

2006

ANNUAL REPORT



2006

SOME IMPORTANT EVENTS

- ✦ Betsson's parent company changed name from Cherryföretagen AB to Betsson AB.
- ✦ The Cherry Casino business area was distributed to shareholders and listed on the Equities Market Place under the name of Cherryföretagen.
- ✦ Consolidated revenues increased by 93% to SEK 391.5 million (203.2).
- ✦ Operating profit for the remaining business (excl Cherry) increased to SEK 59.7 million (40.6).
- ✦ Annual after-tax profit for the remaining business amounted to SEK 60.5 million (174.8), equivalent to SEK 1.55 (4.84) per share. The previous year's profit included SEK 135 million from the revaluation of financial instruments.
- ✦ New website and image was launched at the beginning of the year.
- ✦ Betsson increased its market presence in several geographical markets in order to further boost rate of growth and increase its challenge to the national gaming monopoly.
- ✦ Betsson was launched in Poland during the year.
- ✦ Betsson launched its own Sportsbook in February.
- ✦ In June, Betsson's new website was acclaimed "Sweden's best sport and gaming site 2006" by Internetworld for "... its innovative interface, good feel for gambling, clarity and elegant design".
- ✦ The product group Lottery and the lot Trio was launched in July.
- ✦ In August, Betsson Black Jack was launched in the Poker Room.
- ✦ In October, Betsson's sites were closed to American customers. This had no significant effect on revenues, as the American market only represented some 3% of Betsson's total revenues.
- ✦ The financial year ended with growth in all markets, and highly profitable products.
- ✦ Announcement of the intention to distribute Net Entertainment to shareholders during the first quarter of 2007.

THE CEO'S COMMENTS

2006 was an eventful and, in a number of ways, a remarkable year. My feelings are mixed, given the great progress we have made in the market combined with an element of doubtful legislation and protectionist measures.

The past year was to a great extent marked by the splitting up of the former Cherry group. Splitting up a group with more than 600 employees into three independent groups has proved to be laborious. However, just as the amount of work involved proved to be greater than I had originally envisaged, the results were also better than I thought they would be. Thus as I write these words we are in the final stage of preparations for the distribution of Net Entertainment. By the time you have this newly printed publication in your hands in all likelihood we have already distributed Net Entertainment and the company is being traded separately on another stock exchange.

Betsson

2006 was certainly something of a roller coaster ride with both ups

and downs. The year started off relatively strongly with Betsson making a large investment in the second quarter to obtain additional market shares through a new gaming site and increasing its marketing efforts. Just as the Football World Cup was on us at a time we had reckoned on a large influx of new gamblers, competition suddenly increased in our target markets. Because of this increased competition combined with a couple of less successful marketing campaigns, we suffered a slight downturn instead of the expected upturn. We quickly managed to identify the causes of the downturn and immediately implemented an action plan involving a number of remedial measures. The action plan started to show results as early as late summer and we were growing again. Encouraged by the result we forged ahead and the fourth quarter was the most successful in our history. Growth was outstanding and profits were nothing to be ashamed of either.

Betsson's new office in Malta was completed during the year and the company moved in. Without hesitation I can say that we now have a workplace which is the most modern and suitable in the whole of Malta, and as a result hopefully Betsson now has a center of operations for many years to come.

Net Entertainment

Parallel with this, Net Entertainment continued to develop during the year. I am proud that the company which

“Betsson's new office in Malta was completed during the year and the company moved in. Without hesitation I can say that we now have a workplace which is the most modern and suitable in the whole of Malta.”

I handed over to my successor on 1 November grew by more than 40% and had profits of SEK 40 million in 2006. We signed 16 new gaming agreements during the year, which is impressive, but above all we provided 25 new games of the highest quality. Compare the games Net Entertainment provides with those of any other provider and you cannot help but see the company's high ambitions reflected in every aspect of them. Through our successful product development efforts, we have managed to considerably increase earnings for most of our customers and thus also for ourselves.

Cherry Casino

We distributed Cherry Casino to the shareholders in September. The first half of the year was dominated by preparations for distribution. New business was also developed during the year, especially within maritime activities in the Mediterranean. The company now has its own board of directors and can grow in time with changes in the market for physical games.



The legal situation

The Swedish state owned gaming company Svenska Spel never ceases to amaze. True to form, the company continues to launch new aggressive gaming types and to spend millions on marketing, all the while sheltering behind a sort of social protection banner incomprehensible to all. I think it is astounding that politicians have failed to show greater resolve in this matter, but the EU is scrutinizing a number of countries, among them Sweden, and it is not impossible that this will result in changes.

In 2006, internet gaming was banned in the US. The consequences are somewhat similar to those of USA's national prohibition of alcohol in the 1930s, in that the services are still on offer but in a forbidden market. As a result gamblers in the USA are able to gamble exactly as before but not with regulated gaming companies such as Betsson. The companies offering online gaming in the USA today, are in most cases unregulated and lack gaming licenses. The like consequence is less security for gamblers.

On the other hand, we have seen positive moves by the governments of Italy and Spain, both of which have taken the first step towards licensing gaming companies. Other countries are discussing similar schemes. The Placanica judgment delivered by the

EU Court at the beginning of March 2007 was also a significant step towards a modern regulated gaming market.

2007

The forthcoming year will be as exciting a year as 2006. Betsson started 2007 with powerful growth and a lot is happening in the company. During the year we will see new products as well as new geographical areas. We've got much more to give!

Stockholm, March 2007

Pontus Lindwall
President and group CEO

“The Placanica judgment delivered by the EU Court at the beginning of March 2007 was also a significant step towards a modern regulated gaming market.”



THE SHARE AND OWNERS

THE SHARE

Betsson's B-share is listed on the OMX Nordic Exchange in Stockholm, Small Cap.

Share structure

At the end of the year Betsson had 39,553,720 shares - 5,610,000 A-shares and 33,943,720 B-shares. Each A-share entitles its holder to 10 votes, while each B-share entitles its holder to one vote. All shares are equally entitled to Betsson's assets and profits.

Issues

A total of 1,494,994 B-shares were issued during the year, of which 800,000 were B-shares from the conversion of a convertible loan to the company CEO and 694,994 B-shares from exercised personnel options.

Convertible bonds and option program

There were no new incentive schemes in 2006. All old schemes have been terminated.

Ownership structure

As at 29 December 2006 Betsson had 3,256 (3,785) shareholders. 4% of these were foreign shareholders. 60% of the capital share is foreign owned as are 55% of the votes.

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

Liquidity guarantee etc

Since October 2003 Remium has acted as liquidity guarantor. Under the arrangement, Remium guarantees to set the price of Betsson share within a limited price range, or spread.

A total of 14.4 million (44.4) shares were traded during the year, which is equivalent to 43% (146%) of the average total issued B-shares.

An average of 58,000 (175,000) shares changed hands each trading day. The average numbers of contracts per trading day was 35 (100).

Share price and revenues

The share price declined by approximately 23% (36% increase) during the year. The (latest) price on balance sheet date was SEK 21.80 (28.20), which is equivalent to a market value of SEK 862 million (1,073). The highest price of SEK 35.90 was paid on 7 April, and the lowest was SEK 16.20 on 5 October. The average price during the

year was SEK 25.04 (29.01).

Total turnover during the year amounted to SEK 360 million (1,288), which is equivalent to an average of just over SEK 1.4 million (5.1) per trading day and approximately SEK 42,000 (51,000) per average transaction.

A standard trading unit in Betsson B is 500 shares.

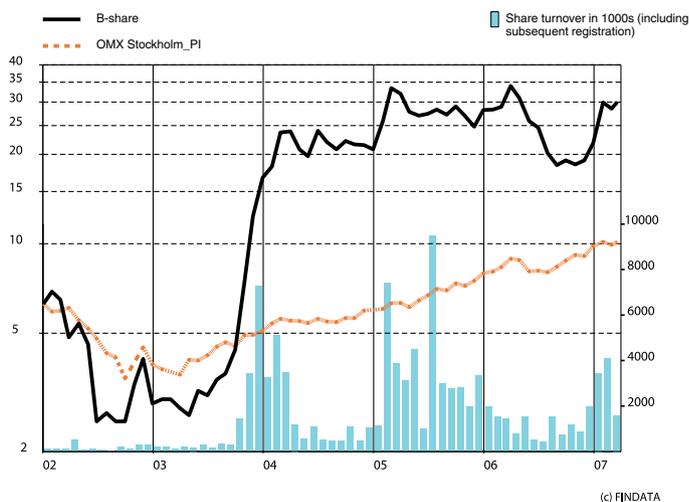
Dividend policy

In 2006, Cherryföretagen AB (business area Cherry Casino) was distributed to Betsson's shareholders. Since 12 September, Cherry's B-share has been listed on the Equities Market Place.

The board of directors proposes a cash dividend of SEK 0.50 per share for 2006. The board of directors also proposes that Net Entertainment be distributed to the shareholders.

The board of directors' normal target is the distribution of 25-30% of after-tax profit in dividend.

Share price diagram



(c) FINDATA

The largest shareholders as at 29 December 2006

Shareholder	Number A-shares	Number B-shares	Percentage of capital share	Percentage of votes
Straumur-Burdaras Investment Bank ¹⁾	1 402 500	5 613 749	17,7	21,8
Per Hamberg & family	1 497 000	1 812 078	8,4	18,6
Lars Kling	1 497 000	790 712	5,8	17,5
Rolf Lundström & family and companies	652 500	1 722 200	6,0	9,2
Bill Lindwall & family	561 000	102 595	1,7	6,4
Raiffeisen Zentralbank Österreich		3 407 000	8,6	3,8
Brewin Dolp Secs Ltd Gbl Cust		2 547 533	6,4	2,8
Landsbanki Luxembourg		1 658 370	4,2	1,9
SIS Segaintersettle AG, Switzerland		1 624 390	4,1	1,8
Pontus Lindwall		934 594	2,4	1,0
Landsbanki Islands HF		711 600	1,8	0,8
Fjärde AP-fonden		662 600	1,7	0,7
Hans Sköld & family		556 700	1,4	0,6
Other shareholders		11 799 599	29,8	13,1
Total	5 610 000	33 943 720	100,0	100,0

1) According to information submitted by Straumur-Burdaras Investment Bank, as at 29 December 2006 Straumur-Burdaras held 1,402,500 A-shares and 9,510,740 B-shares in Betsson, which would correspond to 27.6% of the capital share and 26.1% of the votes. However, Betsson does not know which institutions Straumur-Burdaras shareholding is distributed through, and thus in the above table Straumur-Burdaras Investment Bank is not shown as the owner of all the share it has stated it owns.

Capital share composition

	Votes	Number of shares	Number of votes	Nominal value SEK	SEK '000
Shares, series A	10	5 610 000	56 100 000	2	11 220
Shares, series B	1	33 943 720	33 943 720	2	67 887
Total share		39 553 720	90 043 720		79 107

Share distribution as at 29 December 2006

Number of shares	Number shareholders	% of no. shareholders	Number of shares	% of no. of shares	Percentage of votes
> 500 001	14	0,4	26 821 335	67,8	85,9
100 001–500 000	26	0,8	5 910 867	14,9	6,6
50 001–100 000	20	0,6	1 364 959	3,5	1,5
20 001–50 000	47	1,4	1 512 224	3,8	1,7
10 001–20 000	65	2,0	1 004 601	2,5	1,1
5 000– 10 000	103	3,2	825 706	2,1	0,9
2 001–5000	223	6,9	794 825	2,0	0,9
1 001–2 000	279	8,6	459 115	1,2	0,5
501–1 000	518	15,9	468 550	1,2	0,5
1–500	1 961	60,2	391 538	1,0	0,4
Total	3 256	100,0	39 553 720	100,0	100,0

GAMING FOR ALL IN A SECURE ENVIRONMENT

MISSION STATEMENT

Betsson's mission is "to offer attractive and entertaining gaming for money to the public."

OBJECTIVE

Betsson's primary objective is to continue growing in the European market. On the markets Betsson chooses to set up, overtime Betsson aims to be one of the three largest in the sector.

STRATEGY

Growth

Growth has high priority. The company shall grow organically, through acquisition and through close relations with existing customers. The company shall expand into new geographic markets.

Creating loyal customers

Having a loyal clientele is important, especially to be able to increase cross sales.

Local presence

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

Product range

Betsson provides top class products and outstanding customer care.

Betsson's vision is to provide "gaming for all in a secure environment". The www.betsson.com gaming site is the new generation's preferred gaming site. By providing an appealing gaming experience with a real gambling feel, high odds and easy accessibility in a secure environment, Betsson has developed into a leading internet gaming company.

The six product groups of Sportsbook, Betting Exchange, Casino, Poker, Bingo and Lottery (scratch cards) together contain thousands of different gaming options. Despite the wide range, it is easy to find what you are looking for. The site and all its games are distinguished by high quality, security and optimum functionality.

Betsson.com offers excitement and pleasure to everyone. Both the poker expert and the infrequent buyer of the scratch cards will find something to suit them.

One of the reasons for Betsson's success is the efforts the company has put into ensuring that everything offered by the site is user-friendly and of the very highest quality. By sustaining high quality and accessibility, providing solutions which are secure and offering games which customers really want, the company is in touch with a broad target group and is able to satisfy the varying needs of gaming enthusiasts and their varying financial resources.

Best website in Sweden

When the company's new website was launched at the beginning of 2006, it received an extremely positive reception. In June, the magazine Internet-world named it "Sweden's best sport and gaming site 2006". With the launch of an entirely new design, there

were quite tangible improvement for customers. For example, a purer gaming environment with more feel and phone support 24/7 was introduced. These measures enabled Betsson to embark upon serious competition with the major national gaming monopolies.

No matter the type of gaming involved, be it poker, casino, scratch cards, laying wagers and so forth, Betsson always has the most attractive solution. By continuing to offer world class gaming, Betsson will be able to satisfy the public's gaming wishes today as well as in the future.

PRODUCT GROUPS

Poker

Poker is still the fastest growing online game in the market and it seems interest will keep on growing.

You can choose to play Betsson Poker by cell phone, in your computer browser or via a poker client which can be downloaded from Betsson.com. Betsson's poker partner with almost 12 million registered poker players offers players an incredible range of opponents, regardless of level. There are options for playing with real and play money. Betsson.com offers a wide range of poker games, such as Texas Hold'em, Omaha, 7 Card Stud and there are frequent tournaments. In August, Betsson Black Jack was also launched in the Poker Room.

In some markets local poker varieties have been added, one example being Turkey where Turkish Poker was launched in January 2007.

The site has an interactive poker training school for those wishing to learn to play, or anyone wishing to be an even better poker player.

Casino

Classic casino gaming is popular on the internet. Betsson has noted a distinct increase in interest in casino gaming.

Betsson.com's product range includes various casino games of the very highest class from roulette to video poker. Common to all Betsson's casino games are their accessibility and user-friendliness. No game needs to be downloaded - you play straight on the website against Betsson or in tournaments. The option to participate in tournaments are proved to be highly appreciated.

Betsson constantly meets customers' demands and interest for internet casino gaming through the ongoing introduction of new products into the already wide product range.

The area made extremely good progress during the year, including the launch of some ten new games, such as Viking Treasure, Jackpot 6000, Red Dog and Jungle Keno.

Sportsbook

The Sportsbook offers customers a wide range of opportunities for betting on sports and other events of interest to the European market. The European Song Contest, films and general elections in Sweden and abroad are some

of the ways of wagering outside the sports area. The various sports offered by the Sportsbook include soccer, tennis, ice hockey, cricket and Formula 1 racing. It is Betsson's aim to satisfy the needs and requirements of the various customer groups in this area too, and therefore social developments and various annual events are monitored closely.

The Sportsbooks gaming area was the fastest growing area during the year, from the point of view of active customers.

Betting Exchange

You can also place bets on Betsson's Betting Exchange, except that in this case Betsson does not act as bookmaker - customers play directly against each other. As Betsson takes no risk in the game, the major part of the bets are return to the players as winnings, and consequently odds are higher than on traditional gaming sites. On average, on Betsson's Betting Exchange players' winnings amount to 98%, which is a significant reason why more and more people choose to play there. The Betting Exchange is open 24/7 and offers a number of live games, so games are played in real time. Betsson is neutral in every process and the company focuses on satisfying customers so they return again and again.

Lotteries

Scratch Cards are a relatively new product group for Betsson. The Trio Scratch Card was launched in July 2006 and since then has become a popular product. All of Betsson's customer groups play the Trio Lottery, which



"Betsson's mobile interface and innovative web client where poker players actually see a virtual face - even though this cannot yet be customized - are just two of the reasons why Betsson plays the pants of its rivals. The gaming atmosphere in the casino is fantastic and the new site which was launched last spring was miraculous in its clarity. Despite the wide range Betsson managed to make the options easy to find, and dressed to kill. Great! And we can hardly blame Betsson because we didn't win as much as we wanted to."

From Internetworld 07-06-2006

contains considerably more winning lots than traditional scratch cards. On average more than one in three Trio lots are winners. Winning stretches from SEK 25 and SEK 1 million. There are options for doubling or increasing winnings tenfold up to SEK 100,000, though the highest win never exceeds SEK 1 million. Betsson is eager to further increase the range of scratch cards.

Bingo

Betsson intends to launch Bingo at the end of March 2007, which will then be the seventh product group at Betsson.com. Bingo is most definitely a fast growing product group, much due to the social

aspect of the game. Betsson's Bingo is extremely true to life and offers a variety of bingo games, both classic and more modern. There is a bingo hostess in the chat room, where players have a chance to "socialize", at all times.

THE BETSSON INTERNET CASINOS

The Betsson Online business area also includes the two internet casinos, CasinoEuro.com and CherryCasino.com, which complement Betsson.com.

CasinoEuro.com and CherryCasino.com share Betsson's internal resources such as customer support, the payment department, operating surveillance etc. Through these two sites combined with Betsson.com the company is able to reach a broader target group than would have otherwise been the case, as to some extent the group which chooses Betsson's internet casinos varies from that which chooses Betsson.com. This setup allows the maximum utilization of company resources with consequent enhanced efficiency and profitability.

CasinoEuro.com and CherryCasino.com appeal to a characteristic casino audience and offer a complete range of casino games in a distinct high service casino environment. The experienced casino player will find almost daily tournaments on these sites.

CasinoEuro.com

CasinoEuro.com is the internet casino of the Europeans, where casino players from across Europe compete for the big wins. The casino has been structured to offer the whole of Europe easily accessible casino gaming. Particular importance has been attached to simplicity - even the less experienced computer user must find it easy to play on CasinoEuro.com. Today,

the casino is available in 16 different languages and offers a range of games which can compete both with other internet casinos and with onshore casinos. Locally customized payment systems and support services are other factors contributing to CasinoEuro.com's success.

CherryCasino.com

CherryCasino.com opened as far back as 2000. The casino quickly established a good reputation and attracted many players mainly from North America. In recent years, Europeans have also started to gamble at CherryCasino.com. Since Betsson closed down all gaming operations from the US in October 2006, CherryCasino.com has switched its focus to the European gaming market. This change of focus has resulted in site language support being increased to 11 languages and the setting up of local payment systems. During the year, CherryCasino.com was given a brush-up which, for instance, made the site more user friendly.

SECURE GAMING WITH BETSSON

In order to underpin Betsson's motto of "gaming for all in a secure environment", the company collaborates with and has been certified by a number of important bodies.

- ✦ The company's security procedures ensure that everything that happens at Betsson is secure. Customers' money is deposited in clients' funds accounts at some of the banks the company collaborates with.
- ✦ Critical information on Betsson's gaming portal is encrypted by Veri-Sign SSL (Secure Socket Layer).
- ✦ Payments through Betsson are extremely secure. All information on payments is encrypted and the company has a separate department which monitors payments via automatic and manual means. Betsson's premises are also extremely secure.
- ✦ Betsson Casino uses a random number generator which is analyzed and approved by two independent third parties (National Laboratory of Forensic Science in Sweden and Technical Systems Testing in Canada). This generator is used both for gaming with real and play money.
- ✦ Betsson Casino's payout percentage is monitored by The Online Players Association (OPA).
- ✦ Betsson Poker is monitored via automatic and manual systems intended to avoid players on Betsson.com being subject to fraud.
- ✦ Betsson has been certified by the Global Gambling Guidance Group (G4), which aims to minimize gaming dependency. To be a certified company personnel must have taken a course of training and must offer customers information and tools to counteract gaming dependency.
- ✦ The company holds a bookmaker's license in the UK, which has been registered in accordance with UK law. Through a partner company Betsson also holds a gaming license in North Cyprus, and in 2006 Betsson was also granted a Maltese license.
- ✦ Betsson works together with some of the world's largest and most trustworthy banks.

AN INCOME MODEL THAT GIVES YOU MORE

Basically, all gaming on Betsson.com is about excitement and pleasure. The excitement comes from the prospect of hauling in the big win; the pleasure, for example, from outsmarting your opponents at the poker table.

With its complete range, wide reach and constant accessibility Betsson.com has something for every customer group. The range of products offered by the site has something for every age (over 18), interest and wallet. And the elegant and easy-to-grasp website makes the overall experience even more satisfying. Betsson's gaming portal has become a powerful and ever more important alternative to traditional pleasures, such as the cinema, sports events or concerts.

Betsson has two main types of gaming with different income models: either customers play against Betsson or they play against each other.

Betsson's high payout percentage is one of the competitive parameters which attracts new customers and keeps existing ones. Therefore, Betsson offer customers good odds and frequent

payouts on all games.

Moreover, Betsson listens to what its customers have to say to discover what is in demand and what gaming experience people are seeking. If customers visiting Betsson.com are happy with the products and the experience offered, more visits will follow.

It need not cost a lot to play with Betsson. If you want to bet a dime, you can, and if you want to bet more, you can do that too. Of all the bets placed on average only a small proportion is retained by Betsson, the rest is returned to players as winnings. Betting for low stakes makes gaming with Betsson an exciting pleasure rivaling other types of entertainment and pleasure. Because the gaming and price model attracts a broad group of customers, considerable revenues accrue to the company.

BETSSON HAS TWO INCOME MODELS:

✦ BETSSON PLAYS AGAINST THE CUSTOMER

(the Casino, Sportsbook, Bingo and Lottery business areas): Betsson acts as the bank for these games. The company can lose each time a game is played. Nevertheless, Betsson profits in the long run because of the many games. The profitability of the Sportsbook is dependent on professional odds-setters within the company and their ability to set odds for various gaming objects. Within the Casino business area the odds are mainly built into the games themselves and Betsson's financial risks are lower.

✦ CUSTOMERS PAY AGAINST EACH OTHER

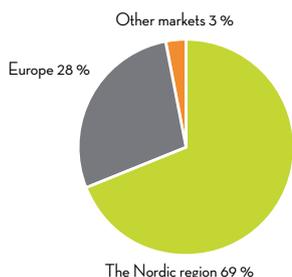
(the Poker and Betting Exchange business area): In the Poker business area Betsson charges a commission (less than 5% of the winnings) on each pot played. Because poker moves quickly and players can play several hands in a short time, this is a profitable game for Betsson. The Betting Exchange also pits customers against each other. Each time a player wins, Betsson takes a small share in commission. The more customers who play on the Betting Exchange, the more Betsson earns in commission. Only the number of sport events limits the gaming and profit possibilities in the Betting Exchange.



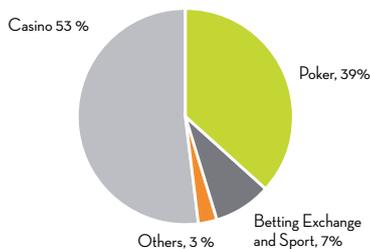
THE GAMING MARKET TODAY AND TOMORROW

The global market for online gaming has grown steadily in recent years and is forecast to continue its growth in the future. Much of the growth stems from better access to good internet connections in everyday life. More and more gamblers are also choosing the internet instead of more traditional methods of gaming thanks to the rapid results, the increased payout percentage, greater accessibility and the ever widening range of online gaming. Yet another advantage of gambling online is the possibility of playing against one another directly, regardless of where one is in the world.

Betsson revenues by market 2006



Betsson revenues by product 2006



Several market survey institutes¹ forecast that online gaming will continue to grow strongly during the forthcoming years. A study² carried out by Global Betting and Gaming Consultants forecasts that the online gaming market will grow by some 30% in 2007. It has been forecast that the market will grow by some 20% per annum until 2010.

A study³ carried out by e-Commerce and Online Gaming Regulation and Assurance (e-COGRA) shows that online poker will probably continue to grow at a slightly faster rate than online casino, partly because most poker players are young and have greater exposure to media which cover poker playing, such as celebrity tournaments on TV. 10,865 people from 96 different countries participated in the study.

The study also showed that women make up the majority of online casino players (almost 55% of those questioned), in the 46-55 age group (almost 30%). This may be compared with online poker where the majority (almost 74%) of those questioned were men in the 26-35 age group (almost 27%). Both groups play approximately 2-3 times a week and have been playing online casino and online poker respectively for some 2-3 years.



New forms of distribution

The ability to connect to the internet by, for instance, cell phone or digital TV is also contributing to online gaming market growth.

Particularly powerful growth in online gaming via cell phone networks has been noted in East Asia. However, the real breakthrough in this type of distribution is expected to still be some years ahead. The main cause for the slow growth is believed to be the lack of clear standards both for hardware (phones) and operating systems.

Nevertheless, already today Betsson can offer poker by cell phone along with a poker client which can be downloaded to a computer, as alternatives to playing directly on the website.

1) Including The River City Group and Global Betting and Gaming Consultants.

2) Global Betting and Gaming Consultants, January 2007.

3) An Exploratory Investigation into the Attitudes and Behaviors of Internet Casino and Poker Players, January 2007.

Betsson's geographical markets

At the end of the year Betsson was established in 10 countries: Sweden, Norway, Denmark, Finland, Turkey, Poland, the UK, the Czech republic, Iceland and Germany. In 2006, the Nordic regions together constituted the largest geographical market. Poker has been particularly popular in the Nordic region, whilst the Betting Exchange and Sportsbook product ranges have been more popular in the rest of Europe. Casino has been popular in all geographical markets.

Taken as a whole and including all markets and product types, last year sports gaming (47,000 active customers) was most popular followed by Poker (38,400 active customers). However, the Casino business area generated more than half of company revenues.

Internet access and gaming by internet

Today, some 18% of global population has access to the internet.

Of Betsson's geographical markets, Iceland and Sweden have the highest proportion of inhabitants with internet access.

Betsson makes constant endeavors to customize its range to the various geographical markets to satisfy local gaming demands. For example, betting on the outcome of the European Song Contest has greatly increased in Sweden, and Turkish Poker was launched in Turkey in 2006 and enjoyed immediate popularity.

At the end of the year, Turkey accounted for approximately 20%

of Betsson revenues. A bill has been passed in Turkey which may in general impair Betsson's and other foreign gaming companies' opportunities for offering gaming services to consumers in Turkey.

Customers

Betsson grew rapidly in 2006. At the end of the year, Betsson Online had more than half a million (543,600) registered customers, of which 92,600 are counted as active.

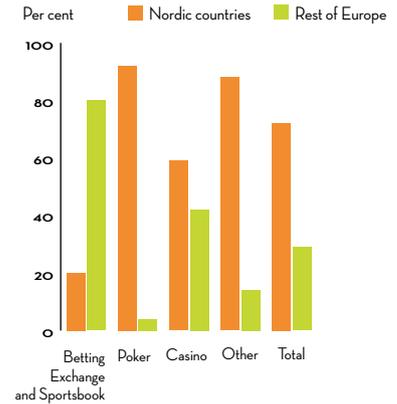
Many of the active customers were active in more than one area (but have only been counted once). Thus the number of active customers with Betsson.com and the company's internet casino grew by 109% during the year. Active customers are defined as those who have played during the last three months.

Betsson sees competition as a driving force

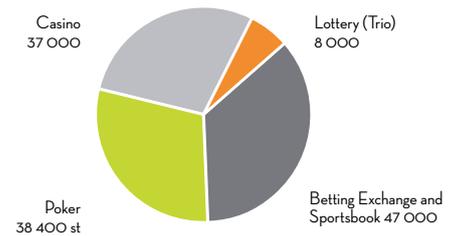
While the future looks bright and sales growth is forecast, competition for players is constantly increasing. This must be taken extremely seriously but, at the same time, it drives a company like Betsson to renewed efforts. Competition helps Betsson stay focused, develop and come up with new customized solutions.

During the year, Betsson submitted an application to the Swedish Ministry of Finance to be allowed to engage in gaming in Sweden. No reply has been received to the application, but once the Swedish gaming monopoly has been finally abolished, Betsson will be ready to take the competition in the Swedish gaming market to a new level.

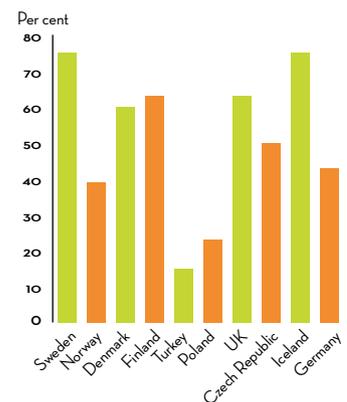
Product group sizes in the Nordic countries and Europe 2006



Active players during Q4 2006 on Betsson gaming sites by product



Internet penetration in Betsson's geographical markets 2007



Source: http://www.nationmaster.com/red/graph/int_use_percap-internet-users-per-capita/AFR&b_printable=1

NET ENTERTAINMENT'S BUSINESS

Betsson intends to distribute Net Entertainment to the shareholders and list the share separately on the NGM at the end of March 2007.

Net Entertainment is a leading Business to Business (B2B) provider of package solutions for casino gaming over the internet. The company develops gaming software which is licensed to an international clientele which today consists of more than 40 different gaming companies such as Unibet, Gamebookers, PokerRoom and Betsson.

The licensees are offered customized gaming systems along with service and support. The company continuously invests considerable resources in R&D on order to remain at the forefront of gaming technique.

Net Entertainment uses computer operating centers on Malta and in Costa Rica. The company manages technical operations for its customers, enabling the company to provide high availability and competitive operating environments to customers regardless of their target markets.

Until now, Net Entertainment has primarily focused on the European market but is gradually intensifying its commitment to new markets in Eastern Europe and Asia. Because Net Entertainment's customer base mainly operates in Europe, the company was only marginally affected by the new

legislation that entered into force in the US in October 2006.

PRODUCTS

CasinoModule™

CasinoModule™ is a gaming system consisting of a broad range of games managed by a comprehensive surveillance and control system. The range of games offered comprises traditional casino games such as numbers games and scratch cards as combination or stand-alone products. Net Entertainment offers an online casino system which is optimized for integration with existing gaming portals such as sport gaming sites.

Net Entertainment's primary target group is sports gaming operators with existing customer bases seeking to supplement their present gaming range with casino games. The games are customized upon delivery to each customer, giving the licensee a unique casino that is an important part of the customer's brand building. CasinoModule™ is an independent system technically speaking but is perceived by the gamer as a natural part of the license holder's website.

Today CasinoModule™ offers a wide language support with 21 languages, and work has begun on increasing the language range with five Asian languages. Thus increasing the number of languages offered by CasinoModule™ to 26, which is an important competitive advantage.

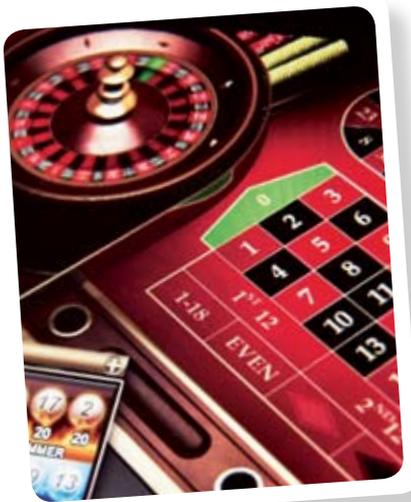
In 2006, Net Entertainment signed 16 new supply contracts for CasinoModule™. During the year, the company also harvested the fruits of its investment in increased production capacity and the process and procedure changes made in 2005. As a result, 18 new games were released, which made a powerful contribution to increased growth.

Multiplayer games

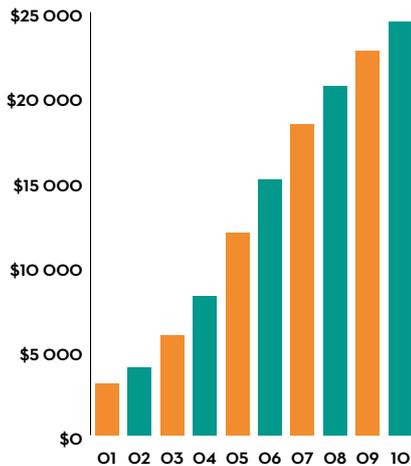
Recently, Net Entertainment acquired and further developed a multiplayer platform, which enables players to play against each other in a network where several license holders can be integrated. On the multiplayer platform, Net Entertainment can broaden its product portfolio with many new types of games. With limited development costs and lead times different types of games can be developed, such as poker and blackjack. The first game to be developed on the new platform is a poker game for the Turkish market. With a population of 73 million, the Turkish market has great potential.

Service & Support

Net Entertainment's Professional Service department handles day-to-day technical contacts with customers. In order to give every internet casino a unique feeling, the games are customized to the customer's graphic image and logo on, for instance, playing cards and playing surfaces for each delivery made.



Global sales Online gambling 2001-2010



Source: Global Internet Gambling Revenue Estimates and Projections (2001-2010, \$M, US), Christiansen Capital Advisor's, 2005.

NEW PRODUCTS

Casino Café

Casino Café was developed in 2006. The system is based on CasinoModule™ with the addition of a till feature for handling cash payouts and one-off accounts. The system has been produced to offer games for cash in a physical environment. A beta version of the product has been released and it is intended to launch Casino Café in 2007.

Soft Games

Soft Games is a simplified type of a game of skill, such as car games, which in general produce lower returns but attract a different target group to that attracted by casino games. The games should benefit the casino games by attracting new customers to the casino. At the moment, Net Entertainment does not offer Soft Games, but this is an area which will be appraised by the company in 2007.

MISSION STATEMENT

Net Entertainment seeks to provide robust internet gaming systems with exciting games and expand its business based on state-of-the-art technology and expertise for gaming operators seeking to expand their product portfolios and profitability.

BUSINESS MODEL/INCOME MODEL

Sales are mainly made directly to customers. CasinoModule™ is licensed on a royalty basis, the amount of which is determined by the results generated by the product, but with a minimum royalty charge. This is a powerful incentive for the company to constantly develop the product further and support the company's license holders. Product prices also include start-up and delivery.

CUSTOMERS

Net Entertainment has some 40 customers of varying sizes. Most of the customers are sports gaming sites. However, in recent years these have developed into being complete gaming destinations with sports gaming, casino games, poker, soft games etc. In addition, there are straightforward poker pages and a few more general games destinations.

The fact that Net Entertainment works in partnership with customers guarantees the company's dedication, through which long-term customer relations are cemented. Net Entertainment has close relations with its license holders both at operating and executive levels. Such close cooperation enables Net Entertainment to develop the games and features the market is seeking. This is an important factor in

maximizing income generation, which because of the price model benefits both customers and Net Entertainment.

THE SIZE OF THE MARKET

Net Entertainment assesses that there are good conditions for continued expansion. Internet gaming has proved to be a high growth market over the last five years and is expected to grow at 20% annually in future, and thus revenues in 2007 are expected to exceed USD 20 billion.

One important reason for this growth is increased internet access and the availability of broadband. The greatest growth is predicted for Eastern Europe and Asia.

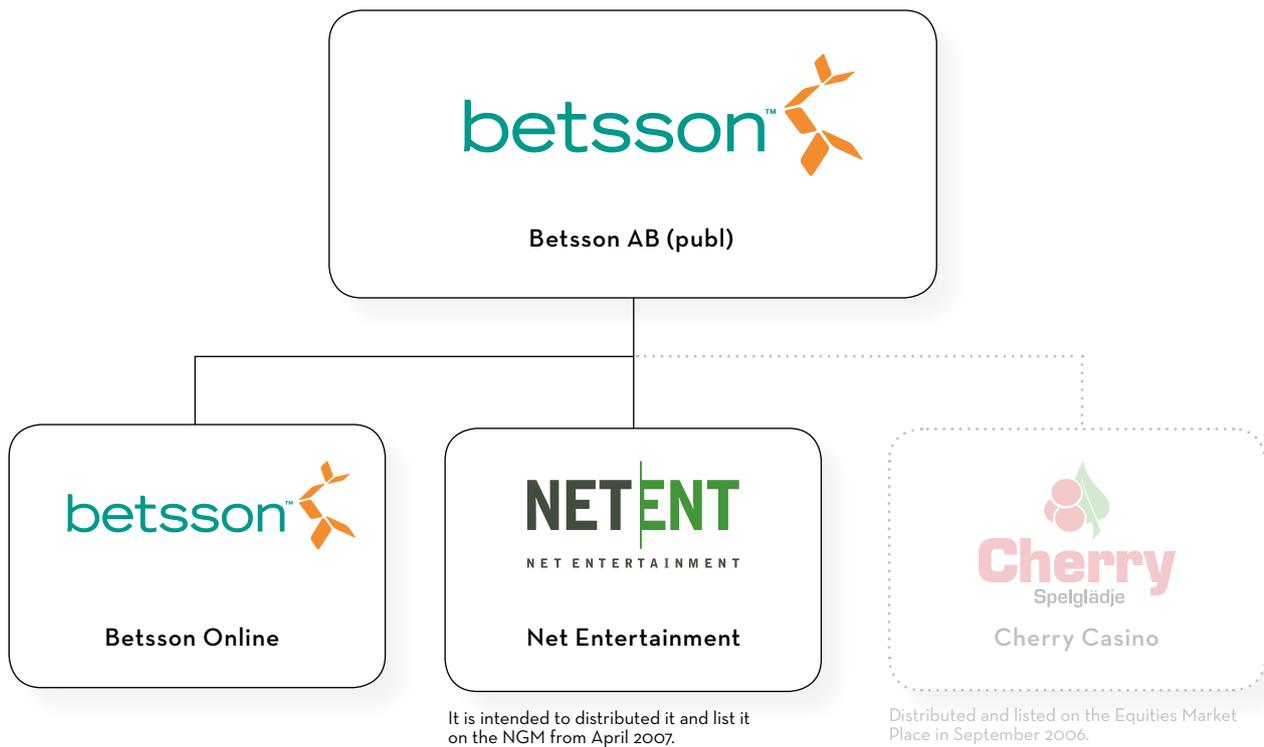
COMPETITORS

Although the market for online gaming is large and growing, the supplier side is dominated by just a few players. Net Entertainment's main competitors are Boss Media, Chartwell, Cryptologic, Microgaming, Playtech and Real Time Gaming. Most of these have a considerably broader product portfolio than Net Entertainment, and in recent years many have increased their focus on the poker market.

In contrast to its competitors, Net Entertainment has decided to focus on casino games as a defined market segment and through it develop and offer a casino system of the very highest class. This strategy has shown itself to be extremely successful.

ORGANIZATION

BETSSON AB is the parent company of the Betsson group. The parent company is responsible for the company listing, board work, market information, investor relations and financial reporting. The parent company is based in Stockholm. The company is listed on the OMX Nordic Exchange in Stockholm, Small Cap.



BETSSON ONLINE develops and engages in internet gaming and is based on Malta. Betsson Online offers internet gaming to end customers via the Betsson.com, CasinoEuro.com and CherryCasino.com websites.

NET ENTERTAINMENT is a leading B2B supplier of overall systems to online casinos. Net Entertainment develops gaming software which is licensed to an international clientele, which today consists of some 40 customers. It is intended to distribute Net Entertainment to the shareholders at an extraordinary shareholders' meeting on 30 March 2007.

CHERRY CASINO has been dedicated to gaming for more than 40 years and for many years has been the leading private market player in Sweden for casino and slot machine gaming. The company operates in Swedish restaurants, on ferries on northern European and Mediterranean routes and in amusement arcades in Denmark. Cherry Casino was distributed to the shareholders on 6 September 2006.

FIVE-YEAR HIGHLIGHTS

5-YEAR HIGHLIGHTS - GROUP

(Amounts in SEK '000 unless otherwise specified)

	2006	2005	2004	2003	2002
Income Statement					
Revenues	391 495	203 256	60 984	28 201	8 687
Operating income	58 729	40 609	8 328	-3 112	-15 338
Financial items, net	-2 086	141 648	1 531	-633	1 087
Income before tax	57 643	182 257	9 859	-3 745	-14 251
Income after tax for the continuing operations	60 486	174 827	7 652	-2 116	-9 003
Income from discontinued operations (Cherry)	2 023	3 239	4 419	5 603	8 553
Annual income after tax	62 509	178 066	12 071	3 487	-450
- of which attributable to the parent company's shareholders	62 272	176 919	11 354	2 565	-900
<p>The Cherry company was distributed to the shareholders in September 2006. The above table does not include Cherry's revenues and expenses. Cherry's net after-tax income is reported in the "Income from discontinued operations (Cherry)" item in the income statements.</p>					
Balance Sheet					
Intangible assets	403 469	395 200	18 532	10 969	11 850
Tangible fixed assets	10 574	27 309	27 776	24 998	27 100
Financial fixed assets	713	2 313	34 896	14 360	13 253
Current assets	177 796	148 579	70 378	69 708	60 830
Total assets	592 552	573 401	151 582	120 035	113 033
Equity (including minorities)	491 335	474 130	101 301	77 991	74 044
Long-term interest-bearing liabilities	-	9 687	4 674	5 417	1 797
Other long-term liabilities	957	14 393	4 833	789	2 299
Current interest-bearing liabilities	-	3 504	806	936	19
Other current liabilities	100 260	71 687	39 968	34 902	34 874
Total equity and liabilities	592 552	573 401	151 582	120 035	113 033
Financial position					
Equity including minorities	491 335	474 130	101 301	77 991	74 044
Total Assets	592 552	573 401	151 582	120 035	113 033
Equity/assets ratio (%)	83	83	67	65	66
Quick Ratio (%)	177	195	167	188	169
Profitability					
Return on total capital (%)	10	40	13	2	2
Return on equity (%)	13	44	13	3	-1
Return on capital employed (%)	12	46	18	2	4
Profit margin, %	14,7	89,7	16,2	-13,3	-164,0
Operating margin (%)	15,3	20,0	13,7	-11,0	-176,6
Investments					
Tangible fixed assets	26 655	14 553	13 597	7 607	15 366
Intangible fixed assets	19 311	13 820	3 970	2 240	2 673
Shares and other	-	1 000	13 861	2 145	-

5-YEAR HIGHLIGHTS – GROUP

(Amounts in SEK '000 unless otherwise specified)	2006	2005	2004	2003	2002
Personnel					
Average number of employees	113	64	34	25	23
Number of employees at end of year	146	90	37	27	22
The share					
New share issue (before issuing costs)	6 129	229 642	12 756	-	20 409
Share Capital	79 107	76 117	62 407	61 227	61 227
Outstanding convertible (preferred shares)	-	800 000	800 000	800 000	-
Outstanding warrants (shares)	-	710 000	710 000	710 000	-
Number of shares at end of year	39 553 720	38 058 726	31 203 726	30 613 684	30 613 684
Average number of outstanding shares	39 088 161	36 049 178	30 948 468	30 613 684	21 024 192
Average number of outstanding shares after dilution	39 553 720	37 466 258	32 337 316	31 733 166	21 024 192
Number of own shares	0	0	0	0	0
Number of registered shareholders	3 256	3 785	2 828	3 288	2 634
Share price at end of year (SEK)	21,80	28,20	20,80	16,70	2,90
Continuing operations:					
Earnings per share (SEK)	1,55	4,84	0,25	-0,06	-0,43
Earnings per share after dilution (SEK)	1,53	4,66	0,24	-0,06	-
Total business					
Earnings per share (SEK)	1,59	4,91	0,37	0,08	-0,04
Earnings per share after dilution (SEK)	1,58	4,73	0,36	0,08	-
Equity per share (SEK)	12,41	12,38	3,19	2,48	2,39
Equity per share after dilution (SEK)	-	12,06	3,24	2,56	-
Dividend per share (SEK)	0,50	0,00	0,00	0,00	0,00

The IFRS have been applied since 2005. Comparative figures for 2004 have been converted in accordance with the new accounting policies.

BOARD OF DIRECTORS



From left: Anna-Carin Månsson, Per Hamberg, Kicki Wallje-Lund, Patrick Svensk, John Wattin and Emil Sunvisson (proposed member from 30 March 2007)

John Wattin

Chairman of the Board
Born 1947, Stockholm.

Member of the board of directors since 1989.
CEO of Investering i Kunskap AB.

Other appointments: Chairman of the board of Qbranch AB, Intact Technology Stockholm AB and Valueetree AB
Vice President MySQL AB and Akademikliniken AB.

Member of the board of directors of Silentium AB and Net Entertainment NE AB.

Shareholding: 105,500 B-shares
Includes holding via company.

Patrick Svensk

Member of the board of directors
Born 1966, Stockholm.

Member of the board of directors since 2005.
CEO of Zodiak Television AB (publ).

Shareholding: 2,000 B-shares

Kicki Wallje-Lund

Member of the board of directors
Born 1953, Stockholm.

Member of the board of directors since 2006.

CEO Wellnet AB.

Other appointments: Chairwoman of the board of Curera Sverige AB.

No shareholding.

Per Hamberg

Member of the board of directors
Born 1943, Ekerö.

Member of the board of directors since 1974. Other appointments:

Member of the boards of directors of Solporten Fastighets AB and Cherryföretagen AB (publ).

Stockholding: 1,497,000 A-shares and 1,812,078 B-shares (including holding of related activities).

Anna-Carin Månsson

Member of the board of directors
Born 1959, Lidingö.

Member of the board of directors since 2003.
Partner Theia Investment AB.

Other appointments: Member of the boards of directors of Investment AB Spiltan, Nyréns Arkitektkontor, PIE-P, Preera AB, Silentium AB, Stagepool AB and Theia Fond 1.

Shareholding: 10,000 B-shares

Emil Sunvisson

Proposed member of the board
Born 1971, Stockholm.

Financial advisor to Straumur-Burdarás.
CEO of Scandcap AB.

Other appointments: Member of the board of directors of Cherryföretagen AB (publ).

No shareholding.

Skuli Valberg Olafsson

Retired from the board of directors at his own request on 26 January 2007 (not in picture).

EXECUTIVE MANAGEMENT AND AUDITORS IN 2006 (PRIOR TO DISTRIBUTION OF NET ENTERTAINMENT)



From left: Johan Öhman, Anders Holmgren, Pontus Lindwall and Peter Eidsensjö.

Pontus Lindwall

CEO, Betsson AB (publ)
Born 1965, Stockholm.

Has worked in the group since 1991.
Chairman of the board of
Net Entertainment NE AB.
Member of the board of directors
of Betsson Technologies AB and
Betsson PR & Media AB.

Shareholding: 934,594 B-shares .

Peter Eidsensjö

CFO Betsson AB (publ)
Born 1957, Stockholm.

Employed by the group since 1989.
Deputy member of the board of
Betsson Technologies AB.

Shareholding: 44,000 B-shares.

Johan Öhman

CEO, Net Entertainment
Born 1969, Stockholm.

Has worked in the group since 2003.
Shareholding: 6,500 B-shares.

Anders Holmgren

CEO, Betsson Online Born 1973, London.

Has worked for the group since 2004.
CEO and member of the board of direc-
tors of Betsson Malta Ltd, Betsson Ltd.
Member of the board of directors of
Betsson Malta Holding Ltd.

Shareholding: none.

AUDITORS

Gunnar Liljedahl

Auditor
Born 1948, Nordmaling.
Authorised Public Accountant
Auditor since 1995,
Deputy auditor since 1985.
Ernst & Young AB.

Wilhelm Sande

Deputy Auditor
Born 1948, Umeå.
Authorised Public Accountant
Deputy auditor since 1995.
Ernst & Young AB.

EXECUTIVE MANAGEMENT

FROM APRIL 2007



From left: Pontus Lindwall, Thomas Kalita, Anders Holmgren, Fredrik Nilsson, Peter Eidensjö and Tomas Alexanderson.

Pontus Lindwall

CEO, Betsson AB (publ)
Born 1965, Stockholm.

Has worked in the group since 1991.
Chairman of the board of Net Entertainment NE AB.
Member of the board of directors of Betsson Technologies AB and Betsson PR & Media AB.
Shareholding: 934,594 B-shares.

Thomas Kalita

CEO, Betsson Online
Born 1969, Malta.

Employed by Betsson since 2006.
Shareholding: none.

Anders Holmgren

CEO, Betsson Online
Born 1973, London.

Has worked in the group since 2004.
CEO and member of the board of directors of Betsson Malta Ltd, Betsson Ltd.
Member of the board of directors of Betsson Malta Holding Ltd.
Shareholding: none.

Fredrik Nilsson

CFO, Betsson Online
Born 1973, London.

Employed by Betsson since 2004.
Shareholding: none.

Peter Eidensjö

CFO Betsson AB (publ)
Born 1957, Stockholm.

Has worked in the group since 1989.
Deputy member of the board of directors of Betsson Technologies AB.
Shareholding: 44,000 B-shares.

Tomas Alexanderson

CTO, Betsson Technologies AB
Born 1974, Stockholm.

Employed by Betsson since 2004.
Shareholding: 3,000 B-shares.

ANNUAL REPORT 2006

ANNUAL REPORT 2006

The board of directors and the CEO of Betsson AB (publ), Corp. ID 556090-4251, domiciled in Stockholm, hereby submit the annual financial statements of the parent company and the group for the 2006 financial year. The annual financial statements including the auditor's report are presented on pages 22–50.

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

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

The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be presented to the annual general meeting on 22 May 2007 for adoption.

DIRECTORS' REPORT

The parent company changed company from Cherryföretagen AB to Betsson AB on 13 June 2006.

Listing and ownership

The company's B-share is listed on OMX Nordic Exchange in Stockholm Small Cap. The company has some 3,250 shareholders in all. At the end of 2006, the largest shareholders were Icelandi Straumur Burdará with a total of 27.6% of the capital and 26.1% of the votes.

General comments on the business and its object

The company's object is internet gaming. In 2006, the business was divided into two business areas.

Betsson Online

Internet gaming directly with customers in a global market, primarily through Betsson.com and CasinoEuro.com

Net Entertainment

Development of gaming software which is licensed out to international gaming companies.

Discontinued operations

The group's traditional gaming business - the Cherry Casino business area – was distributed to Betsson's shareholders under the name of Cherryföretagen at the beginning of September 2006. The financial results of the Cherry Casino business for January-August 2006 are included in the present annual report. Cherry Casino revenue and expense items have been excluded from the income statement and reported net under the item "Income from discontinued operations" in accordance with the IFRS.

Consolidated revenue and income

The Betsson group's revenues increased by 93% to SEK 391.5 (203.2) million during the year. Betsson Online more than doubled its sales compared with the same period the previous year. Net Entertainment's revenues also increased sharply compared with the previous year.

Operating income amounted to SEK 59.7 (40.6) million. The operating margin was 15.2% (20.0%).

Income before tax amounted to SEK 57.6 (182.2) million. Last year the revaluation of financial instruments boosted the net financials item by SEK 135.0 million. Annual after-tax income for the continuing business amounted to SEK 60.5 (174.8) million, equivalent to SEK 1.55 (4.84) per share.

Annual after-tax income for total operations amounted to SEK 62.5 (178.0) million, equivalent to SEK 1.59 (4.91) per share. Income from discontinued operations refers to the previously included traditional gaming business of Cherry Casino and amounted to SEK 2.0 (3.2) million.

Return on equity was 13% (44%) and return on total capital was 10% (40%). On balance sheet date equity per share amounted to SEK 12.41 (12.38).

Restructuring

Since the end of 2005 Malta has been the base for Betsson Online's main business, and Betsson Online has its head office there. During the last quarter of 2006 all IP rights including trademarks were transferred to the company on Malta. Transfers were made at fair value according to outside impartial valuations. The transfers have allowed Betsson to write back previously recognized deferred tax liabilities on these rights, which has resulted in recognition of a positive tax expense. As a result of gathering all online business and associated rights on Malta the tax position of Betsson group will improve now and in the future, as the effective tax rate on Malta is between 4% and 6%.

In 2006, Net Entertainment gradually moved its marketing, sales and product development departments to Malta as a result of customers' needs and wishes and Maltese licensing requirements. Net Entertainment has also embarked upon the process of Transferring IP rights to its Maltese company. Once restructuring is complete, the Swedish company will only have corporate management and the departments concerned with developing the company's games and gaming systems. In the longer term, restructuring will bring tax benefits to the Net Entertainment group.

The Betsson Online business area

The Betsson Online business area offers internet gaming to end customers in the global market via the betsson.com gaming portal and via the CasinoEuro.com and CherryCasino.com casino sites.

At the end of the year Betsson Online reported record quarterly figures with continued growth for all products and markets. Full year revenue more than doubled to SEK 314.0 (154.5) million.

The adjustment of marketing mix performed in the second and third quarters – resulting in changes in marketing methods and expanding to other markets - had a positive impact on revenue and income. The business area's full-year operating income increased to SEK 28.6 (16.7) million.

At the end of the year, American customers were cleared from the customer register, so that the customer base should reflect real conditions after the end of the year. The Casinodomain.com internet casino, the customers of which were predominantly American, was closed down completely during the fourth quarter and the CasinoEuro.com and CherryCasino.com internet casinos were purged of American customers. In addition the betsson.com, CasinoEuro.com and CherryCasino.com customer registers have been combined. After these adjustments, which involved the removal of some 225,000 customers, at the end of the year there were 543,600 registered customers. At the end of the year there were 92,600 active customers, a growth of 109% from the previous year.

The Net Entertainment business area

Net Entertainment is a leading B2B supplier of online games, whose trademark is associated with innovative thinking and quality. Net Entertainment develops gaming software which is licensed to an international clientele, which today consists of some 40 gaming companies.

Full-year revenue increased by 44% to SEK 99.8 (69.2) million and operating income increased to SEK 40.8 (35.9) million. Excluding intra-group sales to Betsson Online, revenue increased by 58% to SEK 76.2 (48.2) million for the full year.

Investments

Investments in intangible assets amounted to SEK 26.7 million, which referred to capitalized development costs in Net Entertainment and Betsson. SEK 10.5 million were invested in tangible assets, primarily for servers and other computer equipment, and furnishings and equipment for the office on Malta.

Financing

Betsson operations are self financed. At the end of the year the equity/assets ratio was 83% (83%).

Shareholders' contribution

During the year the parent company made a shareholders' contribution to Cherryföretagen (the former Cherry Casino business area) in the form of operations and share in subsidiaries and a cash payment of SEK 38.4 million prior to the distribution of Cherryföretagen to Betsson's shareholders.

Personnel

The average number of employees in the continuing business during the year was 113 (64) for the group. At the end of the year the figure was 146 (90).

Distribution of subsidiaries

The extraordinary general meeting held on 6 September adopted the board of directors' proposal to distribute the Cherry Casino business area (under the name of Cherryföretagen AB) to Betsson's shareholders. The Cherryföretagen B-share was listed on the Aktietorget on 12 September. The distribution resulted in a SEK 50.6 million decrease in group equity, of which SEK 3.4 million referred to transaction expenses and SEK 2.9 million to minorities.

Share issue through the exercise of options and convertible promissory notes

During the second quarter options were exercised under the company's incentive scheme. The conversion of a mortgage loan in April led to the addition of 800,000 B-shares and an additional 694,994 B-shares were issued through the exercise of options. Overall equity increased by SEK 6.1 million, of which SEK 3.0 million was added to capital share.

The board of directors' share issue mandate

The annual general meeting held on 15 May 2006 decided to authorize the board of directors until the time of the next annual general meeting to, on one or more occasions, with or without preferential rights for shareholders, resolve on the issue of a maximum of 3,000,000 B-shares against cash payment and/or payment in kind, offset or on other conditions. The mandate was not exercised during the 2006 financial year.

Dividend

The board of directors proposes that the annual general meeting on 22 May adopt a dividend of SEK 0.50 per share.

The board of directors also proposes that an extraordinary general meeting held on 30 March 2007 adopt a resolution distributing Net Entertainment to the shareholders.

The board of directors of Betsson will request the 2007 annual general meeting for authorization to buy back own share. Under such a mandate until the next annual general meeting the board of directors would be entitled to authorized the buyback a maximum of 10% of the company's share. Buybacks would be made via the share exchange or through offers to all shareholders. It is also proposed that this mandate should allow for options to transfer purchased share.

Significant events after the end of the financial year

Straumur Burdaras' representative on the board of Betsson, Skuli Valberg Olafsson, retired from the board at his own request in January. The reason for his retirement was a considerable increase in Olafsson's responsibilities and work burden as COO of Straumur Burdaras Investment Bank, leaving him with too little time for his duties on the board of directors of Betsson. Straumur Burdaras has recommended Emil Sunvisson to the Nomination Committee for election as representative of Straumur at the next extraordinary or annual general meeting. It is proposed to attach

Emil Sunvisson to the board of directors in the meanwhile.

Net Entertainment has succeeded having its CasinoModule™ project voted one of the top 20 international gaming products in 2006 by the journal International Gaming & Wagering Business. The 20 best gaming products were chosen by a panel of impartial judges based on the following criteria: innovation, efficiency, user-friendliness, end user evaluation, integration, long-term value and earnings potential.

Prospects for 2007

The beginning of 2007 has seen a strong start for Betsson Online with continued growth in all products in all markets. Betsson is not presenting any forecast for 2007.

In order to further emphasize the fundamental rights to offer and market gaming within the European Union, in October 2006 the EU Commission initiated an examination of three member states' infringements in respect to restrictions in the national gaming legislation in the respective countries. The examination may result in improved opportunities for Betsson and other gaming companies in the long-term.

According to Betsson's partner in Turkey a bill has been presented in Turkey, which if accepted, could deteriorate the conditions for offering gaming services from abroad to consumers in Turkey. Betsson's partner has – as one of four – a license, issued in northern Cyprus which is part of Turkey, to operate online games. It is today unknown if the Cypriot license is comprised by the bill and if the bill will be passed. In addition, the bill conflicts the EU-law adopted in the case of Placanica. Thereby it is also in conflict with the agreement Turkey has entered with EU, as preparation of Turkey's entrance into the Union. Approximately 20% of Betsson's revenues come from the Turkey.

The distribution of the subsidiary Net Entertainment to Betsson's shareholders is expected to be decided at an EGM during the first quarter of 2007.

Parent company

The activities of the parent company, Betsson AB (publ), are focused primarily on group-wide management. The company supplies and sells internal services to other group companies in respect to finance, accounting, administration and management, and also has certain external rental income.

Revenue (including inter-group items) for the full year totaled SEK 9.8 (4.5) million and earnings after financial items amounted to SEK –2.5 (117.2) million. Net financial items for the previous year included valuation of financial instruments at actual value which increased net financial items in 2005 by SEK 135.0 million.

The parent company's investments in non-current assets totaled SEK 33 000 during the year. Liquid assets as per the balance sheet date amounted to SEK 9.6 (1.5) million. The company does not have any bank loans or bank credit facilities.

Equity as per the balance sheet date totaled SEK 707.2 (732.3) million. The parent company's equity has decreased during the year by SEK 46 million in connection with the spin-off of Cherryföretagen AB to Betsson's shareholders and was increased by SEK 6.1 million through issues stemming from the exercise of personnel option. Betsson AB has received SEK 9.9 million in dividends from its subsidiary company Net Entertainment in 2006

Corporate governance

Legislation and corporate statutes

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

Companies the market values of which exceed of SEK 3 billion must apply the Swedish corporate governance code. Betsson's market value is less than SEK 3 billion and therefore the company does not apply the code.

Annual General Meeting

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

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

Nomination work is performed by a nominating committee appointed by the major shareholders. Prior to the 2007 general meeting the following nominating committee has been appointed: Rolf Blom, chairman of the committee, appointed by the former owners/sellers of betsson.com, Gabriel Catrina, appointed by Straumur Burdarás, John Wattin, chairman of the board of directors of Betsson AB.

The job of the nominating committee is to, prior to the 2007 general meeting, submit proposals regarding the number of board members to be elected by the general meeting, board fees, the composition of the board, the chairman of the board and the chairman of the annual shareholders' meeting. In addition, the nominating committee must submit proposed new instructions for the nominating committee for the next annual general meeting.

Shareholders wishing to submit proposals to the nominating committee may do so by email to valberedning@betsson.se.

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

Board of Directors

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

The annual general meeting on 15 May 2006 re-elected John Wattin, Per Hamberg, Anders Holmgren, Anna-Carin Månsson and Patrick Svensk to the board of directors along with the newly elected members Kicki Wallje-Lund and Skúli Valberg Olafsson. At the statutory meeting of the board John Wattin was re-elected to the post of chairman of the board. During the year Anders Holmgren and Skúli Valberg Olafsson (January 2007) retired from the board of directors due to pressure of work. Emil Sunvisson has been attached to the board of directors since January 2007 at the request of Straumur-Burdaras

Betsson's board of directors consists of five members elected by the annual general meeting and no deputies. Members of the board include people associated with the major owners of Betsson - Straumur-Burdaras, Per Hamberg and the former owners/sellers of betsson.com – as well as persons independent of these. The CEO does not sit on the board of directors.

According to Stockholm Stock Exchange's definition, there are five members of the board elected by the general meeting who are independent of the company (100%) and there are four members of the board of directors elected by the general meeting who are independent of the company's major shareholders (80%), all of whom comply with Stockholm Stock Exchange's experience requirement. All member of the board of directors and all members of the group's executive management group have taken Stockholm Stock Exchange's training course in share exchange regulations.

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

In 2006, the board of directors held 13 meetings of which minutes were taken. The board of directors gave particular attention to strategic, financial and reporting issues and major investment transactions. In 2006, particular focus fell on the matter of splitting up the Betsson group.

The work of the board of directors follows a plan intended to ensure that it receives all necessary information. The company's auditors report any

observations from the scrutiny of the closing accounts and assessment of the company's internal procedures and checks to the board of directors.

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

Executive management

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

Subsidiaries normally only have a formal executive board consisting of the group CEO. The CEOs of the subsidiaries report internally straight to the group CEO and/or the board of directors of the parent company. In the case of Betsson Online business, the work of the board of directors is performed by independent local management on Malta.

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

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

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

Remuneration

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

Incentive programs in the form of convertible preferred share for the CEO and share options for executive management and other key officials were introduced in 2003 and expired in the spring of 2006. Note 6 contains information on remuneration.

Auditing

Gunnar Liljedahl of Ernst & Young was elected auditor by the 2004 shareholders' meeting for a period of 4 years. Ernst & Young audit the accounts of Betsson AB and its Swedish subsidiaries. Gunnar Liljedahl has been Betsson's auditor since 1995.

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

Besides auditing, Betsson has also consulted Ernst & Young on issues relating to VAT and tax, reporting procedures and various investigations. Remuneration paid is shown in note 6.

Investor relations

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

Disputes

In 2001, Betsson reported the Swedish government to Swedish Office of the Chancellor Justice (Justitiekanslern or JK) denouncing the government for on the one hand not notifying the prohibition against pinball machines and wheel of fortune and on the other not introducing reasonable transition rules. Failure to do so cost Betsson considerable sums. Betsson wanted JK to examine whether the government was liable to pay damages. JK found

against Betsson in 2003. The reason for the negative decision was unclear and therefore Betsson has employed external legal services to examine the possibilities of bringing an action against the government and claiming damages for an infringement of EU law. The investigation found that the government was wrong in not notifying the change to the law in 1997 (wheel of fortune) in accordance with the provisions on technical standards and regulations in Directive 98/34 EC. Thus the prohibition was without effect and could not be applied against Betsson. Therefore the government is guilty of a normative fault which infringes EU law. Thus according to the expert's assessment there is a good chance of being awarded damages for the 1997 law change. This conclusion is underpinned by recent judgments by the European Court and the Swedish High Court. On 1 November 2006, Betsson issued a writ against the government. In it, Betsson claims damages of SEK 81 million from the government.

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

From time to time, Net Entertainment receives other approaches claiming infringement of intellectual property rights, such as patents etc. Net Entertainment assesses that present approaches have no bearing on the company's products

RISK MANAGEMENT

Organization

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

Refinancing risk, liquidity risk

Group operations are self financed.

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

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

Interest rate risk

The group's income and cash flow from operations are in all essentials independent of changes in market interest rate levels. The group's excess liquidity is placed with banks. Fixed interest times are short. At present, Betsson's debt is negligible. Changes in interest rate have little impact on group income.

Exchange rate risk

Consolidated income is exposed to foreign exchange risks, as some sales are made in different currencies to expenses (transaction exposure). Income is also affected by changes in exchange rates when income from foreign subsidiaries is translated to SEK (translation exposure). In addition, the company's equity is affected by changes in exchange rates when assets and liabilities in foreign subsidiaries are translated to SEK (translation exposure).

The Betsson Online and Net Entertainment business areas receive much of their revenues in other currencies, mainly EURO. At present, Betsson does not hedge this part.

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

Income items in foreign group and associated companies are not hedged.

Forecast transaction flows in various currencies are shown in the below table (translated to MSEK).

Counterpart risk and credit risks

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

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

Political decisions

In most national markets, gaming is strictly regulated by law and in principle, all gaming must be licensed. Thus Betsson business is considerably affected by political decisions.

Technological development

Technological and market developments are extremely rapid, thereby exposing Betsson's technology to the risk of obsolescence unless major efforts are made to retain a leading position. Investment in new technology is necessary to create games which perform better and thus be more competitive.

Research and development

Betsson has no research activities. Development costs for gaming products, gaming systems and gaming platforms are capitalized to the extent these are assessed as providing future financial benefits. Only those expenses arising within the framework of the development stage for online products in Net Entertainment and Betsson Online are capitalized and recognized as assets.

Environment

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

Effect of exchange rate changes	EUR	USD	YTL	GBP	MTL	NOK	OTHER	TOTAL
Unhedged, assessed net flow, 12 months	150	101	32	-15	-36	-21	-13	198
Impact of +/-1% change in exchange rate	1,5	1,0	0,3	-0,1	-0,4	-0,2	-0,1	2,0

CONSOLIDATED INCOME STATEMENT

Amounts in SEK '000	Note	2006	2005
REVENUES			
Revenues	2,3	391 065	202 935
Other operating revenues	2,3	436	330
Total		391 501	203 265
OPERATING EXPENSES			
Capitalized development costs		6 600	5 671
Operating expenses for gaming activities		-45 597	-65 663
Other external expenses	4	-201 157	-55 526
Personnel expenses	5	-72 519	-35 700
Depreciation	6	-15 918	-10 442
Other operating expenses	7	-3 181	-996
Total operating expenses		-331 772	-162 656
OPERATING INCOME		59 729	40 609
FINANCIAL ITEMS			
Financial income	8	860	141 884
Financial expenses		-2 946	-236
Total financial items		-2 086	141 648
INCOME BEFORE TAX		57 643	182 257
Tax	9	2 843	-7 430
INCOME FROM CONTINUING OPERATIONS		60 486	174 827
Income from discontinued operations	10	2 023	3 239
INCOME FOR THE YEAR		62 509	178 066
Of which attributable to:			
- Parent company's shareholders		62 272	176 919
- Minority interests		237	1 147
<i>Earnings per share from continuing operations</i>			
- before dilution (SEK)	11	1,55	4,84
- after dilution (SEK)	11	1,54	4,66
<i>Earnings per share from discontinued operations</i>			
- before dilution (SEK)	11	0,04	0,07
- after dilution (SEK)	11	0,04	0,07
<i>Earnings per share, total income</i>			
- before dilution (SEK)	11	1,59	4,91
- after dilution (SEK)	11	1,58	4,73
Proposed/actual dividend per share (SEK)		0,50	-

CONSOLIDATED BALANCE SHEET

	Amounts in SEK '000	Note	2006	2005
ASSETS				
Non-current assets				
Intangible assets		12	403 469	395 200
Tangible assets		13	10 574	27 309
Other long-term receivables		17	713	1 615
Deferred tax receivables		9	-	698
Total non-current assets			414 756	424 822
Current assets				
Inventories			-	1 878
Tax assets		9	19 404	24
Accounts receivable			6 017	4 052
Prepayments and deferred charges		18	19 074	9 085
Other receivables		17	56 076	55 128
Short-term investments		16	0	0
Cash and cash equivalents			77 225	78 412
Total current assets			177 796	148 579
TOTAL ASSETS			592 552	573 401
EQUITY AND LIABILITIES				
Equity				
		19		
Share Capital			79 107	76 117
Other paid-up capital			235 370	232 231
Reserves			-919	-153
Retained earnings including annual income			177 370	162 796
Equity attributable to the parent company's shareholders			490 928	470 991
Minority interests			407	3 139
Total equity			491 335	474 130
NON-CURRENT LIABILITIES				
Long-term interest-bearing liabilities		21	-	9 687
Deferred tax liabilities		9	957	14 393
Total non-current liabilities			957	24 080
CURRENT LIABILITIES				
Current interest-bearing liabilities		21	-	3 504
Prepayments from customers			-	47
Accounts payable			19 908	16 762
Tax liabilities		9	31 895	7 191
Other liabilities		22	23 331	22 499
Accruals and deferred income		23	25 126	25 188
Total current liabilities			100 260	75 191
TOTAL EQUITY AND LIABILITIES			592 552	573 401
Group pledged assets and contingent liabilities				
Assets pledged		24	3 620	-
Contingent liabilities		25	-	-

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK '000	Note	2006	2005
CASH FLOW FROM OPERATIONS			
Income after financial items continuing operations		57 643	182 257
Income after financial items discontinued operations		2 433	4 812
Adjustments for non cash items			
- Depreciation		22 747	21 270
- Writedowns on assets		-	3 788
- Capital gains/losses from divestments		613	-10 065
- Revaluation of financial instruments at fair value		-	-135 040
- Other adjustments		1 879	439
Tax paid		-1 993	-3 790
Cash flow from operating activities before changes in working capital		83 322	63 671
CHANGES IN WORKING CAPITAL			
Changes in inventories		273	542
Changes in receivables		-39 595	-16 649
Changes in accounts payable		4 133	8 749
Changes in current liabilities		21 486	3 831
Cash flow from operating activities		69 619	60 144
INVESTMENT BUSINESS			
Acquisition of intangible assets		-26 655	-13 820
Acquisition of tangible assets		-19 311	-14 553
Sale of tangible assets		683	986
Acquisition of shares and participating interests		-	-1 000
Acquisition of shares and participating interests, subsidiaries		-	2 001
Sale of shares and participating interests, subsidiaries		-242	10 933
Sale of current investments		-	7 942
Changes in long-term receivables		502	-341
Cash flow from investing activities		-45 023	-7 852
FINANCING ACTIVITIES			
New share issues		2 849	-
Issue expenses		-	-175
Distribution of operations, Cherryföretagen		-24 074	-
Distribution costs, Cherryföretagen		-4 768	-
Repaid dividends		2	-
Long-term loans raised		2 769	8 632
Amortization of loans etc		-	-3 190
Cash flow from financing activities		-23 222	5 267
Changes in cash and cash equivalents		1 374	57 559
Cash and cash equivalents - opening balance		78 412	19 847
Exchange rate differences cash and cash equivalents		-2 561	1 006
Cash and cash equivalents – closing balance		77 225	78 412
Of which cash flow from discontinued operations			
- Operating activities		9 259	3 252
- Investment activities		-8 778	-9 302
- Financing activities		8 901	9 417
Unutilized credit facilities amounted to		-	8 216
Interest paid during the year amounted to		-130	-437
Interest received during the year amounted to		788	316

CHANGES IN CONSOLIDATED EQUITY

SUMMARY OF CHANGES IN CONSOLIDATED EQUITY	Capital share	Other paid-up capital	Translation reserve	Fair value reserve	Retained earnings including	Total	Minority interests	Total equity
Opening equity 01-01-2005	62 407	51 618	-394	0	-14 088	99 543	1 758	101 301
Adjustment for changed accounting policy, IAS 39				222 943		222 943		222 943
Adjusted equity 01-01-2005	62 407	51 618	-394	222 943	-14 088	322 486	1 758	324 244
Translation differences for the year			241			241	42	283
Financial assets for sale:								
- Revaluations recognized directly against equity				31 932		31 932		31 932
- Recognized in the income statement upon divestment				-2 812		-2 812		-2 812
Acquisition and consolidation Betsson (71 %), adjustment to acquisition value of previously acquired share		169 978		-252 063		-82 085	24 521	-57 564
Total changes in assets recognized directly against equity excl transactions with the company's owners		169 978	241	-222 943	0	-52 724	24 563	-28 161
Income for the year					176 919	176 919	1 147	178 066
Total change in assets excl transactions with the company's owners		169 978	241	-222 943	176 919	124 195	25 710	149 905
Sales of minority-owned subsidiary-subsiary					-36	-36	192	156
Non cash issue, relating to acquisition of minority share (29 %) by Betsson	13 710	10 811				24 521	-24 521	0
Issue expenses		-176				-176		-176
Repaid non-distributed dividend					1	1		1
Closing equity 12-31-2005	76 117	232 231	-153	0	162 796	470 991	3 139	474 130
Translation differences for the year			-766			-766	-52	-818
Total changes in assets recognized directly against equity excl transactions with the company's owners			-766			-766	-52	-818
Income for the year					62 272	62 272	237	62 509
Total change in assets excl transactions with the company's owners			-766		62 272	61 506	185	61 691
Issue, exercise convertible promissory notes and warrants	2 990	3 139				6 129		6 129
Distribution of subsidiaries to shareholders					-44 267	-44 267	-2 917	-47 184
Transaction costs distribution of subsidiaries after tax					-3 433	-3 433		-3 433
Repaid non-distributed dividend					2	2		2
Closing equity 12-31-2006	79 107	235 370	-919	0	177 370	490 928	407	491 335

THE PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK '000	Note	2006	2005
REVENUES			
Revenues	3	9 835	4 500
Other operating revenues	3	61	-
Total		9 896	4 500
OPERATING EXPENSES			
Other external expenses	4	-12 147	-10 148
Personnel expenses	5	-7 384	-8 585
Depreciation	6	-152	-129
Other operating expenses	7	-788	-35
Total operating expenses		-20 471	-18 897
OPERATING INCOME		-10 575	-14 397
FINANCIAL ITEMS			
	8		
Income from participations in group companies		7 869	-
Income from participations in associated companies		-	-1 733
Income from other securities and investments		-	133 005
Interest income and similar income		321	522
Interest expenses and similar expense		-102	-189
Total financial items		8 088	131 605
INCOME AFTER FINANCIAL ITEMS		-2 487	117 208
Appropriations	20	67	4 061
INCOME BEFORE TAX		-2 420	121 269
Tax	9	1 693	3 905
INCOME FOR THE YEAR		-727	125 174
Proposed/actual dividend per share (SEK)		0,50	-

THE PARENT COMPANY'S BALANCE SHEET

Amounts in SEK '000	Note	2006	2005
ASSETS			
Non-Current assets			
<i>Tangible assets</i>			
Equipment	13	317	461
Total tangible assets		317	461
<i>Financial assets</i>			
Participations in the group companies	14	676 487	710 189
Participations in associated companies	15	-	0
Other long-term receivables associated companies	17	-	0
Other long-term receivables	17	655	-
Total of financial assets		677 142	710 189
Total non-current assets		677 459	710 650
Current assets			
<i>Current receivables</i>			
Trade receivables		75	70
Receivables on group companies		41 544	33 755
Other receivables	17	2 499	194
Prepaid expenses and accrued income	18	3 167	763
Total current receivables		47 285	34 782
Cash in hand and at bank		9 589	19 850
Total current assets		56 874	54 632
TOTAL ASSETS		734 333	765 282
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share Capital		79 107	76 117
Statutory reserve		506 557	506 557
Total restricted equity		585 664	582 674
<i>Unrestricted equity</i>			
Share premium fund		3 139	-
Retained earnings		119 164	24 465
Income for the year		-727	125 174
Total unrestricted equity		121 576	149 639
Total equity		707 240	732 313
Untaxed reserves	20	31	98
Current liabilities			
Convertible loan	21	-	3 280
Prepayments from customers		-	48
Trade payable		2 507	1 849
Liabilities to group company		16 954	21 389
Tax liabilities		2 983	1 069
Other liabilities	22	159	367
Accruals and deferred income	23	4 459	4 869
Total current financial liabilities		27 062	32 871
TOTAL EQUITY AND LIABILITIES		734 333	765 282
Assets pledged and contingent liabilities			
Assets pledged	24	3 620	-
Contingent liabilities	25	-	11 241

THE PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK '000	Note	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES			
Profit after financial items		-2 487	117 208
Adjustments for non-cash items			
- Depreciation		152	129
- Writedowns on assets		3 075	3 788
- Capital gains/losses from divestments		-1 117	21
- Revaluation of financial instruments at fair value		-	-135 040
- Other adjustments		458	1
Tax paid		-2 418	-4 358
Cash flow from operating activities before changes in working capital		-2 337	-18 251
CHANGES IN WORKING CAPITAL			
Changes in current receivables		9 014	25 361
Changes in current liabilities		-4 443	33 254
Cash flow from operating activities		2 234	40 364
INVESTING ACTIVITIES			
Acquisition of tangible assets		-39	-238
Sale of tangible assets		93	-
Acquisition of and participating interests		-	-1 000
Acquisition of shares and participating interests subsidiaries		-4 000	-20 967
Sale of share and participating interests subsidiaries		146	-
Paid shareholder contribution		-7 000	-
Changes in long-term receivables		-655	215
Cash flow from investing activities		-11 455	-21 990
FINANCING ACTIVITIES			
New share issues		2 849	-
Issue expenses		-	-175
Transaction costs distribution Cherryföretagen		-3 433	-
Repaid dividend		2	-
Cash flow from financing activities		-582	-175
Changes in cash and cash equivalents		-9 803	18 199
Cash and cash equivalents – opening balance		19 850	1 645
Exchange rate differences cash and cash equivalents		-458	6
Cash and cash equivalents – closing balance		9 589	19 850
ADDITIONAL INFORMATION:			
Unutilized credit facilities amounted to		0	0
Interest paid during the year amounted to		-102	-189
Interest received during the year amounted to		281	460

CHANGES IN PARENT COMPANY'S EQUITY

SUMMARY OF CHANGES IN PARENT COMPANY'S EQUITY

	RESTRICTED EQUITY			UNRESTRICTED EQUITY			Total equity	
	Capital share	Share premium reserve	Statutory reserves	Share premium reserve	Fair value reserve	Retained earnings		Income for the year
Opening equity 01-01-2005	62 407	30 792	7 946	-	0	15 334	-8 851	107 628
Adjustment for changed accounting policy, IAS 39					220 131			220 131
Adjusted equity 01-01-2005	62 407	30 792	7 946	0	220 131	15 334	-8 851	327 759
Allocations adopted by AGM						-8 851	8 851	0
Group contribution						17 981		17 981
Financial assets for sale:								
- Revaluations recognized directly against equity					31 932			31 932
Acquisition and consolidation Betsson (71%)		252 063			-252 063			0
Income for the year							125 174	125 174
Non-cash issue relating to acquisitions remaining shares of Betsson	13 710	215 932						229 642
Issue expenses		-176						-176
Repaid non-distributed dividend						1		1
Reclassification of share premium reserve acc. to Swedish Company Accounts Act		-498 611	498 611					
Closing equity 12-31-2005	76 117	0	506 557	0	0	24 466	125 174	732 314
Allocations adopted byt AGM						125 174	-125 174	0
Group contribution						15 492		15 492
Income for the year							-727	-727
Issue, exercise convertible promissory notes and share options	2 990			3 139				6 129
Distribution of subsidiaries to shareholders						-42 537		-42 537
Transaction costs distribution of subsidiaries after tax						-3 433		-3 433
Repaid non-distributed dividend						2		2
Closing equity 12-31-2005	79 107	0	506 557	3 139	0	119 164	-727	707 240

NOTES

NOTES TO THE FINANCIAL STATEMENTS

All amounts refer to thousands of SEK unless otherwise specified.

NOTE 1 – ACCOUNTING POLICIES

Compliance with norms and law

The consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretation statement of the International Financial Reporting Interpretations Committee (IFRIC), which has been approved by the EU commission for application within the EU. In addition, recommendation RR 30 Complementary accounting rules for groups of the Swedish Financial Accounting Standards Council has also been applied. The group has chosen not to apply any new standards or changes to standards in advance.

The parent company applies the same policies as the group, except that the financial statements of the parent company have been prepared in accordance with recommendation RR 32:05 Reporting for legal entities of the Swedish Financial Accounting Standards Council, and as a result the income statement and the balance sheet comply with the schedule of the Swedish Company Accounts Act and there are certain differences attributable to tax considerations.

Estimates and assessments in the financial statements

Preparing the financial statements in accordance with the IFRS requires the company executive to make estimates and assessments and assumptions that affect the application of the accounting policies and the recognized amounts of assets, liabilities, revenues and expenses. The true outcome may differ from these estimates and assessments.

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

Assumptions when drawing up the parent company's and the group's accounts

The parent's company's functional currency is Swedish crowns and is the reporting currency for both the parent company and the group. As a result, the financial statements are prepared in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest thousand. Assets and liabilities are recognized based on their acquisition values except for certain financial assets and liabilities which are valued at fair value. Financial assets and liabilities valued at fair value consist of derivatives, financial assets classified as financial assets valued at fair value over the income statement or as financial assets for sale.

Classifications

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

Segment reporting

The group's segments are primarily divided into business areas. The internal group reporting system is constructed to monitor the group's business areas, and thus these are the primary basis of division.

Consolidated financial statements

The consolidated financial statements comprise the parent company and companies in which the parent company directly or indirectly holds more than half of the votes or otherwise exercises a controlling influence.

The consolidated accounts have been prepared in accordance with the purchase method. Under the purchase method the parent company indirectly acquires its subsidiaries' assets and assumes its liabilities. The difference

between the acquisition cost of the share and the fair value at the time of acquisition of acquired identifiable net assets constitutes the acquisition value of goodwill, which is recognized as an asset in the balance sheet. If the difference is negative, the difference is recognized as income in the income statement.

The revenues and expenses and assets and liabilities of subsidiaries are included in the consolidated financial statements from the day the controlling influence arises (the acquisition date) and until the day it ceases. Intra-group receivables and liabilities and transactions between companies in the group along with the related income are eliminated in their entirety.

Translation of foreign subsidiaries

Companies whose functional currency is not Swedish kronor are translated to Swedish kronor according to the current rate method, whereby all assets, provisions and other liabilities are translated at the rate on balance sheet date and income statements items are translated at the average rate. Exchange rate differences arising from translation, translation differences, are charged directly to equity. When independent foreign subsidiaries are divested, the accumulated translation differences attributable to the company after deduction of any currency hedges are recognized in the consolidated income statement.

Associated companies

Share in associated companies in which the group owns at least 20 per cent and at most 50 per cent of the votes or in some other way exercises a significant influence over operational and financial management and where the holding is assessed to be long term is recognized in accordance with the equity method. Under the equity method the book value of share in associated companies is matched by the group's participation in the equity of the associated company and any residual group discounts or premiums. The group participation in the net income of associated companies after financial income and expenses adjusted for possible depreciation or dispersal of any acquired surpluses or losses is recognized in the consolidated income statements under the "Participations in income of associated companies" item.

Revenues

Revenue from the group's gaming business (Betsson Online) is reported net after deduction of players' winnings. Bonuses do not affect consolidated revenue, but the net costs of free games is reported as marketing expenses.

Revenue from sold services is recognized exclusive of sales tax and discounts and after eliminating group sales. Sold services include royalty and consultancy revenue.

Royalty revenue from the licensing out of the subsidiary Net Entertainment's CasinoModule is stated on accrual basis in accordance with financial implications of the agreement. Revenue is flexible and is calculated as part of the customer's revenue from CasinoModule. Fixed revenue (start-up and delivery charges) is recognized upon the signing of the agreement or upon delivery of the customized CasinoModule respectively.

Consultancy revenue refers to invoiced services for operations, maintenance, support and payment services relating to CasinoModule on behalf of the customer. Consultancy revenue is recognized as it arises over the life of the respective agreements.

Other operating revenues

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

Operating expenses for gaming activities

Operating expenses for gaming activities includes gaming licenses, license charges to game suppliers and certain bank charges for the depositing of players' monies and expenses for the payout of winnings.

Other operating expenses

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

Intangible Non-current assets

Development costs for new products are capitalized to the extent these are assessed as providing future financial benefits. Only those expenses arising within the framework of the development stage for online gaming products,

gaming systems and gaming platforms are capitalized and recognized as assets from the time the decision is taken to go ahead with the project and the conditions exist for doing so. The recognized value includes expenses for materials, purchased services, direct payroll expenses and indirect expenses which can be attributed to the asset in a reasonable and consistent manner.

Development costs taken up in the balance sheet are recognized at acquisition value minus accumulated depreciation and writedowns. The project's revenue generation capacity is valued on an ongoing basis in order to identify any writedown needs.

Intangible assets also include goodwill, acquired gaming agreements and concessions, trademarks and customer databases. Goodwill and the Betsson trademark are valued at acquisition value minus any accumulated writedowns. Goodwill and trademarks of indeterminate life are allocated to cash-generating units and are not amortized but impairment tested each year for writedown needs. Other intangible assets are taken up in the balance sheet at acquisition value minus accumulated depreciation and writedowns.

Tangible Non-current assets

Tangible Non-current assets are recognized at acquisition value minus accumulated depreciation and amortization and possible writedowns. Repairs and maintenance are charged to income as they arise.

Depreciation and writedowns

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

The following useful lives are used:

Trademarks, domain names	max 5 years
Customer database Betsson	2 years
Gaming agreements and concessions	3–5 years
Capitalized development costs for gaming systems and gaming platforms are determined based on the type of asset and run to	max 5 years
Office inventory	5 years
Servers etc	5 years
Computers	5 years
Computer in technique and development are charged directly to income	
Vehicles	3–5 years

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

Group contribution and shareholders' contribution for legal entities

The company recognizes group contributions and shareholders' contributions in accordance with the pronouncement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Shareholders' contributions are entered directly to the equity of the recipient and capitalized in share and participations by the giver. Writedown needs are then examined. Group contribution is recognized according to the financial implications, which means that, for instance, group contributions submitted or received to minimize total group tax is recognized directly against retained earnings deducted for their current tax effect.

Appropriations for legal entities

Balance sheet allocations consist of the difference between accounting and fiscal depreciation and certain fiscal allocations for harmonizing income.

Borrowing costs

Borrowing costs are charged to the income statement in the period to which they refer.

Taxes

Corporate income tax in the income statement consists of current tax and deferred tax. Current tax is tax which must be paid or received during the current year.

This also applies to the adjustment of current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on all significant temporary differences between the accounting and tax values of assets and liabilities applying the tax rates and tax regulations in force or notified on balance sheet date. Temporary differences are ignored in consolidated goodwill, as are also differences attributable to participations in subsidiaries and associated companies which are not expected to be taxed within the foreseeable future.

Untaxed reserves including deferred tax liabilities are reported in legal entities.

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

Financial instruments

Financial instruments recognized in the balance sheet include cash and cash equivalents, accounts receivable, share and other equity instruments, loan and bond receivables and derivatives on the asset side. Liabilities and equity include accounts payable, issued borrowing and equity instruments, loan liabilities and derivatives.

Financial instruments are initially included at acquisition value corresponding to the fair value of the instrument plus transaction expenses for certain financial instruments. They are subsequently recognized according to the way they are classified below.

A financial asset or liability is entered to the balance sheet when the company becomes party to the agreed terms applying to the instrument. Customer receivables are entered to the balance sheet once the invoice has been sent. Liabilities are included when the counterparty has performed and a liability in accordance with agreement falls due for payment irrespective of whether an invoice has been received or not. Accounts payable are recognized upon receipt of the invoice.

A financial asset is removed from the balance sheet when the rights under the agreement are exercised, fall due or the company loses control over them. The same applies to parts of financial assets. Financial liabilities are removed from the balance sheet when obligations under agreements are met or otherwise cancelled. The same applies to parts of financial liabilities.

The fair value of listed financial assets corresponds to the listed purchase price of the asset on the balance sheet date. The fair value of unlisted financial assets is established through the application of valuation techniques such as recently completed transactions, the price of similar instruments and discounted cash flow.

Each time reports are drawn up the company assesses whether there are objective indications that a financial asset or group of financial assets require writing down. Equity instruments classified as assets for sale must suffer a considerable and extended decline in the fair value below the acquisition value of the instrument before writedowns are performed. If an asset classified in the assets for sale category requires writing down, any accumulated value impairment recognized directly against equity is transferred to the income statement. Equity instruments written down in the income statement are not reversed later.

IAS 39 classifies financial instruments in categories. Classification depends on the purpose for which the financial instrument was acquired. The company management determines classification at the original time of acquisition. The categories are as follows:

Financial assets valued at fair value over the income statement

This category consists of two subcategories: financial assets held for trading and other financial assets which the company initially chose to place in this category. Assets in this category are constantly valued at fair value and value changes are entered directly to the income statement.

Loan receivables and accounts receivable

"Loan receivables and accounts receivable" are financial assets which are not derivatives with fixed payments or with payments which can be determined, and which are not listed on an active market. Receivables arise when the company provides monies, goods or services directly to the borrower without intending to trade in its payment rights. The category also includes acquired receivables. Assets in this category are valued at accrued acquisition value. The accrued acquisition value is determined based on the effective interest rate calculated at the time acquisition.

Investments held to maturity

Financial assets which have fixed payment flows or the payment flows of which can be determined in advance and which have fixed maturities which the company expressly intends to hold to maturity. Assets in this category are valued at accrued acquisition value. The accrued acquisition value is determined based on the effective interest rate calculated at the time acquisition. As a result, surplus or deficit values and direct transaction expenses are accrued over the life of the instrument.

Financial assets for sale

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

Other financial liabilities

Financial liabilities not held for trading are valued at accrued acquisition value. Accrued acquisition value is determined based on the effective interest rate calculated when the liability is assumed. As a result, surplus or deficit values and direct issue expenses are accrued over the life of the liability.

Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available balances at banks and similar institutions and current liquid investments with a maturity from the acquisition time of less than three months and which are only exposed to insignificant value fluctuation risks. The deposit rate on the group bank and post office accounts in Sweden are Stibor-linked.

Financial investments

Financial investments are either financial Non-current assets or current investments depending on the purpose of the holding. If the maturity or the expected holding time exceeds one year they are financial Non-current assets and if it is shorter than one year they are current investments.

The subsidiary Intact Technology Stockholm AB (90.1%) was formerly responsible for managing other business opportunities in IT area arising from work with new media. These investments are not of a strategic/long-term nature, as they lay outside Betsson's main business of gaming, lotteries and competitions. The board of directors intends to discontinue the investments as soon as possible from a financially favorable point of view. As a result, the investments are reported as current assets even though the time horizon for a sale may be longer than one year.

Financial investments consisting of share consist of share either belonging to the category of financial assets valued at fair value over the income statement or as financial assets for sale.

Interest-bearing securities acquired for the purpose of holding to maturity belong to the category of financial assets to be held to maturity and are valued at accrued acquisition value. Interest-bearing securities intended to be held to maturity are classified as financial assets which can be sold.

When valuing at fair value over the income statement, the value change is recognized in the net financials item.

Long-term receivables and other receivables

Long-term receivables and other receivables are those arising when the company provides monies without intending to trade in its payment rights. If the holding time is expected to exceed one year, they are long-term receivables and if it is shorter they are other receivables. These receivables are categorized as loan receivables and customer receivables.

Accounts receivable

Accounts receivable are classified in the category of customer receivables and loan receivables. Accounts receivable are recognized as the amount which is expected to be paid in minus doubtful receivables, which are assessed individually. Writedowns on customer receivables are recognized under operating costs.

Liabilities

Liabilities are classified as other financial liabilities and as a result they are initially recognized at the amount received minus transaction expenses. Subsequent to the acquisition date, loans are valued at the accrued acquisition value according to the effective interest method. Long-term liabilities are expected to mature after one year whilst current liabilities are expected to mature within one year. Issued convertible promissory notes

Convertible promissory notes can be converted to share by the counterparty exercising the option to convert the right to claim to share is recognized as a compound financial instrument divided into a liability part and an equity part. The fair value of the liability is calculated by discounting the future cash flows at the current market rate for a similar liability without the right to conversion. The value of the equity instrument is calculated as the difference between the issue amount when the convertible promissory note was issued and the fair value of the financial liability on the issue date. Transaction expenses related to issue of a compound financial instrument must be divided between the liability and the equity parts in proportion to the division of the issue amount. Interest expenses are recognized in the income statement and calculated using the effective interest rate method.

Leasing

Leasing is classified either as financial or operational leasing in the consolidated financial accounts. Leasing of Non-current assets where the group is essentially subject to the same risks and benefits as through direct ownership is classified as financial leasing. The leased assets are recognized as Non-current assets and the corresponding leasing liability is attributed to interest-bearing liabilities. Leasing of assets where the lessor essentially retains ownership of the asset is classified as operational leasing and the leasing charge is charged in a straight line over the term of the lease. All the group's leasing agreements are operational. The scope of operational leasing and rental agreements is reported in note 4.

Equity – group**Share capital**

As at 31 December 2006, the registered share capital comprised 39,553,720 shares.

Other paid-up capital

Refers to capital paid in by the owners.

Reserves**Fair value reserve**

The fair value reserve includes accumulated net changes in the fair value of financial assets for sale until they are removed from the balance sheet.

Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of financial reports of foreign companies which have prepared their reports in a different currency to that in which the group's financial statements are prepared.

Retained earnings including annual income

Retained earnings including annual income includes retained earnings in the parent company and its subsidiaries, associated companies and joint ventures and the part of untaxed reserves attributable to equity. Previous allocations to reserves excluding transferred share premium reserves are included in this equity item.

Equity – parent company**Restricted reserves**

Restricted reserves may not be reduced by distribution of dividends.

Statutory reserve

See share premium reserve below .

Share premium reserve

According to the transition rules for the change to the Swedish Company Accounts Act, funds allocated to the share premium reserve prior to 1 January 2006 must be transferred to statutory reserves in the annual financial statements for 2005.

Unrestricted equity

When share is issued at a premium (from 1 January 2006), i.e. more must be paid for share than its normal value, an amount equivalent to the sum received over and above the nominal value of the share must be transferred to the share premium reserve.

Retained earnings

Consists of the previous year's free equity after possible allocation to reserves and after dividends have been distributed. Together with income for the year and free equity this is the amount available for distribution to stockholders.

Pension expenses and pension undertakings

The group has various pension plans in various countries, where assets have been allocated for separate management. The pension plans are financed by payments from the respective group companies and by staff in some cases.

Group payments for defined contribution pension plans are charged to income during the period the employees performed the services the contribution refers to. Parts of the pension commitments for parent company officials in Sweden are secured through insurance with Alecta (traditional ITP pensions). Pensions for those officials who have chosen the ITP option are defined contribution plans. The parent company has officials covered by the so-called ITP plan, which is financed by pension insurance with Alecta. This is a defined benefit plan which comprises many employers. During the 2005 and 2006 financial years, Betsson has received no information that would allow this plan to be recognized as a defined benefit plan. The pension plan according to ITP, which is secured through insurance in Alecta, is therefore reported as a defined contribution plan.

Contingent liabilities

Contingent liabilities are recognized when there is a possible commitment attributable to events occurred and the occurrence of which is confirmed only by one or more uncertain future events or when there is a commitment which is not recognized as a liability or provision as it is not likely that an outflow of resources will be required.

DEFINITIONS

Revenue: Revenues from gaming business after payment/payout of players' winnings and other operating revenue.

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 minus non-interest bearing liabilities including deferred tax liabilities at the end and the beginning of the financial year divided by two.

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

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

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

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

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

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

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

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

Quick Ratio: Current assets excluding stock relative to current liabilities incl proposed but not adopted dividend.

Interest coverage ratio (multiple): Income after financial items plus interest expenses relative to interest expenses.

Number of employees: The number of persons employed on the date of the most recent monthly salary payment.

Average number of employees: The number of employees converted to full-time employment.

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

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

Earnings per share after dilution: Income for the year adjusted for interest expenses after tax attributable to outstanding convertibles divided by the weight average number of outstanding shares adjusted for future numbers after conversion and the value of any outstanding stock options. Calculated in accordance with IAS 33.

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

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

Dividend per share: Actual/proposed dividend.

Stock price: Price paid in latest share transaction.

Number of (registered) shareholders: Number of shareholders registered in the register of shareholders kept by VPC AB (the Swedish Securities Register Center).

NOTE 2. SEGMENT REPORTING

Consolidated revenue is reported net, i.e. after payment of players' winnings, in all business areas. The group is primarily divided into business areas.

	Net			
	Betsson	Enter-	Joint and	Total
	Online	tainment	other	group
2006				
External revenue	313 963	76 200	1 338	391 501
Internal revenue from other segments	-	23 573	7 415	
Total revenue	313 963	99 773	8 753	
Operating income	28 636	40 801	-9 708	59 729
Income before tax				57 643
Income after tax from continuing operations				60 486
Income from discontinued operations				2 023
Total income				62 509
Assets	523 578	51 782	17 192	592 552
Liabilities	70 939	20 135	10 143	101 217
Investments	17 990	19 022	33	37 045
Depreciation	11 362	4 407	149	15 918

	Net			
	Betsson	Enter-	Discont	Joint and
	Online	tainment	operations	other
2005				
External revenue	154 551	48 255		459
Internal intäkter från andra segment	0	20 977		2 890
Total revenue	154 551	69 232		3 349
Operating income	16 698	35 922		-12 011
Income before tax				182 257
Income after tax from continuing operations				174 827
Income from discontinued operations				3 239
Total income				178 066
Assets	446 183	28 149	73 262	25 807
Liabilities	39 456	8 649	39 728	11 438
Investments	10 793	4 734		1 238
Depreciation	6 684	3 628		130

Geographical areas

It is not practicable to divide group revenue into geographical areas, the reason being the Net Entertainment business area's revenue for its only product/service "Casino Module".

Net Entertainment's partners (gaming sites, sports gaming companies) offer games to their customers in many different countries. Net Entertainment has no access to information on end customers (players) and therefore cannot determine which geographical areas players come from.

Net Entertainment's direct customers' (the gaming sites) domiciles are determined based on entirely different grounds to their proximity to local markets, such as suitable gaming laws, tax reasons or other reasons. The advantage of the internet is that it is a global, cross-frontier distribution medium in which companies

with gaming sites can domicile themselves anywhere in the world while at the same time serving many local markets around the globe. Dividing business into geographical segments in accordance with these companies' legal domiciles provides no relevant information. The Net Entertainment group's business is also spread geographically in the same way for legal and tax purposes.

For the reasons stated above, Betsson only reports assets and investments by geographical areas.

	Nordic countries	Rest of Europe	The Group
2006			
Assets	51 252	541 300	592 552
Investments	11 645	25 400	37 045
2005			
Assets	121 199	452 202	573 401
Investments	6 576	10 189	16 765

NOTE 3. REVENUES

	The Group		Parent Company	
	2006	2005	2006	2005
Revenues				
- Gaming business	313 623	154 338	-	-
- Licenses/Royalties	76 026	48 050	-	-
- Consultancy, management	1 416	547	3 914	2 557
- Rents	-	-	3 135	964
- Office service	-	-	2 786	979
Total	391 065	202 935	9 835	4 500
Other operating revenues				
- Recovered written-off receivables	9	-	-	-
- Capital gains from sales of fixed assets	305	-	61	-
- Exchange rate differences	25	-	-	-
- Other	97	330	-	-
Total	436	330	61	0

NOTE 4. LEASING

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

	The group		Parent company	
	2006	2005	2006	2005
Recognized leasing and rental charges	9 167	2 789	4 522	1 590

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

	The group		Parent company	
	2006	2005	2006	2005
- during 2007		6 987		5 107
- during 2008–2011		9 913		8 931
- after 2011		-		-
Total		16 900		14 038

NOTE 5. EMPLOYEES, PERSONNEL EXPENSES AND FEES FOR THE BOARD OF DIRECTORS AND AUDITORS

	Total	2006 of which women	Total	2005 of which women
Ave. workforce				
Parent company				
Sweden	5	2	6	3
Parent company total	5	2	6	3
Subsidiaries				
Sweden	67	15	42	7
UK	21	8	11	3
Malta	19	7	-	-
Costa Rica	1	0	5	1
Total subsidiaries	108	30	58	11
Total for the group	113	32	64	14
		The group		Parent company
Total absence thru sickness of overall ordinary employee	2006	2005	2006	2005
Total absence thru sickness of overall ordinary employee working hours	1,9%	3,4%	0,3%	10,5%
Ratio absence thru sickness for absence of more than 60 cons. days: long-term sickness	15,3%	62,4%	0,0%	85,3%
Sick absence for women	1,8%	1,7%	0,8%	4,1%
Sick absence for men	1,9%	3,8%	0,0%	14,5%
Sick absence for employees younger than 30	1,6%	0,8%	0,0%	0,0%
Sick absence for employees between 30 and 49	2,0%	3,8%	0,5%	11,0%
Sick absence for employees over 49	0,0%	7,7%	0,0%	7,7%

* As a percentage of the group's overall working hours.

	2006-12-31	2005-12-31		
Number of women in executive management				
<i>Parent company</i>				
Board of directors	40%	17%		
Other leading executives	0%	0%		
<i>Total for the group</i>				
Boards of directors	36%	23%		
Other leading executives	0%	0%		
		The group		Parent company
Salary, other remuneration and social ins. costs	2006	2005	2006	2005
Salaries and other remun.	57 190	27 595	4 762	5 728
- of which remun. for boards and CEOs	4 024	2 457	2 469	1 577
- of which bonus to boards	-	-	-	-
- of which bonus to CEOs	656	0	618	0
Social costs (incl. pension expenses)	17 725	10 141	3 241	3 222
- of which pension exp.	5 206	2 449	1 565	1 382
- of which pension exp. to boards	-	-	-	-
- of which pension exp. to CEOs	969	390	800	390

Annual expenses for pension insurances taken out with Alecta amounted to SEK 188,000 (245,000), of which SEK 127,000 (182,000) refer to retirement pensions and family pensions and are included in the personnel expenses income item.

Remuneration to executive management

Remuneration and other benefits for executive management during the year	Basic salary/ board fees	Flexible remuneration	Other benefits	Pension- exp.	Total
Chairman of the board	275				275
Other board members	400				400
President and CEO	1 080	618	95	800	2 593
Other leading executives (3 persons)	2 284	38	56	605	2 983
Total	4 039	656	151	1 405	6 251

(CONT) NOTE 5. EMPLOYEES, PERSONNEL EXPENSES AND FEES FOR THE BOARD OF DIRECTORS AND AUDITORS**REMUNERATION FOR EXECUTIVE MANAGEMENT****The board of directors and their chairman**

The board of directors are paid a fixed fee decided by the shareholders' meeting which is divided between them. Members of the board who are employees of Betsson receive no separate board fees. The chairman of the board of directors received no remuneration over and above the board fee and has no pension benefits or agreements on severance pay.

Group president/CEO

The CEO's remuneration consists of a basic salary, flexible bonuses, other benefits and pension.

The maximum bonus to which the CEO is entitled is 100% of his fixed basic annual salary excluding automobile benefits. Flexible payments are calculated based on predetermined group and individual management and company financial growth targets and also taking into consideration the official's personal improvement.

In addition to the statutory pension benefits pursuant to the law on ordinary insurance (ATP and AFP), the CEO is entitled to an additional service pension premium. The pensionable salary does not include automobile benefits. The total pension premium including the additional pension does not exceed 35% of the fixed and flexible salary. The pension is a defined contribution plan pension. There is no agreement concerning early retirement prior to the age of 65. The pension is unassailable.

In 2003, Cherry took out a convertible mortgage loan of SEK 3,280,000 from the company CEO. The liability was converted to 800,000 B-shares at an exercise price of SEK 4.10 in April 2006.

In 2003, 38 leading officials and key personnel subscribed to 710,000 options with the right the new issue of 710,000 B-shares in Betsson AB. The option premium was SEK 0.49, which was equivalent to fair value according to Black and Schole's valuation model. The employees who participated in the option scheme received a salary bonus equivalent to 73% of the option premium. 694,994 share options were exercised for 694,994 B-shares on 15 May 2006. The exercise price was SEK 4.10. Of these, the CEO exercised 29,994 options for subscription to 29,994 B-shares.

If given notice of dismissal by Betsson the CEO is entitled to a period of notice of 6 months and severance pay equivalent to 12 months' salary. Deduction will not be made from the severance pay if he is receiving salary from another post. The CEO must give six months' notice of resignation. No severance pay will be made in this case.

Other executive management

In conjunction with the start of work on distributing and separately listing Cherry Casino and Net Entertainment, at the end of 2005 formal group management (which formerly consisted of three persons) has been replaced by separate management groups for the respective business areas.

There were three leading officials corresponding to group executive management as at 12-31-2006 besides the President and CEO. These were the CEO of Betsson Online, the CEO of Net Entertainment and the group CFO. Until the end of October 2006, the president and CEO of Betsson was also the CEO of Net Entertainment. He received no separate remuneration for this post. Therefore, salaries and remuneration etc for the CEO of Net Entertainment has only been included from November 2006 as part of the group of other executive management.

Remuneration for other executive management must be on ordinary market terms and competitive in order to attract and hold on to skilled executives. Remuneration must consist of a fixed salary, where appropriate flexible bonuses, pensions and other fringe benefits such as company vehicles.

The CEO of Net Entertainment may receive bonuses of up to 100% of his/her basic salary excluding vehicle benefits. Bonuses are based on one-year revenues. The size of bonuses depends on the extent to which individual targets are met. The targets are principally quantitative in nature and are established by the president and CEO after confirmation by the board of directors/chairman of the board. There is no bonus scheme for the CEO of Betsson Online and the group CFO at present.

Members of executive management are entitled to pensions under the ITP system or equivalent, and certain additional service pension premiums. The pensionable salary does not include vehicle benefits. The total pension premium including the additional pension does not exceed 30% of the fixed and flexible salary for any member of executive management. There are no agreements on pension rights prior to the age of 65. Pensions are based on defined contribution plans with the exception of ITP premiums, which are defined benefit based. Pensions are unassailable.

In 2003, 38 leading officials and key personnel subscribed to 710,000 options with the right the new issue of 710,000 B-shares in Betsson AB. The option premium was SEK 0.49, which was equivalent to fair value according to Black and Schole's valuation model. The employees who participated in the option scheme received a salary bonus equivalent to 73% of the option premium. 694,994 share options were exercised for 694,994 B-shares on 15 May 2006. The exercise price was SEK 4.10. Only one person from the group of other executive management was employed by the group in 2003 and subscribed for 30,000 share options, which were converted to 30,000 B-shares in 2006.

The employment agreements of other executive management include remuneration and notice terms. Under these agreements employment may normally be terminated at the request of the employee giving six months' notice and also at six months' notice given by the company. When notice is given by the company, the employee is entitled to severance pay equivalent to 12 months' salary. No severance pay will be made when employment is terminated at the request of the employee.

Employment agreements usually contain competition clauses which apply during employment and 12-24 months afterwards.

Preparation and decision making process

Neither the annual shareholders' meeting nor the board of directors have appointed a remuneration committee. The CEO's remuneration is decided by the board of directors. Remuneration of executives answering directly to the CEO is decided by the CEO in consultation with the chairman of the board. Within the group the principle that the boss's boss should approve matters pertaining to remuneration applies.

Auditors' fees

Gunnar Liljedahl, state-authorized accountant, of Ernst & Young was elected auditor by the 2004 shareholders' meeting for a period of 4 years. Ernst & Young audit the financial statements of Betsson AB and its Swedish subsidiaries. Gunnar Liljedahl has been Betsson's auditor since 1995.

Besides for auditing purposes Betsson has also consulted Ernst & Young on tax and sales tax matters, on accounting questions and for investigations prior to major projects.

	The group		Parent company	
	2006	2005	2006	2005
Auditing work				
- Ernst & Young	863	529	657	354
- Other audit companies	534	278	-	-
Other work performed by Ernst & Young	365	386	365	386
Total	1 762	1 193	1 022	740

NOTE 6. DEPRECIATION

Depreciation is divided between the respective fixed assets as follows:

	The group		Parent company	
	2006	2005	2006	2005
Gaming products, systems and platforms	-8 585	-4 772	-	-
Gaming agreements and concessions	-538	-538	-	-
Customer databases	-4 545	-3 787	-	-
Trademarks	-49	-4	-	-
Inventories and gaming equipment	-2 201	-1 341	-152	-129
Total	-15 918	-10 442	-152	-129

NOTE 7. OTHER OPERATING EXPENSES

	The group		Parent company	
	2006	2005	2006	2005
Capital losses from sales of fixed assets	-	57	-	35
Capital losses from sales of subsidiaries	199	930	-	-
Exchange rate differences	2 982	9	788	-
Total	3 181	996	788	35

NOTE 8. NET FINANCIALS, FINANCIAL ITEMS

	The group		Parent company	
	2006	2005	2006	2005
Interest income	788	568		
Other investments including derivatives:				
- Net profit from divestment of financial assets	-	4 745		
- Net value change from revaluation of financial assets	-	135 040		
Net exchange rate changes	72	1 531		
Financial income	860	141 884		
Interest expenses	130	70		
Net exchange rate changes	2 816	166		
Financial expenses	2 946	236		
Total financial items	-2 086	141 648		
Parent company			2006	2005
Dividends from subsidiaries			9 889	-
Capital gains from sale of subsidiaries			1 056	-
Writedowns of shares in subsidiaries			- 3 076	-
Total results from participations in group companies			7 869	-
Writedown participation/receivable Cherry AS, Norway			-	-1 733
Total results from participations in associated companies			0	-1 733
Writedown, shares Aciago			-	-2 035
Value change revaluation derivate (subscription right, call option) Betsson			-	135 040
Total income from other securities and investments			0	133 005
Interest income, group companies			-	378
Interest income, other			340	82
Exchange rate differences			-19	62
Total financial income and similar items			321	522
Interest expenses, other			102	-189
Exchange rate differences			0	-
Total financial expenses and similar items			102	-189

Comments on financial items 2005

Group

In 2005, the subsidiary Net Entertainment sold its remaining holding in the Icelandic company Betware. The sale resulted in a capital gain of SEK 2.9 million. The Establish company was sold in 2005, whereupon the subsidiary Intact Technology's holding in the company could be divested for a capital gain of SEK 3.9 million.

Parent company and group

Betsson's holding of derivatives (share and call options) in Betsson.com were revalued to fair value over the income statement prior to the acquisition of Betsson in February 2005 with a resulting value increase of SEK 135 million in 2005. The writedown of associated companies refers to Betsson's receivable from the Norwegian company Cherry A/S. The company situation resulted in Betsson writing down its entire receivable from Cherry A/S in 2005. In 2006, the receivable was divested externally. The writedown of shares in Aciago in 2005 referred to Betsson's investment in the development company Aciago. In 2005, loan financing was converted to shareholder contribution. Business development at Aciago in 2005 resulted in Betsson writing down the whole of its holding in 2005. The company sought voluntary liquidation in 2006.

NOTE 9. TAX

	The group		Parent company	
	2006	2005	2006	2005
Tax expense in income statement				
Distribution into current and deferred tax				
Current tax	-10 185	-9 197	1 693	3 905
Deferred tax	13 028	1 767	-	-
Total	2 843	-7 430	1 693	3 905
Tax is divided acc. to the following:				
Current tax				
Sweden	-9 768	-5 300	1 693	3 905
Outside Sweden	-417	-3 897	-	-
Total current tax	-10 185	-9 197	1 693	3 905
Deferred tax				
Sweden	-348	978	-	-
Outside Sweden	13 376	789	-	-
Total deferred tax	13 028	1 767	-	-
Difference between actual tax expense and tax expense based on current tax rate				
Income before tax, net	57 643	182 257	-2 420	121 269
Tax according to current tax rate (28%)	-16 140	-51 032	677	-33 955
Tax attributable to previous years	-1 157	-520	-1 157	-
Difference in tax in foreign operations	5 339	5 345	-	-
Tax restitution due to distribution	3 127	-	-	-
Tax effect of non-taxable value changes in financial instruments	-	37 811	-	37 811
Tax effect of non-deductible items	-559	-1 063	-892	-
Tax effect of non-taxable items	-	2 029	3 065	49
Effect of changed tax rate on deferred tax liabilities	12 429	-	-	-
Tax effect of non-recognized tax loss carryforwards	-196	-	-	-
Recognized tax expense	2 843	-7 430	1 693	3 905
Specification deferred tax expense				
Change in tax on loss carryforwards	-	-21	-	-
Change in tax rate on deferred tax liabilities	12 429	-	-	-
Change in tax temporary differences	947	789	-	-
Tax on appropriations	-348	999	-	-
Total	13 028	1 767	-	-
Tax in balance sheets				
Long-term receivables				
- Deferred tax receivables loss carryforwards	-	698	-	-
Current receivables				
- Tax receivables	19 404	24	-	-
Provision for taxes				
- Deferred tax on untaxed reserves	843	903	-	-
- Deferred tax on temporary differences	114	13 490	-	-
Total	957	14 393	0	0
Current liabilities				
- Tax liabilities	31 895	7 191	2 983	1 069

NOTE 10. INCOME FROM DISCONTINUED OPERATIONS

On 6 September 2006, the EGM resolved to distribute Cherryföretagen (business area Cherry Casino) to the shareholders. From 1 September 2006, Cherry has been reported as discontinued operations. Income from discontinued operations consist of the following items:

The group	2006	2005
Revenues	140 936	240 952
Operating expenses	-137 401	-235 733
Operating income	3 535	5 219
Financial items	-749	-407
Income before tax	2 786	4 812
Tax	-763	-1 573
Income from discontinued operations	2 023	3 239
Of which attributable to:		
- Parent company's shareholders	1 784	2 471
- Minority interests	239	768
Cash flow from discontinued operations was as follows:	2006	2005
Operating activities	9 259	3 252
Investing activities	-8 778	-9 302
Financing activities	8 901	9 417

NOTE 11. EARNING PER SHARE

	The group	
	2006	2005
<i>Continuing operations</i>		
Profit after tax attributable to parent company's shareholders	60 487	174 448
Interest convertible loan after tax	36	136
Adjusted income	60 523	174 584
<i>Discontinued operations</i>		
Income after tax attributable the parent company's shareholders	1 785	2 471
<i>Total</i>		
Income after tax attributable to parent company's shareholders	62 272	176 919
Interest convertible loan after tax	36	136
Adjusted income	62 308	177 055
<i>Average number of shares</i>		
- before dilution	39 088 161	36 049 178
- convertible loan	210 411	800 000
- Warrants	255 148	617 080
- after dilution	39 553 720	37 466 258
Earnings per share from continuing operations		
- before dilution (SEK)	1,55	4,84
- after dilution (SEK)	1,53	4,66
Earnings per share from discontinued operations		
- before dilution (SEK)	0,05	0,07
- after dilution (SEK)	0,05	0,07
Earnings per share, total income		
- before dilution (SEK)	1,59	4,91
- after dilution (SEK)	1,58	4,73

See note 1, Definitions, for calculation method

Average share prices 2006 (2005): SEK 25.04 (29.01) kronor. Discount rate 5.75%

NOTE 12. INTANGIBLE FIXED ASSETS

The group	Gaming products, gaming systems and gaming platforms	Gaming agreements and concessions	Trademarks	Customer databases	Goodwill	Total
<i>Accumulated acquisition value</i>						
Opening balance 01-01-2005	9 138	20 584	0	0	42 226	71 948
Business acquisitions	14 912	-	77 261	9 090	278 456	379 719
Internally developed assets	5 671	-	-	-	-	5 671
Other investments	2 720	106	147	-	-	2 973
Exchange rate changes	242	-	-	-	-	242
Closing balance 12-31-2005	32 683	20 690	77 408	9 090	320 682	460 553
Internally developed assets	26 554	-	-	-	-	26 554
Divestment through distribution of Cherry	-	-19 075	-	-	-	-19 075
Exchange rate changes	-437	-	-	-	-	-437
Closing balance 12-31-2006	58 800	1 615	77 408	9 089	320 682	467 594
<i>Accumulated depreciation and writedowns</i>						
Opening balance 01-01-2005	3 627	13 515	0	0	36 273	53 415
Business acquisitions	1 279	-	-	-	-	1 279
Annual depreciation	4 772	2 085	4	3 787	-	10 648
Exchange rate changes	11	-	-	-	-	11
Closing balance 12-31-2005	9 689	15 600	4	3 787	36 273	65 353

(cont) Note 12	Gaming products, gaming systems and gaming platforms	Gaming agreements and concessions	Trademarks	Customer databases	Goodwill	Total
Annual depreciation	8 585	538	49	4 545	-	13 717
Divestment through distribution of Cherry	-	-14 748	-	-	-	-14 748
Exchange rate changes	-197	-	-	-	-	-197
Closing balance 12-31-2006	18 077	1 390	53	8 332	36 273	64 125
<i>Book value</i>						
As at 01-01-2005	5 511	7 069	0	0	5 953	18 533
As at 12-31-2005	22 994	5 090	77 404	5 303	284 409	395 200
As at 12-31-2006	40 723	225	77 355	757	284 409	403 469

Writedown testing for cash generating units containing goodwill and trademarks of indefinite life

The Betsson Online cash generating unit had considerable recognized goodwill value at the end of the year of SEK 284.4 million and the unit's recovery value is based on its utility value. This value is based on cash flow forecasts based on actual operating results and a five-year forecast based on a business plan for the same period and a budget for 2007. Cash flow for the years subsequent to 2011 has been extrapolated based on annual growth of 3%, which is equivalent to an assumed average future inflation rate. The growth rate during the first five years is expected to be higher than that of the sector, as the company is a relatively new business with continued opportunities for growth through market promotions. The forecast cash flows have been discounted at 8% before tax.

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

Sales

A forecast based on current marketing plans which are updated each year based on actual results. The forecast is based on previous experience and external information sources.

Operating margin

Operating margin largely depends on the market promotions implemented. Amounts are established in annual budgets for the units. The forecast is based on previous experience and external information sources.

The company management assesses that no reasonable changes in the important assumptions would result in the estimated recovery value of Betsson Online being lower than the book value.

NOTE 13 TANGIBLE FIXED ASSETS

Inventories, servers, hardware etc	The group	Parent company
<i>Accumulated acquisition value</i>		
Opening balance 01-01-2005	76 120	2 514
Business acquisitions	339	-
Other investments	13 727	237
Divestments and disposals	-17 383	-1 531
Exchange rate changes	-22	-
Closing balance 12-31-2005	72 781	1 220
Other investments	10 492	33
Divestment through distribution of Cherry	-65 839	-
Divestments and disposals	-1 625	-285
Exchange rate changes	19	-
Closing balance 12-31-2006	15 828	968
<i>Accumulated depreciation and writedowns</i>		
Opening balance 01-01-2005	48 344	2 134
Business acquisitions	61	-
Divestments and disposals	-12 998	-1 504
Annual depreciation	10 622	129
Exchange rate changes	-557	-
Closing balance 12-31-2005	45 472	759
Divestment through distribution of Cherry	-41 320	-
Divestments and disposals	-1 082	-260
Annual depreciation	2 201	152
Exchange rate changes	-17	-
Closing balance 12-31-2006	5 254	651
<i>Book value</i>		
As at 01-01-2005	27 776	380
As at 12-31-2005	27 309	461
As at 12-31-2006	10 574	317

NOTE 14. HOLDINGS IN GROUP COMPANIES

Company	Corp. ID	Reg. office	Holding %	No. of shares	Parent company	
					2006	2005
Betsson Technologies AB	556651-8261	Stockholm	100%	1 000	107	107
Betsson PR & Media AB	556118-8870	Stockholm	100%	18 000	5 577	5 577
Betsson Malta Holding Ltd		Malta	100%	10 000	655 116	5 972
- Betsson Malta Ltd		Malta	100%	-	-	-
Betsson Ltd		England	100%	100	2	2
The Open Exchange Ltd		England	100%	100	1	1
GBE Holdings Ltd		Isle of Man	0 (100%)	0 (3 656 502)	-	649 406
Intact Technology Stockholm AB	556561-4814	Stockholm	90,1%	9 010	901	901
Cherry International AB	556561-8575	Solna	100%	8 000	4 300	4 300
Cherryföretagen Casinoutrustningar AB	556205-2307	Solna	100%	6 000	812	812
First Casino AB	556443-0527	Uppsala	100%	1 000	1 000	1 000
Cherry Maritime Service Väst AB	556206-3403	Falkenberg	100%	10 000	3 561	3 561
Cherry Leisure AB	556169-9843	Solna	100%	2 500	290	290
AB Restaurang Rouletter	556133-3153	Solna	100%	1 000	131	131
Svenska Casino AB	556560-6869	Solna	100%	1 000	100	100
Net Entertainment NE AB	556532-6443	Stockholm	100%	39 553 720	4 048	4 048
- Mobile Entertainment ME AB	556185-1758	Stockholm	100%	-	-	-
- Net Entertainment Malta Holding Ltd		Malta	100%	-	-	19
- Net Entertainment Malta Ltd		Malta	100%	-	-	-
- Feliz Europa S.A.		Costa Rica	100%	-	-	-
- Mil Treinta y Dos S.A.		Costa Rica	0 (100%)	-	-	-
Cherryföretagen AB	556210-9909	Stockholm	0 (100%)	0 (20 000)	-	4 454
Casinoinvest i Sverige AB	556444-6119	Solna	100%	5 000	541	3 280
- Cherry Casino Norr AB	556420-9632	Umeå	0 (100%)	-	-	-
- Cherry Casino Norr KB	969615-3494	Umeå	0 (100%)	-	-	-
Cherry Casino AB	556225-3806	Solna	0 (100%)	0 (20 000)	-	9 080
Cherry Casino Syd AB	556229-6730	Göteborg	0 (100%)	0 (20 000)	-	4 774
Cherry A/S		Danmark	0 (100%)	0 (1 250)	-	9 467
Cherry A/S		Norge	0 (35%)	0 (5 000)	-	0
Cherry Maritime Gaming AB	556207-4335	Solna	0 (100%)	0 (10 000)	-	2 907
- Secular Corporation		Liberia	0 (55%)	-	-	-
Total					676 487	710 189
Changes in shares in group companies					2006	2005
Opening acquisition value					710 189	44 156
Distribution Cherryföretagen:						
Internal acquisition of subsidiary-subsiary					4 000	-
Transfer of subsidiary to Cherry					-30 228	-
Shareholder contribution Cherryföretagen, subsidiary					31 420	-
Shareholder contribution Cherryföretagen, liquid assets					7 000	-
Distribution of Cherry to shareholders					-42 537	-
Acquisition Betsson.com:						
- Reclassification from other long-term holding					-	408 040
- Reclassification from other long-term receivables					-	7 433
- Cash payment incl. acquisition costs					-	4 291
- Non-cash issue					-	229 642
Writedowns					-3 076	-
External divestments					-262	-
Internal group divestments					-19	-
Internal group acquisitions					-	16 589
Paid-up share capital share, new companies					-	38
Closing book value					676 487	710 189

NOTE 15. HOLDING IN ASSOCIATED COMPANIES

Company, domicile	Holdings	The group		Parent company	
		2005	2004	2005	2004
Cherry A/S, Norge	0 (35%)	-	0	0	0
Total		-	0	-	0
		The group		Parent company	
Changes in participations in associated companies		2005	2004	2005	2004
Opening book value		0	0	0	0
Closing book value		-	0	-	0

Betsson holding in Cherry A/S was divested in 2006 for a sum of SEK 1

NOTE 16. FINANCIAL INVESTMENTS

Specification of holdings of financial and current investments

Company, domicile	Holdings	The group		Parent company	
		2006	2005	2006	2005
Aciago AB, Stockholm	0 (10%)	-	0	0 (10%)	-
Total shares which are fixed assets		-	0	-	0

In 2006, Aciago went into voluntary liquidation

Reachin Technologies, Stockholm (unlisted)	1,1%	0	0	-	-
Total shares which are current assets		0	0	-	0

Specification of changes	The group		Parent company	
	2006	2005	2006	2005

Changes in financial investments (fixed assets)

Opening book value	0	21 605	0	20 948
Disposals	0	-657	-	-
Shareholders' contribution	-	2 024	-	2 024
Change in equity value (IB derivatives)	-	194 499	-	194 499
Change in income statement (derivatives)	-	135 040	-	135 040
Change in equity value (share)	-	60 376	-	57 564
Reversal of value changes share upon disposal	-	-2 812	-	-
Reclassification to subsidiary	-	-408 040	-	-408 040
Writedowns	-	-2 035	-	-2 035
Closing book value	0	0	0	0

Changes in current investments (current assets)

Opening book value	0	4 098	-	-
Disposals	-	-4 098	-	-
Closing book value	0	0	-	-

NOTE 17. LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

Long-term receivables in associated companies which are fixed assets	The group		Parent company	
	2006	2005	2006	2005
As at end of year				
Cherry A/S, Norway	-	0	-	0
Total	-	0	-	0
<i>Changes</i>				
Opening book value	0	1 967	0	1 967
Amortization	-	-234	-	-234
Writedowns	-	-1 733	-	-1 733
Disposals	0	-	-	-
Closing book value	-	0	-	0

In 2006, receivable from Cherry A/S was divested externally for a sum of SEK 9,000.

Other long-term receivables which are fixed assets	The group		Parent company	
	2006	2005	2006	2005

As at end of year

Long-term part restaurateur loan	-	479	-	-
Long-term part receivable purchase price share in Establish	-	800	-	-
Long-term part loan	655	-	655	-
Long-term part deposits	58	336	-	-
Closing book value	713	1 615	655	0

Changes

Opening book value	1 615	9 467	0	8 408
Transfer of long-term liabilities to current	-800	-	-	-
Lending, long-term part	655	-	655	-
Issued mortgage loan	-	1 049	-	1 049
Mortgage loan converted to shareholder contribution	-	-2 024	-	-2 024
Mortgage loan converted to partic. in subsidiary	-	-7 433	-	-7 433
Change in long-term part restaurateur loan	-479	-270	-	-
Change in long-term part deposits	-278	26	-	-
Sale of shares, non-current part of receivables	-	800	-	-

Other receivables which are current assets	The group		Parent company	
	2006	2005	2006	2005

As at end of year

Current part of restaurateur loan	-	5 619	-	-
Sale of shares, current part of receivables	800	1 200	-	-
Lending, current part	394	-	394	-
Tax accounts	1 624	121	1 621	-
Receivables from payment suppliers	49 733	33 173	-	-
Current part deposits	-	2 177	-	-
Gaming participations	-	7 059	-	-
Gaming tills, change tills	-	2 952	-	-
Sales tax	2 312	1 550	435	106
Other	1 213	1 277	49	88
Total	56 076	55 128	2 499	194

NOTE 18. PREPAID EXPENSES AND ACCRUED INCOME

	The group		Parent company	
	2006	2005	2006	2005
Rents	1 192	775	1 192	561
Marketing	14 983	-	-	-
Other prepaid expenses	2 899	8 310	1 976	202
Total	19 074	9 085	3 168	763

NOTE 19. EQUITY

Breakdown of share capital	2006		2005	
	Number shares	Share Capital	Number shares	Share Capital
Parent company				
Shares, series A (10 votes)	5 610 000	11 220	5 610 000	11 220
Shares, series B (1 vote)	33 943 720	67 887	32 448 056	64 896
Total shares	39 553 720	79 107	38 058 056	76 116
Convertibles B	-	-	800 000	1 600
Warrants B	-	-	710 000	1 420
Total share after dilution	39 553 720	79 107	39 568 056	79 136

The par value of the share is SEK 2. Both A and B shares are equally entitled to the company's assets and income. Distribution of equity in the group and the parent company is shown in note 1. Reserves are shown under changes in consolidated equity.

NOTE 20. UNTAXED RESERVES, APPROPRIATIONS

Parent company	2006	2005
<i>Balance sheet</i>		
Accumulated accelerated depreciation	31	98
Total untaxed reserves	31	98
Deferred tax in untaxed reserves amounts to	9	27
<i>Income statement</i>		
Difference between recognized depreciation and depreciation according to plan	67	44
Tax allocation reserve	-	4 017
Total appropriations	67	4 061

NOTE 21. INTEREST-BEARING LIABILITIES

	The group		Parent company	
	2006	2005	2006	2005
<i>Long-term interest-bearing liabilities</i>				
Bank loans	-	9 480	-	-
Financial leasing liabilities	-	207	-	-
Total	-	9 687	-	-
<i>Current interest-bearing liabilities</i>				
Overdraft facilities	-	149	-	-
Current part of convertible promissory notes	-	3 280	-	3 280
Current part of financial leasing liabilities	-	75	-	-
Total	-	3 504	-	3 280
Total interest-bearing long-term liabilities	-	9 687	-	-
- of which due between one and five years	-	9 687	-	-
- of which due after five years	-	-	-	-

The bank loan refers to financing of the Danish company in the distributed Cherry Casino in local currency. The loan was subject to a market flexible interest rate and was not amortized and is therefore reported as a long-term liability.

In 2003, Betsson raised a convertible mortgage loan of SEK 3,280,000 from the company's CEO, which was due for payment on 15 May 2006. The debt was converted against B-shares at a exercise price SEK 4.10 in April 2007. The number of shares in Betsson thus increased by 800,000 B-shares

NOTE 22. OTHER LIABILITIES

	The group		Parent company	
	2006	2005	2006	2005
<i>Other current liabilities</i>				
Employees' tax	1 702	3 224	159	234
Personnel	-	368	-	-
Gaming taxes	-	2 738	-	-
Gaming shares to gaming locations	-	1 305	-	-
VAT	-	283	-	67
Players' accounts	21 117	12 127	-	-
Other	512	2 454	-	66
Total	23 331	22 499	159	367

NOTE 23. ACCRUED EXPENSES AND PREPAID INCOME

	The group		Parent company	
	2006	2005	2006	2005
Vacation pay liabilities	2 905	6 361	218	162
Social security charges	1 704	5 331	190	222
Payroll tax	800	1 174	221	260
Location charges	-	2 758	-	-
Accrued salaries	1 469	4 114	1 086	910
Accrued affiliate expenses	4 721	-	-	-
Accrued marketing expenses	1 637	-	-	-
Accrued consultation expenses	5 680	499	555	320
Other	6 210	4 951	2 189	2 995
Total	25 126	25 188	4 459	4 869

NOTE 24. ASSETS PLEDGED FOR OWN LIABILITIES

	The group		Parent company	
	2006	2005	2006	2005
Bank balances	3 620	-	3 620	-
Chattel mortgages	-	-	-	-
Total	3 620	-	3 620	-
Chattel mortgage in own custody	35 600	46 700	35 600	35 600

NOTE 25. CONTINGENT LIABILITIES

	The group		Parent company	
	2006	2005	2006	2005
Guarantees and contingent liabilities for subsidiaries	-	-	-	11 241
Other guarantees and contingent liabilities	-	-	-	-
Total	-	-	-	11 241

NOTE 26. RELATED PARTIES

The parent company has a close relationship with its subsidiaries, see note 14. Intra-group services sold between the parent company and its subsidiaries mainly concern accounting, IT and management services and rental and office expenses.

The Net Entertainment subsidiary also has license and consultancy income from its sister company Betsson Malta Ltd from CasinoModule. In 2006, SEK 23,151,000 was invoiced.

The Betsson group rents two overnight accommodation apartments from Solporten Fastighets AB of which the CEO and member of the board Per Hamberg are part owners/members of the board. In 2006, purchases amounted to SEK 104,000.

Net Entertainment hires consultancy services from Portwise AB, of which the chairman of the board of directors of Betsson and the CEO are part owners/members of the board. Purchases from Portwise amounted to SEK 1,797,000.

Transactions with related parties are priced on ordinary market terms. Member of the board Per Hamberg exerts a major ownership influence on Betsson AB.

For information on the ownership of the company by members of the board refer to page 20. For information on remuneration to members of the board of directors and executive management refer to note 5.

	Parent company	
Transactions with related parties	2006	2005
<i>Purchase of services from related parties</i>		
Purchases from subsidiaries	368	4
Purchases from other related parties	104	100
<i>Sales of services to related parties</i>		
Sales to subsidiaries	7 415	2 890
<i>Liabilities to related parties</i>		
Liabilities to subsidiaries	16 954	21 389
<i>Receivables from related parties</i>		
Receivables from subsidiaries	41 544	33 755

PROPOSED ALLOCATION OF PROFITS

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

Net income for the 2006 financial year	-726 554
Retained earnings and share premium reserve	122 302 203
	121 575 649

The board and the CEO propose:

Distribution of a dividend of SEK 0.50 per share (39,553,720 shares)	19 776 860
And the remaining amount be carried forward	101 798 789
	121 575 649

Allowing for the recommendation of the board of directors at an extraordinary shareholders' meeting on 30 March 2007 to distribute the share in the Net Entertainment NE AB subsidiary to the shareholders, which will reduce the parent company's non-restricted capital, the proposed amount to be carried forward to the next year will also be reduced by SEK 4,047,949 excluding transaction expenses.

As at 12-31-2006 the equity of Betsson AB amounted to SEK 707,240,000, of which non-restricted equity amounted to SEK 121,576,000. Group equity attributable to the parent company's shareholder amounted to SEK 491,335,000 on the same date. In accordance with the IFRS, consolidated equity is not divided into restricted and non-restricted equity.

The board of directors assesses (in accordance with section 18:4 of the Swedish Companies Act) that the distribution of the amount recommended in dividend is reasonable with regard for the requirements placed both on the company and group and on the nature of the business, scope and risks for the amount of

equity and allowing for consolidation needs, liquidity and the financial position in general. The financial position will remain strong after the recommended dividend has been distributed and is assessed as being fully adequate for the company to be able to meet its obligations in both the short and long terms and have the capacity to make the necessary investments.

The annual report and the consolidated financial statements of Betsson AB (publ) for 2006 have been approved for publication in accordance with the decision of the board of directors of 18 March 2007. The annual report and the consolidated financial statements will be presented to the annual general meeting for adoption on 22 May 2007.

To the best of our knowledge, the annual report has been prepared in accordance with good accounting practice for listed companies, the disclosures made accord with actual circumstances and nothing of material importance has been omitted which might affect the position of the company as described in the annual report.

Stockholm – 18 March 2007

John Wattin
Chairman

Per Hamberg

Anna-Carin Månsson

Patrick Svensk

Kicki Wallje-Lund

Pontus Lindwall
CEO

My audit report was submitted on 29 March 2007

Gunnar Liljedahl
Authorized Public Accountant
Ernst & Young AB

AUDITORS' REPORT

To the annual shareholders' meeting of Betsson AB (publ)

Corp. ID 556090-4251

I have examined the annual report, consolidated financial statements and bookkeeping and management by the board of directors and the CEO of Betsson AB (publ) for the 2006 financial year. The company's annual report and consolidated financial statements appear in the printed version of the present document on pages 22-49. The board of directors and the CEO are responsible for financial statements and management and for ensuring that the annual financial statements have been prepared in accordance with the Swedish Company Accounts Act and that the IFRS international accounting standards as adopted by the EU have been applied to the preparation of the consolidated financial statements. My responsibility is to express an opinion on the annual report, consolidated financial statements and administration based on my audit.

The audit has been performed in accordance with best auditing practice in Sweden, according to which I planned and performed my audit to substantially but not absolutely assure myself that the annual report and consolidated financial statements do not contain material errors and misinformation. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining on a test basis the accounting policies and the board of director's and the CEO's application of them and assessment of material estimates which the board of directors and the CEO made when they drew up the annual report and the consolidated accounts and evaluation of overall information contained in the annual report and the consolidated accounts. As a basis for my statement concerning freedom from liability, I examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the possible liability to the company of any member of the board or the CEO to the

company. I have also examined whether they have in some other way acted in contravention of the Swedish Companies Act, the Swedish Company Accounts Act or the Corporate Statutes. I believe that my audit provides a reasonable basis for the opinion set out below. In my opinion, the annual report and the consolidated accounts have been prepared in accordance with the Swedish Company Accounts Act, and therefore provide a true and fair picture of the company's income and financial position in accordance with good accounting practice in Sweden. The consolidated accounts have been prepared in accordance with the IFRS international accounting standards as they have been adopted by the EU and the Swedish Company Accounts Act and give a true and fair picture of the group's income and financial position. The Directors' Report is consistent with the remaining parts of the annual report and the consolidated accounts.

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

Stockholm – 29 March 2007

Gunnar Liljedahl
Authorized Public Accountant

Ernst & Young AB

“Betsson is a company on the move. No day is like another”

Lars Nielsen, Customer Service Manager

“Great people, wonderful atmosphere and a fantastic place to work!” I’ll be staying a loooooooooong time!”

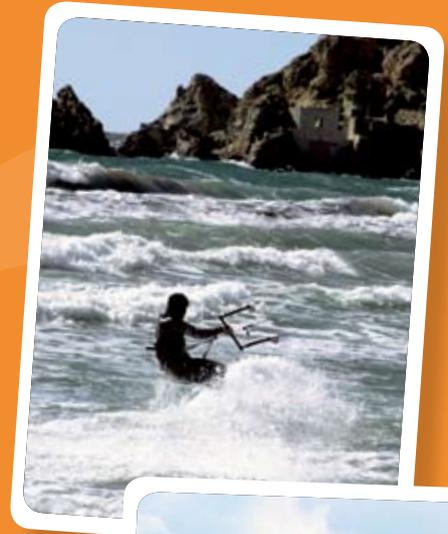
Mikaela Karlsson, Support Agent

“I come to work together with people who are professional, enthusiastic and who work together to improve our customers’ gaming enjoyment.”

Stuart French, Payments & Fraud Manager

“The best thing about working for Betsson is my colleagues, the next best thing are the free kiwi fruits which are my favorite source of vitamins.”

Thomas Arle, Payments Agent



“A wonderful atmosphere, team spirit, mutual respect, the view is great and the climate nice.” What more could you ask for?”

Milena Karlsson, Finance Administrator

“We are based in Paradise in an extremely exciting industry, and what’s more we’ve got a cruel office and an outstanding corporate culture...”

Ralf Feldt, Manager Affiliate Lounge Malta

If you too would be interested in working for Betsson Malta, click into our website at www.betsson.se and tell us about yourself!



ADDRESSES

Betsson AB (publ)

Birger Jarlsgatan 57B
113 56 Stockholm
Sweden
www.betsson.se
info@betsson.com

Betsson Ltd.

35 Vine Street
London, EC3N 2 AA
UK
www.betsson.com

Betsson Malta Ltd.

GB building
Water Street
Ta'Xbiex MSD 12
Malta
www.betsson.com