

# BETSSON AB 2014

## ANNUAL REPORT

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 users from its own websites and through partnerships. Betsson Malta offers Poker, Casino, Sportsbook, Scratchcards, Bingo and other games. Customers are primarily situated in the Nordic countries and other parts of Europe. Betsson AB is listed on the Nasdaq, Stockholm, Large Cap List (BETS).

# 23

brands on our platform,  
of which fourteen are B2C.

# 23%

increase in revenues  
compared with 2013.

# 40

mobile gaming solutions  
accounted for MSEK 594  
in revenues 2014.

# 10.5

billion in deposits during 2014  
— an increase of 25 per cent.

# 1,043

workers on three continents,  
870 employees and 173  
full-time consultants.

# 37

nationalities represented  
amongst Betsson's personnel.



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 fastgrowing 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

Betsson will provide the best customer experience in the industry.

### Strategy

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, allowing the company to focus on a larger number of client segments via various niched sites — a multi-brand strategy through which the Company can reach a broad 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 aspects such as customer accounts, payments, bonuses, CRM and Business Intelligence. The platform is the core of the offering and is 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.

# A WORD FROM THE CEO

2014 was yet another strong year for Betsson, both in terms of financial and operational performance. Betsson has continued to deliver upon its strategy where multi-brand is combined with a single technological platform. This has been a contributing factor to Betsson's development over a number of years, in which the Company has reported growth levels higher than the market average and the highest margin amongst our listed competitors. The long-term investments in our platform and in our brands create, in addition, a solid base to stand on as we face the future. That Betsson has been upgraded to the Nasdaq Stockholm Large Cap list is evidence of our success and I want to thank, first and foremost, Betsson's fantastic personnel for your strong involvement in making this happen!

## BETSSON DELIVERS A STRONG RESULT

Betsson's growth during the last ten years has been strong and the past year was no exception. During 2014, revenues amounted to MSEK 3,035 an increase of 23 per cent compared with the previous year. Operating income amounted to MSEK 821, which is equivalent to an increase of 37 per cent. The solid improvement in results is partly attributable to strong organic growth and partly to successful acquisitions, where the Oranje and Kroon casino brands, based in the Dutch market, is the most recent acquisition. In line with expectations, we also see that the portion of mobile gaming has increased considerably, and during the fourth quarter 2014 the portion of mobile revenues amounted to 23 per cent of total revenues. During the year, Betsson has invested further in mobile technology with a broader offering of new and improved applications for smartphones and tablets. We anticipate that these investments will result in a further increase in mobile gaming during the coming year, which also will contribute to Betsson's overall growth.

A clear evidence of Betsson's long-standing strong operational and financial development is the upgrading to the Nasdaq Stockholm Large Cap list, which took place on 1 January 2015. That Betsson is entering into the Large Cap list shows that the Company has a well-functioning business with highly knowledgeable personnel and a clear strategy. The Company's multi-brand strategy creates good premises to continue to grow both organically and through acquisitions. The fact that Betsson, in addition, is the first pure Internet company qualified for the Large Cap list shows that the company is at the forefront of technological developments.

## OPERATIONAL ACTIVITIES

Betsson's vision and goal is to deliver the best customer experience in the industry. We also see a clear pattern that the customers' expectations are increasing in terms of the user experience. As a result, Betsson is continually making investments to further develop the customer's experience in all of our brands. Examples of these investments include functions which allow individual customers a greater range of customization options, quicker payments and withdrawals and optimized performance on the various gaming sites as well as optimized flows for registration and deposits. Individual customer adaptations can be achieved through the delivery of individual and relevant communication to the customers in real time and through recommendation functions based on a user's history. Betsson intends to stay at the cutting edge when it comes to digital marketing and the use of data to facilitate better decisions and to increase customization. By actively investing in and prioritizing these areas, we ensure that we will remain at the very top level of technical competence and product development in the future.

## MUTIBRAND STRATEGY AND MIGRATIONS

Another important factor in Betsson's continued successful growth and result is our multi-brand strategy. By using locally adapted brands, which are integrated into a common platform, a broad and competitive product portfolio is created where the consumers' range of choice is increasing significantly. Through its wide range of brands, Betsson can also focus on a larger number of segments and target groups, which creates even more growth opportunities.

In recent years, Betsson has acquired a number of companies, Betsafe (2011), NordicBet (2012), the Automaten brands (2013) and Oranje & Kroon (2014). The latter, O&K, has shown a very positive development following the acquisition and has further strengthened its position as one of the two market leading players in the Dutch market.

All of the acquisitions have been very successful in terms of expanding the Betsson Group as a company and have created a better position in the gaming market. This has been possible through our strategy, which implies that we acquire companies and further develop their brands, while the technology is integrated in the common platform. In this manner, the risk of losing customers is minimized while synergies can be achieved and growth possibilities created.

As we have acquired companies during the years, the number of migrations to the common platform has also increased. This has created extensive experience within the organization and thereby increased efficiency. During last year we executed three migrations to the common platform: NordicBet.com, NordicBet.dk and Star Casino. At the same time, we have continued to develop our other brands at a fast pace.

## REGULATORY SITUATION

In terms of the regulatory frameworks on our markets, the trend is that more and more markets choose to introduce a licensing system. Concurrently, there are many countries which have retained their monopoly situation and Betsson operates in these countries on the basis of its international license from Malta. Betsson is well-positioned both as regards of locally licensed markets as well as internally regulated markets, and we believe there is significant growth potential in both types of markets. In the locally regulated markets, Betsson will participate and seek licenses where this is commercially defendable.

## RESPONSIBLE GAMING

Acting responsibly is a given for Betsson, and this attitude permeates our entire organization. We offer a number of measures to guarantee safe gaming, such as self-excluding functions, training of all personnel in responsible gaming, self-testing functions, etc. Due to this, Betsson has been nominated as the most socially responsible gaming company for a number of years by both EGR and IGA. That the Company shall also, in the future, be perceived as the most responsible gaming company is something that is very clearly imprinted in Betsson's culture and organization.

## OUTLOOK

We eagerly anticipate the forthcoming year. Our ambition is to continue to grow at a pace exceeding the market growth rate, and we are prepared to do this both organically and through acquisitions. Our strategy, technical competence and leading market position create positive premises for continued high growth and value creation.



**Magnus Silfverberg**

President and Chief Executive Officer, Betsson AB.  
March 2015

# MANAGEMENT REPORT

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 2014 for the Parent Company and the Group. The formal annual report, including the audit report, covers pages 5-8 and 13-51.

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 2015.

## 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 other 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 are operated on the basis of a European gaming license in Malta and local gaming licenses in Denmark, Estonia, Italy, Belgium and the UK during 2014.

## THE GROUP'S REVENUES AND INCOME

The Group's revenues amounted to MSEK 3,035.1 (2,476.7) which is equivalent to an increase of 23 per cent.

Gross profit was MSEK 2,545.7 (2,073.9) which is an increase of 23 per cent. Operating income increased to MSEK 821.2 (601.1) and the operating margin amounted to 27.1 (24.3) per cent.

Income before tax increased to MSEK 814.8 (596.2) and net income amounted to MSEK 770.7 (562.0), which is the equivalent of SEK 16.92 (12.98) per share.

## PRODUCTS

Casino games are Betsson's major product and accounted for 67 (64) per cent of the total gross profit during the year, followed by Sportsbook with 29 (28) per cent, Poker with 3 (5) per cent and Other products which, together, accounted for 1 (3) per cent of gross profit.

## CUSTOMERS

At the end of the year, there were 7,732,416 (6,732,200) registered customers, an increase of 15 per cent compared with the end of the previous year. There were 390,700 (401,400) active customers, a decrease of 3 per cent compared with the previous year. This key performance indicator has decreased as a consequence of Betsson's active decision to focus on value-creating players rather than on free spin/bets 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 2014

### Quarter 1

During the quarter, Betsson acquired Class One Holding Ltd, which drives the Oranje and Kroon Casino brands, for an expected purchase price of MEUR 130, excluding acquired liquid funds.

### Quarter 2

Nordicbet.dk migrated to the Company's shared platform, Techsson. The FIFA World Cup comprised 4 per cent of the Group's revenues during the second quarter and contributed positively to the Group's income.

### Quarter 3

Star Casino migrated to the Company's shared platform, Techsson. The FIFA World Cup comprised 1.5 per cent of the Group's revenues during the third quarter and contributed positively to the Group's income.

### Quarter 4

Nordicbet.com migrated to the Company's shared platform, Techsson. Betsson won awards in the categories "Best Sport Betting App" (Gaming App Awards) and "Excellence in Customer Service" (Wig Awards and EGR Awards) and was a finalist in the category "Most Responsible Gaming Operator" at the EGR Awards in London.

## INVESTMENTS AND DEPRECIATION/AMORTISATION

The year's investments in tangible and intangible fixed assets amounted to MSEK 156.3 (138.5), of which MSEK 123.1 (92.9) referred to capitalized development expenditure.

Depreciation and amortization for the year totaled MSEK 128.0 (107.1) of which MSEK 90.2 (67.0) 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 3,073.8 (2,032.2), which was equivalent to SEK 66.80 (46.79) per share following the transfer to shareholders via a redemption procedure of SEK 9.16 (9.46) per share, which took place during the second quarter.

Return on equity was 30 (31) 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 61 (58) per cent. Liabilities to credit institutions amounted to MSEK 523.3 (315.7) and unutilized credit facilities amounted to MSEK 333.0 (97.7). Cash and cash equivalents were negatively impacted by MSEK 421.5 (410.9) due to a distribution of funds to shareholders (redemption procedure). Cash and cash equivalents at the end of the year amounted to MSEK 478.1 (562.5).

Gaming liabilities, including reserves for accumulated jackpots, amounted to MSEK 354.9 (318.7) 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 318.6 (256.7).

## PERSONNEL

At the end of the year, Betsson had 870 (839) employees. The average number of employees in the Group during the year amounted to 850 (789), of which 622 (541) were based in Malta. In addition, the Group made use of 173 (161) consultants on a full-time basis.

## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

The first quarter in 2015 has started up until publishing of the fourth quarter report, february 6, 2015, with revenues somewhat above the average level in the fourth quarter 2014. On 1 January 2015, Betsson was moved to Nasdaq Stockholm Large cap. On 3 February 2015, Kroon was migrated to Techsson.

## 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, communication, reporting and administrative services to a number of other Group companies. The Parent Company's turnover for the entire year was MSEK 17.6 (10.2), and income before tax amounted to MSEK 765.2 (685.5). Net financial items included MSEK 845.9 (690.1) referring to dividends received from subsidiaries.

The Parent Company made no investments in tangible fixed assets during the last two financial years. Cash and cash equivalents totaled MSEK 143.3 (165.7). At year-end, the Company had utilized bank credit facilities of MSEK 486.9 (312.4) which were secured in conjunction with acquisitions. During the year, the Parent Company has executed a share redemption program, which has implied a distribution of MSEK 421.5 (410.9) to the shareholders. In conjunction with this share redemption program, a bonus issue of a total of MSEK 46.0 (43.4) was undertaken in order to restore the Company's share capital.

## PROSPECTS FOR 2015

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 2015, 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

### 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, the UK, Belgium and Estonia. As operations are subject to licenses, political decisions 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, Läära, 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. During 2014, the European Commission has instigated a case against Sweden in the European Court as they claim that Swedish legislation is not in compliance with EU law as regard online gambling. 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 2016/2017. 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 what is referred to as the Gerdin/Sjöberg decision. The European Commission instigated, during 2014, a case against Sweden in the European Court as they claim that Swedish legislation is not in compliance with EU law as regards online gambling. The risk that the prohibition on promotion would be used against Betsson has, consequently, been reduced. Furthermore, there is, since 2012, a parliamentary majority in favor of introducing a licensing system, instead of the current gaming monopoly. The current government has also expressed support for the introduction of a licensing system but has announced that the investigation they intend to establish regarding this matter has been delayed. Our assessment is that the investigation will be launched during 2015, but that it is, however, too early to assess when a proposed law could be drafted and even less possible to foresee when it would be implemented. However, there is a clear risk that this can be delayed until the next mandate period.

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. However, Betsson implements on-going measures to reduce this risk. 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. Betsson has since then been shortlisted in similar awards many times.

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.

Within the EU, new regulations for VAT will apply from 1 January 2015. A limited number of European countries have local legislation which can potentially imply VAT charges on certain of the services provided by Betsson. With the introduction of the new regulations, these countries' local VAT rules will, for the first time, be tested on the basis of EU law. This testing will determine whether the local laws are appropriate with consideration of EU legal principles regarding tax neutrality, proportionality and non-discrimination. Betsson has made the assessment, together with local experts and EU specialists, that the company, based on the services it offers in the markets impacted, will not be liable to pay VAT.

The legal situation is complex and lacks clarity, which implies that Betsson may need to adjust this assessment. Due to this, Betsson is closely monitoring the ongoing developments within this area. In the case that a local tax authority would make another assessment than Betsson, expenses can arise both for VAT and indirectly in the case of a dispute.

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## DISPUTES

An amount of MEUR 20 was reserved as the maximum additional purchase price in conjunction with the acquisition of NGG. The parties have subsequently disputed the extent to which the criteria for the payment of the additional purchase price have, or have not, been fulfilled. In December 2014, the parties reached an agreement on the final settlement of the liability.

## 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 2014, 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, CFO and Communications Director of the Parent Company, the CEO of BML Group Ltd (Betsson Malta) and the Group's Head of Legal Affairs. If the Chairman of the Board is employed by the company will these guidelines also include that position.

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 predetermined financial goals, established by the Board, have been achieved. Variable remuneration will be based on the extent to which the targets have been achieved or exceeded. If the financial targets are exceeded at the highest level (out-performed), the estimated cost for variable remuneration to senior executives Group including the Chairman of the Board would be a maximum of approximately MSEK 13.5. 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 46,539,527 of which 5,420,000 were Class A shares and 40,597,827 were Class B share and 521,700 Class C shares. Each Class A share entitles the holder to ten votes, whilst each Class B share entitles the holder to one vote. Class C shares entitle no right to vote. All shares entitle equal rights to Betsson's assets and profits. During 2014 until the date of this report, a total of 3,106,524 have been issued (21,796 Class B shares for the redemption of share 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 the Nasdaq Stockholm Large Cap List (BETS). At the end of the period the company had 21,443 (18,825) shareholders.

The three shareholders with the greatest proportion of the voting power were Per Hamberg and companies with 3.8 per cent of the outstanding capital and 17.9 per cent of the outstanding votes, the Knutsson family and companies with 4.9 per cent of the outstanding capital and 10.6 per cent of the outstanding votes, and Rolf Lundström and companies with 3.1 per cent of the outstanding capital and 9.6 per cent of the outstanding votes.

## AUTHORISATION FOR THE BOARD OF DIRECTORS

The Annual General Meeting of 8 May 2014 resolved to authorize the Board of Directors to decide on a non-cash issue of shares, up until the next ordinary meeting of shareholders, to, on one or a number of occasions, decide on a new non-cash issue resulting in a maximum of 4.7 million shares, Class B (equivalent to a dilution of approximately 10 per cent).

The Annual General Meeting 2014 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.

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 2015, resolve that no share dividend be paid, but that SEK 11.94 (9.16) per share is distributed to the shareholders. This represents a transfer of funds to shareholders of MSEK 549.4 (421.5) on the condition that the current number of shares remains unchanged up to the record day.

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.



# SUSTAINABLE DEVELOPMENT

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For Betsson, sustainable development is an integral part of the Company's business model. Betsson's operations are based online 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 responsible gaming and, on the second hand, about work ethics guidelines, social involvement and concern for the environment. 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 and various Group policies. For further information, the Code of Conduct and the external guidelines are published on [www.betssonab.com](http://www.betssonab.com).

## BETSSON – A RESPONSIBLE EMPLOYER

Having competent personnel and a safe and sustainable way of working is important for Betsson and some of the reasons that Betsson as a company is so successful. To attract the best employees, it is a given that the company shall be a safe and healthy workplace.

### New Code of Conduct

Betsson's Code of Conduct ("the Code") functions as a support for the Company's employees and the intention is for the Company's employees to think and act more long term, with integrity and good judgment. The Code builds on the ten principles of the UN Global Compact, the Company's values and practical knowledge from more than 50 years in the industry.

All employees are obliged to follow the Company's ethical guidelines, regardless of what situation they are in or which country they work in. The guidelines not only apply to the Group's employees, but also to the all parties with which Betsson has a relationship. The target for 2015 is to launch a new and improved Code of Conduct that will be a compulsory part of the Company's introduction program and will be communicated on the Parent Company's website. In addition, new procedures for how the Code and updates of the Code are communicated in the Group will be implemented.

Besides the Code of Conduct, the Company also has a number of policies and supporting documents that include more detailed guidance. The documents concern diversity, discrimination and harassment, remuneration issues, job security and fair and equal treatment. For 2015, Betsson has begun a systematic effort to improve and clarify all guidelines at a Group level. The Company's Human Resources Director is responsible for compliance to the Company's Code of Conduct, values and policies.

### New whistle-blowing procedures

Betsson has the goal that all employees will feel secure in reporting deviations in the Group. In connection with the introduction of a new Code of Conduct, the Company is reviewing its current procedures for whistle-blowing to ensure that potential cases of violations of the Code are handled professionally and confidentially.

### In dialogue with the employees

Betsson has a continuous dialogue with its employees with the aim of constantly improving and developing the Group's work. Annual employee surveys mean that the Company efficiently gets indications of which focus areas the employees want the Company to focus its development efforts on. Betsson safeguards the employees' rights and conditions, which is clear in the high score the Company gets in the Employee Satisfaction Index (ESI) category. One of the targets for 2014 was that Betsson would remain over the general average level for employee satisfaction, which Betsson achieved by a wide margin.

### Fair and equal workplace

Betsson's conviction is that the Company will get stronger and more competitive by employing people of different genders, varying backgrounds, different experiences and from different cultures. At year-end, there were 37 nationalities in the Group and women account for 30 per cent of the employees. Betsson wants to recruit employees who stand for diversity and in the event there are two equally skilled candidates, the Company's guidelines state that the candidate that is underrepresented in terms of the above should primarily be chosen.

Betsson supports the UN conventions on human rights and there are clear directives in the Company's steering documents for how the Company should relate to gender equality and discrimination. In Malta, where the majority of the Group's employees are stationed, Betsson is also certified by the National Commission for the Promotion of Equality (NCPE), which works to ensure that Maltese society is free from discrimination.

### Anti-corruption

Betsson has clear guidelines and follows current legislation for how to handle gifts, services and benefits from e.g. cooperative partners. In Spring 2015, the Company will communicate even clearer guidelines in the Company with regard to e.g. the value of a received gift and clearer rules for how individual decisions shall be made to be acceptable. To further reduce the risk of conflicts of interest, the Company has also implemented the "Four-eye principle", which means that all agreements between Betsson and another party shall be approved in writing by at least two people in the Company. To ensure that the Company's rules and national laws are followed, employees are encouraged to report deviations through the Company's whistle-blowing function.

### Health and fitness

Proactive health care has always been an important part of Betsson's culture and the Company works systematically to preserve the health of its employees. The Company finances part of the employee's personal fitness activities and joint exercise activities and competitions are also coordinated in the Company to support a healthier and fitter workforce. "Betsson Training Challenge" is a voluntary competition and is based on the employees having the opportunity to compete with themselves and each other in exercise activities by logging all activities in a downloadable app where one can see one's own, one's colleagues or one's team's progress. The target for 2014 was to increase the number of participants in the competition, which was also done compared with the previous year. Betsson also works on improving and developing the Company's working environment and safety. A work environment group has been appointed where the employees have the opportunity to bring up areas in need of improvement. For 2015, an update is planned for the office spaces in Stockholm to create an even better office environment with regard to light, noise and other

ergonomics. The same improvements have been made at the Company's offices in Malta, where new premises have meant that the working environment has been improved considerably.

### Cooperation with the University of Malta

Betsson has initiated collaboration with the University of Malta where students in Information and Communication Technology are offered the chance to apply to the internship program - Betsson Group Academy. This cooperation is based on improving the students' practical skills and giving them professional experience. During their internship, the students will receive salary from Betsson and are given insight into a number of different projects in the Company. The project will be evaluated continuously in cooperation with the University of Malta and the goal for Betsson is to be able to offer the majority of the interns permanent employment.

## BETSSON – A RESPONSIBLE CITIZEN

### Responsible Gaming

The work with issues related to gaming responsibilities is one of the most significant components in Betsson's sustainability work. 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 information, knowledge and tools to players and employees which can assist the end user to maintain a sustainable level of gambling. Gaming problems can arise if the end user continually fails to keep his or her predetermined level of gambling. In order to prevent gaming problems, the end user can sign an agreement with Betsson's gaming companies, in which the end user states a predetermined gaming level and Betsson provides both the tools giving the user an overview of his or her own gaming volume and the tools restricting continued gaming opportunities if 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.

### Self-help tools provided by Betsson's gaming companies:

Budget	The customer can set up a budget for gaming so that he or she never plays for more than he or she had intended. The budget can be set per day, week or month.
Self-help program	If the customer wants to take control over his or her gaming, Betsson offers a free, web-based self-help program. "Gaming help" is developed by SIS Labs (formerly known as Spelinsitutet).
Self-test	Betsson provides the "GamTest" self-test so that the customer can test if his or her gaming habits are healthy or not.
Gaming overview	The customer has a gaming overview that clearly shows the individual gaming history. The tool is designed to help the players have control.

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 aspect. 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 Sustainable Interaction.

Betsson also contributes support to gaming research in various ways and at different levels. An example of such an initiative is that the Company sponsored the EASG conference in Helsinki in September 2014. This is the largest gaming conference directed at gaming and responsible gaming issues in Europe. The conference is held every two years and participants come from around the world and from various areas: gaming researchers, therapists, interest groups, politicians, operators and representatives for the gaming supervisory authorities.

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 several consecutive years at the EGR Awards in London, and for the Most Responsible Online Operator at the International Gaming Awards in London.

### 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 nongovernmental organizations working with projects aimed at socially vulnerable groups.

### SUSTAINABLE INTERACTION BETWEEN BETSSON AND THE ENVIRONMENT

Betsson's business model is based on offering online entertainment and gaming. As an Internet-based company, Betsson's day-to-day impact on the environment is limited, but some impact is inevitable. With the aim of focusing on the environmental issues, Betsson identified and quantified environmental indicators significant to the Company and formulated concrete targets based on these indicators. Betsson has the intention to transition to reporting in accordance with GRI, but during a transitional period, the Company reports according to the previous way of reporting.

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 (according to Reliable Disclosure)

## 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 2014, 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 2014, the use of thin clients reduced consumption by 2 tons of carbon dioxide, corresponding to 1.4 per cent of the energy consumption attributable to the Company's workstations. The target for 2014 was to reduce the energy consumption by more than 1.4 per cent through the use of thin clients. The target was fulfilled and the goal for 2015 is to continue to save more than 2 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 2014, composed of 283 physical servers and 1,096 virtual servers which, including energy for cooling, collectively consume 1,269 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 2014, virtual servers represented 79 per cent of all servers and, with this high proportion of virtual servers, carbon dioxide consumption was reduced by 2,899 tons. The goal for 2014 was to achieve additional reductions through the increased use of virtual servers. The goal was achieved and the reductions amounted to 393 tons of carbon dioxide, an improvement of 19 per cent. The goal for 2015 is to further reduce carbon dioxide consumption through the use of virtual servers.

## Conference facilities

The Company has saved a further 3,300 tons of carbon dioxide by using 11 different video conference rooms, instead of having employees travel between locations. The goal for 2014 was to save more than 1,800 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 Company being able to fully utilize the facility purchased at the end of 2013. For 2015, the Company has increased the number of facilities by a further two facilities to 13 in total. The goal for 2015 is to utilize these facilities even more efficiently and to achieve a saving of more than 3,900 tons of carbon dioxide.

## On-going consumption and savings of carbon dioxide

Operating consumption	Number	Kwh	Tons Co <sub>2</sub>
Monitors	2,000	320,000	128
Laptops	623	17,681	7
Other computers	400	34,584	14
Thin clients	130	6,000	2
Physical servers	283	2,138,348	855
Virtual servers	1,096	1,034,624	414

Savings Tons Co <sub>2</sub>	
Thin clients	2
Virtual servers	2,899
Video conference rooms	3,300

## Travel

During 2014, Betsson Stockholm consumed 2,114 kg of Co2 per employee via business travel. The target for the year was for this figure to be below last year's consumption of 1,667 kg Co2 per employee. Unfortunately, Betsson did not succeed in achieving the target in this case. One reason for this is that the company wound up satellite offices in 2014, which increased the travels during the period. On the long term, this change will contribute to the amount of travel decreasing. The target for 2015 is to implement tools to measure the entire group.

## Other

In addition to the general environmental indicators mentioned above, a number of activities to improve environmental aspects are implemented. The sorting of waste and recycling of paper and aluminum cans is undertaken within the Group. The project, which aims to reduce 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, has been implemented in most parts of the Company. 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 140 people are based, have been environmentally compensated 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 property owner has been the first company in Europe to also certify its existing portfolio with the international environmental certification system LEED's volume program. The certifications are a stamp of quality and evidence that the certified properties have a lower environmental impact.

However, the largest positive effect on the environment from Betsson, whose operations take place digitally, 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. Hence, sustainable development is a significant part of Betsson's business model and the Company's service offering. More information is available at [www.betssonab.com](http://www.betssonab.com)

Sustainability area	Target 2014-2018	Future Development
Responsible gaming	<ul style="list-style-type: none"> <li>Improved responsibility tools for the customers</li> <li>Continue to have a high level of expertise among our employees in responsible gaming</li> <li>Being ranked among the most responsible operators</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation of the self-help tool "Gaming help"</li> <li>Reporting of discrepancies</li> <li>Continued efforts to train staff in responsible gaming</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Save more than 2 tons of carbon dioxide through thin clients and energy-efficient equipment at our workstations</li> <li>Savings of carbon dioxide by increasing the number of virtual servers</li> <li>Carbon dioxide savings of 3,900 tons through more efficient use of our video conferencing facilities</li> <li>Lower carbon dioxide consumption/employee for business travel (compared with last year)</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of discrepancies</li> <li>Replace energy-intensive equipment</li> <li>Continued efforts to limit the Company's travel</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>Deviations from the Code of Conduct shall be handled professionally</li> <li>Increase awareness of human rights internally</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of discrepancies</li> <li>New whistle-blowing procedures to be implemented</li> <li>New Code of Conduct with clearer directives on human rights</li> </ul>
Equality	<ul style="list-style-type: none"> <li>Deviations from the Code of Conduct shall be handled professionally</li> <li>Increase knowledge of equality internally</li> <li>Increase the number of women in the organization</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of discrepancies</li> <li>New and improved equality plan to be prepared</li> <li>New Code of Conduct with clearer directives on equality</li> <li>New whistle-blowing procedures to be implemented</li> </ul>
Working conditions	<ul style="list-style-type: none"> <li>Improved health for our employees</li> <li>Employee Satisfaction Index (ESI) shall be above average</li> <li>Deviations from the Code of Conduct shall be handled professionally</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of participation in our fitness activities and increase of fitness allowances</li> <li>Annual employee survey</li> <li>Reporting of discrepancies</li> <li>New whistle-blowing procedures to be implemented</li> </ul>
Discrimination	<ul style="list-style-type: none"> <li>Increase internal awareness of rules regarding discrimination</li> <li>Deviations from the Code of Conduct shall be handled professionally</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of discrepancies</li> <li>New Code of Conduct with clearer directives on equality</li> <li>New whistle-blowing procedures to be implemented</li> </ul>
Society	<ul style="list-style-type: none"> <li>Reporting according to GRI</li> <li>Developing students through cooperation with the University of Malta</li> </ul>	<ul style="list-style-type: none"> <li>Complete reporting according to GRI's guidelines by 2018</li> <li>Implement more measurement instruments for our sustainability reporting</li> <li>Permanent employment of a total of nine students by 2018</li> </ul>
Finances	<ul style="list-style-type: none"> <li>Grow faster than the market and provide a long-term financial profit and contribute to the economic development in Sweden and abroad</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of financial growth or discrepancies</li> </ul>

# CORPORATE GOVERNANCE REPORT

## GOOD GOVERNANCE AND CONTROL SUPPORTS STABLE GROWTH

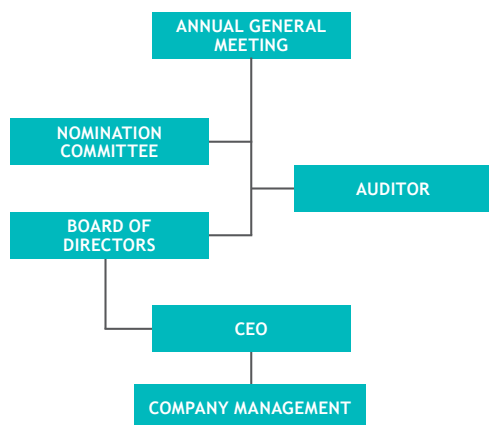
Betsson has developed strongly in recent years. One contributing factor to this profitable development has been a good balance between ambition and attention to detail. For our part, good corporate governance means preserving a dynamic, hungry company culture in which individuals are rewarded and shown 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

## COMPANY BODIES FOR GOVERNANCE AND CONTROL



### EXTERNAL REGULATORY FRAMEWORKS

- Swedish Companies Act
- Swedish and international accounting legislation
- NASDAQ rules for issuers
- Swedish Code of Corporate Governance

### INTERNAL REGULATORY FRAMEWORKS

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

## CORPORATE GOVERNANCE REPORT 2014

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 2014. 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 Stockholm Large Cap (BETS). At the end of the period, the Company had 21,443 (18,825) shareholders. The three strongest shareholders in terms of votes were Per Hamberg with 3.8 per cent of the capital and 17.9 per cent of the votes, the Knutsson family with 4.9 per cent of the capital and 10.6 per cent of the votes and Rolf Lundström with 3.1 per cent of the capital and 9.6 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 2014

The Annual General Meeting for 2014 was held on 8 May 2014. The Meeting was attended by shareholders, in person or by proxy, representing 64 per cent of the votes and 39 per cent of the capital. Pontus Lindwall was elected Chairman of the Meeting.



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## 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 9.16 per share for 2014, 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 4.7 million Class B shares (implying a dilution of approximately 10 per cent).

## ANNUAL GENERAL MEETING 2015

The Annual General Meeting of Betsson AB (publ) will be held on 8 May 2015 at 10 a.m. at the Company's headquarters, located at Regeringsgatan 28, Stockholm. For further information regarding the Annual General Meeting 2015, 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 2014, 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 2015 for resolution. The composition of the Nomination Committee was announced on 24 October in Betsson's Interim Report for the third quarter of 2014 and on the Company's website.

### The Nomination Committee for the Annual General Meeting 2015 is comprised of:

- John Wattin, representing the Per Hamberg and companies with a total of 17.9 per cent of the votes,
- Michael Knutsson, representing the Knutsson family and company, with a total of 10.6 per cent of the votes,
- Christoffer Lundström, representing the Rolf Lundström family and company, with a total of 9.6 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 38 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 or experience from international service companies.

The Nomination Committee's complete proposals and background information, to be presented to the Annual General

Meeting 2015, 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 to [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 2014, 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. The members of the Board are presented on pages 18-19.

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 Stockholm's requirements concerning professional experience. Pontus Lindwall cannot be considered independent in relation to the Company, given his role as working Chairman of the Board. With this composition, Betsson's Board fulfils the regulations for listed companies and the regulations of the Swedish Code of Corporate Governance, which require that the majority of elected members are independent of the Company and Company management, and that at least two of these are also independent of the Company's major shareholders. All Board Members and all members of the Group management team have undergone Nasdaq Stockholm's training in Stock Exchange regulations

## Board meetings

In 2014, the Board held 20 (16) recorded meetings, of which one (one) was the statutory meeting and four (five) were per capsulam meetings.

The Board had a 6 (8) per cent absence rate during the year's Board meetings.

All of the meetings comprise 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)
Kicki Wallje-Lund, Member	90 (93)
Carl Lewenhaupt, Member	83 (64)
Lars Linder-Aronson, Member	100 (100)
Patrick Svensk, Member	100 (92)

Average attendance at Board and Committee meetings was 94 (92) 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 2014, the Audit Committee has continued to comprise three members, none of whom is to serve as Chairman of the Board. The members of the Committee are Lars Linder-Aronson, 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 fulfils the functions of a finance committee, with the task of supporting and following financial

operations and of evaluating and proposing amendments to the Treasury Policy. 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 five meetings during the year was 87 per cent.

## The Remuneration Committee

After the Annual General Meeting 2014, a new formal work plan for the Board was adopted, in which it was determined that the Remuneration Committee should comprise two members, neither of whom is to serve as Chairman of the Board. The Committee's members are Kicki Wallje-Lund and Patrick Svensk. The Remuneration Committee held two meetings during the year where, among other matters, a proposal on a new incentive program (options) was addressed.

The main responsibility of the Remuneration Committee is to address the remuneration and terms of employment of the CEO based on the guidelines for remuneration and terms of employment for the CEO 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 2014, there were five (four) senior executives, including one woman; also refer to page 20.

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.

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## 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 2014, 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 make 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, who has been the Auditor-in-Charge since 2008, has announced that he is withdrawing at the 2015 Annual General Meeting. Niklas Renström of PricewaterhouseCoopers AB is proposed as the new Auditor-in-Charge.

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.

In 2014, Betsson commissioned Ernst & Young to conduct separate audit assignments, like those that a separate internal audit function normally conducts. Since 2012, the Company has a Global Tax Manager to ensure that it complies with current tax regulations, and in 2013, internal control was strengthened by a separate business controller function, with responsibility in the budget and follow-up process.

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 fair 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; in order for players to 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.

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## 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 makes decisions regarding the management of the risk of misstatement in the financial reporting. The Board deals with the outcome of the Company's processes for risk assessment and risk management, in order to ensure that these cover all significant areas, and identifies, when appropriate, any necessary measures to be implemented. The Company's largest operational risks are related to the rapidly evolving environment 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 allocation to periods when settling accounts with partners and the risk of errors in the valuation of intangible assets.

### Control measures

On the basis of risk assessments carried out within the Group, control measures of both a preventive and 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 allocation to periods. Intangible assets are assessed on a continuous basis against the return they generate, in order to ensure that the values reported in the Company's balance sheet are correct.

## Information and communication

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 state-ments 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, make informed decisions in their work. The Company attaches great importance to investor relations, in which the aim is to inform the capital market of Betsson's financial position, operations and development so as to increase knowledge and interest in the Company, and to obtain a fair valuation of the Company.

During 2014, Betsson arranged a capital market day and, also participated in a number of IR activities, such as seminars, investor meetings and road shows in both Europe and the USA.

## BOARD OF DIRECTORS

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**Pontus Lindwall**  
Chairman

Born in 1965, Stockholm

Board member since 2011,  
Chairman from July 5, 2011.  
Employed in the Group since 1991.

**Other directorships:**

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

**Relevant background:**

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

**Shareholding:**

10,000 Class A shares  
474,594 Class B shares



**Kicki Wallje-Lund**  
Board member

Born in 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 companies in which she has primarily worked within the bank and finance areas. Kicki has held senior positions within NCR, Digital Equipment, AT&T, Philips, ICL and Unisys.

**Shareholding:**

450 Class B shares



**Patrick Svensk**  
Board member

Born in 1966, Stockholm

Board member since 2005.  
Senior Advisor.

**Other directorships:**

Board member of Patos Konsult.

**Relevant background:**

Patrick Svensk has experience from various management positions in listed companies. He has been the CEO and President of Zodiac Television, CEO of Kanal5 and TV3 Sweden. 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 in 1959, Stockholm





**Carl Lewenhaupt**  
Board member

Born in 1958, Stockholm

Board member since 2008  
CEO of the advertising agency  
Calleolle AB

**Relevant background:**

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

**Shareholding:**

1,255 Class B shares



**Lars Linder-Aronson**  
Board member

Born in 1953, Saltsjöbaden

Board member since 2008.

**Other directorships:**

Chairman of AB Svensk Exportkredit and Centini AB. Board member of Facility Labs AB, eCapital AB, Disgned Chemicals AB and Morco Förvaltning AB.

**Relevant background:**

Lars Linder-Aronson has many years of 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:**

45,087 Class B shares (including holdings via companies and related parties)



**John Wattin**  
Board member

Born in 1947, Stockholm

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

**Other directorships:**

Chairman of Sturehof AB and Investering i Kunskap AB. Board member of Connecting Capital Holding AB.

**Relevant background:**

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

**Shareholding:**

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

## SENIOR EXECUTIVES

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**Magnus Silfverberg**  
President and CEO, Betsson AB

Born in 1973, Stockholm

Employed in the Group since 2009.  
CEO since 5 July 2011.

**Other directorships:**

Board member of a number of internal boards. Board member of Rush Sports AB and Chairman of the Trade Association for Online Games (BOS).

**Relevant background:**

Before working at Betsson, Magnus worked in the IT industry for 10 years for companies such as 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 subscription options



**Fredrik Rüdén**  
CFO, Betsson AB

Born in 1970, Stockholm  
Employed in the Group since 2008.

**Shareholding:**

30,000 subscription options



**Malin Sparf Rydberg**  
Director of Communications, Betsson AB

Born in 1969, Stockholm  
Employed in the Group since 2014.

**Shareholding:**

650 Class B shares



**Ulrik Bengtsson**  
CEO, BML Group Ltd

Born in 1972, Malta  
Employed in the Group since 2012.

**Shareholding:**

3,000 Class B shares  
50,000 employee stock options



**Martin Thorvaldsson**  
CEO, BSG Ltd, Group General Counsel

Born in 1970, Gibraltar  
Employed in the Group since 2010.

**Shareholding:**

8,297 Class B shares,  
30,000 employee stock options

# THE SHARE AND SHAREHOLDERS

Betsson's Class B share is listed on the Nasdaq Stockholm Large Cap List.

## SHARE STRUCTURE

As per 31 December 2014, Betsson had 46,539,527 shares distributed between 5,420,000 Class A shares, 40,597,827 Class B shares and 521,700 Class C shares. Each Class A share entitles the holder to ten votes per share. Each Class B share entitles the holder to one vote per share while Class C shares do not entitle the holder to any voting rights. The shares have equal access to Betsson's assets and profit.

## REPURCHASED SHARES

As of year-end, the Company's holding of own shares amounted to 393 (638) Class B shares and 521,700 Class C shares. Class B shares were purchased at an average price of SEK 58.27 in 2007-2008. Class C shares were acquired at the nominal amount. The number of shares outstanding at year-end, excluding repurchased shares, amounted to 46,017,434 shares, of which 5,420,000 were Class A shares and 40,597,434 were Class B.

## REDEMPTION PROGRAM IMPLEMENTED

The Annual General Meeting on 8 May 2014 resolved on a stock split (2:1) and an automatic redemption program of the redemption shares created by the stock split.

As a result of the redemption program, MSEK 421.5, or SEK 9.16 per share, was distributed to the Company's shareholders on 18 June 2014.

## BONUS ISSUE

In conjunction with the redemption procedure, a bonus issue of MSEK 46.0 was implemented to restore the Company's share capital.

## NEW SHARE ISSUE IN CONNECTION WITH THE ACQUISITION AND REDEMPTION OF EMPLOYEE STOCK OPTIONS AND WARRANTS

In 2014, 3,106,524 shares were issued (21,796 for warrants, 521,700 Class C shares for the 2013/2015 incentive program and 2,563,028 as part of the purchase price for Oranje and Kroon Casino).

## OWNERSHIP STRUCTURE

As per 31 December 2014, there were 21,443 (18,825) shareholders in Betsson. The proportion of foreign share shareholders was 5 (5) per cent. Foreign share ownership amounted to 36 (32) per cent of the share capital and 25 (23) per cent of the votes.

The proportion of owners who were private individuals was 90 (90) per cent. The proportion of shares owned by private individuals was 20 (24) per cent of the share capital and 22 (24) per cent of the votes.

## SHARE LIQUIDITY

A total of 34.9 (37.4) million shares changed hands during the year, which is the equivalent of 87 (100) per cent of the average number of outstanding Class B shares. On average, 140,000 (150,000) shares have changed ownership per trading day, and the number of completed trades averaged 735 (611) per trading day.

## SHARE PRICE DEVELOPMENT AND TURNOVER

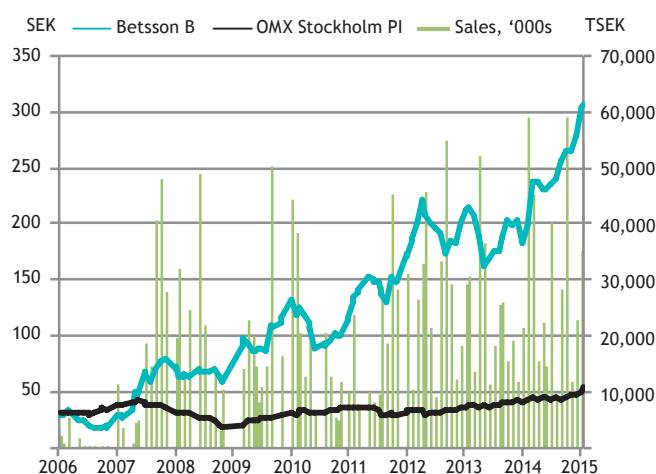
The share price during the year increased by 35 (2) per cent. The share price (last paid) on closing day was SEK 275.00 (204.00), which represented a market value of SEK 12.7 (8.9) billion.

The highest price quotation during 2014 was SEK 283.00 (224.50) on 11 December, and the lowest quotation was SEK 178.00 (159.50) on 4 February. The average share price during the year was SEK 231.44 (191.59).

Total turnover of shares during the year was MSEK 8,085 (7,169), which is equal to an average of MSEK 32.5 (28.7) million per trading day and an average of approximately TSEK 44 (47) per trade.

## DIVIDEND POLICY AND PROPOSED DISTRIBUTION

The Board proposes that the Annual General Meeting resolve to approve a transfer to shareholders of SEK 11.94 (9.16) per share for the financial year 2014, which, provided the outstanding number of shares does not change, corresponds to MSEK 549.4 (421.5). 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 COVERING BETSSON

**Oscar Karlsson**  
Erik Penser

**Bile Daar**  
Danske Bank

**Christian Hellman**  
Carnegie

**Christian Andersson**  
Swedbank

**Stefan Nelson**  
SEB Enskilda

**Anders Hillerborg**  
ABG Sundal Collier

**Rasmus Engberg**  
Handelsbanken

## MAJOR SHAREHOLDERS AS PER 31 DECEMBER 2014

Owner <sup>1)</sup>	Number of Class A shares	Number of Class B and C shares	Capital share (%)	Voting share (%)
Hamberg family and company	1,699,500	75,000	3.8	17.9
Knutsson family and company	870,000	1,425,000	4.9	10.6
Provobis Property & Leisure AB	852,500	620,000	3.2	9.6
Lars Kling	777,000	0	1.7	8.2
Svenska Handelsbanken S.A.	650,000	190,635	1.8	7.0
Berit Lindwall	561,000	20,000	1.2	5.9
Swedbank Robur fonder	-	3,665,247	7.9	3.8
Handelsbanken Fonder AB	-	1,659,675	3.6	1.7
Lannebo fonder	-	1,513,545	3.2	1.6
Norges Bank	-	1,114,513	2.4	1.2
Försäkringsbolaget Avanza Pension	-	961,492	2.1	1.0
JPM Chase	-	1,457,559	3.1	1.5
First Swedish National Pension Fund	-	665,000	1.4	0.7
Pontus Lindwall	10,000	474,594	1.0	0.6
Svea Ekonomi	-	509,692	1.1	0.5
SEB Investment Management	-	507,197	1.1	0.5
Sijotusrahasto Evli Eurooppa	-	506,213	1.1	0.5
State Street Bank & Trust Com.	-	503,569	1.1	0.5
Malone Ltd	-	499,389	1.1	0.5
Second Swedish National Pension Fund	-	460,204	1.0	0.5
SSB Client Omnibus AC	-	395,171	0.9	0.4
Nordea Investment Funds	-	389,858	0.8	0.4
Other owners	-	22,983,881	50.5	24.9
External owners	5,420,000	40,597,434	100.0	100.0
Betsson AB (of which Class C, 521,700)	-	522,093	0.0	0.0
Total	5,420,000	41,119,527	100.0	100.0

<sup>1)</sup> Information on ownership based on information from Euroclear Sweden, which implies that equity managers may be included in the table and that the owners are not indicated as a result.

## SHARE CAPITAL COMPOSITION AS PER 31 DECEMBER 2014

	Votes	Number of shares	Number of votes	Par value (SEK)	TSEK
Shares, Class A	10	5,420,000	54,200,000	2	10,840
Shares, Class B	1	40,597,827	40,597,827	2	81,196
Shares, Class C	-	521,700	-	2	1,043
Total shares	-	46,539,527	94,797,827	2	93,079

## SHARE DISTRIBUTION AS PER 31 DECEMBER 2014

Number of shares	Number of shareholders	Proportion of total number of shareholders (%)	Number of shares	Proportion of total number of shares (%)	Proportion of voting rights (%)
1-500	17,930	83.6	2,387,995	5.1	2.5
501-1 000	1,845	8.6	1,529,687	3.3	1.6
1 001-2 000	776	3.6	1,217,916	2.6	1.3
2 001-5 000	448	2.1	1,449,775	3.1	1.5
5 001-10 000	149	0.7	1,133,698	2.4	1.2
10 001-20 000	87	0.4	1,245,581	2.7	1.3
20 001-50 000	84	0.4	2,654,024	5.7	2.8
50 001-100 000	47	0.2	3,399,950	7.3	3.6
100 001-500 000	56	0.3	12,288,813	26.4	13.0
500 001-1 000 000	14	0.1	9,216,131	19.8	28.4
1 000 001-	7	0.0	10,015,957	21.5	42.9
Totalt	21,443	100.0	46,539,527	100.0	100.0

# FIVE-YEAR REVIEW

Amounts in MSEK unless otherwise stated	2014	2013	2012	2011	2010
<b>Income Statement</b>					
Revenues	3,035.1	2,476.7	2,203.7	1,736.6	1,603.2
Gross profit	2,545.7	2,073.9	1,853.7	1,428.9	1,282.1
Operating income	821.2	601.2	577.1	559.7	380.6
Income before tax	814.8	596.2	573.6	555.4	382.5
Income after tax from continuing operations	770.7	562.0	547.8	527.8	365.7
Income for the year (attributable to the Parent Company's shareholders)	770.7	562.0	547.8	527.8	365.7
<b>Balance sheet</b>					
Intangible fixed assets	3,402.2	2,037.9	1,664.6	982.3	450.2
Tangible fixed assets	50.9	53.8	28.5	26.9	25.7
Financial fixed assets	25.1	26.6	25.2	10.2	-
Deferred tax receivables	29.3	11.7	18.4	14.4	6.1
Current receivables	1,027.0	823.5	752.7	729.6	509.0
Cash and cash equivalents	478.1	562.5	467.2	509.7	497.1
Total assets	5,012.6	3,515.9	2,956.6	2,273.1	1,488.1
<b>Equity</b>	3,073.8	2,032.2	1,577.8	1,334.3	825.6
Interest-bearing non-current liabilities	523.4	0.0	344.5	-	-
Other non-current liabilities	5.4	4.1	9.3	8.0	4.2
Other current liabilities	1,410.1	1,479.6	1,025.0	930.8	658.3
Total equity and liabilities	5,012.6	3,515.9	2,956.6	2,273.1	1,488.1
<b>Cash Flow</b>					
Cash flow from operating activities	868.3	683.5	666.1	537.2	396.5
Cash flow from investing activities	-496.6	-154.3	-634.4	-248.5	-44.9
Cash flow from financing activities	-479.3	-447.5	-70.2	-273.8	-351.2
Total cash flow for continuing operations	-107.6	81.6	-38.4	14.9	0.4
<b>Gross profit by segment</b>					
B2B, Business to Business	608.4	526.7	526.3	568.0	724.1
B2C, Business to Consumers	1,937.3	1,547.2	1,327.4	860.9	558.0
Total	2,545.7	2,073.9	1,853.7	1,428.9	1,282.1
<b>Gross profit by product</b>					
Casino	1,697.5	1,335.4	1,248.8	955.9	745.4
Poker	78.2	99.2	116.7	83.9	106.7
Odds	730.5	577.6	432.0	326.9	367.7
Other products	39.6	61.7	56.1	62.2	62.3
Total	2,545.7	2,073.9	1,853.7	1,428.9	1,282.1
<b>B2C, Gross profit per geographical area</b>					
Nordics	1,418.8	1,287.2	1,081.3	659.5	416.6
EU, excluding Nordics	495.6	245.9	224.3	183.1	139.2
Other Europe	8.8	7.4	6.3	3.9	0.2
Rest of the world	14.2	6.7	15.4	14.4	5.0
Total	1,937.3	1,547.2	1,327.4	860.9	558.0
<b>Number of customers</b>					
Number of registered customers (thousands)	7,732.4	6,732.7	5,777.9	3,662.4	3,158.2
Number of active customers (thousands)	390.7	401.4	520.4	403.6	300.5
<b>Profitability and financial position</b>					
Gross margin (%)	83.9	83.7	84.1	82.3	80.0



Amounts in MSEK unless otherwise stated	2014	2013	2012	2011	2010
EBITDA margin (%)	31.3	28.6	30.9	36.5	26.8
Operating margin (%)	27.1	24.3	26.2	32.2	23.7
Profit margin (%)	26.8	24.1	26.0	32.0	23.9
Return on equity (%)	30	31	38	49	44
Equity/assets ratio (%)	61	58	53	59	55
<b>Deposited amounts</b>					
Customer deposits, all gaming solutions (MSEK)	10,540.3	8,421.1	6,889.0	5,237.9	3,894.1
<b>Investments</b>					
Investments	156.3	138.5	101.0	50.9	44.9
<b>Personnel</b>					
Average number of employees	850	789	591	340	268
Number of employees at year-end	870	839	748	412	282
<b>The share</b>					
Share capital	93.1	86.9	84.5	82.8	79.1
Number of shares outstanding at year-end	46,539,527	43,433,003	42,268,470	41,390,170	39,294,165
Ongoing share issue (number of shares) at year-end	-	-	100,000	-	100,000
Number of own shares at year-end	522,093	638	638	4,222	259,555
Average number of shares outstanding	45,566,169	43,285,742	41,999,524	40,243,523	39,245,400
Average number of shares outstanding after dilution	45,593,141	43,315,690	42,217,181	40,284,204	39,245,400
Number of registered shareholders	21,443	18,825	17,225	12,507	11,484
Average share price (SEK)	231.44	191.59	190.05	136.54	109.79
Share price at year-end (SEK)	275.00	204.00	200.5	151.50	117.00
Market capitalization at year-end (MSEK)	12,654.8	8,860.3	8,474.8	6,097.5	4,627.8
Earnings per share for continuing operations (SEK)	16.92	12.98	13.04	13.12	9.32
Earnings per share after dilution (SEK)	16.90	12.98	12.98	13.10	9.32
Equity per share (SEK)	66.80	46.79	37.33	32.15	20.96
Dividend or equivalent per share (SEK)	11.94	9.16	9.46	10.08	7.00

## CONSOLIDATED INCOME STATEMENT

Amounts in TSEK unless stated otherwise	not	2014	2013
Revenues	3, 4, 20	3,035,096	2,476,749
Total revenues		3,035,096	2,476,749
Cost of services provided		-489,440	-402,851
Gross profit		2,545,656	2,073,898
Work performed by the Company for its own use and capitalized		123,097	92,869
Marketing expenses		-862,541	-734,481
Other external expenses	5, 6, 7	-439,994	-352,432
Personnel costs	8	-448,126	-373,162
Depreciation/amortization	9	-127,996	-107,067
Other operating income/expenses	10, 11	31,105	1,520
Operating expenses		-1,724,427	-1,472,753
Operating income		821,230	601,144
Net financial items	12		
Financial income		2,550	2,540
Financial expenses		-8,983	-7,481
Total net financial items		-6,433	-4,942
Income before tax		814,797	596,202
Tax	13	-44,125	-34,157
Net income for the year attributable to parent company shareholders		770,671	562,045
Earnings per share			
— before dilution (SEK)	14	16.90	12.98
— after dilution (SEK)	14	16.92	12.98
Proposed/paid dividend per share (SEK)	15	11.94	9.16

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in TSEK unless stated otherwise		2014	2013
Net income for the year		770,671	562,045
Other comprehensive income			
Items that can subsequently be reversed in the income statement			
Revenues and expenses reported directly in equity		-67,189	-17,838
Hedging of net investments in foreign currency, including deferred tax	13	15,868	4,550
Exchange rate differences on translation of foreign operations		228,974	87,993
Other comprehensive income for the year (after tax)		177,653	74,705
Total comprehensive income for the year		948,325	636,750

# CONSOLIDATED BALANCE SHEET

Amounts in TSEK	not	2014	2013
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible fixed assets	16	3,402,215	2,037,866
Tangible fixed assets	17	50,909	53,764
Participations in associated companies	20	23,255	26,608
Other participations	19	1,800	-
Deferred tax assets	13	29,286	11,672
<b>Total fixed assets</b>		<b>3,507,465</b>	<b>2,129,910</b>
<b>Current assets</b>			
Tax assets	13	423,872	331,465
Other receivables	21	512,021	437,392
Prepaid expenses and accrued income	22	91,093	54,659
Cash and cash equivalents	23	478,122	562,482
<b>Total current assets</b>		<b>1,505,108</b>	<b>1,385,998</b>
<b>Total assets</b>		<b>5,012,574</b>	<b>3,515,908</b>
<b>Equity</b>			
<b>Equity and liabilities</b>	24		
Share capital		93,079	86,866
Other contributed capital		1,434,785	908,761
Reserves		205,259	27,606
Retained earnings including net income for the year		1,340,644	1,008,985
<b>Total equity attributable to Parent Company shareholders</b>		<b>3,073,767</b>	<b>2,032,218</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	25	523,353	-
Deferred tax liabilities	13	5,368	4,141
<b>Total non-current liabilities</b>		<b>528,721</b>	<b>4,141</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	25	-	315,709
Accounts payable		57,754	93,986
Tax liabilities	13	486,922	379,250
Other liabilities	26	627,867	534,814
Accrued expenses and deferred income	27	237,542	155,790
<b>Total current liabilities</b>		<b>1,410,087</b>	<b>1,479,549</b>
<b>Total equity and liabilities</b>		<b>5,012,574</b>	<b>3,515,908</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets	28	none	none

# CASH FLOW STATEMENT FOR THE GROUP

Amounts in TSEK	not	2014	2013
<b>Operating activities</b>			
Income after financial items		814,797	596,202
Adjustments for items not included in cash flow:			
– Depreciation/amortization	9	127,966	107,067
– Adjustment to share of equity in associated company		7,048	5,781
– Change to share price in conjunction with new share issue (additional purchase consideration)		-	-
– Capital gains/losses from divestments/impairment	10	-38,302	-1,016
– Share based payments		1,066	-
Income tax paid	13	-45,434	-4,309
Cash flow from operating activities before changes in working capital		867,141	703,725
<b>Changes in working capital</b>			
Changes in current receivables		-29,336	-81,169
Changes in current liabilities		30,469	60,927
Cash flow from operating activities		868,274	683,483
<b>Investing activities</b>			
Acquisition of intangible fixed assets	16	-143,500	-101,744
Acquisition of tangible fixed assets	17	-12,752	-36,779
Acquisition of shares in associated companies	19	-1,800	-15,761
Acquisition of shares in subsidiaries	5	-374,518	-
Acquisition of cash	5	35,962	-
Cash flow from investing activities		-496,608	-154,284
<b>Financing activities</b>			
Raised bank loans		378,002	-
Repayment of bank loans		-211,247	-39,640
Share redemption program		-421,520	-410,876
Additional purchase considerations		-207,084	-
Costs for redemption program		-	-165
New share issue (redemption of warrants)		-	12,320
Cash paid upon redemption of warrants and employee stock options		-17,388	-9,181
Cash flow from financing activities		-479,237	-447,542
Changes in cash and cash equivalents		-107,571	81,657
Cash and cash equivalents at the beginning of the year		562,481	467,168
Exchange rate differences in cash and cash equivalents		23,212	13,638
Cash and cash equivalents at year-end	23	478,122	562,481
<b>Additional information</b>			
Unutilized credit facilities amounted to		333,043	97,702
Interest paid during the year amounted to <sup>1)</sup>		-11,168	-5,771
Interest received during the year amounted to <sup>1)</sup>		2,553	2,550

<sup>1)</sup> Cash flow from operating activities includes interest paid, TSEK 11,168 (5,771) and interest received, TSEK 2,553 (2,550).

## 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 2013	84,538	673,769	-47,099	866,591	1,577,799
<b>Total comprehensive income for the year</b>					
Net income for the year 2013	-	-	-	562,045	562,045
Other comprehensive income	-	-	-13,288	-	-13,288
Exchange rate differences on translation of foreign operations	-	-	87,993	-	87,993
<b>Total comprehensive income for the year</b>			-74,705	562,045	636,750
<b>TRANSACTIONS WITH THE COMPANY'S OWNERS</b>					
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,
<b>CLOSING EQUITY, 31 DEC 2013</b>	<b>86,866</b>	<b>908,761</b>	<b>27,606</b>	<b>1,008,985</b>	<b>2,032,218</b>
<b>Total comprehensive income for the year</b>					
Net income for the year 2014	-	-	-	770,671	770,671
Other comprehensive income	-	-	-51,321	-	-51,321,
Exchange rate differences on translation of foreign operations	-	-	228,974	-	228,974
<b>Total comprehensive income for the year</b>			177,653	770,671	948,325
<b>TRANSACTIONS WITH THE COMPANY'S OWNERS</b>					
Share redemption	-46,017	-	-	-375,503	-421,520
Bonus issue	46,017	-	-	-46,017	-
Transaction costs for redemption program	-	-	-	-100	-100
New share issue C-shares	1,043	-	-	-	1,043
C-shares, treasury shares	-	-	-	-1,043	-1,043
Warrants, value of employee services	-	-	-	1,066	1,066
Redemption of employee stock options and warrants	44	-	-	-17,417	-17,373
New share issue, for Oranje and Kroon Casino	5,126	526,024	-	-	531,150
<b>CLOSING EQUITY, 31 DEC 2014</b>	<b>93,079</b>	<b>1,434,785</b>	<b>205,259</b>	<b>1,340,643</b>	<b>3,073,767</b>



# PARENT COMPANY INCOME STATEMENT

Amounts in TSEK unless stated otherwise	not	2014	2013
Revenues	3	17,610	10,176
Total revenues		17,610	10,176
<b>Operating expenses</b>			
Other external expenses	5, 6, 7	-39,281	-16,003
Personnel costs	8	-35,823	-21,660
Depreciation/amortization	9	-1,432	-1,484
Total operating expenses		-76,536	-39,147
Operating income		-58,926	-28,971
<b>Financial items</b>	12		
Income from participations in Group companies		838,986	718,329
Interest income and similar profit/loss items		1,337	1,918
Interest expenses and similar profit/loss items		-16,218	-5,825
Total financial items		824,104	714,422
Income after financial items		765,178	685,451
Income before tax		765,178	685,451
Tax	13	-	-4,000
Net income for the year <sup>1</sup>		765,178	681,451
Proposed/paid dividend per share (SEK) <sup>1</sup>	15	11.94	9.16

<sup>1)</sup> 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	not	2014	2013
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets			
Equipment	17	1,052	2,484
Total tangible fixed assets		1,052	2,484
Financial fixed assets			
Participations in Group companies	18	3,456,746	2,340,511
Other participations	19	1,800	-
Deferred tax assets	13	11,660	11,660
Total financial fixed assets		3,470,206	2,352,171
Fixed assets		3,471,258	2,354,655
<b>Current assets</b>			
Current receivables			
Receivables from Group companies		429,861	468,145
Tax assets	13	1,470	972
Other receivables	21	305	3,372
Prepaid expenses and accrued income	22	2,973	2,428
Total current receivables		434,610	474,917
Cash and cash equivalents	23	143,349	165,705
Total current assets		577,959	640,622
Total assets		4,049,217	2,995,277
<b>Equity and liabilities</b>			
Equity	24		
Restricted equity			
Share capital		93,079	86,866
Statutory reserve fund		253,279	253,279
Total restricted equity		346,358	340,145
Non-restricted equity			
Share premium reserve		1,192,408	666,383
Retained earnings		932,972	691,965
Net income for the year		765,178	681,451
Total non-restricted equity		2,890,558	2,039,799
Total equity		3,236,916	2,379,944
Liabilities to credit institutions	25	486,888	-
<b>Current liabilities</b>			
Liabilities to credit institutions	25	-	312,376
Accounts payable		1,760	5,359
Liabilities to Group companies		40,019	51,916
Other liabilities	26	269,274	237,795
Accrued expenses and deferred income	27	13,911	7,888
Total current liabilities		325,414	615,333
Total equity and liabilities		4,049,217	2,995,277
Pledged assets	29	None	None

# PARENT COMPANY CASH FLOW STATEMENT

Amounts in TSEK	not	2014	2013
<b>Operating activities</b>			
Income after financial items		765,178	685,451
Adjustments for items not included in cash flow:			
- Depreciation	9	1,432	1,484
- Loss on liquidation of subsidiaries		23,733	-
- Exchange gains and losses		7,757	-
Paid company tax		-	-298
Cash flow from operating activities before changes in working capital		798,100	686,637
Changes in working capital			
Changes in operating receivables		38,774	-169,509
Changes in operating liabilities		-3,227	-16,321
Cash flow from operating activities <sup>1)</sup>		833,647	500,806
<b>Investing activities</b>			
Acquisitions of shares in subsidiaries	19	-374,516	-
Acquisitions of shares and participations		-1,800	-
Cash flow from investing activities		-376,316	-
<b>Financing activities</b>			
Share redemption		-421,520	-410,876
Costs for redemption program		-	-162
Premiums received for warrants		-	980
New issue of shares on the redemption of warrants		-	11,340
Raised bank loans		378,002	-
Repayment of bank loans		-211,247	-41,434
Cash paid upon redemption of warrants and employee stock options		-17,837	-9181
Dividend		-207,084	-
Cash flow from financing activities		-479,687	-449,333
Changes in cash and cash equivalents		-22,356	51,473
Cash and cash equivalents at the beginning of the year		165,705	114,231
Cash and cash equivalents at year-end	23	143,349	165,705
<b>Additional information</b>			
Unutilized credit facilities amounted to		333,043	97,702
Interest paid during the year amounted to <sup>1)</sup>		-10,819	-5,399
Interest received during the year amounted to <sup>1)</sup>		1,335	1,383

<sup>1)</sup> Cash flow from operating activities includes interest paid, TSEK 10,819 (5,399) and interest received, TSEK 1,335 (1,383).

## CHANGES IN EQUITY FOR THE PARENT COMPANY

Amounts in TSEK	RESTRICTED EQUITY		NON-RESTRICTED EQUITY			
	Share capital	Statutory reserve fund	Share premium reserve	Retained earnings	Net income for the year	Total equity
Opening equity, 1 jan 2013	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
Appropriation according to AGM	-	-	-	681,451	-681,451	-
— Share redemption	-46,017	-	-	-375,503	-	-421,520
— Bonus issue	46,017	-	-	-46,017	-	-
New share issue, (Oranje and Kroon Casino)	5,126	-	526,025	-	-	531,151
New share issue, C-shares	1,043	-	-	-1,043	-	-
New share issue redemption of employee stock options and warrants	-	-	-	-	-	-
Premiums received for issued warrants	44	-	-	-17,881	-	-17,837
Net income for the year	-	-	-	-	765,178	765,178
Closing equity, 31 dec 2014	93,079	253,279	1,192,408	932,972	765,178	3,236,918

## 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 Stockholm Large Cap List.

These consolidated financial statements were approved by the Board for publication on 26 March 2015.

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.

### New standards, amendments and interpretations applied by the Group

The following standards have been applied by the Group for the first time for the financial year commencing on 1 January 2014 and have had an impact on the Group's financial statements:

**IFRS 10** Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of this control where this is difficult to assess. The standard has not had a significant impact on the Group's financial statements.

**IFRS 11** "Joint Arrangements" focuses on the rights and obligations incumbent on entities jointly controlling an arrangement, rather than on the legal form of the arrangement. There are two types of joint arrangements: joint operations and joint ventures. A joint operation is an arrangement in which the parties with joint control have direct rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are

accounted for according to the party's relative share of jointly controlled assets, liabilities, income and expenses. A joint venture is an arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method, as the option to account for joint ventures using proportionate consolidation has been removed. See Note 19 for a summary of the impact on the financial statements.

**IFRS 12** "Disclosures of Interests in Other Entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and structured entities which have not been consolidated.

Other standards, amendments and interpretations to existing standards that are mandatorily effective for financial years beginning on or after 1 January 2014 have not had an impact on the Group's financial statements.

- IFRS 9** "Financial instruments" addresses the classification, valuation and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued on 1 July 2014 and replaces those parts of IAS 39 addressing the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation model, but simplifies certain aspects. There will be three valuation categories for financial assets; amortized cost, fair value through other comprehensive income and fair value through profit and loss. The classification of an asset is based on the Company's business model and the characteristics of the instrument's contractual cash flows. Investments in equity instruments are to be valued at fair value through profit and loss, although the option exists for initial recognition of the instrument at fair value through other comprehensive income. In the event that this option is exercised, no reclassification to the income statement is permitted upon the sale of the instrument. IFRS 9 also introduces a new model for the calculation of credit loss reserves which is based on anticipated credit losses. For financial liabilities, there is no change to classification or valuation, with the exception of cases where a liability is reported at fair value through profit and loss on the basis of the fair value alternative. Changes in value attributable to changes in the entity's own credit risk should, in such cases, be reported in Other comprehensive income. IFRS 9 reduces hedge accounting requirements, in that the 80-125 criterion is replaced with requirements related to the economic relationship between the hedging instrument and the hedged item, and that the hedge ratio is identical to the ratio applied in risk management. Hedging documentation has also been changed slightly compared with documentation prepared pursuant to IAS 39. The standard is mandatorily effective for financial years beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to evaluate the effects of the implementation of the standard.

- IFRS 15** "Revenue from contracts with customers" addresses the manner in which revenues are to be reported. The principles on which IFRS 15 is based provide the user of financial reports with more usable information regarding the entity's revenues. The extended disclosure requirements entail that information regarding type of revenue, date of payment, uncertainties related to the revenue recognition and cash flows attributable to the entity's contracts with customers are to be presented. According to IFRS 15, revenue is to be recognized when the customer assumes control over the sold item or service and has the ability to use and obtain benefit from those items or services. IFRS 15 replaces IAS 18 "Revenues" and IAS 11 "Construction Contracts" and associated SIC and



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IFRIC. IFRS 15 is effective from 1 January 2017. Early adoption is permitted. The standard has not yet been adopted by the EU. The Group is yet to evaluate the effects of the implementation of the standard.

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

### Applied basis of valuation and classification

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

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

Assets are classified as current assets if they are expected to be sold or are intended for sale or consumption during the Company's normal operating cycle, if they are held primarily for trading purposes, if they are expected to be 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 Oranje and Kroon 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.

Subsidiaries are all companies (including structured entities) over which the Group exercises a controlling influence. The Group is considered to exercise control over a company when

it is exposed to or is entitled to variable returns on the basis of its participation in the company and is able to impact this return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group and are excluded from the financial statements from the date on which control is relinquished.

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 cost, 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 reported 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 2014, 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 1,032. 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 2014, Alecta's surplus in the form of the collective funding ratio amounted to 144 per cent (148 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 is 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 cost, equivalent to the instrument's fair value plus transaction costs, except as regards financial instruments measured at fair value through profit and loss, for which transaction costs are written off immediately. The subsequent accounting treatment depends on the manner in which the instruments have been classified according to the definitions below.

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

Financial assets and liabilities, in the form of derivatives, are 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 cost with deductions for accumulated amortization and impairment.

Other intangible assets are reported in the balance sheet at acquisition cost 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 cost 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 cost 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	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. Intangible assets which are not yet ready for use or sale are tested annually for impairment, regardless of whether there is an indication of a decrease in value. Any impairment consists of the difference between the 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.

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

### Division into restricted and non-restricted equity

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

### Untaxed reserves and balance sheet appropriations

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	
	2014	2013	2014	2013
<b>Revenues</b>				
Revenues from gaming solutions	2,469,040	2,046,179	-	-
Licensing revenues	566,056	430,569	-	-
Consultancy, management	-	-	2,784	2,972
Rental fees and office services	-	-	14,826	7,204
<b>Total</b>	<b>3,035,096</b>	<b>2,476,749</b>	<b>17,610</b>	<b>10,176</b>

## 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 following table.

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 18 (17) per cent of total revenues. Of the Company's assets, 0.4 (0.9) per cent derives from Sweden.

## NOTE 4 Continuing

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

2014	B2C	B2B	Group
Revenues	2,348.2	686.9	3,035.1
Gross profit	1,937.3	608.4	2,545.7
Gross margin (per cent)	82.5	88.6	83.9

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

### Gross profit per category per product (MSEK)

	Casino	Poker	Sportsbook	Other products	Group
2014	1,697.5	78.0	730.5	39.6	2,545.7
2013	1,335.4	99.2	577.6	61.7	2,073.9

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

	Nordic countries	EU, outside Nordic countries	Rest of Europe	Rest of the world	Group
2014	1,418.8	495.6	8.8	14.2	1,937.3
2013	1,287.2	245.9	7.4	6.7	1,547.2

## NOTE 5 Business combinations

### Financial effects of the acquisition

On 4 March 2014, Betsson announced the Company's acquisition of 100 percent of the shares of Class One Holding Ltd. With this acquisition, Betsson gained a strategic foothold in the Dutch market and will be one of the biggest players targeting that market. The Dutch market is expected to be subject to re-regulation at some point during 2016/17. The transaction also gives Betsson a larger, more meaningful presence in continental Europe.

Betsson acquired the shares for an initial purchase price of MEUR 100 (enterprise value), of which MEUR 60 was paid in the form of newly issued shares and MEUR 40 in cash. The initial purchase price is equivalent to 4.5 times the EBIT in 2013. Apart from the initial purchase price, an additional cash amount could be paid, based on the outcome of the anticipated re-regulation in the Netherlands. A regulation which is more favorable for Betsson implies a higher remaining purchase price and a less favorable regulation implies a lower remaining purchase price. Both less favorable and more favorable regulations are under discussion in the Dutch political sphere and it is still too early to have a clear view on the possible outcome of the ongoing discussions. The additional purchase price varies in range and may, at the most, amount to MEUR 45, representing a maximum total purchase price of MEUR 145, excluding acquired liquid funds. The expected remaining purchase price amounted in the acquisition analysis to MEUR 30, representing a total purchase price of MEUR 130. Management paid MEUR 15 of the additional purchase price during the first quarter of 2015 and the remainder is expected to be paid during the first quarter of 2016.

The acquisition was financed on the basis of a private placement to the sellers, as well as the Company's own cash and bank financing. The following table summarizes the purchase price paid and the fair value of assets acquired and liabilities assumed.

### Accounting effects

During 2014, the acquired operations contributed MSEK 284.9 to Group revenue. The acquisition has also contributed MSEK 168.7 to the Group's operating income and MSEK 156.9 to the profit for the year. The tables on this page indicate how the acquisition has contributed to Betsson's income during 2014.

#### Oranje and Kroon's contribution during 2014 (MSEK)

	Betsson excl. Oranje and Kroon	Oranje and Kroon	Betsson
Revenue	2,750.2	284.9	3,035.1
Operating income	652.5	168.7	821.2
Net income for the year	613.8	156.9	770.7

#### Betsson if Oranje and Kroon had been acquired before 1 January 2014<sup>1</sup>

	Betsson	Oranje and Kroon, 2014 before being taken over by Betsson	Betsson adjusted
Revenue	3,035.1	57.3	3,092.4
Operating income	821.2	44.8	866.2
Net income for the year	770.7	46.5	817.4

<sup>1</sup> In addition to the operating contribution, certain other adjustments have arisen. Acquisition costs of MSEK 10.1 have been reversed. An expense of MSEK 2.8 related to administrative fees for the financing has also been reversed. Concurrently, an expense of MSEK 2.3 related to the depreciation of the customer base has arisen.



The table below provides a breakdown of the purchase price paid, as well as presenting the fair values of acquired assets and assumed liabilities. Current receivables and liabilities do not involve any derivatives and their fair values are equivalent to their reported values. The acquired customer base has been valued at MSEK 37.6 and the ongoing depreciation of this item will be charged to the Group's income over a period of three years. No portion of this depreciation is expected to be tax-deductible. The integration and development of the acquired gaming platform and the cost synergies lie behind the surplus value of goodwill. No portion of the reported goodwill is expected to be deductible upon taxation of income.

	msek
<b>Purchase price</b>	
Liquid funds	374.5
Equity instruments (2,563,028 Series B shares)	531.2
Paid initial purchase price	905.7
<b>Remaining purchase price</b>	
Additional purchase price	265.6
Total purchase price	1,171.2
<b>Reported amount of identifiable acquired assets and assumed liabilities</b>	
Liquid funds	36.0
Tangible fixed assets	3.8
Other intangible fixed assets	4.0
Customer base	37.6
Trademarks	588.5
Current receivables	84.5
Current liabilities	-72.7
Total identifiable net assets	681.7
Goodwill	489.6

## NOTE 6 Leasing

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

	Group		Parent Company	
	2014	2013	2014	2013
Expensed leasing and rental fees	27,513	22,464	9,499	9,203

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

	Group		Parent Company	
	2014	2013	2014	2013
Within one year	18,767	23,290	7,906	9,092
Within two to five years	60,077	60,945	16,631	2,305
After five years				
Total	78,844	84,235	24,537	11,397

## 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	
	2014	2013	2014	2013
<b>Audit assignment</b>				
PricewaterhouseCoopers	2,925	2,603	640	672
Other auditing firms	143	49	-	-
<b>Audit activities other than the audit assignment</b>				
PricewaterhouseCoopers	101	139	101	139
<b>Tax advisory services</b>				
PricewaterhouseCoopers	227	414	8	174
<b>Other services</b>				
PricewaterhouseCoopers	70	159	31	125
Other auditing firms	1,577	-	69	-
Total	5,043	3,364	849	1,110

## NOTE 8 Employees, salaries and fees

Average number of employees	2014		2013	
	Total	Of whom women, %	Total	Of whom women, %
Parent Company				
Sweden	11	50	9	44
Total, Parent Company	11	50	9	44
Subsidiaries				
Sweden	91	19	81	19
Denmark	8	11	6	17
Malta	622	32	540	31
Gibraltar	6	17	5	20
Italy	3	67	4	50
China	4	25	6	33
Philippines	55	33	87	34
Estonia	50	22	51	20
Total, subsidiaries	839	29	780	29
Total, Group	850	30	789	29

Proportion of women in executive management	Group		Parent Company	
	2014	2013	2014	2013
Boards of Directors, (per cent)	25	25	17	17
Other senior executives, (per cent)	20	-	33	-

## Salaries, other remuneration and social security contributions

	2014				2013			
	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	25,111	19,368	11,692	3,173	15,175	12,442	8,436	3,047
Subsidiaries	342,825	8,722	40,220	4,699	287,969	5,030	42,336	5,186
Total, Group	367,936	28,090	51,912	7,872	303,144	17,472	50,772	8,232

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

	2014				2013			
	Salary/ fee	Variable remuneration	Pension costs	Share-based payment	Salary/ remuneration	Variable remuneration	Pension costs	Share-based payment
Pontus Lindwall, Chairman	3,600	3,484	1,281	-	3,600	782	1,290	340
John Wattin	642	-	-	-	630	-	-	-
Per Hamberg	-	-	-	-	125	-	-	-
Patrick Svensk	371	-	-	-	323	-	-	-
Kicki Wallje-Lund	429	-	-	-	354	-	-	-
Carl Lewenhaupt	353	-	-	-	323	-	-	-
Lars Linder-Aronson	384	-	-	-	338	-	-	-
Total Board fees including Chairman's fees, Parent Company	5,779	3,484	1,281	-	5,693	782	1,290	340
Board fees, foreign subsidiaries	1,706	-	-	-	1,027	-	-	-
Magnus Silfverberg, CEO	3,000	2,656	762	599	3,000	587	754	-
Other senior executives	6,544	4,023	677	299	5,064	790	501	189
Total	17,029	10,163	2,720	898	14,784	2,159	2,545	529

### Notes on the above table:

Variable remuneration refers to bonuses which are based on quarterly revenue and operating income targets and which are paid out during the year in which they are earned and in the following year. The Group has only defined contribution pension plans (except for portions of pensions for employees in the Parent Company in Alecia, 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 20. 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 2014

The category "senior executives" includes the CEO, Director of Communications and CFO of the Parent Company, the CEO of BML 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 2014 amounted to TSEK 2,594 (587). The bonus equaled 86 (20) per cent of basic salary. For the working Chairman of the Board, the bonus for 2014 amounted to TSEK 3,406 (782). This bonus equaled 95 (22) per cent of basic salary.

For other senior executives, bonuses for 2014 amounted to a total of TSEK 4,023 (790). The bonus amount for other senior executives represented an average of 61 (16) 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	
	2014	2013	2014	2013
Gaming products, systems and platforms	91,320	66,967	-	-
Customer databases	19,075	20,983	-	-
Inventories and IT equipment, etc.	17,571	19,117	1,432	1,484
Total	127,966	107,067	1,432	1,484

## NOTE 10 Other operating income and other operating expenses

	Group		Parent Company	
	2014	2013	2014	2013
Settlement of purchase price	38,378	4,342	-	-
Capital gains on sales of fixed assets	-	1,033	-	-
Capital losses on sales/ disposals/ depreciation/amortization of fixed assets	66	-	-	-
Capital gains/losses on sales/ disposals of fixed assets	38,444	5,375	-	-
Operational exchange gains	-	17,030	-	-
Operational exchange losses	-5,426	-22,822	-	-
Gains/losses on forward exchange agreements	-1,913	1,937	-	-
Currency effects	-7,339	-3,855	-	-
Total other operating income/ expenses	31,105	1,520	-	-

## NOTE 11 Forward agreements

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

Effects of outstanding agreements	Group		Parent Company	
	2014	2013	2014	2013
Forward exchange agreements, EUR/SEK	1,899	2,296	1,899	2,296
Total, TSEK	1,899	2,296	1,899	2,296
Outstanding nominal amounts, MEUR				
Forward exchange agreements, EUR/SEK	38.0	44.9	38.0	44.9

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 current liabilities, see Note 26. 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	2014	2013
Interest income	2,553	2,555
Loss on liquidation of subsidiary	-2	-15
Exchange rate fluctuations in financial assets	-	-
Financial income	2,550	2,540
Interest expenses	8,634	7,481
Exchange rate fluctuations in financial liabilities	350	-
Financial expenses	8,983	7,481
Total financial items	-6,433	-4,942

Parent Company	2014	2013
Dividends from subsidiaries	845,920	690,146
Group contributions from Swedish subsidiaries	16,799	23,841
Settlement of purchase price	-	4,342
Impairment of shares in subsidiaries	-23,732	-
Total income from participations in Group companies	838,986	718,329
Interest income, external	1,337	1,383
Exchange rate fluctuations, financial assets and liabilities	-	1,284
Total financial income and similar profit/loss items	1,337	2,667
Interest expenses, internal	-	-
Interest expenses, external	8,298	7,110
Exchange rate fluctuations in financial assets	7,921	-
Total financial expenses and similar profit/loss items	16,219	7,110
Total financial items	824,104	713,887

## NOTE 13 Tax

Tax reported in income statements:

	Group		Parent Company	
	2014	2013	2014	2013
Distribution between current and deferred tax				
Current tax	-46,096	-40,918	-	-
Deferred tax	1,971	6,761	-	-4,000
Total	-44,125	-34,157	-	-4,000

Reported tax is distributed as follows:

	Group		Parent Company	
	2014	2013	2014	2013
<b>Current tax</b>				
Sweden	-3,696	-9,246	-	-
Outside Sweden	-42,401	-31,673	-	-
Total current tax	-46,096	-40,918	-	-
<b>Deferred tax</b>				
Sweden	3,696	5,083	-	-4,000
Outside Sweden	-1,725	1,678	-	-
Total deferred tax	1,971	6,761	-	-4,000
Difference between tax expense and tax based on applicable tax rate				
Reported income before tax	814,797	596,202	765,178	685,451
Tax according to current tax rate (22%)	-179,255	-131,165	-168,339	-150,799
Tax attributable to previous years	-	-	-	-4,000

Difference in tax in foreign operations	132,615	101,404	-	-
Tax effect of non-deductible items	-7,592	-4,396	-5,336	-94
Tax effect of non-taxable items	10,107		173,675	150,892
Reported tax expense	-44,125	-34,157	-	-4,000
Specification of deferred tax				
Changes in tax on temporary differences	1,971	6,761	-	-4,000
Deferred tax on hedging of net investments in foreign currencies	15,868	4,550	-	-

Tax reported in balance sheets:

	Group		Parent Company	
	2014	2013	2014	2013
<b>Non-current receivables</b>				
Deferred tax on temporary differences	29,286	11,672	11,660	11,660
<b>Current receivables</b>				
Tax assets	423,872	331,465	1,470	972
<b>Non-current liabilities</b>				
Deferred tax on temporary differences	5,368	4,141	-	-
Total	5,368	4,141	-	-
<b>Current liabilities</b>				
Tax liabilities	486,922	379,250	-	-

## NOTE 14 Earnings per share

Group	2014	2013
Income after tax attributable to Parent Company shareholders	770,671	562,045
<b>Average number of shares</b>		
Average total number of shares	46,078,262	43,286,380
Reduced by average number of repurchased shares	-522,093	-638
Average number of outstanding shares before dilution	45,566,169	43,285,742
Employee stock options	36,972	29,948
Average number of outstanding shares after dilution	45,593,141	43,315,690
<b>Earnings per share</b>		
— before dilution (SEK)	16.92	12.98
— after dilution (SEK)	16.90	12.98

Please refer to Note 2, Definitions, for calculation method.  
Average share price amounted to SEK 231.44 (191.59).

## 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 2014 amounted to TSEK 421.5 (410.9), which corresponded to SEK 9.16 (9.46) per share. At the Annual General Meeting on 8 May 2015, a share redemption for the financial year 2014 amounting to SEK 11.94 per share will be proposed, which, on the condition that the number of outstanding shares does not change, amounts to MSEK 549.4. The proposed transfer to shareholders has not been recognized as a liability in these financial statements.

## NOTE 16 Intangible fixed assets

Group	Gaming products, systems & platforms	Trademarks	Customer databases	Acquired lease/rental agreements	Goodwill	Total
Accumulated acquisition cost						
Opening balance, 1 Jan 2013	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	2,463,695
Assets developed by the Group	127,966	-	-	-	-	127,966
Investments	-	15,534	-	-	-	15,534
Acquisitions	11,371	588,498	37,606	-	489,579	1,127,054
Sales/disposals	-	-	-	-	-	-
Exchange rate fluctuations	36,999	65,357	6,815	-	137,033	246,204
Closing balance, 31 Dec 2014	643,383	990,675	115,960	-	2,230,704	3,980,723
Accumulated amortization and impairment						
Opening balance, 1 Jan 2013	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
Amortization for the year	95,404	-	19,075	-	-	114,479
Acquisitions	7,277	-	-	-	-	7,277
Disposals	-	-	-	-	-	-
Exchange rate fluctuations	26,292	-	4,361	-	-	30,653
Closing balance, 31 Dec 2014	458,758	-	83,476	-	36,273	578,507
<b>BOOK VALUE</b>						
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
As per 31 Dec 2014	184,625	990,675	32,484	-	2,191,431	3,402,215

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

The Group's reported goodwill and trademarks derive from the acquisition of Net Entertainment (casinoeuro.com) in 2000, the acquisition of Betsson (Betsson.com) at the beginning of 2005, the acquisition of the Betsafe Group (betsafe.com) in 2011, the acquisition of the NGG Group in 2012 and from the acquisition of the Automaten brands in 2013, as well as from the acquisition of the Class One Holding (Oranje & Kroon Casino) Group in 2014. All of these assets which, together, have a book value of TSEK 3,185,106 (of which goodwill amounts to TSEK 2,194,431 and trademarks to TSEK 990,675), belong to one single cash-generating unit.

As these assets are not amortized, an impairment test was carried out in conjunction with the 2014 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. Intangible assets which are not yet ready for use or sale are tested annually for impairment, regardless of whether there is an indication of a decrease in value.

### 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 2014, the budget for 2015 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 and growth rate. The sensitivity analysis indicates that there are good margins in the calculation.

## NOTE 17 Tangible fixed assets

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

	Group	Parent Company
<b>Accumulated acquisition cost</b>		
Opening balance, 1 Jan 2013	85,658	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
Investments	12,752	-
Acquisitions	6,084	-
Sales/disposals	-	-
Exchange rate fluctuations	7,314	-
Closing balance, 31 Dec 2014	149,753	9,714
<b>Accumulated depreciation and impairment</b>		
Opening balance, 1 Jan 2013	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
Depreciation for the year	21,766	1,432
Acquisitions	2,643	-
Sales/disposals	-	-
Exchange rate fluctuations	4,596	-
Closing balance, 31 Dec 2014	98,843	8,662
<b>Book value</b>		
As per 1 Jan 2013	28,528	3,967
As per 31 Dec 2013	53,764	2,484
As per 31 Dec 2014	50,909	1,052



## NOTE 18 Participations in Group companies

Company	Corporate Identity Number	Registered offices	Participating interest (%)	Number of shares	Parent Company	
					2014	2013
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	1,188,586	571 519
• BML Group Ltd	C34836	Malta	100		-	-
• Betsson Business Consulting Co Ltd		Kina	1		-	-
• Scandinavian Slots Ltd	C59181	Malta	100		285,000	285,000
• Betsson Payments ApS	34081506	Danmark	100		-	-
• Sargo Management Ltd	C56645	Malta	100		-	-
• Clearpay Ltd	C47336	Malta	100		-	-
• Betsson Services Ltd	C44114	Malta	100		-	-
• Betsson Business Consulting Co Ltd		Kina	1		-	-
• Betsson Platform Solutions Ltd	C41277	Malta	100		-	-
BSG Limited	103233	Gibraltar	100	2,000	23	23
Artic Invest A/S (likviderat 2014)	988178535	Norge	100		-	642,186
• Betsafe AB (likviderat 2013)	556831-6300	Malmö	100		-	-
• Impero Holding Ltd (likviderat 2014)	C42112	Malta	100		-	-
• Safepay Ltd (Fusion m BML 2014)	C42114	Malta	100		-	-
• Clearnet Ltd (likviderat 2014)	C47336	Malta	100		-	-
BSI S.R.L.	1311596	Italien	100		93	93
Great Pike Investments AB	556205-2307	Stockholm	100	6,000	27,066	27,066
• Betsson Business Consulting Co. Ltd		Kina	98		-	-
• Media Sports Developement Co. Ltd		Kina	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	774,076	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	Estland	100		-	-
• Triogames OU	11079281	Estland	100		-	-
• Inversiones Destino Caliente SA		Costa Rica	100		-	-
Betting Technologies Inc		Filippinerna	100		3,504	3,504
Class One Holdings Ltd		Malta	100		1,171,243	-
• Content Publishing Ltd		Malta	100		-	-
• Corona Ltd		Malta	100		-	-
• Oranje Casino Ltd		Malta	100		-	-
• Swissgame Ltd		Malta	100		-	-
Total					3,456,747	2,340,511

## Changes in participations in Group companies

	2014	2013
Opening acquisition cost	2,340,511	2,055,511
Acquisitions	1,171,243	285,000
Investment of share capital in start-ups		
Correction, purchase price NGG Tranvectico	-29,888	
Voluntary liquidation of wholly-owned subsidiaries	-25,119	
Closing book value	3,456,747	2,340,511

## NOTE 19 Other securities held as fixed assets

Company	Share	2014	2013
Rush Sports AB	19.9 %	1 800	-

In July 2014, Betsson invested in the Swedish start-up company Rush Sports AB which has developed the first real app for event-driven real-time betting - Rush Football. The company's founders are also behind the successful apps Forza Football and Forza 90'.

## NOTE 20 Participations in associated companies

Company	Participating interest (%)	Group	
		2014	2013
Media Sports Development Co. Ltd	49	23,255	26,608
Consolidated book value		23,255	26,608
Changes in participations in Group companies, reported according to the equity method			
Opening acquisition cost		26,608	25,206
Acquisition/capital contribution		-	15,760
Share of income		-7,045	-5,794
Exchange rate differences		3,692	-331
Other changes in equity		-	-8,833
Closing book value		23,255	26,608

Betsson cooperates with Media Sports Development to develop gaming solutions for the Chinese market. Reported assets, liabilities and profits in the associated companies' accounts are presented, in TSEK, in the table below. An amount of TSEK 863 (741) of the liabilities refers to current liabilities related to disbursements made by companies in the Betsson Group.

Fixed assets	10,376	6,416
Current assets	16,083	30,551
Current liabilities	2,851	2,988
Net assets	23,608	33,980
Income and comprehensive income	-14,384	-11,824
Income from continuing operations	-14,384	-11,824
Total comprehensive income	-14,384	-11,824
Dividends received	-	-

## NOTE 21 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	
	2014	2013	2014	2013
Tax accounts	245	59	1	49
Receivables from payment system suppliers	318,490	256,715	-	-
Receivables from B2B/market partners	138,644	132,948	-	-
Receivables from gaming suppliers	-	-	-	-
Receivables from associated companies	869	741	-	-
Deposits made to payment system suppliers and other deposits	27,700	23,848	-	-
Value Added Tax	21,365	16,972	232	980
Forward exchange agreements	-	2,296	-	2,296
Other	4,708	3,813	72	47
Total	512,021	437,392	305	3,372

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 the Group's income.

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

## NOTE 22 Prepaid expenses and accrued income

	Group		Parent Company	
	2014	2013	2014	2013
Rental fees	9,627	3,468	2,373	2,174
Production costs	52,492	33,969	-	-
Market partners	-	510	-	-
License costs	11,816	1,256	-	-
Consultants	1,190	2,726	-	-
IT equipment	-	1,091	-	-
Other prepaid expenses	15,968	11,639	600	254
Total	91,093	54,659	2,973	2,428

## NOTE 23 Cash and cash equivalents

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

	Group		Parent Company	
	2014	2013	2014	2013
Cash and bank balances	334,173	296,214	16,225	57,704
Short-term deposits (bank deposit account)	143,950	266,268	127,124	108,078
Total	478,122	562,482	143,349	165,782

## NOTE 24 Equity

Composition of share capital

Parent Company	2014		2013	
	Number of shares	Share capital	Number of shares	Share capital
Shares, Class A (10 votes)	5,420,000	10,840	5,420,000	10,840
Shares, Class B (1 vote)	40,597,827	81,196	38,013,003	76,026
Shares, Class C (no voting right)	521,700	1,043	-	-
Total shares	46,539,527	93,079	43,433,003	86,866

During the period 2007-2008, the Parent Company repurchased a number of its own Class B shares. A certain number of these shares have 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 393 (638) Class B shares and 521,700 Class C 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 25 Liabilities to credit institutions

	Group		Parent Company	
	2014	2013	2014	2013
Bank loan, book value in TSEK	523,353	315,709	486,888	312,376
Nominal amount, TEUR	55,000	35,300	55,000	35,300

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 March 2017. The average interest rate incurred by the loan has been 1.14 percent, and fixed interest rates are established for periods of 90 days at a time.

## NOTE 26 Other liabilities

Other current liabilities	Group		Parent Company	
	2014	2013	2014	2013
Other current liabilities	8,288	6,644	1,345	469
Personnel tax	4,180	1,802	892	340
Social security contributions	1,899	-	1,899	-
Forward exchange agreements	41,504	24,631	-	-
Marketing partners	8,226	3,752	-	-
Gaming tax	18,695	15,597	-	-
Licenses	916	545	-	-
VAT	252,283	234,649	-	-
Players' accounts	285,465	-	265,575	-
Additional purchase price, Oranje & Kroon Casino (see Note 5)	-	238,860	-	236,972
Additional purchase price, NGG and Automaten	6,411	8,334	13	13
Other	627,867	534,814	269,724	237,795
Total				

## NOTE 27 Accrued expensed and deferred income

	Group		Parent Company	
	2014	2013	2014	2013
Holiday pay liabilities	14,247	14,928	1,730	1,378
Social security contributions	10,203	8,403	2,141	2,090
Salaries	19,726	9,794	6,653	801
Jackpot reserve	95,567	84,079	-	-
Marketing costs	49,392	19,723	-	-
Consultancy costs	7,943	1,440	3,000	-
Restructuring costs, Manila	9,463	-	-	-
Interest	176	2,702	176	2,702
Other	30,825	14,721	211	916
Total	237,542	155,790	13,911	7,887

## NOTE 28 Pledged assets concerning own liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Floating charges	-	-	-	-
Total	-	-	-	-
Floating charges held by the Group/Company	35,600	35,600	35,600	35,600

## NOTE 29 Contingent liabilities and commitments

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

## NOTE 30 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 three (four) apartments from Solporten Fastighets AB, in which Chairman Pontus Lindwall and former Board Member Per Hamberg are shareholders/Board Members. In 2014, purchases from Solporten Fastighets AB amounted to TSEK 227 (252).

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 2014 amounted to TSEK 2,459 (1,643), of which Betsson AB's purchases accounted for TSEK 275 (124).

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	2014	2013
<b>Purchases of services from related parties</b>		
Purchases from subsidiaries	960	960
Purchases from other related parties	502	203
<b>Sales of services to related parties</b>		
Sales to subsidiaries	17,610	9,956
<b>Financial transactions with related parties</b>		
Dividend from subsidiaries	845,920	690,146
Group contributions from Swedish subsidiaries	16,799	23,841
Capital gains/losses on liquidation of subsidiary	-23,732	-
Interest expenses to subsidiaries	-	-
<b>Liabilities to related parties</b>		
Liabilities to subsidiaries	40,019	51,916
<b>Receivables from related parties</b>		
Receivables from subsidiaries	429,861	468,145

## NOTE 31 Financial instruments

	Items at fair value through profit and loss <sup>1)</sup>	Loans & receivables	Other financial liabilities	Total book value	Non-financial assets & liabilities	Total in the balance sheet
<b>Group 2014</b>						
Other receivables	-	490,656	-	490,656	21,365	512,021
Cash and bank balances	-	478,122	-	478,122	-	478,122
Total financial assets	-	968,778	-	968,778	21,365	990,143
Non-current liabilities to credit institutions	-	-	523,353	523,353	-	523,353
Accounts payable	-	-	57,756	57,756	-	57,756
Other liabilities (of which derivatives 1,899) <sup>1)</sup>	287,364	-	300,198	587,562	40,305	627,867
Total financial liabilities	287,364	-	881,307	1,168,671	40,305	1,208,976
<b>Group 2013</b>						
Other receivables (of which derivatives 2,296) <sup>1)</sup>	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 <sup>1)</sup>	238,860	-	267,514	506,474	28,340	534,814
Total financial liabilities	238,860	-	677,309	916,169	28,340	944,512
<b>Parent Company 2014</b>						
Receivables from Group companies	-	429,861	-	429,861	-	429,861
Other receivables	-	73	-	73	232	305
Cash and bank balances	-	143,349	-	143,349	-	143,349
Total financial assets	-	573,283	-	573,283	232	573,515
Non-current liabilities to credit institutions	-	-	486,888	486,888	-	486,888
Accounts payable	-	-	1,760	1,760	-	1,760
Liabilities to Group companies	-	-	40,019	40,019	-	40,019
Other liabilities (of which derivatives 1,899)	1,899	-	265,575	267,474	2,250	269,724
Total financial liabilities	1,899	-	794,242	796,141	2,250	798,391
<b>Parent Company 2013</b>						
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	-	167,705	-	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	-	-	55,359	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

<sup>1)</sup> Financial instruments at fair value are classified according to a fair value hierarchy. The different levels of the value hierarchy are defined as follows:

- Listed prices (unadjusted) on active markets for identical assets or liabilities (Level 1)
- Observable data for the asset or liability other than listed prices included in Level 1, either directly (i.e. price listings) or indirectly (i.e. derived from price listings) (Level 2).
- Data for the asset or liability which is not based on observable market data (i.e. non-observable data) (Level 3)
- The Company's items at fair value within Level 2 for 2014 consist of a forward exchange agreement of 1,899 and, within Level 3, a liability for additional purchase price of 285,456, see description in Note 5.
- The Company's items at fair value within Level 2 for 2013 consist of a forward exchange agreement of 2,296 and, within Level 3, a liability for additional purchase price of 238,860.

### Fair value

The fair values of financial assets and liabilities have been calculated based on market value, where possible. The fair values of interestbearing 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 cost.

## NOTE 32 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 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.

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 value 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 adjusted for the growth in size and stability of the Company, as well as 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 employee stock options	359,800	376,000	449,000	395,330	163 000	358,700
Final redemption date	2012-12-31	2012-12-31	2014-03-31	2014-03-31	2015-06-30	2015-06-30
Anticipated duration (months)	27	27	27.5	27.5	22	22
Risk-free interest rate (%)	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
Fair value per warrant/employee stock option (SEK)	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:

	2014		2013	
	Redemption price per option, (SEK)	Number of options	Redemption price per option, (SEK)	Number of options
As per 1 January	207.45	462,380	182.64	308,330
Allocated	-	-	214.62	358,700
Forfeited	214.62	-18,000	182.64	-204,650
Exercised	182.64	-103,680	-	-
As per 31 December	214.62	340,700	207.45	462,380

### NOTE 33 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 exchange risks

The Group's income is exposed to exchange rate fluctuations when sales are made in currencies differing from those in which expenses are incurred (transaction exposure). 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 2014, the Group had external loans amounting to MSEK 808.9 (consisting of bank loans amounting to 523.4 (MEUR 55) and liability regarding additional purchase price amounting to 285.5 (MEUR 30)), denominated in EUR, for which hedge accounting is applied to protect against exchange rate fluctuations in net investments in foreign subsidiaries, i.e. no currency effects from the external loans impact net income for the year; these are reported in Other comprehensive income. See Note 25. The loans have been raised in order to finance acquisitions of companies whose assets are located in EUR countries and whose presentation currency, consequently, is EUR. The value of the loans is lower than the acquired assets, which amount to MEUR 130, and the hedging is 100 per cent effective. The amounts reported above are fair values and the values recognized in the consolidated balance sheet.

Income is also affected by exchange rate fluctuations when the financial results of foreign subsidiaries are translated to Swedish krona (translation exposure). 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) and additionally in 2013 and 2014, 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. As shown in the five-year review earlier in the annual report, the equity/assets ratio has not dropped below 53% in the last 5 years. 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 2014, the Group had bank loans amounting to MSEK 523, with rolling Euribor 3 month fixed interest periods, see Note 25. 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 that significantly reduce fraud. Betsson is of the opinion that it has taken sufficiently reasonable steps to protect itself against fraud and credit risks.

### NOTE 34 Significant events after the closing date

The first quarter in 2015 has started up until publishing of the fourth quarter report, february 6, 2015, with revenues somewhat above the average level in the fourth quarter 2014. On 1 January 2015, Betsson was moved to Nasdaq Stockholm Large cap. On 3 February 2015, Kroon was migrated to Techsson. Betsson Malta has in March 2015 received a gaming license in United Kingdom.



# PROPOSED APPROPRIATION OF PROFITS

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**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 2014	765,178,017
Retained earnings and non-restricted reserves	2,125,380,855
	<hr/> 2,890,558,872

The Board and the CEO propose that the entire amount, SEK 2,890,558,872, be carried forward.

## TRANSFER TO SHAREHOLDERS

### Ordinary transfer

The Board proposes to the Annual General Meeting that the amount of TSEK 549,448 (on the condition that the number of outstanding shares does not change) is transferred to shareholders. No transfer will be made for the 393 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 11.94 per share. After implementation of 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 2,341,111 and TSEK 2,687,468, respectively. The annual report and consolidated financial statements for Betsson AB (publ) for the year 2014 have been approved for publication in accordance with the Board's resolution on 26 March 2015. It is proposed that the annual report and consolidated financial statements be adopted by the Annual General Meeting on 8 May 2015. The undersigned hereby declare that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and generally accepted accounting principles, respectively, and provide a true and fair view of the Group's and the Parent Company's financial position and results, and that the Group Management Report and the Parent Company Management Report provide an accurate overview of the development of Group's and the Parent Company's operations, financial position and results, as well as describing significant risks and factors of uncertainty faced by the companies included in the Group.

**Stockholm, 26 March 2015**

**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**  
President and Chief  
Executive Officer, Betsson AB

**Our audit report was submitted on 27 March 2015**  
**PricewaterhouseCoopers AB**

**Michael Bengtsson**  
Authorized Public  
Accountant

# AUDIT REPORT

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To the annual meeting of the shareholders of 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 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 5-8, 12-50.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these 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 Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, 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 Managing Director, 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 audit opinion.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement of the parent company, the statement of comprehensive income of the group and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Betsson AB (publ) for the year 2014.

### Responsibilities of the Board of Directors and the Managing Director

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

### Auditor's responsibility

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

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the 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 Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 27, 2015  
PricewaterhouseCoopers AB

**Michael Bengtsson**  
Authorized Public Accountant

# ANNUAL GENERAL MEETING AND OTHER INFORMATION

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## ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders in Betsson AB (publ) will be held on Friday, 8 May 2015 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 no later than Friday, 2 May 2015 and
- have notified the Company of their intention to participate in the Annual General Meeting by no later than noon on Monday, 5 May 2015.

Notification of attendance at any General Meeting of Shareholders must be registered via the booking form at [www.betssonab.com](http://www.betssonab.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 the General Meeting must be accompanied by the power of attorney, incorporation certificate or other appropriate documentation, sent to the Company ([anders.eriksson@betssonab.com](mailto:anders.eriksson@betssonab.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 2015.

## OTHER INFORMATION

Betsson intends to publish financial information relating to the financial year 2015 as follows:

### Quarterly Report Q1

Interim Report January-March 2015 \_\_\_\_\_ 24 April 2015

### Quarterly Report Q2

Interim Report January-June 2015 \_\_\_\_\_ 17 July 2015

### Quarterly Report Q3

Interim Report January-September 2015 \_\_\_\_\_ 22 October 2015

### Quarterly Report Q4

Year-End Report January-December 2015 \_\_\_\_\_ 5 February 2016

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

This document is a translation of the Swedish original.

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