

# BETSSON AB ANNUAL REPORT

# 2013

Betsson AB's Core Business consists of investing and administering shareholdings in companies who, through partners or by themselves, offer games to end users via the internet. Betsson AB owns Betsson Malta which operates games directed at end consumers from its own websites and through partnerships. Betsson Malta offers Poker, Casino, Sportsbook, Scratch-cards, Bingo and Games. Customers are primarily situated in the Nordic countries and other parts of Europe. Betsson AB is listed on the NASDAQ OMX Nordic Mid Cap List (BETS).

## 23

BRANDS ON OUR PLATFORM,  
OF WHICH THIRTEEN ARE B2C

## 12%

INCREASE IN REVENUES COM-  
PARED WITH 2012

## 34

NATIONALITIES REPRESENTED  
AMONGST PERSONNEL

## 8.4

BNSEK IN DEPOSITS DURING 2013  
- AN INCREASE OF 22%

## 10000

EMPLOYEES ON THREE CONTINENTS, 839 EMPLOYEES  
AND 161 FULL-TIME CONSULTANTS

## 21

MOBILE GAMING SOLUTIONS AC-  
COUNTED FOR MSEK 80.9 IN REVE-  
NUES IN THE FOURTH QUARTER

More about Betsson:

Betsson's Company presentation can be found at [www.betssonab.com](http://www.betssonab.com),  
where reports, presentations and press releases are also available.



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# COMPANY DESCRIPTION

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## BETSSON AB

### BUSINESS CONCEPT

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

### OBJECTIVE

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

### STRATEGY

Betsson AB and its subsidiaries will grow organically or via acquisitions, both within and outside the EU.

## BETSSON'S SUBSIDIARIES

### VISION

"The best customer experience in the industry".

### MISSION

"We have the strategy to become the most customer centric company in the industry. To transform our business to becoming a data-led best in class digital marketing company that leverages a multi-brand model and a single technological platform."

### BUSINESS MODEL

Betsson operates a number of gaming sites through its subsidiaries, both for web and mobile-based gaming. Betsson refers to this as a multi-brand strategy. The reason for this strategy is that the Betsson Group can focus on a larger number of client segments with various niched sites and can, thereby, reach a broader circle of customers.

The multi-brand strategy is reflected in the Company's B2C and B2B segments. The brands are primarily presented via Betsson's own gaming platform. The platform contains all of the functionality required to operate a number of gaming sites simultaneously. The platform handles such aspects as customer accounts, payments, bonuses, CRM, Business Intelligence, etc. The platform is the core of the offering and is very scalable. Betsson's various games are also integrated into the platform and are developed either by Betsson, itself, or acquired. When Betsson decides to purchase a game, we are very careful to choose between a number of different suppliers. In this manner, the customers are always offered the best and most attractive product mix. A first class offering is decisive for success in the industry and Betsson works hard to maintain its prominent position through innovation and technology. Betsson adds new products and suppliers when the possibility and requirement to do so arise.

**2013** was the year Betsson turned 50 years and the mobile offering got a strong foothold. For 50 years, customers have enjoyed the entertaining games provided by Betsson, and for the last 15 years this has included games available through the Internet. The revolution into online gaming operations has fuelled the growth. Betsson has grown from approximately MSEK 300 per year at the end of the 1990s to SEK 2.5 billion in 2013 (SEK 3.4 billion if including the distributed companies, Net Entertainment, etc.). We believe that mobile gaming will be the next large growth driver. From the beginning of 2012, mobile gaming activities have jumped from being only less than 1% of revenues to a total of 12% of revenues for Q4 2013. This shows how quickly the transition is taking place, and this rapid pace is unlikely to change. 2014 will be the year of the mobile for Betsson!

There were plenty of internal changes in the Betsson Group during 2013. Many new employees joined us, while others chose to move on. In total, we are now more than 1,000 full-timers at Betsson. The change is a foundation for our operating companies to optimize their activities. The vision is to deliver the best customer experience in the industry through the utilization of a multi-brand strategy, and by basing our operations on the opportunities provided through digital marketing, as well as by becoming a more data-led organization. Our ambition is to deliver one-to-one, relevant communication to our customers in real time. The subsidiaries will also prioritize online and mobile (instead of TV and print) marketing in their efforts to attract new customers. This will make our marketing even more effective. All of these measures will contribute to the optimization of the activities in the operating companies which will, in the long term, result in higher revenues and growth.

In terms of effectiveness, Betsson has, in recent years, reported the best margins among listed companies in the industry. We have achieved this thanks to a highly effective marketing strategy in combination with good cost control within administration and development. Our goal is to maintain this leading position, and we believe that we are well-positioned to achieve that.

The acquisitions undertaken in recent years have turned Betsson into a significantly larger company than in earlier years and, at the same time, this has provided the organization with extremely valuable and multi-faceted experience. Today, Betsson can execute acquisitions without taking focus away from the Group's core activities. The fact that Betsson has a technical platform and an organization which can handle a number of different brands means that Betsson can purchase companies and continue to develop their brands, while seamlessly integrating the technology into the joint platform. In this manner, the risk of losing customers is minimized, while, at the same time, synergies can be achieved and opportunities for growth created. The acquired companies undergo the change from low-value, unlisted operations to becoming a part of a larger listed group, with a higher valuation as a result. In this way, each individual acquisition contributes considerable value to shareholders from the very date of the acquisition.

In terms of regulatory developments, things are progressing at high speed. But even though many countries in Europe regulate their gaming markets and are introducing local licensing, a large number of countries are not making a move towards any change in this area. We believe that the possibilities for growth are strong in both types of markets; that is, in both the internationally and locally regulated markets. In the locally regulated markets, Betsson will participate and apply for licenses when it is commercially justifiable to do so. One such market in which Betsson expects to see local regulation within 1-2 years is the Netherlands, where Betsson recently completed a significant acquisition. With this acquisition, Betsson is one of the largest online gaming operators targeting the Dutch market, implying

that we are in an ideal position to benefit from the anticipated re-regulation. In the internationally regulated markets, Betsson believes that it will be possible to continue to work in these markets for the foreseeable future. We believe that these markets, in the not too distant future, will also introduce local regulations, at which point Betsson will be in a strong position to face whatever changes such regulations will imply. However, until that time

we will continue to deliver strong margins and high dividends to our shareholders. It is also possible to achieve all this in a responsible manner. According to a study executed by researchers at the Karolinska Institute, funded by

the Swedish industry organization, BOS, there is no difference between EU-regulated companies, such as Betsson, and locally licensed operators in terms of the approach to gaming responsibility. The study compared the gaming responsibility measures applied by Betsson, Unibet, Paf, Betfair and Bonnier Gaming with those applied by Svenska Spel, ATG and Postkodlotteriet. The result was clear – there is no major difference between these two groups. This implies that if the supervisory authorities' goal is to work for improved gaming responsibly, then the achievement of this goal is not impacted by the introduction of local regulations and licensing. This is good news for all of our customers who trust that Betsson provides secure and responsible gaming.

So what can we expect in the future? The transition to mobile solutions and the transformation to a more optimized company will continue and Betsson will, as always, achieve this in a profitable and responsible manner. The journey will continue to be intensive. Buckle up and enjoy the ride!

Stockholm, April 2014

**Magnus Silfverberg**  
*President and Chief Executive Officer*



The Board of Directors and the CEO of Betsson AB (publ), Corporate Identity Number 556090-4251, with its registered office in Stockholm, hereby present the annual report for the financial year 2013 for the Parent Company and the Group. The formal annual report, including the audit report, covers pages 5-8 and 12-47.

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

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

The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented for adoption at the Annual General Meeting on 8 May 2014.

## MANAGEMENT REPORT

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

Via partnerships and the Malta-based subsidiaries' websites, the subsidiaries offer Poker, Casino, Sportsbook, Scratchcards, Bingo and Games to customers in, primarily, the Nordic countries and the rest of Europe. In addition, the subsidiaries offer systems solutions to other gaming operators.

In this annual report, and for the sake of simplicity, "Betsson" is used throughout to refer to the Group's gaming operations, consisting of the gaming operations of the subsidiary Betsson Malta, which were operated on the basis of gaming licenses in Malta, Denmark, Estonia and Italy during 2013.

## THE GROUP'S REVENUES AND INCOME

The Group's revenues amounted to MSEK 2,476.7 (2,203.7), an increase of 12 per cent.

Gross profit was MSEK 2,073.9 (1,853.7), which is an increase of 12 per cent. Operating income increased to MSEK 601.1 (577.1) and the operating margin amounted to 24.3 (26.2) per cent.

Income before tax increased to MSEK 596.2 (573.6) and net income amounted to MSEK 562.0 (547.8), which is the equivalent of SEK 12.98 (13.04) per share.

## PRODUCTS

Casino games are Betsson's major product and accounted for 64 (68) per cent of the total gross profit during the year, followed by Sportsbook with 28 (23) per cent, Poker with 5 (6) per cent and Other products which, together, accounted for 3 (3) per cent of gross profit.

## CUSTOMERS

At the end of the year, there were 6,732,700 (5,777,900) registered customers, an increase of 17 per cent compared with the end of the previous year. There were 401,400 (520,400) active customers, a decrease of 23 per cent compared with the previous year. This key ratio continues to decrease due to Betsson's ongoing focus on value adding players rather than on free gaming campaigns.

An active customer is defined as a customer who has played for real money during the previous three-month period. Consequently, the definition also includes all players who have played free spins/bets based on special offers.

## SIGNIFICANT EVENTS IN 2013

### Quarter 1

During the quarter, Betsson acquired the brands Sverigeautomaten.com, Norgesautomaten.com and Danmarkautomaten.com.

### Quarter 2

During the quarter, Betsson executed a technical upgrading of the Betsson brand, as it was migrated to the common technological platform. The migration was successful.

### Quarter 3

The warrant/employee stock option program providing key individuals with the possibility to purchase shares for SEK 214.62 each at the end of the first quarter 2014 was established during the quarter and was almost fully subscribed to.

### Quarter 4

Betsson's Board of Directors proposed a distribution to shareholders amounting to MSEK 421.5.

## INVESTMENTS AND DEPRECIATION/AMORTIZATION

The year's investments in tangible and intangible fixed assets amounted to MSEK 138.5 (101.0), of which MSEK 92.9 (81.0) referred to capitalized development expenditure.

Depreciation and amortization for the year totaled MSEK 107.1 (105.0), of which MSEK 67.0 (67.1) referred to the depreciation of capitalized development expenditure.

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

## EQUITY

As at balance sheet date, equity in the Group amounted to MSEK 2,032.2 (1,577.8), which was equivalent to SEK 46.79 (37.33) per share following the transfer to shareholders of SEK 9.46 (9.42) per share via a redemption procedure, which took place during the second quarter.

Return on equity was 31 (38) per cent.

## FINANCING, CASH, CASH FLOW AND GAMING LIABILITIES

Betsson's operations are financed through Company resources, while executed acquisitions have been financed through Company resources, new share issues and bank loans. As of the end of the year, the equity/assets ratio amounted to 58 (53) per cent. Liabilities to credit institutions amounted to MSEK 315.7 (344.5) and unutilized credit facilities amounted to MSEK 97.7. Cash and cash equivalents were negatively impacted by MSEK 39.6 during year due to the amortization of a bank loan and also by MSEK 410.9 (395.6) due to a distribution of funds to shareholders (redemption procedure). Cash and cash equivalents at the end of the year amounted to MSEK 562.5 (467.2).

Gaming liabilities, including reserves for accumulated jackpots, amounted to MSEK 318.7 (280.9) at the end of the year. The liabilities are partially covered by the Group's current receivables from payment services suppliers, referring to outstanding customer payments amounting to MSEK 256.7 (245.1).

## PERSONNEL

At the end of the year, Betsson had 839 (749) employees. The average number of employees in the Group during the year amounted to 789 (591), of which 541 (432) were based in Malta. In addition, the Group made use of 161 (184) consultants on a full-time basis, of whom 53 (62) were based in Kiev.

## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

On 4 March, Betsson announced that the Company had acquired Class One Holding Ltd for a purchase consideration of a maximum of MEUR 145, excluding acquired cash and cash equivalents. The company operates the Oranje and Kroon brands in the Dutch market. The brands reported a turnover of MEUR 32.5 and an operating margin of 67.8 per cent during 2013. Betsson estimates that its acquisition and integration costs will not exceed MSEK 30.0 during the next 12 months. The acquisition was financed through bank loans and a new issue of the Company's own shares. Refer to Note 33 for further information.

## THE PARENT COMPANY

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

The Parent Company's turnover for the entire year was MSEK 10.2 (15.9), and income before tax amounted to MSEK 685.5 (575.7). Net financial items included MSEK 690.1 (591.9) referring to dividends received from subsidiaries.

The Parent Company made no investments in tangible fixed assets during 2013 (MSEK 0.6). Cash and cash equivalents totaled MSEK 165.7 (114.2). At year-end, the Company had utilized bank credit facilities of MSEK 344.5, as a result of the acquisition of NGG. During the year, the Parent Company has executed a share redemption program, which has implied a distribution of MSEK 410.9 (395.6) to the shareholders. In conjunction with this share redemption program, a bonus issue of a total of MSEK 43.4 (42.0) was undertaken in order to restore the Company's share capital.

## PROSPECTS FOR 2014

Betsson is of the opinion that the online gaming market will continue to develop strongly. Large numbers of people around the world have no, or very little, access to the Internet; still, the number of Internet users across the globe is growing rapidly, which is a fundamental driver for the industry. In those regions in which the Internet is available, the confidence in Internet and e-commerce is increasing as more people use the Internet to perform their banking and stock market transactions, insurance business and other purchases. This change in behavior and increasing confidence in e-commerce is important for the online gaming industry.

The increasing demand for mobile consumer solutions is contributing to a strong increase in gaming via smartphones and tablets. Management deems that Betsson's major markets, measured as a whole, will grow by 7-8 per cent during 2013, based on analyses undertaken by, amongst others, H2 Gambling. Betsson intends to continue, over time, growing at a rate faster than the market rate. Management also deems that mobile revenues will continue to grow strongly during the next twelve months.

## SIGNIFICANT RISKS AND FACTORS OF UNCERTAINTY

Betsson's operations are financed through its own resources and bank loans. The Group's financial policy is characterized by low levels of risk. The financial risks are described in Note 32.

### *General legal risks*

In the majority of national markets, gambling and gaming are regulated by law and all such operations are, in principle, required to obtain permits. Betsson holds such permits and undertakes its operations on the basis of gaming licenses in Malta, and also on the basis of local licenses in Italy, Denmark and Estonia. Consequently, political decisions may affect Betsson's

operations, and Betsson is dependent on the legal premises for the gaming industry, in particular those within the EU, where the majority of the Company's customers are located. This legislation pertains primarily to the legal status of gaming operations aimed at other EU member states from a base in Malta. In a number of high-profile or precedent-setting rulings (the Schindler, Läärä, Gambelli, Lindman, Placanica, WinnerWetten, Carmen Media and Engelman rulings, among others), the European Court of Justice ruled that many of the government restrictions on the gaming industry within the EU are, in principle, to be regarded as violations of basic EU principles. As the current, major purpose behind the majority of these national monopolies is to generate cash flow to the respective governments, the resultant limitations on the free movement of services created by the states through these monopolies is impossible to defend in terms of compliance with applicable EU laws. In spite of this, a number of member states are maintaining these types of restrictions with the aim of protecting their domestic monopolies, hence making it more difficult, or impossible, for private online gaming operators to become established. Due to this, during 2012/2013, the European Commission repeated its criticism against nine member states and presented new criticism towards a total of seventeen member states. To summarize, management concludes, that due to the EU Court and the criticism expressed by the European Commission, it will continue to be difficult for domestic courts to rule, within their "margin of appreciation", in favor of the monopolies. Several European gaming monopolies are also currently facing challenges in the form of national court cases. At present, it is, however, difficult to obtain a clear view regarding the manner in which the legal status of these matters will influence the commercial premises for Betsson and other online gaming operators.

In light of the above developments, pressure continues to be put on EU countries to adapt their national legislation to comply with applicable EU law, and a number of countries have announced that they are working on new legislation in line with EU requirements. One example is the Netherlands, which is expected to implement new legislation some time during 2015. It is still unclear when such new legislation will be introduced into Betsson's other major markets, excluding Denmark, which was re-regulated at the start of 2012, but when this does take place, Betsson will enjoy increased opportunities for marketing and market presence.

### *Legal risks in specific countries*

In terms of specific countries, Norway has, since 2010, implemented a prohibition against the execution of payments for gaming arranged outside Norway. This law negatively impacts, amongst others, banks providing redemption services in conjunction with the payment of gaming via credit, and payment cards with foreign gaming companies are prohibited, Betsson's assessment is that this legislation is in conflict with EU law. However, the new Norwegian government has explicitly stated that it intends to re-regulate the Norwegian market and to permit foreign companies to operate in the country.

In Sweden, the Supreme Court invalidated, in 2012, the then-applicable Swedish prohibition on promotion in the so-called Gerdin/Sjöberg decision. The risk that the prohibition on promotion would be used against Betsson has, consequently, been reduced. Furthermore, there is, since 2012, a parliamentary majority in favor of introducing a licensing system, instead of the current gaming monopoly, but it is too early to say how this intended legislation will develop, and a proposal is expected first in the next mandate period. Furthermore, during 2013, the European Commission again directed strong criticism towards the current Swedish legislation and threatened to sue Sweden in the EU Court.



In 2007, Turkey introduced legislation against Internet gaming, and strengthened this legislation to some degree during 2013. The objective of the legislation was primarily to protect the state's gaming monopoly. One of Betsson's partners, which has its own gaming license in Malta, accepts that Turkish players play under this license. The Internet-based gaming operations of Betsson's partners are of a clearly-defined, cross-border character, implying that international law is applicable. According to the principle of the sovereignty of states, each country's laws are of equal value; consequently, the laws of one country cannot take precedence over those of another. Betsson's partners' market place is, primarily, Malta, where operations are undertaken in accordance with Maltese legislation and are governed by the Maltese legal system. As operators within Malta's market place, Betsson's partners are able to claim immunity as regards, among other local regulations, Turkish legislation. According to legal experts, this is a principle which Turkey and other countries have accepted through their membership in WTO and on the basis of other international agreements. In addition, Turkey is aiming at becoming a full member of the EU and has accepted, in principle, the EU Treaty concerning the free movement of goods and services between member states. Turkey has signed an Association Agreement which will regulate the country's accession into the EU. According to the Company's legal advisers, Turkish gaming legislation is in breach of EU law and, furthermore, is not strictly in line with the signed Association Agreement.

Nonetheless, the Turkish legislation has made operations more difficult for Betsson's partners on the Turkish market, even though Turkey has previously been, and is also currently, unable to apply any sanctions against Betsson due to the sovereignty principle. Since Betsson divested its Turkish customer base to a partner at the start of 2011, the Group has also received license revenues for this systems delivery, and this income is reported in the B2B segment. A portion of this income originates from players in Turkey. Pursuant to the legal situation described above, income originating from Turkey can be regarded to comprise a higher operational risk than income from other markets. Consequently, Betsson's future indirect income from Turkey may be regarded as more uncertain than the income generated by its other markets.

In this context, it should be further emphasized that Betsson does not offer services to customers resident in the USA. This is a result of the proposed legislation regarding a ban on intermediary payment transactions for Internet gaming in the USA gaining legal force in October 2006. Both France and Spain have a local licensing arrangement for gaming in which Betsson has chosen not to participate. Players from these countries are, subsequently, also blocked.

#### *Other legal risks*

It is possible that people suffering from a gambling addiction may sue companies within the Betsson Group for the role played by this company in the context of the individual's addiction. Even though such claims would most likely be dismissed in court, they could give rise to considerable costs and could also reduce confidence in the Betsson Group, which could ultimately lead to decreased revenues. Betsson implements on-going measures to reduce this risk, however. Betsson is accredited by the G4 organization, which works to prevent gambling addiction and, as part of their commitment to this work, the Company has adapted its websites so that they offer full support to players based on the guidelines established by G4. In addition, Betsson has created a department for responsible gaming. Competent, experienced personnel have been recruited so that Betsson will be able to maintain its position as a leader in the field of responsible gaming. One result of Betsson's efforts in managing long-term

gambling addiction issues was that, in December 2012, the Company was designated as the world's most socially responsible gaming operator.

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

#### *Other risks*

Betsson is vulnerable to both seasonal and economic climate variations. Seasonal variations can significantly affect the Company's operations during periods of lower gaming activity and fluctuating results in different sporting events. The current economic situation has not, to date, affected the operations to any significant degree. Betsson is an international company with operations that are constantly exposed to various currencies. Changes in exchange rates affect Group income. The Company aims to reduce currency exposure through effective cash management and currency hedging. The Group will, however, continue to be more or less exposed to exchange rate fluctuations.

## **DISPUTES**

On 1 November 2006, Betsson filed a lawsuit against the Swedish government making a claim for damages totaling MSEK 102, plus interest, due to the government's failure to announce its prohibition on prize and wheel of fortune games, and due to its failure to apply reasonable transitional regulations relating to legislative changes from 1997 (the ban on so-called wheels of fortune, etc.). Betsson has driven this issue through a number of courts, but, at the end of 2013, the Swedish Supreme Court announced that the action has been finally dismissed. Betsson does not intend to pursue this dispute.

In conjunction with the acquisition of NGG in 2012, a provision was recorded for a maximum additional purchase consideration of MEUR 20. The final value of this liability will be impacted by the outcome of the current dispute with the sellers of NGG concerning fulfilment of the terms and conditions of the additional purchase consideration, and as regards the applied EUR/SEK exchange rate. The final settlement of the liability will take place on the basis of an agreement or, alternatively, legal assessment of the fulfilment of the terms and conditions, either via delivery of shares, or via payment in the form of cash and/or cash equivalents. An amount less than MEUR 20 can apply if only certain of the terms and conditions are seen to have been fulfilled.

## **RESEARCH AND DEVELOPMENT**

Expenditure attributable to the development of gaming platforms and the integration of games and payment solutions is capitalized to the extent by which the expenses are expected to provide future financial benefits.

## **ENVIRONMENT AND SUSTAINABILITY**

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

## **GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR MANAGEMENT**

For a description of the guidelines for salaries and other remuneration to senior executives as determined by the Annual General Meeting 2013, see Note 8.

## **PROPOSED GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR MANAGEMENT**

The Board, in line with the Annual General Meeting, proposes the following guidelines for remuneration for senior executives. The category "senior executives" includes the management of the Parent Company, which comprises the CEO and CFO of the Parent Company, the CEO of BML Group Ltd (Betsson Malta) and the Group's Head of Legal Affairs. As of the Annual General Meeting 2014, the Company's Director of Communications will also be considered a senior executive and will, therefore, be covered by the Meeting's guidelines for remuneration to senior executives. Remuneration is to be market-based and competitive in order for the Group to be able to attract and maintain competent senior executives. Remuneration is to be market-based and competitive in order for the Group to be able to attract and retain competent senior executives. Remuneration is to comprise fixed salary and, when necessary, variable remuneration, pensions and other benefits such as, in some cases, a company car.

Variable remuneration will be paid only when certain financial targets, established by the Board, have been achieved. Variable remuneration will be based on the extent to which the targets have been achieved or exceeded. If the financial targets are exceeded at the highest level (out-performed), the estimated cost for variable remuneration to senior executives Group would be a maximum of approximately MSEK 11.7. The normal retirement age is 65. Pension terms are to be market-based and based on defined contribution pension solutions.

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

The Board may take decisions diverging from these guidelines for individual instances, under special circumstances.

## **SHARES AND OWNERSHIP STRUCTURE**

The number of shares in the Company at the end of the year totaled 43,433,003, of which 5,420,000 were Class A shares and 38,013,003 were Class B shares. Each Class A share entitles the holder to ten votes, whilst each Class B share entitles the holder to one vote. All shares entitle equal rights to Betsson's assets and profits. From year-end to the date of this report, a total of 3,092,411 Class B shares have been issued (7,683 for the redemption of warrants and employee stock options, 521,700 Class C shares as part of the incentive program for 2013/2015 and 2,563,028 as a portion of the purchase consideration for the acquisition of Oranje and Kroon Casino).

The Company's Class B shares are listed on NASDAQ OMX Nordic List, (BETS). At the end of the period, the Company had 18,825 (17,225) shareholders.

The largest shareholders (owners of more than 10 per cent of the votes) were Per Hamberg with 5.8 per cent of the capital and 19.3 per cent of the votes, the Knutsson family with 5.3 per cent of the capital and 10.5 per cent of the votes, and Rolf Lundström with 3.6 per cent of the capital and 10.0 per cent of the votes.

## **AUTHORIZATION FOR THE BOARD OF DIRECTORS**

The Annual General Meeting of 8 May 2013 resolved to authorize the Board of Directors to decide on a non-cash issue of shares, not to exceed a total of 4 million Class B shares (corresponding to

a dilution of approximately 10 per cent) on one or more occasions during the period before the next Annual General Meeting. This mandate was utilized after the end of the financial year in March 2014, in conjunction with the acquisition of Oranje Casino and Kroon Casino. The Extraordinary General Meeting of 19 August 2013 authorized the Board to issue up to 542,000 Class C shares to hedge the Company's expenses for the incentive program 2013/2015. In total, 3,634,606 new Class B shares and 521,700 new Class C shares have been issued since the Annual General Meeting 2013.

The Annual General Meeting 2013 further resolved to authorize the Board of Directors to determine whether to acquire a total number of own shares whilst ensuring that the Company's holding, at any given point in time, does not exceed 10 per cent of all shares in the Company. This mandate was not utilized during the financial year 2013.

The Board was further authorized to resolve on the sale of the Company's own shares for cash in conjunction with acquisitions of companies or operations at a price corresponding to the market price on the transfer date.

## **PROPOSED DISTRIBUTION**

The Board proposes that the Annual General Meeting, to be held on 8 May 2014, resolve that no share dividend be paid, but that SEK 9.16 (9.46) per share be distributed to the shareholders, on the condition that the number of shares remains unchanged up to the record day. This represents a transfer of funds to shareholders of MSEK 421.5 (410.9). The amount per share to be transferred has changed compared with the amount reported in the year-end report for 2013, as the total number of shares has increased through a new share issue in conjunction with the acquisition of Oranje Casino and Kroon Casino. The total amount of the transfer, however, is unchanged.

The Board intends to propose to the Annual General Meeting that the distribution to shareholders is to take place through a share redemption program. The Board's proposal will be presented in full well in advance of the Annual General Meeting.

According to the dividend policy which the Board determined would come into force from 2008, it is the Board's ambition to distribute up to 75 per cent of the Group's income after tax to the shareholders, provided that an appropriate capital structure can be maintained.



For Betsson, sustainable development is an integral part of the Company's business model. Betsson's operations are based on the Internet and thereby, inherently, have less of a negative impact on the environment due to, for example, that fact that no manufacturing or transportation is required, which involve environmentally unfriendly emissions. Sustainable development is for Betsson, on the first hand, about taking social responsibility in issues related to gaming responsibility and, on the second hand, about work ethics guidelines, social involvement and concern for the environment.

If Betsson is to have a positive influence within sustainable development, it is vital that the Group's financial situation does not significantly deteriorate. Betsson's financial goal is to grow faster than the market while maintaining stable profitability, which we have, so far, achieved.

This strong development proves that Betsson is fulfilling its commitment to create and provide attractive Internet-based gaming solutions while also providing positive conditions for responsible gameplay to more and more end users.

Betsson's work with sustainability is an integral part of the value chain and is based on the Group's Code of Conduct, which is expressed in terms of specific values and through various Group policies. These have also been summarized in Betsson's Employee Handbook.

Further information regarding Betsson's sustainability work is available online at [betssonab.com](http://betssonab.com) in the form of the Company's external policies. Clicking on the "About" heading provides a link to the three external policies: "Human rights", "Environmental policy" and "Employee health and safety protection".

## THE CODE OF CONDUCT

The Code of Conduct covers not just all employees in the Group, but also other parties with which Betsson has a relationship, such as suppliers and partners. The Code is based on strong cultural values which have been formulated in a democratic manner through a series of workshops. Betsson monitors compliance with the Code of Conduct and works actively to ensure that the Code is followed. By doing so, this allows investors and other stakeholders to rest assured that the entire Betsson Group adheres to common, sound values. The Code of Conduct also includes descriptions and expected behaviors based on the Group's common values. More detailed descriptions of the Group's approach to equal treatment and anti-discrimination are also included, encouraging all employees in all positions to treat others equally, regardless of ethnicity, culture, religion, sexual preference or gender.

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

## BETSSON'S WORKING METHODS

Betsson follows the Swedish Code for Corporate Governance. Compliance with the Code is reported on an annual basis in conjunction with the preparation of the annual report. The Corporate Governance Report is reviewed by the auditors.

The Code describes responsibilities and working methods for the Annual General Meeting, Betsson's Board of Directors and the executive Group management. Issues relating to sustainability are one aspect of the Board's work, and these are described in the Corporate Governance Report. All matters associated with sustainable development are important to the Board. The Board pays particular attention to issues concerning the distribution of the Company's products via the Internet, instead of physical distribution, and the overall guidelines for maintaining the Company's profitability.

Betsson's Human Resources Director is responsible for the manner in which the Code of Conduct and social and ethical values are complied with. Betsson has appointed a CSR manager, who implements decisions on an ongoing basis and points out problem areas and other issues to the management Group and to the Human Resources Department. (For further information about Betsson's CSR activities, see Betsson Magazines 2012 and 2013, which are available online at [www.betssonab.com](http://www.betssonab.com), in the Investor Relations section). The Human Resources Director is responsible for compliance with the Code of Conduct and for ensuring that Betsson's social and ethical values permeate the entire Group.

Personnel are continuously informed about developments in the Company by means of the Employee Handbook, video conferences, the intranet, an electronic employee newsletter and, on an annual basis, through a downloadable magazine. The internal information exchange primarily takes place through various types of Internet solutions, which reduces not only distribution costs, but also has a positive effect on the environment compared with the alternative of face-to-face meetings.

## BETSSON - A RESPONSIBLE EMPLOYER

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

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

Furthermore, all employees have the opportunity to express their opinions anonymously in the annual employee surveys. In 2013, a condensed form of the survey was executed each quarter, in addition to the more comprehensive annual survey. From 2014 onwards, the surveys will be concentrated to one to two times per year. Based on these studies, managers are evaluated at target levels of employee satisfaction. Specific initiatives are undertaken by management after the presentation of the results. In general, the results of the surveys have indicated the employee satisfaction to be above normal levels. The goal for 2013 was to remain above the general average level in employee satisfaction. The general average level externally for 2013 was 64, while within Betsson this key ratio was 76. The goal for 2014 is to maintain an employee satisfaction above the average level.

## BETSSON'S HEALTH CARE PROGRAM

Betsson has worked for a number of years on promoting good health among the Group's employees. Betsson finances portions of the employees' individual preventative health activities. In addition, a number of group training activities are organized within the Company to promote an active and healthy workforce. Especially popular is the recurring "Training Challenge", during which more than a third of the Company's personnel compete against each other in physical exercise activities of the employees' choice. All of these activities are logged and stored in a downloadable app where the progress of individual colleagues or teams can be tracked. Betsson's goal for 2013 was for more employees to participate in the Training Challenge than in previous years, and this was successfully achieved. The goal for 2014 is to further enhance participation in the event among the Group's personnel.

## BETSSON – A RESPONSIBLE CITIZEN

### *Responsible gaming*

The work with issues related to gaming responsibilities is one of the most significant components in Betsson's work with sustainability. This work is conducted on various levels and in various forms, and affects almost every stakeholder in the Company to some extent, from end users and employees to suppliers.

Responsible gaming is successfully achieved when an operator offers tools which can assist the end user to maintain a level of gaming previously determined by that end user. Gaming problems can arise if the end user continually fails to keep to the predetermined level of gaming. In order to prevent gaming problems, the end user can sign a binding agreement with Betsson's gaming companies, in which the end user states a predetermined gaming level and Betsson provides both the tools giving the end user an overview of his own gaming volume and the tools restricting continued gaming opportunities should the gaming level exceed the level predetermined by that end user. Solutions on the Internet challenge traditional land-based gaming, which is often less well-equipped to deal with gaming addiction issues as it usually lacks a deeper insight into the end users' activities.

Within Betsson, a number of activities are initiated each year aimed at creating better premises for responsible gaming. Betsson is, amongst other things, a member of BOS (Industry Association for Online Gaming) whose purpose is to influence Swedish legislation in ways which are positive for the end user, where the handling of responsible gaming is an important ingredient.

A further initiative which is underway is the unique pilot study in conjunction with SIS Labs (formerly known as Spelinsitutet), in which Betsson's subsidiaries are participating. This study is aimed at end users looking for information and skills to assist them in modifying their gaming, or to terminate their gaming entirely. The study is evaluating a new online self-help tool which, based on the individual's requirements and motivation level, will offer tailor-made programs. The program will be based on a CBT and MI concept, is 10 weeks long and includes homework, virtual therapy contact and follow-up after the completed treatment. After the outcome of the study has been analyzed, which is expected to take place during the first half year of 2014, the plan is that the modified final tool is to be offered to all of Betsson's end users.

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

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

Betsson's goal is to be listed in the industry's major annual rankings (EGR and IGA) of the operators who are most socially responsible. Betsson's work on these issues has been internationally recognized, in that the Company has received or been nominated for various awards in the field. For example, the Company has been a finalist for Most Responsible Game Operator for

three consecutive years at the EGR Awards in London, and most recently was nominated for the Most Responsible Online Operator at the International Gaming Awards 2012 in London. For further information concerning Betsson's initiatives regarding responsible gaming, see Betsson Magazines 2012 and 2013, which are available on [www.betssonab.com](http://www.betssonab.com).

### COMPETITION

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

### INDIRECT AND DIRECT FINANCIAL SUPPORT

Betsson also supports a number of important community projects providing the opportunity for vulnerable children and young people to take part in activities having a positive effect and encouraging their development. Among other things, Betsson makes financial contributions to activities promoting children's right to a drug-free environment and to organizations fighting against the sexual exploitation of children. On Malta, where most of the Group's employees are based, Betsson is an important contributor to a fund providing financial grants to voluntary non-profit and non-governmental organizations working with projects aimed at socially vulnerable groups.

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

### SUSTAINABLE INTERACTION BETWEEN BETSSON AND THE ENVIRONMENT

Betsson's business model relies on moving as much as possible of the traditional land-based gaming to gaming on the Internet. This shift toward the Internet has an inherently positive impact on the environment, both by eliminating the need for the physical manufacturing of tickets and forms, as well as by eliminating freight to and from the various game retailers.

As an internet-based company, Betsson's day-to-day impact on the environment is limited, but some impact is inevitable. In order to focus on the environmental concerns, Betsson has conducted a current status analysis where significant environmental indicators have been identified and quantified. Based on these indicators, an Environmental policy has been formulated, in which concrete objectives have been established. The full Environmental policy can be found online at [betssonab.com](http://betssonab.com) in the "About" section. The consumption of electricity has various effects on the environment, depending on the source of the energy, which can be coal, water, nuclear or another source, or a combination of energy sources. In the following calculations, it is assumed that 1kWh consumes 400 grams of carbon dioxide (CO<sub>2</sub>), which is largely consistent with average European consumption (the European residual mix from 2013 was, according to Reliable Disclosure (converting kWh to CO<sub>2</sub>), 409.92 g/kWh).

### WORKSTATIONS AND ENVIRONMENTAL OBJECTIVES

Energy consumption per workstation, through the use of PCs, laptops, monitors and thin clients, has been identified as an area where potential improvements are continually assessed and subsequently implemented. The workstations at Betsson consumed, during 2013, a total of 151 tons of carbon dioxide, corresponding to an average of 0.15 tons of carbon dioxide per

employee. By using thin clients and energy efficient equipment, Betsson aims to reduce its emissions of carbon dioxide. In 2013, the use of thin clients reduced consumption by 1.4 tons of carbon dioxide, corresponding to 1.4 per cent of the energy consumption attributable to the Company's workstations.

The target for 2013 was to reduce the energy consumption by more than 1.7 per cent through the use of thin clients. In 2013 Betsson reached the roof for using thin clients and therefore Betsson did not manage to meet its goal to save more carbon dioxide by the use of thin clients.

The goal for 2014 is to save more than 1.4 tons of carbon dioxide by using thin clients.

## SERVER FARM AND ENVIRONMENTAL TARGETS

Betsson's server farm has been identified as an important area for the work with environmental improvement measures. The Company's server farm was, at the end of 2013, composed of 191 physical servers and 792 virtual servers which, including energy for cooling, collectively consume 876 tons of carbon dioxide annually. There is a latent demand to constantly seek carbon dioxide synergies in the context of Betsson's planned expansion of its operations. This will be achieved through the use of more energy efficient equipment and by utilizing virtual servers, instead of physical servers. In 2013, virtual servers represented 81 per cent of all servers and, with this high proportion of virtual servers, carbon dioxide consumption was reduced by 2,095 tons. The goal for 2013 was to achieve additional reductions through the increased use of virtual servers. The goal was achieved and the reductions amounted to 248 tons of carbon dioxide, an improvement of 13%. The goal for 2014 is to further reduce carbon dioxide consumption through the use of virtual servers.

## CONFERENCE FACILITIES

The Company has saved a further 1,800 tons of carbon dioxide by using 11 different video conference rooms, instead of having employees travel between locations. The goal for 2013 was to save more than 768 tons of carbon dioxide, which was surpassed by a wide margin thanks to an increase to the proportion of meetings held via video conferencing facilities and the investment in an additional video conference room. The goal for 2014 is to utilize these facilities even more efficiently and to achieve a saving of more than 1,800 tons of carbon dioxide.

### On-going consumption and savings of carbon dioxide

OPERATING CONSUMPTION	NUMBER	KWH	TONS CO <sub>2</sub>
Monitors	2000	320 000	128
Laptops	623	17 681	7
Other computers	400	34 584	14
Thin clients	130	6 000	2
<hr/>			
Physical servers	191	1 443 196	577
Virtual servers	792	747 648	299
<hr/>			
<b>SAVINGS</b>			
Thin clients	2		
Virtual servers	2 095		
Video conference rooms	1 800		

## TRAVEL

During 2013, Betsson Stockholm consumed 1,667 kg of CO<sub>2</sub> per employee via business travel. The Company's goal is to reduce this figure in 2014.

## OTHER

In addition to the general environmental indicators mentioned above, a number of activities to improve environmental aspects,

while contributing to the Company's profitability, have been initiated. The sorting of waste and recycling of paper and aluminum cans is undertaken within the Group. Betsson pays for emission allowances to offset part of the carbon dioxide emissions created by employee travel. Projects have been implemented aimed at reducing the amount of paper consumed by printers, whereby printers' default setting is to print duplex and documents can only be printed by employees entering their personal codes into the printer. These measures contribute to increased security, lower costs and lower consumption of natural resources. Furthermore, energy efficient equipment is utilized, and both internal and external communication is primarily undertaken electronically, which has a positive impact on the environment.

The elements of the Group's operations undertaken from Betsson's office in Stockholm, where 130 people are based, have been environmentally offset by the landlord. The landlord has, since 2006, calculated the environmental impact according to the internationally recognized GHG Protocol. The Company's landlord has been working long term to shift to renewable energy sources and to create energy efficient buildings. In addition, the landlord compensates all remaining consumption of energy in the property by buying shares in the UN-controlled environmental projects aimed at reducing greenhouse gas emissions. Based on this, a large portion of the consumption described above is already environmentally neutral.

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

## BETSSON AND HUMAN RIGHTS

Betsson supports the UN conventions on human rights. The conventions have a firm footing in the organization through our Code of Conduct, our policies and the information distributed by the Human Resources Department on a day-to-day basis. This applies not just to the Group's employees, but also to the majority of parties with which Betsson has a relationship. Such parties include everything from partners to end customers and shareholders, who can feel secure in the knowledge that they are investing in a Company with sound values. One example of this is Betsson's efforts to cooperate with partners which also support the UN conventions on human rights.

For further information regarding Betsson's Code of Conduct and policies, visit [www.betssonab.com](http://www.betssonab.com).

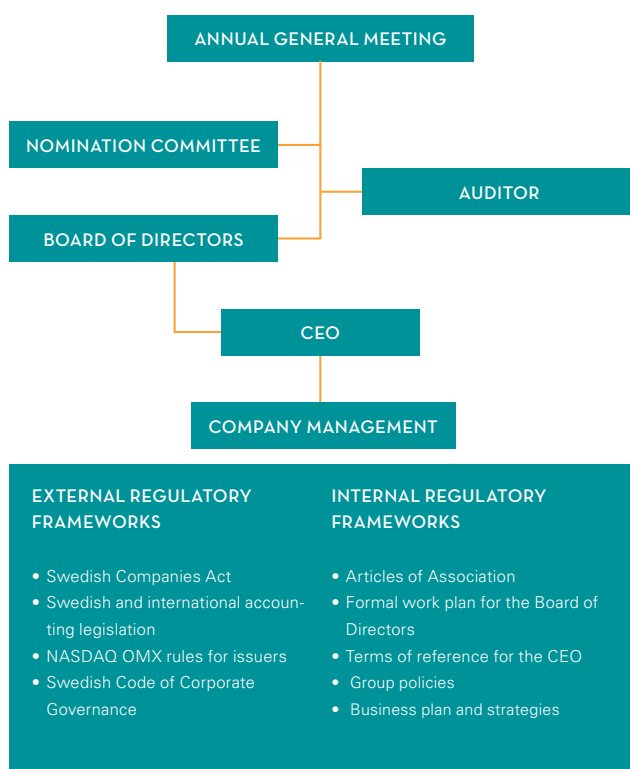
# CORPORATE GOVERNANCE REPORT

## GOOD GOVERNANCE AND CONTROL SUPPORTS STABLE GROWTH

Betsson has developed strongly in recent years. One contributing factor to this profitable development has been a good balance between ambition and attention to detail. For our part, good corporate governance means preserving a dynamic, hungry company culture in which individuals are rewarded and shown appreciation for their efforts, and where risks are managed on a sound commercial basis. A company such as Betsson, which operates in a high-speed, dynamic environment, has to be able to respond quickly and, consequently, each employee has to be given the space to act on his or her own initiative, within a set framework. This is one good example of how sound internal control improves a company's commercial capabilities.

**Pontus Lindwall**

*Chairman of the Board of Directors*



## CORPORATE GOVERNANCE REPORT 2013

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

Betsson hereby presents its Corporate Governance Report for 2013. The Company applies the Code in full, with no deviations. This report constitutes a part of the management report and has been reviewed by the Company's auditors.

## ALLOCATION OF RESPONSIBILITIES

The shareholders exercise their influence over Betsson AB at the Annual General Meeting of Shareholders, which is the Company's highest decision-making body, whilst the responsibility for the Company's organization and the management of the Company's affairs lies with the Board of Directors and the CEO, in accordance with the Swedish Companies Act, other

rules and regulations, applicable regulations for listed companies, the Articles of Association and the Board's internal control instruments.

## SHAREHOLDERS

Betsson has been a listed company since 1996, and has been listed on the Stockholm Stock Exchange since 2000. The Company's Class B shares are listed on NASDAQ OMX Nordic Mid Cap (BETS). At the end of the period, the Company had 18,825 (17,225) shareholders. The largest shareholders (owners of more than 10 per cent of the votes) were Per Hamberg with 5.8 per cent of the capital and 19.3 per cent of the votes, the Knutsson family with 5.3 per cent of the capital and 10.5 per cent of the votes and Rolf Lundström with 3.6 per cent of the capital and 10.0 per cent of the votes.

## ARTICLES OF ASSOCIATION

The Articles of Association regulate the Company's established operations, the number of Board Members and auditors, the manner in which the Annual General Meetings are to be convened, the issues to be addressed at the Annual General Meeting and the location of the Meetings. The Company's Articles of Association stipulate no limitations regarding the number of votes which each shareholder is entitled to exercise at the Annual General Meeting. No specific regulations are stated in the Company's Articles of Association regarding the appointment and dismissal of Board Members. For the current Articles of Association, adopted by an Extraordinary General Meeting on 19 August 2013, please visit the Company's website: [www.betssonab.com](http://www.betssonab.com).

## ANNUAL GENERAL MEETING

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

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

## ANNUAL GENERAL MEETING 2013

The Annual General Meeting for 2012 was held on 8 May 2013. The Meeting was attended by shareholders, in person or by proxy, representing 67 per cent of the votes and 44 per cent of the capital. Pontus Lindwall was elected Chairman of the Meeting.

### Resolutions

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

- To approve the Board's proposal to distribute the equivalent of SEK 9.46 per share for 2012, through an automatic redemption procedure.
- To re-elect the Board Members John Wattin, Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt and Lars Linder-Aronson, and to re-elect Pontus Lindwall as working Chairman of the Board.



- To authorize the Board to resolve on a new share issue of a maximum of 4 million Class B shares (implying a dilution of 10%).

## ANNUAL GENERAL MEETING 2014

The Annual General Meeting of Betsson AB (publ) will be held on 8 May 2014 at 10 a.m. at the Company's headquarters, located at Regeringsgatan 28, Stockholm. For further information regarding the Annual General Meeting 2014, please refer to the Company's website: [www.betssonab.com](http://www.betssonab.com).

## THE NOMINATION COMMITTEE

In accordance with the resolution adopted at the Annual General Meeting 2013, the Chairman of the Board has been assigned to convene the meetings of the Company's Nomination Committee and to invite representatives of the Company's larger shareholders to join the Committee. The Nomination Committee is to consist of a minimum of three members, and the majority of the Nomination Committee's members may not be formed of employees or members of the Board. The Nomination Committee shall prepare a list of proposed Board Members, as well as a proposal for the Chairman and auditors, and shall also propose remuneration for Board Members, Board committees and auditors. These proposals are to be submitted to the Annual General Meeting 2014 for resolution. The composition of the Nomination Committee was announced on 25 October in Betsson's Interim Report for the third quarter of 2013 and on the Company's website.

The Nomination Committee for the Annual General Meeting 2014 is comprised of:

- John Wattin, representing the Per Hamberg family and companies with a total of 19.3 per cent of the votes,
- Michael Knutsson, representing the Bertil Knutsson family and company, with a total of 10.5 per cent of the votes,
- Christoffer Lundström, representing the Rolf Lundström family and company, with a total of 10.0 per cent of the votes,
- Pontus Lindwall, Chairman of the Board of Betsson AB and convener of the Committee.

The Nomination Committee represents a participating interest which, at year-end, amounted to 40 per cent of the votes in the Company. The Nomination Committee has not held any physical meetings but has maintained email and telephone contact. An important source of information for the Nomination Committee's work is the yearly evaluation of the Board's performance.

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

The Nomination Committee's complete proposals and background information, to be presented to the Annual General Meeting 2013, will be published on the Company's website, [www.betssonab.com](http://www.betssonab.com), in advance of the Annual General Meeting.

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

## THE BOARD OF DIRECTORS AND ITS WORK

The Members of the Board are elected annually by the Annual General Meeting for the period until the conclusion of the following Annual General Meeting. There are no rules in place

stipulating the maximum period of time a member may serve on the Board. Betsson's Board is comprised of six members elected by the Annual General Meeting, with no deputies. The CEO is not a member of the Board. At the Annual General Meeting 2013, the following individuals were re-elected as Board Members: John Wattin, Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt, Lars Linder-Aronson and Pontus Lindwall. Pontus Lindwall was re-elected as Chairman. In conjunction with the Annual General Meeting, Per Hamberg resigned from the Board of Directors and retired. The members of the Board are presented on pages 16-17.

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

### *The Board's independence*

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

### *Board meetings*

In 2012, the Board held seventeen (sixteen) recorded meetings, of which one (one) followed election and one (five) were per capitulum meetings. The Board had an eight (seven) per cent absence rate during the year's Board meetings.

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

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

Pontus Lindwall, Chairman	100 ( 100)
John Wattin, Member	100 (100)
Per Hamberg, Member up until the AGM 2013	100 (100)
Kicki Wallje-Lund, Member	93(100)
Carl Lewenhaupt, Member	64 (94)
Lars Linder-Aronson, Member	100 (81)
Patrick Svensk, Member	92 (75)

Average attendance at Board and Committee meetings was 92 (93) per cent.

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

The work of the Board follows a specific plan, in order to ensure that the Board receives all relevant information. The Company's



auditors report their observations based on the audit of the financial statements and their assessment of the Company's internal procedures and controls to the Board. The Board receives, on a monthly basis, a detailed operational report in which management describes developments.

#### *Internal control and risk management*

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

#### *The Audit Committee*

The Audit Committee's responsibility is to ensure compliance with established principles for financial reporting and internal controls. In accordance with the work plan adopted for the Board after the Annual General Meeting 2013, the Audit Committee will continue to comprise three members, none of whom is to serve as Chairman of the Board. The members of the Committee are Lars Linder-Aronson (Chairman), Kicki Wallje-Lund and Carl Lewenhaupt.

The Audit Committee is responsible for monitoring and following up the reporting of Corporate Responsibility issues. The Audit Committee also fulfills the functions of a finance committee, with the task of supporting and following financial operations and of evaluating and proposing amendments to the Treasury Policy. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures to be taken are addressed by the Board on a continual basis. The Group's auditors and the CFO present reports to the Audit Committee. Attendance at the Audit Committee's four meetings during the year was 91 per cent.

#### *The Remuneration Committee*

After the Annual General Meeting 2013, a new formal work plan for the Board was adopted, in which it was determined that the Remuneration Committee should comprise three members, none of whom is to serve as Chairman of the Board. The Committee's members are Kicki Wallje-Lund (Chairman), Patrick Svensk and John Wattin. The Remuneration Committee held two meetings during the year. The main topic addressed at these meetings was the proposed new incentive program (employee stock options/warrants).

The main responsibility of the Remuneration Committee is to address the remuneration and terms of employment of the CEO and the executives reporting directly to the CEO, based on the guidelines for remuneration and terms of employment for the CEO and other senior executives adopted by the Annual General Meeting. Attendance at the Remuneration Committee's two meetings during the year was 100 per cent.

## CEO AND GROUP MANAGEMENT

Betsson's President and CEO is responsible for the day-to-day management of both the Parent Company and the Group, a responsibility which does not include decision-making in operating online game activities.

The CEO leads the work in the Parent Company and makes decisions in consultation with the other senior executives comprising the heads of business areas and staff functions. At the end of 2013, there were four (four) Senior Executives; refer to the section on Senior Executives on page 18. At the time of publishing, there were five Senior Executives, one of whom was female.

The Senior Executives hold regular operational reviews under the leadership of the CEO.

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

Terms of reference have been established for the respective CEO of each wholly-owned subsidiary. These terms are consistent with the terms of reference to the Parent Company's CEO.

## REMUNERATION

Remuneration to the Members of the Board and the guidelines for remuneration to senior executives are determined at the Annual General Meeting. Remuneration paid to the President of the Group is determined by the Remuneration Committee. Remuneration for executives directly subordinate to the CEO is determined by the CEO after consultation with the Remuneration Committee. The Group applies the principle that a manager's superior must approve any decisions regarding remuneration.

The following principles, adopted at the Annual General Meeting 2013, apply to senior executives in the Group:

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

The Board may take decisions diverging from these guidelines for individual instances, under special circumstances.

## AUDIT

At the Annual General Meeting 2013, PricewaterhouseCoopers AB was re-elected, with Authorized Public Accountant Michael Bengtsson as Auditor-in-Charge.

Michael Bengtsson has been an Authorized Public Accountant since 1988. His other engagements include Haldex, Bure, Indutrade and Carnegie.

The audit of the annual financial statements is carried out in January-February. The audit of the annual report takes place during March-April. The Company's interim reports are also subject to review by the auditor. In addition, audits of the internal procedures and control systems are undertaken continuously during the year and reported to the Group's CFO, the management team and the Board.

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

## INTERNAL AUDIT

Betsson's profitable growth stems from a willingness and desire to constantly improve the operations. The Internet-based gaming industry is constantly exposed to a rapidly changing environment, such as changes in legal systems, seasonality and

currency fluctuations. In order to be able to manage these situations, it is of great importance that the Group can learn and adapt, but, at the same time, it is vital that Betsson's customers feel safe and secure with Betsson's gaming and payment solutions. This permeates all Company and Group customer offerings.

Betsson did not have a separate internal auditing function in 2013 but, instead, decided to execute the internal audit function through its existing organization. The Board of Directors and the Audit Committee have resolved to establish a separate internal auditing function during 2014. In 2012, the Company appointed a Global Tax Manager in order to further ensure that the Company complies with applicable tax regulations. In 2013, the internal control was further strengthened by means of the establishment of a separate business controller function, responsible for, among other things, budgeting and follow-up processes.

As a complement to the Group's own internal auditing activities, operations are also monitored by several independent parties. Betsson is licensed in Malta by the Lotteries and Gaming Authorities (LGA). In order to obtain and maintain licenses, the Company's routines and processes must meet certain quality standards. LGA scrutinizes operations in order to ensure that the Company meets all of the requirements. Betsson's companies are also PCI-compatible for secure card transactions, and cooperate with several large banks. As a result, all credit card information is handled securely and the Company meets the highest security standards as regards payments, withdrawals and deposits.

All private information transferred to and from Betsson sites is encrypted by Verisign SSL and is monitored 24 hours a day, 7 days a week. The random number generator behind Betsson's casino games, which guarantees equitable gaming, has been tested and approved by independent third parties, including Itech Labs, Gaming Laboratories International (GLI), Quinel, and eCogra. In order to ensure that the poker software always produces random numbers, independent controllers test the random number generator (RNG) on a monthly basis. These monthly reports are published on an ongoing basis. Certain players cheat by using "poker bot" programs to make decisions during the game. Betsson has secured the poker table against the use of these programs via Botguard; this is so that players can feel secure and confident that they are playing under the same technical conditions as all of the other poker players.

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

## SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

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

### *Control environment*

The control environment is the basis for the internal control of the financial reporting. The Company's internal control structure is based on, among other things, a clear allocation of responsibilities and work assignments, both between the Board and the CEO, and within the operations. Policies and guidelines are documented and assessed on a continuous basis by management and the Board. Governing documents and detailed process descriptions are communicated via established information and communication channels and have, consequently, been made available and known to the personnel concerned.

### *Risk assessment*

The Company identifies, analyses and takes decisions regarding the management of the risk of misstatement in the financial reporting. The Board deals with the outcome of the Company's processes for risk assessment and risk management, in order to ensure that these cover all significant areas, and identifies, when appropriate, any necessary measures to be implemented. The Company's largest operational risks are related to the rapidly evolving environment characterizing the gaming industry, including, for example, changes in legal systems, seasonality and currency fluctuations. The financial reporting can be influenced by the risk of errors in periodization when settling accounts with partners and the risk of errors in the valuation of intangible assets.

### *Control measures*

On the basis of risk assessments carried out within the Group, control measures of both a preventative and of a detective nature are implemented, to ensure that any errors are addressed. We have placed a special emphasis on mapping and assessing the most significant risks in the accounting practices as regards periodization. Intangible assets are assessed on a continuous basis against the return they generate, in order to ensure that the values reported in the Company's balance sheet are correct.

### *Information and communication*

The internal information and external communication are regulated at a comprehensive level by, among other things, an information policy. The internal communication to and from the Board and management takes place via, for example, regular information meetings.

The Company's intranet is another channel. The internal policies, guidelines, instructions and similar documents governing and supporting operations are published on the intranet.

### *Follow-up*

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

## INVESTOR RELATIONS

Betsson shares information with shareholders by means of annual reports, arranged capital market days, year-end reports, quarterly reports, press releases and through the Company's website. Reports and press releases from previous years are also available on the website, [www.betssonab.com](http://www.betssonab.com).

Communication and transparency are key to Betsson, to allow the Company's investors and analysts to make objective assessments of the Company's development and, consequently, take informed decisions in their work. The Company attaches great importance to investor relations, in which the aim is to inform the capital market of Betsson's financial position, operations and development so as to increase knowledge and interest in the Company, and to obtain a fair valuation of the Company. During 2014, Betsson has arranged a capital market day and, also, during 2013, participated in a number of IR activities, such as seminars, investor meetings and road shows in both Europe and the USA.

## BOARD OF DIRECTORS



**Pontus Lindwall**  
*Chairman*

Born 1965, Stockholm

Board Member since 2011,  
Chairman from 5 July 2011.

Employed in the Group since  
1991.

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

*Relevant background:* Pontus  
Lindwall has many years of  
experience in the gaming indu-  
stry, both as regards offline  
and online gaming, amongst  
other things, as founder of  
Net Entertainment, Managing  
Director and CEO of Betsson  
AB and the Cherry companies.  
Pontus has a Masters Degree in  
Engineering from KTH.

*Shareholding:*  
10,000 Class A shares  
574,594 Class B shares



**Kicki Wallje-Lund**  
*Board member*

Born 1953, Nyköping

Board Member since 2006

CEO Wellnet AB

*Other directorships:* Board  
Member of Wellnet AB.

*Relevant background:* Kicki Wallje-  
Lund has experience of business  
and operational development  
from various international com-  
panies in which she has prima-  
rily worked within the banking  
and finance areas. Kicki has held  
senior positions within NCR,  
Digital Equipment, AT&T, Philips,  
ICL and Unisys.

*Shareholding:*  
450 Class B shares



**Patrick Svensk**  
*Board member*

Born 1966, Stockholm

Board Member since 2005

Executive Vice President in  
Content MTG

*Other directorships:* Board  
Member of internal companies  
within MTG.

*Relevant background:* Patrick  
Svensk has experience from vari-  
ous management positions in lis-  
ted companies. He has been the  
CEO and President of Zodiak  
Television, CEO of Kanal5 and  
TV3 Sverige. Patrick has a degree  
in business and economics  
from the Stockholm School of  
Economics.

*Shareholding:*  
5,000 Class B shares



**AUDITOR**  
**Michael Bengtsson**  
*Authorized Public Accountant*

*PricewaterhouseCoopers AB*

Auditor-in-Charge since 2008  
Born 1959, Stockholm



**Carl Lewenhaupt**  
*Board member*

Born 1958, Stockholm

Board Member since 2008

CEO of the advertising agency Calleolle AB

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

*Shareholding:*  
590 Class B shares



**Lars Linder-Aronsson**  
*Board member*

Born 1953, Saltsjöbaden

Board Member since 2008

*Other directorships:* Chairman of Svensk Exportkredit, Facility Labs AB and Centini AB. Board Member of e-Capital AB and Ventshare AB.

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

*Shareholding:*  
55,275 Class B shares (including holdings via companies and related parties).



**John Wattin**  
*Board member*

Born 1947, Stockholm

Board Member since 1989, Chairman of the Board until 4 July 2011.

CEO of Investering i Kunskap AB

*Other directorships:* Chairman of Sturehof AB. Board Member of Nabak AB and Silentium AB.

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

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



**Magnus Silfverberg**

*President and CEO, Betsson AB*

Born 1973, Djursholm

Employed in the Group since 2009.

CEO since 5 July 2011

*Other directorships:* Board member of several internal company boards. Chairman in the trade association of online gambling, BOS

*Relevant background:* Before beginning at Betsson, Magnus worked in the IT industry for ten years, holding positions at, among others, Hewlett-Packard and Accenture. Magnus has an MBA from INSEAD and has a degree in business and economics from the Stockholm School of Economics.

*Shareholding:*  
27,501 Class B Shares  
40,000 warrants



**Fredrik Rüdén**

*CFO, Betsson AB*

Born 1970, Nacka

Employed in the Group since 2008.

*Shareholding:*  
30,000 warrants



**Malin Sparf Rydberg**

*Director of Communications, Betsson AB*

Born 1969, Stockholm

Employed in the Group since 2014.

*Shareholding:*  
200 Class B shares



**Ulrik Bengtsson**

*CEO, BML Group Ltd*

Born 1972, Malta

Employed in the Group since 2012.

*Shareholding:*  
1,670 Class B Shares  
50,000 employee stock options



**Martin Thorvaldsson**

*CEO, BSG Ltd, Group  
General Counsel*

Born 1970, Gibraltar

Employed in the Group since 2010.

*Shareholding:*  
6,664 Class B Shares  
30,000 employee stock options



# THE SHARE AND OWNERS

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

## SHARE STRUCTURE

At the end of the year, Betsson had 43,433,003 shares, of which 5,420,000 were Class A shares and 38,013,003 were Class B shares. Each Class A share entitles the holder to ten votes, whilst each Class B share entitles the holder to one vote. All shares entitle equal rights to Betsson's assets and profits.

## REPURCHASED SHARES

The Company's holdings of its own shares amounted, on closing day, to 638 (638) Class B shares acquired at an average price of SEK 58.27 during the period 2007-2008. The number of shares outstanding, excluding repurchased shares, amounted, on closing day, to 42,432,365 shares, of which 5,420,000 were Class A shares and 38,012,365 were Class B shares.

## COMPLETED REDEMPTION PROGRAM

The Annual General Meeting on 8 May 2013 resolved to execute a share split of 2:1 and to undertake an automatic redemption program of the redeemable shares arising from the share split.

The redemption procedure resulted in the transfer of MSEK 410.9, the equivalent of SEK 9.46 per share, to the Company's shareholders on 17 June 2013.

## BONUS ISSUES, ETC.

In conjunction with the redemption procedure, a bonus issue was executed for a total of MSEK 43.4, in order to restore the Company's share capital.

## NEW SHARE ISSUES, ETC., IN CONJUNCTION WITH ACQUISITION AND REDEMPTION OF WARRANTS AND EMPLOYEE STOCK OPTIONS

All programs in progress and the effects of these are described in Note 3. In January 2013, 100,000 shares were issued as a part of the incentive program resolved on in 2010, while 1,063,895 shares were issued in February 2013 as partial payment for the acquisition of the Automaten brands.

From year-end to the date of this report, 3,106,524 shares have been issued (21,796 for the redemption of warrants and employee stock options, 521,700 Class C shares as part of the incentive program for 2013/2015 and 2,563,028 as a portion of the purchase consideration for the acquisition of Oranje and Kroon Casino).

## OWNERSHIP STRUCTURE

As per 31 December 2013, there were 18,825 (17,225) shareholders in Betsson. The proportion of foreign shareholders amounted to 5 (5) per cent. Foreign shareholdings amounted to 32 (33) per cent of share capital and 23 (23) per cent of the votes.

The proportion of private individuals owning shares was 90 (86) per cent. The proportion of shares owned by private individuals corresponded to 24 (25) per cent of share capital and 24 (25) per cent of the votes.

## SHARE LIQUIDITY

A total of 37.4 (32.3) million shares changed hands during the year, which is the equivalent of 100 (88) per cent of the average number of outstanding Class B shares. On average, 150,000 (129,000) shares have changed ownership per trading day, and the number of completed trades averaged 611 (634) per trading day.

## SHARE PRICE DEVELOPMENT AND TURNOVER

The share price during the year increased by 2 (32) per cent. The share price (last paid) on closing day was SEK 204.00 (200.50), which represented a market value of SEK 8.9 (8.5) billion.

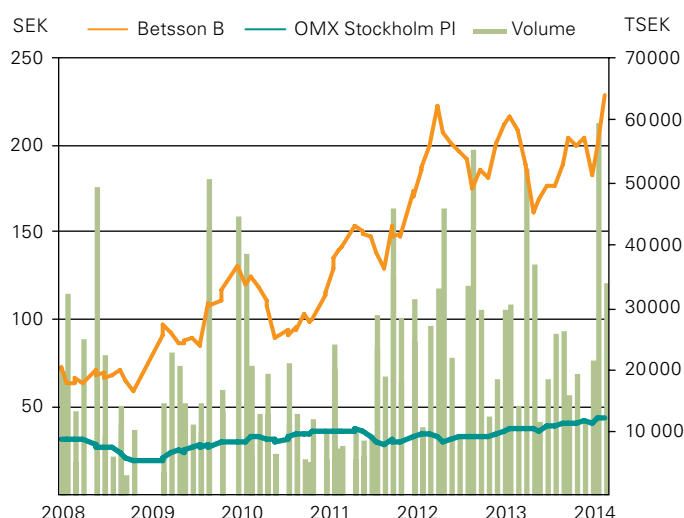
The highest price quotation during 2013 was SEK 224.50 (234.00) on 24 January, and the lowest quotation was SEK 159.50 (152.00) on 3 June. The average share price during the year was SEK 191.59 (190.05).

Total turnover of shares during the year was MSEK 7.169 (6.133), which is equal to an average of MSEK 28.7 (24.5) million per trading day and an average of approximately SEK 47,000 (38,000) per trade.

## DIVIDEND POLICY AND PROPOSED DISTRIBUTION

The Board proposes that the Annual General Meeting resolve to approve a transfer to shareholders totaling MSEK 421.5 (410.9), which, provided the outstanding number of shares does not change, corresponds to SEK 9.16 (9.46) per share for the financial year 2013.

Under the Company's dividend policy, 75 per cent of earnings may be transferred to the shareholders, provided that a suitable capital structure can be maintained. The Board intends to propose to the Annual General Meeting that the transfer to shareholders be executed through a share redemption program. The Board's full proposal will be presented well in advance of the Annual General Meeting.



## ANALYSTS MONITORING BETSSON

**Dawid Myslinski**  
Redeye

**Stefan Gauffin**  
Nordea

**Christian Hellman**  
Carnegie

**Stefan Nelson**  
SEB Enskilda

**Bile Daar**  
Danske Bank

**Rasmus Engberg**  
Handelsbanken

**Stellan Hellström**  
Nordea

**Christian Andersson**  
Swedbank

**Anders Hillerborg**  
ABG Sundal Collier

## MAJOR SHAREHOLDERS AS PER 31 DECEMBER 2013

Owners <sup>1</sup>	Number of Class A shares	Number of Class B shares	Share of capital (%)	Share of votes (%)
Per Hamberg family and company	1,699,500	825,000	5.8	19.3
Bertil Knutsson family and company	820,000	1,475,000	5.3	10.5
Provobis Property & Leisure AB	852,500	702,191	3.6	10.0
Lars Kling	777,000	126,245	2.1	8.6
Svenska Handelsbanken S.A.	700,000	28,653	1.7	7.6
Berit Lindwall	561,000	20,000	1.3	6.1
Swedbank Robur fonder		3,187,484	7.3	3.5
JPM Chase		2,325,141	5.4	2.5
Handelsbanken Fonder AB		1,240,267	2.9	1.4
Försäkringsaktiebolaget Avanza Pension		1,036,588	2.4	1.1
Lannebo Fonder		939,725	2.2	1.0
SEB Investment Management		734,619	1.7	0.8
Pontus Lindwall	10,000	574,594	1.4	0.7
Första AP-fonden		665,000	1.5	0.7
Other shareholders		24,131,858	55.4	26.2
External shareholders	5,420,000	38,012,365	100.0	100.0
Betsson AB		638	0.0	0.0
<b>Total</b>	<b>5,420,000</b>	<b>38,013,003</b>	<b>100.0</b>	<b>100.0</b>

1) Disclosures regarding ownership are based on information gleaned from Euroclear Sweden, which implies that that nominee shareholders' holdings may be included in the table and that the actual owners can, as a consequence, not be indicated.

## COMPOSITION OF SHARE CAPITAL AS PER 31 DECEMBER 2013

	Votes per share	Number of shares	Number of votes	Quotient value (SEK)	TSEK
Class A Shares	10	5,420,000	54,200,000	2	10,840
Class B Shares	1	38,013,003	38,013,003	2	76,026
<b>Total shares</b>		<b>43,433,003</b>	<b>92,213,003</b>		<b>86,866</b>

## SHARE DISTRIBUTION AS PER 31 DECEMBER 2013

Number of shares	Number of shareholders	Proportional number of share-holders (%)	Number of shares	Proportional number of shares (%)	Proportional share of votes (%)
1–500	15,261	81.1	2,170,609	5.0	2.4
501–1,000	1,795	9.5	1,492,392	3.4	1.6
1,001–2,000	831	4.4	1,320,435	3.0	1.4
2,001–5,000	508	2.7	1,522,144	3.8	1.8
5,001–10,000	156	0.8	1,672,539	2.8	1.3
10,001–20,000	67	0.4	1,199,449	2.3	1.1
20,001–50,000	88	0.5	2,874,171	6.6	3.1
50,001–100,000	58	0.3	4,270,311	9.8	4.6
100,001–500,000	42	0.2	8,957,498	20.6	9.7
500,001–1,000,000	11	0.1	7,257,987	16.7	27.9
1,000,001–	8	0.0	11,220,046	25.8	45.0
<b>Total</b>	<b>18,825</b>	<b>100.0</b>	<b>43,433,003</b>	<b>100.0</b>	<b>100.0</b>

## FIVE-YEAR REVIEW

Amounts in MSEK unless stated otherwise	2013	2012	2011	2010	2009
<b>INCOME STATEMENT</b>					
Revenues	2,476.7	2,203.7	1,736.6	1,603.2	1,299.7
Gross profit	2,073.9	1,853.7	1,428.9	1,282.1	1,045.0
Operating income	601.2	577.1	559.7	380.6	316.9
Income before tax	596.2	573.6	555.4	382.5	318.9
Income after tax for continuing operations	562.0	547.8	527.8	365.7	303.3
Income after tax — of which attributable to Parent Company shareholders	562.0	547.8	527.8	365.7	303.3
<b>BALANCE SHEET</b>					
Intangible fixed assets	2,037.9	1,664.6	982.3	450.2	464.2
Tangible fixed assets	53.8	28.5	26.9	25.7	17.2
Financial fixed assets	26.6	25.2	10.2	—	—
Deferred tax assets	11.7	18.4	14.4	6.1	1.5
Current receivables	823.5	752.7	729.6	509.0	380.2
Cash and cash equivalents	562.5	467.2	509.7	497.1	529.1
Total assets	3,515.9	2,956.6	2,273.1	1,488.1	1,392.2
Equity	2,032.2	1,577.8	1,334.3	825.6	820.4
Interest-bearing non-current liabilities	0.0	344.5	—	—	—
Other non-current liabilities	4.1	9.3	8.0	4.2	4.5
Other current liabilities	1,479.6	1,025.0	930.8	658.3	567.3
Total equity and liabilities	3,515.9	2,956.6	2,273.1	1,488.1	1,392.2
<b>CASH FLOW</b>					
Cash flow from operating activities	683.5	666.1	537.2	396.5	424.9
Cash flow from investing activities	-154.3	-634.4	-248.5	-44.9	-58.5
Cash flow from financing activities	-447.5	-70.2	-273.8	-351.2	-200.3
Total cash flow from continuing operations	81.6	-38.4	14.9	0.4	166.1
<b>GROSS PROFIT PER SEGMENT</b>					
B2B, Business to Business	526.7	526.3	568.0	724.1	452.4
B2C, Business to Consumers	1547.2	1,327.4	860.9	558.0	592.6
Total	2,073.9	1,853.7	1,428.9	1,282.1	1,045.0
<b>GROSS PROFIT PER PRODUCT</b>					
Casino	1,335.4	1,248.8	955.9	745.4	670.4
Poker	99.2	116.7	83.9	106.7	131.9
Sportsbook	577.6	432.0	326.9	367.7	206.6
Other products	61.7	56.1	62.2	62.3	36.1
Total	2,073.9	1,853.7	1,428.9	1,282.1	1,045.0
<b>B2C, GROSS PROFIT PER GEOGRAPHICAL AREA</b>					
Nordic countries	1,287.2	1,081.3	659.5	416.6	466.5
EU, outside Nordic countries	245.9	224.3	183.1	139.2	124.0
Other Europe	7.4	6.3	3.9	0.2	-0.3
Rest of the world	6.7	15.4	14.4	5.0	2.4
Total	1,547.2	1,327.4	860.9	558.0	592.6

Amounts in MSEK unless stated otherwise	2013	2012	2011	2010	2009
<b>NUMBER OF CUSTOMERS</b>					
Number of registered customers (in thousands)	6,732.7	5,777.9	3,662.4	3,158.2	2,117.8
Number of active customers (in thousands)	401.4	520.4	403.6	300.5	288.7
<b>PROFITABILITY AND FINANCIAL POSITION</b>					
Gross margin (%)	83.7	84.1	82.3	80.0	80.4
EBITDA margin (%)	28.6	30.9	36.5	26.8	27.2
Operating margin (%)	24.3	26.2	32.2	23.7	24.4
Profit margin (%)	24.1	26.0	32.0	23.9	24.5
Return on equity (%)	31	38	49	44	39
Equity/assets ratio (%)	58	53	59	55	59
<b>DEPOSITED AMOUNT</b>					
Customer deposits, all gaming solutions (MSEK)	8,421.1	6,889.0	5,237.9	3,894.1	3,258.0
<b>INVESTMENTS</b>					
Investments	138.5	101.0	50.9	44.9	58.5
<b>PERSONNEL</b>					
Average number of employees	789	591	340	268	225
Number of employees at year-end	839	748	412	282	258
<b>THE SHARE</b>					
Share capital	86.9	84.5	82.8	79.1	79.1
Number of shares outstanding at year-end	43,433,003	42,268,470	41,390,170	39,294,165	39,243,720
Ongoing share issue (number of shares) at year-end	–	100,000	–	100,000	–
Number of own shares at year-end	638	638	4,222	259,555	310,000
Average number of shares outstanding	43,285,742	41,999,524	40,243,523	39,245,400	39,243,720
Average number of shares outstanding after dilution	43,315,690	42,217,181	40,284,204	39,245,400	39,269,264
Number of registered shareholders	18,825	17,225	12,507	11,484	9,905
Average share price (SEK)	191.59	190.05	136.54	109.79	95.09
Share price at year-end (SEK)	204.00	200.5	151.50	117.00	109.75
Market Cap at year-end (MSEK)	8,860.3	8,474.8	6,097.5	4,627.8	4,341.0
Earnings per share for continuing operations (SEK)	12.98	13.04	13.12	9.32	7.73
Earnings per share after dilution (SEK)	12.98	12.98	13.10	9.32	7.72
Equity per share (SEK)	46.79	37.33	32.15	20.96	20.91
Dividend or equivalent per share (SEK) <sup>1</sup>	9.16	9.46	10.08	7.00	9.00

1) The dividend for 2013 refers to the proposed redemption program which, on the condition that the outstanding number of shares remains unchanged, amounts to SEK 9.16 per share.

## CONSOLIDATED INCOME STATEMENT

Amounts in TSEK unless stated otherwise	Note	2013	2012
Revenues	3, 4	2,476,749	2,203,711
Total revenues		2,476,749	2,203,711
Cost of services provided		-402,851	-350,017
Gross profit		2,073,898	1,853,694
Work performed by the Company for its own use and capitalized		92,869	80,962
Marketing expenses		-734,481	-626,794
Other external expenses	5, 6, 7	-352,432	-329,317
Personnel costs	8	-373,162	-290,944
Depreciation/amortization	9	-107,067	-104,983
Other operating income/expenses	10, 11	1,520	-5,556
Operating expenses		-1,472,753	-1,276,632
Operating income		601,144	577,062
NET FINANCIAL ITEMS	12		
Financial income		2,540	4,370
Financial expenses		-7,481	-7,860
Total net financial items		-4,942	-3,490
Income before tax		596,202	573,572
Tax	13	-34,157	-25,771
NET INCOME FOR THE YEAR, attributable to parent company shareholders		562,045	547,801
Earnings per share			
— before dilution (SEK)	14	12.98	13.04
— after dilution (SEK)	14	12.98	12.98
Proposed/paid dividend per share (SEK) <sup>1</sup>	15	9.16	9.46

1) The dividend for 2013 refers to the proposed redemption program which, on the condition that the outstanding number of shares remains unchanged, amounts to SEK 9.16 (9.46) per share

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in TSEK unless stated otherwise	2013	2012
NET INCOME FOR THE YEAR	562,045	547,801
Other comprehensive income		
Items that can subsequently be reversed in the income statement		
<i>Revenues and expenses reported directly in equity</i>		
Hedging of net investments in foreign currency, including deferred tax	-13,288	10,730
Exchange rate differences on translation of foreign operations	87,993	-57,052
Other comprehensive income for the year (after tax)	74,705	-46,322
Total comprehensive income for the year	636,750	501,479



# CONSOLIDATED BALANCE SHEET

Amounts in TSEK	Note	2013	2012
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	16	2,037,866	1,664,625
Tangible fixed assets	17	53,764	28,528
Participations in associated companies	19	26,608	25,194
Deferred tax assets	13	11,672	18,416
<b>Total fixed assets</b>		<b>2,129,910</b>	<b>1,736,763</b>
<b>CURRENT ASSETS</b>			
Tax assets	13	331,465	309,036
Other receivables	20	437,392	416,326
Prepaid expenses and accrued income	21	54,659	27,330
Cash and cash equivalents	22	562,482	467,186
<b>Total current assets</b>		<b>1,385,998</b>	<b>1,219,878</b>
<b>TOTAL ASSETS</b>		<b>3,515,908</b>	<b>2,956,641</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	23		
Share capital		86,866	84,538
Other contributed capital		908,761	673,769
Reserves		27,606	-47,099
Retained earnings including net income for the year		1,008,985	866,591
<b>Total equity attributable to Parent Company shareholders</b>		<b>2,032,218</b>	<b>1,577,799</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities to credit institutions	24	–	344,547
Deferred tax liabilities	13	4,141	9,280
<b>Total non-current liabilities</b>		<b>4,141</b>	<b>353,827</b>
<b>CURRENT LIABILITIES</b>			
Liabilities to credit institutions	24	315,709	–
Accounts payable		93,986	73,169
Tax liabilities	13	379,250	361,351
Other liabilities	25	534,814	437,792
Accrued expenses and deferred income	26	155,790	152,703
<b>Total current liabilities</b>		<b>1,479,549</b>	<b>1,025,015</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,515,908</b>	<b>2,956,641</b>
<i>Pledged assets and contingent liabilities</i>			
Pledged assets	27	None	None

# CASH FLOW STATEMENT FOR THE GROUP

Amounts in TSEK	Note	2013	2012
<b>OPERATING ACTIVITIES</b>			
Income after financial items		596,202	573,572
Adjustments for items not included in cash flow:			
– Depreciation/amortization	9	107,067	104,983
– Adjustment to share of equity in associated company		5,781	–
– Change to share price in conjunction with new share issue (additional purchase consideration)		–	3,486
– Capital gains/losses from divestments/impairment	10	-1,016	–
– Translation differences		–	1,889
Income tax paid	13	-4,309	2,703
Cash flow from operating activities before changes in working capital		703,725	686,633
<i>Changes in working capital</i>			
Changes in current receivables		-81,169	-66,246
Changes in current liabilities		60,927	45,681
Cash flow from operating activities <sup>1</sup>		683,483	666,068
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible fixed assets	16	-101,744	-91,046
Acquisition of tangible fixed assets	17	-36,779	-9,967
Acquisition of shares in associated companies	19	-15,761	-15,001
Acquisition of shares in subsidiaries	5	–	-518,350
Cash flow from investing activities		-154,284	-634,364
<b>FINANCING ACTIVITIES</b>			
Dividend		–	-21,750
Raised bank loans		–	431,800
Repayment of bank loans		-39,640	-74,087
Share redemption program		-410,876	-395,612
Costs for redemption program		-165	–
New share issue (redemption of warrants)		12,320	–
Cash paid upon redemption of warrants and employee stock options		-9,181	-10,402
Cash flow from financing activities		-447,542	-70,051
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		81,657	-38,347
Cash and cash equivalents at the beginning of the year		467,168	509,672
Exchange rate differences in cash and cash equivalents		13,638	-4,139
CASH AND CASH EQUIVALENTS AT YEAR-END	22	562,481	467,186
<i>Additional information</i>			
Unutilized credit facilities amounted to		97,702	133,557
Interest paid during the year amounted <sup>1</sup>		-5,771	-2,683
Interest received during the year amounted to <sup>1</sup>		2,550	3,914

1) Cash flow from operating activities includes interest paid, TSEK 5,771 (2,683) and interest received, TSEK 2,550 (3,914).

## CHANGES IN EQUITY FOR THE GROUP

Amounts in TSEK	Share capital	Other contributed capital	Translation reserve	Retained earnings including net income for the year	Total equity
OPENING EQUITY, 1 JAN 2012	82,789	505,691	-777	746,634	1,334,337
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Net income for the year 2012	-	-	-	547,801	547,801
Other comprehensive income	-	-	-	-	-
Exchange rate differences on translation of foreign operations	-	-	-46,322	-	-46,322
Total comprehensive income for the year			-46,322	547,801	501,479
TRANSACTIONS WITH THE COMPANY'S OWNERS					
Share redemption	-42,001	-	-	-353,611	-395,612
Bonus issue	42,001	-	-	-42,001	-
Dividend	-	-	-	-21,764	-21,764
Transaction costs for redemption program	-	-	-	-149	-149
Tax effects of transaction costs for redemption program	-	-	-	39	39
New share issue (offset debt, earn-out 2 Betsafe)	1,214	114,083	-	-	115,296
New share issue, acquisition of NGG, see Note 5	436	43,849	-	-	44,284
Warrants, value of employee services	100	-	-	118	218
Premiums received for issued warrants	-	-	-	1,156	1,156
Redemption of employee stock options and warrants	-	-	-	-11,632	-11,632
Changes in share of equity in associated companies	-	10,147	-	-	10,147
CLOSING EQUITY, 31 DEC 2012	84,538	673,769	-47,099	866,591	1,577,799
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
Net income for the year 2013	-	-	-	562,045	562,045
Other comprehensive income	-	-	-	-	-
Exchange rate differences on translation of foreign operations	-	-	74,705	-	74,705
Total comprehensive income for the year			74,705	562,045	636,750
TRANSACTIONS WITH THE COMPANY'S OWNERS					
Share redemption	-43,433	-	-	-367,442	-410,875
Bonus issue	43,433	-	-	-43,433	-
Transaction costs for redemption program	-	-	-	-137	-137
Tax effects of transaction costs for redemption program	-	-	-	35	35
New share issue, Automaten	2,128	222,872	-	-	225,000
New share issue, redemption of employee stock options	200	11,140	-	-	11,340
Warrants, value of employee services	-	-	-	507	507
Premiums received for issued warrants	-	980	-	-	980
Redemption of employee stock options and warrants	-	-	-	-9,181	-9,181
CLOSING EQUITY, 31 DEC 2013	86,866	908,761	27,606	1,008,985	2,032,218

# PARENT COMPANY INCOME STATEMENT

Amounts in TSEK unless stated otherwise	Note	2013	2012
Revenues	3	10,176	15,892
Total revenues		10,176	15,892
OPERATING EXPENSES			
Other external expenses	5, 6, 7	-16,003	-33,092
Personnel costs	8	-21,660	-24,840
Depreciation/amortization	9	-1,484	-1,808
Total operating expenses		-39,147	-59,741
Operating income		-28,971	-43,849
FINANCIAL ITEMS	12		
Income from participations in Group companies		718,329	615,694
Interest income and similar profit/loss items		1,918	6,896
Interest expenses and similar profit/loss items		-5,825	-3,004
Total financial items		714,422	619,586
Income after financial items		685,451	575,737
Income before tax		685,451	575,737
Tax	13	-4,000	2,053
NET INCOME FOR THE YEAR <sup>2</sup>		681,451	577,790
Proposed/paid dividend per share (SEK) <sup>1</sup>	15	9.16	9.46

1) The dividend for 2013 refers to the proposed redemption program which, on the condition that the outstanding number of shares remains unchanged, amounts to SEK 9.16 (9.46) per share.

2) The Parent Company reports no items in Other comprehensive income, for which reason the item Net income for the year in the income statement is equivalent to Total comprehensive income for the year.

# PARENT COMPANY BALANCE SHEET

Amounts in TSEK	Note	2013	2012
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<i>Tangible fixed assets</i>			
Equipment	17	2,484	3,967
Total tangible fixed assets		2,484	3,967
<i>Financial fixed assets</i>			
Participations in Group companies	18	2,340,511	2,055,511
Deferred tax assets	13	11,660	15,660
Total financial fixed assets		2,352,171	2,071,171
Total fixed assets		2,354,655	2,075,138
<b>CURRENT ASSETS</b>			
<i>Current receivables</i>			
Receivables from Group companies		468,145	301,051
Tax assets	13	972	724
Other receivables	20	3,372	501
Prepaid expenses and accrued income	21	2,428	2,834
Total current receivables		474,917	305,110
Cash and cash equivalents	22	165,705	114,231
Total current assets		640,622	419,341
<b>TOTAL ASSETS</b>		2,995,277	2,494,479
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	23		
<i>Restricted equity</i>			
Share capital		86,866	84,538
Statutory reserve fund		253,279	253,279
Total restricted equity		340,145	337,817
<i>Non-restricted equity</i>			
Share premium reserve		666,383	431,391
Retained earnings		691,965	534,394
Net income for the year		681,451	577,790
Total non-restricted equity		2,039,799	1,543,575
Total equity		2,379,944	1,881,392
Liabilities to credit institutions	24	–	353,810
<b>CURRENT LIABILITIES</b>			
Liabilities to credit institutions	24	312,376	–
Accounts payable		5,359	1,169
Liabilities to Group companies		51,916	71,966
Other liabilities	25	237,795	178,149
Accrued expenses and deferred income	26	7,888	7,992
Total current liabilities		615,333	259,277
<b>TOTAL EQUITY AND LIABILITIES</b>		2,995,277	2,494,479
Pledged assets	27	None	None



# CASH FLOW STATEMENT FOR THE PARENT COMPANY

Amounts in TSEK	Note	2013	2012
<b>OPERATING ACTIVITIES</b>			
Income after financial items		685,451	575,737
Adjustments for items not included in cash flow:			
— Depreciation/amortization	9	1,484	1,808
— Capital gains/losses from disposals	17	—	210
— Unrealized currency effects		—	-982
Income tax paid		-298	-166
Cash flow from operating activities before changes in working capital		686,637	576,607
<b>Changes in working capital</b>			
Changes in operating receivables		-169,509	133,179
Changes in operating liabilities		-16,321	2,421
Cash flow from operating activities		500,806	712,207
<b>INVESTING ACTIVITIES</b>			
Acquisition of tangible fixed assets	17	—	-592
Acquisition of shares and participations, subsidiaries	18	—	-591,244
Cash flow from investing activities <sup>1</sup>		—	-591,836
<b>FINANCING ACTIVITIES</b>			
Share redemption		-410,876	-395,612
Costs for redemption program		-162	-110
Premiums received for warrants		980	—
New issue of shares on the redemption of warrants		11,340	—
Raised bank loans		—	416,310
Repayment of bank loans		-41,434	-62,531
Cash paid upon redemption of warrants and employee stock options		-9,181	-10,402
Dividend		—	-21,750
Cash flow from financing activities		-449,333	-74,095
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		51,473	46,277
Cash and cash equivalents at the beginning of the year		114,231	67,954
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>	22	165,705	114,231
<i>Additional information</i>			
Unutilized credit facilities amounted to		97,702	133,557
Interest paid during the year amounted to <sup>1</sup>		-5,399	-2,001
Interest received during the year amounted to <sup>1</sup>		1,383	1,934

1) Cash flow from operating activities includes interest paid, TSEK 5,399 (2,001) and interest received, TSEK 1,383 (1,934).

## CHANGES IN EQUITY FOR THE PARENT COMPANY

Amounts in TSEK	RESTRICTED EQUITY		NON-RESTRICTED EQUITY			Total equity
	Share capital	Statutory reserve fund	Share premium reserve	Retained earnings	Net income for the year	
OPENING EQUITY, 1 JAN 2012	82,789	253,279	273,460	477,217	491,327	1,578,072
Appropriation according to AGM	–	–	–	491,327	-491,327	–
– Share redemption	-42,001	–	–	-353,611	–	-395,612
– Bonus issue	42,001	–	–	-42,001	–	–
Transaction costs for redemption program	–	–	–	-149	–	-149
Tax effects of transaction costs for redemption program	–	–	–	39	–	39
Dividend	–	–	–	-26,915	–	-26,915
New share issue, (offset debt, earn-out 2 Betsafe)	1,214	–	114,082	–	–	115,296
New share issue, acquisition of NGG	–	–	43,849	–	–	44,285
New share issue, redemption of employee stock options	100	–	–	118	–	218
Redemption of employee stock options and warrants	–	–	–	-11,632	–	-11,632
Net income for the year	–	–	–	–	577,790	577,790
CLOSING EQUITY, 31 DEC 2012	84,539	253,279	431,391	534,393	577,790	1,881,392
Appropriation according to AGM	–	–	–	577,790	-577,790	–
– Share redemption	-43,433	–	–	-367,443	–	-410,876
– Bonus issue	43,433	–	–	-43,433	–	–
Transaction costs for redemption program	–	–	–	-161	–	-161
New share issue, (Automaten Group)	2,128	–	222,872	–	–	225,000
New share issue, redemption of employee stock options	200	–	11,140	–	–	11,340
Redemption of employee stock options and warrants	–	–	–	-9,181	–	-9,181
Premiums received for issued warrants	–	–	980	–	–	980
Net income for the year	–	–	–	–	681,451	681,451
CLOSING EQUITY, 31 DEC 2013	86,866	253,279	666,383	691,965	681,451	2,379,944

## Note 1 General information

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

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

These consolidated financial statements were approved by the Board for publication on 10 April 2014.

All amounts stated in these Notes are in TSEK, unless stated otherwise.

## Note 2 Summary of important accounting and valuation principles

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

### Basis of preparation

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

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

### Changes in accounting principles and information

*New and amended standards applied by the Group*

The standards applied by the Group for the first time for the financial year commencing on 1 January 2013 and which have had a significant impact on the Group's financial statements:

- IFRS 13 "Fair Value Measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The standard provides guidance regarding valuations at fair value for all types of assets and liabilities, both financial and non-financial. The requirements do not extend the area of application as to when fair value should be applied but provide guidance regarding the manner in which fair value should be applied in areas where other IFRS already require, or allow, valuation at fair value.

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

A number of new standards and changes in interpretations and current standards came into effect for financial years commencing after 1 January 2013, and have not been applied in the preparation of these financial statements. None of these standards or interpretations is expected to have any material effect on the consolidated financial statements, with the exception of the following:

- IFRS 9 "Financial instruments" addresses the classification, valuation and recognition of financial assets and liabilities. IFRS 9 was issued in November 2010 for financial assets and in October 2011

for financial liabilities and replaces those parts of IAS 39 related to the classification and valuation of financial instruments. IFRS 9 requires financial assets to be classified into two different categories: fair value or at amortized cost. Classification is determined at initial recognition based on the Company's business model and the characteristics of the contractual cash flows. For financial liabilities, there are no major changes compared with IAS 39. The most significant change in IFRS 9 relates to liabilities that are designated at fair value. For these, the portion of the change in fair value that is attributable to own credit risk should be reported in Other comprehensive income, instead of income, unless this results in inconsistency in the financial statements (accounting mismatch). The Group will evaluate the effects of the remaining phases of IFRS 9 when they have been completed by the IASB. IFRS 9 has not yet been adopted by the EU.

### Applied basis of valuation and classification

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

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

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

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

### Estimations and assumptions in the financial statements

In order to prepare financial statements in accordance with IFRS, the application of various important estimations and assumptions for accounting purposes is required. The management is also required to make assessments regarding the application of the Group's accounting principles. The areas including a high degree of assessment, which are complex, or in which estimations and assumptions are of material importance for the consolidated financial statements, include assumptions regarding the impairment testing of goodwill and of other intangible assets with indefinite useful lifetimes (for further information, see Note 16), as well as including the valuation of the liability for the purchase consideration attributable to the acquisition of the NGG Group (for further information, see Note 5).

### Basis for consolidation

The consolidated financial statements include the Parent Company and companies in which the Parent Company, directly or indirectly, holds more than fifty per cent of the votes or otherwise exercises a controlling interest.

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

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

## Associated companies

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

The Group's profit arising after the acquisition reported in the income statement, and the Group's share of changes in Other comprehensive income after the acquisition, are reported in the Other comprehensive income, with a corresponding change in the book value of the participating interest.

## Segment reporting

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

## Foreign currencies

### *Receivables and liabilities in foreign currencies*

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

### *Translation of foreign operations*

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

On the disposal of a foreign entity, the accumulated translation differences attributable to the business are realized in the consolidated income statement after deduction of any hedging agreements

## Revenues

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

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

Revenue attributable to gaming transactions in which the Company assumes an open position against the player are reported net after deduction of player winnings, bonuses and loyalty programs, as well as of licensing fees and gaming taxes which are calculated according to the outcome of the game. The revenue reported in this manner refers to Sportsbook.

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

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

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

## Other revenues

Other revenues include revenues from activities not conducted as a part of normal operations. This item is, primarily, composed of recovered written-off receivables, exchange rate gains from operations in

the Parent Company, as well as gains on sales of fixed assets in the Parent Company.

## Cost of services provided

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

## Gross profit

Several gaming companies describe their gross profit as revenue from gaming operations (games surpluses or equivalent) and, thus, report licensing fees to games providers and costs for payment services as a reduction of revenue. Betsson recognizes these costs as expenses for services sold (except for Sportsbook which is identified as a financial instrument and reported net), but has also introduced the income level Gross profit in order to simplify comparison with other gaming companies.

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

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

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

## Work performed by the Company for its own use and capitalized

Work performed by the Company for its own use and capitalized refers to direct expenditure for the period on salaries, other payroll-related costs and services purchased, as well as indirect costs attributed to development projects, recorded as assets in the balance sheet.

## Marketing expenses

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

## Leasing

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

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

## Share-based payment

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

The fair value of the services entitling employees to be allocated options is written off. The total amount to be written off is based on the fair value of the allocated options, excluding the impact of any non-market-related services and vesting conditions for the options (for example, profitability, targets for sales increases and that the employee remains with the Company for a specified time period). Non-market-related conditions for vesting are taken into consideration in the assumptions applied as regards the number of options expected

to be earned. The total amount to be written off is distributed over the entirety of the vesting period, which is the period during which all of the stated vesting conditions are to be fulfilled. On each closing date, the Company reviews all of its estimates regarding the number of shares expected to be earned, based on the non-market related vesting conditions. Any deviations from initial assessments noted in such a review are reported in the income statement and corresponding adjustments are made in equity.

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

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

### Pension costs

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

Commitments for retirement pensions and family pensions for salaried employees in Sweden are secured through insurance cover with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan involving several employers. For the financial year 2013, the Group has not had access to information enabling it to report its proportional share of the plan's obligations plan assets and expenses, implying that it has been impossible to report this plan as a defined benefit plan. The ITP pension plan that is secured through insurance in Alecta is, consequently, reported as a defined contribution plan. The premium for the defined contribution plan is individual and is determined on the basis of, among other things, the age, salary and previous earned pension of the insured. Expected fees for the next reporting period for pension insurance secured with Alecta amount to TSEK 1,020. The Group's share of the plan is immaterial.

The collective funding ratio consists of the market value of Alecta's assets as a percentage of insurance undertakings calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19. The collective funding ratio is normally allowed to vary between 125 and 155 per cent. If Alecta's collective funding ratio is less than 125 per cent or greater than 155 per cent, measures shall be taken in order to create the conditions for the funding ratio to return to the normal range. In the event that the collective funding ratio exceeds 155 per cent, Alecta's surplus may be distributed to the policyholders and/or the insured. However, Alecta implements premium reductions to avoid a surplus arising. At the end of 2013, Alecta's surplus in the form of the collective funding ratio amounted to 148 per cent (129 per cent).

### Other operating income/expenses

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

### Taxes

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

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

future.

### Financial assets and liabilities

Financial assets subject to IAS 39 Financial Instruments: Measurement are to be classified according to the following categories:

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

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

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

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

#### *Loans and receivables*

Loans and receivables are financial assets that are not derivatives with fixed payments or definable payments and which are not quoted on an active market. Loans receivable are valued at amortized cost, which is determined based on the effective annual rate of interest calculated on the acquisition date. Accounts receivable are recorded in the amounts that are expected to be received after deductions for estimated, undiscounted bad debts. The impairment of accounts receivable is reported in operating expenses.

#### *Other financial liabilities*

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

### Intangible fixed assets

#### *Goodwill and intangible fixed assets with indefinite useful lives*

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

#### *Development costs and other intangible fixed assets*

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

Other intangible assets are reported in the balance sheet at acquisition value with deductions for accumulated amortization and impairment.

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

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



## Tangible fixed assets

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

## Depreciation/amortization and impairment

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

The following useful lifetimes are applied:

Brands, domain names	Indefinite
Customer databases	2-3 years
Leaseholds	3-5 years

Capitalized development costs for gaming, gaming systems and gaming platforms are determined on the basis of the nature of the asset and amount to:

– investments made up to and including 2008	max 5 years
– investments made from 2009	max 3 years
Office equipment and fittings	5-7 years
Servers and similar	5 years
Other hardware	5 years
Computers within technology and development	written off directly
Vehicles	3-5 years

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

Value in use is measured as the expected future discounted cash flow. Any impairment consists of the difference between the book value and the recoverable amount. Impairment is reversed when it is no longer justified. Such reversals are recognized at a maximum value, not to exceed the book value that would have been reported, with deduction for depreciation, if no impairment had taken place. Goodwill is not impaired.

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

## Accounts payable

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

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

## Cash and cash equivalents

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

## Accounting principles for the Parent Company

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

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

## Group contributions and shareholders' contributions

Group contributions and shareholders' contributions are reported in accordance with the Swedish Financial Reporting Board's statement RFR 2. Shareholders' contributions are recognized directly against equity by the recipient and are capitalized as shares and participations by the provider to the extent that no impairment is necessary. Group contributions are reported according to their economic significance. This implies, for example, that Group contributions provided or received in order to minimize the total amount of tax payable by the Group are reported in the income statement, similar to tax effects.

## Group companies

Participations in Group companies are reported in the Parent Company at acquisition value, less any impairment.

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

## Division into restricted and non-restricted equity

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

## Untaxed reserves and balance sheet appropriations

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

## Definitions

**Revenue.** Revenue from gaming business is reported after payment/payout of players' winnings, with deductions for jackpot contributions, loyalty programs and bonuses and other operating income. Gaming taxes and license charges for game suppliers are also deducted from revenues from Sportsbook. License charges from invoicing for the maintenance of technical platforms to external game suppliers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Note 3 Revenues

	Group		Parent Company	
	2013	2012	2013	2012
<i>Revenues</i>				
Revenues from gaming solutions	2,046,179	1,855,631	–	–
Licensing revenues	430,569	348,080	–	–
Consultancy, management	–	–	2,972	2,804
Rental fees and office services	–	–	7,204	13,088
Total	2,476,749	2,203,711	10,176	15,892

### Note 4 Reporting per segment

#### Segment Information

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

The CEO assesses the operations of the subsidiaries, on the first hand from a customer perspective, in which a division is made between operations aimed directly at consumers (B2C) and business conducted with partners (B2B). These two parts of the operations are referred to internally as the two segments. The geographical perspective and product perspective are important components of the Betsson operational matrix. For accounting purposes, within B2C, Betsson reports gross profit per

geographical region and per product. This specification is shown in the five-year overview on page 21, as well as in the table below.

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

Betsson AB, which is registered in Sweden, has no external revenues in Sweden. The distribution of income in the Group per function is shown in Note 3 and the table below. The Group has one B2B customer with revenues accounting for 17 (16) per cent of total revenues. These revenues are derived from a large number of end users. Of the Company's assets, 0.9 per cent derives from Sweden.

#### Gross profit per category of customer (MSEK)

2013	B2C	B2B	Group
Revenues	1,867.0	609.7	2,476.7
Gross profit	1,547.6	526.2	2,073.8
Gross margin (per cent)	82.9	86.3	83.7
2012	,B2C	,B2B	,Group
Revenues	1,580.9	622.8	2,203.7
Gross profit	1,327.4	526.3	1,853.7
Gross margin (per cent)	84.0	84.5	84.1

#### Gross profit per product (MSEK)

	Casino	Poker	Sportsbook	Other products	Group
2013	1,335.4	99.2	577.6	61.7	2,037.9
2012	1,248.8	116.7	432.0	56.1	1,853.7

#### Gross profit per geographical area, B2C (MSEK)

	Nordic countries	EU, outside Nordic countries	Rest of Europe	Rest of the world	Group
2013	1,287.2	245.9	7.4	6.7	1,547.2
2012	1,081.3	224.3	6.3	15.4	1,327.4

## Note 5 Business combinations

### Financial effects of the acquisition

On 19 February 2013, Betsson AB entered into an agreement to acquire the brands Sverigeautomaten.com, Norgesautomaten.com and Danmarksautomaten.com from Cherry for a purchase consideration of MSEK 286, of which MSEK 60 was paid in February 2014. In practice, this transaction implies that Betsson AB's subsidiary on Malta, which had already previously been responsible for the operation of the sites, has now, after the transaction, also taken over the brands and the responsibility for marketing. At the same time, Cherry acquired the brand Cherrycasino.com from Betsson's Maltese subsidiary for a purchase consideration of MSEK 1. The initial net purchase consideration of MSEK 225 was settled on the basis of the transfer of an equivalent of 1,063,895 newly-issued Betsson Class B shares. No portion of reported goodwill is expected to be tax deductible upon taxation of income. The table below summarizes the purchase consideration paid and the fair value of the acquired assets and assumed liabilities.

### Accounting effects

The acquisition of the Automaten brands has had an impact on the accounts since 1 April 2013. Since that date and up until 31 December 2013, the acquisition has contributed MSEK 33.2 to the Group's operating income through the net effect of the saving of profit shares previously payable to Cherry under the former partner agreement, and the additional marketing commitments assumed by Betsson. Had the Automaten brands been owned for the full year, Betsson's operating income would have amounted to MSEK 613.2, instead of MSEK 601.1, excluding acquisition costs of MSEK 0.5 in the first quarter. This implies that, had Betsson owned the Automaten brands for the entire year, the acquisition would have contributed MSEK 45.3 to operating income. Goodwill of MSEK 247.9 is explained by the further development opportunities existing in the operations and brands.

### Additional purchase consideration, NGG

In conjunction with the acquisition of NGG in 2012, a provision was recorded for a maximum additional purchase consideration of MEUR 20. The final value of this liability will be impacted by the outcome of the current dispute with the sellers of NGG concerning fulfilment of the terms and conditions of the additional purchase consideration, and by the EUR/SEK exchange rate applied. The final settlement of the liability will take place on the basis of an agreement or, alternatively, legal assessment of the fulfilment of the terms and conditions, either via delivery of shares, or via payment in the form of cash and/or cash equivalents. An amount less than MEUR 20 can apply if only certain of the terms and conditions are seen to have been fulfilled. If the terms are not seen to have been fulfilled to any degree, no further purchase consideration will be paid.

Acquisition analysis, Automaten Group	mkd
<i>Purchase consideration</i>	
Divestment of brand	1.01
Equity instruments (1,063,895 Class B shares)	225.0
Total purchase consideration paid	226.0
Additional purchase consideration, paid 19 February 2014	60.0
Total purchase consideration	286.0
<i>Reported amounts of identifiable acquired assets and assumed liabilities</i>	
Brands	38.1
Total identifiable net assets	38.1
Goodwill	247.9
Total acquisition value	286.0

## Note 6 Leasing

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

	Group		Parent Company	
	2013	2012	2013	2012
Expensed leasing and rental fees	22,464	18,520	9,203	8,514

Framtida minimiavgifterna avseende icke uppsägningsbara operationella leasing- och hyresavtal beräknas utfalla enligt följande:

	Group		Parent Company	
	2013	2012	2013	2012
Within one year	23,290	25,290	9,092	7,234
Within two to five years	60,945	56,731	2,305	19
After five years	–	–	–	–
Total	84,235	82,021	11,397	7,253

## Note 7 Auditors' fees

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

	Group		Parent Company	
	2013	2012	2013	2012
<i>Audit assignment</i>				
PricewaterhouseCoopers	2,603	2,052	672	754
Other auditing firms	49	127	–	–
<i>Audit activities other than the audit assignment</i>				
PricewaterhouseCoopers	139	450	139	125
<i>Tax advisory services</i>				
PricewaterhouseCoopers	414	1,203	174	969
<i>Other services</i>				
PricewaterhouseCoopers	159	192	125	–
Other auditing firms	–	–	–	–
Summa	3,364	4,024	1,110	1,848

## Note 8 Employees, salaries and fees

### Average number of employees

	2013		2012	
	Total	Of whom women, %	Total	Of whom women, %
<i>Parent Company</i>				
Sweden	9	44	11	38
Total, Parent Company	9	44	11	38
<i>Subsidiaries</i>				
Sweden	81	19	74	17
Norway	–	–	–	–
Denmark	6	17	2	–
Malta	540	31	432	29
Gibraltar	5	20	5	17
Italy	4	50	2	50
China	6	33	11	18
Philippines	87	34	22	32
Estonia	51	20	25	28
Poland	–	–	7	100
Total, subsidiaries	780	29	580	28
Total, Group	789	29	591	28

### Proportion of women in executive management

	Group		Parent Company	
	2013	2012	2013	2012
Boards of Directors, (per cent)	25	22	17	14
Other senior executives, (per cent) <sup>1</sup>	–	–	–	–

1) Från april 2014 uppgår andel kvinnor bland Övriga ledande befattningshavare till 20%.

## Salaries, other remuneration and social security contributions

	2013				2012			
	Salaries and remuneration	Of which CEO, Board & senior executives	Social security contributions	Of which pension costs	Salaries and remuneration	Of which CEO, Board & senior executives	Social security contributions	Of which pension costs
Parent Company	15,175	12,442	8,436	3,047	16,477	11,879	9,569	3,531
Subsidiaries	287,969	5,030	42,336	5,186	212,785	5,143	31,886	4,243
Total, Group	303,144	17,472	50,772	8,232	229,262	17,022	41,455	7,774

## Remuneration and other benefits to management and the Board of Directors

	2013				2012			
	Salary/ fee	Variable remuneration	Pension costs	Share-based payment	Salary/ remuneration	Variable remuneration	Pension costs	Share-based payment
Pontus Lindwall, Chairman	3,600	782	1,290	340	3,600	776	1,284	139
John Wattin,	630	–	–	–	532	–	–	–
Per Hamberg	125	–	–	–	290	–	–	–
Patrick Svensk	323	–	–	–	305	–	–	–
Kicki Wallje-Lund	354	–	–	–	320	–	–	–
Carl Lewenhaupt	323	–	–	–	309	–	–	–
Lars Linder-Aronson	338	–	–	–	329	–	–	–
Total Board fees including Chairman's fees, Parent Company	5,693	782	1,290	340	5,685	776	1,284	139
Board fees, foreign subsidiaries	1,027	–	–	–	898	–	–	–
Magnus Silfverberg, CEO	3,000	587	754	–	3,000	582	869	261
Other senior executives	5,064	790	501	189	5,446	634	537	249
Total	14,784	2,159	2,545	529	15,029	1,992	2,690	649

### Notes on the above table:

Variable remuneration refers to bonuses which are based on targets achieved on a quarterly basis and which are paid out during the year in which they are earned and in the following year. The Group has only defined contribution pension plans (except for portions of pensions for employees in the Parent Company in Alecta, which are defined benefit pension plans but which are reported as defined contribution pension plans, see Note 2). Pension costs refer to the costs that have affected net income for the year.

The present Chairman of the Board, Pontus Lindwall, is the working Chairman and receives the same salary, company car benefits, bonuses, etc. from the Company as in his previous position as the CEO, in accordance with the resolution made at the Annual General Meeting.

The current Group management team is presented on page 17. Basic salaries stated above include, when appropriate, remuneration for consulting services within the Group.

### Share-based payment

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

### Decision-making and preparation process

The Chairman and members of the Board are paid fees in accordance with the resolution of the Annual General Meeting.

### Guidelines for remuneration to senior executives adopted by the Annual General Meeting for 2013

The category "senior executives" includes the CEO and CFO of the Parent Company, the CEO of Betsson Malta and the CEO of BSG Ltd.

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

Any variable remuneration which may be offered to senior executives is to be determined on the basis of achievement of previously-established Group and individual targets in relation to operating income and the Company's financial development, as well as

executives' individual development.

The amount of variable remuneration that may be received by senior executives may not exceed the amount of fixed salary.

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

Periods of notice are normally six to twelve months if the termination takes place on the initiative of the Company, and six months if the termination takes place on the initiative of the executive. Upon termination initiated by the Company, the executive will be awarded severance pay corresponding to a maximum of twelve months' salary.

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

### Bonuses

For the current CEO/President, the bonus for 2013 amounted to TSEK 587 (582). The bonus equaled 20 (19) per cent of basic salary. For the working Chairman of the Board, the bonus for 2013 amounted to TSEK 782 (776). This bonus equaled 22 (22) per cent of basic salary.

For other senior executives, bonuses for 2013 amounted to TSEK 790 (634). The bonus amount for other senior executives represented an average of 16 (12) per cent of basic salary.

### Pensions

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

### Severance pay

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

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

## Note 9 Depreciation/amortization

Depreciation/amortization specified according to category of fixed asset:

	Group		Parent Company	
	2013	2012	2013	2012
Gaming products, systems and platforms	66,967	67,065	–	–
Customer databases	20,983	20,173	–	–
Inventories and IT equipment, etc.	19,117	17,745	1,484	1,808
Total	107,067	104,983	1,484	1,808

## Note 10 Other operating income and other operating expenses

	Group		Parent Company	
	2013	2012	2013	2012
Settlement of purchase consideration	4,342	–	–	–
Capital gains on sales of fixed assets	1,033	3	–	–
Capital losses on sales/ disposals/depreciation/amortization of fixed assets	–	–	–	–
Capital gains/losses on sales/ disposals of fixed assets	5,375	3	–	–
Operational exchange gains	17,030	13,551	–	–
Operational exchange losses	-22,822	-21,003	–	–
Gains/losses on forward exchange agreements	1,937	1,893	–	–
Currency effects	-3,855	-5,559	–	–
Total other operating income/expenses	1,520	-5,556	–	–

## Note 11 Forward agreements

Outstanding forward exchange agreements at year-end, and their effects, are presented below:

Effects of forward exchange agreements, TSEK	Group		Parent Company	
	2013	2012	2013	2012
Forward exchange agreements, EUR	2,296	489	2,296	489
Total	2,296	489	2,296	489
Outstanding nominal amounts in local currencies	–	–	–	–
Forward exchange agreements, TEUR	44,900	30,900	44,900	30,900

All of the Group's forward exchange agreements mature within 12 months.

Betsson intends to sign, on continuous basis, new forward exchange agreements or equivalent hedging instruments, in order to minimize currency exposure.

All outstanding forward exchange agreements are reported as Other current liabilities, see Note 25. The effect on income of the forward exchange agreements is reported within operating expenses as Income from forward exchange agreements, see Note 10 above. Forward exchange agreements are not subject to offsetting.

## Note 12 Net financial items

Group	2013	2012
Interest income	2,555	3,914
Loss on liquidation of subsidiary	-15	–
Exchange rate fluctuations in financial assets	–	456
Financial income	2,540	4,370
Interest expenses	7,481	3,675
Change of share price in offset issue	–	4,185
Financial expenses	7,481	7,860
Total net financial items	-4,942	-3,490

Parent Company	2013	2012
Dividends from subsidiaries	690,146	591,942
Group contributions from Swedish subsidiaries	23,841	23,752
Settlement of purchase consideration	4,342	–
Total income from participations in Group companies	718,329	615,694
Interest income, external	1,383	1,934
Exchange rate fluctuations, financial assets and liabilities	1,284	4,962
Total financial income and similar profit/loss items	2,667	6,896
Interest costs, internal	–	–
Interest costs, external	7,110	3,004
Total interest expenses and similar profit/loss items	7,110	3,004
Total financial items	713,887	619,586



## Note 13 Tax

### Tax reported in income statements

	Group		Parent Company	
	2013	2012	2013	2012
<i>Distribution between current and deferred tax</i>				
Current tax	-40,918	-39,049	-	-
Deferred tax	6,761	13,278	-4,000	2,053
Total	-34,157	-25,771	-4,000	2,053

### Reported tax is distributed as follows:

	Group		Parent Company	
	2013	2012	2013	2012
<i>Current tax</i>				
Sweden	-9,246	-6,276	-	-
Outside Sweden	-31,673	-32,773	-	-
Total current tax	-40,918	-39,049	-	-
<i>Deferred tax</i>				
Sweden	5,083	8,300	-4,000	2,053
Outside Sweden	1,678	4,978	-	-
Total deferred tax	6,761	13,278	-4,000	2,053
<i>Difference between actual tax and tax based on applicable tax rate</i>				
Reported income before tax	596,202	573,572	685,451	575,737
Tax according to current tax rate (22%)	-131,165	-150,849	-150,799	-151,419
Tax attributable to previous years			-4,000	
Difference in tax in foreign operations	101,404	134,653		
Tax effect CFC taxation	-	-1,203	-	-1,203
Tax effect of non-deductible items	-4,396	-8,371	-94	-80
Tax effect of non-taxable items			150,892	154,755
Reported tax	-34,157	-25,771	-4,000	2,053
<i>Specification of deferred tax</i>				
Changes in tax on temporary differences	6,761	13,278	-4,000	2,053
Tax on appropriations	-	-	-	-
	6,761	13,278	-4,000	2,053

### Tax reported in balance sheets

	Group		Parent Company	
	2013	2012	2013	2012
<i>Non-current receivables</i>				
Deferred tax on temporary differences	11,672	18,416	11,660	15,660
<i>Current receivables</i>				
Tax assets	331,465	309,036	972	723
<i>Non-current liabilities</i>				
Deferred tax on untaxed reserves	-	-	-	-
Deferred tax on temporary differences	4,141	9,280	-	-
Total	4,141	9,280	-	-
<i>Current liabilities</i>				
Tax liabilities	379,250	361,351	-	-

## Not 14 Earnings per share

Group	2013	2012
Income after tax attributable to Parent Company shareholders	562,045	547,801
<i>Average number of shares</i>		
Average total number of shares	43,286,380	42,003,547
Reduced by average number of re-purchased own shares	-638	-4,023
Average number of outstanding shares before dilution	43,285,742	41,999,524
Employee stock options	29,948	217,657
Average number of outstanding shares after dilution	43,315,690	42,217,181
<i>Earnings per share</i>		
— before dilution (SEK)	12.98	13.04
— after dilution (SEK)	12.98	12.98

Please refer to Note 2, Definitions, for calculation method.  
Average share price 2013 (2012): SEK 191.59 (190.05).

## Note 15 Dividend per share

For the past few years, Betsson has chosen to utilize automatic share redemption programs instead of paying traditional dividends. Transfers to shareholders paid in this manner in 2013 amounted to TSEK 410.9 (395.6), which corresponded to SEK 9.46 (9.42) per share. At the Annual General Meeting on 8 May 2014, a share redemption for the financial year 2013 of a total of TSEK 421.5 will be proposed, which, on the condition that the number of outstanding shares does not change, amounts to SEK 9.16 per share. The proposed transfer to shareholders has not been recognized as a liability in these financial statements.

## Not 16 Intangible fixed assets

Group	Gaming products, systems & platforms	Brands	Customer databases	Lease/rental agreements acquired	Goodwill	Total
<i>Accumulated acquisition value</i>						
Opening balance, 1 Jan 2012	229,103	149,287	34,396	1,900	777,038	1,191,724
Assets developed by the Group	87,594		3,246			90,840
Investments	–	206	–	–	–	206
Acquisitions	41,825	130,077	33,457	–	558,677	764,035
Exchange rate fluctuations	-9,724	-8,889	-1,839	–	-41,820	-62,210
Closing balance, 31 Dec 2012	348,858	270,681	69,260	1,900	1,293,895	1,984,595
Assets developed by the Group	92,869	–	–	–	–	92,869
Investments	8,875	–	–	–	–	8,875
Acquisitions	–	38,097	–	–	247,903	286,000
Sales/disposals	–	–	–	-1,900	–	-1,900
Exchange rate fluctuations	16,445	12,507	2,279	–	62,294	93,526
Closing balance, 31 Dec 2013	467,047	321,286	71,539	–	1,604,092	2,463,965
<i>Accumulated amortization and impairment</i>						
Opening balance, 1 Jan 2012	153,657	–	17,539	1,900	36,273	209,369
Amortization for the year	67,064	–	20,174	–	–	87,237
Acquisitions	26,689	–	–	–	–	26,689
Sales/disposals	–	–	–	–	–	–
Exchange rate fluctuations	-2,776	–	-551	–	–	-3,326
Closing balance, 31 Dec 2012	244,634	–	37,162	1,900	36,273	319,970
Amortization for the year	73,519	–	20,972	–	–	94,491
Acquisitions	–	–	–	–	–	–
Disposals	–	–	–	-1,900	–	-1,900
Exchange rate fluctuations	11,632	–	1,906	–	–	13,538
Closing balance, 31 Dec 2013	329,785	–	60,040	–	36,273	426,098
<i>Book value</i>						
As per 31 Dec 2011	75,446	149,287	16,857	–	740,765	982,355
As per 31 Dec 2012	104,224	270,681	32,097	–	1,257,622	1,664,625
As per 31 Dec 2013	137,262	321,286	11,499	–	1,567,819	2,037,866

## Note 17 Tangible fixed assets

### Inventories, fixtures and fittings, servers, hardware, vehicles, etc.

	Group	Parent Company
<i>Accumulated acquisition value</i>		
Opening balance, 1 Jan 2012	58,777	9,418
Investments	9,967	592
Acquisitions	18,726	–
Sales/disposals	-297	-297
Exchange rate fluctuations	-1,536	–
Closing balance, 31 Dec 2012	85,638	9,713
Investments	36,779	1
Acquisitions	–	–
Sales/disposals	-1,568	–
Exchange rate fluctuations	2,753	–
Closing balance, 31 Dec 2013	123,603	9,714
<i>Accumulated depreciation and impairment</i>		
Opening balance, 1 Jan 2012	31,917	4,025
Depreciation for the year	17,746	1,808
Acquisitions	9,142	–
Sales/disposals	-291	-87
Exchange rate fluctuations	-1,404	–
Closing balance, 31 Dec 2012	57,110	5,746
Depreciation for the year	12,566	1,484
Acquisitions	–	–
Sales/disposals	-1,568	–
Exchange rate fluctuations	1,730	–
Closing balance, 31 Dec 2013	69,839	7,230
<i>Book value</i>		
As per 1 Jan 2012	26,860	5,393
As per 31 Dec 2012	28,528	3,967
As per 31 Dec 2013	53,764	2,484

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

Goodwill reported by the Group and brands derive from the acquisition of Net Entertainment (casinoneuro.com) in 2000, the acquisition of Betsson (Betsson.com) at the beginning of 2005, the acquisition of the Betsafe Group (betsafe.com) in 2011, the acquisition of the NGG Group in 2012 and from the acquisition of the Automaten brands in 2013. All of these assets which, together, have a book value of TSEK 1,889,105 (of which goodwill amounts to TSEK 1,567,819 and brands TSEK 321,286), belong to one single cash generating unit.

As these assets are not amortized, an impairment test was carried out in conjunction with the 2013 book-closing by calculating the recoverable value on the basis of the assets' value in use. This test showed that the recoverable amount significantly exceeded the book value, and that no impairment requirement for goodwill and brands with indefinite useful lives existed.

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

The recoverable amount was based on the cash flow projections reflecting actual income from operations in 2013, the budget for 2014 as confirmed by the Board, and an estimate for years 2015-2017 in which an average annual rate of growth of 10 (10) per cent was assumed. Cash flows for years following 2017 were extrapolated to an annual growth rate of around 2 (2) per cent, representing the assumed average future pace of inflation.

The projected cash flows were discounted by 15 (15) per cent before tax. The effective tax rate was estimated at 6 (6) per cent.

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

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

## Note 18 Participations in Group companies

Company	Corporate Identity No.	Registered office	Participating interest (%)	Number of shares	Parent Company	
					2013	2012
Betsson Technologies AB	556651-8261	Stockholm	100	1,000	107	107
Betsson PR & Media AB	556118-8870	Stockholm	100	18,000	5,577	5 577
Shopsson AB	556750-4930	Stockholm	100	1,000	100	100
Shopsson S.B. AB	556824-7141	Stockholm	100	500	50	50
Betsson Malta Holding Ltd	C37767	Malta	100	10,000	571,519	571 519
• BML Group Ltd	C34836	Malta	100	–	–	–
• Betsson Business Consulting Co. Ltd	–	China	1	–	–	–
• Scandinavian Slots Ltd	C59181	Malta	100	–	285,000	–
• Betsson Payments ApS	34081506	Denmark	100	–	–	–
• Sargo Management Ltd	C56645	Malta	100	–	–	–
• Clearpay Ltd	C47336	Malta	100	–	–	–
• Betsson Services Ltd	C44114	Malta	100	–	–	–
• Betsson Business Consulting Co. Ltd	–	China	1	–	–	–
• Betsson Platform Solutions Ltd	C41277	Malta	100	–	–	–
BSG Limited	103233	Gibraltar	100	2,000	23	23
Artic Invest A/S	988178535	Norway	100	13,191,307	642,186	642,186
• Betsafe AB (liquidated 2013)	556831-6300	Malmö	100	–	–	–
• Impero Holding Ltd	C42112	Malta	100	2,000	–	–
• Safepay Ltd	C42114	Malta	100	240,000	–	–
• Clearnet Ltd	C47336	Malta	100	1,165	–	–
BSI S.R.L.	1311596	Italy	100	–	93	93
Great Pike Investments AB	556205-2307	Stockholm	100	6,000	27,066	27,066
• Betsson Business Consulting Co. Ltd	–	China	98	–	–	–
• Media Sports Developement Co. Ltd	–	China	49	–	–	–
AB Restaurang Rouletter	556133-3153	Solna	100	1,000	131	131
Intact Technology Stockholm AB	556561-4814	Stockholm	100	1,000	901	901
Cherry Leisure AB	556169-9843	Solna	100	2,500	290	290
Transvectio Ltd	11079281	Malta	100	1,000	803,964	803,964
• Nordic Gaming Ltd	C37993	Malta	100	–	–	–
• Nordic Poker Ltd	C38467	Malta	100	–	–	–
• Nordic Odds Ltd	C38454	Malta	100	–	–	–
• Double Zero Casino Ltd	C38461	Malta	100	–	–	–
• Estneti OU	10858474	Estonia	100	–	–	–
• Triogames OU	11079281	Estonia	100	–	–	–
• Inversiones Destino Caliente SA	–	Costa Rica	100	–	–	–
Betting Technologies Inc	CS201210210	Philippines	100	–	3,504	3,504
Total					2,340,511	2,055,511

### Changes in participations in Group companies

	2013	2012
Opening acquisition value	2,055,511	1 243 012
Investments	285,000	808 995
Investment of share capital in start-ups	–	3 504
Closing book value	2,340,511	2,055,511

## Note 19 Participations in associated companies

Company	Reg. office	Participating interest (%)	Group	
			2013	2012
Media Sports Development Co. Ltd	China	49	26,608	25,206
Consolidated book value			26,608	25,206
Changes in participations in Group companies				2012
Opening acquisition value			25,206	10,205
Acquisition/capital contribution			15,760	9,997
Share of profits			-5,794	-2,459
Exchange rate differences			-331	-770
Other changes in equity			-8,233	8,233
Closing book value			26,608	25,206

Assets, liabilities etc., reported in the financial statements of associated companies amounted, in 2013, to (TSEK):

Company	Reg. office	Participating interest (%)	Assets	Liabilities	Revenues	Income
Media Sports Development Co. Ltd	China	49	36,967	2,988	45,793	-11,824

Of total reported liabilities, TSEK 741 refers to current liabilities for disbursements made by companies in the Betsson Group.

## Note 20 Receivables from payment system suppliers and other receivables

The Group and Parent Company have no other non-current receivables reported as fixed assets.

### Other receivables reported as current assets

At year-end	Group		Parent Company	
	2013	2012	2013	2012
Tax accounts	59	4	49	-
Receivables from payment system suppliers	256,715	250,246	-	-
Receivables from B2B/market partners	132,948	124,708	-	-
Receivables from gaming suppliers	-	2,853	-	-
Receivables from associated companies	741	721	-	-
Deposits made to payment system suppliers and other deposits	23,848	15,020	-	-
Value Added Tax	16,972	19,792	980	-
Forward exchange agreements	2,296	489	2296	489
Other	3,813	2,493	47	12
Total	437,392	416,326	3,372	501

Receivables from payment service providers refer to receivables from banks and other credit institutions serving as credit providers (issuers of credit cards or similar) to Betsson's customers. Here, the risk of bad debts refers to the individual players not being able to cover their purchases. Betsson has reported no provisions for bad debts on outstanding receivables. Betsson's assessment, based on historical losses, is that credit losses in outstanding receivables are marginal in relation to Group income.

Receivables from gaming suppliers and payment service providers are settled within 90 days, while no significant amounts under other items were due as per closing date.

## Note 21 Prepaid expenses and accrued income

	Group		Parent Company	
	2013	2012	2013	2012
Rental fees	3,468	4,667	2,174	2,647
Production costs	33,969	5,592	-	-
Marketing partners	510	5,309	-	-
License costs	1,256	4,520	-	-
Consultants	2,726	-	-	-
IT equipment	1,091	1,722	-	-
Other prepaid expenses	11,639	5,520	254	187
Total	54,659	27,330	2,428	2,834

## Note 22 Cash and cash equivalents

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

	Group		Parent Company	
	2013	2012	2013	2012
Cash and bank balances	296,214	463,919	57,704	114,231
Short-term deposits (bank deposit account)	266,268	3,267	108,078	-
Total	562,482	467,186	165,782	114,231

## Note 23 Equity

### Composition of share capital

	2013		2012	
	Number of shares	Share capital	Number of shares	Share capital
Parent Company				
Shares, Class A (10 votes)	5,420,000	10,840	5,420,000	10,840
Shares, Class B (1 vote)	38,013,003	76,026	36,849,108	73,698
Total shares	43,433,003	86,866	42,269,108	84,538

During the period 2007-2008, the Parent Company repurchased a number of its own Class B shares. A certain number of these shares has been used in the exercise of employee stock options during 2010, 2011 and 2012 and as part of the purchase consideration paid for the Betsafe Group in 2011. As of year-end, the Company's holding of own shares amounted to 638 (638) Class B shares.

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

## Note 24 Liabilities to credit institutions

	Group		Parent Company	
	2013	2012	2013	2012
Bank loan, book value, TSEK	315,709	344,547	312,376	353,810
Nominal amount, TEUR	35,300	39,986	35,300	39,986

The loan amount reported in EUR is reported on the basis of hedge accounting, implying that the currency effects are reported in the consolidated financial statements directly in Other comprehensive income. No currency translation is undertaken in the Parent Company. The loan matures in June 2014. The average interest rate incurred by the loan has been 1.36%, and fixed interest rates are established for periods of 90 days at a time. A new credit agreement was signed in March 2014, which superseded previous credit agreements and allows for the possibility to borrow up to MEUR 90.

## Note 25 Other liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Other current liabilities				
Personnel tax	6,644	8,768	469	513
Social security contributions	1,802	2,767	340	360
Liabilities to personnel	–	3,239	–	–
Marketing partners	24,631	30,582	–	–
Gaming tax	3,752	1,994	–	–
Licenses	15,597	15,839	–	–
VAT	545	4,562	–	284
Players' accounts	234,649	195,232	–	–
Additional purchase consideration, NGG (see Note 5)	178,860	172,332	176,972	176,972
Additional purchase consideration, Automaten	60,000	–	60,000	–
Other	8,334	2,477	13	20
Total	534,814	437,792	237,795	178,149

## Note 26 Accrued expensed and deferred income

	Group		Parent Company	
	2013	2012	2013	2012
Holiday pay liabilities	14,928	8,423	1,378	1,297
Social security contributions	8,403	6,830	2,090	1,777
Salaries	9,794	8,256	801	2,626
Jackpot reserve	84,079	94,836	–	–
Marketing costs	19,723	19,103	–	–
Rental fees and office leases	–	–	–	–
Consultancy costs	1,440	1,897	–	500
Gaming suppliers and payment system suppliers	–	–	–	–
Interest	2,702	992	2,702	992
Other	14,721	12,366	916	800
Total	155,790	152,703	7,887	7,992

## Note 27 Pledged assets concerning own liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Floating charges	–	–	–	–
Total	–	–	–	–
Floating charges held by the Company	35,600	35,600	35,600	35,600

## Note 28 Contingent liabilities and commitments

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



## Note 29 Related parties

The Parent Company and its subsidiaries are considered to be related parties, see Note 18.

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

The Betsson Group rents four (four) apartments from Solporten Fastighets AB, in which Chairman Pontus Lindwall and former Board Member Per Hamberg are shareholders/Board Members. In 2013, purchases from Solporten Fastighets AB amounted to TSEK 252 (245).

Betsson Malta and Betsson AB purchase legal services from WH Law, in which Board Member in Betsson Malta, Dr. Olga Finkel, is the Managing Partner. The Group's purchases in 2013 amounted to TSEK 1,643 (2,143), of which Betsson AB's purchases accounted for TSEK 124 (16).

Transactions with related parties are priced at market conditions. No services have been supplied free of charge.

For information on Board holdings in the Company, please refer to pages 16-17. For remuneration paid to Board Members and senior executives, please refer to Note 8.

### Transactions with related parties

Parent Company	2013	2012
<i>Purchases of services from related parties</i>		
<b>Purchases from subsidiaries</b>	960	960
<b>Purchases from other related parties</b>	203	233
<i>Sales of services to related parties</i>		
<b>Sales to subsidiaries</b>	9,956	15,801
<i>Financial transactions with related parties</i>		
<b>Dividend from subsidiaries</b>	690,146	591,942
<b>Group contributions from Swedish subsidiaries</b>	23,841	23,752
<b>Capital gains/losses on liquidation of subsidiary</b>	–	–
<b>Interest expenses to subsidiaries</b>	–	–
<i>Liabilities to related parties</i>		
<b>Liabilities to subsidiaries</b>	51,916	71,966
<i>Receivables from related parties</i>		
<b>Receivables from subsidiaries</b>	468,145	301,051

## Note 30 Financial instruments

	Items measured at fair value through profit and loss	Loans and receivables	Other financial liabilities	Total book value	Non-financial assets & liabilities	Total balance sheet
<i>Group 2013</i>						
Other receivables (of which derivatives 2,296)	2,296	418,124	–	420,420	16,972	437,392
Cash and bank balances		562,482	–	562,482	–	562,482
Total financial assets	2,296	980,606		982,902	16,972	999,874
Liabilities to credit institutions	–	–	315,709	315,709	–	315,709
Accounts payable	–	–	93,989	93,989	–	93,989
Other liabilities	238,860	–	267,514	506,474	28,340	534,814
Total financial liabilities	238,860	–	677,309	916,169	28,340	944,512
<i>Group 2012</i>						
Other receivables (of which derivatives 489)	489	396,046	–	395,535	19,791	416,326
Cash and bank balances		467,186	–	467,186	–	467,186
Total financial assets	489	863,232	–	863,721	19,791	883,512
Accounts payable	–	–	73,169	73,169	–	73,169
Other liabilities	172,332	–	231,530	403,862	33,930	437,792
Total financial liabilities	172,332	–	304,699	477,031	33,930	510,961
<i>Parent Company 2013</i>						
Receivables from Group companies	–	468,145	–	468,145	–	468,145
Other receivables (of which derivatives 2,296)	2,296	95	–	2,391	980	3,371
Cash and bank balances		165,705		165,705		165,705
Total financial assets	2,296	633,945		636,241	980	637,221
Liabilities to credit institutions	–	–	312,376	312,376	–	312,376
Accounts payable	–	–	5,359	5,359	–	5,359
Liabilities to Group companies	–	–	51,916	51,916	–	51,916
Other liabilities	–	–	236,972	236,972	823	237,795
Total financial liabilities			606,622	606,622	823	607,445
<i>Parent Company 2012</i>						
Receivables from Group companies	–	301,051	–	301,051	–	301,051
Other receivables (of which derivatives 489)	489	–	–	489	12	501
Cash and bank balances	–	114,231	–	114,231	–	114,231
Total financial assets	489	415,282	–	415,771	12	415,783
Accounts payable	–	–	1,169	1,169	–	1,169
Liabilities to Group companies	–	–	71,966	71,966	–	71,966
Other liabilities	–	–	176,972	176,972	1,177	178,149
Total financial liabilities	–	–	250,107	250,107	1,177	251,284

### Fair value

The fair values of financial assets and liabilities have been calculated based on market value, where possible. The fair values of interest-bearing financial assets and liabilities that are not derivatives are calculated based on future cash flows of principal and interest according to the effective interest method. For current financial assets and liabilities, including liabilities to credit institutions, with variable interest rates and short-terms to maturity (90 days), fair value is considered to be the same as book value. The fair value of current, interest-bearing receivables and liabilities is considered, because of the short duration of the term, to be equal to book value.

Outstanding bets in the games in which Betsson assumes open positions against the players are expensed (i.e. no profits are reported from games which have not been concluded as per the balance sheet date) and are included in the item Other financial liabilities at acquisition value.

## Note 31 Share-based remunerations

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

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

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

For those individuals holding share warrants, the Board may resolve on payment of a bonus corresponding to the amount of the warrant premium initially paid. Any bonus is conditional upon the employee exercising the share warrants and remaining in the service of the Group at the time of exercise. Warrants are valued by a third party according to the Black & Scholes warrant valuation model.

The table below shows the fair value of the warrants and the assumptions included in calculations. Volatility has been determined on the basis of historic volatility and expected volatility adjusted for the growth in the size and stability of the Company, and of the industry.

Type of instrument	Warrant	Employee stock option	Warrant	Employee stock option	Warrant	Employee stock option
Issue date	27 Aug 2010	27 Aug 2010	14 Nov 2011	14 Nov 2011	30 Aug 2013	30 Aug 2013
Average share price on issue date (SEK)	94.53	94.53	152.2	152.2	178.75	178.75
Redemption price per share (SEK)	113.40	113.4	182.64	182.64	214.62	214.62
Number of participants	18	16	21	25	15	28
Number of paid share warrants/allocated stock options	359,800	376,000	449,000	395,330	163 000	358,700
Final redemption date	31 Dec 2012	31 Dec 2012	31 Mar 2014	31 Mar 2014	30 June 2015	30 June 2015
Anticipated duration (months)	27	27	27.5	27.5	22	22
Risk-free interest (%)	1.30	1.30	1.00	1.00	1.24	1.24
Expected volatility (%)	27.20	27.20	27.39	27.39	22.20	22.20
Verkligt värde per option (kr)	3.78	3.78	5.99	5.99	6.00	6.00

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

	2013		2012	
	Redemption price per option, SEK	Number of options	Redemption price per option, SEK	Number of options
As per 1 January	182.64	308,330	163.82	542,930
Allocated	214.62	358,700	–	–
Forfeited	182.64	-204,650	182.64	-87,000
Exercised	–	–	113.40	-147,600
As per 31 December	207.45	462,380	182.64	308,330

## Note 32 Financial risks

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

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

### Currency risks

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

As per year-end 2013, the Group had external loans amounting to

an equivalent of MSEK 316, denominated in EUR, for which hedge accounting is applied, i.e. no currency effects from the external loans impact net income for the year; these are reported in Other comprehensive income. See Note 24.

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

### Sensitivity analysis

The Company's exposure in various currencies is complex, and the Company continually evaluates models for sensitivity analysis, but, to date, Betsson is yet to identify a model that has proved to be

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

### Refinancing risk, liquidity risk and capital management

The Group's operative gaming activities are financed via its own resources, while acquisitions have been financed via new share issues and external credit. The foreign subsidiaries are financed mainly through equity, and, if necessary, internal loans from the Parent Company. Since June 2012 (in conjunction with the acquisition of NGG, see Note 24) and during 2013, external credit has been utilized. Betsson's goal has, traditionally, been to have a low level of debt, with an equity/assets ratio of at least 40 per cent. Tangible fixed assets in the Group consist primarily of IT hardware and equipment. It has been determined that future investments in tangible fixed assets will primarily be financed through internally generated funds or leasing solutions. It has also been determined that the procurement of external financing may also be necessary in connection with the expansion of Betsson's operations in the future, as well as for the possibility of larger company acquisitions.

### Interest rate risk

Group revenue and cash flow from operations are essentially independent of changes to the market interest rates. The Group's surplus liquidity is deposited in current accounts in banks. As per year-end 2013, the Group had external loans amounting to MSEK 316, with rolling Euribor 3 month fixed interest periods, see Note 24. The interest rate incurred is low at present, but as any increase in the interest rate also impacts the Group's surplus liquidity, there are no material risks as regards the effects of changes in interest rates.

### Counterparty risk and credit risk

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

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

a Belgian license and a number of proprietary and exclusive casino games. Betsson acquired Oranje and Kroon from three entrepreneurs. These individuals will continue to work as advisors to Betsson following the acquisition. Betsson has also secured other key employees for continued employment. Betsson estimates that the acquisition and integration costs will not exceed MEUR 30 during the next 12 months.

Betsson acquired the shares from the sellers for an initial purchase consideration of MEUR 100 (enterprise value), of which MEUR 60 was paid in newly issued shares and MEUR 40 in cash. The initial purchase consideration is equivalent to 4.5 times the EBIT in 2013. Apart from the initial purchase consideration, an additional purchase consideration will be paid in cash, based on the outcome of the predicted re-regulation in the Netherlands. A more favorable outcome for Betsson means a higher amount of additional purchase consideration. The additional purchase consideration may not exceed MEUR 45, representing a maximum total consideration of up to MEUR 145, excluding acquired cash and cash equivalents. The acquisition has been financed by means of a new share issue, the Group's own cash and bank financing.

The following table summarizes the purchase consideration paid and the fair values of assets acquired and liabilities assumed. Current receivables and liabilities contain no derivatives and the fair value is considered to be the same as the book value. The acquired customer base is valued at MSEK 376 and depreciation of this will be charged to the Group's income over a period of 3 years. No part of this depreciation is expected to be tax deductible. Integration and development of the acquired gaming platform, and cost synergies, together, explain the surplus value of goodwill. No portion of the recognized goodwill is expected to be deductible for income tax. The acquisition analysis is preliminary.

<b>Acquisition analysis</b>	<b>mkd</b>
<i>Purchase consideration</i>	
<b>Cash and cash equivalents</b>	<b>374.5</b>
<b>Equity instruments</b> (2,563,028 Class B shares)	<b>531.2</b>
<b>Total purchase consideration paid</b>	<b>905.7</b>
<i>Remaining purchase consideration</i>	
<b>Additional purchase consideration</b>	<b>398.3</b>
<b>Total purchase consideration</b>	<b>1,304.0</b>
<i>Reported amounts of identifiable acquired assets and assumed liabilities</i>	
<b>Cash and cash equivalents</b>	<b>36.0</b>
<b>Tangible fixed assets</b>	<b>3.8</b>
<b>Other intangible fixed assets</b>	<b>4.0</b>
<b>Customer base</b>	<b>37.6</b>
<b>Brands</b>	<b>588.5</b>
<b>Current receivables</b>	<b>84.5</b>
<b>Current liabilities</b>	<b>-72.7</b>
<b>Total identifiable net assets</b>	<b>681.7</b>
<b>Goodwill</b>	<b>622.4</b>
<b>Total acquisition value</b>	<b>1,304.0</b>

## Note 33 Significant events after the closing date

On 4 March, Betsson announced that the Company had acquired a 100% shareholding in Class One Holding Ltd. With this acquisition, Betsson has obtained a strategic footing in Holland and will be one of the biggest operators on the Dutch market, which is expected to be re-regulated in 2015. In this context, this implies that Betsson's profits from locally regulated markets are expected to increase to over 25 per cent of the Group's total profit. The acquisition will also provide Betsson with a larger and more significant presence in continental Europe. The Company operates the brands Oranje Casino and Kroon Casino on the Dutch market. In 2013, Oranje and Kroon had revenues amounting to MEUR 32.5 and EBIT of MEUR 22.1, corresponding to an EBIT margin of approximately 67.8 per cent. The number of registered customers amounts to 209,000. In addition to the additional income, the transaction has contributed more than 300 new domains,

# PROPOSED APPROPRIATION OF PROFITS

The Annual General Meeting of shareholders has the following profits in the Parent Company at its disposal:

## Amounts in SEK

Net income for the financial year 2013	681,450,789
Retained earnings and non-restricted reserves	1,358,348,587
	2,039,799,376

The Board and the CEO propose that the entire amount, SEK 2,039,799,376, be carried forward.

## TRANSFER TO SHAREHOLDERS

### Ordinary transfer

The Board proposes to the Annual General Meeting that the amount of TSEK 421,520 be transferred to shareholders. No transfer will be made for the 397 Class B shares and the 521,700 Class C shares held by the Company. Reversal is proposed via a share split 2 for 1, with mandatory redemption of the second share at a price of SEK 9.16 per share. After implementation of the proposed appropriation of profits and the redemption

program, retained earnings and non-restricted reserves, and total equity in the Parent Company Betsson AB will amount to TSEK 1,618,279 and TSEK 1,958,424, respectively.

The annual report and consolidated financial statements for Betsson AB (publ) for the year 2013 have been approved for publication in accordance with the Board's resolution on 10 April 2014. It is proposed that the annual report and consolidated financial statements be adopted by the Annual General Meeting on 8 May 2014.

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

Stockholm, 10 April 2014

Pontus Lindwall  
Chairman of the Board of Directors

Lars Linder-Aronson  
Board Member

Patrick Svensk  
Board Member

Kicki Wallje-Lund  
Board Member

Carl Lewenhaupt  
Board Member

John Wattin  
Board Member

Magnus Silfverberg  
Chief Executive Officer

Our audit report was submitted on 14 April 2014.  
PricewaterhouseCoopers AB

Michael Bengtsson  
Authorized Public Accountant

To the Annual General Meeting of shareholders in Betsson AB (publ),  
Corporate Identity Number 556090-4251

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Betsson AB (publ) for the year 2013. The Company's annual accounts and consolidated accounts are included on the printed version of this document on pages 5-8 and 12-47.

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

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

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### *Opinion*

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2012 and of its financial performance and cash flows for the year then ended, in accordance with IFRS, as adopted by the EU, and the Annual Accounts Act. A corporate governance report has

been prepared. The statutory management report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and the balance sheet for the parent company, as well as the consolidated income statement, consolidated balance sheet and consolidated statement of comprehensive income for the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Betsson AB (publ) for the year 2012.

### *Responsibilities of the Board of Directors and the CEO*

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

### *Auditors' responsibility*

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' motivated statement and a selection of supporting evidence, in order to assess whether the proposal is in accordance with the Swedish Companies Act.

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

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

### *Opinion*

We recommend to the Annual General Meeting of shareholders that the loss be appropriated in accordance with the proposal in the statutory management report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, 14 April 2014  
PricewaterhouseCoopers AB

Michael Bengtsson  
Auktoriserad revisor



# ANNUAL GENERAL MEETING AND OTHER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders in Betsson AB (publ) will be held on Thursday, 8 May 2014 at 10 a.m. at the Company's headquarters at Regeringsgatan 28 in Stockholm, Sweden.

### Shareholders wishing to attend the Annual General Meeting must:

- be registered in the shareholder register maintained by Euroclear Sweden AB by Friday, 2 May 2014, and
- have notified the Company of their intention to participate in the Annual General Meeting by no later than noon on Monday, 5 May 2014.

Notification of attendance at any General Meeting of Shareholders must be registered via the booking form at [betsso-nab.com](http://betsso-nab.com). Prospective attendees can also register by phone on +46 8506 403 00.

Registration requires the disclosure of the attendee's name, Personal/Corporate Identity Number, address, telephone number and shareholding. If participation is by proxy, the notification of attendance at the General Meeting must be accompanied by the power of attorney, incorporation certificate or other appropriate documentation, sent to the Company ([anders.eriksson@betsso-nab.com](mailto:anders.eriksson@betsso-nab.com)). A power of attorney form will be made available on the Company's website, [www.betssonab.com](http://www.betssonab.com), for shareholders wishing to be represented by a proxy at the General Meeting.

Shareholders whose shares are managed through nominee shareholders must, in order to be entitled to participate in the General Meeting, temporarily register their shares in their own names with Euroclear Sweden AB. Shareholders wishing to re-register must notify their nominee well in advance of 2 May 2014.

## OTHER INFORMATION

Betsson intends to publish financial information relating to the financial year 2014 as follows:

### *Quarterly Report Q1*

Interim Report January–March 2014	25 April 2014
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### *Quarterly Report Q2*

Interim Report January–June 2014	18 July 2014
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### *Quarterly Report Q3*

Interim Report January–September 2014	24 October 2014
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### *Quarterly Report Q4*

Year-End Report January–December 2014	6 February 2015
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