



WHAT'S YOUR THRILL?

ANNUAL REPORT 2008



2008 - A RECORD YEAR FOR BETSSON

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HOW BETSSON EARNS ITS INCOME

Betsson's business concept is based on attracting large numbers of new customers at low cost and with little risk.

Betsson has two income models linked to two main gaming categories.

▶ **BETSSON PLAYS AGAINST THE CUSTOMERS**

▶ *Casino, Sportsbook, Scratch, Trader, Bingo and Games*

▶ **CUSTOMERS PLAY AGAINST EACH OTHER**

▶ *Poker and Exchange*





Betsson acts as the bank in **Casino, Sportsbook, Scratch, Trader, Bingo** and **Games**. In Sportsbook and Trader odds are set by professional odds setters who assess the probable outcomes of different bets. Although acting as the bank entails a certain level of risk, the risk decreases as more bets are placed during the course of the year. In the other games the odds are mainly built into the games themselves and Betsson's financial risks are therefore lower.

With **Poker**, Betsson charges a commission on each pot. The commission is determined by the size of the pot and Betsson is not exposed to any risk in the betting. The fee structure for **Exchange** can be compared to a stock exchange where Betsson charges a percentage commission on the winnings between two parties. Betsson is therefore not subject to any risk in the outcome of the game.

2008 60%

ANOTHER RECORD-BREAKING YEAR

GROWTH TO WRITE HOME ABOUT



▶ Sales rose by 60 per cent to SEK 1,037.8 (649.0) million and the operating profit was SEK 276.6 (179.4) million. The number of active customers totalled 167,400.

▶ Betsson.com was launched in four countries. At year-end Betsson had 1,499,900 registered customers, which is a 51 per cent increase on the previous year.



1 BN

SALES TOP ONE BILLION MARK

276.6

OPERATING PROFIT IN MILLIONS

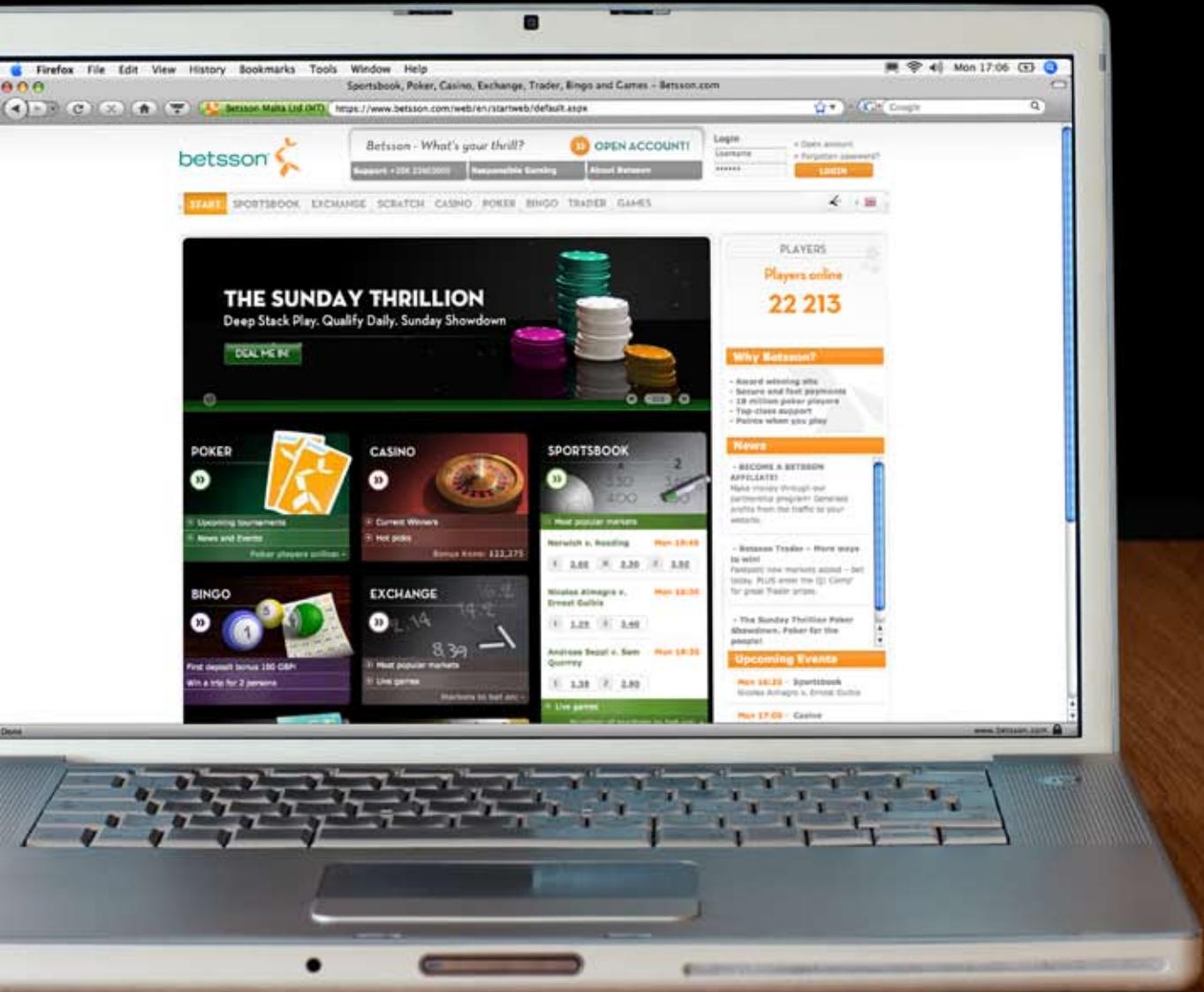


► Sweden's largest ever casino winnings - SEK 10.5 million - were won by a player at Betsson Casino in the first quarter.



THE STRONGEST GAMING BRAND ON THE INTERNET...

Betsson AB owns Betsson Malta which develops and conducts online gaming through its gaming portals Betsson.com, CasinoEuro.com and CherryCasino.com. Together, these sites constitute three of the Nordic region's strongest gaming brands and they are available in 18 languages.



... AND THE PATH TO THE TOTAL GAMING EXPERIENCE

Betsson's gaming portals are the company's core. They are the first thing that greets the customers when they come into contact with us. These sites are continuously being developed and updated with regard to their design, content and functionality. Our sites attract thousands of visitors every day and have won several prestigious awards. Betsson also owns and operates affiliatelounge.com, which is one of the most respected and well-known affiliate programmes in the market.

FOR CONSUMERS



BETSSON.COM
Casino, Poker, Sportsbook,
Exchange, Scratch, Bingo,
Trader and Games



CASINOEURO.COM
Casino and Poker



CHERRYCASINO.COM
Casino and Poker

FOR SITE OWNERS



AFFILIATELOUNGE.COM
Marketing

BUSINESS CONCEPT

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

OBJECTIVE

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

VISION

Betsson aims to be one of the world's most successful modern gaming companies.

THE BETSSON BRAND

It is essential for Betsson to have a strong brand. The core of the Betsson brand is made up of five basic values that should permeate both our products and our attitude towards each other and our customers.

STRATEGY FOR THE PARENT COMPANY

Growth. Betsson aims to grow both organically and through acquisitions. The company intends to expand into new geographic markets, principally in Europe.

STRATEGY FOR THE SUBSIDIARIES

Create satisfied customers. Betsson should be the customer's natural first choice and offer exceptional customer service.

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

Range. Betsson offers first-class products and attractive special offers.

BETSSON'S BASIC VALUES

Fair play • Growth
Profitability • Improvement
Dynamic

WE WILL CONTINUE TO TAKE UP THE CHALLENGE

Now that we're a few months into 2009 it's time to recap on 2008 and look ahead to the future. Betsson's growth in 2008 has been fantastic. But before I elaborate on Betsson's achievements during the year I would like to take the opportunity to touch briefly on Betsson's basic values.

Betsson's basic values are the values that encapsulate the company's soul. They describe how the company wants to be perceived, how we as a company should act and how our employees should face every situation. Betsson's basic values are; fair play, growth, profitability, improvement and dynamic. These key words are of the greatest significance to us. They distinguish us from our competitors. You could say that they are our DNA, our philosophy and our personality. "Betsson" in a nutshell.

INCREASED SALES DESPITE RESTRICTIVE MONOPOLY

What has Betsson achieved during the year? The company has seen its sales rise organically by 60 per cent to more than SEK 1 billion, seen its profit increase to SEK 267 million, established a number of new partnerships and opened up a couple of new geographic markets, renewed several functions in our gaming sites, launched a whole new affiliate system, opened a betting shop in central Stockholm and a whole lot more - all despite fierce competition and restrictive monopolistic laws. We are proud of our achievements. During the year we have also concluded several partnerships in different areas and for different purposes. Through these partnerships we have extended our reach and widened our range.

THE PLAYER - AT THE HEART OF THE GAME

Other trends during the year that can be mentioned include discussions about legislation, which seem to be a permanent fixture in this industry. Several countries, including Sweden, have presented or are implementing proposals for new legislation. In this area two different philosophies seem to be emerging: countries (including Sweden) who are bent on preserving their monopolies and hoodwinking the EU, and countries with a genuine ambition to introduce modern gaming legislation. I believe that countries like France belong to the

latter category, even with my understanding of EU it is hard for me to understand why former monopoly companies should be allowed to continue having a monopoly over betting shops while online gaming is being thrown open to competition. One thing all these legislative processes have in common is that they focus on a few individual aspects of gaming's multi-faceted nature, i.e. responsible gambling, tax revenues and avoiding criminal activity. Two of these aspects, taxes and security, are crucial components but they are relatively simple to handle through legislation and control. The third - responsible gambling - is a difficult but important issue in which online gaming companies have been pioneering solutions and where the state monopolies have been forced to do a u-turn and introduce some of the consumer protection principles that many online gaming companies have already been implementing for several years.

CUSTOMERS WANT FREEDOM OF CHOICE

But the legislative powers often forget another vital part of the gaming process: the customer - the player. In our eyes, the player is a consumer who wants to consume gaming products for entertainment. Online gaming companies are now offering the player the freedom of choice that has previously been lacking. The growth of online gaming companies shows that the need exists, and probably always has done, even before the Internet came along. What is noticeable is that legislation is all too seldom - or hardly ever - aimed at satisfying the customer's needs. Legislators are simply ignoring the fact that the customers want freedom of choice, that not all customers are the same, that variety generates vitality and development and a whole host of other fundamental, positive effects. I will not dwell on the challenges facing the legislative bodies, I will simply affirm that the customers have spoken and their demands are reflected in Betsson's growth.



THE FUTURE IS IN OUR OWN HANDS

What does Betsson have in store for the future? We will continue to develop our Betsson, CasinoEuro, CherryCasino trademarks and our Affiliatelounge affiliate system. We will be launching new innovative technical solutions and more gaming products. Betsson will also be aiming to outdo itself in putting the customer first. We will be on the lookout for new partners at several levels. We will be looking for modern companies with whom we can explore new possibilities.

The second half of 2008 ended with a failing world economy and uncertainty about the future. Although the economic downturn has hit various industries hard, Betsson's business area has emerged relatively unscathed. While Betsson's future will undoubtedly be affected by the deterioration in the personal finances of its customers, the way I see it, gaming is a cheaper form of entertainment than many others and, even in hard

times, customers will still be in need of entertainment. I sincerely hope for everyone's sake that we will soon be facing better times and have cause for greater optimism.

Betsson will continue to take up the challenge. We will continue fighting on the side of the customers and for their freedom of choice. We are convinced that you can't force customers to embrace unwanted forms of behaviour. This is why Betsson has a secure place in the market; a place that will grow much larger once more customers discover the advantages of freedom of choice.

And finally, I would like to thank all our staff for a fantastic 2008. You have shown fighting spirit, passion and you have taken your work personally, which I believe is a strength. Let us continue to listen to the customers and develop the services they want.

Stockholm April 2009
Pontus Lindwall

ONE OF EUROPE'S LEADING GAMING COMPANIES

A passion for creating exciting gaming products and the courage to challenge traditional values have always ranked among Betsson's strengths. Not only has this helped to create world-class games, it has also made us one of the leading gaming companies in Europe.



EIGHT PRODUCT CATEGORIES - A THOUSAND GAMING POSSIBILITIES

Betsson provides games with high playability, quality and security. In addition to being a fast-growing company in a fast-growing industry, Betsson is also one of the oldest gaming companies in Europe, with 45 years under its belt. By continuously providing new, innovative gaming forms, user-friendly sites and the best possible customer service, we are creating gaming products for a wide target group that cater to different gaming preferences and every pocket.

Betsson's range breaks down into eight product categories, all available via Betsson.com. Combined, they create thousands of gaming possibilities. Betsson's operations also include CasinoEuro.com and CherryCasino.com, which are available in 16 and 13 languages, respectively. Both sites offer casino and poker games. Through Affiliate Lounge, Betsson site owners and other partners can market our products and earn a commission on the gaming surplus generated on behalf of Betsson.

● CASINO

Casino embraces everything from traditional games such as Roulette and Black Jack to modern video slots with a chance of hitting the jackpot. In 2008 Betsson paid out SEK 10.5 million in jackpot winnings to a Swedish player.

● POKER

Betsson is part of one of the world's largest poker networks, Ogame Network, which has more than 18 million registered players. Poker is available for Windows, Mac and mobile phones.

● SPORTSBOOK

Betsson has thousands of games in sports, but also in entertainment and politics. While Euro 2008 attracted a large number of customers, the most highly publicised bet was on the choice of words in Barack Obama's inauguration speech in January 2009. The main event during the year was the launch of Livebetting, which was very well-received by our players.

● EXCHANGE

In our gaming exchange, the players set the odds themselves and play against each other. Betsson charges a commission which is paid by the winner.

● SCRATCH

Betsson offers the virtual scratch card Trio which has a 79 per cent higher payout probability than Svenska Spel's Triss scratch card. There's a winning on two out of five cards, and a maximum winning of SEK 1 million. Now that's what we call fair play.

● BINGO

Betsson provides a variety of different bingo games, all with different layouts and structures. The Bingo game has its own chat room to enhance the experience, and a bingo host who can answer questions.

● TRADER

The spring of 2008 saw the launch of Trader which offers betting on index and share prices in a number of markets in Europe and the USA. In Sweden a lot of people placed bets on Swedbank's share performance during the turbulent autumn.

● GAMES

Games embraces entertainment games, from various lotteries to dice games. You can even try your luck at the virtual reindeer races or play Bingo Keno - a winning combination.

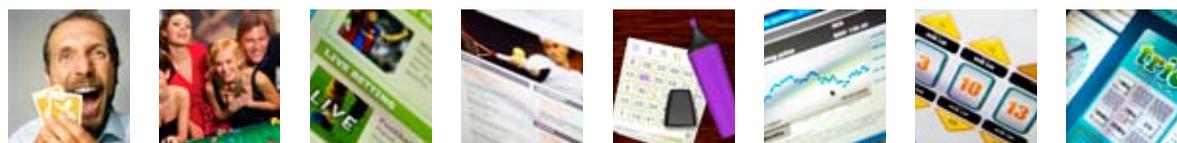
Distribution of product categories



- Casino 58%
- Poker 19%
- Sportsbook 19%
- Other 4%

The big game...

Did you know that the game that attracted the most punters in 2008 was the opening group match between Germany and Poland in Euro 2008?



STRONG INSTINCT FOR THE GAMES... ...AND FOR THE PLAYER

Betsson's overall objective is to provide the best gaming experience on the Internet. That's why we are constantly developing our sites, products and security. Our products are also associated with a risk of problem gambling, an area in which Betsson takes its responsibility seriously.

Betsson is proactive in promoting responsible gambling and its ambition is to be a leader in the field. Problem gambling exists in all social groups. That's why, in addition to our own work, we also have a well-established collaboration with other gaming companies, authorities and gambling addiction organisations. Together we have the ability to create wide-reaching, effective solutions.

Betsson also contributes to research projects and supports preventative measures to fight gambling addiction, not least with our research scholarship that we award twice a year. The purpose of the scholarship is to generate interest and research into gambling addiction issues. The scholarship can be applied for by students who are doing degree dissertations.

HELP COMES IN MANY FORMS

During the year we have actively improved our preventative gambling

addiction work. In April we renewed our accreditation and certification with the Global Gambling Guidance Group (G4), which has been Betsson's partner since 2005. The website provides various self-help tools and instructions on how to restrict your gambling or impose financial limitations. On all sites you will also find contact information to organisations that work with treating gambling addiction.

In the group, we have a department that is devoted exclusively to responsible gambling. It is staffed 24 hours a day and can be reached by phone, e-mail and chat.

HIGH LEVEL OF KNOW-HOW ABOUT GAMBLING ADDICTION

All Betsson's employees, regardless of their job descriptions, attend a training programme about responsible gambling. Employees who work specifically with gambling addiction issues are given continuous advanced training to give

A middle-aged player...

Did you know that, with 45 years under its belt, Betsson is one of the oldest gaming companies in Europe?

24_h

BETSSON'S RESPONSIBLE GAMBLING DEPARTMENT IS OPEN ROUND THE CLOCK.



Since October 2007 Hillevi Stuhrenberg has been quality-assuring Betsson's responsible gambling activities.

“

Betsson is proactive in promoting responsible gambling and its ambition is to be a leader in the field.

83%

OF PLAYERS ARE FAIRLY SATISFIED OR VERY SATISFIED WITH THE SECURITY OF BETSSON'S SITES.

“The games that are available at Betsson and those that are supplied by sub-contractors are certified and monitored continuously by third parties to ensure fair and correct play.

players the kind of help that they need. In October 2007 a full-time position was created for the purpose of strengthening and quality-assuring activities related to responsible gambling, and to represent Betsson at international events in this field.

FOR THE ENVIRONMENT

Betsson is an environmentally-aware company. One concrete example of Betsson's commitment to the environment is the climate compensation we provide when we travel by air. In a fast-growing company, a certain amount of air travel is unavoidable. But we intend to increase our climate compensation as we grow. In 2009 we will therefore be increasing our climate compensation rate even further. With offices both in Sweden and Malta, using technology such as video conferencing and chats has become a natural part of our working day. This has allowed us to keep internal travel to a minimum and thus also reduce our impact on the environment.

▶ STRONG FOCUS ON SECURITY PAR FOR THE COURSE

As Betsson's customer you will always feel secure. That's why Betsson's strong security philosophy permeates all its products. This way we can guarantee that our customers get fair play.

- Betsson Malta Ltd is licensed in Malta by the Lotteries and Gaming Authority.
- Betsson is certified in accordance with Mastercard's and VISA's regulations and data communication is encrypted.
- Betsson collaborates with several large banks (e.g. Lloyds TSB, Raiffeisen Bank and SEB)

and is also PCI-compatible for secure transactions. This means that all card details are handled securely and that we meet the most stringent requirements on payments, deposits and withdrawals.

- The games that are available at Betsson and those that are supplied by sub-contractors are certified and monitored continuously by third parties to ensure fair and correct play.
- To guarantee that the poker software generates random numbers, it is monitored continuously by independent controllers.

▶ BETSSON'S GIFT: A FOOTBALL SCHOOL

At Betsson we love sport. Which is why we donated SEK 85,000 to Rågsveds IF sports club, which used Betsson's donation to finance a summer football school for 100 children, children who otherwise have limited options when it comes to summertime activities.

In Sweden today, no gaming companies - except for the State-run gaming companies - are permitted to sponsor Swedish sports. It is in conflict with paragraph 38 of the Swedish Lottery Act,

which prohibits private gaming companies from advertising in the Swedish market.

In other words, Betsson is not allowed to be a sponsor of associations such as Rågsveds IF and get natural exposure in return. That is why Betsson decided to make this a gift, without demanding anything in return, to show that we intend to take our social responsibility seriously on the day the law changes in the Swedish market.



Johan Eklöf and Andreas Pettersson, Rågsveds IF.

THE MARKET IS GROWING FAST...

The online gaming market is growing steadily and is attracting a constant stream of new players. At the same time, competition is rising as more companies are widening their range to attract new customers. In 2008 Betsson.com was launched in four new countries and the company gained a total of 503,900 new customers. In May Betsson opened its first betting shop on Götgatan in Stockholm.

Betsson's betting shop on Götgatan 37 in Stockholm opened its doors in May 2008. For more information, please visit www.gotgatan37.com

...BUT BETSSON IS GROWING FASTER

Despite stiffening competition, Betsson continues to outgrow the market. Its rapid market growth is attributable to a number of reasons. Internet availability is steadily increasing and with it the number of potential customers. People are also becoming more used to, and thus more comfortable with, paying over the Internet, which also has a positive effect on the gaming industry.

The range of online products has grown strongly in the last few years, and from a player's point of view this offers gaming possibilities that simply did not exist a few years ago.

At the end of 2008, Betsson had some 1.5 million registered customers, of whom 167,400 were active customers. Active customers are those that have played for real money in the last 90 days. These have increased by 51 per cent during the year.

GOOD SUMMER MONTHS

The number of customers increased even during the summer months, which otherwise are usually the slowest months. The increase is attributable to intensified marketing during the period and greater interest in conjunction with the Euro 2008 football championships.

LAUNCH IN FOUR NEW COUNTRIES

Betsson is today represented in 18 markets after being launched in Peru, Serbia, Holland and Hungary during the year. The Nordic region remains the most significant geographic market, accounting for more than half the turnover in the last quarter. Casino is Betsson's largest segment, accounting for more than 50 per cent of the company's profit in 2008. Northern Europeans tend to play more poker than southern Europeans, while the reverse is true of Sportsbook. Betsson.com is available in 18 languages and the range of products is adapted according to each local market so that the customer's needs are met as effectively as possible.

BETTING SHOP BRINGS BETSSON CLOSER TO THE CUSTOMER

In May 2008 Shopsson, one of Betsson's subsidiaries, opened its first betting shop on Götgatan 37 in Stockholm. This

received an enthusiastic response from players both in conjunction with the official opening and during the course of the year. The purpose of the store is both to bring the customer closer to the company and to increase our gaming possibilities. In the shop, customers can both bet on sports and live games through our Internet portals and get useful tips from our expert staff. The store also broadcasts live matches, which customers can watch while they socialise in a unique betting environment. Everyone who plays in the shop, and on the Internet, must be over 18.

The betting shop is unique in Sweden and constitutes a completely new modern concept. The Swedish Gaming Board's view was that the shop's operations were in conflict with the Swedish Gaming Act and it requested the store to cease supporting online gaming under the threat of a fine. Betsson (Shopsson) appealed the decision to the County Administrative Court. The Court rejected the appeal. In the company's view, this was in conflict with EC law. Betsson subsequently appealed against the Court's ruling to the Administrative Court of Appeal. In January 2009 the Administrative Court of Appeal granted a review dispensation and approved Betsson's appeal for suspension, which effectively reverses the ruling of the County Administrative Court. This should be viewed as a success. The Administrative Court of Appeal's final ruling is expected in the end of 2009.

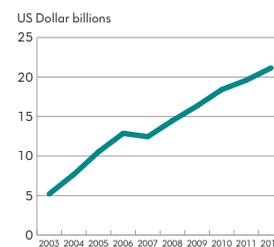
MORE COMPETITION AND WIDER OFFERING

In the last few years a growing number of companies have established themselves in the online gaming market, which has increased the level of competition. Competitors who previously specialised

1.49

BETSSON HAD 1.49 MILLION REGISTERED CUSTOMERS AT THE END OF 2008.

GAMING MARKET'S GROWTH AND PROJECTED GROWTH ONLINE 2003-2012



SOURCE: GBGC

INTERNET PENETRATION IN BETSSON'S MARKETS, %

Nordic	75
Germany	64
Spain	63
Turkey	37
Total EU	60

SOURCE: INTERNET WORLD STATS

“ In the EU there is growing pressure on governments to amend the law in favour of open competition.

are now widening their offering in an attempt to reach a wider category of customers. There is also a growing number of sites that are niched towards casino games.

A key challenge for Betsson is to keep its existing customers while at the same time attracting new ones. Betsson’s main competitor remains the government monopoly. Private competitors include both listed and unlisted companies such as Unibet, Expekt, Ladbrokes and bwin.

Betsson has in the last few years undergone explosive growth, while continuing to maintain profitability at a high level.

A WAVERING MONOPOLY

Essentially all gaming operations in Europe require a permit. According to EC law, a monopoly can legally operate if it benefits public health and if the operations are conducted to this end. According to EC law, if a monopoly is in business for a different purpose, e.g. to generate revenue for the state, private companies may not be excluded from operating as the monopoly’s operations are not motivated for health reasons. Despite this, a number

of community countries including Sweden are keeping their restrictions in place in order to obstruct or prevent private enterprises and to maintain high profits. Pressure within and from the EU to introduce changes in the law to promote competition has increased. It is still unclear, however, if and when the law will be changed in Betsson’s markets.

GAMING INQUIRY WITH UNCLEAR PURPOSE

In the autumn of 2008 the Swedish government inquiry into possible future gaming regulations in Sweden published its findings. The inquiry proposes that Svenska Spel should be given a monopoly of what it referred to as “the most problematic games”, such as slot machines, casino, and interactive games online. Private companies, on the other hand, should be allowed to arrange betting services with the exception of betting on horseracing. The inquiry has been heavily criticised for having ignored the principal issue of to what extent a Swedish monopoly - irrespective of the product - is compliant with EC law.

51%

INCREASE IN THE NUMBER OF ACTIVE CUSTOMERS COMPARED WITH 2007.

18

IS THE MINIMUM AGE FOR PLAYING AT BETSSON.

Women predominant among bingo players

Of Betsson’s customers 78% are men and 22% are women. In all games, with the exception of bingo, the majority of players are men. 70% of bingo players are women.

BETSSON AND SELECTED LISTED COMPETITORS

	Market value SEK million	Rate 1 year	Sales SEK million	Growth 1 year
Partygaming ¹	12,470	3%	4,162	3%
bwin ²	7,696	8%	4,731	19%
Unibet ³	4,547	3%	1,496	52%
888 ⁴	4,539	-20%	2,310	21%
Betsson ⁵	3,718	62%	1,038	60%
Sportingbet ⁶	2,266	-11%	1,781	23%

Source: company reports. The market value and share price trend as at 11 March 2009. For currency translations the following exchange rates have been used for SEK: £12.12; \$8.8; €11.24.

- 1) Partygaming uses “net revenues” as turnover measurement. Sales growth refers to “continuing operations”.
- 2) bwin uses “gross gaming revenues” as turnover measurement.
- 3) Unibet uses “gross winnings revenue” as turnover measurement. Sales growth includes Maria Bingo which was acquired at the end of 2007.
- 4) 888 uses “total operating income” as turnover measurement.
- 5) Betsson uses “revenues” as turnover measurement.
- 6) Split financial year. Sportingbet uses “net gaming revenues” as turnover measurement.

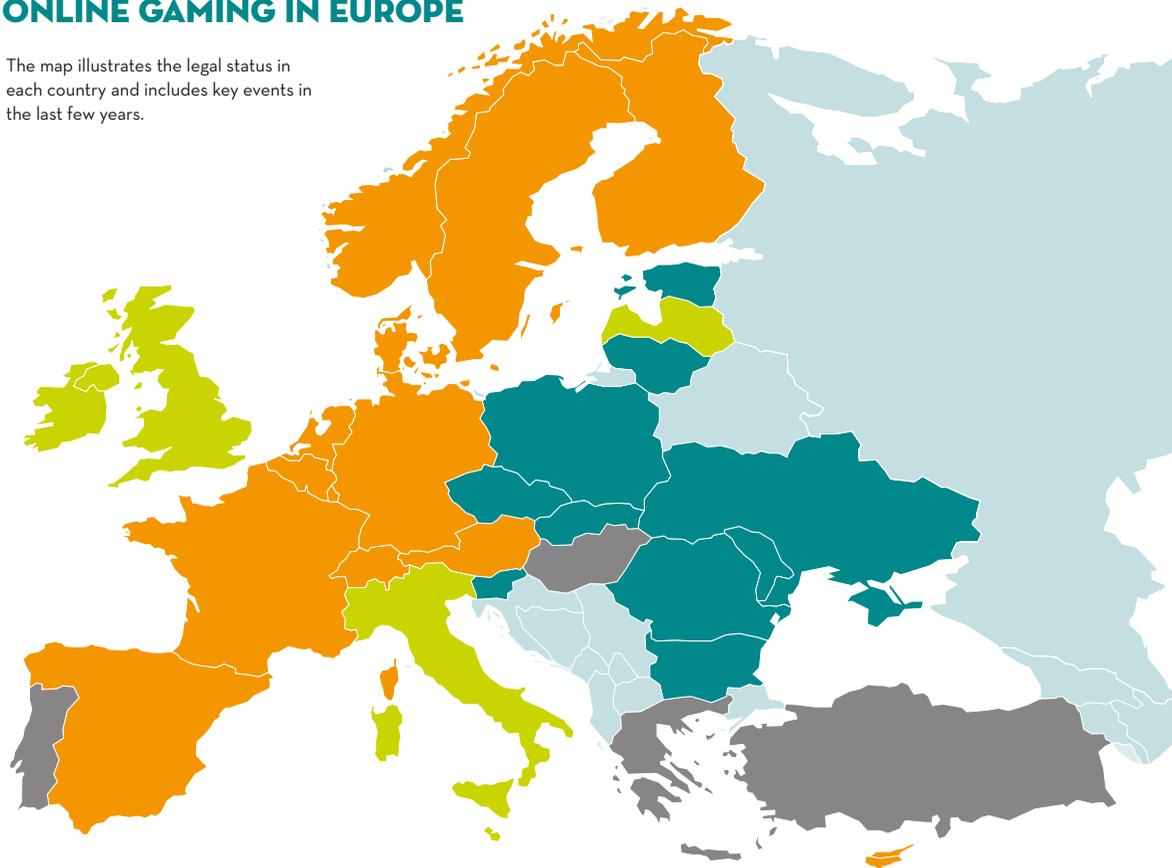
DISTRIBUTION BY GAME (%)

	Sportsbook	Casino	Poker	Other
Partygaming	4	37	58	1
bwin	56	17	22	5
Unibet	35	33	22	10
888	-	53	30	17
Betsson	19	58	19	4
Sportingbet	61	25	14	0

Source: Financial reports and company presentations.

LIBERALISATION OF ONLINE GAMING IN EUROPE

The map illustrates the legal status in each country and includes key events in the last few years.



Open and regulated markets for online gaming: UK, Ireland, Italy, Malta, Latvia.

Possible online gaming reforms, opportunities for foreign companies within the next five years: Germany, Netherlands, Finland, Norway, Denmark, Sweden, Spain, Austria, Belgium, Switzerland, France, Luxembourg, Cyprus.

Strong state control, opportunities for foreign companies in more than five years: Portugal, Hungary, Greece, Turkey.

Eastern Europe: Czech Republic, Poland, Slovenia, Slovakia, Bulgaria, Romania, Ukraine, Moldova, Estonia, Lithuania.

SOURCE: GOLDMAN SACHS GLOBAL INVESTMENT RESEARCH, 28 JANUARY 2009.

SWEDEN In December 2008 a Swedish government inquiry into gaming regulations published its findings, in which it proposes certain changes in the law. The Swedish government will continue to have the monopoly on most games, with the exception of sports betting (but not horseracing).

EASTERN EUROPE is made up of different bodies of rules and private companies. Liberalised laws possible after countries enter the EU.

GERMANY A private gaming enterprise has been taken to court and was fined as a result. Gaming licences were revoked by certain German states, and were later reinstated. The way similar cases will be treated in future will depend partly on future EC court rulings. In December 2007 the company was permitted to resume providing sports betting services, including online, with certain restrictions.

UK AND IRELAND In September 2007 the British Government introduced new rules for online gaming. Local Irish bookmaking firms are allowed to provide their services on the Internet.

FRANCE The French government is planning to introduce a more liberal law for online gaming at the beginning of 2009 following a settlement with the European Court of Justice. France was previously firmly opposed to commercial gaming enterprises.

SPAIN In December 2007 the Spanish parliament passed a bill legalising online gaming

ITALY In August 2006 Italy introduced a law which allows online operations for gaming companies located in the EU, provided they comply with the monopoly's regulations. In the spring of 2008 licences were also extended to cover poker tournaments.

GREECE AND TURKEY According to Greek law, all types of online games are prohibited. In January 2007 the government announced that it would limit the use of credit cards for gaming on the Internet. In March 2007 all online gaming was also prohibited in Turkey, but there is a possibility for private enterprises to get licences in the future.

A SOFT COMPANY THAT WORKS HARD

Betsson is characterised by a strong entrepreneurial spirit. One of its key success factors is having employees who are willing to take the initiative. This is one of the reasons why we are constantly striving to make Betsson as dynamic and attractive a workplace as possible. Our staff surveys show that we are on the right track.

Betsson operates in a fast-growing market. This makes particular demands on employees' know-how, creativity and dedication. But it also requires much of Betsson as an employer to create an environment where the employees are encouraged to take their own decisions and think along new lines.

AN INTERNATIONAL ENVIRONMENT

The online gaming industry is young and it attracts young people. The average age at Betsson is low - 31 - and all the employees are quick to take on a lot of responsibility. 65 per cent of the employees have

university-level studies, and Betsson's staff embraces 18 nationalities. As an employee at Betsson, working alongside people with different backgrounds and cultures is par for the course. This gives Betsson a strong international profile and has also created favourable conditions for knowledge exchange among employees.

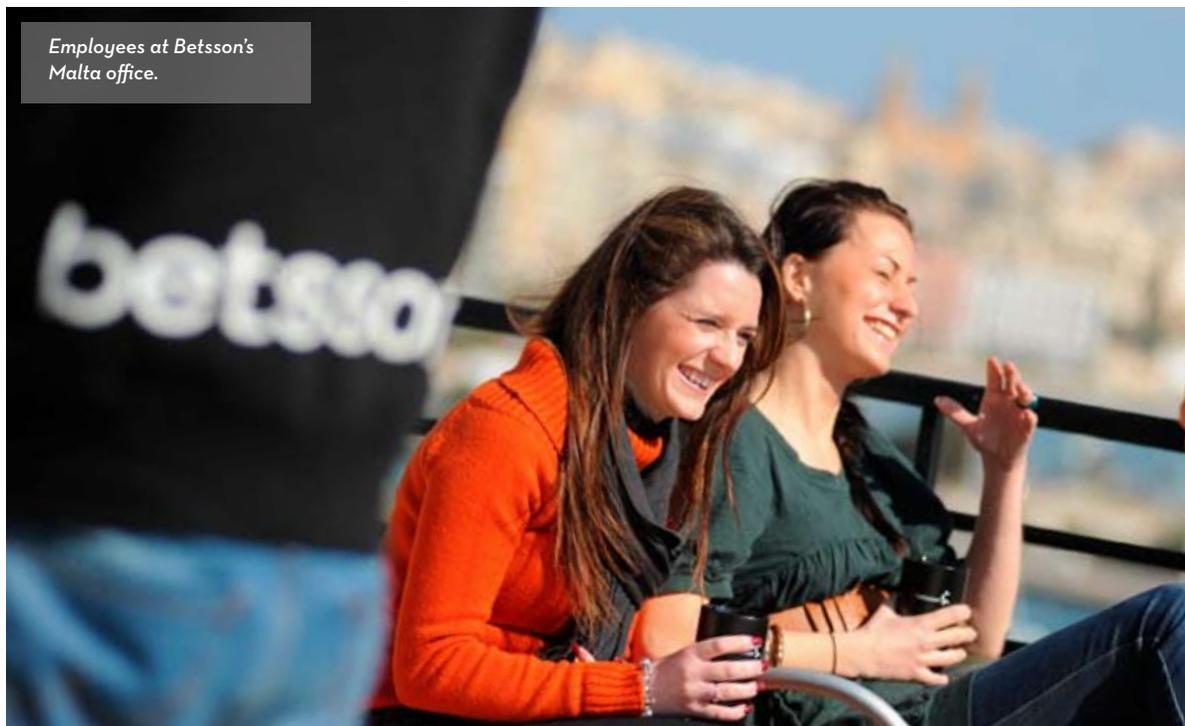
STEADY GROWTH DESPITE FINANCIAL TURMOIL

In the last three years, Betsson has been outgrowing the market. Despite a general slowdown in the economy at the end of 2008, the company still has considerable



At the end of the year Betsson had 185 employees.

Employees at Betsson's Malta office.



31 YRS.

IS THE AVERAGE AGE OF BETSSON'S EMPLOYEES.

90%

ARE PROUD TO WORK AT BETSSON.

18

NATIONALITIES WORK AT BETSSON.

recruitment needs. In 2008 Betsson recruited a large number of employees and key people including a new CFO. At year-end the group had 185 employees, of whom ca 30 per cent women. 105 people are stationed in Malta and 80 work at our office in Stockholm.

HAPPY EMPLOYEES

Every year Betsson performs a staff survey to identify the areas that are healthy and those that need improving. The 2008 survey, which was done in November, shows that 90 per cent of employees are proud to work at Betsson.

An equal number responded that Betsson is a good organisation to work for. Nine out of ten employees stated that they were very dedicated to their jobs and perceive that they can take the initiative and often do so.

Two key issues which received higher results in this year's survey compared with last year's were confidence in the company's management. 83 per cent (77) responded that they had a lot of confidence in the management and 88 per cent (84) had a lot of confidence in the CEO.

► TEAM SPIRIT WORTH NURTURING

105 people work at Betsson's office on Malta. One of them is Per Johansson, who is business area manager for the two casino sites CherryCasino and CasinoEuro. Per's main duties involve running and developing sites by adding new games and creating a more attractive design to cater to the tastes of tomorrow's casino players. One year ago, he had four people on his team. Today there are 15, which shows just how fast Betsson is growing. But this in turn creates a number of challenges.

"Taking advantage of all the business opportunities that arise is one challenge.

Preserving the team spirit in a fast-growing organisation is another."

Per started out at Betsson as assistant casino manager three years ago. In July 2007 he was given the role of business area manager and since that time he has accumulated his fair share of memories.

"At my job interview I turned up in a suit while my boss-to-be showed up wearing a t-shirt. I was embarrassed and so next time I came in a t-shirt. The boss wore a suit."

Per describes the atmosphere at Betsson as being "down to earth, international and open". He describes



FACTS PER JOHANSSON

Family: Girlfriend and pet dog

Age: 29 years

Lives: Semi-detached house in Sliema, Malta

Education/training: M.Sc. in Business and Economics, Gothenburg School of Business, Economics and Law

Favourite Betsson game: Casino, preferably one of our jackpot slots

Hidden talents: I work with the few talents that I have. I'm a demon Christmas rhyme composer and have quite a good head for figures!

the organisation as being flat – everyone talks to each other and works together closely.

Betsson's low average age – 31 – creates an atmosphere of forward-thinking and a willingness to go the extra mile.

"If there's a glitch somewhere, you don't go home until it has been fixed. At Betsson we work hard and most of us are here to build a career."

SHARE AND OWNERS

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

SHARE STRUCTURE

At the end of the year Betsson had 39,553,720 shares – 5,420,000 A shares and 34,133,720 B shares. Each A share entitles its holder to 10 votes, while each B share entitles its holder to one vote. All shares carry equal rights to Betsson's assets and profits.

REPURCHASE OF SHARES

In 2008 the company repurchased 66,000 B shares at an average rate of SEK 59.20. The total number of shares amounted at the closing date to 310,000 B shares acquired at an average rate of SEK 58.27. On the balance sheet date the number of outstanding shares excluding repurchased shares amounted to 39,243,720, of which 5,420,000 were A shares and 33,823,720 were B shares.

COMPLETED REDEMPTION PROGRAMME

On 12 May 2008 the AGM adopted a resolution to implement a 2:1 stock split with automatic redemption programme for the redemption shares received through the stock split.

The redemption procedure means that SEK 196.2 million, which is equivalent to SEK 5.00 per share, was transferred to the company's shareholders on 13 June 2008.

BONUS ISSUE, ETC.

In conjunction with the redemption procedure, the company implemented a bonus issue totalling SEK 39.6 million in order to restore the company's share capital. SEK 253.3 million was also transferred from the company statutory reserve to non-restricted reserves in accordance with the resolution passed at the AGM, which the Swedish Companies Registration Office approved on 21 July 2008.

INCENTIVE PROGRAMME

At the extraordinary general meeting on 21 November 2008 two incentive programmes were approved. One was directed at employees in Sweden and one directed at employees working abroad (staff warrants).

At the end of the Swedish offer period on 15 December 2008, 260,000 options were subscribed for at the market premium of SEK 5.94 per option, which contributed SEK 1.5 million to equity. At the end of the foreign offer period on 15 January 2009, 352,536 options had been allotted.

Each stock option entitles the employee to purchase one B share in Betsson at the end

of 2010 at a price of SEK 75 per subscription option or SEK 88.20 per staff warrant.

The options programme and its effects are described in more detail on page 29.

OWNERSHIP STRUCTURE

As at 30 December 2008, Betsson had 5,790 (5,952) shareholders. 5 (5) per cent of these were foreign shareholders. Of the shares, foreign owners held 43 (45) per cent of the share capital, and 34 (35) per cent of the votes.

90 (91) per cent of the owners were natural persons. 25 (33) per cent of the share capital and 25 (36) per cent of the votes were owned by natural persons.

LIQUIDITY

An average of 59.4 (88.8) million shares changed hands during the year, which is equivalent to 151 (259) per cent of the average total issued B shares. An average of 236,000 (357,000) shares changed hands each trading day. The average number of contracts per trading day was 266 (324).

SHARE PRICE AND REVENUES

The share price declined by 18 (282 per cent increase) per cent. The (latest) price on balance sheet date was SEK 68.50 (83.25), which is equivalent to a market value of SEK 2.7 (3.3) billion. The highest price of SEK 83.75 (88.00) was paid on 2 January (12 December) and the lowest was SEK 54.25 (21.00) on 27 October (3 January). The average price during the year was SEK 66.88 (57.00).

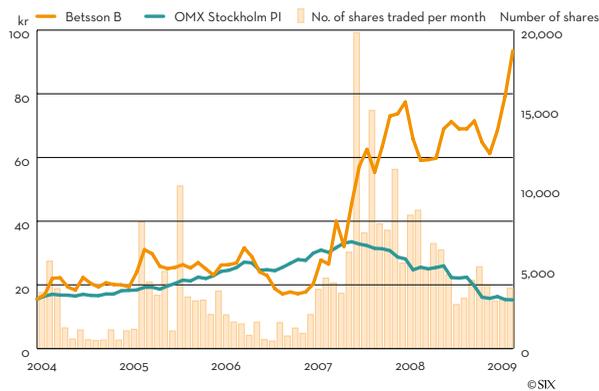
Total turnover during the year was SEK 3,970 (5,061) million, which is equivalent to an average of SEK 15.8 (20.3) million per trading day and approximately 59,000 (81,000) per average transaction.

DIVIDEND POLICY AND DIVIDEND PROPOSAL

The board of directors proposes that the Annual General Meeting resolve in favour of transferring SEK 5.10 (5.00) per share to the shareholders, which is equivalent to SEK 200.1 (196.2) million. The proposal is in line with the company's dividend policy of distributing up to 75 per cent of the income of the year to the shareholders, provided that the capital structure can be retained.

The board of directors intends to propose to the meeting that the transfer to the shareholders be conducted in the form of a redemption programme. The board's complete proposal will be presented well in advance of the AGM.

SHARE PRICE TREND



ANALYSTS THAT MONITOR BETSSON

Dawid Myslinski
Redeye

Johan Isaksson
Remium AB

Martin Arnell
Carnegie Investment Bank

Stefan Nelson
SEB Enskilda

Karen Hooi
Goldman Sachs International

Bile Daar
Danske Bank

Rasmus Engberg
Handelsbanken

Daniel Ek
HQ Bank

Johan Grabe
Nordea

Mikael Holm
Swedbank

MAJOR SHAREHOLDERS AS AT 30 DECEMBER 2008

Owners ²	No. of A shares	No. of B shares	Percentage of capital (%)	Percentage of votes (%)	Adjusted ¹ percentage of capital (%)	Adjusted ¹ percentage of votes (%)
Per Hamberg family and company	1,699,500	1,818,359	8.9	21.3	9.0	21.4
Bertil Knutsson and company	800,000	1,640,000	6.2	10.9	6.2	11.0
Rolf Lundström family and company	852,500	682,191	3.9	10.4	3.9	10.4
Lars Kling ³	797,000	657,030	3.7	9.8	3.7	9.8
BNP Paribas (Luxembourg) S.A.	700,000		1.8	7.9	1.8	7.9
Bill Lindwall family (estate)	561,000	72,595	1.6	6.4	1.6	6.5
JP Morgan Chase Bank		3,676,449	9.3	4.2	9.4	4.2
Swedbank Robur Fonder		2,505,395	6.3	2.9	6.4	2.9
Handelsbanken Fonder incl XACT		1,089,143	2.7	1.2	2.8	1.2
Spyder Lending Account		1,000,712	2.5	1.1	2.5	1.1
Other shareholders	10,000	20,681,846	52.3	23.5	52.7	23.6
External owners	5,420,000	33,823,720	99.2	99.6	100.0	100.0
Betsson AB		310,000	0.8	0.4		
Total	5,420,000	34,133,720	100.0	100.0		

1) Share of capital and votes have been adjusted for Betsson's repurchased shares.

2) Information about the owners is based on information from EuroClear (formerly VPC), which means that the managers of the shares may be included in the table but the actual owners are not.

3) According to information from Lars Kling, Lars Kling and related parties at year-end controlled 1,497,000 A shares and 1,052,030 B shares, which is equivalent to 6.5 per cent of the issued shares and 18.2 per cent of the votes in the company. It is not, however, known by the company through which related parties and institutions Lars Kling's controlling shares are allocated, which is why Lars Kling has not been specified as the owner for all the shares that he maintains he controls.

SHARE CAPITAL COMPOSITION

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

SHARE DISTRIBUTION AS AT 30 DECEMBER 2008

No. of shares	No. of shareholders	Percentage of shareholders (%)	No. of shares	Percentage of shares (%)	Share of votes (%)
1-500	4,114	71.0	673,604	1.7	0.8
501-1,000	735	12.7	633,155	1.6	0.7
1,001-2,000	364	6.3	593,042	1.5	0.7
2,001-5,000	242	4.2	828,310	2.1	0.9
5,001-10,000	102	1.8	782,282	2.0	0.9
10,001-20,000	71	1.2	1,077,071	2.7	1.2
20,001-50,000	59	1.0	1,944,117	4.9	2.2
50,001-100,000	34	0.6	2,568,342	6.5	3.0
100,001-500,000	53	0.9	11,523,452	29.1	13.1
500,001-1,000,000	9	0.2	5,897,229	14.9	19.5
1,000,001→	7	0.1	13,033,116	33.0	57.0
Total	5,790	100.0	39,553,720	100.0	100.0

BOARD OF DIRECTORS



Carl Lewenhaupt
BOARD MEMBER

Born 1958, Stockholm.
Board member since 2008.
CEO of advertising agency Calleolle AB.

BACKGROUND: Carl Lewenhaupt is Creative Director and has many years' professional international marketing experience under his belt. He has founded, run and owned several advertising agencies. Carl has studied at IHR Stockholm, NYU in New York and the School of Visual Arts in New York. Carl is a member of Platinaakademien, the Swedish advertising industry's "hall of fame".

SHAREHOLDING: 0.



Per Hamberg
BOARD MEMBER

Born 1943, Ekerö.
Board member since 1974.

OTHER APPOINTMENTS: Board member of Cherryföretagen AB, Solporten Fastighets AB and Hamberg Förvaltning AB.

BACKGROUND: Per Hamberg is one of the co-founders of Betsson AB (formerly Cherryföretagen AB). He has intermittently occupied the position of CEO and has served as board chairman of the group and its subsidiaries. Per's studies includes business administration and political science.

SHAREHOLDING: 1,699,500 A shares and 1,818,359 B shares (including holdings via companies and related parties).



Patrick Svensk
BOARD MEMBER

Born 1966, Stockholm.
Board member since 2005.
CEO of Zodiac Television AB.

OTHER APPOINTMENTS: Board member of Next Generation Broadcasting AB.

BACKGROUND: Patrick Svensk has professional experience from a range of senior management positions at listed companies. He has been President and CEO of Zodiac Television since 2003. Previous appointments include CEO of Kanal5 and TV3 Sverige. He has an M.Sc in Business and Economics from the Stockholm School of Economics.

SHAREHOLDING: 5,000 B shares.



Kicki Wallje-Lund
BOARD MEMBER

Born 1953, Nyköping.
Board member since 2006.
CEO of Wellnet AB.

OTHER APPOINTMENTS: Board member of Syntensia AB and Wellnet AB.

BACKGROUND: Kicki Wallje-Lund has professional business development experience from a number of international companies, having worked primarily in their banking and finance departments. Kicki has held senior management positions at NCR, Digital Equipment, AT&T, Philips, ICL and Unisys.

SHAREHOLDING: 0.



John Wattin
BOARD CHAIRMAN

Born 1947, Stockholm.
Board member since 1989.
CEO of Investering i Kunskap AB.

OTHER APPOINTMENTS: Board chairman of Qbranch AB and Syntensia AB. Board member of ABBA Touring Exhibition AB.

BACKGROUND: John Wattin has many years' international experience of board work focussing on business development and change management at listed and unlisted companies. He co-founded Enator, Sigma and a number of other companies. John has been managing his own investments for 15 years.

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



Lars Linder-Aronson
BOARD MEMBER

Born 1953, Saltsjöbaden.
Board member since 2008.

OTHER APPOINTMENTS: Board member of 7 AP-fonden, Catella Advisory Sweden AB, e-Capital AB, SBAB and Ventshare AB.

BACKGROUND: Lars Linder-Aronson has many years' professional experience of the finance and capital markets, having worked primarily in investment banking in London, New York and Stockholm. He was previously President and CEO of Enskilda Securities and has worked for the investment bank Dillon, Read & Co. Lars has an M.Sc in Business and Economic from the Stockholm School of Economics.

SHAREHOLDING: 174,917 B shares (including holdings via companies and related parties).

SENIOR MANAGEMENT



1



2



3



4



5



6

1. Pontus Lindwall
PRESIDENT AND CEO, BETSSON AB

Born 1965, Stockholm.
Employed by the group since 1991. Board member of Betsson Technologies AB, Betsson PR & Media AB and Shopsson AB.

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

SHAREHOLDING: 10,000 A shares, 634,594 B shares, 100,000 subscription options.

2. Fredrik Rüdén
CFO, BETSSON AB

Born 1970, Nacka.
Employed by the group since 2008.

SHAREHOLDING: 0, 25,000 subscription options.

3. Pierre de Boer
CEO, BETSSON TECHNOLOGIES AB

Born 1969, Stockholm.
Employed by the group since 2008.

SHAREHOLDING: 0, 25,000 subscription options.

4. Fredrik Nilsson
CFO, BETSSON MALTA LTD

Born 1973, Malta.
Employed by Betsson since 2004.

SHAREHOLDING: 0, 43,200 staff warrants.

5. Elsebeth Alfvegren
HRD, BETSSON MALTA LTD

Born 1966, Malta.
Employed by the group since 2006.

SHAREHOLDING: 1,500 B shares, 18,000 staff warrants.

6. Thomas Kalita
CEO, BETSSON MALTA LTD

Born 1969, Malta.
Employed by the group since 2006. Board member of Betsson Malta Ltd, Betsson Malta Holding Ltd, Betsson Services Ltd, Betsson Ltd, Betsson PR & Media Ltd.

SHAREHOLDING: 7,300 B shares, 87,500 staff warrants.

AUDITOR

PricewaterhouseCoopers AB

Michael Bengtsson
SENIOR AUDITOR SINCE 2008
Born 1959, Stockholm.
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

Sound corporate governance and control supports stable growth

Betsson has enjoyed strong growth in the last few years. One contributory reason for this powerful, profitable growth has been our ability to strike a healthy balance between forward thinking and attention to detail. For us, corporate governance is about preserving a dynamic, hungry corporate culture where individuals are rewarded and appreciated for their efforts, and where risks are handled on a sound commercial basis. A gaming company that offers players speedy, secure payments strengthens confidence in the company and thus creates a strong competitive advantage. It is an excellent example of how good internal controls improve a gaming company's commercial possibilities.

During the year, Betsson implemented the rules of the new Swedish Code of Corporate Governance. Even though these rules are relatively new to us, well-organised decision processes, clearly demarcated responsibilities and accountability have always been integral to our success. During the past year, Betsson has intensified the work of reviewing, updating and coordinating its reporting and control routines for the group's decision-makers at legal and operating levels. We have put special emphasis on mapping out and evaluating the main risks affecting these routines, and the controls for handling them. This is a continuous process in our everyday operations.

Improved governance and control in the gaming industry not only makes good business sense; it is a competitive weapon in the capital market and strengthens the industry's standing in the public eye.

John Wattin
Board chairman

Corporate governance report 2008

This is the first year that Betsson is implementing the Swedish Code of Corporate Governance, a body of rules that is based on the internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). Betsson's Corporate governance report for 2008 is presented below. The review has shown that the company has no deviations to report.

Shareholders

Betsson has been a listed company since 1996. It has been listed on the Stockholm Stock Exchange since 2000. The company's B shares are today listed on Nasdaq OMX Nordic Mid Cap List, (BETS). The company had 5,790 (5,952) shareholders at the end of the period. The largest owners (with more than 10 per cent of the votes) were Per Hamberg with 9.0 per cent of the capital and 21.4 per cent of the votes, Rolf Lundström with 3.9 per cent of the capital and 10.5 per cent of the votes and the Knutsson family with 6.2 of the capital and 10.9 per cent of the votes.

Annual General Meeting

The 2008 Annual General Meeting was held on Monday, 12 May 2008. The meeting was attended by shareholders, either in person or through representatives, representing 35.9 per cent of the votes and 27.2 per cent of the capital. John Wattin was elected chairman of the meeting. All the board members elected by the AGM were present.

Resolutions

The minutes of the AGM can be found on Betsson's website.

Resolutions adopted at the meeting included:

- To declare, as proposed by the board, a dividend payment of SEK 5.00 per share for 2007, through an automatic redemption procedure.
- Re-election of board members John Wattin, Per Hamberg, Kicki Wallje-Lund and Patrick Svensk, and election of Carl Lewenhaupt and Lars Linder-Aronson as new members.
- Re-election of John Wattin as board chairman.

Extraordinary General Meeting

An Extraordinary General Meeting was held on Friday, 21 November 2008. The meeting was attended by shareholders, either in person or through representatives, representing 44.8 per cent of the votes and 30.4 per cent of the capital.

Resolutions

The minutes of the EGM can be found on Betsson's website. At the meeting a resolution was adopted to implement two incentive programmes: one directed at employees in Sweden and the other at employees in other countries.

Annual General Meeting 2009

The Annual General Meeting of Betsson AB (publ) will be held at Advokatfirman Delphi's auditorium at Regeringsgatan 30-32 in Stockholm on Tuesday, 12 May 2009 at 3 p.m.

For more information about the 2009 AGM please visit:
www.betssonab.com.

Nomination committee

In accordance with the resolution adopted at the Annual General Meeting in 2008, the board chairman was given responsibility for the company's nomination work and for requesting the company's major shareholders to take part in the nomination process. The election committee should consist of at least three board members of which the majority should not be employees or board members. The nomination committee's job is to come up with proposals for board members, board chairman, auditors, and for the remuneration for board members, board committees and auditors to present the resolutions for adoption at the 2009 AGM. The nomination committee's composition was announced on Friday, 7 November in Betsson's interim report for the third quarter of 2008 and can be found on the company's website.

The nomination committee for the 2009 AGM is made up of:

- Ann-Catrine Appelquist, representing the Hamberg, Kling and Lindwall families, with 38.6 per cent of the total number of votes.
- Tommy Marklund, representing the Lundström and Knutsson families, with 21.4 per cent of the total number of votes.
- John Wattin, board chairman of Betsson AB and responsible for the nomination committee.

The nomination committee represents shareholding interests that as of the year end amounted to 60 per cent of the votes in the company. The nomination committee has had a physical meeting and a number of telephone discussions.

The nomination committee looks for nominees who, together with existing members, can make up a board of directors which has the suitable combined experience and know-how. This means experience of senior management work at listed companies, expertise in finance and the gaming industry or experience of international service companies.

At the 2008 Annual General Meeting PricewaterhouseCoopers AB, with authorised public accountant Michael Bengtsson as senior auditor, was elected until the end of the 2012 AGM. All board members were proposed for re-election. The nomination committee's complete proposals and plans ahead of the 2009 AGM will be presented on the company's website www.betssonab.com well in advance of the AGM.

Shareholders wishing to submit proposals to the nominating committee may do so by e-mail to valberedning@betsson.se or by ordinary post to the company's head office.

Board of directors

Members of the board of directors are elected each year by the Annual General Meeting for the period until the next AGM is held. There are no rules concerning the length of time a person may remain on the board of directors. Betsson's board of directors consists of six members elected by the AGM and no deputies. The CEO does not sit on the board of directors. The 2008 Annual General Meeting resolved to re-elect members of the board John Wattin, Per Hamberg, Patrick Svensk and Kicki Wallje-Lund, and to elect Carl Lewenhaupt and Lars Linder-Aronson as new members. John Wattin was also re-elected as chairman of the board.

The CEO, Pontus Lindwall, is responsible for presenting reports at board meetings. The CFO, Fredrik Rüdén, participates at meetings both in a capacity as presenter of reports and as secretary. Officials of the company attend meetings of the board of directors as secretaries and in order to submit reports on various issues.

Board's independence

According to the Stockholm Stock Exchange's definition, six members of the board elected by the Annual General Meeting are independent of the company (100 per cent) and five members of the board of directors elected by the AGM are independent of the company's major shareholders (83 per cent), all of whom comply with the Stock Exchange's experience requirement. Board member Per Hamberg has 9.0 per cent of the capital and 21.4 per cent of the votes and is therefore not considered independent of the company's major shareholders. With this composition, Betsson's board of directors meets the stock market's requirements for listed companies and the Swedish Code of Corporate Governance, where the majority of

members elected at the AGM are required to be independent of the company and the company's management and at least two should be independent of the company's major shareholders. All members of the board of directors and all members of the group's executive management group have taken the Nasdaq OMX Nordic Exchange's training course in share exchange regulations.

Board meetings

In 2008, the board of directors held thirteen (10) meetings where minutes were taken, of which one (2) was statutory, two (2) were telephone meetings and two were ad hoc (0) meetings. The board had a five (7) per cent absence rate during the year's board meetings.

The CEO's reporting on the company's development, key events, significant agreements, potential acquisitions and the legal developments in the gaming market are dealt with at all meetings. The board of directors gave particular attention to strategic, financial and reporting issues and major investment transactions.

Attendance at meetings by members of the board is described below (the figure in parentheses refers to the previous year's meetings):

John Wattin, chairman	100% (100%)
Per Hamberg, member	100% (100%)
Kicki Wallje-Lund, member	92% (90%)
Patrick Svensk, member	85% (80%)
Carl Lewenhaupt, member as of 12 May 2008	86% (-)
Lars Linder-Aronson, member as of 12 May 2008	100% (-)
Rolf Blom, member until 12 May 2008	100% (100%)
Emil Sunvisson, member until 12 May 2008	100% (100%)

The average attendance rate for board and committee meetings was around 95 (93) per cent.

Information to the board of directors

The work of the board of directors follows a plan intended to ensure that it receives all necessary information. The company's auditors report any observations from the scrutiny of the closing financial statements and assessment of the company's internal procedures and checks to the board of directors. Each month the board receives a detailed report in which management describes developments. The board also receives a daily report which shows the results from the previous day's gaming operations.

Audit committee

The audit committee is made up of all board members and convenes in conjunction with board meetings. Its main task is to ensure that the established principles for financial reporting and internal controls are observed. The audit committee is tasked with monitoring follow-ups and reporting on issues within the framework of Corporate Responsibility. The audit committee also fulfils the function of a finance committee which supports and follows up the finance activities, evaluating and suggesting changes to treasury policy. The results of the audit committee's work, in the form of observations, recommendations, proposals and measures, are processed by the board on an ongoing basis. The group's accountants/auditors and the group CFO present reports to the audit committee.

Remuneration committee

Like the audit committee, the remuneration committee is made up of the whole board of directors and convenes in conjunction with board meetings. The remuneration committee's main task is to raise remuneration terms and employment conditions of the CEO and the executive decision-makers who report directly to the CEO, based on the remuneration guidelines and employment conditions for the CEO and other senior management staff that are decided by the AGM.

CEO and group management

The company's CEO and group chief executive are responsible for the ongoing operations of both the parent company and the group.

The CEO leads the group management's work and makes decisions in joint consultation with other management staff. This is made up of the business area managers and group executives. At the end of 2008, group management consisted of six people, see gallery page 22.

The group management performs regular reviews of the operations under the leadership of the CEO.

The parent company's (Betsson AB's) operations consist of managing and administrating the company's investments and evaluating potential new acquisitions or divestment of businesses. The group's gaming operations are conducted on Malta, with its own operating management group.

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

Remuneration

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

The following principles, which were adopted by the 2008 general meeting, apply to leading officials:

- Remuneration shall be paid on ordinary market and competitive terms in order to attract and retain competent senior executives. Remuneration consists of a fixed salary, variable salary, pensions and other fringe benefits such as company vehicles.
- Variable salary, which may be offered to leading officials, is determined based on the fulfilment of pre-established group and individual targets relating to management results and the company's financial development, and allows for the personal development of the senior executive concerned. For detailed information on current bonuses of the executive management, see Note 7.

The board of directors may deviate from these guidelines in individual cases if special reasons exist for doing so.

Audit

At the 2008 Annual General Meeting, PricewaterhouseCoopers AB, with authorised public accountant Michael Bengtsson as senior auditor, was elected until the period ending with the end of the 2012 AGM. All board members were nominated for re-election.

Michael Bengtsson has been a public authorised accountant since 1988 and his other assignments include Haldex, Morphic, Technologies, Enea and Nordisk Service Partner.

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

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

Internal audit

Betsson's profitable growth stems from the company's willingness to strive for continuous improvement. The online gaming industry is permanently exposed to a fast-changing environment such as juridical systems, seasonal variations and currency fluctuations. To handle these changes, it is essential that we have the ability to learn and adapt, and that our customers feel secure and comfortable with our gaming products and payment solutions. This must permeate the whole company and the group's combined customer offerings. The internal audits of Betsson's controls and other activities therefore form an integral part of our day-to-day operations.

As a complement to the internal audits, our operations are also monitored by a number of independent parties. Betsson is licensed to operate in Malta by the Lotteries and Gaming Authorities (LGA). In order to receive and keep a licence such as this, the company's routines and processes have to meet certain quality requirements. LGA checks our operations to ensure that the company meets these requirements. Betsson is also certified in accordance with VISA and Mastercard's regulations, collaborates with several large banks and is also PCI-compatible for secure transactions. This means that all card details are handled securely and that we meet the most stringent requirements on payments, deposits and withdrawals. The games that are available at Betsson and those that are supplied by subcontractors are certified and monitored continuously by third parties to ensure fair and correct play. To guarantee that the poker software generates random numbers, it is monitored continuously by independent controllers.

The audit committee has overall responsibility for ensuring that the established principles for internal audits are followed. The group CEO and CFO are responsible for taking appropriate measures in order to maintain our internal audits at an effective level. Each department is responsible for implementing the internal audits in their respective areas of responsibility. Audits are reported continuously at all levels of the company.

Investor relations

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

FIVE-YEAR REVIEW

By the end of 2004, the Betsson Group consisted of traditional gaming business within the business area of CherryCasino and development and gaming sales to other gaming operators, and the operation of online games to end-customers within the business area of Net Entertainment.

In February 2005, the Betsson group acquired the Betsson.com gaming portal. Subsequent to the acquisition, a new business area was formed, which was named Betsson Online.

The business, which now remains within Betsson after the distribution of Cherry and Net Entertainment, was partly acquired in 2005. Therefore, the Betsson group cannot provide meaningful information about the income statement for periods prior to 2005, as some of the historical figures lie with the companies that were distributed.

Amounts in SEK '000 unless otherwise specified	2008	2007	2006	2005	2004
INCOME STATEMENT					
Revenues	1,037,756	648,956	293,590	157,069	
Gross profit	828,068	520,781	232,247	119,614	
Operating income	276,604	189,863	18,928	4,685	
Net financials	4,069	2,876	-1,128	137,111	
Income before tax	280,673	192,739	17,800	141,796	
Income after tax for the continuing operations	267,278	179,454	32,004	141,914	
Income from discontinued operations	-	11,468	30,005	36,152	
Annual income after tax	267,278	190,921	62,509	178,066	12,071
– of which attributable to the parent company's shareholders	267,277	190,921	62,272	176,919	11,354
BALANCE SHEET					
Intangible noncurrent assets	441,676	402,176	403,469	395,200	18,532
Tangible fixed assets	18,563	12,294	10,574	27,309	27,776
Financial fixed assets	2,445	1,282	713	2,313	34,896
Current assets	685,767	427,853	177,796	148,579	70,378
Total assets	1,148,451	843,605	592,552	573,401	151,582
Equity (including minorities)	720,207	623,466	491,335	474,130	101,301
Interest-bearing long-term liabilities	-	-	-	9,687	4,674
Other long-term liabilities	4,310	227	957	14,393	4,833
Interest-bearing current liabilities	-	-	-	3,504	806
Other current liabilities	423,934	219,912	100,260	71,687	39,968
Total liabilities and equity	1,148,451	843,605	592,552	573,401	151,582
FINANCIAL POSITION					
Equity/assets ratio (%)	63	74	83	83	67
Cash liquidity (%)	162	206	177	195	167
PROFITABILITY					
Return on total capital (%)	28	29	4	30	
Return on equity (%)	40	34	7	35	
Return on capital employed (%)	42	36	4	35	
Gross margin (%)	79.8	80.2	79.1	76.2	
Operating margin (%)	26.7	29.3	6.4	3.0	
Profit margin (%)	27.0	29.7	6.1	90.3	

Amounts in SEK '000 unless otherwise specified	2008	2007	2006	2005	2004
INVESTMENTS					
Tangible fixed assets	12,120	11,335	26,655	14,553	13,597
Intangible noncurrent assets	55,681	29,772	19,311	13,820	3,970
Shares and miscellaneous	-	1	-	1,000	13,861
PERSONNEL					
Average number of employees	154	106	71	28	
Number of employees at end of year	185	136	95	52	
THE SHARE					
New issue (before issuing costs)	-	-	6,129	229,642	12,756
Share capital	79,107	79,107	79,107	76,117	62,407
Outstanding convertibles (shares)	-	-	-	800,000	800,000
Outstanding options (shares)	-	-	-	710,000	710,000
Number of outstanding shares at end of year	39,243,720	39,309,720	39,553,720	38,058,726	31,203,726
Number of shares at end of year	310,000	244,000	0	0	0
Average number of outstanding shares	39,256,835	39,472,002	39,088,161	36,049,178	30,948,468
Average number of outstanding shares after dilution	39,256,835	39,472,002	39,553,720	37,466,258	32,337,316
Number of registered shareholders	5,790	5,952	3,256	3,785	2,828
Market price at year-end (SEK)	68.50	83.25	21.80	28.20	20.80
<i>Continuing operations</i>					
Earnings per share (SEK)	6.81	4.55	0.82	3.93	
Earnings per share after dilution (SEK)	6.81	4.55	0.81	3.78	
<i>Total business</i>					
Earnings per share (SEK)	6.81	4.84	1.59	4.91	0.37
Earnings per share after dilution (SEK)	6.81	4.84	1.58	4.73	0.36
Equity per share (SEK)	18.34	15.85	12.41	12.38	3.19
Equity per share after dilution (SEK)	18.34	15.85	12.41	12.06	3.24
Dividends or equivalent per share (SEK)	5.10 ¹	5.00 ¹	0.50	0.00	0.00

1) Dividend for 2008 refers to the proposed redemption programme and dividend for 2007 refers to the executed redemption programme.

ANNUAL REPORT 2008

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 2008 financial year. The annual report, including the auditor's report, comprises pages 28-54.

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

The reporting currency used in the parent company's and consolidated financial statements is Swedish krona. 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 12 May 2009 for adoption.

DIRECTORS' REPORT

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

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

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

Consolidated revenue and profit

Group revenue rose by 60 per cent to SEK 1,037.8 (649.0) million. The gross profit was SEK 828.1 (520.8) million which is an increase of 59 per cent. The operating income increased to SEK 276.6 (189.9) million and the operating margin was 26.7 (29.3) per cent. Income before tax increased to 280.7 (192.7) SEK million and the income for the period was SEK 267.3 (179.4) million, which is equivalent to SEK 6.81 (4.55) per share.

SEK 11.5 million, which is equivalent to SEK 0.29 per share, from the distribution of Net Entertainment's operations was added to the previous year's profit.

The slightly weaker margin was attributable mainly to the company's increasingly aggressive growth strategy, which entails higher costs resulting from an increased selection of payment possibilities and marketing via partners. Marketing expenses for the year totalled SEK 347.8 (189.1) million.

Exchange rate fluctuations, which arise when assets and liabilities are valued at market value on the balance sheet date, have had a negative effect amounting to SEK 11.4 (positive effect 1.0) million. Betsson's gaming operations are continuously exposed to various

exchange rate fluctuations. Betsson intends to use a currency hedge to hedge flows that can be anticipated.

Products

Casino gaming is Betsson's biggest product and accounted for 58 (50) per cent of the total gross profit in the year followed by Sportsbook with 19 (11) per cent, Poker with 19 (38) per cent and other products that together accounted for 4 (1) per cent of the gross profit. The products' growth (gross profit) compared to the previous year was as follows: Casino games 89 per cent, Sportsbook 180 per cent and other products 551 per cent, while Poker declined by 18 per cent.

Markets

Betsson still has its strongest footprint in the Nordic region, but is now growing more and more rapidly throughout the rest of Europe. Betsson.com is now available in 18 languages, CasinoEuro.com is available in 16 languages and CherryCasino.com in 13 languages.

Regarding the year's gross profit, the Nordic countries accounted for 58 (69) per cent, non-Nordic EU countries accounted for 12 (13) per cent, while the rest of Europe (including Turkey) accounted for 30 (18) per cent. During the year, growth (gross profit) in the Nordic region was 36 per cent, non-Nordic EU was 47 per cent and the Rest of Europe (including Turkey) 180 per cent compared with the previous year. Betsson's geographic market Rest of the World does not as yet generate any tangible revenue.

Customers

At the end of the year, the number of registered customers totalled 1,499,900 (996,200) which is 51 per cent higher than the same period the previous year.

Active customers during the year totalled 167,400 (107,000) which is 56 per cent higher than the same period the previous year. Active customers are those that have played for real money in the last 90 days.

Key events in 2008

In May 2008 Betsson opened the doors to a shop in Stockholm. The betting shop is unique in Sweden and constitutes a completely new modern concept in betting shops.

Betsson.com was launched in Peru, Serbia, Netherlands and Hungary. Betsson's webshop was launched in Sweden and Turkey.

Investments and depreciation

Investments for the year totalled SEK 67.8 (36.1) million, of which SEK 53.8 (28.1) million was capitalised development costs. SEK 5.0 million in distributed operations was added to the previous year's investments.

Depreciation for the year amounted to SEK 20.6 (12.3) million, of which SEK 15.1 (7.9) million was depreciation of capitalised development costs. Investments were made in the development of gaming

platforms, gaming integration and payment solutions, IT hardware for online gaming and the renovation and refurbishment of offices.

Equity

The group's equity on the balance sheet date was SEK 720.2 (623.5) million, which is equivalent to SEK 18.34 (15.85) per share after the transfer of SEK 5.00 (0.50) per share to the shareholders through redemption procedures in the second quarter.

Return on equity was 40 (32) per cent.

Cash, cash flow and gaming liabilities

Betsson's business is financed from its own funds. At year-end the equity/assets ratio was 63 (74) per cent.

Cash flow for the year amounted to SEK 117.1 (153.0) million, of which cash flow from the current operations totalled SEK 384.3 (231.5) million.

Cash and cash equivalents at the end of the year amounted to SEK 373.2 (232.7) million. Gaming liabilities including reserves for accumulated jackpots was SEK 121.7 million on the balance sheet date. The liability is covered comfortably by the group's current receivables from payment providers for unsettled customer payments, which amount to SEK 125.4 million.

Personnel

A total of 185 (136) people were employed at the end of the year. The average number of employees during the year period was 154 (106) in the group, of which 106 (73) were based on Malta.

Adopted incentive programme

At the Extraordinary General Meeting on 21 November 2008, two incentive programmes were approved.

One was directed at employees in Sweden and involved an issue of a maximum of 400,000 subscription options. Employees had the possibility of buying 299,000 options at market value, which on the closing subscription date was SEK 5.94 per option. At the end of the subscription period on 15 December, 87 per cent, which is the equivalent of 260,000 options, was subscribed. In 2008 this contributed SEK 1.5 million to equity. Each subscription option entitles the holder, from the date of publication of the company's interim report for the third quarter 2010, but by 1 December 2010 at the latest, until 31 December 2010, to subscribe for one new B share in Betsson AB at a price of SEK 75 per share. If fully exercised the subscription options will contribute a maximum of SEK 19.5 million to the parent company's equity. The number of shares will increase by 260,000 B shares with a combined quota value of SEK 0.5 million. In order to encourage participation in the options programme the company intends to extend a contribution to options holders who, when exercising their options, are still employed by the Betsson group. This will take the form of a bonus payment which before tax is equivalent to the option's premium.

The other programme was directed at employees in countries other than Sweden. To participate in this programme, the participants have to invest in Betsson shares. These shares can either consist of previous holdings or be purchased in the market in conjunction with the application to participate in the programme. The participants then received one allotment of stock option free of charge. Provided the participants are still employed by the group when exercising their options, and holders have kept their initial investment in Betsson shares, each stock option entitles the employee to purchase

one B share in Betsson at a price which has been set at SEK 88.20 per share. The meeting authorised the board, on one or several occasions until the 2009 Annual General Meeting, to approve the issue of a maximum of 400,000 subscription options. The employees were offered 444,800 non-qualified stock options and at the end of the subscription period on 15 January 2009, 79 per cent - the equivalent of 352,536 options - had been allotted. If exercised, the stock options will contribute a maximum of SEK 31.1 million to the parent company's equity. The number of shares will be increased by 352,536 B shares with a combined quota value of SEK 0.7 million.

Significant events after the end of the year

The first quarter of 2009 has begun in line with sales for the fourth quarter of 2008. On 15 January 2009 the Administrative Court of Appeal announced its review dispensation regarding Betsson's appeal against the County Administrative Court's previous ruling against Betsson's operations in Shopsson.

On 19 January the board of directors decided in accordance with the authorisation received from the Extraordinary General Meeting on 21 November 2008 to conduct a new share issue within the framework of the incentive programme for employees in countries other than Sweden.

Betsson's gaming operations are continuously exposed to various exchange rate fluctuations. Betsson intends to use currency hedges to hedge flows that can be anticipated.

In other respects there have been no key events after the end of the year.

Parent Company

The operations of the parent company, Betsson AB (publ), are primarily directed toward Group administration. The company provides and sells internal services to other group companies in the areas of finance, accounting, administration and management.

Revenues for the year totalled SEK 10.9 (13.3) million and the profit after financial items was SEK 389.3 (128.6) million.

Net financial items included SEK 404.7 (132.6) million in dividend payments from shares in subsidiaries and SEK 4.3 million in write-down of shares in dormant Swedish subsidiaries.

The parent company's investments during the year totalled SEK 0.9 (0.7) million. Liquid funds on the balance sheet date totalled SEK 147.9 (76.3) million. The company has no bank loans and has not utilised an overdraft facility.

During the year the company repurchased its own shares for SEK 3.9 (14.2) million and executed a share redemption programme corresponding to a transfer of SEK 196.2 million to the shareholders.

In connection with the Share Redemption Programme, a bonus issue on SEK 39.6 million was executed in order to re-establish the share capital. Additionally, SEK 253.3 million was transferred from the company's statutory reserve to non-restricted equity during the third quarter in accordance with the AGM's decision.

Outlook for 2009

Betsson expects the market for Internet gaming to continue growing rapidly.

The confidence in the Internet as a trading site increases as more people use the Internet to perform their banking and stock market transactions, insurance business and regular purchasing of physical products. The increased confidence is important for Internet commerce, especially in countries where the trust in Internet commerce

has hitherto been low. This development is a fundamental driving force for the development of online gaming.

Betsson is developing more and more partnerships for the purpose of obtaining new customers. Betsson's assessment is that acquiring new customers through partnerships entails less risk and provides good opportunities for turnover growth and growth of profit. The partnerships could lead to slightly lower margins on the revenue that comes through these partnerships.

According to Global Betting and Gaming Consultants, the online gaming market is expected to grow by 14 per cent to USD 20 billion in the current year. Betsson aims to outpace the market's rate of growth.

Significant risks and uncertainty factors

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

In most national markets, gaming is regulated by law and in principle, all gaming must be licensed. Therefore, political decisions can affect Betsson's business (see paragraph about USA, Norway, Turkey and Sweden below). Betsson is dependent on the legal situation as it refers to the gaming industry, especially within the EU where most of the group's customers are. In a series of precedential judgments which have attracted much attention (the Schindler, Läärä, Gambelli, Lindman and Placanica judgments) the European Court of Justice found that, in principle, government restrictions on the gaming area may be regarded as contravening basic EU principles. Despite this, a number of member countries have retained restrictions in order to obstruct or entirely prevent private online operators doing business.

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

The pressure on EU countries to change legislation and allow competition continues unabated, along with free movement of goods and services. Several countries have announced that they are working on new legislation which will conform with EU requirements. It is unclear when such legislation will be introduced into Betsson's main markets, but when it is, Betsson will have increased marketing and market presence opportunities.

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

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

In Sweden a government inquiry published proposals for new gaming legislation in December 2008. In Betsson's assessment, the proposed legislation is in conflict with EC law and will not be introduced in its proposed form.

Persons who become addicted to gambling may bring legal actions against companies within the Betsson group because of their addiction. Although such claims are likely to be rejected, they may result in considerable costs and also harm confidence in the Betsson group, which could eventually impair revenues. Betsson is accredited by the G4 organisation which is dedicated to reducing gambling addiction, and as part of this collaboration the company has adapted its websites so as to offer complete support for the guidelines G4 has established. In addition, Betsson has set up a department for responsible gaming. Qualified, experienced personnel have been recruited in order to enable Betsson to retain its leading position within the responsible gaming area. For more information, see p. 10.

Betsson is exposed to seasonal variations, as gaming decreases in the summer months. Nor is Betsson immune to fluctuations in the general economic climate. However, seasonal and economic fluctuations have no significant impact on business. Seasonal variations and changes in the business cycle have not as yet had any significant impact on the company's operations.

The interpretation of current Maltese VAT regulations has changed in 2007 and may have an effect on the Maltese subsidiaries' expenses. Betsson took measures in 2008 to reduce the risk of additional VAT in 2008 and after. Betsson has reported to the Maltese tax authorities the tax amounts that Betsson considered to be correct and reasonable in relation to the prevailing uncertainty. These amounts may, however, prove to be insufficient, in which case the Maltese tax authorities will implement a stricter interpretation of the VAT regulations than the one performed by Betsson and which Betsson currently considers to be correct.

Betsson is an international company with operations that are constantly exposed to different currencies. Exchange rate changes affect the consolidated income. The company endeavours to reduce currency exposure through effective cash management and currency hedging. The group will continue, however, to be exposed to exchange rate differences to a greater or lesser degree.

Disputes

In 2001, Betsson reported the Swedish Government to the Swedish Office of the Chancellor of Justice (Justitiekanslern or JK) denouncing the Government for, on the one hand, not giving notice of the prohibition against pinball machines and wheel of fortune, and on the other hand, for not introducing reasonable transition rules. Its 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 giving notice of 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 experts' 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 Supreme Court. On 1 November 2006, Betsson issued a writ against the Government. In it, Betsson claims damages of SEK 81 million from the Government. The case is still being processed by Stockholm City Court.

At the end of May 2008, Betsson opened the doors to a shop in Sweden. The betting shop is unique in Sweden, and constitutes a completely new modern concept. The Swedish Gaming Board's view was that the shop's operations were in conflict with the Swedish Gaming Act and it requested the store to cease supporting online gaming under the threat of a fine. Betsson (Shopsson) appealed the decision to the County Administrative Court. The Court rejected the appeal. In the company's view this was in conflict with EC law. Betsson subsequently appealed against the Court's ruling to the Administrative Court of Appeal. In January 2009 the Administrative Court of Appeal granted a review dispensation and approved. Betsson's appeal for suspension, which effectively reverses the ruling of the County Administrative Court. This should be viewed as a success. The Administrative Court of Appeal's final ruling is expected in the spring of 2009.

Research and Development

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

Environment

Betsson has no operations which are subject to statutory reporting or licensing under the Environmental Code.

Guidelines for salaries and other remuneration for senior management staff

Latest decisions about guidelines

Refer to Note 7 for a description of the guidelines adopted by the 2008 AGM.

Guidelines proposed by the board of directors

The board of directors proposes that the AGM should adopt the following guidelines for the payment of senior management staff. Senior management staff are the CEO and the CFO of the parent company and the CEO, CFO and Human Resources Director of Betsson Malta and the CEO of Betsson Technologies AB.

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

Variable salaries may be payable provided that certain financial goals set by the board of directors have been fulfilled. Bonuses vary according to the extent to which goals have been fulfilled or surpassed. If the financial goals have been surpassed to the highest level ('out-perform'), the group's cost for bonuses to the group's leading executives is estimated to reach approximately SEK 16.2 million, including social security charges.

The ordinary pensionable age is 65. Ordinary market terms and conditions apply to pensions, which are based on defined contribution schemes.

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

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

Shares and ownership structure

There are a total of 39,553,720 shares in the company, of which 5,420,000 are A shares and 34,133,720 are B shares. All shares are equally entitled to Betsson's assets and income. The company's B shares are listed on Nasdaq OMX Nordic Mid Cap List, (BETS).

At the end of the period the company had 5,790 (5,952) shareholders. The major owners (owners with more than 10 per cent of the votes) were Per Hamberg with 9.0 per cent of the capital and 1.4 per cent of the votes, Rolf Lundström with 3.9 per cent of the capital and 10.5 per cent of the votes and the Knutsson family with 6.2 per cent of the capital and 10.9 per cent of the votes.

Authorisation for the board of directors

The Annual General Meeting held on 12 May 2008 decided to authorise the board of directors, until the time of the next AGM, on one or more occasions, to resolve on the non-cash issue of a maximum of 4 million B shares (equivalent to a dilution of around 10 per cent). The mandate was not exercised during the 2008 financial year.

The 2008 AGM also resolved to authorise the board of directors to decide upon the acquisition of shares such that the number of shares at no time exceeds 10 per cent of the total number of shares in the company. It also decided to authorise the board of directors to decide upon the divestment of the company's own shares as liquidity for the acquisition of companies or business areas. Shares may also be divested in order to fund such acquisitions. The mandate was exercised in the 2008 financial year as described below.

Repurchase of shares

In the first quarter of 2008 the company purchased 66,000 B shares at an average rate of SEK 59.20. The total number of shares amounted at the closing date to 310,000 B shares acquired at an average rate of SEK 58.27. On the balance sheet date the number of outstanding shares, excluding repurchased shares, amounted to 39,243,720, of which 5,420,000 were A shares and 33,823,720 were B shares.

The repurchased shares' quota value is SEK 2 per share and is equivalent to 0.8 per cent of the total share capital.

Proposed dividend

The board of directors proposes that the Annual General Meeting vote in favour of transferring SEK 5.10 (5.00) per share to the shareholders, which is equivalent to SEK 200.1 (196.2) million.

The board of directors intends to propose to the meeting that the transfer to the shareholders be conducted in the form of a redemption programme. The board's full proposal will be presented well in advance of the AGM.

The proposal is in line with the company's dividend policy, which the board has decided should apply as of 2008. It is the board's ambition that Betsson's ordinary dividend should distribute 75 per cent of the group's profit after tax, provided that a suitable capital structure can be retained.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK '000 unless otherwise specified	Note	2008	2007
Revenues	3, 4	1,037,756	645,238
Other operating income	3, 4	0	3,718
Total		1,037,756	648,956
Operating expenses for gaming activities		-209,688	-128,175
Gross profit		828,068	520,781
Capitalized development costs		44,036	26,896
Marketing costs		-347,741	-189,108
Other external costs	5, 6	-109,826	-91,199
Personnel costs	7	-101,702	-62,402
Depreciation	8	-20,628	-12,309
Other operating costs	9	-15,603	-2,796
Total		-551,464	-330,918
Operating income		276,604	189,863
NET FINANCIALS	10		
Financial income		4,251	2,916
Financial expenses		-182	-40
Total net financial items		4,069	2,876
Income before tax		280,673	192,739
Tax	11	-13,395	-13,285
INCOME FROM CONTINUING OPERATIONS		267,278	179,454
Income from discontinued operations	12	-	11,468
INCOME FOR THE YEAR		267,278	190,922
Of which attributable to:			
– parent company's shareholders		267,277	190,921
– minority interests		1	1
<i>Earnings per share from continuing operations</i>			
– before dilution (SEK)	13	6.81	4.55
– after dilution (SEK)	13	6.81	4.55
<i>Earnings per share from discontinued operations</i>			
– before dilution (SEK)	13	-	0.29
– after dilution (SEK)	13	-	0.29
<i>Earnings per share, total income</i>			
– before dilution (SEK)	13	6.81	4.84
– after dilution (SEK)	13	6.81	4.84
Proposed/actual dividend per share (SEK)		5.10 ¹	5.00 ¹

1) Dividend for 2008 refers to the proposed redemption programme and dividend for 2007 refers to the executed redemption programme.

CONSOLIDATED BALANCE SHEET

Amounts in SEK '000	Note	2008	2007
ASSETS			
FIXED ASSETS			
Intangible noncurrent assets	14	441,676	402,176
Tangible fixed assets	15	18,563	12,294
Deferred tax receivables	11	2,445	987
Other long-term receivables	17	-	295
Total fixed assets		462,684	415,752
CURRENT ASSETS			
Accounts receivable		-	1,426
Tax assets	11	167,176	77,962
Other receivables	17	129,265	107,270
Prepayments and accrued income	18	16,103	8,515
Liquid funds		373,223	232,680
Total current assets		685,767	427,853
TOTAL ASSETS		1,148,451	843,605
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	79,107	79,107
Other contributed capital		236,914	235,370
Reserves		33,530	4,353
Retained earnings including annual income		370,248	304,228
Shareholders' equity attributable to the parent company's shareholders		719,799	623,058
Minority interests		408	408
Total equity		720,207	623,466
LONG TERM LIABILITIES			
Deferred tax liabilities	11	4,310	227
Total long-term liabilities		4,310	227
CURRENT LIABILITIES			
Accounts payable		13,942	18,969
Tax liabilities	11	186,455	88,444
Other liabilities	21	158,251	79,091
Accrued costs and prepaid income	22	65,286	33,408
Total current liabilities		423,934	219,912
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,148,451	843,605
<i>Assets pledged and contingent liabilities</i>			
Pledged assets	23	15,336	24,050
Contingent liabilities		None	None

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK '000	2008	2007
OPERATING ACTIVITIES		
Income after financial items continuing operations	280,673	192,739
Income after financial items discontinued operations	-	12,521
Adjustments for items not included in the cash flow:		
– Depreciation	20,628	14,301
– Capital gains/losses from divestments	1,405	122
– Other	5,711	1,719
Tax paid	-1,973	-8,605
Cash flow from operations before changes in working capital	306,444	212,797
<i>Changes in working capital</i>		
Changes in current receivables	-28,157	-66,426
Changes in current liabilities	106,011	85,090
Cash flow from operations	384,298	231,461
INVESTMENT ACTIVITIES		
Acquisition of noncurrent assets	-55,681	-30,343
Acquisition of tangible fixed assets	-12,120	-10,764
Sale of tangible fixed assets	-	111
Amortisation of long-term receivables	295	-
Changes in long-term receivables	-	369
Cash flow from investment activities	-67,506	-40,627
FINANCING ACTIVITIES		
Premium received for subscription options	1,544	-
Redemption programme/cash dividend	-196,219	-19,777
Hive-off of operations, subsidiaries	-	-1,518
Transaction costs, distribution subsidiaries	-	-3,315
Tax effect transaction cost distribution subsidiaries	-	928
Repaid dividends	3	2
Cost redemption programme	-1,575	-
Tax effect cost redemption programme	441	-
Buyback of own shares	-3,907	-14,199
Cash flow from investment activities	-199,713	-37,879
CHANGES IN LIQUID ASSETS		
	117,079	152,955
Cash and cash equivalents – opening balance	232,680	77,225
Exchange rate differences cash and cash equivalents	23,464	2,500
CASH AND CASH EQUIVALENTS AT YEAR-END	373,223	232,680
of which cash flow from discontinued operations:		
– Operations	-	-7,761
– Investment business	-	-3,897
– Financing business	-	-
<i>Additional information</i>		
Unutilized credit facilities amounted to	-	-
Interest paid during the year amounted to	-182	-41
Interest received during the year amounted to	3,294	2,751

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK '000	Share capital	Other contributed capital	Conversion reserve	Retained earnings including annual	Total	Minorities	Total equity
OPENING EQUITY 01-01-2007	79,107	235,370	-919	177,370	490,928	407	491,335
Conversion differences for the year			5,272		5,272		5,272
Total change in assets charged directly to equity, excluding transactions with the company's owners			5,272		5,272		5,272
Annual income				190,921	190,921	1	190,922
Total change in assets, excluding transactions with the company's owners			5,272	190,921	196,193	1	196,194
Cash dividend				-19,777	-19,777		-19,777
Distribution of subsidiaries to shareholders				-27,702	-27,702		-27,702
Transaction cost distribution subsidiaries				-3,315	-3,315		-3,315
Tax effect transaction cost distribution subsidiaries				928	928		928
Buyback of own shares				-14,199	-14,199		-14,199
Repaid non-distributed dividend				2	2		2
CLOSING EQUITY 12-31-2007	79,107	235,370	4,353	304,228	623,058	408	623,466
Conversion differences for the year			29,177		29,177		29,177
Wealth changes reported directly against equity capital, excluding transactions with the company's owner			29,177		29,177		29,177
Annual income				267,277	267,277	1	267,278
Total change in assets charged directly to equity, excluding transactions with the company's owners			29,177	267,277	296,454	1	296,455
Redemption of shares	-39,554			-156,665	-196,219		-196,219
Bonus issue	39,554			-39,554	0		0
Transaction cost redemption programme				-1,575	-1,575		-1,575
Tax effect transaction cost redemption programme				441	441		441
Premium received for subscription options		1,544			1,544		1,544
Buyback of own shares				-3,907	-3,907		-3,907
Repaid non-distributed dividend				3	3	-1	2
CLOSING EQUITY 12-31-2008	79,107	236,914	33,530	370,248	719,799	408	720,207

PARENT COMPANY INCOME STATEMENT

Amounts in SEK '000 unless otherwise specified	Note	2008	2007
Revenues	4	8,953	9,592
Other operating income	4	1,908	3,718
Total		10,861	13,310
OPERATING EXPENSES			
Other external costs	5,6	-15,067	-13,554
Personnel costs	7	-13,198	-8,044
Depreciation	8	-724	-178
Other operating costs	9	-	-82
Total operating expenses		-28,989	-21,858
Operating income		-18,128	-8,548
FINANCIAL ITEMS			
	10		
Profit/loss from participations in group companies		404,725	132,629
Interest income and similar income items		2,822	4,569
Interest expenses and similar profit/loss items		-58	-29
Total financial items		407,489	137,169
Profit/loss after financial items		389,361	128,621
Appropriations	20	-	-382
Income before tax		389,361	128,239
Tax	11	3,984	1,174
INCOME FOR THE YEAR		393,345	129,413
Proposed/actual dividend per share (SEK)		5.10 ¹	5.00 ¹

1) Dividend for 2008 refers to proposed redemption programme and for 2007 to implemented redemption programme.

PARENT COMPANY BALANCE SHEET

Amounts in SEK '000	Note	2008	2007
ASSETS			
FIXED ASSETS			
<i>Tangible fixed assets</i>			
Stores	15	3,161	2,967
Total tangible fixed assets		3,161	2,967
<i>Financial fixed assets</i>			
Participations in the group companies	16	583,370	587,100
Deferred tax claims	11	2,445	-
Other long-term receivables	17	-	295
Total of tangible fixed assets		585,815	587,395
Total fixed assets		588,976	590,362
CURRENT ASSETS			
<i>Current receivables</i>			
Accounts receivable		-	76
Receivables from group companies		294,562	156,452
Tax assets	11	4,980	4,302
Other receivables	17	2,011	1,449
Prepayments and accrued income	18	1,646	926
Total of short-term claims		303,199	163,205
Cash and bank balances		147,902	76,298
Total current assets		451,101	239,503
TOTAL ASSETS		1,040,077	829,865
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY			
<i>Restricted equity</i>			
Share capital		79,107	79,107
Reserve fund		253,279	506,557
Total of committed equity		332,386	585,664
<i>Nonrestricted equity</i>			
Premium reserve		4,683	3,139
Retained earnings		268,827	83,435
Annual income		393,345	129,413
Total disposable equity		666,855	215,987
Total shareholders' equity		999,241	801,651
Untaxed reserves	20	413	413
CURRENT LIABILITIES			
Accounts payable		2,107	4,437
Liabilities to group companies		31,724	20,216
Other liabilities	21	766	1,344
Accruals and deferred income	22	5,826	1,804
Total current liabilities		40,423	27,801
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,040,077	829,865
Pledged assets	23	-	-
Contingent liabilities		None	None

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK '000	2008	2007
OPERATING ACTIVITIES		
Profit/loss after financial items	389,361	128,621
Adjustments for items not included in the cash flow:		
– Depreciation	724	178
– Write-downs on assets	4,329	-
– Capital gains/losses from divestments	-	103
– Miscellaneous	-10,954	-323
Tax paid	861	-6,110
Cash flow from operations before changes in working capital	384,321	122,469
Changes in working capital		
Changes in current receivables	-135,358	-20,872
Changes in current liabilities	12,622	3,722
Cash flow from operations	261,585	105,319
INVESTMENT ACTIVITIES		
Acquisition of tangible fixed assets	-918	-3,030
Sale of tangible fixed assets	-	98
Acquisition of shares and participations, subsidiaries	-599	-
Amortisation of long-term receivables	295	-
Changes in long-term receivables	-	360
Cash flow from investment activities	-1,222	-2,572
FINANCING ACTIVITIES		
Redemption programme/Cash dividend	-196,219	-19,777
Cost redemption programme after tax	-1,575	-
Tax effect cost redemption programme	441	-
Payment received for subscription options	1,544	-
Buyback of own shares	-3,907	-14,199
Transaction costs, distribution subsidiaries	-	-3,315
Tax effect transaction cost distribution subsidiaries	-	928
Repaid dividend	3	2
Cash flow from financing activities	-199,713	-36,361
CHANGES IN LIQUID ASSETS	60,650	66,386
Cash and cash equivalents – opening balance	76,298	9,589
Exchange rate differences cash and cash equivalents	10,954	323
CASH AND CASH EQUIVALENTS AT YEAR-END	147,902	76,298
<i>Additional information</i>		
Unutilized credit facilities amounted to	-	-
Interest paid during the year amounted to	-58	-29
Interest received during the year amounted to	2,065	1,014

CHANGES IN PARENT COMPANY EQUITY

Amounts in SEK '000	RESTRICTED EQUITY		NONRESTRICTED EQUITY			Total equity
	Share capital	Reserve fund	Premium reserve	Retained earnings	Annual income	
OPENING EQUITY 01-01-2007	79,107	506,557	3,139	119,164	-727	707,240
Appropriation according to the annual general meeting				-20,504	727	-19,777
Group contribution after tax				5,407		5,407
Annual income					129,413	129,413
Buyback of own shares				-14,199		-14,199
Distribution of subsidiaries to shareholders				-4,048		-4,048
Transaction cost distribution subsidiaries				-3,315		-3,315
Tax effect transaction cost distribution subsidiaries				928		928
Repaid non-distributed dividend				2		2
CLOSING EQUITY 12-31-2007	79,107	506,557	3,139	83,435	129,413	801,651
Appropriation according to the annual general meeting				129,413	-129,413	-
– Redemption of shares	-39,554			-156,665		-196,219
– Bonus issue	39,554			-39,554		-
– Transfer of funds from reserve fund to unrestricted equity		-253,278		253,278		-
Transaction cost redemption programme				-1,575		-1,575
Tax effect transaction cost redemption programme				441		441
Group contribution after tax				3,958		3,958
Annual income					393,345	393,345
Buyback of own shares				-3,907		-3,907
Payments received for subscription options			1,544			1,544
Repaid non-distributed dividend				3		3
CLOSING EQUITY 12-31-2008	79,107	253,279	4,683	268,827	393,345	999,241

NOTES

NOTE 1 General information

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

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

The present consolidated financial statements were approved by the board of directors on 20 April 2009 for publication.

NOTE 2 Accounting and valuation principles

Basis for preparation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) in the form that they have been adopted by the European Commission. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Financial Reporting Board's recommendation RFR 1.1. Additional Accounting Rules for Groups.

The parent company has prepared its annual report in accordance with the Annual Accounts Act and RFR 2.1 Reporting for Legal Entities. RFR 2.1 means that, in its annual report for the legal entity, the Parent Company should apply all the IFRS principles and statements approved by the EU as far as this is possible within the framework of the Annual Accounts Act and taking into account the connection between reporting and taxation. The difference between the parent company's accounts compared with the consolidated accounts is mainly in the layout of the income statement and balance sheet, which comply with the layout specified in the Annual Accounts Act.

Changed accounting principles

No new standards have been implemented for 2008 for the preparation of these financial reports.

The accounting principles are unchanged from previous years with the exception that the group's geographic segment "Europe, non-Nordic" has been divided into two segments; "EU, non-Nordic" and "Rest of Europe". All figures for comparison periods have been recalculated according to the adjusted principle.

Standards and statements to be implemented for the 2009 calendar year or later:

- IAS 1 (revised) Layout of Financial Reports (applies from 1 January 2009)
- IAS 23 (amendment) Borrowing Costs (applies from 1 January 2009)
- IAS 27 (revised) Consolidated Accounts and Separate Financial Statements (applies from 1 July)
- IAS 32 (amendment) Financial instruments: Category "Puttable financial instruments and obligations arising on liquidation" (applies from 1 January 2009)
- IAS 39 (amendment) Financial instruments: Accounting and Valuation "Eligible Hedge Items" (applies from 1 July 2009)
- IFRS 2 (amendment) Share-based payments (applies from 1 January 2009)
- IFRS 3 (revised) Operating Acquisitions (applies from 1 July 2009)
- IFRS 8 Operating Segments (applies from 1 January 2009)
- IFRIC 12 Service concession arrangements (applies from 1 January 2008, but as yet not adopted by the EU)
- IFRIC 13 Customer Loyalty Programmes (obligatory for companies in the EU from 1 January 2009, but earlier implementation possible)
- IFRIC 14 IAS 19 The limit on a Defined Benefit Asset (obligatory for companies in the EU from 1 January 2009, but earlier implementation possible)
- IFRIC 15 Agreements for the construction of real estate (applies from 1 January 2009)
- IFRIC 16 Hedges of a net investment in a foreign operation (applies from 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners (applies for financial years beginning 1 July 2009 or later)
- IFRIC 18 Transfers of Assets from Customers (applies to transfers of assets received 1 July 2009 or later).

The group has chosen not to implement any new standards, amendments of standards or statements prematurely with the exception of IFRIC 13 Customer loyalty programmes which has affected the group's reporting since the 2007 financial year.

The company's management analyses what effects the new and amended standards and statements will have on the financial reports. The amendments in IAS 1, IAS 27, IFRS 3 and the new IFRS 8 are those that are assessed as being relevant to the group and may lead to certain changes in the financial reports and/or affect the information that is provided.

The amendments in IAS 1 will primarily lead to changes in the layouts and headings of the financial reports. The amendments in IAS 27 affect the reporting of minority interests in future transactions. IFRS 3 will affect the reporting of any future acquisitions regarding the disclosure of transaction costs, conditional purchase sums and successive acquisitions. The implementation of IFRS 8 is not expected to entail any difference in terms of the categorisation of geographic areas compared with the current reporting method. In other respects it is assessed that none of the above-mentioned new or amended standards and statements will have a significant effect on the consolidated accounts.

Assessment assumptions and classification

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

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

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 realised within 12 months of the balance sheet date or if they consist of liquid assets. All other assets are classified as fixed assets.

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

Estimates and assessments in the financial statements

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

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

Grounds for consolidation

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

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

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

Segment reporting

Betsson's primary segments were previously divided into the Betsson Online, Net Entertainment and CherryCasino business areas. In 2006 and 2007,

CherryCasino and Net Entertainment, respectively, were distributed to the shareholders. The continuing business area is subject to the same types of opportunities and risks, and therefore this segment has not been divided further than to gross profit level (gaming surplus).

Geographic areas constitute the group's primary segments. The group's operations can be divided into product categories on a secondary basis.

Discontinued operations

A discontinued operation is a part of the group which has been terminated, divested or which is classified as an asset for sale. A discontinued operation constitutes a separate business area or is a subsidiary which has been acquired exclusively for resale. The distributed Net Entertainment is reported as discontinued operations for the comparative year 2007.

Foreign currency

Receivables and liabilities in foreign currency

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

Translation of foreign subsidiaries

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

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

Revenues

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

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

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

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

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

Other operating income

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

Operating expenses for gaming activities

Operating expenses in gaming activities refer to gaming tax expenses, licence charges for game suppliers, bank or credit card payment service expenses for the depositing of bets and the payment of winnings, and the expenses associated with fraud. In the case of gaming recognised as financial instruments, gaming tax and licence fee expenses which are calculated based on the outcome of games are deducted from the revenue reported from the game.

Gross profit

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

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

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

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

Capitalised development costs

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

Marketing costs

This item includes external expenses for production and distribution of marketing by Betsson and Betsson games in various media and also collaboration and affiliate agreements. Payment to partners and affiliates is volume-based and linked to the end-customer's playing with Betsson.

Leasing

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

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

Equity-related benefits

The group has a number of share holding-related payment plans, payment being made with shares, the company receiving services from employees as payment for company options.

The real value of the services entitling the employees to the allocation of options is registered. The total amount to be registered is based on the real value of the options allocated less any effects of non-market related service and result conditions for the payment such as profitability, target for increased sales and the employee remaining with the company during a specified period. Non-market related conditions for payment are taken into consideration in determining how many options are to be expected as payment. The total amount to be registered is distributed over the period of service i.e. the period during which the specified conditions are satisfied. Each balance day, the company adjusts its estimate of the number of shares which can be expected to be allocated on the basis of non-market-related payment conditions. Any departures from the original estimate which result from the adjustment are presented in the Profit and Loss Account and corresponding adjustments are made in the Balance Sheet.

Payments received, after any reduction for transaction-costs directly involved are credited to the share capital (ratio value) and other added capital when the options are realized.

Pension expenses

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

Parts of the retirement and family pension obligations for salaried employees in the parent company in Sweden are secured through insurance taken out with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a defined-benefit plan involving several employees. For the financial years 2008 and 2007 the company did not have access to information that enabled it to report this plan as a defined benefit plan. The ITP Pension plan that is secured through an insurance policy with Alecta is therefore reported as a defined-contribution plan. The year's contributions for pensions with Alecta totalled SEK 1 66 (122) thousand. Alecta's surplus can be distributed to the policyholders and/or the insured parties. At the end of 2008 Alecta's surplus corresponded to a collective consolidation ratio of 112 percent (153 percent). The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19.

Other operating expenses

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

Taxes

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

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

Financial assets and liabilities

Financial assets encompassed by IAS 39 Financial instruments; recognition and measurement are classified in one of the following categories:

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

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

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

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

Investments held to maturity

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

Loan receivables and accounts receivable

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

Financial assets for sale

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

Other financial liabilities

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

Intangible fixed assets

Goodwill and intangible fixed assets of indeterminate useful life

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

Development costs and other intangible fixed assets

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

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

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

Tangible fixed assets

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

Depreciation and impairments

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

The following useful lives are used:

Trademarks, domain names	max 5 years
The Betsson brand	indeterminate, not amortised
Customer database Betsson	2 years
Gaming agreements and concessions	3-5 years
Capitalised development costs for gaming, gaming systems and gaming platforms determined based on nature of asset and amount to	
- investments made until 2008	max 5 years
- investments made from 2009	max 3 years
Office inventory	5 years
Servers, etc.	5 years
Computers	5 years
Computers in technology and development	charged directly to income
Vehicles	3-5 years

The residual values and useful lives of assets are assessed annually. If there are indications that the book value of a consolidated tangible, intangible or financial fixed asset is too high, an analysis is performed to determine the recovery value of individual or naturally related types of assets as the highest of the net sale value and utility value.

The utility value is measured as the expected future discounted cash flow. Write-downs consist of the difference between the book value and the recovery value. Write-downs are reversed when there is no longer a reason for them. Reversals are made at the most up to a value not exceeding the book value minus depreciation which would have been recognised if a write-down had not been recorded.

Management has evaluated the economic life of capitalised development costs of games, gaming systems, platforms and payment solutions and, given the prevailing market and competitive situation, has found it unable to support a depreciation period of five years. For investments made from 2009, the depreciation period will therefore be shortened to a maximum of three years. The new assessment has not necessitated any impairment needs regarding existing platforms, etc. in addition to the depreciation according to plan.

Cash and cash equivalents and cash flow statement

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

Accounting policies for the parent company

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

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

Group contribution and shareholders' contribution

The company recognises group contributions and shareholders' contributions in accordance with the pronouncement of the Swedish Financial Accounting Standards Council (UFR 2). Shareholders' contribution is recognised directly against equity upon receipt and is capitalised in shares and participations to the extent write-downs are not required. Group contribution is recognised according to the financial implications, which means that, for instance, group contributions submitted or received to minimise total group tax are recognised directly against retained earnings deducted for their current tax effect.

Group companies

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

Division of restricted and free equity

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

Untaxed reserves and balance sheet appropriations

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

Number of employees. Number of employees when salaries were paid last.

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

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

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

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

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

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

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

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

Dividend per share. Actual/proposed dividend. Also includes the redemption program.

Share price. Price paid in latest share transaction.

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

NOTE 3 Segment reporting

The group is primarily divided into geographic areas. The information below refers to external revenues and gross profit (gaming surplus) from the geographic areas where the customers are located. Information regarding assets and investments is based on where the assets are located.

2008	Nordic region	EU, non-Nordic region	Rest of Europe	Rest of the World	Other, non-divided	Group
Revenues	593,259	120,996	320,801	2,700	0	1,037,756
Gross profit (gaming surplus)	478,255	97,153	250,354	2,306	0	828,068
Gross margin (per cent)	80.6%	80.3%	78.0%	85.4%	0.0%	79.8%
Operating profit	478,255	97,153	250,354	2,306	-551,464	276,604
Profit before tax						280,673
Profit after tax						267,278
Assets	197,458	948,814	0	629	0	1,146,901
Liabilities	20,739	404,610	0	1,345	0	426,694
Investments	4,716	62,956	0	129	0	67,801
Depreciation	2,042	18,563	0	23	0	20,628
Write-down of fixed assets	702	703	0	0	0	1,405

2007	Nordic region	EU, non-Nordic region	Rest of Europe	Rest of the world	Other, non-divided	Group
Revenues	434,723	85,040	114,788	2,077	12,328	648,956
Gross profit (gaming surplus)	351,331	66,311	89,286	1,525	12,328	520,781
Gross margin (per cent)	80.8%	78.0%	77.8%	73.4%	100.0%	80.2%
Operating profit	351,331	66,311	89,286	1,525	-330,918	189,863
Profit before tax						192,739
Profit after tax, continuing operations						179,454
Profit after tax, incl. discontinued operations						190,922
Assets	148,295	695,310	0	0	0	843,605
Liabilities	25,949	194,190	0	0	0	220,139
Investments	5,404	31,819	0	0	0	37,223
Depreciation	629	11,680	0	0	0	12,309
Write-down of fixed assets	0	0	0	0	0	0

The group's operations can also be divided into product categories. The gross profit (gaming surplus) per product category for 2008 and 2007 is presented below.

GAMING SURPLUS PER PRODUCT	Casino	Sportsbook	Poker	Other products	Other, non-divided	Group
2008	481,268	159,012	158,486	29,302	-	828,068
2007	254,220	56,732	193,022	4,479	12,328	520,781

NOTE 4 Revenues

	Group		Parent company	
	2008	2007	2008	2007
Revenues				
Gaming business	862,746	574,925	-	-
Gaming business, derivatives	175,010	61,703	-	-
Licenses/Royalties	-	4,617	-	-
Consultancy, management	-	215	2,816	2,340
Rentals and office services	-	3,778	6,137	7,252
Total	1,037,756	645,238	8,953	9,592
Other operating income				
Recovered written off receivables	-	5	-	5
Capital gains from sale of fixed assets	-	62	-	62
Exchange rate differences	-	3,651	1,808	3,651
Miscellaneous	-	-	100	-
Total	-	3,718	1,908	3,718

NOTE 5 Leasing

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

	Group		Parent company	
	2008	2007	2008	2007
Expensed leasing and rental costs	5,266	7,208	3,322	4,727

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

	Group		Parent company	
	2008	2007	2008	2007
Less than 1 year	5,299	6,076	3,211	3,117
2 - 5 years	2,202	8,151	222	2,502
More than 5 years	-	-	-	-
Total	7,501	14,227	3,433	5,619

NOTE 6 Auditors' fees

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

	Group		Parent company	
	2008	2007	2008	2007
Auditing work				
Ernst & Young	-	426	-	364
PricewaterhouseCoopers	2,122	1,091	330	-
Other audit companies	30	411	-	-
Other assignments				
Ernst & Young	-	90	-	90
PricewaterhouseCoopers	345	-	345	-
Other audit companies	-	40	-	-
Total	2,497	2,058	675	454

NOTE 7 Employees, salaries and fees

Average number of employees

	2008		2007	
	Total	Of which, women	Total	Of which, women
Parent company				
Sweden	5	40 %	5	40 %
Parent company total	5	40 %	5	40 %
Subsidiaries				
Sweden	38	11 %	24	4 %
Norway	2	50 %	2	50 %
Finland	1	0 %	1	0 %
Denmark	1	0 %	1	0 %
UK	-	-	1	0 %
Malta	106	36 %	73	36 %
Malaysia	1	100 %	-	-
Subsidiaries total	149	29 %	102	33 %
GROUP TOTAL	154	30 %	107	34 %

Number of women in executive management

	Group		Parent company	
	2008	2007	2008	2007
Board of directors	20 %	18 %	17 %	23 %
Other leading officials	17 %	0 %	0 %	0 %

NOTE 7 cont. Employees, salaries and fees

Salaries, other remuneration and social costs

	2008				2007			
	Salaries & remuneration	Of which CEO, board of directors & leading officials	Social insurance costs	Of which pension expenses	Salaries & remuneration	Of which CEO, board of directors & leading officials	Social insurance costs	Of which pension expenses
Parent company								
Sweden	13,828	8,254	4,161	1,005	5,724	4,526	2,589	1,352
Subsidiaries								
Sweden	29,531	1,281	9,821	2,157	13,781	745	5,356	1,253
Finland	795		120		1,103			
Norway	1,676		238		1,827		248	
Denmark	570				390			
UK	191		20		886	496	240	124
Malaysia	345		9	8				
Malta	40,299	8,608	3,252		24,731	3,550	2,098	
Group total	87,235	18,143	17,621	3,170	48,442	9,317	10,531	2,729

Remuneration and other benefits for executive management

	2008				2007			
	Basic salary/fees	Bonuses	Pension expenses	Financial instruments	Basic salary/fees	Bonuses	Pension expenses	Financial instruments
John Wattin, chairman	417				258			
Per Hamberg	179				129			
Emil Sunvisson	62				88			
Patrick Svensk	179				129			
Kicki Wallje-Lund	179				188			
Rolf Blom	62				88			
Carl Lewenhaupt	117				-			
Lars Linder-Aronson	117				-			
Anna-Carin Månsson					42			
Total board fees including the chairman's fee	1,312	0	0	0	922	0	0	0
Board fees foreign subsidiaries	837				188			
Pontus Lindwall, CEO	2,799	2,568	494		2,287	223	459	
Other senior management staff (5 people)	6,354	4,273	552		4,997	700	510	
Total	11,302	6,841	1,046	0	8,396	923	969	0

Comments to table above:

Basic salary/fees refers to salary and other benefits including car and petrol benefit. Other remuneration refers to expensed bonus which is based on the achievement of quarterly targets and is paid in 2008 and 2009. The group has only defined-contribution pension plans. Pension expenses refer to the expenses that have affected the year's profit.

The board chairman and board members have not received any remuneration in addition to the board fees.

Equity-related benefits

In 2008 an extraordinary general meeting adopted a resolution for an incentive programme directed at employees implemented through the issue of financial instruments in the form of warrants for the staff. The programme is described in the directors' report on page 29. The subscription options were allotted on 15 December 2008 while the staff warrants were allotted in January 2009.

The CEO of Betsson AB was allotted 100,000 subscription options. The other five senior management executives were allotted 50,000 subscription options and 148,700 staff warrants in total. Other key employees employed in the group subscribed for 110,000 subscription options and 203,836 staff warrants.

The decision-making and committee process

The fees received by the chairman and members of the board of directors are adopted by the Annual General Meeting. Fees are not paid for committee work.

The guidelines adopted by the 2008 general meeting for leading officials

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

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

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

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

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

NOTE 7 cont. Employees, salaries and fees

Bonuses

The CEO's/group chief executive's 2008 bonus was SEK 2,568,000 (223,000). The 2008 bonus was equivalent to 92 (8) per cent of the basic salary.

For other senior management, the 2008 bonuses amounted to SEK 4,273,000 (700 000). The bonuses of other senior management staff for 2008 amounted to an average of 67 (14) per cent of their basic salaries.

Pensions

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

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

Severance remuneration

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

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

Sick absence in Sweden

PERCENTAGE OF ORDINARY WORKING HOURS	Group	
	2008	2007
Total sick absence	1.3 %	1.1 %
Proportion of sick absence which relates to absence of more than 60 consecutive days; long term sick absence	0.0 %	19.9 %
Sick absence for men	1.4 %	1.3 %
Sick absence for women	0.7 %	0.2 %
Employees, 29 or younger	1.0 %	1.1 %
Employees, 30-49	1.6 %	1.3 %
Employees, 50 or older	0.0 %	0.0 %

NOTE 8 Depreciation

Depreciation is divided between the respective fixed assets as follows:

	Group		Parent company	
	2008	2007	2008	2007
Gaming products, systems and platforms	15,071	9,119	-	-
Customer databases	-	757	-	-
Lease contracts	407	-	-	-
Inventories and gaming equipment	5,150	2,433	724	178
Total	20,628	12,309	724	178

NOTE 9 Other operating costs

	Group		Parent company	
	2008	2007	2008	2007
Loss from sale/write-down of fixed assets	1,405	114	-	82
Write-down of receivables	2,817	-	-	-
Exchange rate differences	11,381	2,682	-	-
Total	15,603	2,796	-	82

NOTE 10 Net financial, financial items

GROUP	2008	2007
Interest income	4,161	2,821
Exchange rate changes, net	91	95
Financial income	4,252	2,916
Interest costs	183	40
Financial expenses	183	40
TOTAL FINANCIAL ITEMS	4,069	2,876
PARENT COMPANY	2008	2007
Dividends from subsidiaries	409,054	132,629
Share write-downs in subsidiaries	-4,329	-
Total results from participations in group companies	404,725	132,629
Interest income, group companies	-	3,389
Interest income, other	2,732	1,085
Exchange rate differences	91	95
Total financial income and similar income items	2,823	4,569
Interest expenses, other	-59	-29
Total financial expenses and similar income items	-59	-29
TOTAL FINANCIAL ITEMS	407,489	137,169

NOTE 11 Tax

Tax expenses in the income statements

	Group		Parent company	
	2008	2007	2008	2007
Distribution into current and deferred tax				
Current tax	-15,154	-14,143	-	1,174
Deferred tax	1,759	858	3,984	-
Total	-13,395	-13,285	3,984	1,174

Tax expenses are distributed as follows:

	Group		Parent company	
	2008	2007	2008	2007
Current tax				
Sweden	-1,539	-1,196	-	1,174
Outside Sweden	-13,615	-12,947	-	-
Total current tax	-15,154	-14,143	-	1,174

	Group		Parent company	
	2008	2007	2008	2007
Deferred tax				
Sweden	3,984	-219	3,984	-
Outside Sweden	-2,225	1,077	-	-
Total deferred tax	1,759	858	3,984	0

The difference between the true tax cost and tax cost based on applicable tax rates				
Income before tax, net	280,673	192,738	389,361	128,239
Tax according to valid tax rate (28%)	-78,588	-53,967	-109,021	-35,907
Tax attributable to previous years	-	-205	-	-
Difference in tax in foreign business	65,556	42,124	-	-
Tax refunds because of distribution	-	-	-	-
Tax effect of non-deductible items	-135	-1,188	-1,297	-55
Tax effect of nontaxable items	30	-	114,560	37,136
Effect of changed tax rate on deferred tax liabilities	-258	-	-258	-
Tax effect of non-recognised loss carry forwards	-	-49	-	-
Recognised tax expense	-13,395	-13,285	3,984	1,174

Specification of deferred tax				
Change in tax rate on deferred tax liabilities	-258	-	-258	-
Change in tax on temporary differences	4,242	1,077	4,242	-
Tax on balance sheet allocations	-2,225	-219	-	-
	1,759	858	3,984	0

Taxes in balance sheets

	Group		Parent company	
	2008	2007	2008	2007
Non-current receivables				
Deferred tax on temporary differences	2,445	987	2,445	-
Current receivables				
Tax liability	167,176	77,962	4,980	4,302
Provision for taxes				
Deferred tax on untaxed reserves	227	227	-	-
Deferred tax on temporary differences	4,083	-	-	-
Total	4,310	227	0	0
Current liabilities				
Tax liabilities	186,455	88,444	-	-

In the group there is a total of SEK 2,445 thousand in unutilised deficit deduction.

NOTE 12 Income from discontinued operation

In April 2007 Net Entertainment (Net Entertainment business area) was distributed to shareholders and listed on NGM Equity. From April 2007 onwards Net Entertainment was recognised as a discontinued operation.

The results of discontinued operations consist of the following items:

	2008	2007
Revenues	-	33,654
Operating expenses	-	-21,129
Operating income	-	12,525
Financial items	-	-4
Income before tax	-	12,521
Tax	-	-1,053
Income from discontinued operation	-	11,468
Of which attributable to:		
– parent company's shareholders	-	11,468
– minority interests	-	-
Earnings per share (SEK)	-	0,29
Cash flow from discontinued operations		
Operations	-	-7,761
Investment business	-	-3,897
Financing business	-	-

NOTE 13 Earnings per share

GROUP	2008	2007	GROUP	2008	2007
Continuing operations			Average number of shares		
Profit after tax attributable to parent company's shareholders	267,277	179,453	Average total number of shares	39,553,720	39,553,720
Expenses from option programme	-	-	Minus average number of repurchased shares	-296,885	-81,718
Adjusted result	267,277	179,453	Average number of issued shares before dilution	39,256,835	39,472,002
Discontinued operations			Subscription options		
Profit after tax attributable to parent company's shareholders	-	11,468	Staff warrants	-	-
Total			Average number of issued shares after dilution	39,256,835	39,472,002
Profit after tax attributable to parent company's shareholders	267,277	190,921	Earnings per share from continuing operations		
Expenses from option programme	-	-	- before dilution (SEK)	6.81	4.55
Adjusted result	267,277	190,921	- after dilution (SEK)	6.81	4.55
			Earnings per share from discontinued operations		
			- before dilution (SEK)	-	0.29
			- after dilution (SEK)	-	0.29
			Earnings per share, total reported result		
			- before dilution (SEK)	6.81	4.84
			- after dilution (SEK)	6.81	4.84

See note 2, Definitions, for calculation method.
Average transaction price 2008 (2007): SEK 66.68 (57.00).

NOTE 14 Intangible noncurrent assets

GROUP	Gaming products, systems and platforms	Gaming agreements & concessions	Trademarks	Customer databases	Acquired lease contracts	Goodwill	Total
Accumulated acquisition value							
Opening balance 01-01-2007	58,800	1,615	77,408	9,089	0	320,682	467,594
Internally developed assets	27,327	-	-	-	-	-	27,327
Divestment through distribution of Net Entertainment	-27,554	-1,615	-147	-	-	-	-29,316
Scrapping	-1,509	-	-	-	-	-	-1,509
Exchange rate changes	1,048	-	-	-	-	-	1,048
Closing balance 12-31-2007	58,112	0	77,261	9,089	0	320,682	465,144
Internally developed assets/investments	50,133	-	-	-	1,900	-	52,033
Scrapping	-1,310	-	-	-	-	-	-1,310
Exchange rate changes	7,603	-	-	-	-	-	7,603
Closing balance 12-31-2008	114,538	0	77,261	9,089	1,900	320,682	523,470
Accumulated depreciation and write-downs							
Opening balance 01-01-2007	18,077	1,390	53	8,332	-	36,273	64,125
Annual depreciation	9,119	-	-	757	-	-	9,876
Divestment through distribution of Net Entertainment	-8,340	-1,390	-53	-	-	-	-9,783
Scrapping	-1,510	-	-	-	-	-	-1,510
Exchange rate changes	260	-	-	-	-	-	260
Closing balance 12-31-2007	17,606	0	0	9,089	0	36,273	62,968
Annual depreciation	15,071	-	-	-	407	-	15,478
Scrapping	-607	-	-	-	-	-	-607
Exchange rate changes	3,955	-	-	-	-	-	3,955
Closing balance 12-31-2008	36,025	0	0	9,089	407	36,273	81,794
Book value							
As at 01-01-2007	40,723	225	77,355	757	0	284,409	403,469
As at 12-31-2007	40,506	0	77,261	0	0	284,409	402,176
As at 12-31-2008	78,513	0	77,261	0	1,493	284,409	441,676

Write-down testing of goodwill and brands of indeterminate life

Recognised group goodwill and the Betsson trademark stems from the acquisition of Betsson at the beginning of 2005. Both of these assets, which together have a book value of SEK 361.7 million, belong to the by acquisition date Betsson Online cash generating unit. After the company's distribution of the Cherry companies and Net Entertainment to the shareholders in 2006 and 2007, only one cash-generating unit remains in the group.

As these assets are not written off, write-down testing was performed in February 2007 (in conjunction with the preparation of the 2006 annual financial statements) by estimating recovery value based on its utility value. Testing showed that the recovery value considerably exceeded the recognised value.

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

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

opportunities for strong growth. The forecast cash flows have been discounted at 16 per cent before tax.

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

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

The actual outcome for Betsson's 2008 and 2007 business is considerably better than the assumptions upon which the previous year's calculation of recovery value are based. The 2009 budget and assumptions concerning other important variables also make a positive impact on valuation.

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

NOTE 15 Tangible fixed assets

Inventories, servers, hardware etc

	Group	Parent company
Accumulated acquisition value		
Opening balance 01-01-2007	15,828	968
Internally developed assets	8,565	3,030
Divestment through distribution of Net Entertainment	-8,476	-
Divestments and disposals	-1,001	-951
Exchange rate changes	611	-
Closing balance 12-31-2007	15,527	3,047
Investments	10,620	918
Divestments and disposals	-1,450	-
Exchange rate changes	2,357	-
Closing balance 12-31-2008	27,054	3,965
Accumulated depreciation and write-downs		
Opening balance 01-01-2007	5,254	651
Divestment through distribution of Net Entertainment	-3,754	-
Divestments and disposals	-768	-750
Annual depreciation	2,432	179
Exchange rate changes	69	-
Closing balance 12-31-2007	3,233	80
Divestments and disposals	-747	-
Annual depreciation	5,149	724
Exchange rate changes	856	-
Closing balance 12-31-2008	8,491	804
Book value		
As at 01-01-2007	10,574	317
As at 12-31-2007	12,294	2,967
As at 12-31-2008	18,563	3,161

NOTE 16 Participation in the group companies

Company	Corp ID	Domicile	Participation (%)	Participation (units)	Parent company	
					2008	2007
Betsson Technologies AB	556651-8261	Stockholm	100	1,000	107	107
Betsson PR & Media AB	556118-8870	Stockholm	100	18,000	5,577	5,577
Shopsson AB	556750-4930	Stockholm	100 (0)	1,000 (0)	100	-
Betsson Malta Holding Ltd		Malta	100	10,000	569,777	569,777
– Betsson Malta Ltd		Malta	100	-	-	-
– Clearpay Ltd		Malta	100	-	-	-
– Betsson Services Ltd		Malta	100	-	-	-
Betsson Ltd		UK	100	100	2	2
The Open Exchange Ltd		UK	100	100	1	1
Betsson PR & Media Ltd		UK	100 (0)	1,(0)	0	-
BIA Communications SDN BHD		Malaysia	100 (0)	250,000 (0)	499	-
Intact Technology Stockholm AB	556561-4814	Stockholm	90.1	9,010	901	901
Cherry International AB	556561-8575	Solna	100	8,000	890	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	2,642	3,561
Cherry Leisure AB	556169-9843	Solna	100	2,500	290	290
AB Restaurang Roulette	556133-3153	Solna	100	1,000	131	131
Svenska Casino AB	556560-6869	Solna	100	1,000	100	100
Casinoinvest i Sverige AB	556444-6119	Solna	100	5,000	541	541
Total					583,370	587,100

Changes in participations in group companies

	2008	2007
Opening acquisition value	587,100	591,148
Investments of share capital in start-ups	599	-
Write-down of shares in dormant subsidiaries	-4,329	-
Dividend Net Entertainment	-	-4,048
Closing book value	583,370	587,100

NOTE 17 Long-term receivables and other receivables

Other long-term receivables which are fixed assets

	Group		Parent company	
	2008	2007	2008	2007
As at end of year				
Long-term part loan	-	295	-	295
Total	0	295	0	295
Changes				
Opening book value	295	713	295	655
Reclassification of long-term claims to current	-	-360	-	-360
Amortisation	-295	-	-295	-
Change in long-term part deposits	-	-58	-	-
Closing book value	0	295	0	295

Other long-term receivables which are fixed assets

	Group		Parent company	
	2008	2007	2008	2007
As at end of year				
Lending, current part	-	591	-	591
Tax accounts	118	853	-	-
Receivables from payment suppliers	116,047	86,610	-	-
Current part deposits	8,521	5,342	1,358	-
Sales tax	4,197	6,866	484	804
Miscellaneous	382	7,008	169	54
Total	129,265	107,270	2,011	1,449

Receivables from payment suppliers refer to receivables from banks and other credit institutions which are credit granters (issues of credit cards etc) for Betsson's customers. The risk of losses on these stems from certain players lacking resources to cover their purchases. Betsson has no reserve for suspected losses on outstanding receivables. Based on historic losses, Betsson assesses that credit losses on outstanding receivables are marginal compared with group income. Losses charged to income during the year relating to credit card sales amounted to SEK 4 (4) million, which is equivalent to 0.4 (0.6) per cent of total group revenues.

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

NOTE 18 Prepayments and accrued income

	Group		Parent company	
	2008	2007	2008	2007
Rents	1,530	1,314	736	726
Production expenses	1,289	4,841	-	-
Market partners	7,784	-	-	-
Touring costs	1,738	-	-	-
Licensing costs	2,068	1,507	-	-
Interest	937	70	-	-
Other prepaid expenses	757	783	910	200
Total	16,103	8,515	1,646	926

NOTE 19 Equity

Share capital composition

PARENT COMPANY	2008		2007	
	Number of shares	Share capital	Number of shares	Share capital
Shares, series A (10 votes)	5,420,000	10,840	5,420,000	10,840
Shares, series B (1 vote)	34,133,720	68,267	34,133,720	68,267
Total shares	39,553,720	79,107	39,553,720	79,107

In 2008, the parent company bought back 66,000 of its own B-shares. At the year-end, its holding was 310,000 B-shares.

The share's quota value is SEK 2.00. A-shares and B-shares carry the same entitlement to the company's assets and profit. The distribution of equity between the group and the parent company is specified in Note 2. Reserves are listed in the summarised changes in the group's equity.

NOTE 20 Untaxed reserves and balance sheet appropriations

PARENT COMPANY	2008	2007
<i>Balance sheet</i>		
Accumulated excess depreciation	413	413
Total untaxed reserves	413	413
Deferred tax in untaxed reserves included with	116	116
<i>Income statement</i>		
Difference between book depreciation and depreciation according to plan	-	-382
Total balance sheet allocations	0	-382

NOTE 21 Other liabilities

OTHER CURRENT LIABILITIES	Group		Parent company	
	2008	2007	2008	2007
Personnel tax	1,365	1,766	446	765
Social charges	1,209	1,186	320	522
Market partners	60,026	13,589	-	-
Gaming tax	325	442	-	-
Licenses	7,151	3,877	-	-
Sales tax	-	1,553	-	-
Players' accounts	88,167	56,621	-	-
Miscellaneous	8	57	-	57
Total	158,251	79,091	766	1,344

NOTE 22 Accruals and deferred income

	Group		Parent company	
	2008	2007	2008	2007
Holiday pay liabilities	3,665	2,349	437	32
Social charges	1,560	775	365	10
Salary	8,151	1,933	3,421	269
Jackpot reserve	33,515	19,439	-	-
Marketing costs	6,649	3,583	-	-
Consultancy expenses	3,065	1,416	1,603	783
Other	8,681	3,913	-	710
Total	65,286	33,408	5,826	1,804

NOTE 23 Assets pledged relating to own liabilities

	Group		Parent company	
	2008	2007	2008	2007
Bank balances	15,336	24,050	-	-
Total	15,336	24,050	-	-
Chattel mortgages in own keeping	35,600	35,600	35,600	35,600

The amount relates to blocked bank accounts with banks and others as security for customer bets.

NOTE 24 Related parties

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

Services sold between the parent company and subsidiaries and former subsidiaries primarily relate to reporting, IT and management services and rental and office expenses.

The Betsson group rents three (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 2008, purchases amounted to SEK 1 18,000 (91,000).

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

Board member Per Hamberg has a major ownership influence in 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 senior management refer to Note 7.

Transactions with family relatives

PARENT COMPANY	2008	2007
<i>Purchase of services from related parties</i>		
Purchases from subsidiaries	690	335
Purchases from other related parties	118	91
<i>Sales of services to related parties</i>		
Sales to subsidiaries	8,953	5,599
<i>Financial balances with related parties</i>		
Dividends from subsidiaries	404,725	132,629
Interest income from subsidiaries	-	3,389
<i>Liabilities to related parties</i>		
Liabilities to subsidiaries	294,562	20,216
<i>Receivables from related parties</i>		
Receivables from subsidiaries	31,724	156,452

NOTE 25 Financial instruments

	Items recognised at fair value over the income statement – derivatives	Loan receivables & accounts receivable	Other financial liabilities	Total recognised value	Fair value	Non-financial assets and liabilities	Total balance sheet
Group 2008							
Other long-term receivables							
Accounts receivable							
Other receivables		125,068		125,068	125,068	4,197	129,265
Cash and bank balances		373,223		373,223	373,223		373,223
Total financial assets	-	498,291	-	498,291	498,291	4,197	502,488
Accounts payable			13,942	13,942	13,942		13,942
Other liabilities	1,510		86,657	88,167	88,167	70,084	158,251
Total financial liabilities	1,510	-	100,599	102,109	102,109	70,084	172,193
Group 2007							
Other long-term receivables		295		295	295		295
Accounts receivable		1,426		1,426	1,426		1,426
Other receivables		100,404		100,404	100,404	6,866	107,270
Cash and bank balance		232,680		232,680	232,680		232,680
Total financial assets	-	334,805	-	334,805	334,805	6,866	341,671
Accounts payable			18,969	18,969	18,969		18,969
Other liabilities	2,226		54,395	56,621	56,621	22,470	79,091
Total financial liabilities	2,226	-	73,364	75,590	75,590	22,470	98,060
Parent company 2008							
Other long-term receivables							
Accounts receivable							
Receivables from group companies		294,562		294,562	294,562		294,562
Other receivables		1,527		1,527	1,527	484	2,011
Cash and bank balances		147,902		147,902	147,902		147,902
Total financial assets	-	443,991	-	443,991	443,991	484	444,475
Accounts payable			2,107	2,107	2,107		2,107
Liabilities to group companies			31,724	31,724	31,724		31,724
Other liabilities						766	766
Total financial liabilities	-	-	33,831	33,831	33,831	766	34,597
Parent company 2007							
Other long-term receivables		295		295	295		295
Accounts receivable		76		76	76		76
Receivables from group companies		156,452		156,452	156,452		156,452
Other receivables		645		645	645	804	1,449
Cash and bank balances		76,298		76,298	76,298		76,298
Total financial assets	-	233,766	-	233,766	233,766	804	234,570
Accounts payable			4,437	4,437	4,437		4,437
Liabilities to group companies			20,216	20,216	20,216		20,216
Other liabilities						1,344	1,344
Total financial liabilities	-	-	24,653	24,653	24,653	1,344	25,997

Fair value

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

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

NOTE 26 Financial risks

The group's financial business is managed based on a financial policy elaborated by the board of directors and focuses on minimising the group's risk level.

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.

Betsson's financial liabilities fall due for payment within a year, which means that there is no discounting effect on them.

Currency risks

Consolidated income is exposed to foreign exchange risks, as some sales are made in different currencies to expenses (transaction exposure). Betsson has not historically hedged this part.

Income is also affected by changes in exchange rates when income from foreign subsidiaries is translated to SEK (translation exposure). In addition, the company's equity is affected by changes in exchange rates when assets and liabilities in foreign subsidiaries are translated to SEK (translation exposure).

Until the end of 2008, Betsson has not used currency hedging. With the introduction of a new finance policy the board has established that the company and group should reduce their exposure to foreign exchange risks with effective cash-management and by currency hedging foreseeable cash flows.

Given the complexity of Betsson's transaction flows, a sensitivity analysis on exchange ratios such as SEK/EUR was not performed as it would not provide an accurate picture.

Refinancing risk, liquidity risk and capital management

Group operations are self-financed. The foreign companies are financed mainly through equity and, if necessary, group-internal loans from the parent company.

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

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

Interest rate risks

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

Counterparty 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 e-commerce 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.

NOTE 27 Events after the balance sheet date

The first quarter of 2009 has developed in line with the fourth quarter of 2008.

On 15 January 2009, the Swedish Administrative Court of Appeal approved the review dispensation for Betsson's appeal against the County Administrative Court's previous ruling on Betsson's operations in Shopsson.

On 19 January the board of directors, following the authorisation of the extraordinary general meeting on 21 November 2008, conducted a new share issue within the framework of the incentive programme for employees in countries outside Sweden.

Betsson's gaming operations are continuously exposed to various exchange rate fluctuations. Betsson intends to continue using currency hedges to hedge flows that can be anticipated.

There have been no other key events after the end of the year.

PROPOSED ALLOCATION OF PROFITS

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

Amounts in SEK

Net income for the financial year 2007	393,345,158
Retained earnings and free reserves	273,510,146
	<u>666,855,304</u>

The board of directors and the CEO propose that the entire amount of SEK 666,855,304 be carried forward.

Transfer to shareholders

The board of directors proposes transferring SEK 200,143,000 to the shareholders. No transfer will be made for the 310,000 shares bought back by the company. It is proposed that refunding should take place via a 2:1 stock split with compulsory redemption of the other share at a price of SEK 5.10 per share. Following the implementation of the proposed allocation of income and the redemption programme, retained earnings and free reserves and total equity in the

parent company and Betsson AB will amount to SEK 466,712,000 and SEK 799,089,000, respectively.

The annual report and the consolidated financial statements of Betsson AB (publ) for 2008 have been approved for publication in accordance with a decision taken by the board of directors on 20 April 2009. The annual report and consolidated financial statements will be presented to the Annual General Meeting for adoption on 12 May 2009.

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

Stockholm 20 April 2009

John Wattin
BOARD CHAIRMAN

Per Hamberg
BOARD MEMBER

Lars Linder-Aronson
BOARD MEMBER

Patrick Svensk
BOARD MEMBER

Kicki Wallje-Lund
BOARD MEMBER

Carl Lewenhaupt
BOARD MEMBER

Pontus Lindwall
PRESIDENT AND CEO

My audit report was submitted on 22 April 2009

PricewaterhouseCoopers AB

Michael Bengtsson
SENIOR AUDITOR

AUDIT REPORT

To the annual meeting of the shareholders of Betsson AB (publ)
Corporate identity number 556090-4251

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Betsson AB (publ) for the year 2008. The company's annual accounts and the consolidated accounts are included in the printed version on pages 28-56. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

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

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

Stockholm, 22 April, 2009

PricewaterhouseCoopers AB

Michael Bengtsson
Senior auditor

ANNUAL GENERAL MEETING

The Annual General Meeting of Betsson AB (publ) will be held in the auditorium of Advokatfirman Delphis at Regeringsgatan 30-32, SE-111 53 Stockholm on Tuesday, 12 May 2009 at 3 pm.

Shareholders wishing to attend the Annual General Meeting must

- be registered in the share register kept by Euroclear Sweden AB (formerly VPC AB) by Wednesday 6 May 2009,
- and notify their intention to attend the meeting at the latest by 12 noon on Friday, 8 May 2009.

Notification of participation in the Annual General Meeting must be submitted in writing to the corporate address at Regeringsgatan 30-32, SE-111 53 Stockholm, Sweden, or by phoning +46 (0)8 506 403 00, or by fax to +46 (0)8 735 57 44, or via email to info@betsson.com.

Submit your name, national registration number/corporate registration number, address, phone number, share holding and the number of representatives (maximum of two) along with the notification.

If you are attending by proxy the power of attorney must be submitted with the notification to attend the AGM. Shareholders who have registered their shares in trust must temporarily register the shares in their own name with Euroclear Sweden to be entitled to attend. Shareholders wishing to re-register shares in this manner must inform their trustees in good time before Wednesday, 6 May 2009.

Financial information in 2009

Quarterly report Q1, Interim report January-March 2009	29 April 2009
Quarterly report Q2, Interim report January-June 2009	24 July 2009
Quarterly report Q3, Interim report January-September 2009	4 November 2009

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