BETSSON AB ANNUAL REPORT

2017

More information about Betsson is available at www.betssonab.com

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GETTING BETSSON BACK ON TRACK

2017 was a turbulent year for Betsson. Now we are trying to get back to our roots and our passion for gaming.

The most important thing for our customers is that they can access the games they want to play, that the functions are fast and that the service is safe and secure. My ambition is to make sure our subsidiaries offer these fundamentals. Subsequently, I have spent the months since I stepped in as CEO analysing and guiding Betsson's operations. There have also been management changes as in the operational subsidiaries we saw a need for a revitalised leadership in order to reach our targets in the future.

The most important thing for our customers is that they can access the games they want to play, that the functions are fast and that the service is safe and secure.

We have lost some traction in our core markets and we are taking action to regain our position as one of the best companies in the industry. The operational subsidiaries' vision is to offer "the best customer experience in the industry" and they have some work to do to make that happen. In the beginning of 2018 we made a reorganisation to enable the company to work more efficiently. We removed layers and clarified responsibilities. Betsson has a large team of experienced and smart people, and the management must make sure they have the right conditions to deliver.

2018 will be a year when we work hard to get the business back on track. We believe there is no one silver bullet, but are instead systematically implementing actions to improve the business step by step. The ambition is that results of our efforts will show both in product offering and financial performance in the future.

Another important topic in 2017 was the increased focus on responsible gaming. This is an important issue for investors, employees and other stakeholders, and both management and the board takes this seriously. Offering gaming services in a responsible way is nothing new to us as we have been in the industry for more than five decades and know that responsibility is core in operating a successful gaming business. Betsson conducted its first companywide responsible gaming training back in 2002 and since 2007 we have employees dedicated to responsible gaming. As of the interim report for Q4 2017, Betsson is reporting KPI's regarding responsible gaming.

I will continue to work hard together with all Betssonites in improving our business.

Pontus Lindwall
CEO Betsson AB

ABOUT BETSSON

BETSSON AB

Betsson AB (publ) is a holding company that invests in fast-growing companies within online gaming. The Company's purpose is to maximize shareholder value through managing and administrating the company's investments and evaluating potential new acquisitions or divestments, in addition to ensuring good corporate governance and compliance at all times.

The company is one of the largest in online gaming in Europe and has the ambition to outgrow the market, organically and through acquisitions. This should be done in a profitable and sustainable manner, primarily in locally regulated markets. Betsson AB is listed on Nasdaq Stockholm Large Cap (BETS).

Betsson's operational subsidiaries' vision is to deliver the best customer experience in the industry. They offer casino, sportsbook and other games via gaming licences in eleven jurisdictions mainly in Europe. The business model is to offer gaming under multiple brands. The brands are operated on a proprietary platform, which is the core of the offer and the customer experience.

Being responsible in relation to customers, suppliers, authorities, investors and other stakeholders is a cornerstone of Betsson's business. Betsson is a member of the European Gaming and Betting Association (EGBA), ESSA (Sports Betting Integrity) and G4 (The Global Gambling Guidance Group).

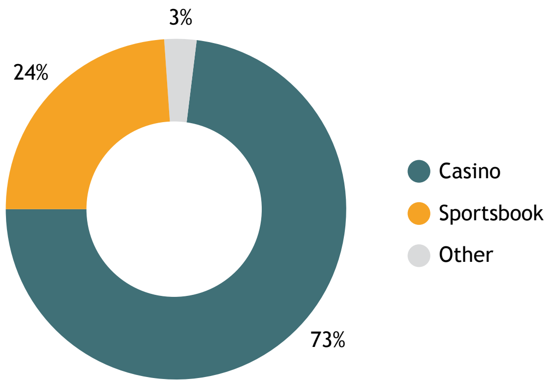
ORGANISATION

BETSSON AB (SWEDEN)

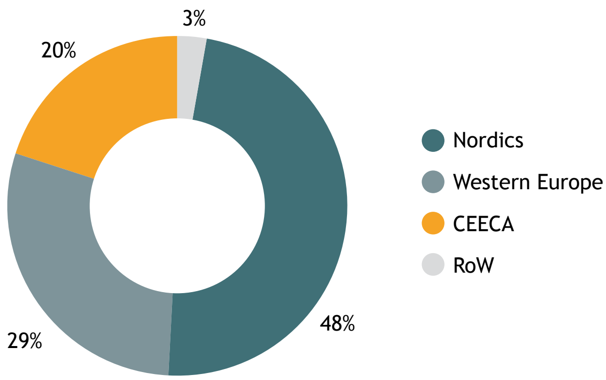
SUBSIDIARIES	SUBSIDIARIES	SUBSIDIARIES
Offices in	• Gibraltar	• Malta
• Denmark	• Hungary	• United Kingdom
• Estonia	• Latvia	• Sweden
• Georgia	• Lithuania	

Betsson AB is the publicly listed parent company of the Group. The responsibility of Betsson AB includes:
- Setting strategic direction for the Group
- Corporate structure and governance
- Risk management and compliance
- Acquisitions and divestments
- Financial reporting

Revenue by product 2017



Revenue by region 2017



SHORT HISTORY

1963 Company founded in Sweden.
1996 Net Entertainment founded by Pontus Lindwall (current CEO of Betsson AB).
2000 First casino sites launched.
2000 Company listed on OMX Nasdaq stock exchange in Sweden.
2003-2005 Acquired English sports betting company Betsson.com. Company adopts Betsson as new name.
2004 Betsson established and licenced in Malta.
2006 Cherry Casino distributed to shareholders.
2007 NetEnt distributed to shareholders.
2015 Betsson listed on Nasdaq Stockholm Large Cap.

BETSSON'S OPERATIONS

Betsson's subsidiaries operate multi-brand gaming websites offering Sportsbook, Casino and other games. The brand portfolio includes global brands operated in many markets, regional brands and brands targeting a specific country or segment. Some brands offer the complete portfolio of products and others are focused on niche products only.

At the heart of entertainment for more than five decades, the vision is to provide the best customer experience in the industry by listening to and learning from the customers. Using best-in-class technology and leveraging data and insight, the aim to exceed the customers' expectations. They hold gaming licences in 11 jurisdictions and employ around 1,700 people from 56 different nationalities. The operational headquarters are in Malta.

The operational subsidiaries offer a total of around 2,500 casino games including slots, table games, live casino and other games from many different suppliers, and also a few proprietary games. The sportsbook offers bets on a wide selection of sports, leagues and markets. In addition, odds are offered on current events concerning for example politics or popular TV shows. Other examples of games offered are poker, bingo, scratch cards and creative variations of table games and dice games.

Betsson's operational subsidiaries are responsible for:

- Technology and platform
- Gaming sites and content
- Brands and marketing
- Customer support
- Responsible gaming
- Compliance with gaming regulations

BETSSON HOLDS GAMING LICENCES IN 11 JURISDICTIONS

Licences obtained:

2004	2011	2012	2015	2016	2017
Malta	Italy	Estonia Denmark	UK Georgia	Ireland Latvia Lithuania Germany	Spain

SUSTAINABILITY AND BETSSON

Betsson has a long-term approach to sustainability and it is an integral part of the business. Responsible gaming is a natural focus area for the operational subsidiaries, as are anti-corruption, responsible marketing and customer integrity. Important parts in attracting and retaining talent are the Company's Code of Conduct, being a contributor to society where Betsson has offices and always taking into account the environmental aspects of the business. Betsson's Board of Directors has decided that Betsson shall be climate neutral.

In 2015, Betsson launched a project to develop its sustainability work using the GRI Standards as a reporting framework. As of 2017, the Swedish Companies Act states that companies of a certain size shall include a sustainability report in its annual report. A sustainability report shall contain information needed for the understanding of the company's development, position and results as well as the consequences of the business from a sustainability perspective. This information should include issues relating to the environment, social conditions, employees, respect for human rights and anti-corruption. Betsson's sustainability reporting follows the Swedish Companies Act and uses GRI as a reporting standard where applicable.

FOCUS AREAS FOR BETSSON'S SUSTAINABILITY EFFORTS

Betsson conducts a materiality analysis to determine in which areas the Company should focus its sustainability work. The following areas are considered to be the most relevant for Betsson's sustainability work:

- Responsible marketing
- Responsible gaming
- Anti-corruption
- Anti-money laundering
- Attractive and healthy workplaces
- Financial stability
- Personnel development
- Customer integrity and IT security
- Diversity and equality in Company workplaces

STAKEHOLDER DIALOGUE

Betsson's main stakeholders are its employees, shareholders, suppliers and the operational subsidiaries' customers.

The informal dialogue with employees is constantly ongoing, but also formally through bi-annual development discussions, employee surveys and all hands meetings with extensive Q&A sessions where employees can choose to ask questions anonymously. Aspects regarding responsible gaming are always part of the employee surveys.

The Company has around 40,000 shareholders including both institutional and retail investors. Betsson does webcasted investor presentations four times a year in conjunction with the interim reports, and also does investor roadshows and 1 on 1 meetings. In 2017, Betsson conducted approximately 150 meetings with institutional investors. In order to communicate with retail investors, Betsson made three presentations organised by the Swedish Shareholders association and also participated in an open Q&A in the Facebook group Aktier ("Shares") in addition to answering a number of email questions from shareholders. The main issues raised by shareholders were related to financial results, compliance with gaming regulation and responsible gaming.

Betsson uses a large number of suppliers in its operations and demand that all suppliers comply with applicable laws and regulations. The discussion regarding sustainability issues with suppliers can be improved and Betsson will evaluate the need for a Code of Conduct for suppliers or to clarify demands regarding sustainability issues in the contracts.

The operational subsidiaries have approximately 600,000 active customers and the dialogue with customers is mainly done through the customer support. Betsson offers a 24/7 customer support over chat, phone and email. In 2017, customer support handled 1.7 million contacts of which a majority were related to technical support. 1.2 percent of all contacts were related to responsible gaming. Responsible gaming issues are escalated to the responsible gaming team that consists of experts with extensive training in these issues.

AIMING TO REDUCE THE CLIMATE FOOTPRINT

Betsson operates an online business and as such has little impact on the environment. The environmental policy states that Betsson's target is to "minimize the environmental effect within the group and always strive to save natural resources". The Board of Directors have decided that Betsson shall be climate neutral, meaning that the Company shall compensate for its carbon emissions by sponsoring renewable energy projects. To compensate for emissions in 2016, Betsson decided to sponsor a hydropower project in China certified by Gold Standard in 2017.

The main sources of Betsson's carbon emissions are electricity, cooling and heating of office premises and server farms, and air travel. Betsson's server farm has been identified as one of the most important areas for energy efficiency measures. The number of physical servers has been reduced during the year and they have been replaced by virtual servers.

Betsson is an international company, and avoiding air travel entirely is not possible; however, the Company encourages employees to do travel-free meetings and offers several different tools for this purpose, such as video conferencing and Skype.

Various local efforts are also made to reduce emissions. Betsson's largest office with around 1,000 employees is in Malta and during 2017 a sustainability audit was carried out to identify improvements to electricity use. Also, recycling and waste management procedures were reviewed. In order to engage employees, a survey was made to collect feedback on what could be improved. As a result, a number of measures have been made to reduce electricity consumption and Betsson is now one of the first companies in Malta to do recycling including glass bottles.

Electricity consumption (MWh)	2017	2016	Change
IT hardware in offices	948	720	+32%
Physical servers	349	595	-41%
Virtual servers	363	1,599	-77%

Carbon dioxide emissions[2] (Tonne CO2)	2017	2016
IT hardware in offices	379	288
Physical servers	140	238
Virtual servers	145	640

Betsson uses an emission factor of 400 g CO2/kWh for its environment calculations of electricity usage.

OFFERING A GREAT EMPLOYEE EXPERIENCE

One of Betsson's key values is "We play fair" and that applies to both how employees behave towards each other and how Betsson acts towards customers, investors and suppliers, and society in general. Betsson's Code of Conduct guides the Company's employees and states that all are expected to show integrity and a sound judgement. The Code of Conduct is based on the United Nations' Global Compact's ten principles in areas relating to human rights, labour, environment and anti-corruption, and also corporate values and practical experiences acquired from over 50 years in the gaming industry.

In addition to the Code of Conduct, the Company has several other policies and supporting documents that contain more detailed guidance. The documents cover for example diversity, discrimination and harassment, remuneration issues, job security and fair and equal treatment. The policies and the Code of Conduct are part of the induction programme for new employees, and they are easily accessible on the Group's intranet.

To attract the best employees, the Company focuses on individual development plans, improving management and leadership, and focusing on health and wellness. The Group's employee surveys give valuable insights to management as it shows what the employees think of the Company and points at areas that could be improved. In 2017, the company has made tests to use more frequent, but shorter, employee surveys as much can change during a year. This system is currently being evaluated.

Betsson's operational subsidiaries' vision is to "provide the best customer experience in the industry", therefore it is logical that the objective for Betsson as an employer is to "offer the best employee experience". A number of actions are initiated to improve Betsson's attractiveness as an employer. A focus area to reduce unwanted staff turnover is to improve management and leadership. Managing a business across many locations with more than 50 different nationalities in a fast-growing and changing environment is challenging. Therefore, Betsson will focus on clarifying what is expected of a manager at Betsson and also conduct a manager training across the Company.

All employees are to have development discussions at least twice a year. In these talks, each individual is given feedback on his or her work performance. 98 percent of Group employees had at least one development discussion in 2017.

Diversity drives innovation

At year-end 2017, there were 56 nationalities represented in the Group, and women accounted for 37 percent of the employees. The gender split is different in different areas and currently three of five members in Group management are women, whereas Betsson has identified a need to increase the number of women in for example the tech teams.

Betsson employees by age group:	
18–30	49%
30–39	37%
>40	14%

Health and wellness

Wellness has always been an important part of Betsson's culture, and the Company works systematically to preserve the health of its employees. Also, a company offering sports betting to customers attracts many employees who enjoy sports.

Betsson gives its employees a wellness allowance, and a yearly voluntary "training challenge" is coordinated at the Company to support a healthier workforce. Betsson also aims to improve health and safety in the work environment. A work environment group has been appointed to give employees the opportunity to bring up areas in need of improvement.

Focus on education

Betsson offers an internship programme to university students, primarily within IT and marketing. During the internship, the students receive professional experience and the opportunity to develop practical skills. Students receive a salary from Betsson during the 12-week internship and gain insight into various projects at the Company. In 2017, 14 students participated in the programme. Some of the students have been employed by the Company after graduation.

Betsson has local offices in ten countries and the way the Company supports the local community is different, respecting local traditions and expectations. Betsson's efforts include both donations to charity and also more active engagements like hosting coding workshops for people who want to try coding. In 2018, Betsson will review its Corporate Social Responsibility guidelines in order to streamline local CSR efforts towards technology and education, as these are areas close to Betsson's operations.

CONDUCTING RESPONSIBLE BUSINESS

Responsible gaming

Responsible gaming is one of the most important parts of Betsson's sustainability work and is pursued at several different levels. It is also a key factor to maintain trust among stakeholders, not least employees and investors. With more than 50 years' experience of gaming, Betsson fully understands the importance of offering gaming in a responsible and controlled way to be able to run a sustainable business over decades. The first responsible gaming training for the online business took place in 2002 and the first full-time specialist in responsible gaming joined the Company in 2007.

Betsson wants gaming to be enjoyable and entertaining for everyone, and the Company believes that offering gaming in a controlled and responsible way is the key to satisfied, safe and loyal customers. Betsson has a team that works full time with responsible gaming issues and they also work closely together with customer support and the teams for payments, anti-money laundering and anti-fraud. This work is given high priority and is relevant both to customer well-being and the Company's success.

A responsible gaming operator offers information, knowledge and tools that can help the customer keep control of his or her gaming. Research and industry experience show that control is the key aspect to prevent problem gambling.

Problem gambling can arise if the customer continuously fails to gamble at a desired level. In order to combat problem gambling, Betsson's operational subsidiaries offer customers several different tools. The customer can obtain a clear overview of his or her gaming volume and decide different deposit limits that restrict continued gaming in the event the gaming volume exceeds the limit. As of the fourth quarter 2017, Betsson is reporting how many of all new depositing customers (NDC's) choose to set a deposit limit. In the fourth quarter 2017 it was 12.6 (10.5) percent.

Betsson is a Board member of BOS (Industry Association for Online Gaming) in Sweden. Many of the internationally regulated gaming operators offering services to Swedish customers are members of BOS and they have agreed to comply with BOS' Code of Conduct regarding responsible gaming.

Self-help tools provided by Betsson's operational subsidiaries:

Budget	The customer can set up a budget for gaming so that he or she never plays for more than intended. The budget can be set per day, week or month.
Self-help programme	If the customer wants to take control over his or her gaming, Betsson offers a free, online self-help programme, 'Gaming Help', which has been developed by Sustainable Interaction.
Self-test	Betsson offers 'GamTest', a self-test that customers can take to determine whether their own level of gaming is healthy or not. This service is accessible to everyone, customers and non-customers alike.
Gaming overview	The customer has a gaming overview that clearly shows the individual gaming history. The tool is designed to help players maintain control.
Self-exclusion	The customer can exclude him or herself from gaming for a period of 24 hours to 6 months, or forever. A suspended account may under no circumstances be opened again before the suspension period expires.

These tools have been set up to help Betsson's customers maintain control and safety, thus promoting a fun gaming experience.

Every year, Betsson initiates a number of activities designed to promote and support responsible gaming. Since Betsson's subsidiaries operate online, a large amount of data is collected on customer behaviour. This data is an important tool for Betsson in terms of understanding which attributes might indicate that a customer has a gaming problem or is at risk of developing such a problem. All this data is processed taking into consideration our customers' privacy rights, Betsson being committed to the highest standards of information security and privacy on our customers' data, based on EU legislation together with the future GDPR (General Data Protection Regulation).

To maintain and further develop one of the world's highest standards as regards to responsible gaming, Betsson educates all employees in the Group on gaming addiction issues, regardless of their position. Betsson has also introduced an online training tool that includes a personal evaluation.

All employees are to gain a basic understanding of the importance of promoting healthy gaming. Employees who have direct contact with customers also receive additional, more in-depth training. The in-depth course addresses issues such as signs of problem gaming and includes practical exercises with anonymised customer situations and a closer look at the Company's responsible gaming tools. Such courses are continuosly developed and evaluated. All communication with customers is documented, categorised and reviewed, which gives Betsson opportunities to regularly further develop its procedures.
In 2017, 262 employees participated in an e-learning regarding responsible gaming and 301 employees participated in the in-depth education. In addition, 107 non-customer focusing employees received basic responsible gaming training provided by Global Gambling Guidance Group (G4) and Sustainable Interaction.

COOPERATION FOR ENHANCED RESPONSIBLE GAMING

G4 is an internationally recognised responsible gaming training organisation that also audits and certifies gaming sites. Betsson also works with Sustainable Interaction, which has expert knowledge in the area.

Betsson supports research that can contribute to preventive actions and greater understanding of gaming problems in general. During the course of the year, Betsson has participated in a number of surveys and seminars on responsible gaming.

IT SECURITY

IT security is a prioritised area, both from the employee and the customer perspective, and it is governed by a comprehensive set of policies that are available on the Company's intranet.

Betsson has a team that focuses on digital and physical security on a full-time basis. Betsson monitors the flow of sensitive data, such as bank card details, extracts from customer databases and source codes. Security is developed and improved on a continuous basis, and Betsson also has systems in place to ensure operations progress securely, even in the event of a power outage.

Betsson subsidiaries process large quantities of data related to customers and their gameplay. All data processing is done in a secure and compliant way with the very latest security systems in an environment that satisfies all the requirements. Customer data are only accessible to personnel whose role and work-related duties require such access. Customer data are stored on a safe device that only a limited number of employees with specific authorisation rights can access. Logs are kept of all updates and all activities on customer accounts to guarantee an audit trail.
In 2017, Betsson began preparations to be compliant with the new General Data Protection Regulation (GDPR) by May 2018.

INDIRECT AND DIRECT FINANCIAL SUPPORT

Betsson contributes to society financially by paying taxes, salary to employees, dividend to shareholders and charitable donations. The Group is an important contributor to charity organisations in Malta, where most of the Group's employees are based, that work with projects to help socially vulnerable groups. Betsson also contributes to local charity projects at other locations.

Indirect and direct financial support

Amounts in SEK million	2017	2016
Direct economic value generated		
Customers		
Revenues	4,716	4,117
Direct economic value distributed		
Suppliers		
Operating costs / Purchase of goods and services	2,839	2,381
Employees		
Employee wages and benefits including social costs and pensions	782	652
Providers of capital		
Dividends paid to shareholders	393	659
Interest payments	36	10
Society		
Taxes	301	206
Communities		
Charitable donations	4	5

RESPONSIBLE MARKETING

The Company has local gaming licenses in eleven jurisdictions, and adheres to all applicable local laws and regulations in the individual countries. Betsson has an ambition not only to be compliant with regulation, but also respect that marketing varies between different countries.

As is the case with many other e-commerce companies, Betsson uses affiliate marketing, which means a third-party company promotes Group's Betsson's gaming websites. A comprehensive contract governs the affiliates and stipulates in what way Betsson's brands may and may not be marketed.

Human rights

Respect for human rights is fundamental to operating a sustainable global business. Betsson supports the UN conventions on human rights and there are clear directives in the Company's Code of Conduct which starts with a statement from the CEO emphasising the importance of respect and good conduct across the company. Also employee handbooks and other policies guides the Company and its employees in how to relate to for example gender equality and discrimination.

Anti-corruption

Betsson has clear guidelines and follows applicable rules and regulations and other legislation in relation to gifts, services and benefits. To further reduce the risk of conflicts of interest, the Company has also implemented a Four-Eye Principle, whereby at least two individuals in the Company must review and approve in writing agreements between Betsson and another party. The Company continuously trains managers and other relevant functions on the Company's stance on anti-corruption. These managers then discuss the issues with their respective employees.

Anti-money laundering

The challenge faced by gaming companies is similar to the ones faced by banks since the companies handle large amounts of money on a daily basis. The process for counteracting money laundering is designed to work next to, and synchronised with, the process for preventing fraud. Since operations take place online, all transactions can be traced. Both technical and manual controls are used to monitor transactions. The processes protect against, forestall, track, manage, reduce and eliminate internal and external risks related to money laundering.

The systems are developed on a continuous basis and all Betsson employees who work on issues related to anti-money laundering receive training continuously. Betsson also adheres to all statutory obligations and applies all of the controls and due diligence required by the EU. The Company also complies with the local requirements in each jurisdiction where Betsson has a licence. Betsson has a designated person in each licensed jurisdiction responsible for reporting issues that could be related to money laundering. Betsson always cooperates with authorities in the efforts against money laundering.

Development in focus areas for 2017

Responsible gaming:
- Betsson started using its inhouse developed problem gambling prevention and detection tool across all brands
- External audit made of problem gambling tools and procedures

Corporate social responsibility:
- Updated Code of Conduct
- Sponsoring local charities

Attractive employer:
- Testing of new employee survey tool
- Continued internal training programmes like TechON and HiPo
- Training challenge across all offices

Environment:
- Reviewed recycling and waste management procedures in the Malta offices
- Compensated for carbon emissions

Sustainability area	Target 2014-2018	Focus in 2018
Responsible gaming	• Improved information/tools for customers • Continued high level of expertise in responsible gaming among the Company's employees • Being ranked among the most responsible operators	• Continue to develop problem gaming prevention tools • Improve user experience of gaming responsibility tools in mobile devices • Actively recommend customers to set deposit limits • Report KPI's for responsible gaming
Corporate Social Responsibility	• Increase employee awareness of the Code of Conduct • Deviations from the Code of Conduct are to be managed professionally • Reporting according to GRI • Permanent employment for a total of nine students	• Communication initiatives related to the Code of Conduct • Update CSR policy
Attractive employer	• Encourage diversity and equality • Improved employee health and wellness • Employee Satisfaction Index (ESI) should be above average • Invest in employee development	• Develop employees • Improve leadership and clarify what is expected of a manager at Betsson • Reduce unwanted staff turnover • Increase number of women in tech organisation
Environment	• Increase the number of virtual servers • Increase the number of virtual meetings	• Continue the campaign to reduce business travel in the Company • Increase efforts to reduce consumption of electricity

WHISTLEBLOWING PROCEDURES

One of Betsson's goals is to ensure that all employees feel secure in reporting possible irregularities in the Group. In 2015, the Company implemented an external whistleblowing system to ensure that potential breaches to the Code of Conduct or other policies can be reported anonymously and are handled professionally and confidentially. There is a link to and information about the system on the Company's intranet.

The web-based whistleblowing system encrypts information to assure anonymity to the person reporting a concern. Only members of the whistleblowing-group, which consists of individuals outside the operational business have access to the system. The group then resolves on what actions are required. The group can also ask the person reporting a concern additional questions via a dialogue in the system, where the person can remain anonymous.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Betsson AB (publ), corporate identity number 556090-4251

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 8-12 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 16 April 2018
PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

pwc

MANAGEMENT REPORT

The group of Directors and the CEO of Betsson AB (publ), CIN 556090-4251, with its registered office in Stockholm, hereby present the annual report for the 2017 financial year for the Parent Company and the Group. The formal annual report, including the auditor's report, can be found on pages 13-24 and 29-61. A sustainability report has been prepared in accordance with the Annual Accounts Act and has been submitted by the Board. It is found on pages 8-12 in this Annual Report.

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

The reporting currency for the Parent Company and the Group is the Swedish krona (SEK). The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be presented for adoption at the Annual General Meeting on 15 May 2018.

MANAGEMENT REPORT

Betsson AB, the parent company of the Group, invests in and administrate companies operating within the online gaming industry. The Parent Company does not conduct any gaming operations.

Via partnerships and the websites of mainly the Malta based subsidiaries, our subsidiaries offer Poker, Casino, Sportsbook, Scratchcards, Bingo and other games to customers primarily in Europe. In addition, the subsidiaries offer systems solutions to other partners and associates.

For reasons of simplicity, 'Betsson' is used throughout this annual report when describing the Group's gaming operations. This primarily relates to the gaming activities of Betsson's subsidiaries that during 2017 operated via European gaming licences in Malta, and local gaming licences in Denmark, Estonia, Georgia, Germany, Ireland, Italy, Latvia, Lithuania, UK and Spain.

THE GROUP'S REVENUES AND INCOME

The Group's revenues amounted to SEK 4,716.5 million (4,117.3), which is equivalent to an increase of 15 percent.

Gross profit was SEK 3,419.4 million (3,078.0), which is equivalent to an increase of 11 percent. Operating income decreased to SEK 882,2 million (946.4) and operating margin amounted to 19 (23) percent.

Income before tax was SEK 842.9 million (936.0) and net income amounted to SEK 786.5 million (878.0), equivalent of SEK 5.68 (6.34) per share.

PRODUCTS

Casino is Betsson's largest product and accounted for 72.9 (70.6) percent of revenues during the year, followed by Sportsbook with 24.2 (26.2) percent and Other products (incl. Poker) that accounted for 2.9 (3.1) percent of revenues.

CUSTOMERS

At the end of the year, there were 12,993,044 (10,101,045) registered customers, an increase of 29 percent compared with the end of the previous year. There were 615,499 (573,277) active customers in the fourth quarter, an increase of 7 percent compared with the same period previous year.

SIGNIFICANT EVENTS IN 2017

Quarter 1

Betsson AB made a recommended cash offer to acquire the UK based gaming operator NetPlay TV plc. The acquisition was closed in March.

Betsson AB acquired a locally licensed gaming operator in Spain.

The migration of the Georgian gaming operator Europe-Bet, which was acquired in 2015, to Betsson's technical platform Techsson was completed.

The Board of Directors decided to change the dividend policy. Betsson AB's new dividend policy is applicable as of the financial year 2017 and reads: "The Board's ambition for the ordinary distribution to shareholders is, provided a continued attractive capital structure, to distribute up to 50 percent of net earnings, through cash transfer, an automatic redemption process or via repurchase of own shares."

Quarter 2

Abby Rachel Cosgrave was appointed Vice President Legal for Betsson AB and General Counsel Betsson Malta.
Petra Zackrisson was appointed Vice President Corporate Development.

Quarter 3

Fredrik Carlsson was elected new member of the Board of Directors.

In September, the Board of Directors and Ulrik Bengtsson agreed that Ulrik Bengtsson should leave the position as President and CEO of Betsson AB. The Board decided to appoint Pontus Lindwall CEO of Betsson AB. In connection with this appointment, Pontus Lindwall's role as Chairman of the Board was assumed by the Board member Patrick Svensk.

Jesper Svensson was appointed CEO of Betsson's operational subsidiaries.

Quarter 4

Kaaren Hilsen assumed the position as CFO of Betsson AB in October.

INVESTMENTS AND DEPRECIATION/AMORTISATION

The year's investments in tangible and intangible fixed assets amounted to SEK 282.9 million (316.7), of which SEK 214.1 million (211.8) referred to capitalised development expenditure.

Depreciation/amortisation for the year totalled SEK 267.6 million (211.9), of which SEK 199.4 million (155.5) referred to the amortisation of capitalised development expenditure.

Investments were made in domains, IT hardware, development of gaming platforms, integration of games and payment solutions and the conversion and furnishing of offices.

EQUITY

At year-end, shareholders' equity in the Group amounted to SEK 3,666.9 million (3,502.9), which corresponds to SEK

26.49 (25.31) per share after the transfer to shareholders via a redemption procedure of SEK 2.84 (4.76) per share, which took place in the second quarter. Return on equity was 22 (26) percent.

FINANCING, CASH, CASH FLOW AND GAMING LIABILITIES

As of the end of the year, the equity/assets ratio amounted to 54 (56) percent. Outstanding bond loans at year-end were reported as SEK 993.9 (990.8) million and utilised credit facilities as SEK 663.9 (334.8) million. Unutilised credit facilities amounted to SEK 425.8 (1,032.0) million). Cash and cash equivalents were negatively impacted during the year by SEK 658.9 (624.3) million due to a distribution of funds to shareholders (redemption procedure). Cash and cash equivalents at the end of the year amounted to SEK 479.5 (444.3) million.

Customer liabilities, including reserves for accumulated jackpots, amounted to SEK 374.6 (380.9) million. Gaming regulations require the Company to reserve a certain share of cash to cover player liabilities and accumulated jackpots. Current receivables from payment providers for unsettled customer deposits were SEK 448.5 (307.0) million.

PERSONNEL

At the end of the year, Betsson had 1,873 (1,821) employees. The average number of employees in the Group during the year amounted to 1,870 (1,661), of which 1,084 (953) were based in Malta. In addition, the Group had 190 (224) consultants on a full-time basis, primarily within product development.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

In January 2018, Betsson restructured and streamlined the organisation with the ambition to make it more efficient. As a consequence, total headcount in the Group will be reduced by approximately 160 employees. Annual net savings is estimated to be around SEK 50-60 million with a restructuring cost of approximately SEK 15 million that that will be booked in the first quarter 2018.

With effect from 1 January 2018, Malta has changed its VAT treatment of certain gambling services, in principle bringing some casino-type games into the scope of VAT. For Betsson, these changes will have the main effects that Maltese VAT of 18 percent will be charged on these games where they are provided to players established in Malta, and that any input VAT incurred in relation to the provision of taxable games can be recovered, regardless of where the player is established. The changes are not expected to have any significant effect on Betsson's financial statements.

THE PARENT COMPANY

The Parent Company, Betsson AB (publ), is primarily focused on shareholding and group administration. The Company provides services to Group companies in the areas of finance, communication, accounting and administration. The Parent Company's turnover for the entire year was SEK 29.9 (17.2) million and income before tax amounted to SEK 998.9 (919.3) million. Net financial items included SEK 1,054.4 (977.2) million referring to dividends received from subsidiaries.

During the year, the Parent Company invested SEK 0.1 (2.1) million in property, plant and equipment. Cash and cash equivalents totaled SEK 145.2 (45.3) million. At year-end, the Company had utilised credit facilities of SEK 647.3 (313.6) million. During the year, the Parent Company executed a share redemption program, which transferred SEK 658.9 (624.3) million to the shareholders. In conjunction with the share redemption program, a bonus issue of a total of SEK 48.1 (47.7) million was undertaken in order to restore the Company's share capital.

THE GLOBAL GAMING MARKET

Industry market data indicates that the entire gaming market, including offline and online gaming, is worth close to EUR 380 billion with an expected growth of 2 percent annually up until 2021. Online gaming is expected to increase its share of the total market to increase from 10 percent in 2017, to a predicted share of 12 percent in 2021.

Annual growth in Betsson's core markets in Europe, which in aggregate are worth close to EUR 12 billion, is expected to be 7 percent during the years 2017-2021. Sweden is expected to show strong growth in 2019 as a result of the re-regulation of the Swedish gaming market, which is expected to come into effect in January 2019. (Data source: H2GC.)

The growth in the online gaming market is driven by an increase in e-commerce in general, as well as parallel usage of several screens such as a mobile phone, computer and tablet. Customers also expect to have games easily accessible when and where they want.

Another important driving force is that an increasing number of European countries are introducing local regulations for online gaming. The licence gives gaming companies the chance to compete on equal terms and to gain access to more effective marketing channels and payment solutions. Local regulations entail increased demands, and benefit operators that have a scalable, proprietary platform. This is resulting in increased consolidation in the locally regulated markets, which creates acquisition opportunities for Betsson.

Betsson's subsidiaries are operating under licences in Malta and ten more local jurisdictions. There are lasting values in offering regulated gaming services within the EU and other markets from Malta.

The Swedish government is planning to present a bill regarding re-regulation of the online gaming market and a new regulation in Sweden is expected to be implemented in 2019.

The new Dutch government has the ambition to introduce a new gaming regulation in the Netherlands, which could come into force in 2019.

SIGNIFICANT RISKS AND FACTORS OF UNCERTAINTY

Reputation risk

The gambling industry's reputation is important for long term profitability for companies in the sector. Reputation damage, whether for the industry, Betsson Group or both, will risk affecting Betsson Group's financial position negatively.

There is no doubt that the industry's reputation, and connected to this, the general public's trust in it, has improved over the years. However, there is room for further improvement. Betsson Group considers this to be a matter of great importance, and therefore strives to address this, both by continuously working to improve Betsson Group's reputation by striving to run the business in a sustainable way, and by engaging in various industry initiatives with this aim.

General legal risks

Betsson Group places utmost importance on compliance and following developments in regulation. Through dialogue with the policy-makers on different levels we work to achieve regulation which aims to both protect consumers and liberalise markets whilst preventing protectionism in Member States.

In the majority of national markets, gambling is regulated by law and, in principle, to be able to conduct such operations, a license is required. Betsson Group operates its businesses under gaming licenses in Malta, as well as in Denmark, Estonia, Georgia, Spain, Germany, Ireland, Italy, Latvia, Lithuania and the UK. Political decisions, new interpretations of laws and new regulations can significantly impact Betsson Group's earnings and financial position since operations are subject to licenses.

Since the main purpose behind most of the local gambling legislation is to fund state finances, the resulting limitations on the free movement of services created by the states through the monopolies is not possible to defend in terms of compliance with applicable EU legal principles. This has been established by the European Court of Justice in a number of rulings. In spite of this, a number of member states historically have maintained these types of restrictions. However, due to the pressure from the EU – the European Commission has over the years launched several infringement proceedings against several Member States – a number of countries have announced that they are working on new legislation in line with EU requirements (developments in this regard are commented upon in relation to certain jurisdictions, see below). When new legislation is adopted, it is unclear if there will be requirements, in relation to receiving a license or in general at the time of regulating or re-regulating of markets, demanding the settlement of any form of historic obligation and also the size of any such obligation.

In December 2017, the European Commission announced that it would no longer pursue any open infringement procedures against Member States in relation to online gambling. Betsson Group has objected to the Commission directly in relation to this, due to the fact that a complaint made to the Commission by Betsson Group during 2017 was closed under this process.

Betsson Group will continue to have a dialogue with regulators and other relevant stakeholders, both on EU level and national level, with the aim of trying to achieve sustainable regulations ensuring the right to be regulated, so that European consumers are able to access compliant online gambling services. Depending on the circumstances Betsson might also use other legal remedies available to protect the rights afforded to Betsson as a digital company within the European Union.

Gambling regulation developments

Sweden is continuing to move towards a liberalised regulated model and Betsson Group continue to monitor the developments closely and engage in the various consultations both directly and via various organisations (including BOS and EGBA) in which Betsson Group are engaged. The European Commission has now received the notification of the draft Gambling Act which defines the re-regulation of the gambling market. As announced during the national consultation, the Swedish government aims to launch a licensing system, by dividing the current market between a competitive part, which mainly includes online and betting games and a portion reserved for public interest purposes.

When it comes to the remainder of the Nordic region, Norway has, since 2010, implemented a prohibition against the execution of payments for gaming arranged outside Norway. This negatively impacts, amongst others banks, as providing redemption services in conjunction with the payment of gaming via credit, and payment cards with foreign gaming companies are prohibited. Betsson's assessment is that this legislation is in conflict with EU law.

Finland continues to protect its monopoly system and no changes have occurred in this market in 2017 nor are expected going forward. Betsson continues to monitor the monopoly and legal developments in Finland generally.

A similar situation exists in Poland, where a state monopoly has been granted exclusive rights to operate remote casino and poker while a liberalised, though extremely restrictive market operates for sports betting. Betsson is of the view that the Polish framework is contrary to EU law and principles and has objected (through court proceedings) to the fact that some of its websites have been placed on the blacklist by the Polish authorities, precisely on these grounds.

In 2017, the Netherlands sought to restrict its "priority criteria" further by announcing that new requirements would be included. This lead to Betsson Group's brands "Oranje" and "Kroon", which both have international customer databases, becoming a target for enforcement by the Dutch gambling regulator. Betsson expects to see increased enforcement towards international operators by the Dutch regulator throughout 2018. The Supervisory Plan put forward by the regulator stated that the new remote gambling bill, which aims to liberalise the market, is set to enter into force on 1 October 2018 with the first round of remote licenses being allocated by mid-2019. The consultation on the licensing process was announced to be initiated in Q4 2017, however, it has not yet started. In light of this Betsson believes that it is likely that the new legislation will be further delayed, which is unfortunate. The Gaming Authority has stated that it aims for a 'Big bang' in terms of allocating licenses so as to maximize channelisation – a plan to this end will be drawn up in 2018.

Germany's framework has continued to face criticism and the process to re-regulate has once again come to a standstill. Through a recent acquisition, Betsson's horseracing product is licensed by the Darmstadt regulator but the rest of the market remains in a state of influx, made further complicated by the ruling of the Federal Administrative Court confirming compliance of the casino and poker ban with EU law, a finding which remains in dispute by many. Betsson maintains the view that German law breaches EU principles and will continue to follow developments in the region very closely.

In 2017, Betsson Group saw increased enforcement measures from the United Kingdom against various licensed operators and has continued to provide training, work with the local regulator and adapt its offers within this market to ensure compliance with local regulation.

Betsson continually conducts assessments of national laws, in line with local legal advice, and assessment of overarching EU and international legal principles. Based on these assessments, Betsson has elected to block a number of markets.

Betsson provides business to business gambling services to third party companies whom provide such services directly to consumers. Such third parties may not always "block" the same territories as Betsson. One such business to business provider maintains a section of its customer database in Turkey. Betsson continues to monitor Turkey. The internet based gaming operations provided are of a clearly defined, cross-border character, meaning that international law is applicable. According to the principle of the sovereignty of states, each country's laws are of equal value; consequently, the laws of one country cannot take precedence over those of another. The market place of Betsson's associate is primarily Malta, where operations are undertaken in accordance with Maltese legislation and governed by the Maltese legal system. As operators within Malta's market place, Betsson's associates are able to claim immunity as regards, among other local regulations, Turkish legislation. In accordance with expert legal opinion, Turkey and other countries have accepted this principle via their membership of the WTO and other international agreements.

Other legal risks

In 2016, Betsson Group launched a project to secure compliance with the EU General Data Protection Regulation (GDPR) which enters into force in 2018. As a part of the project, Betsson instructed an external audit of all of Betsson Group's internal systems, providers, policies and processes. Betsson Group is now, both technically and otherwise, improving its processes, systems, routines etc. in preparation for the GDPR and is involved in creating a Code of Conduct for gambling operators which will seek to clarify the privacy obligations of gambling operators in relation to responsible gambling and anti-money laundering requirements.

Betsson Group engages with a number of sporting regulatory bodies in relation to match fixing and operates internal systems and processes to detect match fixing. Betsson is a member of the European Sports Security Association (ESSA) for sports betting integrity and operates ESSA's early warning system as part of its Sportsbook operations. Betsson is currently working on improving its internal policies and systems in order to improve its effectiveness in this area. There is, however, still a risk that Sportbook could potentially be improperly used for gambling on fixed matches.

Betsson actively works with KYC and fraud prevention and through its many gaming licenses, the Company is also subject to regulations pertaining to anti-money laundering and to combating the financing of terrorism. The now implemented 4th EU Anti-Money Laundering Directive applies to Betsson's activities, and Betsson is continuously working to secure compliance with it. As is the case with companies that accept payments, even though Betsson actively addresses the issues, the Company is at risk of being used to launder money or of being subject to fraud.

Betsson is accredited by the G4 organisation, which works to prevent gambling addiction and, as part of its commitment to this work, the Company has adapted its websites so that they offer full support to players based on the guidelines established by G4. In addition, Betsson has created a department for responsible gaming with competent, experienced personnel. Internal software has been developed and implemented to monitor behavior and to identify gamblers whom may be having issues with their gambling. Tools have been implemented to allow players to control their own gambling. Annual training is arranged for all employees so that they are able to identify signs of problem gambling. In 2017, Betsson engaged an external audit of all of its Responsible Gambling practices and processes in order to identify areas of improvement. Betsson Group always seeks to continuously identify areas where we have not met our internal standards in this regard. All so that Betsson will be able to maintain its position as a leader in the field of responsible gaming.

Despite this, there is a risk that individuals develop problematic gambling behavior. There is also a risk that individuals with a gambling dependency could sue companies within Betsson Group for Betsson's role in the individual becoming addicted. Even though such claims would most likely be dismissed in court, they could give rise to considerable costs and could also reduce confidence in Betsson Group, which could ultimately lead to decreased revenues.

Many of the companies in Betsson Group exist in a complex and variable landscape that includes both general and industry-specific taxation regulations. There is a risk that newly passed laws and modifications to current tax legislation as well as changes in practice could result in Betsson having to change the way it handles taxes so that its earnings and financial position are negatively impacted. Both on its own and in cooperation with industry associations, Betsson actively monitors development and educates lawmakers in the markets where the Group has interests.

Other risks

Betsson Group depends on its operational platform's stability, performance and integrity. Failures in the platform may lead to negative consequences for Betsson's customers but also to compliance failures, reputational risk and financial loss. Failures may result from security (including cyber security) related incidents, disruption or malfunction of software or hardware operations, incidents relating to outsourced services, service providers or suppliers, manual mistakes/ errors, etc. Betsson Group has implemented systems, processes and routines to ensure that the risk for these occurrences are kept at a minimized level and continuously work to enhance and improve these measures.

There is a lack of certain competencies in the gambling industry labor market. Even though Betsson Group addresses these challenges on an ongoing basis, this leads to risks for high staff turnover and difficulty to retain certain key experts; both with potential to impair Betsson Group's operations and financial result.

As regards financial risks, including currency risk, please refer to Note no. 33.

DISPUTES

The Company has no ongoing material disputes.

RESEARCH AND DEVELOPMENT

Expenditure attributable to the development of gaming platforms and the integration of games and payment solutions is capitalised to the extent that future assessed financial gains are estimated to accrue.

ENVIRONMENT AND SUSTAINABILITY

Betsson does not conduct any operations requiring permits or registration under the Environmental Code. For information regarding sustainability, please see the separate section on 'Sustainability and Betsson' on page 8.

GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR MANAGEMENT

For a description of the guidelines for salaries and other remuneration to senior executives as determined by the Annual General Meeting 2017, see Note 8.

PROPOSED GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR MANAGEMENT

The Board proposes that the Annual General Meeting 2018 adopt the following guidelines for remuneration to senior executives. The category 'senior executive' relates to Group management, which comprises the CEO, CFO and the Vice President of Corporate Communications, the Vice President Governance, Risk & Compliance of the Parent Company, and the Group's Head of Legal Affairs. If the Chairman of the Board is employed by the Company, these guidelines will also include that position. Remuneration is to be marketbased and competitive, in order to be able to attract and retain skilled senior executives. Remuneration is to comprise a fixed salary and, when relevant, variable remuneration, pensions and other benefits such as, in some cases, a company car.

Variable remuneration will be paid only when predetermined financial and non-financial goals, established by the Board, have been achieved. Variable remuneration will be based on the extent to which the targets have been achieved or exceeded. If the financial targets are exceeded at the highest level (out-performed), the estimated cost for variable remuneration to the Group's senior executives would be a maximum of approximately SEK 10,4 million. The normal retirement age is 65. Pension terms are to be market based and based on defined contribution pension solutions.

The period of notice should normally be six to twelve months if such notice is given by the Company, and six months if notice is given by the executive. If termination is initiated by the Company, the executive will be awarded severance pay corresponding to a maximum of twelve months' salary. The Board may take decisions diverging from these guidelines in individual cases, under special circumstances.

SHARES AND OWNERSHIP STRUCTURE

The number of shares in the Company at the end of the year totaled 144,493,238, of which 16,260,000 were A shares, 122,155,730 were B shares and 6,077,508 were C shares. Each A share entitles the holder to ten votes, whilst each B share entitles the holder to one vote. Betsson treasury shares amounted to 1,084 Series B shares and 6,077,508 Series C shares, these shares are held by the Company and are not represented at shareholders' meetings. All shares have equal access to Betsson's assets and profit.

The Company's B shares are listed on the NASDAQ Stockholm Large Cap List (BETS). At the end of the period, the Company had 40,009 (41,056) shareholders. The three share holders with the greatest proportion of the voting power were Per Hamberg and companies with 3.7 percent of the capital and 18,0 percent of the outstanding votes, Danske Bank International S.A with 3,1 percent of the capital and 13,3 percent of the outstanding votes, the Knutsson family and companies with 4,9 percent of the capital and 11.0 percent of the outstanding votes.

MANDATE TO THE BOARD

The Annual General Meeting of 11 May 2017 resolved to authorise the Board of Directors up until the next annual general meeting, on one or several occasions, to resolve on a non-cash issue or conversion of shares and/or convertible preferred stock up to a maximum total of 14.4 million B shares, corresponding to a dilution of approximately 10 percent of the share capital and 5.1 percent of the voting rights. The Annual General Meeting 2017 further resolved to authorise the Board of Directors to determine whether to acquire a total number of own shares whilst ensuring that the Company's holding, at any given point in time, does not exceed 10 percent of all shares in the Company. This mandate was not exercised during the 2017 financial year.

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

To expense the supply of shares or in any event assure the Company's costs, including costs for social charges, the Annual General Meeting resolved to authorise the Board to resolve on a directed share issue of C shares to a bank or a securities company, and resolved that the Board be mandated to resolve on the buyback of shares from subscribers. C shares will be held by the Company during the vesting period of the options. When exercising options or employee options, a requisite number of C shares can, on conversion to B shares, be transferred to participants in accordance with the terms and conditions of the options, or alternatively, be held to expense costs in association with the programmes, including social costs. This mandate was not exercised during the 2017 financial year as the company already had C-shares for all outstanding options.

PROPOSED DISTRIBUTION

The Board proposes that the Annual General Meeting on 15 May 2018, resolve that SEK 2.84 (4.76) per share shall be distributed to the shareholders, provided the number of shares remains unchanged up to the record date. This represents a transfer of funds to shareholders of SEK 393.1 (658.9) million. The Board proposes to the Annual General Meeting that the transfer to shareholders be executed through a share redemption program. The Board's full proposal will be presented well in advance of the Annual General Meeting.

According to the new dividend policy, changed in 2017, it is the Board's ambition to distribute up to 50 percent of the Group's income after tax to the shareholders, provided that an appropriate capital structure can be maintained.

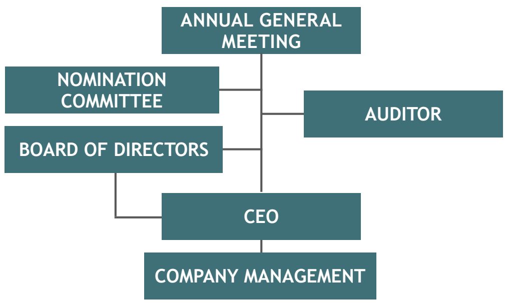
CORPORATE GOVERNANCE REPORT

GOOD GOVERNANCE AND CONTROL SUPPORTS SUSTAINABLE BUSINESS

Betsson has 50 years' experience of the gaming industry and knows that a good balance between ambition and attention to detail is key to successful business development over time. For our part, good corporate governance means preserving a dynamic, hungry company culture in which individuals are rewarded and shown appreciation for their efforts, and where risks are managed on a sound commercial basis. A company such as Betsson, which operates in a high-speed, dynamic environment, has to be able to respond quickly, and consequently each employee must be given the space to act on his or her own initiative, within a set framework. Good government and control thereby enhance the commercial conditions for a company.

Patrick Svensk
Chairman of the Board of Directors

COMPANY BODIES FOR GOVERNANCE AND CONTROL



EXTERNAL REGULATORY FRAMEWORKS
- Swedish Companies Act
- Swedish and international accounting legislation
- Nasdaq rules for issuers
- Swedish Code of Corporate Governance

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT 2017

In addition to the regulations stipulated in applicable legislation or other statutes, Betsson applies the Swedish Code of Corporate Governance, a regulatory code based on the framework for internal control issued by the Committee of the Sponsoring Organisations of the Treadway Commission (COSO). Betsson hereby presents its Corporate Governance Report for 2017. The Company applies the Code in full, with no deviations. This report comprises part of our management reporting and has been reviewed by the Company's auditors.

ALLOCATION OF RESPONSIBILITIES

The shareholders exercise their influence over Betsson AB at the Annual General Meeting, which is the Company's highest decision-making body, whilst the responsibility for the Company's organisation and the management of the Company's affairs lies with the Board of Directors and the CEO, in accordance with the Swedish Companies Act, other rules and regulations, applicable regulations for listed companies, the Articles of Association and the Board's internal control instruments.

SHAREHOLDERS

Betsson has been a listed company since 1996, and has been listed on Nasdaq Stockholm since 2000. The Company's B shares are listed on Nasdaq Stockholm Large Cap List (BETS). At the end of the period, the Company had 40,009 (41,056) shareholders. The three strongest shareholders in terms of votes were Per Hamberg and companies with 3.7 percent of the capital and 18.0 percent of the outstanding votes, Danske Bank International S.A. with 3.1 percent of the capital and 13.3 percent of the outstanding votes, the Knutsson family with 4.9 percent of the capital and 11.0 percent of the outstanding votes.

ARTICLES OF ASSOCIATION

The Articles of Association define the number and responsibilities of the directors and auditors, the kind of business to be undertaken, and the means by which the shareholders exert control over the Board of directors. The Company's Articles of Association stipulate no limitations regarding the number of votes which each shareholder is entitled to exercise at the Annual General Meeting. No specific regulations are stated in the Company's Articles of Association regarding the appointment and dismissal of Board Members. For the current Articles of Association, adopted by the Annual General Meeting of 12 May 2016, please go to www.betssonab.com.

ANNUAL GENERAL MEETING

The Annual General Meeting is the highest decision-making body in Betsson AB. The Annual General Meeting, which is held within six months of the end of the financial year, votes on the adoption of the income statement and balance sheet, and resolves on the proposed dividend. Directors are also elected and their fees and other remuneration set. In certain cases, auditors are elected and the Annual General Meeting resolves on their fees. Furthermore, other statutory matters and other proposals from the Board and shareholders are addressed, and resolutions are made regarding guidelines for remuneration to senior executives.

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

ANNUAL GENERAL MEETING 2017

The Annual General Meeting for 2017 was held on 11 May 2017. The Meeting was attended by shareholders, in person or by proxy, representing 60.2 percent of the voting rights and 30.7 percent of the capital. Pontus Lindwall was elected Chairman of the Meeting.

Resolutions

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

Mandating the Board of Directors to resolve on the non-cash issue of shares and/or convertible preferred stock that entails the issuing or conversion of a maximum total of 14.4 million B shares (after the share split), corresponding to a dilution of approximately 10 percent of the share capital and 5.1 percent of the voting rights.

Mandating the Board of Directors to resolve on the combined acquisition of as many shares as required such that the Company's holding, at any given time, does not exceed 10 percent of all shares in the Company. This mandate was not exercised during the 2017 financial year. The Board was further authorised to resolve on the sale of the Company's own shares for cash in conjunction with acquisitions of companies or operations at a price corresponding to the market price on the transfer date. To establish an incentive program that would principally mean that the Company would offer senior executives and other key personnel the right to acquire share options or to receive employee share options in the Company. The maximum number of options that could be issued in accordance with the program should be 1,405,000 corresponding to a dilution effect of approximately 1.0 percent of the share capital and approximately 0.5 percent of the voting rights in the Company after dilution and to issue 1,405,000 C shares to ensure the Company's value in outstanding incentive programs.

To approve the Board's proposal to distribute the equivalent of SEK 4.76 per share for 2016, through an automatic redemption procedure.

To reelect Board members Kicki Wallje-Lund, Patrick Svensk, Martin Wattin, Jan Nord and to re-elect Pontus Lindwall as working Chair of the Board. Board member Lars Linder Aronson had declined re-election.

EXTRA GENERAL MEETING 2017

At the Extraordinary General Meeting in Betsson AB (publ) held on 7 August 2017, the shareholders resolved to elect Fredrik Carlsson as a new member of the Board of Directors. The General Meeting also resolved that the remuneration for the newly elected member shall be SEK 440,000, which is the same remuneration as for other members of the Board of Directors who are not employed by the Company.

ANNUAL GENERAL MEETING 2018

The Betsson AB (publ) Annual General Meeting will be held on Tuesday 15 May 2018 at 10:00 AM at Scandic Haymarket Hötorget 13-15, Stockholm. For further information regarding the Annual General Meeting 2018, please refer to the Company's website: www.betssonab.com.

THE NOMINATION COMMITTEE

In accordance with the resolution adopted at the Annual General Meeting 2017, the Chairman of the Board has been assigned to convene the meetings of the Company's Nomination Committee and to invite representatives of the Company's larger shareholders to join the Committee. The Nomination Committee is to consist of a minimum of three members, and the majority of the Nomination Committee's members may not be formed by employees or members of the Board. The Nomination Committee shall prepare a list of proposed Board Members, as well as a proposal for the Chairman and auditors, and shall also propose remuneration for Board Members, Board committees and auditors. These proposals are to be submitted to the Annual General Meeting 2018 for resolution. The composition of the Nomination Committee was announced on 20 October in Betsson's Interim Report for the third quarter of 2017 and on the Company's website.

The Nomination Committee for the Annual General Meeting 2018 is comprised of:

- John Wattin, representing Per Hamberg and companies with a total of 18.0 percent of the outstanding votes.
- Michael Knutsson, representing the Knutsson family and companies, with a total of 11.0 percent of the outstanding votes.
- Christoffer Lundström, representing the Rolf Lundström family and companies, with a total of 9.7 percent of the outstanding votes.
- Patrick Svensk, Chairman of the Board of Betsson AB and convener of the Nomination Committee.

The Nomination Committee represents a participating interest which, at year-end, amounted to 38.7 percent of the outstanding votes in the Company. An important source of information for the Nomination Committee's work is the yearly evaluation of the Board's performance.

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

The Nomination Committee further proposes, ahead of the Annual General Meeting, fees and remuneration to all Board members including the working Chair of the Board.

The Nomination Committee's complete proposals and background information, to be presented to the Annual General Meeting 2018, will be published on the Company's website, www.betssonab.com, in advance of the Annual General Meeting. Shareholders wishing to submit proposals to the Nomination Committee should do so by email to info@betssonab. com or by post to the Company's headquarters.

THE BOARD OF DIRECTORS AND ITS WORK

The Members of the Board are elected annually by the Annual General Meeting for the period until the conclusion of the following Annual General Meeting. There are no rules in place stipulating the maximum period of time a member may serve on the Board. Betsson's Board is comprised of six members elected by the Annual General Meeting, with no deputies. At the 2017 Annual General Meeting, Kicki Wallje-Lund, Patrick Svensk, Martin Wattin, Jan Nord and Pontus Lindwall were re-elected as members. Lars Linder-Aronsson had declined reelection. Pontus Lindwall was re-elected as Chairman. The members of the Board are presented on pages 22–23.

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

The Board's independence

According to the definition in the Swedish Corporate Governance Code, the number of Board Members elected at the Annual General Meeting who are independent of the Company is 5 (83 percent) and the number of Board Members elected at the Annual General Meeting who are independent of the Company's major shareholders is 6 (100 percent). All members meet the requirements concerning professional experience. Pontus Lindwall cannot be considered independent in relation to the Company, given his role as Chairman of the Board (to September 4, 2017) and CEO (from September 4, 2017). With this composition, Betsson's Board complies with the regulations of the Swedish Code of Corporate Governance, which require that the majority of elected members are independent of the Company and Company management, and that at least two of these are also independent of the Company's major shareholders.

Board meetings

In 2017, the Board held 25 (21) recorded meetings, of which one (one) was the statutory meeting and three (four) were per capsulam meetings. The Board had a two (four) percent absence rate during the year's Board meetings.

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

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

Pontus Lindwall	100 (100)
Kicki Wallje-Lund	100 (100)
Lars Linder-Aronsson*	100 (94)
Patrick Svensk	100 (100)
Martin Wattin	100 (100)
Jan Nord	90 (88)
Fredrik Carlsson	100 (-)

**) Up until the AGM, May 11, 2017*

Average attendance at Board and Committee meetings was 98 (96) percent.

Information provided to the Board of Directors

The work of the Board follows a specific plan in order to ensure that the Board receives all relevant information. The Company's auditors report their observations based on the audit of the financial statements and their assessment of the Company's internal procedures and controls to the Board. The Board receives, on a monthly basis, a detailed operational report in which management describes developments.

Internal control and risk management

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

The Audit Committee

The Audit Committee's responsibility is to ensure compliance with established principles for financial reporting and internal controls. In accordance with the rules of procedure adopted after the 2017 Annual General Meeting, the Audit Committee continues to comprise three members. The members of the Committee was up to the May, 2017 Lars Linder-Aronson, Kicki Wallje-Lund and Martin Wattin. Patrick Svensk replaced Lars Linder–Aronsson after the AGM in May, 2017.

The Audit Committee is responsible for monitoring and following up the reporting of Corporate Responsibility issues. The Audit Committee also acts as a finance committee tasked with supporting and monitoring financial operations and evaluating and proposing changes to treasury policy. The results of the Audit Committee's work in the form of observations, recommendations and proposals for decisions and measures to be taken are addressed by the Board on a continual basis. The Group auditors and Group CFO report to the Audit Committee. There was a 100 percent attendance record at the four Audit Committee meetings.

The Remuneration Committee

New rules of procedure for the Board were adopted at the Annual General Meeting 2017. It was resolved that the Remuneration Committee should consist of three members. The Committee's members include Kicki Wallje-Lund, Patrick Svensk and Jan Nord. The Remuneration Committee held five meetings during the year where, among other issues, a proposal on a new incentive programme (share options) was addressed.

The main responsibility of the Remuneration Committee is to prepare board decisions with regards to remuneration guidelines etc for the CEO, evaluation of the variable remuneration for senior executives and evaluation of the execution of remuneration guidelines and accruals for key employees as mandated at the AGM. Attendance at the Remuneration Committee's five meetings during the year was 93 percent.

AREAS OF RESPONSIBILITY OF THE CHAIRMAN OF THE BOARD AND CEO

Up until September 2017, the Company had a working Chairman of the Board who primarily worked in the following areas: planning of long-term strategy issues that lie outside the CEO's strategic brief within the applicable business plans, monitoring of regulatory and other legal changes in countries that can be of significance for Group activities and geographic expansion, regular evaluation of strategic alliances and large company acquisitions of a strategic nature, and support of Group management in strategic projects. In September 2017, the working Chairman, Pontus Lindvall, took over as CEO of Betsson AB and Patrick Svensk became Chairman. The Chairman of the board now handles more traditional chairman duties.

CEO AND GROUP MANAGEMENT

Betsson's President and CEO is responsible for the day-to-day management of both the Parent Company and the Group, a responsibility which does not include decision-making in operating online game activities. The CEO leads the work in the Parent Company and makes executive decisions in consultation with other senior executives. At the end of 2017, there were six senior executives, including four women; see page 24.

The senior executives hold regular operational reviews under the leadership of the CEO. The operations of the Parent Company (Betsson AB) consist of the management and administration of the Company's investments and the evaluation of potential acquisitions or divestments of business operations. The Group's gaming operations are conducted, through several wholly owned subsidiaries, each of which has a separate Board working under an operative management team that makes the operational decisions for Betsson's gaming operations.

Each respective CEO in the wholly owned subsidiaries acts in accordance with a set of CEO instructions in line with the Group CEO instructions.

Diversity

Betsson's conviction is that diversity drives innovation and success. The Company will get stronger and more competitive by employing people of different genders, with varying backgrounds, with different experiences and from different cultures. For further information regarding diversity at Betsson, see the section 'Sustainability and Betsson'.

REMUNERATION

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

The following principles, adopted at the Annual General Meeting 2017, apply to senior executives in the Group:

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

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

AUDIT

At the Annual General Meeting 2015, PricewaterhouseCoopers AB was elected, with Authorised Public Accountant Niklas Renström as senior auditor.

The audit of the annual financial statements is carried out January-February. The audit of the annual report takes place March-April. A general audit is performed in association with the Company's interim reports for the third quarter. In addition, audits of internal procedures and control systems are regularly performed during the year and reported to the Group CFO, management group and the Board. In addition to the auditing assignment, Betsson has engaged PricewaterhouseCoopers AB for consultation on VAT and tax issues, accounting matters, and for various other studies.

In the beginning of 2018, a tender process for audit services has been carried out. The audit firms have been evaluated by the audit committee on certain criteria, for example, branch experience and expertise, experience from public listed companies, location of audit teams and price. The audit committee have given their recommendations to the nomination committee to propose PricewaterhouseCoopers AB for to be elected as the external auditors at the AGM 2018.

INTERNAL AUDIT

Betsson has a willingness and desire to constantly improve operations. The internet-based gaming industry is constantly exposed to a rapidly changing environment, such as changes in legal systems, seasonality and currency fluctuations. To be able to manage this, an educational and adaptive approach is crucial. At the same time, it is important that Betsson's customers feel safe and secure with the gaming companies' games and payment solutions. This permeates all Company and Group customer offerings. Betsson has commissioned Ernst & Young to conduct specific audit assignments, like those that a separate internal audit department would normally perform.

As a complement to this, Betsson's operations is also on a continuous basis checked by independent parties. Betsson is licensed in eleven jurisdictions. In order to obtain and maintain licences, the Company's routines and processes must meet certain quality standards. MGA carefully inspects business operations to ensure the Company satisfies all requirements. Betsson's companies are also PCI certified for secure card transactions, and cooperate with several large banks. As a result, all credit card information is handled securely and the Company meets the highest security standards as regards payments, withdrawals and deposits.

The random number generator behind Betsson's marketed third-party gaming has been tested and approved by independent third parties, including Itech Labs, Gaming Laboratories International (GLI), Quinel and eCogra. To ensure that poker software always produces random numbers, independent inspectors test the random number generator (RNG) on a monthly basis. To ensure players feel comfortable and secure in having a level playing field in terms of technology in relation to other poker players, Betsson's poker suppliers have developed internal control systems that are evaluated at the same time as external control systems.

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

SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

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

Control environment

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

Risk assessment

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

Control measures

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

Information and communication

Internal information and external communication are regulated at a comprehensive level by, among other things, an information policy. Internal communication to and from the Board and management takes place via, for example, regular information meetings. The Company's intranet is another channel. The internal policies, guidelines, instructions and similar documents governing and supporting operations are published on the intranet.

Follow-up

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

INVESTOR RELATIONS

Betsson shares information with shareholders by means of annual reports, capital market days, interim reports and press releases and through the Company website, www.betssonab.com. Communication and transparency are key to Betsson, to allow the Company's investors and analysts to make objective assessments of the Company's development and, consequently, make informed decisions in their work. The Company attaches great importance to investor relations, in which the aim is to inform the capital market of Betsson's financial position, operations and development so as to increase knowledge and interest in the Company, and obtain a fair valuation of the Company. During 2017, Betsson also participated in a number of IR activities, such as seminars, investor meetings and road shows in Europe and the USA.

BOARD OF DIRECTORS

Patrick Svensk
Chairman of the Board

Born in 1966, residence Stockholm

Board member since 2005.
President and CEO Bright Group

Other directorships:
Chairman of Squid (Njuice AB), Board member of Svensk Media Group and Patos Konsult

Relevant background:
Experience from various executive positions in listed companies. Svensk has been SVP of MTG and President and CEO of MTG Studios / Nice Entertainment Group, Zodiak Television, Kanal 5 and TV3 Sweden. He has a degree in business and economics from the Stockholm School of Economics.

Shareholding:
10,000 B shares.
Independent of the company.

Fredrik Carlsson
Board Member

Born in 1970, residence Gothenburg

Board member since 2017.
CEO of Sönerna Carlsson Family Office AB.

Other directorships:
Chairman of Sten A. Olsson's Pension Foundation, Svolder AB and Solid Insurance Company, and Board member of Resurs Holding AB and Novobis AB.

Relevant background:
Long experience from senior positions in international and Swedish companies, including Head of Research at SEB, Head of Equites at Andra AP-fonden, VP for European Telecom, Media and Entertainment Groups at Bank of America Merrill Lynch in London and industry specialist in telecom and technology at HSBC Investment Bank in London. Fredrik holds a Bachelor of Economics from Gothenburg School of Economics and also holds an MBA from Nijenrode University in the Netherlands.

Shareholding:
7,300 B shares (including holdings via companies and related parties).
Independent of the company.

Pontus Lindwall
Board Member/CEO, Betsson AB

Born in 1965, residence Stockholm

Employed in the Group since 1991. Board member since 2011. Chairman of the Board from 2011 to 2015 and from 2016 to September 2017. Group president and CEO 1998-2011, July 2015 to February 2016 and from September 2017.

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

Relevant background:
Many years of experience in the gaming industry in both offline and online gaming, for example founder of Net Entertainment, Group President and CEO of Cherryföretagen. Lindwall has an MSc in Civil Engineering from the Royal Institute of Technology (KTH), Stockholm.

Shareholding:
30,000 A shares and 1,000,000 B shares.

Jan Nord
Board Member

Born in 1955, residence Lidingö

Board member since 2015.

Other directorships:
Board member of Svenska Brasserier AB.

Relevant background:
Creative Director focusing on brand strategy. Many years' experience as a creative director at H&M and Esprit over the past fifteen years. Previously head of the Nord & Co ad agency. Nord is a graduate of Stockholm University.

Shareholding:
Independent of the company.

Kicki Wallje-Lund
Board Member

Born in 1953, residence Nyköping

Board member since 2006.
CEO Wellnet AB.

Other directorships:
Chair of the Board of THQ Nordic AB, Board member of C-RAD AB, Board member of Wellnet AB.

Relevant background:
Wallje-Lund has experience in business and operational development from various international companies in which she has primarily worked within the bank and financial areas. Wallje-Lund has held senior positions at NCR, Digital Equipment, AT&T, Philips, ICL and Unisys.

Shareholding:
2,850 B shares.
Independent of the company.

Martin Wattin
Board Member

Born in 1974, residence Stockholm

Board member since 2015.
CEO of Inbox Capital AB.

Other directorships:
Chair of the Board of Rabble Communication and Board member of Acast and Smart Payments Nordic AB.

Relevant background:
Many years' experience from online companies as an entrepreneur and investor. Was also previously a director of Cherry AB. Wattin founded IT company Contur Software AB that was acquired by Accelrys Inc in 2011, since which time he has concentrated on his own investments. Wattin has a Master of Finance degree from the University of Colorado.

Shareholding:
23,160 B shares (including holdings via companies and related parties)
Independent of the company.

AUDITOR
Niklas Renström

Authorised Public Accountant
PricewaterhouseCoopers AB

Senior Auditor since 2015.

Born in 1974, residence Saltsjö-Boo

GROUP MANAGEMENT

Pontus Lindwall
Board Member/
CEO, Betsson AB

Born in 1965,
residence Stockholm

Employed in the Group since 1991. Group president and CEO from September 2017.

Shareholding:
30,000 A shares and
1,000,000 B shares

For detailed infomation, see Board of Directors, page 22.

Kaaren Hilsen
CFO, Betsson AB

Born: 1972,
residence Stockholm

Employed in the Group since 2017.

Relevant background:
Prior to Betsson, Hilsen worked for 17 years for Telenor in the Telecommunications industry. She has had various management roles, including CFO and CEO positions, in a number of countries across Asia, the Nordics and Eastern Europe.

Shareholding:
2,500 B shares.

Abby Rachel Cosgrave
Vice President Legal, Betsson AB, Head of Legal Affairs, Betsson Malta

Born in 1979,
residence Malta

Employed in the Group since 2014. Vice President Legal since 2017.

Other directorships:
Board member of BOS, the industry organisation for online gaming.

Relevant background:
Cosgrave previously worked as an in-house counsel at NBC Universal Networks International and JD Sports Fashion PLC. She holds a bachelor's degree in Law & Politics and an LL.M in International Legal Practice.

Fredric Lundén
Vice President Governance, Risk & Compliance, Betsson AB

Born: 1968,
residence Stockholm

Employed in the Group since 2017.

Relevant background:
Prior to Betsson, Lundén had various positions within SEB, such as Head of Compliance, Compliance Specialist and Legal Counsel. He has worked at the Swedish Financial Supervisory Authority and as a judge in the Swedish judiciary. He holds an MSc Laws (LLM) from the University of Stockholm and is an Associate Judge at Svea Court of Appeal.

Shareholding:
25,000 warrants.

Pia Rosin
Vice President Corporate Communications, Betsson AB

Born in 1976,
residence Stockholm

Employed in the Group since 2016.

Relevant background:
Rosin has held various positions within communications and investor relations. She holds an M.Sc. in Business from Lund University.

Shareholding:
1,000 B shares
45,000 warrants.

Changes in Group management: Fredrik Rüdén and Ulrik Bengtsson left Group management in 2017. Petra Zackrisson left Group management in March 2018.

THE SHARE AND SHAREHOLDERS

SHARE STRUCTURE

At year-end, Betsson had 144,493,238 shares divided into 16,260,000 A shares, 122,155,730 B shares and 6,077,508 C shares. Each A share carries ten votes. Each B share carries one vote, while C shares do not carry any voting rights. The shares have equal access to Betsson's assets and profit.

REPURCHASED SHARES

On balance day, Betsson held 1,084 (1,084) B shares and 6,077,508 (6,077,508) C shares in the Company. B shares were purchased at an average price of SEK 19.42 in 2007 and 2008. The C shares were acquired at nominal value. The number of shares outstanding at year-end, excluding repurchased shares, amounted to 138,414,646 shares, of which 16,260,000 were A shares and 122,154,646 were B shares.

SHARE SPLIT AND REDEMPTION PROGRAMME

The Annual General Meeting of 11 May 2017 resolved on an automatic redemption programme. As a result of the redemption programme, SEK 658.9 million, or SEK 4.76 per share, was distributed to the Company's shareholders on 19 June 2017.

BONUS ISSUE

In conjunction with the redemption procedure, a bonus issue of SEK 48.2 million was implemented to restore the Company's share capital.

OWNERSHIP STRUCTURE

As of 31 December 2017, there were 40,009 (41,056) shareholders in Betsson. The proportion of foreign shareholders was 6 (5) percent. Foreign share ownership amounted to 33 (34) percent of the share capital and 29 (30) percent of the votes.

SHARE LIQUIDITY

A total of 233.8 (235,3) million shares changed hands during the year, which is the equivalent of 191 (193) percent of the average number of outstanding B shares. On average approximately 932,000 (930,000) shares were traded each day. On average there were 2,620 (3,057) completed trades on each trading day.

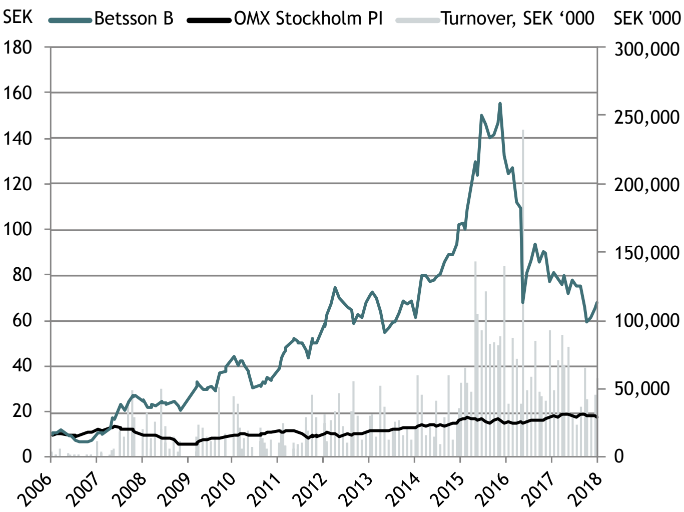
SHARE PRICE DEVELOPMENT AND TURNOVER

The share price during the year decreased by 31 percent. The share price (last paid) on closing day was SEK 60.50 (87.90), which represented a market value of SEK 8.4 (12.2) billion. The share reached a high for 2017 of SEK 91.95 (153.00) on 3 January, while the low for the year was SEK 57.70 (63.05) on 6 December. The average share price during the year was SEK 73.60 (93.80). Total turnover of shares during the year was SEK 17.2 billion (22.1), which is equal to an average of SEK 68.6 million (87.2) per trading day and an average of approximately SEK 26 thousand (29) per trade.

DIVIDEND POLICY AND PROPOSED DISTRIBUTION

The Board of Directors proposes to the annual general meeting (AGM) that SEK 393.1 (658.9) million, which corresponds to SEK 2.84 (4.76) per share, is distributed to shareholders through an automatic redemption process. This is according to the new dividend policy decided in March 2017. It should be noted that if the number of shares change it will affect the amount per share.

The Board's ambition for the ordinary distribution to shareholders is, provided a continued attractive capital structure, to distribute up to 50 percent of net earnings, through cash transfer, an automatic redemption process or via repurchase of own shares. The Board's full proposal will be presented well in advance of the Annual General Meeting.



ANALYSTS COVERING BETSSON

ABG
Aksel Engebakken
Erik Moberg

Berenberg
Roberta Ciaccia

Carnegie
Mikael Laséen

Danske Bank
Sharish Aziz

DNB
Martin Arnell

Handelsbanken
Rasmus Engberg

Nordea
Christian Hellman

Pareto Securities
Lars-Ola Hellström

SEB
Mathias Lundberg

MAJOR SHAREHOLDERS AS PER 31 DECEMBER 2017

	Number of A shares	Number of B and C shares	Share of capital	Share of votes
Hamberg family and companies	5,098,500	225,000	3.7%	18.0%
Danske Bank International S.A	3,731,000	695,143	3.1%	13.3%
Knutsson family and companies	2,710,000	4,350,000	4.9%	11.0%
Lundström family and companies	2,557,500	1,950,400	3.1%	9.7%
Lindwall, Berit	1,683,000	70,000	1.2%	5.9%
Swedbank Robur Funds		12,508,331	8.7%	4.4%
DNB Technology		5,535,549	3.8%	1.9%
Försäkringsaktiebolaget Avanza pension		4,713,360	3.3%	1.7%
Svenska Handelsbanken For PB	450,000	119,238	0.4%	1.6%
Norden		3,221,109	2.2%	1.1%
Other	30,000	88,766,516	61.5%	31.3%
External owners	16,260,000	122,154,646	95.8%	100%
BETSSON AB (varav C 6 077 508)		6,078,592	4.2%	0.0%
Total	**16.260.000**	**128.233.238**	**100.0%**	**100.0%**

SHARE CAPITAL COMPOSITION AS PER 31 DECEMBER 2017

	Number of shares	Number of votes	Quota value	SEK
Shares, series A - 10	16,260,000	162,600,000	0.67	10,840,000
Shares, series B - 1	122,155,730	122,155,730	0.67	81,437,153
Shares, series C - 0	6,077,508	6,077,508	0.67	4,051,672
Total shares	**144,493,238**	**290,833,238**	**0.67**	**96,328,825**

SHARE DISTRIBUTION AS PER 31 DECEMBER 2017

Number of shares	Number of share-holders	Proportion of total number of shareholders	Number of shares	Number of total number of shares (%)	Share of voting rights
1-500	28383	70.9%	3,979,224	2.8%	1.4%
501-1,000	4946	12.4%	3,897,082	2.7%	1.3%
1,001-2,000	3014	7.5%	4,662,115	3.2%	1.6%
2,001-5,000	2181	5.5%	7,194,128	5.0%	2.5%
5,001-10,000	768	1.9%	5,676,465	3.9%	2.0%
10,001-20,000	317	0.8%	4,679,661	3.2%	1.6%
20,001-50,000	209	0.5%	6,710,253	4.6%	2.3%
50,001-100,000	58	0.1%	4,002,311	2.8%	1.4%
100,001-500,000	90	0.2%	20,283,294	14.0%	7.0%
500,001-1,000,000	18	0.0%	12,549,068	8.7%	5.7%
1,000,001-	25	0.1%	70,859,637	49.0%	73.3%
Totalt	**40,009**	**100%**	**144,493,238**	**100.0%**	**100%**

FIVE-YEAR SUMMARY

Amounts in SEK million unless otherwise stated	2017	2016	2015	2014	2013
Income Statement					
Revenues	4,716.5	4,117.3	3,722.0	3,035.1	2,476.7
Gross profit	3,419.4	3,078.0	2,675.6	2,231.3	1,772.6
Operating income	882.2	946.4	886.4	821.2	601.2
Profit/loss before tax	842.9	936.0	883.0	814.8	596.2
Income after tax	786.5	878.0	831.7	770.7	562.0
Balance Sheet					
Intangible fixed assets	4,943.4	4,627.5	3,980.3	3,402.2	2,037.9
Property. plant and equipment	97.7	85.9	57.0	50.9	53.8
Financial fixed assets	11.8	12.6	16.9	25.1	26.6
Deferred tax receivables	43.8	34.9	21.2	29.3	11.7
Current receivables	1,241.9	1,057.4	1,126.9	1,027.0	823.5
Cash and cash equivalents	479.5	444.3	524.9	478.1	562.5
Total assets	**6,817.9**	**6,262.5**	**5,727.4**	**5,012.6**	**3,515.9**
Shareholders' equity	3,666.9	3,502.9	3,153.7	3,073.8	2,032.2
Provisions	42.2	21.0	115.8	5.4	4.1
Interest-bearing non-current liabilities	993.9	1,325.6	505.2	523.4	0.0
Current liabilities	2,114.9	1,413.0	1,952.7	1,410.1	1,479.6
Total equity and liabilities	**6,817.9**	**6,262.5**	**5,727.4**	**5,012.6**	**3,515.9**
Cash Flow					
Cash flow from operating activities	946.7	1,168.5	1,154.5	868.3	683.5
Cash flow from investing activities	-524.0	-648.9	-620.5	-496.6	-154.3
Cash flow from financing activities	-389.7	-616.9	-469.2	-479.3	-447.5
Total cash flow for continuing operations	**32.9**	**-97.4**	**64.7**	**-107.6**	**81.6**
Revenues per product					
Casino	3,437.9	2,907.8	2,543.6	2,094.9	1,639.2
Sportbook	1,140.3	1,080.4	1,012.7	778.9	617.7
Other products	138.2	129.1	165.8	161.2	220.0
Total	**4,716.5**	**4,117.3**	**3,722.0**	**3,035.1**	**2,476.8**
Revenues per region					
Nordic countries	2258.1	2013.8	1801.8	1731.8	1617.5
Western Europe	1350.7	926.2	851.7	563.6	260.9
Central and Eastern Europe and Central Asia	943.5	1073.1	990.5	684.3	563.9
Other products	164.1	104.2	78.0	55.4	34.6
Total	**4,716.5**	**4,117.2**	**3,722.1**	**3,035.1**	**2,476.8**
Number of customers					
Number of registered customers (thousands)	12,993.0	10,101.0	9,022.2	7,732.4	6,732.7
Number of active customers (thousands)	615.5	573.3	526.3	390.7	401.4
Profitability and financial position					
Gross margin	72.5%	74.8%	71.9%	73.5%	71.6%
EBITDA margin	24.4%	28.1%	28.1%	31.3%	28.6%
Operating margin	18.7%	23.0%	23.8%	27.1%	24.3%
Profit margin	17.9%	22.7%	23.7%	26.8%	24.1%
Return on equity	22%	26%	27%	30%	31%
Equity/assets ratio	54%	56%	55%	61%	58%

Amounts in SEK million unless otherwise stated	2017	2016	2015	2014	2013
Deposited amounts					
Customer deposits, all gaming solutions (SEK million)	16,308.0	14,457.6	12,999.2	10,540.3	8,421.1
Investments					
Investments	282.9	316.7	235.1	156.3	138.5
Personnel					
Average number of employees	1,870	1,661	1,584	850	789
Number of employees at year-end	1,873	1,821	1,639	870	839
The share					
Share capital, SEK million	96.3	96.3	95.4	93.1	86.9
Number of shares outstanding at year-end	138,414,646	138,414,646	138,414,557	138,052,302	130,297,095
Number of own shares at year-end	6,078,592	6,078,592	4,694,524	1,566,279	1,914
Number of shares at year-end	144,493,238	144,493,238	143,109,081	139,618,581	130,299,009
Average number of shares outstanding	138,414,646	138,414,571	138,239,023	136,698,507	129,857,226
Average number of shares outstanding after dilution	138,414,646	138,414,571	138,239,023	136,779,423	129,947,070
Number of registered shareholders	40,009	41,056	35,156	21,443	18,825
Average share price (SEK)	73.60	93.80	127.59	77.15	63.86
Share price at year-end (SEK)	60.5	87.9	155.5	91.67	68.00
Market capitalisation at year-end (SEK million)	8,374.1	12,166.6	21,523.5	12,654.8	8,860.3
Earnings per share for continuing operations (SEK)	5.68	6.34	6.02	5.64	4.33
Earnings per share after dilution (SEK)	5.68	6.34	6.02	5.63	4.33
Equity per share (SEK)	26.49	25.31	22.78	22.27	15.60
Dividend or equivalent per share (SEK)	2.84	4.76	4.51	3.98	3.05
Dividend amount	393.1	658.854	624.3	549.7	421.5

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	2017	2016
Revenues	3, 4, 5, 20	4,716,458	4,117,309
Total		**4,716,458**	**4,117,309**
Operating costs in gaming operations		-1,297,069	-1,039,336
Gross profit		3,419,389	3,077,972
Operating expenses			
Work performed by the Company for its own use and capitalised		214,073	211,770
Marketing expenses		-969,571	-822,308
Personnel costs	8	-786,397	-657,891
Other external expenses	6, 7	-719,432	-638,378
Depreciation	9	-267,586	-211,855
Other operating income/expenses	10	-8,283	-12,919
Total operating expenses		**-2,537,194**	**-2,131,582**
Operating income		**882,195**	**946,390**
Net financial items	11, 12		
Financial income		2,437	2,134
Financial expenses		-41,700	-12,510
Total net financial items		**-39,263**	**-10,375**
Profit/loss before tax		842,932	936,015
Tax	13	-56,460	-57,973
Reported profit/loss		786,472	878,042
Of which attributable to:			
- shareholders in the parent company		786,472	878,042
- minority interests			
Earnings per share in continuing operations			
- before dilution (SEK)	14	5.68	6.34
- after dilution (SEK)	14	5.68	6.34
Proposed/paid dividend per share (SEK)	15	2.84	4.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	Note	2017	2016
Net income for the period		786,472	878,042
Other comprehensive income (items posted over equity)			
Items that can subsequently be reversed in the income statement :			
Hedging of net investments in foreign currency		-14,744	-66,119
Deferred tax on hedging of net investments in foreign currency	13	3,244	14,546
Exchange rate differences on translation of foreign operations		44,369	143,857
Other comprehensive income for the period (after tax)		32,869	92,284
Total comprehensive income for the period		**819,341**	**970,326**

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	2017	2016
Assets			
Fixed assets			
Intangible fixed assets	16	4,943,372	4,627,458
Property, plant and equipment	17	97,663	85,937
Financial fixed assets	20	9,178	12,601
Other longterm receivables		2,589	
Deferred tax assets	13	43,803	34,851
Total fixed assets		**5,096,605**	**4,760,847**
Current assets			
Tax assets	13	444,764	490,346
Other receivables	21	662,670	483,817
Prepaid expenses and accrued income	22	134,439	83,264
Cash and cash equivalents	23	479,451	444,270
Total current assets		**1,721,324**	**1,501,697**
Total assets		**6,817,929**	**6,262,544**
Equity and liabilities			
Shareholders' Equity	24		
Share capital		96,329	96,329
Other contributed capital		1,437,845	1,437,525
Reserves		149,212	116,344
Retained earnings including net income for the year		1,983,531	1,852,737
Total shareholders' equity attributable to Parent company shareholders		**3,666,916**	**3,502,934**
Provisions		12,894	20,090
Deferred tax liabilities	13	29,259	951
Total provisions		**42,153**	**21,041**
Bond loan	25	993,940	990,779
Non-current liabilities to credit institutions			334,841
Total		**993,940**	**1,325,620**
Current liabilities			
Liabilities to credit institutions	25	663,930	
Accounts payable		174,811	90,407
Tax liabilities	13	513,767	576,514
Other liabilities	26	481,033	464,855
Accrued expenses and deferred income	27	281,378	281,175
Total current liabilities		**2,114,920**	**1,412,951**
Total equity and liabilities		**6,817,929**	**6,262,544**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2017	2016
Operating activities			
Income after financial items		842,932	936,015
Adjustments for items not included in cash flow			
- Depreciation	9	267,586	211,855
- Share of shareholders' equity and share of profit in associated company		2,988	4,250
- Share-based remuneration		3,467	3,072
- Unrealised currency effects		412	-1,418
Paid company tax	13	-58,481	-101,946
Cash flow from operating activities before changes in working capital		**1,058,903**	**1,051,828**
Changes in working capital			
Changes in current receivables		-176,091	140,218
Changes in current liabilities		63,843	-23,594
Cash flow from operating activities		**946,655**	**1,168,452**
Investing activities			
Acquisition of intangible fixed assets	16	-232,144	-252,762
Acquisition of property, plant and equipment	17	-50,796	-63,970
Divested tangible fixed assets			2,800
Acquisition of shares in subsidiary companies	5	-323,021	-370,043
Acquired cash and cash equivalents	5	81,912	35,049
Cash flow from investing activities		**-524,049**	**-648,926**
Financing activities			
Share redemption programme	15	-658,854	-624,250
Paid gaming tax/settlement provision	25	-7,196	-90,210
Raised bank loans	25	333,648	
Repayment of bank loans			-464,819
Additional purchase consideration	26	-54,722	-430,700
Bond loan			993,000
Paid deposits		-2,589	
Premiums received for issued warrants		320	727
Cash paid upon redemption of warrants and employee stock options		-291	-657
Cash flow from financing activities		**-389,685**	**-616,909**
Change in cash and cash equivalents		32,921	-97,383
Cash and cash equivalents at the beginning of the year		444,270	524,897
Exchange rate differences in cash and cash equivalents		2,259	16,756
Cash and cash equivalents at year-end	**23**	**479,450**	**444,270**
Unutilised credit facilities amounted to	25	426,255	1,032,008
Interest paid during the year amounted to		-37,881	-8,502
Interest received during the year amounted to		2,258	2,194

CHANGES IN EQUITY FOR THE GROUP

Amounts in SEK million unless otherwise stated	Share capital	Other contributed capital	Translation reserve	Retained earnings including net income for the year	Total equity
Shareholders’ equity, 1 Jan 2016	95,406	1,436,798	24,060	1,597,453	3,153,717
Comprehensive income for the year 2016					
Profit/loss for the year				878,042	878,042
Hedging of net investments in foreign currency			-51,573		-51,573
Exchange rate differences on translation of foreign operations			143,857		143,857
Total comprehensive income for the period			**92,284**	**878,042**	**970,326**
Transactions with the Company’s owners 2016					
Share redemption	-47,703			-576,547	-624,250
Bonus issue	47,703			-47,703	0
New share issue C-shares	923				923
C-shares, treasury shares				-923	-923
Warrants, value of employee services				3,072	3,072
Redemption of employee stock options and warrants				-657	-657
Premiums received for warrants		727			727
Shareholders' equity, 31 Dec 2016	**96,329**	**1,437,525**	**116,344**	**1,852,737**	**3,502,934**
Comprehensive income for the year 2017					
Profit/loss for the year				786,472	786,472
Hedging of net investments in foreign currency			-11,501		-11,501
Exchange rate differences on translation of foreign operations			44,369		44,369
Total comprehensive income for the period			**32,868**	**786,472**	**819,340**
Transactions with the Company’s owners 2017					
Share redemption	-48,165			-610,689	-658,854
Bonus issue	48,165			-48,165	0
Warrants, value of employee services				3,467	3,467
Redemption of employee stock options and warrants				-291	-291
Premiums received for warrants		320			320
Shareholders' equity, 31 Dec 2017	**96,329**	**1,437,845**	**149,212**	**1,983,531**	**3,666,916**

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Note	2017	2016
Revenues	3	29,930	17,230
Total		**29,930**	**17,230**
Operating expenses			
Personnel costs	8	-32,033	-24,631
Other external expenses	6, 7	-38,943	-37,614
Depreciation	9	-659	-622
Other operating income/expenses	10	-287	211
Total operating expenses		**-71,921**	**-62,657**
Operating income		-41,991	-45,427
Financial items	**12**		
Income from participations in Group companies		1,054,538	977,163
Profit/loss from interests in Group companies, Group contributions		45,791	46,541
Interest income and similar profit/loss items		36	7,987
Interest expenses and similar profit/loss items		-59,513	-67,000
Total net financial items		**1,040,853**	**964,691**
Result after financial items		998,862	919,264
Profit/loss before tax		998,862	
Tax			
Profit/loss for the year		998,862	919,264
Proposed/paid dividend per share	15	2.84	4.76

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	Note	2017	2016
Assets			
Fixed assets			
Property, plant and equipment			
Equipment	17	2,056	2,642
Total tangible fixed assets		**2,056**	**2,642**
Financial fixed assets			
Participations in Group companies	18, 19	4,955,946	4,729,942
Deferred tax receivables	13	11,660	11,660
Total financial fixed assets		**4,967,606**	**4,741,601**
Total fixed assets		**4,969,662**	**4,744,244**
Current assets			
Current receivables			
Receivables from Group companies		805,698	567,131
Tax assets	13	849	848
Other receivables	21	274	1,171
Prepaid expenses and accrued income	22	2,949	2,929
Total current receivables		**809,771**	**572,080**
Cash and bank balances	23	145,191	45,307
Total current assets		**954,961**	**617,387**
Total assets		**5,924,624**	**5,361,631**
Equity and liabilities			
Shareholders' Equity	24		
Restricted equity			
Share capital		96,329	96,329
Statutory reserve fund		253,279	253,279
Total restricted equity		**349,608**	**349,608**
Non-restricted equity			
Share premium reserve		1,192,408	1,192,408
Retained earnings		1,547,274	1,286,109
Profit/loss for the year		998,862	919,264
Total non-restricted equity		**3,738,544**	**3,397,781**
Total equity		**4,088,152**	**3,747,388**
Non-current liabilities			
Bond loan	25	993,940	990,779
Liabilities to credit institutions			313,647
Total non-current liabilities		**993,940**	**1,304,426**
Current liabilities			
Liabilities to credit institutions	25	647,295	
Accounts payable		3,440	4,771
Liabilities to Group companies		151,275	225,452
Other liabilities	26	29,995	65,277
Accrued expenses and deferred income	27	10,525	14,316
Total current liabilities		**842,531**	**309,816**
Total equity and liabilities		**5,924,624**	**5,361,631**

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousand	Note	2017	2016
Operating activities			
Income after financial items		998,862	919,264
Adjustments for items not included in cash flow			
- Depreciation	9	659	622
- Capital gains/losses from divestments/disposals			-6,933
- Exchange differences and other		3,162	58,412
Cash flow from operating activities before changes in working capital		**1,002,682**	**971,365**
Changes in working capital			
Changes in operating receivables		-237,690	-138,218
Changes in operating liabilities		-947	-70,135
Cash flow from operating activities		**764,046**	**763,012**
Investing activities			
Acquisition of property, plant and equipment		-72	-2,056
Acquisitions of shares and participations, subsidiaries	18, 19	-302,233	-333,879
Paid shareholder contributions	19	-2,183	-250,830
Cash flow from investing activities		**-304,489**	**-586,765**
Financing activities			
Share redemption	15	-658,854	-624,250
Premiums received for issued warrants		1,045	727
Cash paid upon redemption of warrants and employee stock options		-291	-657
Raised loans	25	333,649	993,000
Repaid loans			-464,818
Repaid additional purchase consideration		-35,222	-138,200
Cash flow from financing activities		**-359,673**	**-234,198**
Change in cash and cash equivalents		**99,884**	**-57,951**
Cash and cash equivalents at the beginning of the year		45,307	103,259
Exchange rate differences in cash and cash equivalents			
Cash and cash equivalents at year-end	**23**	**145,191**	**45,307**
Additional information			
Unutilised credit facilities amounted to	25	425,800	1,032,088
Interest paid during the year amounted to		-37,604	-8,502
Interest received during the year amounted to		36	2

CHANGES IN EQUITY FOR THE PARENT COMPANY

	Restricted equity			Non-restricted equity		
Amounts in SEK thousand	Share capital	Statutory reserve fund	Share premium reserve	Retained earnings	Profit/loss for the year	Total equity
Shareholders' equity, 1 Jan 2016	95,406	253,279	1,192,408	1,122,968	788,970	3,453,031
Appropriation according to AGM				788,970	-788,970	0
- Share redemption	-47,703			-576,547		-624,250
- Bonus issue	47,703			-47,703		0
Registered new issue (C shares held by company)	923			-923		0
Redemption of employee stock options and warrants				-657		-657
Group contributions					46,540	46,540
Profit/loss for the year, excl, Group contributions					872,725	872,725
Shareholders' equity, 31 Dec 2016	**96,329**	**253,279**	**1,192,408**	**1,286,109**	**919,264**	**3,747,388**
						0
Appropriation according to AGM				919,264	-919,264	0
- Share redemption	-48,165			-610,689		-658,854
- Bonus issue	48,165			-48,165		0
Payment Incentice 2017				1,045		1,045
Redemption of employee stock options and warrants				-290		-290
Group contributions					45,791	45,791
Profit/loss for the year, excl, Group contributions					953,071	953,071
Closing equity, 31 Dec 2017	**96,329**	**253,279**	**1,192,408**	**1,547,274**	**998,862**	**4,088,151**

NOTE 1 General information

Betsson AB (parent company, CIN 556090-4251) conducts gaming operations over the internet through its subsidiaries. Business activities are primarily operated via companies in Sweden, Malta, Gibraltar and Georgia.

The parent company is a limited company with registered address in Stockholm. The address of the Company's registered office is Regeringsgatan 28, 111 53 Stockholm. The parent company is listed on Nasdaq Stockholm Large Cap List.

These consolidated financial statements were approved by the Board for publication on 13 April 2018. All amounts stated in these Notes are in SEK thousand, unless stated otherwise.

NOT 2 Summary of important accounting and valuation principles

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

Basis of preparation

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

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

New standards, amendments and interpretations

A number of new standards and interpretations come into force for financial years starting after 1 January 2017 and these have not been applied when producing this financial report. None of these is expected to have any material effect on the Group financial reports. As of 1 January 2018 IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments are applicable. During 2017 a project was initiated in order to analyse the potential effects of these standards. The project was completed during Q4 2017.

IFRS 9 'Financial instruments' address the classification, valuation and recognition of financial assets and liabilities. This replaces those parts of IAS 39 that deal with the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation model, but simplifies certain aspects. There will be three valuation categories for financial assets; accrued acquisition cost, fair value through other comprehensive income and fair value through the income statement. The classification of an asset is based on the Company's business model and the characteristics of the instrument's contractual cash flows.

Investments in equity instruments are to be valued at fair value through profit and loss, although the option exists for initial recognition of the instrument at fair value through other comprehensive income. In the event that this option is exercised, no reclassification to the income statement is permitted upon the sale of the instrument. IFRS 9 also introduces a new model for the calculation of credit loss reserves which is based on anticipated credit losses. For financial liabilities, there is no change to classification or valuation, with the exception of cases where a liability is reported at fair value via the income statement on the basis of the fair value alternative. Changes in value attributable to changes in the entity's own credit risk should, in such cases, be reported in other comprehensive income. IFRS 9 reduces hedge accounting requirements, in that the 80-125 criterion is replaced with requirements related to the economic relationship between the hedging instrument and the hedged item, and that the hedge ratio is identical to the ratio applied in risk management. Hedging documentation has also been changed slightly compared with documentation prepared pursuant to IAS 39. The new model for calculating credit loss reserves is based on estimated credit losses, which can entail earlier reporting of credit losses. Betsson is primarily an online casino operator and the revenue streams mainly result from casino games and sports book activities. The payout for wagers placed on these gaming activities typically is known at the time the wager is placed. This form of wagering is referred to as "fixed odds wagering." Such wagering contracts meet the definition of a financial instrument within the scope of IFRS 9 Financial Instruments and are excluded from the scope of IFRS 15. Applying IFRS 9 instead of IFRS 15 does not impact the revenue recognition or the financial statements since timing, amounts etc. remains the same regardless of which standard is applied. Betsson deems that IFRS 9 is to be applied to contracts relating to fixed odds wagering and IFRS 15 is not applicable with regards to these revenue streams. The company concludes that this is in line with the view of IASB. No effects in the financial statements have been identified when applying IFRS 9.

IFRS 15 'Revenue from contracts with customers' addresses the manner in which revenues are to be reported. The principles on which IFRS 15 is based provide the user of financial reports with more usable information regarding the entity's revenues. The extended disclosure requirements entail that information regarding type of revenue, date of payment, uncertainties related to the revenue recognition and cash flows attributable to the entity's contracts with customers are to be presented.

According to IFRS 15, revenue is to be recognised when the customer assumes control over the sold item or service and has the ability to use and obtain benefit from those items or services. IFRS 15 replaces IAS 18 'Revenues' and IAS 11 'Construction Contracts' and associated SIC and IFRIC.

According to IFRS 15, revenue is to be recognised when the customer assumes control over the sold item or service and has the ability to use and obtain benefit from those items or services. Within Betssons operations there is revenue streams relating to license fee of which IFRS 15 is applied. Betsson has assessed the effects and the conclusion is that IFRS 15 will not have any effects of the Groups Financial Statement.

IFRS 16 Leases was published by IASB in January 2016. The standard regulates the accounting of leasing and will replace IAS 17 Leasing Contracts and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leasing contracts, with some exceptions, to be reported in the balance sheet. This report is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for this right. Reporting for the lessor will essentially be unchanged. IFRS 16 require that assets and liabilities attributable to all leases, with some exceptions, be reported in the balance sheet. The standard is applicable for fiscal years commencing January 1, 2019 or later, the company will not use early application. The standard is adopted by the EU. The standard will primarily affect the accounting of the Group's operating leases but the Group has yet to evaluate the full effects of IFRS 16.

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

Applied basis of valuation and classification

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

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

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

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

Estimations and assumptions in the financial statements

In order to prepare financial statements in accordance with IFRS, the application of various important estimations and assumptions for accounting purposes is required. Management is also required to make assessments regarding the application of the Group's accounting principles. The areas including a high degree of assessment, which are complex, or in which estimations and assumptions are of material importance for the consolidated financial statements, include assumptions regarding the impairment testing of goodwill and brand (for further information, see Note 16).

Basis for consolidation

The consolidated financial statements include the parent company and companies in which the parent company, directly or indirectly, holds more than fifty percent of the voting rights or otherwise exercises a controlling interest.

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

Subsidiaries are all companies (including structured entities) over which the Group exercises a controlling influence. The Group is considered to exercise control over a company when it is exposed or entitled to variable returns on the basis of its participation in the Company and is able to impact this return through its influence in the Company.

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

Associated companies

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

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

Reporting per segment

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

Foreign currencies

Receivables and liabilities in foreign currencies

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

Translation of foreign operations

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

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

Revenues

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

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

Revenues attributable to gaming transactions in which the Company assumes an open position against the player are reported net after deduction of player winnings, bonuses and loyalty programmes. The revenues reported in this manner refer to Sportsbook.

The portion of revenues reserved for customer bonus points in Betsson's loyalty programme is reported only when the customers actually redeem the points.

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

Revenues from services sold are reported exclusive of VAT and discounts and after the elimination of intra-Group sales. Services sold include consultancy, rental and management revenues. The majority of these services relate to intra-Group sales from the parent company to subsidiaries. External revenues from services sold are negligible.

Other revenues

Other revenues include revenues from activities not conducted as a part of normal operations. This item is, primarily, composed of recovered written-off receivables, exchange rate gains from operations in the parent company, as well as gains on sales of non-current assets in the parent company.

Cost of services provided

Cost of services provided refers to expenditure within the gaming operations for gaming taxes, licencing fees to games providers, costs for payment services via bank and credit cards for deposited bets and payment of winnings and costs for fraud.

Regarding games reported as financial instruments, the cost of gaming taxes and licencing fees which are calculated based on the outcome of the game are deducted from the revenue reported from the game.

The cost of goods sold also includes commission to partners and affiliates. Payment to partners and affiliates is volume-related and reflects the volume of the end customers' mediated gaming transactions.

Gross profit

Betsson has chosen to recognise revenues as the result arising from transactions with end customers, namely, the players. At this level, success in the games themselves can be measured. The gross profit also includes profits from transactions with third parties, i.e. partners, affiliates, game suppliers and payment service suppliers. This means that how successful Betsson has been in negotiations with suppliers can be measured.

Gross profit from the Group's gaming operations consists of the net amount of deposited bets and paid out winnings after deductions for bonuses, jackpot contributions, loyalty programmes, gaming taxes, licencing fees to game suppliers, commission to partners and affiliates, net income/expense for payment services via banks and bank cards for payment of winnings and costs for fraud (unapproved payment transactions).

Work performed by the Company for its own use and capitalised

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

Marketing expenses

This post includes external costs for production and distribution of marketing in different media.

Leasing

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

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

Share-based remunerations

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

The fair value of the services entitling employees to be allocated options is expensed. The total amount to be written off is based on the fair value of the allocated options, excluding the impact of any non-market-related services and vesting conditions for the options (for example, profitability, targets for sales increases and that the employee remains with the Company for a specified time period). Non-market-related conditions for vesting are taken into consideration in the assumptions applied as regards the number of options expected to be earned. The total amount to be expensed is distributed over the entirety of the vesting period, which is the period during which all of the stated vesting conditions are to be fulfilled. On each closing date, the Company reviews all of its estimates regarding the number of shares expected to be earned, based on the non-market related vesting conditions. Any deviations from initial assessments noted in such a review are reported in the income statement and corresponding adjustments are made in shareholders' equity.

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

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

Pension costs

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

Commitments for retirement pensions and family pensions for salaried employees in Sweden are secured through insurance cover with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit plan involving several employers. For the 2017 financial year, the Group has not had access to information enabling it to report its proportional share of the plan's obligations plan assets and expenses, implying that it has been impossible to report this plan as a defined-benefit plan. The ITP pension plan that is secured through insurance in Alecta is, consequently, reported as a defined-contribution plan. The premium for the defined-contribution plan is individual and is determined on the basis of, among other things, the age, salary and previous earned pension of the insured. Expected fees for the next reporting period for pension insurance secured with Alecta amount to SEK 1,700,000. The Group's share of the plan is immaterial. The collective funding ratio consists of the market value of Alecta's assets as a percentage of insurance undertakings calculated according to Alecta's actuarial assumptions, which do not comply with IAS 19. The collective funding ratio is normally allowed to vary between 125 and 155 percent. If Alecta's collective funding ratio is less than 125 percent or greater than 155 percent, measures shall be taken in order to create the conditions for the funding ratio to return to the normal range. In the event that the collective funding ratio exceeds 155 percent, Alecta's surplus may be distributed to the policyholders and/or the insured. However, Alecta implements premium reductions to avoid a surplus arising.

At the end of 2017, Alecta's surplus in the form of the collective funding ratio amounted to 154 percent (148 percent).

Other operating income/expenses

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

Taxes

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

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

Financial assets and liabilities

Financial assets that are subject to IAS 9 (IAS 39) Financial Instruments: Recognition and Measurement are to be classified according to the following categories:

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

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

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

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

Loans and receivables

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

Other financial liabilities

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

Intangible fixed assets

The online gaming market is expected to grow for a considerable time, and the goodwill and brands are expected to have an indefinite useful lifetime and are not subject to annual amortisation. These assets are assessed as having a useful life for which no expiry date has been determined and the value of these assets, there- fore, remains unchanged, as long as the anticipated discounted net inflow from the intangible assets is equal to or greater than the assets' respective carrying values. Tests are conducted annually to identify any possible impairment requirement and, if such a requirement is identified, the asset's value is reduced by accumulated impairment.

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

Other intangible assets are reported in the balance sheet at cost with deductions for accumulated amortisation and impairment.

The valuation of intangible assets' ability to generate revenues is undertaken continuously in order to identify any impairment requirements. Maintenance costs for games, gaming systems and gaming platforms are expensed as they arise.

Property, plant and equipment

Property, plant and equipment are reported at cost after deductions for accumulate depreciation and any impairment. Repairs and maintenance are expensed as they arise.

Depreciation/amortisation and impairment

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

The following useful lifetimes are applied:

Brands, domain names	Indefinite
Customer databases	2-3 years
Capitalised development expenditure for games, gaming systems and gaming platforms	max 3 years
Office equipment and fittings	5-7 years
Servers and similar	5 years
Other hardware	5 years
Computers within technology and development	expensed directly
Vehicles	3-5 years

The assessment of an asset's residual value and useful life are reviewed on an annual basis.

If there are any indications that the property, plant and equipment or intangible fixed assets of the Group have an exceedingly high carrying value,

an analysis is undertaken in which the specific type of the asset, or naturally related types of assets, is determined as either the net realisable value or the value in use, whichever is the higher. Value in use is measured as the expected future discounted cash flow. Intangible assets which are not yet ready for use or sale are tested annually for impairment, regardless of whether there is an indication of a decrease in value.

Any impairment consists of the difference between the carrying value and the recoverable amount. Impairment is reversed when it is no longer justified. Such reversals are recognised at a maximum value, not to exceed the book value that would have been reported, with deduction for depreciation, if no impairment had taken place. Goodwill impairments are not reversed.

Cash and cash equivalents

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

Borrowing

Borrowing is initially reported at fair value, net after transaction costs. Borrowing is thereafter reported at accrued cost and any difference between the received amount (net after transaction costs) and the repayment amount is reported in the income statement distributed over the loan period, with application of the effective interest method. Charges which are paid for loan facilities are reported as transaction costs for borrowing to the extent it is likely that parts of or the entire credit margin will be utilised. In such cases, the charge is reported when the credit margin is utilised. When there is no evidence that it is likely that parts of or the entire credit margin will be utilised, the charge is reported as an advance payment for financial services and is distributed over the applicable loan commitment's duration.

Accounts payable

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

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

Accounting principles for the parent company

The parent company applies the same principles as the Group, except for the fact that the parent company accounts are prepared in accordance with RFR 2. Accounting for legal entities and Swedish Financial Reporting Board statements.

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

Group contributions and shareholder contributions
Group contributions and shareholder contributions are reported in accordance with a statement issued by the Swedish Financial Reporting Board, RFR2. Shareholder contributions are recognised directly against shareholders' equity by the recipient and are capitalised as shares and participations by the provider to the extent that no impairment is necessary Group contributions are reported according to their economic significance. This implies, for example, that Group contributions provided or received in order to minimise the total amount of tax payable by the Group are reported in the income statement, similar to tax effects.

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

Division into restricted and non-restricted equity
In the parent company's balance sheet, equity is classified as either restricted or non-restricted equity in accordance with the Swedish Annual Accounts Act.

Untaxed reserves and balance sheet appropriations
In the parent company, due to the relationship between accounting and taxation, deferred tax liabilities on untaxed reserves are reported as part of untaxed reserves,

Definitions

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

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

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

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

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.

Betting duties: Includes point of consumption tax attributable to local licences to operate gaming. Fixed fees for gaming licences are not included.

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

Deposits: Customers' deposits to gaming accounts.

Dividend per share: Actual/proposed dividend. Also includes share redemption programmes.

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

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

EBITDA margin: Operating income plus depreciation as percent of revenue.

Equity per share: Equity as a percentage of the number of shares outstanding at the end of 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.

Gross profit: Revenues, as above, less commission to partners and affiliates, gaming taxes, licensing fees to games suppliers, payments to payment suppliers and fraud (unapproved payments).

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

Net debt: Financial liabilities (bond, bank and remaining purchase considerations from acquisitions) less Cash and cash equivalents.

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

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

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

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

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

Operating margin (EBIT): Operating income after financial items as a percentage of revenue for the period.

Operational expenses: Includes expenses for marketing, personnel, other external expenses, amortisation and depreciation, capitalized development costs and other operating income/expenses.

Profit margin: Income after financial items as a percentage of revenue for the period.

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

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

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

Revenues: Revenues from gaming business is reported after payment/payout of players' winnings, with deductions for jackpot contributions, loyalty programs and bonuses and other operating income. Licence fees from B2B partners consists of invoiced revenue for providing technical platforms for external gaming operators.

NOTE 3 Revenues

	Group		Parent company	
Revenues	**2017**	**2016**	**2017**	**2016**
- Gaming operations	4,282,927	3,565,478		
- licencing revenues	433,531	551,831		
- Consultancy, management			14,863	2,907
- Rental fees and office services			15,068	14,323
Total	**4,716,458**	**4,117,309**	**29,930**	**17,230**

NOTE 4 Revenues per product and region

Segment Information

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

Betsson's operational organisation is divided into geographical areas and product categories respectively. This specification is shown in the five-year summary on page 25, and in the following table.

The CEO evaluates the operations based on the revenues metric. Revenues from Group operational units consist of invoiced licences for the provision of a technology platform and net of gaming stakes received and gaming winnings paid. Betsson operates an integrated business model and, therefore, does not allocate assets and liabilities according to customer category, geographical region or product category.

Betsson AB, which has its registered office in Sweden, has no external revenues in Sweden. The distribution of revenues in the Group per function is shown in Note 3 and the table below. One of the Group's corporate customers, Realm Entertainment ltd, has revenues accounting for 9 (13) percent of total revenues. Of the Company's non-current assets, 0.5 (0.5) percent are attributable to Sweden.

	2017	2016
Revenues per product		
Casino	3,437.9	2,907.8
Sportbook	1,140.3	1,080.4
Other	138.2	129.1
Total	**4,716.5**	**4,117.3**
Revenues per region		
Nordic countries	2,258.1	2013.8
Western Europe	1,350.7	926.2
Central &Eastern Europe and Central Asia	943.5	1,073.1
Other	164.1	104.2
Total	**4,716.5**	**4,117.3**

NOTE 5 Business combinations

Financial effects of acquisitions

During the first quarter 2017, Betsson acquired 100% of the locally licenced Spanish online gaming operator Premiere Megaplex S.A. The purchase price payable in cash was EUR 3.0 million and the acquisition was closed in March 2017.

At the end of March 2017, Betsson acquired 100% of the NetPlay Group. NetPlay operates three brands, Jackpot247, Supercasino and Vernon's, using mainly third-party systems for backend and content. Betsson has a long-term view on NetPlay and will achieve significant cost synergies and operational improvements over time. The purchase price was GBP 26.4 million. There is no additional purchase considerations outstanding from these acquisitions.

During 2017 these acquired entities contributed SEK 178.8 million to revenue and decreased the operating income with SEK 42.9 million.

If these acquired entities had been consolidated from 1 January 2017, Betsson's revenue would have been SEK 4,792.0 million instead of the reported SEK 4,716.5 million and operating income would have been SEK 890.9 million instead of the actual reported SEK 882.2 million. This includes amortisation of the customer base from 1 January 2017, which arises in the acquisitions, but excludes any acquisition cost related to the acquisitions.

Premier Megaplex was consolidated in the first quarter 2017, while NetPlay was consolidated from the start of the second quarter 2017.

The table below summarises the purchase consideration paid, and fair value of recognised assets and liabilities. Current receivables and liabilities do not involve any derivatives and their fair values are equivalent to their reported values. The acquired customer bases have been valued at SEK 9.9 million and the ongoing amortisation of this item will be charged to the Group's income over a period of two years. No portion of this amortisation is expected to be tax deductible. Goodwill amounting to SEK 189.7 million is attributable to expected cost and revenue synergies. Goodwill is not expected to be tax deductible. Acquired licences, revenue synergies, integration and cost synergies, explains the total surplus value in goodwill, for both of the acquired companies. No brand valve was recognized in the acquisition of Premier Megaplex as Betsson will operate our own brands under the acquired Spanish license.

The purchase price allocation is consedered to be final.

	Premier	Netplay	Total
Total purchase price	29.1	294.0	323.0
Reported amount of identifiable acquired assets and taken over liabilities			
Liquid funds	12.0	69.9	81.9
Tangible fixed assets	4.7	2.9	7.6
Intangible fixed assets		0.2	0.2
Customer base	1.0	8.8	9.9
Brands		67.3	67.3
Current receivables	0.2	47.9	48.1
Current liabilities	-10.3	-71.3	-81.6
Total identifiable net assets	**7.6**	**125.7**	**133.4**
Goodwill	21.4	168.2	189.7

NOTE 6 Leasing

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

	Group		Parent company	
	2017	2016	2017	2016
Expensed leasing and rental fees	43,058	47,595	9,860	9,693

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

	Group		Parent company	
	2017	2016	2017	2016
- within one year	44,400	34,795	10,534	9,596
- within two to five years	58,711	30,299	24,900	2,375
- after five years	-	-	-	-
Total	**103,111**	**65,094**	**35,434**	**11,971**

NOTE 7 Auditors' fees

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

	Group		Parent company	
	2017	2016	2017	2016
Audit assignment				
PricewaterhouseCoopers	*3,303	2,488	857	695
Other auditing firms	523	83		
Audit activities other than the audit assignment				
PricewaterhouseCoopers	**110	368	110	125
Other auditing firms				
Tax advisory services				
PricewaterhouseCoopers	1,442	366	1,228	
Other auditing firms				
Valuation services				
PricewaterhouseCoopers				
Other auditing firms				
Other services				
PricewaterhouseCoopers	2,561	3 035	2,422	2,920
Other auditing firms	1,081	848	901	241
Total	**9,020**	**7 188**	**5,518**	**3,981**

Other services primarily concern acquisition related services

** Of which 857 ksek refers to PwC Sweden*
*** Of which 110 ksek refers to PwC Sweden*

NOTE 8 Employees, salaries and fees

	2017		2016	
	Total	of whom women	Total	of whom women
Parent company				
Sweden	15	53%	11	64%
Total parent company	**15**	**53%**	**11**	**64%**
Subsidiaries				
Sweden	104	14%	123	16%
Denmark	2	0%	2	0%
Gibraltar	5	20%	4	25%
Hungary	11	18%	2	0%
China	2	100%	3	67%
Italy	0	0%	1	100%
Estonia	56	39%	56	39%
Lithuania	81	88%	16	90%
UK	77	34%	10	40%
Malta	1,084	34%	953	31%
Georgia	430	59%	480	68%
Total subsidiary companies	1,852	41%	1,650	41%
Group total	**1,867**	**41%**	**1,661**	**41%**

	Group		Parent company	
Proportion of women in executive management	2017	2016	2017	2016
Board of Directors	25%	25%	17%	17%
Other senior executives,	57%	50%	67%	33%

Salaries, other remuneration and social security contributions

	2017				2016			
	Salaries and remuneration	Of which CEO, Board and senior executives	Social security contribu-tions	Of which pen-sion costs	Salaries and remuneration	Of which CEO, Board and senior executives	Social security contribu-tions	Of which pension costs
Parent company	22,056	15,144	11,706	4,633	16,948	13,214	9,202	3,619
Subsidiaries	640,393	11,954	75,474	9,263	535,268	7,921	63,143	8,253
Total Group	**662,449**	**27,098**	**87,180**	**13,896**	**552,216**	**21,135**	**72,345**	**11,872**

Remuneration and other benefits to the management during the year

	2017				2016			
	Basic salary/fee/ benefit	Variable remunera-tion	Pension costs	Share-based remuneration	Basic salary/ fee/benefit	Variable remunera-tion	Pension costs	Share based remunera-tion
Pontus Lindwall	5,500	152	2,212		5,199	486	1,820	
Patrick Svensk	597				517			
Kicki Wallje Lund	604				524			
Lars Linder-Aronson tom maj-17	175				826			
Martin Wattin	492				472			
Jan Nord	484				464			
Fredric Carlsson from aug-17	220							
Total Board fees including Chair-man's fees, parent company	**8,072**	**152**	**2,212**		**8,002**	**486**	**1,820**	
Board fees, foreign subsidiaries	986				796			
Ulrik Bengtsson [1]	8,289	481	90	319	3,540	2,214	75	619
Jesper Svensson from sept-17	832	26		84				
Övriga koncernledning [2]	6,991	866	1,345	-	4,930	627	930	267
Summa	**17,098**	**1,373**	**1,435**	**403**	**17,268**	**3,327**	**2,825**	**886**

[1] *Including severense pay and termination pay of 5,563 thousand SEK.*
[2] *Including severense pay and termination pay of 961 thousand SEK.*

Notes on the above table:

Variable remuneration refers to bonuses that are based on quarterly revenues and operating income targets, annual business-driven key figures and that are paid in the year in which they are earned and in the following year. The Group has only defined-contribution pension plans (except for portions of pensions for employees in the parent company in Alecta, which are defined-benefit pension plans but which are reported as defined-contribution pension plans, see Note 2). Pension costs refer to the costs that have affected net income for the year.

The present, CEO, previous working Chairman of the Board, Pontus Lindwall, receives salary, company car benefits and bonuses in accordance with the guidelines decided at the Annual General Meeting. Pontus Lindwall took over after Ulrik Bengtsson as President and CEO in September 2017, and did not receive any extra remuneration – in addition to the fee he had as working Chairman, up to September 2017.

For current executive managers please see page 22. Basic salaries stated above include, where appropriate, fees for consulting services within the Group.

Share-based remunerations

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

Decision-making and preparation process

Fees are paid to the directors of the Board in accordance with decision of the Annual General Meeting, fees for the working Chair of the Board are determined by the remuneration committee in accordance with guidelines decided at the Annual General Meeting.

Guidelines for remuneration to senior executives adopted by the Annual General Meeting for 2017

The category 'senior executive' relates to Group management, which comprises the CEO, CFO and Vice President Corporate Communications of the Parent company and the Group's Head of Legal Affairs. If the Chairman of the Board is employed by the Company these guidelines will also include that position. Remuneration is to be market-based and competitive, in order to be able to attract and retain competent senior executives. Remuneration is to comprise a fixed salary and, when necessary, variable remuneration, pensions and other benefits such as a company car in some cases.

Variable remuneration will be paid only when pre-determined financial and other measureable goals, established by the Board, have been achieved. Variable remuneration was based on the extent to which the targets have been achieved or exceeded. If the targets were exceeded at the highest level (outperformed), the estimated cost for variable remuneration to the Chairman of the Board and senior executives of the Group could have reached a maximum of approximately SEK 8.0 million, including social security contributions.

The normal retirement age is 65. Pension terms are to be market-based and based on defined-contribution pension solutions.
The period of notice ought normally be six to twelve months if such notice is given by the Company, and six months if notice is given by the executive. Upon termination initiated by the Company, the executive will be awarded severance pay corresponding to a maximum of twelve months' salary.
The Board may take decisions diverging from these guidelines in individual cases, if special circumstances arise.

For the current CEO, the bonus for 2017 amounted to SEK 152.0 thousand (486.0), this was 3 (10) percent of the basic salary. For the former CEO, Ulrik Bengtsson the amount was SEK 480.9 thousand (2,214.0), this was 18 (63) percent of the basic salary.
Other senior executives received bonuses for 2017 totally SEK 1.239,0 (627.0) thousand, this was in average 16 (13) percent of the basic salary.

Pensions

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

Severance pay

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

NOTE 9 Depreciation

Depreciation/amortisation specified according to category of fixed asset:

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Gaming products, systems and platforms	205,546	158,853		
Customer databases	24,321	22,529		
Inventories, IT equipment, fixed installations, etc.	37,719	30,473	659	622
Total	**267,586**	**211,855**	**659**	**622**

NOTE 10 Other operating income and other operating expenses

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Capital result on sale/disposal	-795	-4,138		407
Profit/loss from sale/disposal of non-current assets	-795	-4,138		407
Operational exchange gains	4	12		
Operational exchange losses	-7,492	-8,794	-287	-196
Currency effects	-7,487	-8,782	-287	-196
Total other operating income/ expenses	**-8,283**	**-12,919**	**-287**	**211**

NOTE 11 Forward agreements

Outstanding exchange rate forward contracts at year-end and their effects are stated below:

	Group		Parent company	
Effects of outstanding contracts	**2017**	**2016**	**2017**	**2016**
Exchange rate forward contracts PLN	-36,9			
Total	**-36,9**			
Outstanding nominal amounts in local currency				
Exchange rate forward contracts PLN	14,000			

There are one outstanding exchange rate forward contracts at the year-end, of PLN 14 million. If necessary, Betsson intends to sign, on a continuous basis, new forward exchange agreements or equivalent hedging instruments, in order to minimise currency exposure.
The effect on income from the forward exchange agreements is reported within operating expenses as loss from forward exchange agreements, see Note 10 above. Forward exchange agreements are not subject to offsetting.

NOTE 12 Net financial items

Group	2017	2016
Interest income	2,258	2,182
Liquidation profit/loss	121	-296
Exchange rate fluctuations in financial assets and liabilities	58	249
Financial income	2,437	2,134
Interest expenses	-41,700	-12,510
Financial expenses	-41,700	-12,510
Total net financial items	**-39,263**	**-10,375**

Parent company	2017	2016
Dividends from subsidiaries	1,054,417	977,163
Group contributions from Swedish subsidiaries	45,791	46,541
Income from participations in Group companies	121	
Capital gains on liquidation of subsidiary company		7,984
Total income from participations in Group companies	**1,100,330**	**1,031,688**
Interest income, other	36	2
Total financial income and similar profit/loss items	1,100,366	1,031,691
Interest expenses, other	-41,244	-12,247
Exchange rate fluctuations, financial assets and liabilities	-18,269	-54,753
Total financial expenses and similar profit/loss items	**-59,513**	**-67,000**
Total net financial items	**1,040,853**	**964,691**

NOTE 13 Tax

Tax reported in income statements:

	Group		Parent company	
Distribution between current and deferred tax	2017	2016	2017	2016
Current tax	-51,613	-61,359		
Deferred tax	-4,848	3,385		
Total	**-56,460**	**-57,973**		

Reported tax is distributed as follows:

	Group		Parent company	
	2017	2016	2017	2016
Current tax				
Sweden				
Outside Sweden	-51,613	-61,359		
Total current tax	**-51,613**	**-61,359**		
Deferred tax				
Sweden				
Outside Sweden	-4,848	3,385		
Total deferred tax	**-4,848**	**3,385**		
Difference between tax expense and tax based on applicable tax rate				
Reported income before tax	842,932	936,015	998,862	919,264
Tax according to current tax rate (22.0%)	-185,445	-205,923	-219,746	-202,238
Difference in tax in foreign operations	135,751	151,083		
Tax effect of non-deductible items	-6,766	-3,133	-178	-97
Tax effect of non-taxable items			219,924	202,335
Tax in income statement	-56,460	-57,973		
Specification of deferred tax expense				
Changes in tax on temporary differences	-4,848	3,385		
Deferred tax on hedges in net investments in foreign currency, reported directly in equity and other comprehensive income	3,244	14,546		
Tax in balance sheet				
Longterm receivables				
Deferred tax on temporary differences [1)]	43,803	34,851	11,660	11,660
Current assets				
- Tax receivable	444,764	490,346	849	848
Provison for taxes				
Deferred tax on temporary differences [1)]	29,259	951		
Current liabilities				
- Tax liabilities	513,767	576,514		

[1)] The deferred tax on temporary differances in recievables and liabilities is maninly related to accumualted differences from changing fx rates related to hedge accounting of EUR denominated assets and loans.

NOTE 14 Earnings per share

	2017	2016
Income after tax attributable to the Parent company's shareholders	786,472	878,042
Average number of shares		
- average total number of shares	144,493,238	143,166,754
- reduced by average number of repurchased shares	-6,078,592	-4,752,198
Average number of outstanding shares before dilution	138,414,646	138,414,556
- employee stock options		
Average number of outstanding shares after dilution	138,414,646	138,414,556
Earnings per share		
- before dilution (SEK)	5.68	6.34
- after dilution (SEK)	5.68	6.34

Please refer to Note 2, Definitions, for calculation method.
Average share price for 2017, SEK 73.60 (93.80).

NOTE 15 Dividend per share

Betsson is not paying traditional dividend, instead a transfer to the shareholders via an automatic redemption process has been applied. Transfers to shareholders paid in this manner in 2017 amounted to SEK 658.9 million (SEK 624.3 million), which corresponded to SEK 4.76 (4.51) per share. At the Annual General Meeting of 15 May 2018, a share redemption for the 2017 financial year of SEK 393.1 million will be proposed, equal to SEK 2.84 per share, provided there is no change in the number of outstanding shares. See further details in the section Dividend policy and proposed dividend on page 23. The proposed transfer to shareholders has not been recognised as a liability in this report.

NOTE 16 Intangible fixed assets

Group	Gaming products, gaming systems and gaming platforms	Brands	Customer databases	Goodwill	Total
Accumulated cost					
Opening balance 1 Jan 2016	776,342	1,365,960	133,740	2,400,930	4,676,973
Assets developed by the Group	211,770				211,770
Investments	40,992				40,992
Acquisitions	1,620	114,155	15,776	299,713	431,264
Exchange rate fluctuations	39,024	42,187	4,448	94,363	180,022
Closing balance 31 Dec 2016	1,069,749	1,522,302	153,964	2,795,006	5,541,021
Assets developed by the Group	214,073				214,073
Investments	18,071				18,071
Acquisitions	30,827	67,472	10,923	189,667	298,888
Scrap and Disposals	-28,552				-28,552
Exchange rate fluctuations	36,016	-3,738	1,971	45,404	79,653
Closing balance 31 Dec 2017	1,340,184	1,586,036	166,858	3,030,076	6,123,154
Accumulated depreciation and impairment					
Opening balance 1 Jan 2016	-563,791		-96,573	-36,273	-696,637
Depreciation/amortisation for the year	-162,363		-21,191		-183,554
Acquisitions	-1,572				-1,572
Exchange rate fluctuations	-27,953		-3,848		-31,801
Closing balance 31 Dec 2016	-755,679		-121,612	-36,273	-913,564
Depreciation/amortisation for the year	-220,812		-19,486		-240,298
Acquisitions	-19,802				-19,802
Scrap and Disposals	23,382				23,382
Exchange rate fluctuations	-27,300		-2,201		-29,501
Closing balance 31 Dec 2017	-1,000,210		-143,299	-36,273	-1,179,782
Carrying value					
As of 31 Dec 2015	212,551	1,365,960	37,167	2,364,657	3,980,336
As of 31 Dec 2016	314,070	1,522,302	32,352	2,758,733	4,627,458
As of 31 Dec 2017	339,974	1,586,036	23,559	2,993,803	4,943,372

Impairment testing of goodwill and trademarks with indefinite useful lives

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

The Group's reported goodwill and brands derive from the acquisition of Net Entertainment (casinoeuro.com) in 2000, the acquisition of Betsson (Betsson.com) at the beginning of 2005, the acquisition of the Betsafe Group (betsafe.com) in 2011, the acquisition of the NGG Group in 2012 and from the acquisition of the Automaten brands in 2013, the acquisitions of the Class One Holding (Oranje & Kroon Casino) Group in 2014 and the acquisition of the Europe-Bet Group in 2015 as well as from the acquisition of Lošimų strateginė grupė UAB (TonyBet) and RaceBets International Gaming Ltd in 2016, as well as from the acquisition of Premiere Megaplex S.A. and Net Play TV ltd. All of these assets which, together, have a carrying value of SEK 4.579.840 thousand (of which goodwill amounts to SEK 2.993.803 thousand and brands of SEK 1.586.036 thousand) are part of a single cash generating unit.

As these assets are not amortised, an impairment test was performed in conjunction with the 2017 annual accounts by calculating the recoverable amount based on their value in use.

This test showed that the recoverable amount significantly exceeded the carrying value, and that no impairment requirement for goodwill and brands with indefinite useful lives existed. Intangible assets which are not yet ready for use, are tested annually for impairment, regardless of whether there is an indication of a decrease in value.

Important variables and methods for the estimating of values

The recoverable amount was based on the cash flow projections reflecting actual income from operations in 2017, the budget for 2018 as confirmed by the Board, and an estimate for years 2019-2022 in which an average annual rate of growth of 9 (10) percent was assumed. The 9% is in line with our organic growth during 2017. The Cash flows for years following 2022 were extrapolated with an annual growth rate of 2 (2) percent, which corresponded to an assumed average future rate of inflation.

The projected cash flows were discounted by 10 (15) percent before tax. The company's assessment is that a decrease in discount rate to 10 % is in line with the decreasing risk levels for the business as more markets entering into and approach license systems.

The effective tax rate was estimated at 7(6) percent, which is line with current average rate of approx 6.5%. Company management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market. Betsson has conducted a sensitivity analysis as regards the following variables in the impairment testing of goodwill: discount rate, sales volume and growth rate. The DCF analysis indicates that there are good margins in the calculation.

NOTE 17 Property, plant and equipment

Inventories, servers, hardware, vehicles, etc.	Group	Parent company
Accumulated cost		
Opening balance 1 Jan 2016	201,500	9,714
Investments	63,970	
Acquisitions	3,653	836
Sales/disposals	-7,956	
Exchange rate fluctuations	3,622	
Closing balance 31 Dec 2016	264,789	10,550
Investments	50,796	2,085
Acquisitions	51,431	
Sales/disposals	-10,923	-974
Exchange rate fluctuations	-504	
Closing balance 31 Dec 2017	355,589	11,661
Accumulated depreciation and impairment		
Opening balance 1 Jan 2016	-144,455	-8,662
Acquisitions	-2,558	
Sales/disposals	-30,788	
Depreciation/amortisation for the year	2,037	-680
Exchange rate fluctuations	-3,088	
Closing balance 31 Dec 2016	-178,852	-9,342
Acquisitions	-47,597	
Depreciation/amortisation for the year	-33,936	-622
Sales/disposals	3,281	945
Exchange rate fluctuations	-821	
Closing balance 31 Dec 2017	-257,925	-9,019
Carrying value		
As of 31 Dec 2015	57,045	1,052
As of 31 Dec 2016	85,937	1,208
As of 31 Dec 2017	97,663	2,642

NOTE 18 Participations in Group companies as of 31 Dec 2017

Company	Corporate midentity number	Registered offices	Participating interest (%)	Number of shares	Parent company 2017	Parent company 2016
Betsson Technologies AB	556651-8261	Stockholm	100%	1,000	3,907	907
Betsson PR & Media AB	556118-8870	Stockholm	100%	18,000	5,577	5,577
AB Restaurang Rouletter	556133-3153	Stockholm	100%	1,000	131	131
Finansson EURO AB	559048-3987	Stockholm	100%	6,000	750,056	831,375
Finansson AB	556169-9843	Stockholm	100%	2,500	290	290
BSG Limited	103233	Gibraltar	100%	2,000	23	23
BSI S.R.L.	1311596	Italien	100%			93
Betting Technologies Inc		Filippinerna	100%		3,504	3,504
Betsson Malta Holding Ltd	C37767	Malta	100%	10,000	1,473,586	1,473,586
- Clearpay Ltd	C47336	Malta	100%			
- Betsson Platform Solutions Ltd	C41277	Malta	100%			
- Scandinavian Slots Ltd	C59181	Malta	100%			
- Applied Digital Media Limited	C81741	Malta	100%			
- BML Group Ltd	C34836	Malta	100%			
- Betsson Business Consulting Co. Ltd		Kina	1%			
- Betsson Payments ApS	34081506	Danmark	100%			
- Latsson Licensing SIA	40103940885	Lettland	100%			
- Betsson Services Ltd	C44114	Malta	100%			
- Betsson Business Consulting Co. Ltd		Kina	1%			
- Applied Digital Technologies Ltd	09922905	Addlestone - UK	100%			
- Hubsson Kft		Ungern	100%			
Great Pike Investments AB	556205-2307	Stockholm	100%	6,000	27,066	27,066
- Betsson Business Consulting Co. Ltd		Kina	98%			
- Chusson Investment and development Co. Ltd		Kina	100%			
- Media Sports Developement Co. Ltd		Kina	49%			
Transvectio Ltd	11079281	Malta	100%	1,000	123,451	123,451
- Estneti OU	10858474	Estland	100%			
-Triogames OU	11079281	Estland	100%			
- Sargo Management Ltd	C56645	Malta	100%			
- Litsson Management UAB		Litauen	100%			
- Losimu Strategine Grupe UAB		Litauen	100%			
Betsson Perch Investments AB	559016-1484	Stockholm	100%	500	696,732	694,549
- Premiere Megaplex S.A.	A82099367	Madrid - Spain	100%			
- Championebi LLC		Georgien	100%			
- Europebet LLC		Georgien	100%			
- Geoslot LLC		Georgien	100%			
- Europebet Gori LLC		Georgien	100%			
- Europebet Rustavi LLC		Georgien	100%			
- Vip Beti LLC		Georgien	100%			
Class One Holdings Ltd		Malta	100%		1,171,243	1,171,243
- Continent Publishing Ltd		Malta	100%			
- Corona Ltd		Malta	100%			
- Oranje Casino Ltd		Malta	100%			
- Swissgame Ltd		Malta	100%			
RaceBets International Gaming Ltd		Malta	100%		398,996	398,147
- Racebets Gaming Ltd		Malta	100%			
- HBMT Ltd		Gibraltar	100%			
NetPlay TV Limited	03954744	London - UK	100%		301,384	
- NetPlay TV Group Limited	1691	Alderney	100%			
- NetPlay TV Marketing Services Limited	03716547	London - UK	100%			
- NetPlay TV Broadcasting Limited	05400581	London - UK	100%			
- NetPlay TV Services Limited	05207308	London - UK	100%			
- NetPlay TV Marketing (BVI) Limited	1496201	British Virgin Islands	100%			
- Synergy Digital Services Limited	1878921	British Virgin Islands	100%			
- Clockwork Digital Services Limited	61858	Guernsey	100%			
- Adfusion Web Services Limited	03954744	Tel Aviv - Israel	100%			
Total					**4,955,946**	**4,729,942**

NOTE 19 Changes in participations in Group companies

	2017	2016
Opening cost	4,729,942	3,900,966
Acquisitions RaceBets	849	398 147
Shareholder contributions	301,384	
Investment of share capital in start-ups	2,183	
Shareholder Contribution	-78,319	1,082,505
Impairment of shares in Transvectio Ltd		-650 625
Voluntary liquidation of wholly-owned subsidiaries	-93	-1,051
Closing carrying value	**4,955,946**	**4,729,942**

NOTE 20 Participations in associated companies

			Group	
Company	Registered offices	Participating interest (%)	2017	2016
Media Sports Development Co. Ltd	China	49%	9,178	12,601
Total carrying value in the Groupin the Group	**China**	**49%**	**9,178**	**12,601**
Changes in participations in associated companies, reported according to the equity method				
Opening cost			12,601	16,903
Share of income			-2,988	-4,521
Exchange rate differences			-435	219
Closing carrying value			**9,178**	**12,601**

Betsson cooperates with Media Sports Development to develop gaming solutions for the Chinese market. Reported assets, liabilities and profits in the associated companies' accounts are presented, in SEK thousand, in the table below. None (903) of current liabilities related to disbursements made by companies in the Betsson Group.

	2017	2016
Fixed assets	6,599	8,512
Current assets	1,413	974
Current liabilities	7,122	759
Net assets	890	8,727
Income and comprehensive income	-6,099	-9,226
Profit/loss from continuing operations	-6,099	-9,226
Total comprehensive income	**-6,099**	**-9,226**
Dividends received		

NOTE 21 Other receivables

The Group and parent company have no other non-current receivables reported as fixed assets.

Other receivables reported as current assets:

	Group		Parent company	
	2017	2016	2017	2016
At year-end				
Tax account	14	17	1	3
Receivables from payment system suppliers	448,071	306,989		
Receivables from B2B/ market partners	154,065	134,503		
Receivables from associated companies	4,349	903		
Deposits made to payment system suppliers	36,559	25,421		
VAT	6,463	7,434	244	1,139
Other	13,149	8,550	29	29
Total	**662,670**	**483,817**	**274**	**1,171**

Receivables from payment service providers refer to receivables from banks and other credit institutions serving as credit providers (issuers of credit cards or similar) to Betsson customers. Here, the risk of bad debts refers to the individual players not being able to cover their purchases. Betsson has reported no provisions for bad debts on outstanding receivables. Betsson's assessment, based on historical losses, is that credit losses in outstanding receivables are marginal in relation to the Group's income. Receivables from gaming suppliers and payment system suppliers are to be settled within 90 days, while no significant amounts under other items were due as per closing date.

NOTE 22 Prepaid expenses and accrued income

	Group		Parent company	
	2017	2016	2017	2016
Rental fees/leasing	14,997	14,175	2,567	2,462
Production costs	26,907	19,461		
Marketintg partners	492			
Licencing costs/gaming tax	25,979	24,836		
Consultants		212		
IT equipment		159		
Live streaming rights	14,578			
Other prepaid expenses	51,486	24,421	382	467
Total	**134,439**	**83,264**	**2,949**	**2,929**

NOTE 23 Cash and cash equivalents

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

	Group		Parent company	
	2017	2016	2017	2016
Cash and bank balances	479,451	444,270	145,191	45,307
Total	**479,451**	**444,270**	**145,191**	**45,307**

NOTE 24 Shareholders' Equity

Composition of share capital

	2017		2016	
Parent company	Number of shares	Share capital	Number of shares	Share capital
A shares (10 votes)	16,260,000	10,840	16,260,000	10,840
B shares (1 vote)	122,155,730	81,437	122,155,730	81,437
C shares (no voting right)	6,077,508	4,052	6,077,508	4,052
Total no of shares	**144,493,238**	**96,329**	**144,493,238**	**96,329**

During the period 2007-2008, the parent company repurchased a number of its own B shares. A certain number of these shares have been used in the exercise of employee stock options during 2010, 2011, 2012 and 2016 and as part of the purchase consideration paid for the Betsafe Group in 2011. As of year-end, the Company held 1,084 B shares and 6,077,508 C shares.

The quota value of each share is SEK 0.667. Both A shares and B shares entitle the holder to the same rights to the Company's assets and profits. The composition of equity in the Group and the parent company is specified in Note 2. Reserves are reported in the summary of changes in equity for the Group.

NOTE 25 Bond loan and liabilities to credit institutes

	Group		Parent company	
	2 017	2 016	2 017	2 016
Bond loan 3Y, 3M variable intrest 2,87% (2.91%)	993,940	990,779	993,940	990,779
Bank loan, carrying value in SEK '000, long-term		334,841		313,647
Bank loan, carrying value in SEK '000, short-term	663,930		647,295	
Nominal amount, EUR thousand	41,385	35,000	41,385	35,000
Nominal amount, SEK thousand	256,300		256,300	

The bank loan denominated in EUR is reported on the basis of hedge accounting, implying that the currency effects of SEK -13,9 (-66,1) million are reported in the consolidated financial statements directly in Other comprehensive income. No currency translation is undertaken in the parent company. At year-end, total available credit facilities were 1.089,7 (1.366.8) million, whereof SEK 663.9 (334.8) million were utilised. EUR 35 million of the outstanding facilities was due in February 2018 and the remaining available facilities of SEK 700 million is due in June 2018. In the loan terms there is covenants related to the net debt of the company in relation to EBITDA, which the company is considerably below. In November 2016 did the company issue a senior unsecured bonds in a total amount of SEK 1 billion, with a curren reported value of 993.9 (990.8) million. The Bonds have a floating rate coupon of Stibor 3m plus 3.5 percent and a tenor of 3 years, maturing in November 2019.

The average interest rate incurred by the bank loans has been 0.9 (0.8) percent, and fixed interest rates is established for 30–90 day periods. The average interest rate for the bond has been 2.9 (2.9) percent. At December 31 2016 was the bond listed to a rate of 102.324. The fair value of the bond, December 31 2017, according to the valuation hierarchy level 1 is 1,023.2 (1,011.3) Million SEK.

Balance sheet changes related to financing activities

Reported change between 2016 and 2017 regarding the bond loan consists of accrued borrowing costs. Reported change between 2016 and 2017 regarding outstanding bank loans relates to new loans of SEK 333.6 million and currency effects of SEK -4.6 million. Reported change between 2016 and 2017 regarding provisions relates to a payment of SEK 7.2 million.

NOTE 26 Other liabilities

	Group		Parent company	
	2017	2016	2017	2016
Other current liabilities				
Personnel withholding tax	11,837	8,838	753	587
Social security contri- butions	2,438	2,887	524	402
Market partners	78,183	62,594		
Gaming tax	36,073	14,544		
Licences	12,432	20,662		
Player accounts	299,635	268,641		
Additional purchase consideration Racebet	29,549	64,274	28,701	64,274
Additional purchase consideration Tonybet		19,134		
Other	10,886	3,281	17	14
Total	**481,033**	**464,855**	**29,995**	**65,277**

Reported change between 2016 and 2017 regarding outstanding debt for additional purchase consideration consists of repayment of SEK 54.7 million and currency effects of SEK 0.9 million.

NOTE 27 Accrued expenses and deferred income

	Group		Parent company	
	2017	2016	2017	2016
Holiday pay liabilities	18,046	16,306	2,474	1,935
Social security contributions	13,084	10,421	1,972	1,566
Salaries	19,438	13,774	1,013	1,266
Jackpot reserve	74,916	112,264		
Marketing expenses	88,400	66,651		
Consultancy costs	13,714	13,597	2,006	5,818
Interest	3,064	3,537	3,060	3,537
Other	50,716	44,625		194
Total	**281,378**	**281,175**	**10,525**	**14,316**

NOTE 28 Pledged assets concerning own liabilities

	Group		Parent company	
	2017	2016	2017	2016
Company listings in own possesion	35,600	35,600	35,600	35,600

NOTE 29 Contingent liabilities

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

NOTE 30 Closely related parties

The parent company has a close relationship with its subsidiary companies, see Note 18.

Services sold between the parent company and its subsidiary companies mainly refer to accounting, IT and management services, plus rental fees and office expenses.

The Betsson Group leases 5 (5) apartments from Solporten Fastighets AB, in which CEO Pontus Lindwall and former director Per Hamberg are shareholders/directors. In 2017, purchases amounted to SEK 386 thousand (SEK 293 thousand).

Betsson Malta and Betsson AB commission legal services from WH Law, in which director in Betsson Malta, Dr Olga Finkel, is Managing Partner. In 2017, the Group's purchases amounted to SEK 2,549 (1,120) thousand, of which Betsson AB's purchases amounted to SEK 664 (25) thousand.

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

For information on Board holdings in the Company, please refer to pages 20-21. For remuneration to directors and senior executives, please see Note 8.

	Parent company	
	2017	2016
Purchases of services from related parties		
Purchases from subsidiaries	925	960
Purchases from other related parties	1,050	318
Sales of services to related parties		
Sales to subsidiaries	29,931	17,230
Financial transactions with related parties		
Dividend from subsidiaries	1,054,417	977,163
Group contributions from Swedish subsidiaries	45,791	46,541
Capital gains/losses on liquidation of subsidiary company	121	7,984
Liabilities to related parties		
Liabilities to subsidiaries	151,275	225,452
Receivables from related parties		
Receivables from subsidiaries	805,698	567,131

NOTE 31 Financial instruments

	Items were reported at fair value via the income statement - Derivatives	Loans and receivables	Other financial liabilities	Total carrying value	Non-financial assets and liabilities	Total in the balance sheet
Group 2017						
Other longterm receivables		2,589		2,589		2,589
Other receivables		656,207		656,207	6,463	662,670
Cash and bank balances		479,451		479,451		479,451
Total financial assets		1,138,247		1,138,247	6,463	1,144,710
Bond			993,940	993,940		993,940
Current liabilities to credit institutions			663,930	663,930		663,930
Accounts payable			174,811	174,811		174,811
Other liabilities (of which derivatives 0)	29,549		388,704	418,253	62,780	481,033
Total financial liabilities	**29,549**		**2,221,385**	**2,250,934**	**62,780**	**2,313,714**
Group 2016						
Other receivables		476,383		476,383	7,434	483,817
Cash and bank balances		444,270		444,270		444,270
Total financial assets		920,653		920,653	7,434	928,087
Bond and non-current liabilities to credit institutions			1,325,620	1,325,620		1,325,620
Accounts payable			90,407	90,407		90,407
Other liabilities (of which derivatives 0)	83,408		334,516	417,924	46,931	464,855
Total financial liabilities	**83,408**		**1,750,543**	**1,833,951**	**46,931**	**1,880,882**
Parent company 2017						
Receivables from Group companies		805,698		805,698		805,698
Other receivables		30		30	244	274
Cash and bank balances		145,191		145,191		145,191
Total financial assets		950,919		950,919	244	951,163
Bond			993,940	993,940		993,940
Current liabilities to credit institutions			647,295	647,295		647,295
Accounts payable			3,440	3,440		3,440

NOTE 31 *Continuation from previous page.*

	Items were reported at fair value via the income statement - Derivatives	Loans and receivables	Other financial liabilities	Total carrying value	Non-financial assets and liabilities	Total in the balance sheet
Liabilities to Group companies			151,275	151,275		151,275
Other liabilities (of which derivatives 0)			28,701	28,701	1,294	29,995
Total financial liabilities			1,824,652	1,824,652	1,294	1,825,946
Parent company 2016						
Receivables from Group companies		567,131		567,131		567,131
Other receivables		32		32	1,139	1,171
Cash and bank balances		45,307		45,307		45,307
Total financial assets		612,470		612,470	1,139	613,609
Bond and non-current liabilities to credit institutions			1,304,426	1,304,426		1,304,426
Current liabilities to credit institutions						
Accounts payable			4,771	4,771		4,771
Liabilities to Group companies			225,452	225,452		225,452
Other liabilities (of which derivatives 0)			64,274	64,274	1,003	65,277
Total financial liabilities	**0**	**0**	**1,598,923**	**1,598,923**	**1,003**	**1,599,926**

Financial instruments at fair value are classified according to a fair value hierarchy. The different levels of the value hierarchy are defined as follows:
• Listed prices (unadjusted) on active markets for identical assets or liabilities (Level 1)
• Observable data for the asset or liability other than listed prices included in Level 1, either directly (i.e. price listings) or indirectly (i.e. derived from price listings) (Level 2).
• Data for the asset or liability which is not based on observable market data (i.e. non-observable data) (Level 3)

The Company's items at fair value within Level 3 for 2017 consist of liabilities for additional purchase consideration of SEK 29,549 (83,408) thousand.

Fair value

The fair values of financial assets and liabilities have been calculated based on market value, where possible. The fair values of interest-bearing financial assets and liabilities that are not derivatives are calculated based on future cash flows of principal and interest according to the effective interest method. The liability for additional purchase price have been calculated according to the value in the share purchase agreement and the managements best estimate of what can be paid to the previous owners, in relation to the milestones that have to be achieved according to the contract. The liability recognized in the closing of 2017, SEK 29,5 million (EUR 3 million) is the maximum value that can be paid according to the contract.

For current financial assets and liabilities, including liabilities to credit institutions, with variable interest rates and short terms to maturity (90 days), fair value is considered to be the same as carrying value. The fair value of current, interest-bearing receivables and liabilities is considered, because of the short duration of the term, to be equal to carrying value. Outstanding bets in the games in which Betsson assumes open positions against the players are expensed (i.e. no profits are reported from games which have not been concluded as per the balance sheet date) and are included in the item Other financial liabilities at acquisition cost.

NOTE 32 Share-based remunerations

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

In total, 8 incentive programmes have been resolved on and initiated since the beginning of 2008. Each incentive programme consists of various elements, where employees (in Sweden) are offered share options at the market price or offers (Sweden and abroad) compensation free employee stock options, provided the participants have invested in Betsson shares or (only in 2015 program) that the Company achieves a pre-determined turnover target. Share options are issued with a fixed redemption price amounting to 130 percent of the share market price on the allocation date. The share-based remunerations have a ceiling corresponding to the latest price paid before launch of the programmes multiplied by 2.3 (i.e. an increase of 130 percent). The Group assumes no legal or informal obligation to repurchase or settle the warrants in cash.

Employee stock options are conditional on the employee remaining in the service of the Company during the earnings period and that the employee has retained their initial investment in Betsson shares or that the Company has reached a pre-determined turnover target (Incentive 2015-2018).

For individuals holding share options, the Board may resolve on payment of a bonus corresponding to the amount of the option premium initially paid. Any bonus is conditional upon the employee exercising the purchase options and remaining in the service of the Group at the time of exercise.

The options are valued in accordance with the Black-Scholes option valuation model. The table below shows the fair value of the warrants and the assumptions included in calculations. Volatility has been determined on the basis of historic volatility and expected volatility adjusted for the growth in the size and stability of the Company, and of the industry.

Type of instrument	Purchase option	Employee stock option	Purchase option	Employee stock option	Purchase option	Employee stock option
Issue date	2017-06-30	2017-06-30	2016-06-30	2016-06-30	2015-06-30	2015-06-30
Average share price on issue date (SEK)	74.10	74.10	70.10	70.10	115.33	115.33
Redemption price per share (SEK)	96.40	96.40	91.70	91.70	149.93	149.93
Number of participants during allocation	5	27	10	76	16	79
Number of paid warrants/ allocated employee stock options	115 000	960 000	173 000	1 035 944	565 406	2 839 600
Final redemption date	2020-08-14	2020-08-14	2019-08-16	2019-08-16	2018-08-15	2018-05-15
Anticipated duration (months)	37.2	37.2	37.2	37.2	37.8	37.8
Risk-free interest rate (percent)	-0.40	-0.40	-0.60	-0.60	-0.27	-0.27
Expected volatility (percent)	30.00	30.00	30.00	30.00	21.04	21.04
Fair value per option (SEK)	2.78	2.78	4.20	4.20	3.56	3.56
Reported cost related to each program for 2017, SEK thousand		248,4		1 232,8		1 986,0

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

	2017		2016		2015	
	Redemption price/ option (SEK)	Number of options	Redemption price/ option (SEK)	Number of options	Redemption price/ option (SEK)	Number of options
As per 1 January	128.77	2,784,544	149.93	2,507,600	71.54	1,022,100
Allocated	96.40	960,000	91.70	1,035,944	149.93	2,839,600
Forfeited	120.72	1,652,128	147.97	-758,011	144.22	-358,100
Exercised			91.70	-989	71.54	-996,000
As per 31 December	120.27	2,092,416	128.77	2,784,544	149.93	2,507,600

NOTE 33 Financial risks

The Group's financial activities are conducted according to a financial policy adopted by the Board, which is characterised by the objective of minimising risk levels in the Group. Financial activities and financial risk management are coordinated via the parent company, Betsson AB, which is also responsible for the investment of surplus liquidity. Financing of the subsidiaries is primarily undertaken via the parent company. The wholly-owned operating subsidiaries are solely responsible for the management of their own financial risks, within the framework established by their respective Boards of Directors after coordination with the parent company.

Currency exchange risks

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

As per year-end 2017, the Group had external loans denominated in EUR amounting to EUR 44.4 million (consisting of bank loans amounting to 41.4 million and liability regarding addi tional purchase consideration amounting to 3,0 million), for which hedge accounting is applied to protect against exchange rate fluctuations in net investments in foreign subsidiaries, i.e. no currency effects from the external loans impact net income for the year as these are reported in Other comprehensive income. See Note 25. The loans have been raised in order to finance acquisitions of companies whose assets are located in EUR countries and whose presentation currency, consequently, is EUR. The value of the loans is lower than the acquired assets, and the hedging is 100 percent effective. The amounts reported above are fair values and the values recognised in the consolidated balance sheet.

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

Sensitivity analysis

Company exposure in various currencies is complex, and the Company continually evaluates models for sensitivity analysis, but, to date, Betsson has yet to identify a model that has proved to be sufficiently accurate to be able to show, in a simple manner, how currency fluctuations impact the various items in the income statement.

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

Refinancing risk, liquidity risk and capital management

The Group's operative gaming activities are financed via its own resources, while acquisitions have been financed via corporate bonds, new share issues and external credit. The foreign subsidiaries are financed mainly through equity, and, if necessary, internal loans from the parent company. Since June 2012 (in association with the acquisition of NGG) and onwards, external credit has been utilised. Betsson's goal, traditionally, has been to have a low level of debt, with an equity/assets ratio of at least 40 percent. As shown in the five-year review earlier in the annual report, the equity/assets ratio has not dropped below 54% in the last 5 years. The Group's property, plant and equipment consist primarily of IT hardware and inventory. It has been determined that future investments in tangible fixed assets will primarily be financed through internally generated funds or leasing solutions. It has also been determined that the procurement of external financing may also be necessary in connection with the expansion of Betsson's operations in the future, as well as for the possibility of larger company acquisitions.

Interest rate risk

Group revenues and cash flow from operations are essentially independent of changes to the market interest rates. Surplus liquidity in the Group is primarily used to pay revolving short term bank credit. As per year-end 2017, the Group had a bond loan reported as SEK 993.9 million with an interest based on 3 M Stibor plus a margin of 3.5 percent (interest currently approximately 2.9 percent), as well as bank loans of SEK 663.9 million with rolling Euribor 1-3 month fixed interest periods (interest currently approximately 0.9 percent, see note 25).

Prevailing interest rates are currently low, which may change over time and as a result the Group's earning potential may be affected. If the STIBOR interest rates increase with one percent would the yearly bond interest cost increase with SEK 10 million, and if the EURIBOR interest rate increase with one percent would the yearly bank loan interest cost increase with approximately SEK 2,5 million, based on the current outstanding loan amount.

Counterparty risk and credit risk

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

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

NOTE 34 Significant events after the closing date

Betsson restructured and streamlined the organisation with the ambition to make it more efficient. As a consequence, total headcount in the Group will be reduced by approximately 160 employees. Annual net savings is estimated to be around SEK 50–60 million with a restructuring cost of approximately SEK 15 million that that will be booked in the first quarter 2018.

With effect from 1 January 2018, Malta has changed its VAT treatment of certain gambling services, in principle bringing some casino-type games into the scope of VAT. For Betsson, these changes will have the main effects that Maltese VAT of 18 percent will be charged on these games where they are provided to players established in Malta, and that any input VAT incurred in relation to the provision of taxable games can be recovered, regardless of where the player is established. The changes are not expected to have any significant effect on Betsson's financial statements.

PROPOSED APPROPRIATION OF PROFITS

The Annual General Meeting of shareholders has the following profits in the parent company at its disposal:

Amounts in SEK	
Net profit/loss for financial year 2017:	998,862,310
Retained earnings and non-restricted reserves	2,739,681,610
	3,738,543,920

The Board and the CEO propose that the entire amount, SEK, 3,738,543,920 be carried forward.

TRANSFER TO SHAREHOLDERS

Ordinary transfer

The Board proposes to the Annual General Meeting that the amount of SEK 393,098 thousand (provided that the number of outstanding shares does not change) be transferred to shareholders.

No transfer will be made for the 1,084 B shares and the 6,077,508 C shares held by the Company. Reversal is proposed via a share split 2 for 1, with mandatory redemption of the second share at a price of SEK 2.84 per share. After implementation of the proposed appropriation of profits and the redemption programme, retained earnings and non-restricted reserves, and total equity in the Parent company Betsson AB will amount to SEK 3,345,446,325 and SEK 3,695,053,998 respectively.

The annual report and consolidated financial statements for Betsson AB (publ) for the year 2017 have been approved for publication in accordance with the Board's resolution 13 April 2018. It is proposed that the annual report and consolidated financial statements be adopted by the Annual General Meeting on 15 May 2018.

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

Stockholm 13 April 2018

Patrick Svensk
Chairman of the Board

Fredrik Carlsson
Board Member

Pontus Lindwall
CEO and Board member

Jan Nord
Board Member

Kicki Wallje-Lund
Board Member

Martin Wattin
Board Member

Our audit report was submitted on 16 April 2018
PricewaterhouseCoopers AB

Niklas Renström
Authorised Public
Accountant

Auditor's report

To the general meeting of the shareholders of Betsson AB (publ),
corporate identity number 556090-4251

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Betsson AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 13-24 and 29-61 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

pwc

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the Key audit matter***
Process for monitoring compliance with laws and regulations considering the developing nature of gaming sector in various national markets Refer to pages 14-16 “Significant risks and factors of uncertainty” in the Management report. Betsson operates on the basis on its international license in Malta and on a number of territory specific licences. The international legal and licencing framework for digital gaming is territory specific. Regulations are developing and this evolving environment makes compliance an increasingly complex area with territory specific regulations, responsible gambling and antimony laundering obligations. Given the potential risk for litigation and licence withdrawal, the risk of non-compliance with digital gaming laws and licence regulations could give rise to among other material fines, taxes, legal claims or market exclusion.	We evaluated management’s processes and controls in respect of compliance with regulations in the main national markets in which Betsson operates. As a part of our audit, we assessed management’s routines for monitoring changes in laws and regulations in the various national markets. We also considered management’s judgment regarding the possible impact that changes in such laws and regulations could have on Betsson’s operations. We also evaluated the group’s position on current legal disputes, or areas of uncertainty regarding the legal situation in certain markets. We discussed material cases and the Group’s assessment of the likelihood and magnitude of any liability that may arise. We also read external legal or regulatory advice to the degree that these existed and were considered substantial. Whilst acknowledging that this is a judgmental area, we found that the Group had an appropriate basis of accounting for these matters in the financial reporting.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-12 and 25-28. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Betsson AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Stockholm, April 16, 2018
PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant

ANNUAL GENERAL MEETING AND OTHER INFORMATION

ANNUAL GENERAL MEETING

The Betsson AB (publ) Annual General Meeting will be held on Tuesday 15 May 2018 at 10:00 AM at Scandic Haymarket, Stockholm.

Shareholders wishing to attend the Annual General Meeting must:

- be registered in the shareholder register maintained by Euroclear Sweden AB by no later than Tuesday 8 May 2018.
- have notified the Company of their intention to participate in the Annual General Meeting by no later than 9 May 2018, 12.00 pm.

Notification of attendance at any General Meeting of Shareholders must be registered via the registration form at www.betssonab.com. Prospective attendees can also register by phone on +46 8506 403 00. Notification to attend shall include the attendee's name, personal identity number/corporate identity number, address, telephone number and shareholding. If participation is by proxy, the notification of attendance the General Meeting must be accompanied by the power of attorney, incorporation certificate or other appropriate documentation, sent to the Company (anders.eriksson@betssonab.com). A power of attorney form for shareholders wishing to attend by proxy will be available on the Company's website, www.betssonab.com. Shareholders whose shares are managed through nominee shareholders must, in order to be entitled to participate in the General Meeting, temporarily register their shares in their own names with Euroclear Sweden AB. Shareholders wishing to re-register must notify their nominee well in advance of 8 May 2018.

OTHER INFORMATION

Betsson intends to publish financial information relating to the 2018 financial year as follows:

Interim report Q1
January–March 2018 ....25 April 2018

Interim report Q2
January–June 2018... 19 July 2018

Interim report Q3
January–September 2018 .... 24 October 2018

Year-end report Q4
January–December 2018 ....7 February 2019

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