition value, which is determined based on the effective interest rate calculated at the time of acquisition. Accounts receivable are recognized as the amount which is expected to be paid in minus doubtful receivables, which are assessed individually. Write-downs of accounts receivable are recognized in operating costs.

Financial assets for sale

The financial assets for sale category is included in financial assets which are not classified in any other category or financial assets which the company initially chose to classify in this category. Assets in this category are constantly assessed at fair value with value changes against equity. At the time investments are booked out of the balance sheet previously recognized accumulated gains or losses are transferred from equity to the income statement.

Other financial liabilities

Financial liabilities held for trading are valued at accrued acquisition value, which is determined based on the effective interest rate calculated when the liability was contracted. This involves any surplus or deficit values and direct issue costs being accrued over the maturity of the liability.

Intangible noncurrent assets

Goodwill and intangible noncurrent assets of indeterminate useful life

Goodwill and the Betsson trademark are valued at acquisition value minus any accumulated write-downs. These are not written off but are tested annually for impairment needs.

Development costs and other intangible noncurrent assets

Development costs and acquired assets in the form of other brands/domains and customer databases etc also belong under intangible assets. Development costs for new products are capitalized as assets in the balance sheet to the extent these are assessed as providing future financial benefits. Only expenditure which arises within the framework of the development stage for online gaming products – game systems – gaming platforms and integration of these and payment costs are capitalized. Assets are recognized from the time the decision is taken to complete the respective project and the preconditions exist for doing so. The recognized value includes expenses for materials, purchased services, direct payroll expenses and indirect expenses which can be attributed to the asset in a reasonable and consistent manner. Development costs are recognized at acquisition value minus accumulated depreciation and write-downs.

Other intangible assets are taken up in the balance sheet at acquisition value minus accumulated depreciation and write-downs.

The capacity of intangible assets to generate revenue is constantly assessed in order to assess any impairment needs.

Tangible fixed assets

Tangible fixed assets are recognized at acquisition value minus accumulated depreciation and amortization and possible write-downs. Repairs and maintenance are charged to income as they arise.

Depreciation and impairments

Depreciation is based on the original acquisition value minus the estimated residual value allowing for the write-downs made. Depreciation is made over the useful life of the asset using the straight line method.

The following useful lives are used:

Trademarks, domain names	max 5 years
The Betsson brand	indeterminate, not written off
Customer database Betsson	2 years
Gaming agreements and concessions	3–5 years
Capitalized development costs for gaming, gaming systems and gaming platforms determined based on nature of asset and amount to	max 5 years
Office inventory	5 years
Servers etc	5 years
Computers	5 years
Computers in technology and development	charged directly to income
Vehicles	3–5 years

The residual values and useful lives of assets are assessed annually. If there are indications that the book value of a consolidated tangible, intangible or financial fixed asset is too high, an analysis is performed to determine the recovery value of individual or naturally related types of assets as the highest of the net sale value and utility value. The utility value is measured as the expected future discounted cash flow. Write-downs consist of the difference between the book value and the recovery value. Write-downs are reversed when there is no longer a reason for them. Reversals are made at the most up to a value not exceeding the book value minus depreciation which would have been recognized if write-down had not been made.

Cash and cash equivalents and cash flow statement

Cash and cash equivalents consist of cash and immediately available balances at banks and similar institutions and current liquid investments with a maturity from the acquisition time of less than three months and which are only exposed to insignificant value fluctuation risks.

Accounting policies for the parent company

The parent company applies the same policies as the group, except that the financial statements of the parent company have been prepared in accordance with recommendation RR 2.1 Reporting for legal entities of the Swedish Financial Accounting Standards Council, which have been applied prematurely.

Discrepancies between the consolidated and parent company accounting policies result from limitations the Swedish Company Accounts Act entail for the application of the IFRS in the parent company and the taxation rules which allow different recognition for legal entities than for the group.

Group contribution and shareholders' contribution

The company recognizes group contributions and shareholders' contributions in accordance with the pronouncement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholders' contribution is recognized directly against equity at the recipient and is capitalized in shares and participations at the donor to the extent write-downs are not required. Group contribution is recognized according to the financial implications, which means that, for instance, group contributions submitted or received to minimize total group tax is recognized directly against retained earnings deducted for their current tax effect.

Group companies

Participations in group companies are recognized in the parent company at acquisition value less any impairment write-downs.

Division of restricted and free equity

Equity is divided into restricted and free equity in the parent company's balance sheet pursuant to the Swedish Company Accounts Act.

Untaxed reserves and balance sheet appropriations

Due to the relationship between reporting and taxation, deferred tax liabilities on untaxed reserves are recognized in the parent company as part of untaxed reserves.

Definitions

Revenues. Revenues from 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 recognized as financial instruments.

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 when salaries were paid last.

Average number of employees. The number of employees converted to full-time employment (man-years).

Number of shares. Number of shares at the end of each period.

Number of outstanding shares. Number of outstanding shares (excluding repurchased stock) at the end of each 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.

Cash flow per share. Cash flow relative to the average number of outstanding shares during the period.

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 the redemption program.

Share price. Price paid in latest share transaction.

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

Note 3**Segment reporting**

The group is primarily divided into business areas. The Cherry Casino and Net Entertainment business areas were distributed to the shareholders in 2006 and 2007 respectively. These are presented in the below table under Discontinued operations.

	Betsson Online	Dis- continued opera- tions	Joint & other	Group total
2007				
External revenues	641,245		7,711	648,956
Internal revenues from other segments	—		5,599	
Total revenues	641,245		13,310	
Gross profit	513,070		7,711	520,781
Operating income	198,412		-8,549	189,863
Income before tax				192,739
Income after tax for the continuing operations				179,454
Income after tax for discontinued operations		11,468		11,468
Income, net				190,922
Assets	756,447		87,158	843,605
Liabilities	212,858		7,281	220,139
Investments	34,193		3,030	37,223
Depreciation	12,131		178	12,309

2006	Betsson Online	Dis-continued operations	Joint & other	Group total
External revenues	286,627		6,963	293,590
Internal revenues from other segments	—		2,933	
Total revenues	286,627		9,896	
Gross profit	225,345		6,902	232,247
Operating income	28,636		-9,708	18,928
Income before tax				17,800
Profit after tax for continuing operations				32,004
Profit after tax for discontinued operations		30,505		30,505
Income, net				62,509
Assets	523,578	51,782	17,192	592,552
Liabilities	70,939	20,135	10,143	101,217
Investments	17,990	19,022	33	37,045
Depreciation	11,359		152	11,511

Secondary segments

Geographic areas comprising the group's secondary segments. The information below refers to external revenues and gross profit (gaming profit) in the geographic areas where customers are located. Information concerning assets and investments are based on where the assets are located.

2007	Nordic countries	Others Europe	Rest of the world	Miscellaneous	Group total
Revenues	434,723	199,828	2,077	12,328	648,956
Gross profit (gaming profit)	351,331	155,597	1,525	12,328	520,781
Operating income					189,863
Assets	148,295	695,310			843,605
Investment in continuing operations	5,404	31,819			37,223
2006	Nordic countries	Others Europe	Rest of the world	Miscellaneous	Group total
Revenues	199,261	81,120	8,015	5,195	293,590
Gross profit (gaming profit)	158,020	62,915	6,117	5,195	232,247
Operating income					18,928
Assets	148,295	695,310			843,605
Investments	11,645	25,400			37,045
— of which discontinued operations	11,281	7,741			19,022
— of which continuing operations	364	17,659			18,023

Note 4

Revenues

	Group		Parent company	
	2007	2006	2007	2006
Revenues				
Gaming business	574,925	272,204	—	—
Gaming business, derivatives	61,703	16,191	—	—
Licenses/Royalties	4,617	0	—	—
Consultancy, management	215	1,894	2,340	3,914
Rentals and office services	3,778	2,988	7,252	5,921
Total	645,238	293,277	9,592	9,835
Other operating income				
Recovered written off receivables	5	9	5	—
Capital gains from sale of fixed assets	62	6	62	61
Exchange rate differences	3,651	9	3,651	—
Miscellaneous	—	289	—	—
Total	3,718	313	3,718	61

Note 5

Leasing

Leasing expenses for automobiles, renting of premises and other rented equipment and which is not covered by operational leasing amounted to:

	Group		Parent company	
	2007	2006	2007	2006
Leasing and rental expenditure charged to income	7,208	6,452	4,727	4,522

Future minimum charges for non-terminable operational lease and rental agreements are estimated to be as follows:

	Group	Parent company
During 2008	6,076	3,117
During 2009-2012	8,151	2,502
After 2012	—	—
Total	14,227	5,619

Note 6

Auditors' fees

The following remuneration was paid to auditors and auditing companies for audits and other scrutiny pursuant to law and for advisory services and other assistance resulting from such scrutiny (Audit assignments) There were also payments for other independent assignments (Other Assignments), which primarily relate to tax consultancy and advice on accountancy issues.

	Group		Parent company	
	2007	2006	2007	2006
Auditing work				
Ernst & Young	426	703	364	657
PricewaterhouseCoopers	1,091	—	—	—
Other audit companies	411	485	—	—
Other assignments				
Ernst & Young	90	365	90	365
PricewaterhouseCoopers	—	—	—	—
Other audit companies	40	—	—	—
Total	2,058	1,553	454	1,022

Note 7

Employees, salaries and fees

Average number of employees

	2007		2006	
	Total	Of which, women	Total	Of which, women
<i>Parent company</i>				
Sweden	5	40%	5	40%
Parent company total	5	40%	5	40%
<i>Subsidiaries</i>				
Sweden	28	1%	27	15%
UK	1	0%	21	38%
Malta	73	36%	19	37%
Total subsidiaries	102	33%	67	28%
GROUP TOTAL	107	34%	72	28%

Number of women in executive management

	Group		Parent company	
	2007	2006	2007	2006
Board of directors	18%	36%	23%	40%
Other leading officials	0%	0%	0%	0%

Salaries, other remuneration and social costs

	2007				2006			
	Salaries & remuneration	Of which CEO, board of directors & leading officials	Social insurance costs	Of which pension expenses	Salaries & remuneration	Of which CEO, board of directors & leading officials	Social insurance costs	Of which pension expenses
<i>Parent company</i>								
Sweden	5,724	4,526	2,589	1,352	4,762	3,421	3,241	1,565
<i>Subsidiaries</i>								
Sweden	13,781	745	5,356	1,253	11,186		4,561	1,093
Finland	1,103				541			
Norway	1,827		248		1,087		154	
Denmark	390				456			
UK	886	496	240	124	13,795	1,358	2,289	798
Malta	24,731	1,127	2,098		8,171		271	
Group total	48,442	6,894	10,531	2,729	39,998	4,779	10,516	3,456

In 2007 (2006), profit shares/bonuses amounting to SEK 923,000 (618,000) were paid to the CEO and other leading officials.

Remuneration and other benefits for executive management

	Basic salary/fees	Bonuses	Pension expenses	Financial instruments	Other compensation
John Wattin, chairman	258				
Per Hamberg	129				
Emil Sunvisson	88				
Patrick Svensk	129				
Kicki Wallje-Lund	188				
Rolf Blom	88				
Anna-Carin Månsson	42				
Total board fees including the chairman's fee	922	0	0	0	0
Pontus Lindvall, CEO	2,287	223	459		
Other leading officials (5 persons)	2,762	700	510		
Total	5,971	923	969	0	0

Comments on the adjacent table:

Salary/fees refer to salaries and other benefits including automobile and gasoline benefits. Other remuneration refers to the bonus charged to income based on targets achieved and paid out in 2008. The group only has defined contribution pension plans. Pension expenses refer to expenses affecting annual income.

The chairman and members of the board of directors received no remuneration in addition to their fees.

Financial instruments

No financial instruments in the form of option programs or convertible bond programs were initiated in 2007. There are no previously launched option or convertible bond programs.

The decision making and committee process

The fees received by the chairman and members of the board of directors are adopted by the annual general meeting. Fees are not paid for committee work.

The guidelines adopted by the 2007 general meeting for leading officials

Leading officials are the CEO and the CFO of the parent company and the CEO and other members of the executive management of Betsson Online.

Remuneration shall be paid on ordinary market and competitive terms in order to attract and retain competent leading officials. Remuneration consists of a fixed salary, possible bonuses, pensions and other fringe benefits such as company vehicles.

Bonuses which may be offered to leading officials are determined based on the fulfilment of preestablished group and individual targets relating to management results and the company's financial development, and allow for the personal development of the leading official concerned. Bonuses may not exceed 100 per cent of the regular fixed salary.

The ordinary pensionable age is 65. Ordinary market terms and conditions apply to pensions, which are based on defined contribution schemes. The maximum pension premium is 35 per cent of the annual salary plus bonuses.

The ordinary period of notice is 6 to 12 months when given by the company and 6 months when given by the leading official. When notice is given by the company, severance pay of up to 12 months' salary may be paid.

Bonuses

The CEO's/group chief executive's 2007 bonus was SEK 223,000 (618,000). The 2007 bonus was equivalent to eight per cent of the basic salary.

The other leading officials' 2007 bonuses amounted to SEK 700,000 (0). The bonuses of other leading officials for 2007 amounted to an average of 25 per cent of their basic salaries.

Pensions

The pensionable age of the CEO is 65. Pension premiums amount to 35 per cent of the pensionable salary. The pensionable salary is the basic salary plus bonuses and benefits.

The pensionable ages of other leading officials are between 60 and 65 years of age. The pension agreement stipulates that pension premiums should be a maximum of 30 per cent of the pensionable salary. The pensionable salary is the basic salary plus bonuses and benefits.

Severance remuneration

If given notice of dismissal by Betsson, the CEO is entitled to a period of notice of 6 months and severance pay equivalent to 12 months' salary. Deduction will not be made from the severance pay if he is receiving salary from another post. The CEO must give six months' notice of resignation. No severance benefit will be paid when employment is terminated at the request of the employee.

Other leading officials are subject to a mutual period of notice of six months. When notice is given by the company, the employee is entitled to severance pay equivalent to 12 months' salary. No severance benefit will be paid when employment is terminated at the request of the employee.

Sick absence in Sweden

PERCENTAGE OF ORDINARY WORKING HOURS	Group	
	2007	2006
Total sick absence	1.1%	1.7%
Proportion of sick absence which relates to absence of more than 60 days at a stretch; long term sick absence	19.9%	36.3%
Sick absence for men	1.3%	1.6%
Sick absence for women	0.2%	0.1%
Employees, 29 or younger	1.1%	0.8%
Employees, 30-49 years old	1.3%	2.0%
Employees, 50 or older	0.0%	0.0%

Note 8

Depreciation

Depreciation is divided between the respective fixed assets as follows:

	Group		Parent company	
	2007	2006	2007	2006
Gaming products, systems and platforms	-9,119	-5,915	-	-
Customer databases	-757	-4,545	-	-
Inventories and gaming equipment	-2,433	-1,051	-178	-152
Total	-12,309	-11,511	-178	-152

Note 9

Other operating costs

	Group		Parent company	
	2007	2006	2007	2006
Capital gains from sale of fixed assets	114	-	82	-
Capital losses from sale of subsidiaries	-	136	-	-
Exchange rate differences	2,682	1,802	-	788
Total	2,796	1,938	82	788

Note 10

Net financial, financial items

GROUP	2007	2006
Interest income	2,821	551
Exchange rate changes, net	95	1,251
Financial income	2,916	1,802
Interest costs	40	114
Exchange rate changes, net	-	2,816
Financial expenses	40	2,930
TOTAL FINANCIAL ITEMS	2,876	-1,128
PARENT COMPANY	2007	2006
Dividends from subsidiaries	132,629	9,889
Capital gains from sale of subsidiaries	-	1,056
Share write-downs in subsidiaries	-	-3,076
Total results from participations in group companies	132,629	7,869
Interest income, group companies	3,389	-
Interest income, other	1,085	340
Exchange rate differences	95	-19
Total financial income and similar income items	4,569	321
Interest expenses, other	-29	-102
Total financial expenses and similar income items	-29	-102

Note 11

Tax

Tax expenses in the income statements

	Group		Parent company	
	2007	2006	2007	2006
<i>Distribution into current and deferred tax</i>				
Current tax	-14,143	700	1,174	1,693
Deferred tax	858	13,504	—	—
Total	-13,285	14,204	1,174	1,693

Tax expenses are distributed as follows:

	Group		Parent company	
	2007	2006	2007	2006
<i>Current tax</i>				
Sweden	-1,196	1,117	1,174	1,693
Outside Sweden	-12,947	-417	—	—
Total current tax	-14,143	700	1,174	1,693
<i>Deferred tax</i>				
Sweden	-219	128	—	—
Outside Sweden	1,077	13,376	—	—
Total deferred tax	858	13,504	0	0

The difference between the true tax cost and tax cost based on applicable tax rates

Income before tax, net	192,738	17,800	128,239	-2,420
Tax according to valid tax rate (28%)	-53,967	-4,984	-35,907	677
Tax attributable to previous years	-205	-1,157	—	-1,157
Difference in tax in foreign business	42,124	5,339	—	—
Tax refunds because of distribution	—	3,127	—	—
Tax effect of non-deductible items	-1,188	-542	-55	-892
Tax effect of nontaxable items	—	—	37,136	3,065
Effect of changed tax rate on deferred tax liabilities	—	12,429	—	—
Tax effect of non-recognized loss carry forwards	-49	-8	—	—
Recognized tax expense	-13,285	14,204	1,174	1,693

Specification of deferred tax

Change in tax rate on deferred tax liabilities	—	12,429	—	—
Change in tax on temporary differences	1,077	947	—	—
Tax on balance sheet allocations	-219	128	—	—
	858	13,504	0	0

Tax in balance sheets

	Group		Parent company	
	2007	2006	2007	2006
<i>Long-term receivables</i>				
Deferred tax on temporary differences	987	—	—	—
<i>Current receivables</i>				
Tax receivables	77,962	19,404	4,302	—
<i>Provisions for taxes</i>				
Deferred tax on untaxed reserves	227	843	—	—
Deferred tax on temporary differences	—	114	—	—
Total	227	957	0	0
<i>Current liabilities</i>				
Tax liabilities	88,444	31,895	—	2,983

The group has no unutilized tax loss carry forwards.

Note 12

Income from discontinued operation

On 30 March 2007, the annual general meeting resolved to distribute Net Entertainment (the Net Entertainment business area) to the shareholders. Net Entertainment's B-shares were listed on NGM Equity on 5 April 2007. From April 2007 onwards Net Entertainment was recognized as a discontinued operation.

On 6 September 2006, the annual general meeting resolved to distribute Cherryföretagen (the Cherry Casino business area) to the shareholders. Cherryföretagen's B-shares were listed on AktieTarget on 12 September 2006. From September 2006 onwards Cherry was recognized as a discontinued operation.

The results of discontinued operations consist of the following items:

	2007	2006		
	Net Entertainment	Net Entertainment	Cherry	Total
Revenues	33,654	99,773	140,936	240,709
Operating expenses	-21,129	-58,972	-137,401	-196,373
Operating income	12,525	40,801	3,535	44,336
Financial items	-4	-958	-749	-1,707
Income before tax	12,521	39,843	2,786	42,629
Tax	-1,053	-11,361	-763	-12,124
Income from discontinued operation	11,468	28,482	2,023	30,505
Of which attributable to:				
— parent company's shareholders	11,468	28,482	1,784	30,266
— minority interests	—	—	239	239
Earnings per share (SEK)	0.29	0.72	0.05	0.77
<i>Cash flow from discontinued operations</i>				
Operations	-7,761	36,382	17,645	54,027
Investment business	-3,897	-18,561	-10,746	-29,307
Financing business	—	—	5,892	5,892

Note 13

Earnings per share

GROUP	2007	2006	GROUP	2007	2006
<i>Continuing operations</i>			<i>Average number of shares</i>		
Income after tax attributable to parent company's shareholders	179,453	32,006	Average total number of shares	39,553,720	39,088,161
Interest convertible loan after tax	–	36	Less average number of repurchased shares	-81,718	–
Adjusted income	179,453	32,042	Average number of outstanding shares before dilution	39,472,002	39,088,161
<i>Discontinued operations</i>			Convertible loan	–	210,411
Income after tax attributable to parent company's shareholders	11,468	30,266	Warrants	–	255,148
TOTAL			Average number of outstanding shares after dilution	39,472,002	39,553,720
Income after tax attributable to parent company's shareholders	190,921	62,272	<i>Earnings per share from continuing operations</i>		
Interest convertible loan after tax	–	36	– before dilution (SEK)	4.55	0.82
Adjusted income	190,921	62,308	– after dilution (SEK)	4.55	0.81
			<i>Earnings per share from discontinued operations</i>		
			– before dilution (SEK)	0.29	0.77
			– after dilution (SEK)	0.29	0.77
			<i>Earnings per share, total income</i>		
			– before dilution (SEK)	4.84	1.59
			– after dilution (SEK)	4.84	1.58

See Note 2, Definitions, for calculation method.

Average share prices 2007 (2006): SEK 57.00 (25.04).

Note 14

Intangible noncurrent assets

GROUP	Gaming products, gaming systems & gaming platforms	Gaming agreements & concessions	Trademarks	Customer databases	Goodwill	Total
<i>Accumulated acquisition value</i>						
Opening balance 01-01-2006	32,683	20,690	77,408	9,090	320,682	460,553
Internally developed assets	26,554	–	–	–	–	26,554
Divestment through distribution of Cherry	–	-19,075	–	–	–	-19,075
Exchange rate changes	-437	–	–	–	–	-437
Closing balance 12-31-2006	58,800	1,615	77,408	9,089	320,682	467,594
Internally developed assets	27,327	–	–	–	–	27,327
Divestment upon distribution of Net Entertainment	-27,554	-1,615	-147	–	–	-29,316
Scrapping	-1,509	–	–	–	–	-1,509
Exchange rate changes	1,048	–	–	–	–	1,048
Closing balance 12-31-2007	58,112	0	77,261	9,089	320,682	465,144
<i>Accumulated depreciation and write-downs</i>						
Opening balance 01-01-2006	9,689	15,600	4	3,787	36,273	65,353
Annual depreciation	8,585	538	49	4,545	–	13,717
Divestment through distribution of Cherry	–	-14,748	–	–	–	-14,748
Exchange rate changes	-197	–	–	–	–	-197
Closing balance 12-31-2006	18,077	1,390	53	8,332	36,273	64,125
Annual depreciation	9,119	–	–	757	–	9,876
Divestment upon distribution of Net Entertainment	-8,340	-1,390	-53	–	–	-9,783
Scrapping	-1,510	–	–	–	–	-1,510
Exchange rate changes	260	–	–	–	–	260
Closing balance 12-31-2007	17,606	0	0	9,089	36,273	62,968
<i>Book value</i>						
As at 01-01-2006	22,994	5,090	77,404	5,303	284,409	395,200
As at 12-31-2006	40,723	225	77,355	757	284,409	403,469
As at 12-31-2007	40,506	0	77,261	0	284,409	402,176

Write-down testing of goodwill and brands of indeterminate life

Recognized group goodwill and the Betsson trademark stems from the acquisition of Betsson at the beginning of 2005. Both of these assets, which together have a book value of SEK 361.7 million, belong to the Betsson Online cash generating unit.

As these assets are not written off, write-down testing was performed in January 2007 (in conjunction with the preparation of the 2006 annual financial statements) by estimating Betsson Online's recovery value based on its utility value. Testing showed that the recovery value of the Betsson Online cash generating unit considerably exceeded the recognized value.

Since the last estimate of recovery value no events have occurred which might have a negative effect on the estimated recovery value. There has been no material change to the assets and liabilities which make up the unit. As a result, it is unlikely that a current estimate of recovery value would be less than the book value.

This recovery value which was estimated in February 2007 is based on cash flow forecasts based on actual operating results until 2006, and a five-year forecast based on a business plan for the same period and a budget for 2007. Cash flow for the years subsequent to 2011 has been extrapolated based on annual growth of 3 per cent, which is equivalent to an assumed average future inflation rate. The growth rate during the first five years is expected to be higher than that of the sector, as the company is a relatively new business with continued opportunities for growth through market promotions. The forecast cash flows have been discounted at 16 per cent before tax.

The most important assumptions in the five-year forecast and the methods used for estimating values are as follows:

IMPORTANT VARIABLES	Method of estimating value
Sales	A forecast based on current marketing plans which are updated annually based on actual outcome. Forecasts are based on previous experience and external information sources.
Operating margin	Operating margin largely depends on the marketing campaigns performed. Amounts are set in annual budgets for the unit. Forecasts are based on previous experience and external information sources.

The actual outcome for Betsson Online's 2007 business is considerably better than the assumptions upon which the previous year's calculation of recovery value are based. The 2008 budget and assumptions concerning other important variables also make a positive impact on valuation.

Consequently, it has been assessed that there is no need for impairment write-downs on goodwill and trademarks of indeterminate useful life.

Note 15

Tangible fixed assets

Inventories, servers, hardware etc

	Group	Parent company
<i>Accumulated acquisition value</i>		
Opening balance 01-01-2006	72,781	1,220
Investments	10,492	33
Divestment through distribution of Cherry	-65,839	-
Divestments and disposals	-1,625	-285
Exchange rate changes	19	-
Closing balance 12-31-2006	15,828	968
Investments	8,565	3,030
Divestment upon distribution of Net Entertainment	-8,476	-
Divestments and disposals	-1,001	-951
Exchange rate changes	611	-
Closing balance 12-31-2007	15,527	3,047
<i>Accumulated depreciation and write-downs</i>		
Opening balance 01-01-2006	45,472	759
Divestment through distribution of Cherry	-41,320	-
Divestments and disposals	-1,082	-260
Annual depreciation	2,201	152
Exchange rate changes	-17	-
Closing balance 12-31-2006	5,254	651
<i>Divestment upon distribution of Net Entertainment</i>	-3,754	-
Divestments and disposals	-768	-750
Annual depreciation	2,432	179
Exchange rate changes	69	-
Closing balance 12-31-2007	3,233	80
<i>Book value</i>		
As at 01-01-2006	27,309	461
As at 12-31-2006	10,574	317
As at 12-31-2007	12,294	2,967

Note 16

Participations in the group companies

COMPANY	Corp ID	Domicile	Participation (%)	Participation (units)	Parent company	
					2007	2006
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
Betsson Malta Holding Ltd		Malta	100	10,000	569,777	569,777
– Betsson Malta Ltd		Malta	100	–	–	–
– Clearpay Ltd		Malta	100	–	–	–
Betsson Ltd		England	100	100	2	2
The Open Exchange Ltd		England	100	100	1	1
Intact Technology Stockholm AB	556561-4814	Stockholm	90.1	9,010	901	901
Cherry International AB	556561-8575	Solna	100	8,000	4,300	4,300
Cherryföretagen Casinoutrustningar AB	556205-2307	Solna	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	Falkenberg	100	10,000	3,561	3,561
Cherry Leisure AB	556169-9843	Solna	100	2,500	290	290
AB Restaurang Roulette	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
Net Entertainment NE AB	556532-6443	Stockholm	0 (100)	0 (39,553,720)	–	4,048
– Mobile Entertainment ME AB	556185-1758	Stockholm	0 (100)	–	–	–
– Net Entertainment Malta Holding Ltd		Malta	0 (100)	–	–	–
– Net Entertainment Malta Ltd		Malta	0 (100)	–	–	–
– Feliz Europa SA		Costa Rica	0 (100)	–	–	–
– Mil Treinta y Dos SA		Costa Rica	0 (100)	–	–	–
Total					587,100	591,148

Changes in participations in group companies

	2007	2006
Opening acquisition value	591,148	710,189
Distribution of Net Entertainment	-4,048	–
<i>Distribution Cherryföretagen</i>		
Internal acquisitions of subsidiaries	–	4,000
Transfer of subsidiary to Cherry	–	-30,228
Shareholder contribution Cherryföretagen, subsidiary	–	31,420
Shareholder contribution Cherryföretagen, cash and cash equivalents	–	7,000
Distribution of Cherry to shareholders	–	-42,537
Repayment of invested funds	–	-85,339
Write-downs	–	-3,076
External divestments	–	-262
Internal group divestments	–	-19
Closing book value	587,100	591,148

Note 17

Long-term receivables and other receivables

Other long-term receivables which are fixed assets

	Group		Parent company	
	2007	2006	2007	2006
<i>As at end of year</i>				
Long-term part loan	295	655	295	655
Long-term part deposits	–	58	–	–
Total	295	713	295	655
<i>Changes</i>				
Opening book value	713	1,615	655	0
Reclassification of long-term claims to current	-360	-800	-360	–
Lending, long-term part	–	655	–	655
Change in long-term part restaurateur loan	–	-479	–	–
Change in long-term part deposits	-58	-278	–	–
Closing book value	295	713	295	655

Other long-term receivables which are fixed assets

	Group		Parent company	
	2007	2006	2007	2006
<i>As at end of year</i>				
Disposal shares, current part of claims	—	800	—	—
Lending, current part	591	394	591	394
Tax accounts	853	1,624	—	1,621
Receivables from payment suppliers	86,610	49,733	—	—
Current part deposits	5,342	—	—	—
Sales tax	6,866	2,312	804	435
Miscellaneous	7,008	1,213	54	49
Total	107,270	56,076	1,449	2,499

Receivables from payment suppliers refer to receivables from banks and other credit institutions which are credit granters (issues of credit cards etc) for Betsson's customers. The risk of losses on these stems from certain players lacking resources to cover their purchases. Betsson has no reserve for suspected losses on outstanding receivables. Based on historic losses, Betsson assesses that credit losses on outstanding receivables are marginal compared with group income. Losses charged to income during the year relating to credit card sales amounted to SEK 4 (1) million, which is equivalent to 0.6 (0.3) per cent of total group revenues.

Receivables from payment suppliers are settled within 7–30 days.

Note 18

Prepayments and accrued income

	Group		Parent company	
	2007	2006	2007	2006
Rents	1,314	1,192	726	1,192
Production expenses	4,841	14,983	—	—
Other prepaid expenses	2,360	2,899	200	1,975
Total	8,515	19,074	926	3,167

Note 19

Equity

Share capital composition

	2007		2006	
	Number of shares	Share capital	Number of shares	Share capital
PARENT COMPANY				
Shares, series A (10 votes)	5,420,000	10,840	5,610,000	11,220
Shares, series B (1 votes)	34,133,720	68,267	33,943,720	67,887
Total shares	39,553,720	79,107	39,553,720	79,107

In 2007 and at the request of the shareholders, 190,000 A-shares were reclassified as B-shares. In 2007, the parent company bought back own shares. At the end of the year the holding of own shares was 244,000 B-shares.

The nominal value of stock is SEK 2. Both A- and B-shares are equally entitled to the company's assets and income. Distribution of equity in the group and the parent company is shown in Note 2. Reserves are shown under changes in consolidated equity.

Note 20

Untaxed reserves and balance sheet appropriations

	2007		2006	
PARENT COMPANY				
<i>Balance sheet</i>				
Accumulated excess depreciation	413	31		
Total untaxed reserves	413	31		
Deferred tax in untaxed reserves included with	116	9		
<i>Income statement</i>				
Difference between book depreciation and depreciation according to plan	-382	67		
Total balance sheet allocations	-382	67		

Note 21

Other liabilities

	Group		Parent company	
	2007	2006	2007	2006
<i>Other current liabilities</i>				
Personnel tax	1,766	1,702	765	159
Social charges	1,186	1,627	522	340
Market partners	13,589	4,721	—	—
Gaming tax	442	—	—	—
Licenses	3,877	—	—	—
Sales tax	1,553	—	—	—
Players' accounts	56,621	21,117	—	—
Miscellaneous	57	512	57	—
Total	79,091	29,679	1,344	499

Note 22

Accruals and deferred income

	Group		Parent company	
	2007	2006	2007	2006
Holiday pay liabilities	2,349	2,905	32	218
Social charges	775	876	10	71
Salary	1,933	1,469	269	1,086
Jackpot reserve	19,439	—	—	—
Marketing costs	3,583	1,637	—	—
Consultancy expenses	1,416	5,680	783	555
Other	3,913	6,210	710	2,189
Total	33,408	18,777	1,804	4,119

Note 23

Assets pledged relating to own liabilities

	Group		Parent company	
	2007	2006	2007	2006
Bank balances	24,050	3,620	—	3,620
Total	24,050	3,620	—	3,620
Chattel mortgages in own keeping	35,600	35,600	35,600	35,600

The amount relates to blocked bank accounts with the Royal Bank of Scotland and others as security for customer bets.

Note 24

Related parties

The parent company has a close relationship with its subsidiaries, see Note 16. Services sold between the parent company and subsidiaries and former subsidiaries primarily relate to reporting, IT and management services and rental and office expenses.

All receivables and liabilities with former subsidiaries were settled as at 31 December 2007.

The Betsson group rents two overnight accommodation apartments from Solporten Fastighets AB of which the CEO and member of the board Per Hamberg are part owners/members of the board. In 2007, purchases amounted to SEK 91,000 (104,000).

Transactions with related parties are priced on ordinary market terms. No free services were provided.

Per Hamberg, chairman of the board of directors, has a major ownership influence in Betsson AB. For information on the ownership of the company by members of the board refer to page 48. For information on remuneration to members of the board of directors and executive management refer to Note 7.

Transactions with family relatives

PARENT COMPANY	2007	2006
<i>Purchase of services from related parties</i>		
Purchases from subsidiaries	335	–
Purchases from former subsidiaries	65	368
Purchases from other related parties	91	104
<i>Sales of services to related parties</i>		
Sales to subsidiaries	5,599	2,933
Sales to former subsidiaries	3,822	4,482
<i>Financial balances with related parties</i>		
Dividends from subsidiaries	132,629	–
Dividends from former subsidiaries	–	9,889
Interest income from subsidiaries	3,389	–
Interest income from former subsidiaries	155	–
<i>Liabilities to related parties</i>		
Liabilities to subsidiaries	20,216	16,954
<i>Receivables from related parties</i>		
Receivables from subsidiaries	156,452	126,883

Note 25

Financial instruments

	Items recognized at fair value over the income statement – derivatives	Loan receivables & accounts receivable	Other financial liabilities	Total recognized value	Fair value	Non-financial assets and liabilities	Total balance sheet
GROUP 2007							
Other long-term receivables		295		295	295		295
Accounts receivable		1,426		1,426	1,426		1,426
Other receivables		100,404		100,404	100,404	6,866	107,270
Cash and bank balances		232,680		232,680	232,680		232,680
Total financial assets	–	334,805	–	334,805	334,805	6,866	341,671
Accounts payable			18,969	18,969	18,969		18,969
Other liabilities	2,226		54,395	56,621	56,621	22,470	79,091
Total financial liabilities	2,226	–	73,364	75,590	75,590	22,470	98,060
GROUP 2006							
Other long-term receivables		713		713	713		713
Accounts receivable		6,017		6,017	6,017		6,017
Other receivables		53,764		53,764	53,764	2,312	56,076
Liquid funds		77,225		77,225	77,225		77,225
Total financial assets	–	137,719	–	137,719	137,719	2,312	140,031
Accounts payable			19,908	19,908	19,908		19,908
Other liabilities	335		20,782	21,117	21,117	8,562	29,679
Total financial liabilities	335	–	40,690	41,025	41,025	8,562	49,587
PARENT COMPANY 2007							
Other long-term receivables		295		295	295		295
Accounts receivable		76		76	76		76
Receivables from group companies		156,452		156,452	156,452		156,452
Other receivables		645		645	645	804	1,449
Cash and bank balances		76,298		76,298	76,298		76,298
Total financial assets	–	233,766	–	233,766	233,766	804	234,570
Accounts payable			4,437	4,437	4,437		4,437
Liabilities to group companies			20,216	20,216	20,216		20,216
Other liabilities						1,344	1,344
Total financial liabilities	–	–	24,653	24,653	24,653	1,344	25,997

	Items recognized at fair value over the income statement – derivatives	Loan receivables & accounts receivable	Other financial liabilities	Total recognized value	Fair value	Non-financial assets and liabilities	Total balance sheet
PARENT COMPANY 2006							
Other long-term receivables		655		655	655		655
Accounts receivable		75		75	75		75
Receivables from group companies		126,883		126,883	126,883		126,883
Other receivables		2,015		2,015	2,015	484	2,499
Cash and bank balances		9,589		9,589	9,589		9,589
Total financial assets	–	139,217	–	139,217	139,217	484	139,701
Accounts payable			2,507	2,507	2,507		2,507
Liabilities to group companies			16,954	16,954	16,954		16,954
Other liabilities						499	499
Total financial liabilities	–	–	19,461	19,461	19,461	499	19,960

Fair value

To establish the fair value of financial assets and liabilities the market value of the assets and liabilities have been used wherever possible. Interest-bearing financial assets and liabilities which are not derivatives are calculated based on future cash flows of capital sums and interest according to the effective interest rate method. The fair value of current financial assets and liabilities with flexible rates is the same as the recognized value. The fair value of current interest-free receivables and liabilities is the same as the recognized value because of their short maturities.

Outstanding accounts where Betsson takes open positions against players are derivatives and are recognized at fair value. Fair value is calculated as a weighted probability calculated for various outcomes.

Note 26

Financial risks

The group's financial business is managed based on a financial policy elaborated by the board of directors and is in general subject to only low levels of risk. Financial business and financial risk management is coordinated via the parent company Betsson AB, which is also responsible for placing excess liquidity. Subsidiaries are mainly financed via the parent company. The wholly-owned operational subsidiaries are themselves responsible for managing their financial risks within a framework set by the board of directors after coordination with the parent company.

Currency risks

Consolidated income is exposed to foreign exchange risks, as some sales are made in different currencies to expenses (transaction exposure). At present, Betsson does not hedge this part. Income is also affected by changes in exchange rates when income from foreign subsidiaries is translated to SEK (translation exposure). In addition, the company's equity is affected by changes in exchange rates when assets and liabilities in foreign subsidiaries are translated to SEK (translation exposure).

The foreign companies are mainly financed by equity and, where required, intragroup loans in the currency of the parent company. The equity of foreign subsidiaries is not hedged at the moment. Exchange rate differences from the translation of foreign net assets are recognized directly in consolidated equity.

Income items in foreign group and associated companies are not hedged. Forecast transaction flows in various currencies are shown in the below table (translated to SEK millions).

Refinancing risk, liquidity risk and capital management

Group operations are self financed.

Betsson's goal has traditionally been to restrict borrowing, with an equity ratio of at least 40 per cent. The group's tangible fixed assets mainly consist of IT hardware and inventories. It is assessed that future investment in tangible fixed assets can be financed by internally generated funds or through leasing. It has been assessed that the need for external financing may arise when expanding Betsson's operations and in conjunction with major company acquisitions.

Our aim is to mainly make acquisitions through cash payments and/or issues of own stock.

Interest rate risks

The group's income and cash flow from operations are in all essentials independent of changes in market interest rate levels. The group's excess liquidity is placed on short-term deposit with banks, and at present the group has no external loans. Changes in interest rate have little impact on group income.

Counterpart risk and credit risks

The group's financial transactions give rise to credit risks with financial counterparties. Betsson is not exposed to any material credit risk concentrations.

Gaming activities on the internet involve a credit risk for the operator. However, the credit risk associated with eCommerce is distinct from the credit risk associated with other credit card transactions. For its own protection, Betsson has implemented internal systems which are a significant impediment to fraud. Betsson assesses that its present measures are adequate to give reasonable protection against fraud and credit risks.

	EUR	USD	GBP	NOK	DKK	Others	Total
Unhedged, assessed net flow, 12 months	-86	-35	20	125	26	152	202
Impact of +/-1% change in exchange rate	-0.9	-0.4	0.2	1.3	0.3	1.5	2.0

PROPOSED ALLOCATION OF PROFITS

The following profits are at the disposition of the parent company:

Amounts in SEK

Net income for the 2007 financial year	129,412,514
Retained earnings and free reserves	86,574,351
	215,986,865

The board of directors and the CEO propose that the entire amount of SEK 215,986,865 be carried forward.

Transfer to shareholders

The board of directors proposes transferring SEK 197,769,000 to the shareholders. It is proposed that refunding should take place via a 2:1 stock split with compulsory redemption of the other share at a price of SEK 5.00 per share. Following the implementation of the proposed allocation of income and the redemption program, retained earnings and free reserves and total equity in the parent company and Betsson AB will amount to SEK 18,219,000 and SEK 603,883,000 respectively.

The annual report and the consolidated financial statements of Betsson AB (publ) for 2007 have been approved for publication in accordance with a decision taken by the board of directors on 31 March 2008. The annual report and consolidated financial statements will be present to the annual general meeting for adoption on 12 May 2008.

The below persons affirm that the consolidated financial statements and annual report have been prepared in accordance with the IFRS international accounting standards as adopted by the EU and according to good accounting practice, and give a true and fair view of the group's and the company's financial position and results, and that the group directors' report and the directors' report give a true and fair view of the progress of group and corporate business, the financial position and results, and describe significant risks and uncertainty factors which the group companies are faced with.

Stockholm, 31 March 2008

John Wattin
CHAIRMAN OF THE BOARD

Per Hamberg
MEMBER OF THE BOARD

Rolf Blom
MEMBER OF THE BOARD

Patrick Svensk
MEMBER OF THE BOARD

Kicki Wallje-Lund
MEMBER OF THE BOARD

Emil Sunvisson
MEMBER OF THE BOARD

Pontus Lindwall
CEO

My audit report was submitted on 7 April 2008

Gunnar Liljedahl
AUTHORIZED PUBLIC ACCOUNTANT

Ernst & Young AB

AUDITOR'S REPORT

To the annual general meeting of Betsson AB (publ)
Corp ID 556090-4251

I have examined the annual report, consolidated financial statements and bookkeeping and management by the board of directors and the CEO of Betsson AB (publ) for the 2007 financial year. The company's annual report and consolidated financial statements appear in the printed version of the present document on pages 18–44. The board of directors and the CEO are responsible for financial statements and management and for ensuring that the annual financial statements have been prepared in accordance with the Swedish Company Accounts Act and that the IFRS international accounting standards as adopted by the EU have been applied to the preparation of the consolidated financial statements. My responsibility is to express an opinion on the annual report, consolidated financial accounts and administration based on my audit.

The audit has been performed in accordance with best auditing practice in Sweden, according to which I planned and performed my audit to substantially but not absolutely assure myself that the annual report and consolidated financial statements do not contain material errors and misinformation. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining on a test basis the accounting policies and the board of director's and the CEO's application of them and assessment of material estimates which the board of directors and the CEO made when they drew up the annual report and the consolidated accounts and evaluation of overall information contained in the annual report

and the consolidated accounts. As a basis for my statement concerning freedom from liability, I examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the possible liability to the company of any member of the board or the CEO to the company. I have also examined whether they have in some other way acted in contravention of the Swedish Companies Act, the Swedish Company Accounts Act or the Corporate Statutes. I believe that my audit provides a reasonable basis for the opinion set out below.

In my opinion, the annual report and the consolidated accounts have been prepared in accordance with the Swedish Company Accounts Act, and therefore provide a true and fair picture of the company's income and financial position in accordance with good accounting practice in Sweden. The consolidated accounts have been prepared in accordance with the IFRS international accounting standards as they have been adopted by the EU and the Swedish Company Accounts Act and give a true and fair picture of the group's income and financial position. The directors' report is consistent with the remaining parts of the annual report and the consolidated accounts.

I recommend that the AGM adopt the income statement and the balance sheet for the parent company and the group, allocate income in the parent company as proposed in the annual report and release the members of the board of directors and the CEO from liability for the financial year.

Stockholm, 7 April 2008

Gunnar Liljedahl
AUTHORIZED PUBLIC ACCOUNTANT

Ernst & Young AB

CORPORATE GOVERNANCE

Legislation and company statutes

Primarily, Betsson AB (publ) applies Swedish corporate law and the rules regulating shares registered on OMX Nordic Exchange in Stockholm. In addition, Betsson business complies with the stipulations contained in the corporate statutes. These may be found on the Betsson website.

Companies the market values of which exceed of SEK 3 billion must apply the Swedish corporate governance code. Betsson's market value is less than SEK 3 billion and therefore the company does not apply the code. From 1 July 2008 onwards, all listed companies will apply a revised corporate code. At the moment, Betsson is adapting the company and the company's website to accommodate this.

Nominating Committee

Nomination work is performed by a nominating committee appointed by the major shareholders. The announcement of the nominating committee is made in conjunction with the presentation by the company of the third quarter financial statements. The following nominating committee has been appointed prior to the 2008 general meeting:

- Rolf Blom, member of the board of Betsson AB, appointed by Lars Kling and Per Hamberg
- Niclas Eriksson, Vasastaden Holding AB, appointed by the Lundström and Knutsson families
- Magnus Briggert, Publicistgruppen Magnus Briggert AB, appointed by Per Hamberg and Lars Kling
- John Wattin, chairman of the board of Betsson AB

The job of the nominating committee is to, prior to the 2008 general meeting, submit proposals regarding the number of board members to be elected by the annual general meeting, the composition of the board, the chairman of the board, auditor(s), auditor's fees and the chairman of the annual general meeting. In addition, the nominating committee must submit proposed new instructions for the nominating committee for the next annual general meeting.

Shareholders wishing to submit proposals to the nominating committee may do so by email to valberedning@betsson.se or by ordinary post to the head office of the company.

The annual general meeting

Notice to convene the annual general meeting is published between four and six weeks prior to the meeting. Notice to convene the meeting contains information on application and the right to attend and vote at the meeting, numbered agenda with the items to be discussed, information on proposed dividend and the principal content of other proposals. Shareholders or their appointed representatives can vote for the full number of shares they hold or represent.

Proposals to the annual general meeting must be addressed to the board of directors and submitted in good time before the letter convening the meeting is published. Minutes of the meeting will be provided to shareholders upon request and may be viewed on the company website.

Committees

The annual general meeting has not appointed an auditing or remuneration committee, the reason being that Betsson as a small and transparent company with a small board of directors involves all members of the board of directors in remuneration and auditing matters.

Board of directors

Members of the board of directors are elected each year by the annual general meeting for the period until the next annual general meeting is held. There are no rules concerning the length of time a person may remain on the board of directors.

Betsson's board of directors consists of six members elected by the annual general meeting and no deputies. The CEO does not sit on the board of directors.

The annual general meeting held on 22 May 2007 resolved to re-elect members of the board John Wattin, Per Hamberg, Emil Sunvisson, Patrick Svensk and Kicki Wallje-Lund, and to appoint Rolf Blom as a new member. The annual general meeting also re-elected John Wattin as chairman of the board of directors.

According to Stockholm Stock Exchange's definition, there are six members of the board elected by the annual general meeting who are independent of the company (100 per cent) and there are five members of the board of directors elected by the annual general meeting who are independent of the company's major shareholders (83 per cent), all of whom comply with Stock Exchange's experience requirement. All members of the board of directors and all members of the group's executive management group have taken the OMX Nordic Exchange's training course in share exchange regulations.

The CEO reports to the board of directors. Officials of the company attend meetings of the board of directors as secretaries and in order to submit reports on various issues. The secretary of the board of directors is the company CFO.

In 2007, the board of directors held 10 meetings where minutes were taken, of which two were statutory and two were telephone meetings. In conjunction one of the meetings of the board, the board of directors also visited Malta for study purposes. The board of directors gave particular attention to strategic, financial and reporting issues and major investment transactions. In 2007, there was particular focus on the question of distributing Net Entertainment and acquisition issues.

Attendance at meetings by members of the board is described below (the figure in parentheses refers to the total number of meetings):

John Wattin	10 (10)
Per Hamberg	10 (10)
Emil Sunvisson	10 (10)
Patrick Svensk	8 (10)
Kicki Wallje-Lund	9 (10)
Rolf Blom	6 (6)
Anna-Carin Månsson	3 (4)

The average attendance was 93 per cent.

The work of the board of directors follows a plan intended to ensure that it receives all necessary information. The company's auditors report any observations from the scrutiny of the closing financial statements and assessment of the company's internal procedures and checks to the board of directors.

The board of directors has adopted written rules of procedure and issued written instructions concerning division of responsibilities between the board of directors and the CEO and information which must be submitted to the board of directors on an ongoing basis.

Executive management

The board of directors has delegated operational responsibility for company and group management to the company's CEO and group chief executive.

Subsidiaries normally only have a formal executive board consisting of the group CEO. The CEOs of the subsidiaries report internally straight to the group CEO and/or the board of directors of the parent company.

In the case of Betsson Online (gaming business), management work is performed by independent local management on Malta.

CEO's instructions have been drawn up for the respective CEOs of the wholly owned subsidiaries, which are transparent with the group CEO's instructions.

The companies co-owned by Betsson with external owners normally have their own acting boards of directors. Betsson has representatives on these boards which are members of Betsson's executive management group and/or board of directors or are suitably qualified Betsson employees.

When work on the hiving-off and separate listing of the company's Cherry Casino and Net Entertainment businesses started, the previous group executive management was dissolved and replaced by management groups within the respective business areas.

Remuneration

The board of directors' fees are decided by the annual general meeting. The CEO's remuneration is decided by the board of directors. The remuneration of executives answering directly to the CEO is decided by the CEO in consultation with the chairman of the board. Within the group the principle that the boss's boss should approve matters pertaining to remuneration applies.

The following principles, which were adopted by the 2007 general meeting, apply to leading officials:

- Remuneration shall be paid on ordinary market and competitive terms in order to attract and retain competent leading officials. Remuneration consists of a fixed salary, possible bonuses, pensions and other fringe benefits such as company vehicles.
- Bonuses which may be offered to leading officials are determined based on the fulfilment of preestablished group and individual targets relating to management results and the company's financial development, and allow for the personal development of the leading official concerned. Bonuses may not exceed 100 per cent of the regular fixed salary.

Version

Gunnar Liljedahl of Ernst & Young was elected auditor by the 2004 general meeting for a period of four years. Ernst & Young audit the accounts of Betsson AB and its Swedish subsidiaries. Gunnar Liljedahl has been Betsson's auditor since 1995.

The year-end financial statements and the annual financial statements are audited in January-February. The accounts are also reviewed when the interim report for the first half is presented. In addition, internal procedures and checks are constantly reviewed during the year and results reported to the group CFO and the executive management.

Besides auditing, Betsson has also consulted Ernst & Young on issues relating to sales tax and tax, reporting procedures and various investigations.

Investor relations

Betsson provides information to its shareholders via the annual report, the preliminary announcement of annual financial statements, interim reports, press releases and the company website. The website also contains reports and press releases for recent years.

BOARD OF DIRECTORS



1. Rolf Blom
MEMBER OF THE BOARD

Born 1957, Djursholm.
Member of the board since 2007.

OTHER APPOINTMENTS:
Chairman of the board of
Net Entertainment NE AB,
member of the board of
Cherryföretagen AB and
chairman of the board of
PBM Stressmedicine AB.

SHARE HOLDING: 190,000 B-shares
(including holdings via companies).

2. Patrick Svensk
MEMBER OF THE BOARD

Born 1966, Stockholm.
Member of the board since 2005.
CEO of Zodiak Television AB.

SHARE HOLDING: 2,000 B-shares.

3. Per Hamberg
MEMBER OF THE BOARD

Born 1943, Ekerö.
Member of the board since 1974.

OTHER APPOINTMENTS:
Member of the boards of
Solporten Fastighets AB and
Cherryföretagen AB.

SHARE HOLDING: 1,699,500
A-shares and 1,831,560 B-shares
(including holdings via companies
and related parties).

REPORT PRESENTED BY

7. Pontus Lindwall
CEO, BETSSON AB

Born 1965, Stockholm.

OTHER APPOINTMENTS:
Member of the boards
of Portwise AB and
Solporten Fastighets AB.

SHARE HOLDING:
10,000 A-shares and
734,594 B-shares.

4. John Wattin
CHAIRMAN OF THE BOARD

Born 1947, Stockholm.
Member of the board since 1989.
CEO of Investerings i Kunskap AB.

OTHER APPOINTMENTS: Chairman
of the boards of Qbranch AB and
Syntensia AB.

SHARE HOLDING: 113,500 B-shares
(including holdings via companies
and related parties).

5. Emil Sunvisson
MEMBER OF THE BOARD

Born 1971, Stockholm.
Member of the board since 2007.
CEO of Scandcap AB.

OTHER APPOINTMENTS: Member of
the board of Cherryföretagen AB.

SHARE HOLDING: 0.

6. Kicki Wallje-Lund
MEMBER OF THE BOARD

Born 1953, Nyköping.
Member of the board since 2006.
CEO of Wellnet AB.

OTHER APPOINTMENTS:
Chairwoman of the board of
Avonova Sverige AB and member
of the board of Syntensia AB.

SHARE HOLDING: 5,000 B-shares.

MANAGEMENT



1. Pontus Lindwall
CEO, BETSSON AB

Born 1965, Stockholm.
Employed by the group since 1991.
Member of the boards of
Betsson Technologies AB and
Betsson PR & Media AB.

SHARE HOLDING: 10,000 A-shares
and 734,594 B-shares.

2. Tomas Alexanderson
CTO, BETSSON TECHNOLOGIES AB

Born 1974, Stockholm.
Employed by Betsson since 2004.

SHARE HOLDING: 0.

3. Peter Eidsenjö
CFO, BETSSON AB

Born 1957, Stockholm.
Employed by the group since 1989.
Deputy member of the board of
Betsson Technologies AB.

SHARE HOLDING: 44,000 B-shares.

4. Anders Holmgren
CHAIRMAN OF THE BOARD,
BETSSON MALTA LTD

Born 1973, Monaco.
Employed by the group since 2004.
CEO and member of the board of
Betsson Ltd. Member of the board
of Betsson Malta Holding Ltd.

SHARE HOLDING: 0.

5. Thomas Kalita
CEO, BETSSON MALTA LTD

Born 1969, Malta.
Employed by Betsson since 2006.
Member of the board of
Betsson Malta Ltd.

SHARE HOLDING: 0.

6. Fredrik Nilsson
CFO, BETSSON MALTA LTD

Born 1973, Malta.
Employed by Betsson since 2004.
Member of the board of
Betsson Malta Ltd.

SHARE HOLDING: 0.

AUDITORS

Gunnar Liljedahl
AUDITOR SINCE 1995

Born 1948, Nordmaling.
Authorized
Public Accountant,
Ernst & Young AB.

Wilhelm Sande
DEPUTY AUDITOR
SINCE 1995

Born 1948, Umeå.
Authorized
Public Accountant,
Ernst & Young AB.

WHY BETSSON?

LISTED COMPANY

GAMING

Secure & fun!
Fantastic odds!
Fastest website!
High jackpots!

Department for
responsible gaming
Preventive aids
- active member of G4
Ongoing training

RESPONSIBLE



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