

2018

A N N U A L R E P O R T

MORE INFORMATION ABOUT BETSSON IS
AVAILABLE AT WWW.BETSSONAB.COM

betsson ab

CONTENT

About Betsson	4
2018 in brief	5
CEO Message	6
Betsson Group operations.....	8
Focus on sustainability	10
Management report	18
Corporate Governance Report	24
Board of Directors and Auditor	30
Senior Executives	32
The Share and Shareholders	34
Five-year summary	36
Consolidated Income Statements	38
Consolidated Statements of Comprehensive Income	39
Consolidated Balance Sheets	40
Consolidated Cash Flow Statements	41
Changes in Equity for the Group	42
Parent Company Income Statements	43
Parent Company Balance Sheets	44
Parent Company Cash Flow Statements	46
Changes in Equity for the Parent Company	47
Notes	48
Proposed Appropriations of Profits	74
Audit report	75
Auditor's report on the statutory sustainability report	78

ANNUAL GENERAL MEETING

The Betsson AB (publ) Annual General Meeting will be held on Tuesday 7 May 2019 at 1:00 pm at "Bond" GT30, Grev Turegatan 30, 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 30 April 2019.
- have notified the Company of their intention to participate in the Annual General Meeting by no later than 2 May 2019.

Notification of attendance at the Annual General Meeting shall be made via the registration form at www.betssonab.com, or by phone on +46 8 506 403 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 must be accompanied by the power of attorney, incorporation certificate or other appropriate documentation, sent to the Company (johan.fagerlund@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 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 Tuesday 30 April 2019.

OTHER INFORMATION

Betsson intends to publish financial information relating to the 2019 financial year as follows:

Interim report Q1 January–March 2019	7 May 2019
Interim report Q2 January–June 2019	19 July 2019
Interim report Q3 January–September 2019	24 October 2019
Year-end report Q4 January–December 2019	13 February 2020

If you want to read or subscribe to Betsson reports and press releases, please visit www.betssonab.com.

ABOUT BETSSON

Betsson AB (publ) is a holding company that invests in and administers fast-growing companies within online gaming. The Company is one of the largest in Europe in online gaming and has the ambition to outgrow the market, organically and through acquisitions. This is to be done in a profitable and sustainable manner, primarily in locally regulated markets. The Group has gaming licences in twelve jurisdictions. Betsson AB has been listed on Nasdaq Stockholm since 2000 and on Large Cap (BETS) since 2015.

The Company was established in 1963 and Betsson has since then been at the heart of the entertainment sector, reaching its position by focusing on customer experience. By best-in-class technology, the Company's objective is to exceed customers' expectations. The Group's operational subsidiaries provide casino, sportsbook and other games via gaming licences in twelve countries in Europe and Central Asia. Gaming options are provided via a number of brands. The brands are operated on a proprietary platform, which is core in 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),

European Sports Security Association (ESSA), G4 (Global Gambling Guidance Group), Remote Gaming Association (RGA) as well as the Swedish Trade Association for Online Gambling (BOS) and The Swedish Gambling Association (SPER).

The Betsson Group has approximately 1,500 employees of more than 55 different nationalities in offices in ten countries.

THE PARENT COMPANY BETSSON AB IS RESPONSIBLE FOR:

- Setting the strategic direction and objectives for the operational subsidiaries
- Corporate structure and governance
- Risk management and compliance (including monitoring the operational subsidiaries)
- Acquisitions and divestments
- Financial reporting.

The Parent Company Betsson AB determines the vision, mission and ambition of business activities in the operational subsidiaries, which are expressed in English, the language of the Group.



Deliver the best customer experience in the gaming industry



Be a longterm, leading online gaming company



Outgrow the market

2018 IN BRIEF

BETSSON ON TRACK

In 2018 Betsson has worked systematically to get back on track after a period of decreasing profitability. The “Back on track” plan was implemented via a series of measures throughout the entire organisation. Clear ownership and continuous monitoring have enabled the Group to achieve results in areas such as product quality and functionality, increased market share, improved leadership and reinforced profitability. At the same time, the Company has focused on taking responsibility for ensuring the customer a good and safe experience enjoying Betsson’s entertainment offering.

GROWTH WITH INCREASED PROFITABILITY

In 2018, Betsson saw its earnings rise by 15 percent to SEK 5,420 million through growth in all regions. At the same time, an efficient organisation has managed to lower costs and increased profitability. Operating income for the full year amounted to SEK 1,194 million, an increase of 35 percent compared with the previous year.

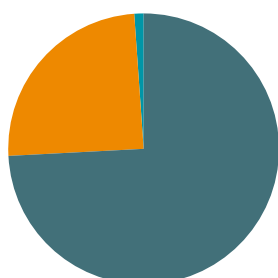
LICENCES FOR THE SWEDISH MARKET

At the end of the year, Betsson received five-year licences for the Swedish market. Betsson has strived for this since many years and is now delighted to welcome the Swedish regulation that can enable competition on more equal terms on the Swedish home market.



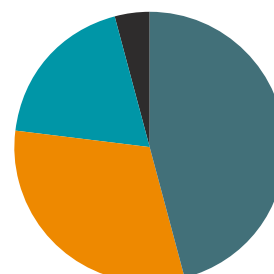
REVENUE BY PRODUCT

CASINO	75 %
SPORTSBOOK	23 %
OTHER	2 %



REVENUE BY REGION

NORDIC	46 %
WESTERN EUROPE	32 %
CEECA	18 %
ROW	4 %



The name Betsson is used in this annual report to describe the entire business that is operated by the operational subsidiaries.

BETSSON ON TRACK

2018 has been an intensive year with huge changes, and I am proud at what we have achieved. At Betsson, we have worked with passion and determination, and the results benefit all our customers with an interest in gaming, and our shareholders. I feel pride, but I am also aware that there is still much to be done.

FINALLY REGULATION SO THAT WE CAN COMPETE ON MORE EQUAL TERMS

For those of us who have been in the entertainment sector for more than 55 years, the most important is to give customers the best possible experience. We do this by ensuring that we develop the games that customers want and by providing gaming in such a way that makes both mobile and desktop solutions easy to navigate at the same time as guaranteeing customer safety and privacy.

After many years of waiting, we enter into 2019 with a regulated Swedish home market. I would like to express my respect for the legislators and authorities whose resolute work and excellent procedures have enabled them to keep the challenging time schedule for the regulation to come into force on January 1.

Assuming a channelisation of around 95 per cent, I am convinced that we are going to have an effective market that will benefit both our customers and those companies that are passionate and responsible about what they do.

FOCUS AND HARD WORK PAYS OFF – FINANCIALLY AND IN TERMS OF PRODUCTS

I can state that 2018 was a really good year for Betsson and its shareholders. Revenue rose by 15 per cent. We have regained market share in several of our core markets at the same time as we have been successful with our investments and our launches in new markets. Operating income rose by 35 percent to SEK 1,194 million, equivalent to an operating margin of 22 percent, and a clear evidence of hard and focused work on the “Back on track” plan. As I said about a year ago, when the plan was launched in December 2017, the ambition was to achieve a real boost both in terms of product offering and financial results. We saw quick results mainly thanks to all Betsson employees, who have been totally focused on their work with passion and commitment – every day.

To succeed, there are no easy solutions or sacred cows. We have strengthened the leadership and we have spread ownership of our measures towards change. We have been clear, and this has helped to create a common understanding of what was required in all areas. When you have a common understanding, it becomes easy to define what needs to be done. The entire organisation then undertook activities, large and small, that were followed up – on a weekly basis when necessary.

CLEAR STRATEGY WITH CONTINUED FOCUS ON CUSTOMER EXPERIENCE

We have come a long way in our ambition to be one of the industry’s best companies, but we are never satisfied. The operational subsidiaries have become quicker and more effective both in terms of product development and marketing. The result is better products at the same time as costs are kept under control. We are convinced that it is possible for us to develop even better products and to make the customer experience even more unique. Like all projects, our “back on track” plan has a closing date: Q1 2019. At the end of 2018 a strategy was established, based on our values and resting on the three pillars: “Talented people, Quality products and Operational excellence”. These three areas have then been broken down into activities throughout the organisation and are run by our

skilled leaders and supported by effective processes. Executing efficient operations are crucial to absorb increased costs from betting duties in more markets. The advantages for a large company as Betsson are our long industry experience, several brands and geographical spread that make operations scalable. To achieve our objectives, we must attract the best employees and retain them. It is pleasing to see that the measures we put in place, aimed at creating internal career paths among other things, have led to employees who had left us in the past now looking to come back to us.

“Quickly and effectively we have implemented major changes, thanks to common understanding, commitment and passion for what we do. We also know there is still much to be done – and this spurs us in our work every day.”

RESPONSIBILITY FOR THE CUSTOMER EXPERIENCE AND FOR CUSTOMER SAFETY

Responsible gaming remains an important issue. The Swedish regulations impose stringent requirements on operators to take this responsibility, for example in terms of setting deposit limits, time limits and a common self-exclusion feature. These are measures that strengthen those companies that take responsible gaming seriously and that make the customer experience safer and more secure. During the year, Betsson continued to focus on responsible gaming and safety. Independent external audits have confirmed that the efforts made by our subsidiaries have been worthwhile. Betsson was awarded the eCOGRA Safe and Fair Seal certification for online operators.

2018 was a year of change with clear results that prove we came back on track. We continue on this path to create world-class entertainment. I would like to close 2018 by extending my thanks to all Betssonites who are part of this creative process every day.

PONTUS LINDWALL
CEO, Betsson AB, and President



THE BETSSON GROUP'S OPERATIONAL ACTIVITIES

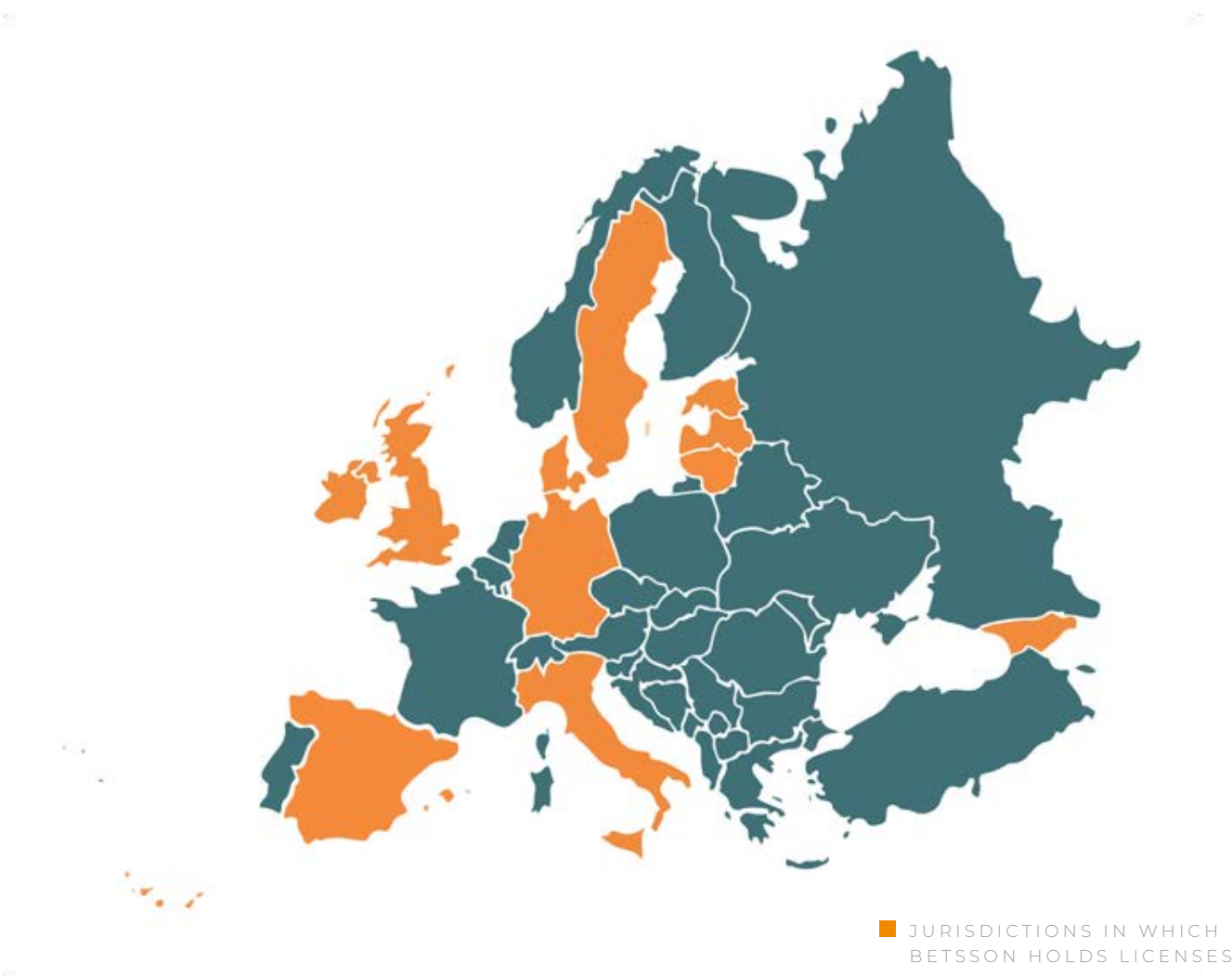
The Betsson Group's business activities are carried out through its operational subsidiaries. Its operational management group is responsible for running gaming sites under various brands that provide casino, sportsbook and other games via gaming licences in twelve countries in Europe and Central Asia.

The brand portfolio includes global brands operating in many different 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.

The portfolio of products comprises around 2,700 casino games including slots, table games, live casino

and other games from about 50 different suppliers, and also a number of proprietary games. More than 2,000 are accessible on mobile devices. Betsson's proprietary 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.

Since 1 January 2019 the Swedish gaming market has been regulated by means of licences. Betsson has received five-years licences for four brands for casino and sportsbook.



2004	2011	2012	2015	2016	2017	2019
Malta	Italien	Estonia Denmark	UK Georgia	Ireland Latvia Lithuania Germany	Spain	Sweden

The operational headquarters are located in Malta and are run by an operational management team.

THE OPERATIONAL SUBSIDIARIES ARE RESPONSIBLE FOR:

- Technology and platform
- Gaming sites and content
- Brands and marketing
- Customer support
- Responsible gaming
- Compliance with gaming regulations and other rules relevant to the business

BETSSON'S OFFERING COMPRISE CASINO AND SPORTSBOOK THROUGH SEVERAL BRANDS

FULL PORTFOLIO

GLOBAL

betsson
betsafe 

REGIONAL

 **NordicBet**
 **KROON CASINO**

LOCAL

 **europebet**
VERNONS

SINGLE PRODUCT PORTFOLIO


SVERIGE **AUTOMATEN** 
NORGE **AUTOMATEN** 
SUPERCASINO.COM®


JACKPOT247
CASINO.DK


 
RACEBETS

BETSSON WITH FOCUS ON SUSTAINABILITY

Betsson has a long-term focus on sustainability issues. The operational subsidiaries have a number of areas that are essential for gaining and keeping customer trust but also to attract and retain competent employees.

As of 2017, the Annual Accounts Act states that Betsson shall include a sustainability report in the annual report. The sustainability report shall include a description of the company's development, position and results as well as the risks and consequences of its operations. This information should include issues relating to the environment, social conditions, employees, respect for human rights and anti-corruption measures. Betsson's sustainability reporting follows the Annual Accounts Act and uses GRI as a reporting standard wherever possible. Betsson's sustainability work is based on the Company's Code of Conduct, its ambition to contribute to the community where Betsson has offices and always to consider the environmental aspects in its operations.

FOCUS AREAS FOR BETSSON'S SUSTAINABILITY EFFORTS

Betsson has conducted a materiality analysis to determine focus areas for its sustainability work.

The following are considered the most relevant areas:

- Responsible marketing
- Responsible gaming
- Anti-corruption measures
- Anti-money laundering measures
- Attractive and healthy workplaces
- Financial stability
- Staff training and development
- Customer integrity and IT security
- Diversity and equality at Group workplaces

DIALOGUE WITH STAKEHOLDERS

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

There are informal discussions with employees on an ongoing basis, as well as formal development discussions twice a year. Employee surveys are carried out and "all-hands meetings" are held with extensive Q&A sessions where employees can choose to ask questions anonymously. In addition to responsible gaming issues being part of the continuous training and development programme, these are always included in employee surveys.

The Company has around 29,000 institutional and private shareholders. Betsson does webcast investor presentations four times a year in conjunction with the interim reports, and also holds roadshows and one-to-one meetings with investors. In 2018 Betsson met with a couple of hundred institutional investors at meetings of various kinds. As part of its communications with private investors, Betsson regularly participates in investor events organised by the Swedish Shareholders Association Aktiespararna. A large amount of communication is also done by email. The main issues raised by shareholders relate to financial

results, the consequences of the Swedish regulation, complying with gaming regulations and responsible gaming.

Betsson uses a large number of suppliers in its operations and requires all suppliers to comply with applicable laws and regulations.

The operational subsidiaries have approximately 670,000 active customers and communication with customers is mainly managed via customer support. Betsson offers customer support on a 24/7 basis largely via chat, phone and email. In 2018, customer support handled approximately 17 million contacts of which a majority were related to technical support. 0.91 percent of customer contacts were related to responsible gaming issues. Responsible gaming issues are handled by a specialist team with long experience and comprehensive training in the area.



Betsson has identified four focus areas within sustainability where there are expectations as to the operational subsidiaries' management of

- responsible gaming
- conducting responsible business
- being an attractive employer
- environment responsibility

Objectives have been set in each focus area for the period from 2014 to 2018.

Sustainability area	Objectives 2014–2018
Responsible gaming	Improved information and improved tools for customers To ensure that employees continue to have high levels of competence in relation to responsible gaming To have a high ranking as one of the most responsible operators.
Conducting responsible business	To increase employee awareness of the Code of Conduct Deviations from the Code of Conduct are to be managed professionally Permanent employment for a total of nine students
Being an attractive employer	Encourage diversity and equality Improved employee health Invest in employee training and development Employee Satisfaction Index (ESI) should be above average
Environment responsibility	Increase the number of virtual servers Increase the number of virtual meetings

RESPONSIBLE GAMING

Issues relating to responsible gaming are the most significant areas of Betsson's sustainability efforts and are crucial for maintaining trust among stakeholders such as customers, employees and investors. Betsson has more than 55 years' experience of gaming and understands the importance of providing responsible and controlled gaming, with the option for people to monitor and, if necessary, limit their gaming activities.

The first responsible gaming training for the online was held at Betsson in 2002 and in 2007 the first person to work with responsible gaming issues on a full-time basis was employed. Betsson wants gaming to be enjoyable and entertaining for everyone, and the Company has high standards in terms of providing gaming that is both controlled and responsible. This is the key to satisfied, safe and loyal customers. The Betsson Group currently has a team of seven people who work with responsible gaming issues. The work is conducted at several different levels of the organisation and through close collaboration between departments, notably customer support, those who handle payments and those involved in efforts to counter money laundering and fraud. This work is given high priority and is relevant both to customer well-being and the Group's success.

Problem gambling can arise if the customer continuously fails to gamble at an appropriate level. As a responsible gaming operator, and in order to counter problem gaming, the Betsson Group's gaming companies provide information and a wide range of tools to help customers keep their gaming under control. Customers can obtain an overview of their gaming volume and decide on different deposit limits that restrict continued gaming if their gaming volume exceeds those limits. Research and industry experience show that insight and control are key to prevent problem gambling. For customers to have tools to monitor and control their gambling has shown to be effective for keeping gaming healthy and sound. During 2018, 10.2 percent of all new depositing customers chose to set a deposit limit.

Every year, Betsson initiates several activities to promote and support even more responsible gaming. In addition to the many self-help tools that customers can use, Betsson has its own analysis tool that is used to discover, prevent or manage any gaming problems that may arise. Since Betsson's subsidiaries operate online, a large amount of data is collected on customer behaviour. This data is an important tool that helps Betsson to understand which attributes might indicate that a customer has a gaming

Självhjälpsverktyg som tillhandahålls av speldrivande dotterbolag	
Budget/deposit limits	Customers can set a budget for whatever period they consider appropriate to control their gaming. Customers can also set limits on the amounts that can be deposited for gaming.
Self-help programme	Betsson provides a free, online self-help programme, "Gaming Help", which has been developed by the training company Sustainable Interaction. An assessment is made and gives an indication of when further help is required.
Self-test	The "GamTest" allows Betsson's customers to test whether or not their gaming habits are healthy. This service is being developed for being rolled out to more of the Group's brands.
Gaming overview	A gaming overview gives customers a clear picture of their gaming history and thereby increases their control.
Self-exclusion	Customers can exclude themselves from gaming for a period of up to one year. A suspended account can not be reopened before the suspension period has expired.

problem or is at risk of developing such a problem. Proprietary programmes built on AI use algorithms covering a large number of attributes which, taken together, give an indication of undesirable patterns, and report adverse events or transactions daily. These are collected by the team, which initiates an interaction with the customer. All data is processed taking into consideration the integrity of the customers and in line with applicable standards of information security and privacy based on EU legislation and the GDPR (General Data Protection Regulation), which came into force in 2018.

To maintain and further improve the Group's standards as regards responsible gaming, Betsson has decided to provide compulsory training in gaming addiction issues for all employees, regardless of their position. All employees should gain a basic understanding of the importance of promoting healthy gaming. Betsson has also introduced an online training tool that includes a personal evaluation.

Employees who have direct contact with customers receive more in-depth training. The in-depth course addresses issues such as signs of problem gaming and includes practical exercises with anonymised customer situations as well as more advanced knowledge of the Company's responsible gaming tools. Such training is developed and evaluated on a continuous basis. All communication with customers is documented, categorised and reviewed, which gives Betsson the opportunity for ongoing improvement of its processes and procedures.

In 2018, 393 employees took an e-learning course on responsible gaming and 146 employees had the in-depth training. In addition, 56 employees who are not directly involved with customer issues had basic training in responsible gaming in collaboration with the training company Sustainable Interaction in Stockholm while equivalent training was held in Malta for 150 employees in a collaboration exercise with the training company 4G.

COOPERATION FOR ENHANCED RESPONSIBLE GAMING

Apart from its extensive internal work to continuously develop skills and tools, Betsson take part in external collaborations to advance knowledge and achieve improvement in issues relating to responsible gaming. Betsson has collaborated with the G4 (Global Gaming Guidance Group) company, which is an internationally recognised trainer in responsible gaming. G4 also carries out independent audits and certifies gaming sites.

Betsson supports research that can contribute to preventive measures and greater understanding of gaming problems in general. The Company has a long-term cooperation with the Sustainable Interaction company, which has expertise in the area of unhealthy gaming. Through sponsoring and giving presentations at large international conferences Betsson contributes to clarifying responsibility issues and spreading the latest knowledge and expertise in this area.

Betsson is of the view that the industry has many issues in common and participates on an ongoing basis in debates and seminars together with other operators.

Betsson is represented on the board of the Swedish

Trade Association for Online Gambling, BOS. Many of the internationally regulated gaming operators offering services to Swedish customers are members of BOS and have agreed to comply with BOS's Code of Conduct regarding responsible gaming.

Betsson is also a member of the international organisations RGA (Remote Gaming Association, EGBA (European Gaming and Betting Association), and ESSA (European Sports Security Association) whose activities include striving to counter match-fixing.

FOCUS IN 2018

In 2018, Betsson focused on issues relating to responsible gaming, and three further employees were recruited to the team. Betsson sponsored a research project at Stockholm University and held presentations at international conferences concerning problem gaming at NCRG in Las Vegas and EASG in Malta.

Starting in 2018, Betsson document and measure the proactive efforts that are being made in communication with customers. Betsson also reports the degree to which customers make use of the opportunity to set their own deposit limits. To further increase customers' ability to control their gaming and costs relating to gaming, work started on developing a mobile phones app to enable the cost control and in which the level of risk is clearly illustrated. The app is reckoned to be ready for launch in early 2019 and will broaden Betsson's range of tools to which its customers have easy access.

In 2018 Betsson allowed the Sustainable Interaction company to carry out an independent review of its customer support procedures as well as evaluating its internal training material. Also, the training company G4 has reviewed processes and attitudes, the online library for employees, and the functionality and navigation on the gaming sites with regard to self-help tools. Betsson applied for the eCOGRA Safe and Fair Seal, which is a certification for online operators based on assessments of the Group's legal management of responsible gaming. The audit was carried out in the autumn of 2018 and certification was awarded on 13 December.

AMBITIONS FOR 2019

On 1 January 2019 the new Swedish Gambling Act came into force and Betsson's operational subsidiaries continuously work to deliver their services in accordance with the Swedish regulations.

The Group intends to further develop communications concerning responsibility issues, both internally and externally, in particular by making proactive contact with customers. Further training in collaboration with 4G is planned for the spring of 2019.

As a result of changes in Maltese legislation as implemented by the MGA authority, work is currently under way to implement measures to comply with the legislation. The Danish gaming authority has also announced a tightening of its regulatory framework, which will involve adapting procedures.

Betsson also has an objective to further improve its proprietary analysis tools regarding responsible gaming.

CONDUCTING RESPONSIBLE BUSINESS

INFORMATION SECURITY

As one of the largest companies within the European iGaming industry, Betsson must always operate in accordance with legislation in the respective jurisdictions where the group conduct business and provide assurance to customers that their data is secure. Identifying and minimising risks to the confidentiality, integrity and availability of the customers' and Betsson Group's information is the foundation for the commitment to providing a safe, secure and fun gaming experience. It is also essential to ensure operations progress securely even in the event of a power outage.

Betsson has an experienced team that focuses on digital and physical security. To identify and manage information security and cyber risks, and provide assurance that all of Betsson's subsidiaries are following best practices for information security, the company has implemented a combination of technical and operational security initiatives. Among other things, an Information Security Management System (ISMS) has been established, which is based on international best practice for information security (ISO27001). The objective with the ISMS is to provide customers with safe and secure gaming platforms that protect customer and company information, to identify and minimise risks in the supply chain, detect and prevent money laundering and fraud, to ensure Betsson staff are properly trained on information security and regulatory requirements, to investigate, address and learn from security incidents and to achieve and maintain ISO 27001 certification.

The company conform to PCI-DSS (The Payment Card Industry Data Security Standard) since Betsson Group owns its own payment gateway. The card data environment is isolated and secured as to PCI-DSS standards and is subject to annual audit to remain compliant.

FOCUS IN 2018

To continuously improve the governance framework Betsson adopted a new information strategy in 2018. The strategy has been crucial for the Betsson Group infosec function and has resulted in several initiatives during the year. Among other things, Betsson built a Security Operations Center (SOC) to continuously monitor the systems from threats and increased the use of artificial intelligence tools to be able to further detect data leaks. Betsson also decided on continuous external testing to discover potential vulnerabilities.

AMBITIONS FOR 2019

Based on the information strategy, one major objective for 2019 is to conduct an external audit for accreditation of ISO 27001. Betsson will continue its efforts to streamline processes regarding compliance with all gaming licenses as well as improving methods to better data controls and conduct thorough training campaigns.

RESPONSIBLE TAXPAYER

Taxes represent a keystone of the system that finances public welfare and Betsson regards compliance with

corporate tax legislation as an important issue in the context of responsible business operations. Through its subsidiaries, the Betsson Group operates at a global level and is exposed to many local tax regulations. As a large international player, Betsson considers it self-evident to be a good member of society and act fairly and honestly as a taxpayer in the local jurisdictions. The Betsson Group shall comply with applicable local tax legislation and tax regulations in those countries where the Group operates.

The taxation of international digital activities, especially within iGaming, is a complicated area and work is constantly being done in the Group to ensure compliance in an environment where both national and international tax legislation and tax regulations may change rapidly. Taxes are an important parameter for scalability from the Group's perspective and also in terms of our responsibility to our shareholders as regards results. However, taxes are never the primary driving force behind business decisions, which are always based on the needs of the business.

RESPONSIBLE MARKETING

Since the Swedish regulations came into force on 1 January 2019, the Group has local gaming licences in twelve countries. Betsson adheres to all applicable local laws and regulations in the individual countries. Betsson has an ambition not only to be compliant with legislation, but also respects the fact that marketing varies between different countries. Betsson is accredited by 4G, meaning that Betsson's operational subsidiaries follow its ethical rules covering advertising, marketing and sales. The Swedish regulations mean that all companies with a licence can compete on equal terms, one of the consequences of which is that digital channels like Facebook and Google are opened up and affiliate partnership collaboration is possible.

As is the case with many other e-commerce companies, Betsson uses affiliate marketing, which means a third-party company promotes Betsson's gaming websites. A comprehensive contract governs the affiliates and stipulates how Betsson's brands may and may not be marketed. Betsson has an interest in ensuring compliance with these contracts to safeguard its brands and maintain a high level of trust among its customers, and a large team is involved in continuous assessment. Betsson's team of analysts has well-established procedures, analysis tools and a reporting system to help achieve this. In certain instances, Betsson also uses third-party companies to assess affiliates.

RESPONSIBILITY TO SAFEGUARD HUMAN RIGHTS

Respect for human rights is fundamental to operating a sustainable global business. Betsson supports the UN conventions on human rights. 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 entire Company. The Code of Conduct, employee handbooks and other policies also provide guidance as to how the Company and its employees should respond to issues such as gender equality and discrimination.

RESPONSIBILITY TO COUNTER CORRUPTION

Betsson has clear guidelines, expressed in the Company's Code of Conduct, and follows all applicable legislation regarding gifts, services and benefits. To reduce the risk of conflicts of interest, the Company has also implemented a "four-eyes principle", whereby at least two individuals in the Company must review and approve in writing any agreements between Betsson and another party. The Company continuously trains managers and others performing relevant functions on the Company's stance on anti-corruption measures. Management has the responsibility in its turn to discuss these issues with staff.

RESPONSIBILITY TO COUNTER MONEY LAUNDERING

The challenge faced by gaming companies is similar to that faced by banks in that they handle large amounts of money in multiple transactions on a daily basis. The process for preventing money laundering is designed to work alongside, and in coordination with, procedures for preventing fraud. Since operations take place online, all transactions can be traced. Both technical and manual controls are used to monitor transactions. These procedures 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 continuous training. Betsson also adheres to all statutory obligations and applies all 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 relate to money laundering. Betsson always cooperates with public authorities in their fight against money laundering.

PROCEDURES FOR REPORTING IRREGULARITIES (WHISTLEBLOWING)

One of Betsson's objectives is to ensure that all employees feel secure reporting potential 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 ensure anonymity for the person reporting a concern. Only members of the whistleblowing group, which consists of individuals outside operational activities, have access to the system. The group then decides what measures 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.

ECONOMIC VALUE CREATION

Betsson contributes to the community with its activities by paying betting duties and corporate tax as required by local regulations in each country, as well as salaries to its staff, payments to suppliers for purchased goods and services and dividends to shareholders. In addition to this, Betsson wishes to contribute as a good member of society by donating to charitable organisations. In Malta, where most of its employees are based, the Group is an important contributor to charitable organisations that work with projects to help socially vulnerable groups, Betsson also contributes to local charity projects in other places.

Economic value creation, SEK millions	2018	2017
Revenues from customers	5,420	4,716
To suppliers		
Operating costs/purchase of goods and services	-3,146	-2,839
Employees		
Employee wages and benefits including social costs and pensions	-811	-782
Providers of capital		
Dividends paid to shareholders	-539	-393
Interest payments	-35	-36
Taxes and fees		
Corporate taxes	-74	-56
Betting duties and VAT	-305	-245
Investments in community		
Donations	-3	-4

ATTRACTIVE EMPLOYER

WITH PEOPLE AS THE DRIVING FORCE

Betsson's strategy for its operational activities is based on three central components "Talented people, Quality products and Operational excellence". The first component is "Talented people". The fact that the Company puts people first in its strategy is its distinguishing feature: competent employees constitute the basis for achieving business objectives and realising the vision of delivering the best customer experience in the industry.

VALUES THAT SUPPORT THE BUSINESS

Betsson has three values: *One Betsson*, *Passion* and *Fair Play*. *One Betsson* emphasises the essential role played by the employee and stresses the importance of working together as a team for the good of the entire company. *Passion* is about commitment and enthusiasm for what we do – for our day-to-day work, for the team we work together with and the gaming industry we operate in. *Fair Play* is a prerequisite for the Company's operations: we treat each other, our customers and our partners fairly and with respect, and we take responsibility in everything we do.



DIVERSITY DRIVES INNOVATION

Those who work at Betsson call themselves "Betssonites" to stress the fact that even if people come from different countries, work in different departments around the world, and have different backgrounds, areas of responsibility and skills, there is more that unites them than divides them. They are all simply individuals who share the same set of values and work towards the same objectives.

At Betsson, diversity is seen as a natural part of an innovative company culture. It is about finding the perfect mix of people in a team and for the Company generally,

and diversity is a natural part of that mix. 56 nationalities on a global basis and a variety of experience and backgrounds create a real international feeling at Betsson that makes it both exciting and fun to work for the Company.

Gender equality is a part of the Company's diversity management. In 2018, three out of five people on Betsson AB's management team were women. The Operational Management Group in the largest operational subsidiary located in Malta consisted of a total of eight people in 2018, two of whom were women. Totally, Betsson is 40 per cent women, and the Company is looking to increase further the number of women in the technology area. This is done by activities such as sponsoring and participation in events with the express objective of targeting young women.

BETSSON AS EMPLOYER OF CHOICE

Betsson wants to be Employer of Choice. Competition for employees is tough these days and in the same way as the Company's vision is to provide customers with the best gaming experience, it is the Company's vision to provide talented Betssonites the best employee experience.

Each employee is an individual with individual desires and driving forces, and Betsson sees it as its job to try to meet these in a way that works for each individual. This view, together with other steps taken in 2018, has increased commitment and reduced staff turnover substantially.

QUICK OFF THE STARTING BLOCKS – HITTING THE GROUND RUNNING

An employee's journey at Betsson's starts as early as the first time they hear about the Company, continues through the recruitment process and then onwards via onboarding to their first day with the team.

It is a fundamental principle at Betsson that new employees should be inducted in a structured manner so that they rapidly become a part of the operation and can contribute with their expertise. This is why the Company has a well-planned induction programme in which employees are introduced to different parts of the business, to our history and culture, and to our values.

THE BEST EMPLOYEE EXPERIENCE

Competitive salaries and benefits, a positive company culture and interesting career development opportunities contribute to an excellent employee experience. Since Betsson has departments that include many different roles and offices in different geographical locations, there is enormous potential for an exciting career for people who have the desire and the qualifications.

Opportunities to grow and develop are provided in the form of internal and external training courses, conferences and work shadowing, which means accompanying a colleague in order to gain insight into an area that is of interest. In 2018 nearly 500 Betssonites took various types of internal and external training courses.

Performance appraisals, held at least twice a year, other discussions with line managers or HR and an internal

noticeboard where all available jobs are advertised all enable employees to spot opportunities within the Group and advance their careers. The number of instances of internal recruitment in 2018 was 123, a rise of 186 per cent.

EXCELLENT LEADERSHIP

Culture and management go hand in hand and at Betsson we attach considerable importance to developing and supporting senior executives so that they become even better in their management roles. Excellent management is one of the Company's focus areas to distinguish us and help us to be an Employer of Choice. 2018 saw the roll-out of a management programme for all Betsson executives with responsibility for staff, 276 people, globally across the entire Company. The programme consists of four full-day modules: Lead yourself, Lead individuals, Lead your team, and Lead Betsson; it will be completed in the course of 2019.

WELCOME BACK

Whenever an employee leaves Betsson, an exit interview is held, the purpose of which is to get feedback and give the employee a good send-off. This increases the likelihood that they will speak well of Betsson after they have ended their career with us. Employees are also made aware that they are welcome to come back if they wish; a period working for another company can mean the person acquires new skills that might be useful to Betsson in the future. In the past year, the Company has had 20 returning employees, which must count as "good marks".

HEALTH AND WELLNESS

Secure workplaces and a good working environment are crucial for well-being and productivity. Betsson constantly strives to improve and develop the Company's performance in terms of health and safety at work. A "health and safety at work" group has been appointed to give employees the opportunity to bring up areas in need of improvement.

Wellness has always been an important part of Betsson's culture: a company offering sports betting to customers attracts many employees who enjoy sports. Betsson gives its employees a wellness allowance, and, in addition, different sporting activities are regularly encouraged and coordinated by, for example, company reimbursement of upfront fees.

CODE OF CONDUCT

Betsson's Code of Conduct provides guidance to the Company's employees and states that everyone is expected to show integrity and sound judgement. The Code of Conduct is based on the United Nations Global Compact's ten principles and also corporate values and practical experience acquired over 55 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 issues such as 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 are also easily accessible on the Group's intranet.

FOCUS IN 2018

In 2018, the Company took steps to improve employee satisfaction and reduce staff turnover. A review of the organisational structure to remove unnecessary hierarchies, an update of the Company's values, the launch of employee forums, improved employee benefits, a review of the induction programme and investment in management are a few examples of the steps taken.

AMBITIONS FOR 2019

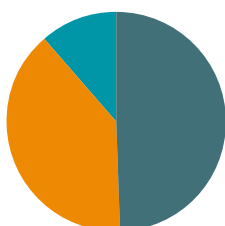
According to the business strategy, 2019 is going to be a year of continuing focus on employees' experience of working at Betsson.

Investment in CSR and a review of remuneration are examples of areas that the Company is going to look at more closely so as to raise employee commitment further. An employee survey is to be sent out to all employees and the results are to be assessed and followed up at all levels during the year. The objective is for Betsson to be potential employees' *Employer of Choice*.

2019 will see a continued focus on management and executives with the completion of the roll-out of the global management programme that is already under way. The Company will also be developing a management framework to clarify roles and expectations, creating an internal managers' portal and setting up a new managers' network in Malta.

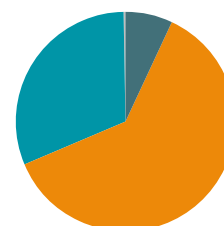
COWORKERS BY AGE

■ 13-30 YEARS	49.6 %
■ 31-40 YEARS	39.1 %
■ 41+ YEARS	11.2 %



COWORKERS BY REGION

■ NORDIC	7.1 %
■ WESTERN EUROPE	61.6 %
■ CEECA	31.2 %
■ ROW	0.1 %



MEASURES TO REDUCE THE CLIMATE FOOTPRINT

Betsson operates an online business and as such has little impact on the environment. The Company's environmental policy states that Betsson's objective is to "minimise the Group's environmental impact while always striving to save natural resources". The Board of Directors has decided that Betsson is to be climate-neutral, meaning that the Company will compensate for its carbon emissions by sponsoring renewable energy projects. In recent years Betsson has participated in financing hydropower projects in China as well as solar photovoltaic projects certified by Gold Standard. Suitable projects for the Group's carbon offset programme for 2018 are currently being assessed.

The main sources of Betsson's carbon emissions are electricity, cooling and heating of office premises, as well as 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 continued to be reduced during the year as these have been replaced by virtual servers.

Betsson is an international company, which by definition involves a degree of air travel between the Group's businesses. Avoiding air travel entirely is not possible; however, the Company encourages employees to hold travel-free meetings and provides several different tools for this purpose, such as video conferencing systems and Skype. The video conferencing systems were improved in 2018 and training was given to increase their use.

Various local efforts were also made to reduce emissions. Betsson's largest office is in Malta and has just under 1,000 employees. A sustainability audit carried out in 2017 resulted in new procedures for recycling and waste management as opportunities for reducing electricity use. The involvement and several ideas from employees has contributed to Betsson being one of the first companies in Malta to undertake recycling of glass bottles.

ENERGY CONSUMPTION

Scope	Category	Activity	Consumption GJ*
1	Direct GHG emissions	Combustion of fuels (petrol and diesel) in stationary and mobile machines	666
2	Indirect GHG emissions	Purchased electricity, mainly for heating and cooling and to run office space and IT equipment	9,368
Total			10,034

GHG EMISSIONS

Scope	Category	Activity	Emission** tonCO _{2e}
1	Direct GHG emissions	Combustion of fuels (petrol and diesel) in stationary and mobile machines	44
2	Indirect GHG emissions	Purchased electricity, mainly for heating and cooling and to run office space and IT equipment	1,036
3	Other indirect GHG emissions	Primarily business travel and material consumption	1,628
Total			2,708

* GJ gigajoule

** tonCO_{2e} ton carbon dioxide equivalent

During 2018 Betsson has started calculating for carbon dioxide emissions in accordance with the global standard Corporate GHG accounting, which is developed by the organisations WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development). The calculations are based on the GHG protocol principles; Relevance, Completeness, Transparency and Accuracy.

The inventory covers:

- Direct emissions from fuels, primarily diesel and petrol
- Indirect emissions from purchased electricity, heat and cooling for running of offices and computer equipment
- Other indirect emissions, primarily from business travel and material consumption.

The calculations differ from previous years and Betsson has therefore chosen not to present comparative figures for 2017. All activities that Betsson has control over are included in the inventory and supporting documentation has been requested from all the Group's offices and tele-workers. For 2018, some data are missing and some estimates have been made, for example the number of hotel nights per trip. Regarding the most important source of emissions - aviation, the Group's reporting is based on a largely complete information. GHG calculations are an iterative process and Betsson's goal is to improve the calculations for each year.

MANAGEMENT REPORT

The Board of Directors and Chief Executive Officer of Betsson AB (publ), corporate identity number 556090-4251, with registered office in Stockholm, hereby present the annual accounts and consolidated financial statements for the financial year 2018.

The annual accounts and consolidated financial statements, including the auditor's report, can be found on pages 18-33 and 38-78. A sustainability report has been prepared in accordance with the Swedish Annual Accounts Act and has been submitted by the Board. It can be found on pages 10-17 of 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 financial statements and notes.

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 by the Annual General Meeting on 7 May 2019.

OPERATIONS

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

The subsidiaries offer poker, casino, sportsbook, scratch cards, bingo and other games to customers primarily in Europe through partnerships and the websites of the mainly Malta-based subsidiaries. In addition, the subsidiaries offer system 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 principally relates to the gaming activities of Betsson's subsidiaries that were operated in 2018 under European gaming licences in Malta and local gaming licences in Denmark, Estonia, Georgia, Germany, Ireland, Italy, Latvia, Lithuania, Spain and the United Kingdom. With effect from 1 January 2019, operations in Sweden are conducted under a Swedish gaming licence.

GROUP REVENUE AND INCOME

Group revenue totalled SEK 5,419.8 (4,716.5) million, equivalent to an increase of 15 percent on the previous year.

Gross profit was SEK 3,860.0 (3,419.4) million, equivalent to an increase of 13 percent. Operating profit rose by 35 percent to SEK 1,193.8 (882.2) million, and operating margin was 22 (19) percent. The improvement in profitability is due both to growth in all regions with a consequent rise in revenue and to efficiency improvements resulting in lower expenses.

Profit before tax was SEK 1,152.4 (842.9) million and net profit was SEK 1,078.1 (786.5) million, equivalent to SEK 7.79 (5.68) per share.

PRODUCTS

Casino is Betsson's largest product and accounted for 75.2 (72.9) percent of revenue for the year, followed by Sportsbook with 22.9 (24.2) percent and Other Products (including Poker) which accounted for 1.9 (2.9) percent of revenue.

CUSTOMERS

At the end of the year, there were 14,009,690 (12,993,044) registered customers, an increase of 8 percent on the end of the previous year. There were 668,199 (615,499) active customers in the fourth quarter, an increase of 9 percent on the same period of the previous year.

SIGNIFICANT EVENTS IN 2018

First quarter

In January, Betsson announced that the Company had decided to restructure the organisation with the aim of making it more efficient. As a result, the number of employees in the Group has been reduced by around 160.

Second quarter

The Annual General Meeting of Betsson AB held on 15 May 2018 resolved to re-elect Patrick Svensk, Kicki Wallje-Lund, Jan Nord and Fredrik Carlsson as members of the Board. Tristan Sjöberg, Mathias Hedlund and Johan Lundberg were elected as new members of the Board. Patrick Svensk was elected as Chairman.

Third quarter

Corona Ltd, a subsidiary in the Betsson Group that operates the Oranje Casino and Kroon Casino brands, was fined EUR 300,000 by the Dutch gaming authority, De Kansspelautoriteit (KSA), because it had offered games to customers in the Netherlands without holding a local licence. Corona Ltd has appealed against the decision.

On 4 September, it was announced that the CFO, Kaaren Hilsen, had resigned in order to take up the position of CEO in another company.

Fourth quarter

During the fourth quarter of 2018, Betsson's operational subsidiaries obtained online gaming licences in Sweden.

INVESTMENTS AND DEPRECIATION/AMORTISATION

Investments for the year in fixed and intangible assets and intangible assets totalled SEK 294.2 (282.9) million, of which SEK 201.5 (214.1) million related to capitalised development expenditure. Depreciation and amortisation totalled SEK 311.4 (267.6) million, of which SEK 228.2 (199.4) million related to amortisation of capitalised development expenditure.

Investments were made in IT hardware, development of gaming platforms, integration of gaming and payment solutions and refurbishment and furnishing of offices.

EQUITY

At year-end, shareholders' equity in the Group totalled SEK 4,589.3 (3,666.9) million, equivalent to SEK 33.16 (26.49) per share after transfer to shareholders through a redemption procedure of SEK 3.89 (2.84) per share during the second quarter. Return on equity was 26 (22) percent.

CASH FLOW AND FINANCIAL POSITION

The equity/assets ratio at the end of the year was 61 (54) percent. An outstanding bond loan at year-end was reported at SEK 997.1 (993.9) million and used credit facilities at SEK 93.5 (663.9) million.

Unutilised credit facilities totalled SEK 786.5 (425.8) million. Cash and cash equivalents were negatively impacted during the year by SEK 393.1 (658.9) million due to a distribution of funds to shareholders (redemption procedure). Cash and cash equivalents at the end of the year totalled SEK 488.7 (479.5) million.

Player liabilities, including reserves for accumulated jackpots, totalled SEK 402.7 (374.6) million. Gaming regulations require the Company to reserve a certain proportion of cash to cover player liabilities and accumulated jackpots. Current receivables from payment providers for unsettled customer deposits were SEK 696.2 (448.5) million.

PERSONNEL

At year-end, Betsson had 1,547 (1,873) employees in the Group. The average number of employees in the Group during the year was 1,602 (1,870), of whom 929 (1,084) were located in Malta. In addition, the Group had 171 (190) consultants engaged on a full-time basis, primarily in product development.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

The new Swedish Gaming Act came into force on 1 January 2019, with an 18 percent gaming tax.

On 19 February, the Dutch Senate adopted a new Betting and Gaming Act for online gaming, which, when it comes into effect, will make it possible for foreign gaming companies to obtain a local licence. The new act is expected to enter into force at the earliest during the third quarter of 2020, when it will be possible for applications to be submitted. Gaming tax will be applied at 29 percent of GGR.

The new act is accompanied by a proposal for a cooling-off period of two years. The proposal does not differentiate between fined and non-fined operators, meaning that Corona Ltd (a subsidiary of Betsson that has been fined by the Dutch gaming authority but lodged an appeal in 2018) is in the same position in this respect as other foreign gaming operators active on the market.

Italy has announced increased gaming taxes from 1 January 2019, from 20 to 25 percent for Casino.

THE PARENT COMPANY

The Parent Company, Betsson AB (publ), is primarily focused on shareholding and Group-wide management. The company provides services to Group companies in the areas of finance, communication, accounting and administration.

The Parent Company's turnover for the full year was SEK 27.9 (29.9) million and profit before tax was SEK 1,103.9 (998.9) million. Net financial items included SEK 1,161.0 (1,054.4) million relating to dividends received from subsidiaries.

During the year, the Parent Company invested SEK 0.1 (0.1) million in fixed assets. Cash and cash equivalents totalled SEK 188.3 (145.2) million. At year-end, the Company had utilised credit facilities of SEK 91.6 (647.3) million. The Parent Company carried out a share redemption programme, resulting in a cash transfer to the shareholders of SEK 393.1 (658.9) million. In conjunction with the share redemption programme, a bonus issue totalling SEK 48.2 (48.2) million was undertaken in order to restore the Company's share capital.

THE GLOBAL GAMING MARKET

Industry market data indicates that the total gaming market, comprising both offline and online gaming, is worth close to EUR 390 billion, with estimated growth of 2.5 percent annually up to 2022. Online gaming is expected to increase its market share from 11 percent in 2018 to an estimated 13 percent in 2022. (Source: H2GC.)

Annual growth in Betsson's core markets in Europe, which taken together are worth close to EUR 13 billion, is expected to be 5 percent during 2018-2022. (Source: H2GC.)

Growth in the online gaming market is driven by an increase in e-commerce in general and the parallel use of several units, such as smartphones, computers and tablets. Customers expect to have games easily accessible where and when they want.

Another important driver is that an increasing number of European countries are introducing local regulations for online gaming. This enables gaming companies to compete on equal terms and to gain access to more effective marketing channels and payment solutions. Local regulations impose additional requirements, and reward operators with scalable, proprietary platform. This leads to increased consolidation in locally regulated markets, which creates acquisition opportunities for Betsson. Betsson's subsidiaries operate under gaming licences in Malta and eleven other jurisdictions. There is value in offering regulated gaming services within the EU and other markets from Malta.

SIGNIFICANT RISKS AND FACTORS OF UNCERTAINTY

Risk management in Betsson Group

Robust risk management is a cornerstone in Betsson Group's continuous work to strive for a profitable and sustainable business long-term. Betsson is continuously developing its risk management processes and structures. Work is ongoing to implement the "three lines of defence" -model for risk management, where an important focus area is on the implementation of a GRC-function (Governance, Risk & Compliance). The work also comprises enhancement of the processes and routines for identification, appraisal and mitigation of risk. Three lines of defence in risk management are as follows:

1

The business organization incl. support functions

- Owns the risk and is responsible for daily risk management and to establish effective internal controls.

2

The GRC-function

NEW

- Global and independent from business organization. Advisory and monitoring role. Oversees and develops risk management.

3

Internal audit activities

- Audit activities carried out on behalf of the Board of Directors to provide assurance of governance, risk management and efficient control processes in the first and second lines of defense.

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 a matter of great importance and therefore strives to address this, both by continuously working to improve Betsson Group's reputation by trying 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 regulatory developments. Through dialogue with the policy-makers on different levels, we work to achieve regulation, which aims to both protect consumers and liberalise markets while preventing protectionism in the EU 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, Germany, Ireland, Italy, Latvia, Lithuania, Spain, Sweden 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 primary 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 are not possible to defend in terms of compliance with applicable EU legal principles. The Court of Justice of the European Union has established this in many rulings. In spite of this, a number of Member States historically have maintained these types of restrictions. However, due to historical pressure from the EU through infringement proceedings against certain Member States, many countries have introduced new frameworks for gambling regulation or announced that they are working on new legislation in line with EU requirements. Comments on relevant developments in certain jurisdictions are presented below. Whenever new legislation is adopted, it is unclear whether 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 historical obligation and also the size of any such obligation.

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 can 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. However, following the decision of the European Commission in 2017 not to

further pursue open infringement procedures against the Member States concerning online gambling, the support available has reduced.

Gambling regulation developments

The Swedish Parliament adopted a new gaming regulation that came into effect on 1 January 2019. The Swedish regulator granted four licenses to Betsson operating subsidiaries to offer online gambling and betting to Swedish consumers under the Betsson, Betsafe, Nordicbet and Sverigeautomaten brands as from 1 January 2019.

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. The prohibition 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. This past year saw new proposals to try and block operators licensed in the EU Member States through further payment blocking measures and DNS blocking. Betsson's assessment is that these proposals and the general legal framework in Norway are in conflict with EU law.

Finland continues to protect its monopoly system, and no major changes occurred in this market in 2018. However, in January 2019 the Finnish Competition and Consumer Authority ("KKV") launched an assessment procedure concerning the legitimacy of the state gambling monopoly. KKV is of the opinion that Veikkaus's legal monopoly is still notably inconsistent with EU gambling law. According to the KKV, the marketing operations of Veikkaus have clearly accelerated and diversified in recent years and, combined with a loose placement policy of slots machines, there is a reasonable doubt whether the underlying goal is to maximize state profits (at the expense of the underprivileged) rather than the prevention of gambling-related problems. Betsson continues to monitor the monopoly and legal developments in Finland.

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. The case is still pending.

In 2017, the Netherlands sought to restrict its "priority criteria" further by announcing that new requirements would be applicable in the market. This led to Betsson Group's brands "Oranje" and "Kroon", which both have international customer databases, becoming a target for enforcement by the Dutch gambling regulator (KSA). As a result, Betsson subsidiary Corona Ltd was fined EUR 300,000 by the KSA in 2018 for offering gambling to customers in the Netherlands without a local license. Corona Ltd appealed the fine with reference to its operations complying with applicable laws in the absence of EU-compliant gambling legislation in the Netherlands. The appeal proceedings are pending.

The year 2018 saw increased enforcement towards international operators by the Dutch regulator with a number of other international operators receiving fines for operating in the Dutch market without a local license.

The new Dutch remote gambling bill, which aims to liberalise the market, was adopted by the Dutch Senate in February 2019. The new law is expected to enter into force earliest in Q3 of 2020, which is also when license applications will be accepted. Gaming tax will be applicable at the rate of 29% + 2% fees of GGR, in total 31%. Together with the new law, the Senate passed a motion (based on a proposal from Minister for Legal Protection) where they instructed the government to apply a cooling off period of two years for "illegal operators". This term stands for operators who have actively targeted the Dutch market through local payment instruments such as iDeal, advertising aimed at the Netherlands or through use of a Dutch domain name. The proposal and motion do not distinguish between fined operators and those who have not been fined as regards license eligibility. It is not yet clear how the motion will be formalised into a regulation and implemented. Betsson's understanding at this time is that all international operators currently in the market would be eligible for a Dutch license but such license may be issued with a delay reflecting the cooling off period. It is also our understanding that this period is not intended to be a blackout period. Betsson operational subsidiaries have made and will continue to make certain adjustments to their offering to best handle the impact of the potential cooling-off period as well as put themselves into a good position for the licensing process. Betsson continues to monitor these developments carefully to ensure compliance with EU law.

Germany's framework has continued to face criticism. Betsson Group's horseracing product (Racebets) is licensed by the Darmstadt regulator but the rest of the German market remains in a state of influx, mainly following the appeal to the Constitutional Court on the finding by the Federal Administrative Court in 2017 that the online casino ban is consistent with EU law. This appeal is still pending. In March 2019 the German state ministers approved amendments to the Interstate Treaty, namely the removal of the cap on sports betting licenses, thereby establishing an interim sports-betting licensing regime from January 1, 2020, also in preparation for a future agreement on a more permanent basis from July 2021 onwards. However, the draft amendments maintain a federal ban on online casino set in 2012, with the exception of Schleswig-Holstein (where online casino licenses already granted continue for the interim period), in addition to restriction of live betting and setting monthly wagering limits for players. While Betsson continues to follow developments in the region carefully, it maintains the view that the federal casino bans under German law continue to be in breach of EU law.

In 2018, the Gambling Commission in Great Britain increased their enforcement efforts on anti-money laundering and responsible gaming risks by issuing significant fines against a number of licensed operators in the market. To ensure that applicable rules are followed in these areas Betsson have conducted external as well as internal audits.

The year also saw the UK government bring forward the entry into force of fixed-odds betting terminal (FOBT) stake cuts and a paired increase in online gambling tax. The latter tax increases from 15 to 21 percent (designed to offset lost gaming machine tax revenue) with effect from 1 April 2019.

Italy's new government followed through on its promise to "tackle addiction" by approving a gambling advertising ban in July 2018. Current marketing contracts may be honoured until July 2019, provided they were signed before the law came into effect. In the final days of 2018, Italian legislator approved the government's last minute proposals to hike online and land-based taxes in an attempt to balance its budget. With effect from 1 January 2019, online sports betting tax increased from 22 to 24 percent of GGR, and the tax for online casinos, poker and bingo rose from 20 to 25 percent of GGR.

Betsson continually conducts assessments of national laws, in line with local legal advice, and assessment of over-arching EU and international legal principles. Based on these assessments, Betsson operational subsidiaries have elected to block a number of markets.

Betsson operational subsidiaries provide business-to-business gambling services to third-party companies who 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 marketplace 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 marketplace, 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

The EU's General Data Protection Regulation (GDPR) entered into force in 2018 and Betsson Group successfully reviewed its processes and internal systems in line with the new regulation. Following the entry into force of the GDPR, Betsson also engaged an external audit of its operational procedures and set-up to ensure compliance with applicable law. Betsson also continues to be 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 about 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 continues the work on improving its internal policies and systems to increase its effectiveness in this area. There is, however, still a risk that Sportsbook 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 group is also subject to regulations on anti-money laundering and combating the financing of terrorism. The now implemented 4th EU Anti-Money Laundering Directive applies to Betsson's activities, and Betsson continues the work to mitigate the relevant risks by improving procedures and policies and investing in staff training. As is the case with companies that accept payments, even though Betsson actively addresses the issues, the operating subsidiaries are 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 Group has adapted its websites so that they offer full support to players based on the G4 guidelines. All employees undergo annual training about responsible gambling so that they can identify signs of problem gambling.

In December 2018, Betsson received the "Ecogra Safe and Fair accreditation" following an audit it voluntarily undertook. The audit involved a thorough review of Betsson's responsible gaming, anti-money laundering, data privacy, funds protection, marketing and HR processes.

Betsson has tripled the headcount of its dedicated Responsible Gaming department with competent, experienced personnel tasked with protecting the customer. In early 2018 Betsson rolled out and incorporated in its operations the in-house built "Customer Protection Engine". This tool takes into consideration a large number of attributes (gameplay activity, customer behaviour etc.) across the Group's proprietary platform and assists in detecting signs of problem gambling.

In 2018 Betsson developed a dedicated Budget Calculation app, which will help customers maintain a better understanding of their gambling spend across all websites. The app is currently under testing and will be made available in the relevant stores for free in Q1 2019.

Betsson is committed to the duty of care and aims to apply a high standard of responsible gambling globally.

Despite the above, there remains a risk that individuals develop problematic gambling behaviour. There is also a risk that individuals with a gambling dependency could sue companies within Betsson Group for their alleged role in the individual becoming addicted. Even though such claims would most likely be dismissed in court, they could give rise to considerable costs as well as 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 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 works 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. 35.

DISPUTES

The company has no significant ongoing disputes.

RESEARCH AND DEVELOPMENT

Expenditure on the development of gaming platforms and integration of gaming and payment solutions is capitalised to the extent that future financial benefits 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, see the separate section on 'Sustainability and Betsson' on pages 10-17.

ADOPTED GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR EXECUTIVES

For a description of the guidelines for salaries and other remuneration to senior executives as determined by the Annual General Meeting 2018, see Note 9.

PROPOSED GUIDELINES FOR SALARIES AND OTHER REMUNERATION TO SENIOR EXECUTIVES

The Board proposes that the 2019 Annual General Meeting adopt the following guidelines for remuneration to senior executives. The category of 'senior executives' relates to the Group management, which comprises the CEO, CFO, Vice President Global Tax, Vice President

Governance, Risk & Compliance of the Parent Company, and Vice President Legal of the Group. If the Chairman of the Board of the Parent Company is employed by the Company, these guidelines will also cover that position. Remuneration is to be market-based and competitive, in order to attract and retain skilled senior executives. Remuneration is to consist of fixed salary, and where appropriate variable pay, and include pension entitlements and other benefits such as a company car.

Variable remuneration will be paid only when predetermined financial and non-financial targets, established by the Board, have been achieved. Variable remuneration varies depending on the extent to which the targets have been met or surpassed. If the financial targets are surpassed, the estimated cost of variable remuneration to the Group's senior executives is estimated to be a maximum of approximately SEK 11.5 million, including social security fees. Normal retirement age is to be 65 years. Pension terms are to be commensurate with the market and based on a defined-contribution scheme.

The period of notice should normally be six to twelve months if notice is given at the initiative of the Company, and six months if such notice is given at the initiative of the senior executive. If notice is given by the Company, it is to be possible for severance pay to be awarded in an amount equivalent to 12 months of salary. The Board may depart from the guidelines if there are particular grounds for doing so in individual cases.

SHARES AND OWNERSHIP STRUCTURE

The number of shares in the Company at the end of the year was 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 totalled 1,084 B shares and 6,077,508 C shares.

These shares are held by the Company and are not represented at the Annual General Meeting. The 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 year, the Company had 28,636 (40,009) shareholders. The three shareholders with the greatest proportion of voting power were Per Hamberg and companies with 3.7 percent of capital and 18.0 percent of outstanding votes, Danske Bank International S.A with 3.1 percent of capital and 13.3 percent of outstanding votes and the Knutsson family and companies with 4.9 percent of capital and 11.0 percent of outstanding votes.

AUTHORISATION OF THE BOARD

The Annual General Meeting of 15 May 2018 resolved to authorise the Board of Directors, during the period until the next general meeting of shareholders, on one or more 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 dilution of approximately 10 percent of the share capital and 5.1 percent of the voting rights. The 2018 Annual General Meeting further resolved to authorise the Board of Directors

to determine whether to acquire a number of shares such 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 2018 financial year.

The Board was further authorised to resolve on disposal 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 secure the supply of shares or in any event hedge the Company's expenses, including social security expenses, 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 to authorise the Board to 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 call 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 hedge expenses in connection with the programmes, including social security expenses. This mandate was not exercised during the 2018 financial year as the Company already had C shares for all outstanding options.

PROPOSED DIVIDEND

The Board proposes that the Annual General Meeting on 7 May 2019 resolve that SEK 3.89 (2.84) per share be distributed to the shareholders, provided that the number of shares remains unchanged up to the record date. This represents a transfer of funds to shareholders totalling SEK 538.4 (393.1) million. The Board proposes to the Annual General Meeting that the transfer to shareholders be executed through a share redemption programme. The Board's full proposal will be presented well in advance of the Annual General Meeting.

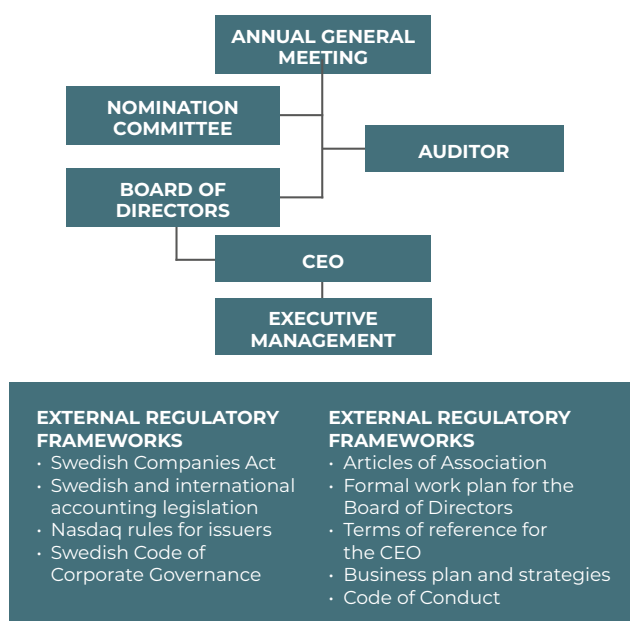
According to the dividend policy, it is the Board's aspiration that the dividend paid to shareholders should be up to 50 percent of the Group's profit after tax, provided that an appropriate capital structure can be maintained.

CORPORATE GOVERNANCE REPORT

GOOD GOVERNANCE AND CONTROL SUPPORTS SUSTAINABLE PROFITABLE BUSINESS

Betsson has more than 55 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, must be able to respond quickly, and consequently each employee must be given the space to act on their own initiative, within a set framework. Good government and control thereby improve the commercial conditions in which a company operates.

PATRICK SVENSK
CHAIRMAN OF THE BOARD



CORPORATE GOVERNANCE AT BETSSON

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 2018. The Company applies the Code in full, without deviation.

This Corporate Governance Report comprises part of the 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 responsibility for the organisation and management of the Company and its 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 Company's Articles of Association and the Board's instruments of internal control.

SHAREHOLDERS

Betsson has been a listed company since 1996 and has been listed on Nasdaq Stockholm since 2000. The Company's B shares are currently listed on the Nasdaq Stockholm Large Cap List (BETS), where they have been since 2001. At the end of the year, the Company had 28,636 (40,009) shareholders. The three shareholders with the greatest proportion of voting powers were Per Hamberg representing 3.7 percent of the capital and 18.0 percent of the outstanding votes, Danske Bank International S.A representing 2.9 percent of the capital and 13.3 percent of the outstanding votes, and the Knutsson family representing 4.9 percent of the capital and 11.0 percent of the outstanding votes.

ARTICLES OF ASSOCIATION

The Articles of Association establish the number of directors and auditors, and their responsibilities, the kind of business to be undertaken, and the means by which the shareholders exercise 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 cast at the Annual General Meeting. There are no specific provisions in the Company's Articles of Association regarding the appointment and dismissal of Board members.

The current Articles of Association, adopted by the Annual General Meeting of 12 May 2016, are available to view on the Company's website, 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 passes a resolution on the proposed dividend. It also elects directors and sets their fees and other remuneration. In certain instances, auditors are elected, and the Annual General Meeting decides on their fees. Furthermore, other statutory matters and other proposals from the Board and shareholders are considered, and resolutions are passed regarding guidelines for the remuneration of 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.

2018 ANNUAL GENERAL MEETING

The 2018 Annual General Meeting was held on 15 May 2018. The meeting was attended by shareholders, in person or by proxy, representing 63.2 percent of the voting rights and 37 percent of the capital. Patrick Svensk was elected Chairman of the Meeting.

Resolutions

The minutes of the AGM are available on Betsson's website. The resolutions passed by the Annual General Meeting were as follows:

- To establish an incentive programme that would essentially 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 programme should be 1,400,000 corresponding to a dilution effect of approximately 0.97 percent of the share capital and approximately 0.48 percent of the voting rights in the Company after dilution.
- To approve the Board's proposal to distribute a dividend representing SEK 2.84 per share for 2017, through an automatic redemption procedure.
- To re-elect Board members Fredrik Carlsson, Jan Nord, Patrick Svensk and Kicki Wallje-Lund.
- To elect Board members Tristan Sjöberg, Johan Lundberg and Mathias Hedlund. Martin Wattin had declined re-election as a Board member.

2019 ANNUAL GENERAL MEETING

The Betsson AB (publ) Annual General Meeting will be held on Tuesday 7 May 2019 at 13:00 at Bond, GT30, Grev Turegatan 30, Stockholm. For further information regarding the 2019 Annual General Meeting, please refer to the Company's website www.betssonab.com.

THE NOMINATION COMMITTEE

In accordance with the resolution adopted at the 2018 Annual General Meeting, the Chairman of the Board was assigned the task of convening the meetings of the Company's Nomination Committee and inviting 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 employees or members of the Board.

The Nomination Committee must prepare a list of proposed Board members, as well as proposals for the Chairman and auditors, and must also propose remuneration for Board members, steering committees and auditors. These proposals are to be submitted to the 2019 Annual General Meeting for resolution. The composition of the Nomination Committee was announced on 24 October in Betsson's Interim Report for the third quarter of 2018 and on the Company's website.

The Nomination Committee for the 2019 Annual General Meeting is comprised of:

- John Wattin, for Per Hamberg and companies, representing a total of 18.0 percent of the outstanding votes.
- Michael Knutsson, for the Knutsson family and companies, representing a total of 11.0 percent of the outstanding votes.
- Christoffer Lundström, for the Rolf Lundström family and companies, representing 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 per cent of the outstanding votes in the Company. An important source of information for the Nomination Committee's work is the annual 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 combination of skills and competence. This entails experience from executive positions in listed companies, expertise in the financial and gaming sectors or experience gained in international service companies.

The Nomination Committee makes further proposals, ahead of the Annual General Meeting, relating to fees and remuneration for all Board members.

The Nomination Committee's complete proposals and supporting information, to be presented to the 2019 Annual General Meeting, 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. "Nomination Committee" should be entered in the email subject line or on the envelope if a proposal is sent by post.

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 2018 Annual General Meeting, Kicki Wallje-Lund, Patrick Svensk and Jan Nord were re-elected as Board members. In addition, Tristan Sjöberg, Johan Lundberg and Mathias Hedlund were elected as Board members. Martin Wattin had declined re-election as a Board member. Patrick Svensk was re-elected as Chairman.

Tristan Sjöberg resigned from Betsson's Board of Directors on 10 October 2018.

The members of the Board are presented on pages 30–31.

Board members elected by AGM 2018	Patrick Svensk* Chairman of the Board Chairman remuneration committee	Fredrik Carlsson Board member Chairman audit committee	Mathias Hedlund Board member Member remuneration committee	Johan Lundberg Board member Member audit committee	Jan Nord Board member Member remuneration committee	Kicki Wallje-Lund** Board member Member audit committee	Tristan Sjöberg Board member until Oktober 2018
Board fees paid out 2018, Tkr	1,000	477	257	257	440	440	160
Committee fees paid out 2018, Tkr	38	65	38	33	38	33	
Independent in relation to the company	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Independent in relation to major shareholders	Yes	Yes	Yes	Yes	Yes	Yes	No
Shareholding (including companies and related parties)	10,000 B shares	7,300 B shares	-	2,000 B shares	-	2,850 B shares	
Presence Board meetings	10 of 10	10 of 10	6 of 6	6 of 6	10 of 10	9 of 10	4 of 4
Presence audit committee meetings	2 of 2	2 of 2	2 of 2	2 of 2		4 of 4	
Presence remuneration committee meetings	3 of 3				3 of 3	1 of 1	

* Audit committee up until AGM till årsmötet

** Remuneration committee up until AGM till årsmötet

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

The Board's independence

According to the definition in the Code, the number of Board members elected at the Annual General Meeting who are independent of the Company is six (100 percent) and the number of Board members elected at the Annual General Meeting who are independent of the Company's major shareholders is six (100 percent).

All members meet the requirements concerning professional experience. This composition means that Betsson's Board complies with the regulations of the Code, 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 2018, the Board held 10 (25) minuted meetings, of which one (one) was a statutory meeting and two (three) were per capsulam meetings. There had been a two (two) percent absence rate at Board meetings during the year.

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. During the year, the Board paid particular attention to strategic financial matters and issues concerning risk, internal control cost control.

Information provided to the Board of Directors

The work of the Board follows a specific plan to ensure that the Board receives all relevant information. The Company's auditors report their observations based on their audit of the financial statements and their assessment to the Board of the Company's internal procedures and controls. 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 rules for decision-making, instructions for its own work and that of the Remuneration Committee and the Audit Committee, and terms of reference for the CEO, with a view to achieving efficient management of operational risks. Refer to the section on "Significant risks and uncertainty factors" in the management report. The Board updates, as necessary, and adopts, annually, the formal work plan for the Board, terms of reference for the CEO, rules for decision-making and authorisation procedures.

The Audit Committee

The Audit Committee's responsibility is to ensure compliance with established principles for financial reporting and internal controls. In line with the rules of procedure adopted after the 2018 Annual General Meeting, the Audit Committee continues to comprise three members. The members of the Committee to May 2018 were Patrick Svensk, Kicki Wallje-Lund and Martin Wattin.

After the Annual General Meeting in May 2018, the Audit Committee consisted of Fredrik Carlsson (Chairman), Kicki Wallje-Lund and Johan Lundberg.

The Audit Committee is also responsible for supervising the monitoring and 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 financial 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 dealt with by the Board on a continual basis. The Group auditors and Group CFO report to the Audit Committee.

The Remuneration Committee

The Committee's members for the 2018 financial year were Mathias Hedlund, Patrick Svensk and Jan Nord. The Remuneration Committee held three meetings during the year where, among other issues, a proposal on a new incentive programme (share options) was considered. Patrick Svensk was Chairman of the Committee.

The main responsibility of the Remuneration Committee is to prepare Board decisions regarding remuneration guidelines, etc, for the CEO, evaluation of the variable remuneration for senior executives and evaluation of the application of remuneration guidelines and accruals for key employees as mandated at the AGM.

CEO AND GROUP MANAGEMENT

The CEO of Betsson AB and Group President is responsible for the 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 of the Parent Company and makes decisions in consultation with other senior executives. At the end of 2018, there were five senior executives, including two women.

The senior executives, presented on pages 32-33, 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, primarily subsidiaries conducting gaming-related activities, and the evaluation of potential acquisitions or divestments of business activities.

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 operational decisions for Betsson's gaming operations.

CEO instructions have been drawn up for each CEO in the wholly owned subsidiaries in conformity with the Group CEO's instructions.

Diversity

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

Evaluation of the Board and the CEO

The Board of Directors is evaluated annually through a web-based tool that is designed by an external party. The result of the evaluation is submitted to the Nomination Committee. On behalf of the Board, the CEO is evaluated annually. The evaluation is done by an external party and is carried out through interviews with the closest employees as well as the CEO of the largest operating subsidiary.

REMUNERATION

Remuneration for Board members and the guidelines for senior executives' remuneration are determined at the Annual General Meeting. Remuneration paid to the President of the Group is prepared by the Remuneration Committee and determined by the Board. 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 superior must approve any decisions regarding remuneration.

The following principles, adopted at the 2018 Annual General Meeting, apply to senior executives in the Group:

Remuneration is to be market-based and competitive, with a view to being 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 instances. Any variable remuneration which may be offered to senior executives will be decided based on meeting pre-determined Group-wide and individual objectives relating to the management of the Company and the Company's financial development, and will consider the personal development of the individual concerned. Current variable remuneration to senior executives is described in more detail in Note 9.

The Board may make decisions diverging from these guidelines in individual instances, where special circumstances apply.

AUDIT

The audit of the annual financial statements is carried out in the January–February period. The audit of the annual report takes place in the March–April period. A general audit is performed alongside the Company's interim reports for the third quarter. In addition, audits of internal procedures and control systems are performed on an ongoing basis during the year and reported to the Group CFO, Management Group and the Board. Further to the audit assignment, Betsson has engaged PricewaterhouseCoopers AB for consultation on VAT and tax issues, and for general accounting matters.

INTERNAL AUDIT

Betsson wishes to constantly improve its operations and makes every effort to do so. 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 the Company's and the Group's customer offerings. Betsson has commissioned Deloitte to conduct specific audit assignments, such as those that a separate internal audit department would normally perform.

As a complement to this, Betsson's operations are also checked by several independent parties. Since 1 January 2019 Betsson is licensed in twelve jurisdictions. In order to obtain and maintain licences, the Company's routines and procedures must meet certain quality standards. MGA (Malta Gaming Authority) 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 the 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 an ongoing basis, for taking appropriate steps to maintain good internal control. Each company function is responsible for executing internal checks within its relevant operational area, based on stated conditions. Reports are prepared on an ongoing basis in all areas.

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 internal checking of the financial reporting system. The Company's internal control structure is based, among other things, on

a clear allocation of responsibilities and work assignments, both between the Board and the CEO and on the operational front. 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 thus been made available and known to the staff concerned.

Risk assessment

The Company identifies, analyses and makes decisions regarding the management of the risk of misstatement in its financial reporting. The Board deals with the outcome of the Company's procedures for risk assessment and risk management in order to ensure that these cover all significant areas, and identifies, when appropriate, any action that needs to be taken.

The Company's largest operational risks relate to the rapidly evolving environment that characterises the gaming industry, including, for example, changes in legal systems, seasonality and currency fluctuations. Financial reporting can be affected by the risk of errors in allocating items to particular periods when settling accounts with partners and the risk of errors in the valuation of intangible assets.

Control measures

The Company uses risk assessments of both a preventive and a detection nature to prescribe annual control measures for ensuring that any errors are addressed. During the year, the Company mapped and assessed the most significant risks in its accounting practices as regards allocation of items to different 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 an overall level by, among other things, an information policy. Internal communication to and from the Board and management takes place via means such as 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 its internal control of financial reporting on a continuous basis 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 operational trends.

The financial situation is considered at each scheduled meeting of the Board. The Company's auditor participates in 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 areas of significant risk and assesses internal controls 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.

In 2018, 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 AND AUDITOR



PATRICK SVENSK

CHAIRMAN OF THE BOARD

- Born 1966, residence Stockholm, Sweden.
- Board member since 2005.
- Chairman of the remuneration committee.
- CEO and President, Bright Group.

OTHER ASSIGNMENTS:

Chairman of the Board in Squid (Njuice AB), Board member in Svensk Media Group and Patos Konsult.

RELEVANT BACKGROUND:

Long experience from leading positions in listed companies, including SVP at MTG as well as CEO and President at MTG Studios/Nice Entertainment Group, Zodiak Television, Kanal 5 and TV3 Sverige.

EDUCATION:

MBA, Stockholm School of Economics.

Independent in relation to the company.

SHAREHOLDING: 10,000 B shares.



FREDRIK CARLSSON

BOARD MEMBER

- Born 1970, residence Gothenburg, Sweden.
- Board member since 2017.
- Chairman of the audit committee.
- CEO of Sönera Carlsson Family Office AB.

OTHER ASSIGNMENTS:

Chairman of the Board in Sten A. Olsson's Pension Foundation, Svolder AB and Solid Försäkringsaktiebolag, Board member in Resurs Holding AB and Novobis AB.

RELEVANT BACKGROUND:

Long experience from leading positions in international and Swedish companies, including Head of Research at SEB, Head of Equities 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.

EDUCATION:

MBA, Gothenburg School of Economics and MBA, Nijenrode University in the Netherlands.

Independent in relation to the company.

SHAREHOLDING: 7,300 B share (including holdings via companies and related parties).



MATHIAS HEDLUND

BOARD MEMBER

- Born 1970, residence Stockholm, Sweden.
- Board member since 2018.
- Member of the remuneration committee.
- CEO at Etraveli Group.

OTHER ASSIGNMENTS:

Chairman of the Board in Euroflorist.

RELEVANT BACKGROUND:

Long experience from leading positions in international and fast-growing online companies in several market segments, such as operative manager at Klarna, vice CEO at Eniro and business area manager online and Casino Cosmopol at Svenska Spel.

EDUCATION:

MBA, Stockholm University.

Independent in relation to the company

SHAREHOLDING: 0.



JOHAN LUNDBERG

BOARD MEMBER

- Born 1977, residence Stockholm, Sweden
- Board member since 2018.
- Member of the audit committee.

OTHER ASSIGNMENTS:

Board member in Ölands Bank and NFT Ventures AB as well as associated companies in the NFT Ventures sphere.

RELEVANT BACKGROUND:

Founding partner i NFT Ventures, one of Europe's leading FinTech investors, leading positions in MasterCard among others.

EDUCATION:

Masters from Stockholms University and MBA, Stockholm School of Economics.

Independent in relation to the company.

SHAREHOLDING: 2,000 B shares.



JAN NORD

BOARD MEMBER

- Born 1955, residence Lidingö, Sweden.
- Board member since 2015.
- Member of the remuneration committee.

OTHER ASSIGNMENTS:

Board member in Svenska Brassierier AB.

RELEVANT BACKGROUND:

Creative Director with focus on brand strategy. Long international experience as Creative Director at H&M and Esprit over the past fifteen years. Previously Head of Nord & Co ad agency.

EDUCATION:

Graduate from Stockholm University.

Independent in relation to the company.

SHAREHOLDING: 0.



KICKI WALLJE-LUND

BOARD MEMBER

- Born 1953, residence Nyköping, Sweden.
- Board member since 2006.
- Member of the audit committee.

OTHER ASSIGNMENTS:

Chairman of the Board in THQ Nordic AB, Board member in C-RAD AB and Wellnet AB.

RELEVANT BACKGROUND:

Long experience from business and operational development in various international companies, primarily within bank and finance. Kicki has held leading positions at NCR, Digital Equipment, AT&T, Philips, ICL and Unisys.

Independent in relation to the company.

SHAREHOLDING: 2,850 B shares.



NIKLAS RENSTRÖM

AUTHORISED PUBLIC ACCOUNTANT PRICEWATERHOUSECOOPERS AB

- Senior Auditor since 2015.
- Born 1974, residence Saltsjö-Boo, Sweden.

SENIOR EXECUTIVES



PONTUS LINDWALL

CEO BETSSON AB AND PRESIDENT

- Born 1965, residence Stockholm, Sweden.
- Employed in the Group since 1991. Board member 2011-2018. Chairman of the Board 2011-2015 and 2016 to September 2017.
- Previously CEO and President 1998-2011 and July 2015 to February 2016.

OTHER ASSIGNMENTS

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

BACKGROUND:

Long experience from the gaming industry, both offline and online gaming, such as founder of Net Entertainment and CEO and President of Cherryföretagen.

EDUCATION:

Master of Science, Engineering, from the Royal Institute of Technology (KTH), Stockholm.

SHAREHOLDING: 30,000 A shares, 1,000,000 B shares and 110,000 warrants.



AMANDUS JABIN

VICE PRESIDENT GLOBAL TAX, BETSSON AB

- Born 1977, residence Gävle, Sweden.
- Employed in the Betsson Group since 2012.

BACKGROUND:

More than 13 years' of experience within international tax and legal, before joining Betsson as a consultant at PWC. He has also held various specialist and management positions at the Swedish Tax Agency.

EDUCATION:

Law and management at Uppsala University and Adelaide University, Australia.

SHAREHOLDING: 129,000 warrants.



FREDRIC LUNDÉN

VICE PRESIDENT GOVERNANCE, RISK & COMPLIANCE, BETSSON AB

- Born 1968, residence Stockholm, Sweden.
- Employed in the Betsson Group since 2017.

BACKGROUND:

Several 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 Svea Hovrätt.

EDUCATION:

MSc Laws (LLM) from the University of Stockholm. Judge of Appella at Svea Hovrätt.

SHAREHOLDING: 35,000 warrants.



KRISTIAN SALIBA

ACTING CFO

- Born 1979, residence Malta.
- Employed in the Group since 2008.

BACKGROUND:

7 years of experience from PwC Malta in several audit assignments within various industries in Malta, Italy and the US.

EDUCATION:

Bachelor Degrees with honors in Accountancy from University of Malta.

SHAREHOLDING: 11, 076 B shares and 195,000 share options.



TRIIN TOOMEMETS-KRASNITSKI

VICE PRESIDENT LEGAL

- Born 1977, residence Tallinn, Estonia.
- Employed in the Group since 2012.

BACKGROUND:

General Counsel at Nordic Gaming Group, which was acquired by Betsson in 2012. Before that she worked as an attorney at the law firm Sorainen.

EDUCATION:

Bachelor's degree in Law from the University of Tartu and an LL.M in International Business Law from the Central European University.

SHAREHOLDING: 2,000 B shares and 64,000 share options.

THE SHARE AND SHAREHOLDERS

SHARE STRUCTURE

At 2018 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 are held by the Company and do not carry any voting rights. The shares have equal access to Betsson's assets and profit.

REPURCHASED SHARES

At year-end, 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 the period between 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 15 May 2018 passed a resolution on an automatic share redemption programme. As a result of the redemption programme, SEK 391.1 (658.9) million, or SEK 2.84 (4.76) per share, were distributed to the Company's shareholders.

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

At the end of 2018 Betsson had 28,636 (40,009) shareholders. Foreign share ownership amounted to 49 (33) percent of the share capital and 37 (29) percent of the votes.

SHARE LIQUIDITY

A total of 244.8 (233.8) million shares changed hands during 2018, which is the equivalent of 200 (191) percent of the average number of outstanding B shares. Shares were traded on all 250 trading days and the average daily turnover during the year amounted to 979,304 (approximately 932,000).

SHARE PRICE TREND AND TURNOVER

In 2018 the share price went up by 21 percent. The share price (last paid) on closing day was SEK 73.00 (60.50), which represented a market value of SEK 10.1 (8.4) billion. The share reached a high for 2018 of SEK 82.47 (91.95) on 5 November, while the low for the year was SEK 51.61 (57.70) on 5 July. The average share price during the year was SEK 65.85 (73.60). Total turnover of shares during the year was SEK 16.1 (17.2) billion, which is equal to a daily average turnover of SEK 64.5 (68.6) million.

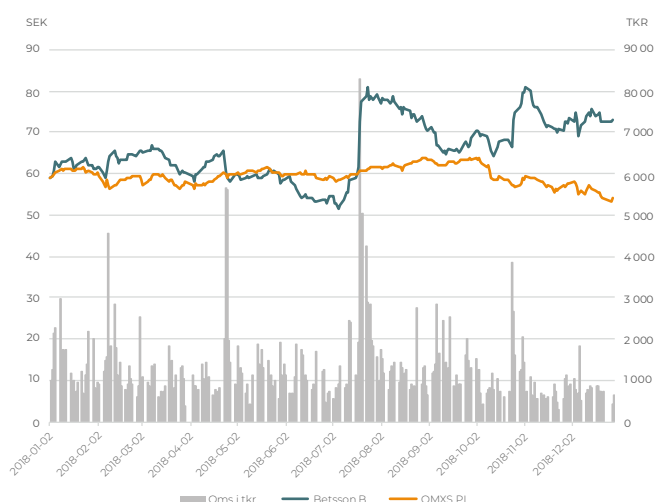
DIVIDEND POLICY AND PROPOSED DIVIDEND

The Board of Directors proposes to the Annual General Meeting (AGM) that SEK 538.4 (393.1) million, which corresponds to SEK 3.89 (2.84) per share, is distributed to shareholders through an automatic redemption process. This is in line with the dividend policy decided in March 2017.

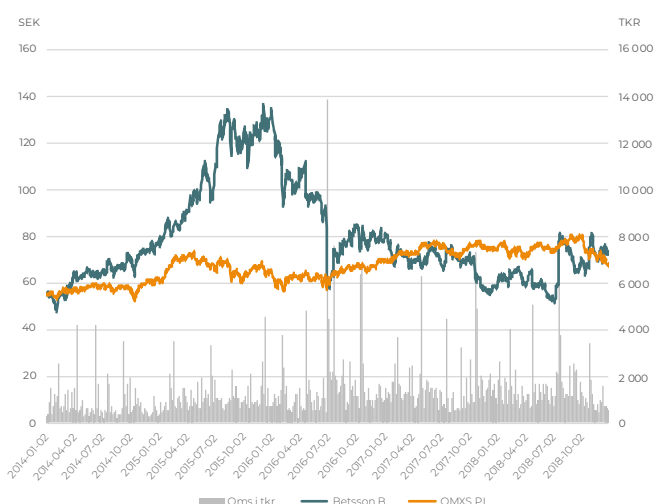
The Board's ambition for the ordinary dividend to shareholders is to distribute up to 50 percent of net earnings provided that this enables an appropriate capital structure to be maintained.

The distribution may be done via a cash transfer, an automatic redemption process or via the repurchase of own shares. The Board's full proposal will be presented well in advance of the Annual General Meeting.

SHARE PRICE DEVELOPMENT 2018



SHARE PRICE DEVELOPMENT 2014-2018



ANALYSTS COVERING BETSSON

ABG

Erik Moberg

Berenberg

Roberta Ciacchia

Carnegie

Mikael Laséen

DNB

Martin Arnell

Handelsbanken

Rasmus Engberg

Nordea

Christian Hellman

Pareto Securities

Lars-Ola Hellström

SEB

Mathias Lundberg

MAJOR SHAREHOLDERS AT 31 DECEMBER 2018

	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	499,000	2.9%	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%
State Street Bank & Trust Co.		10,232,108	7.1%	3.6%
Swedbank Robur Funds		8,541,479	5.9%	3.0%
DNB Technology		7,083,935	4.9%	2.5%
SEB Investment Management		6,686,067	4.6%	2.3%
Svenska Handelsbanken for PB	450,000	56,300	0.4%	1.6%
Other shareholders	30,000	82,460,357	57.1%	29.1%
External shareholders	16,260,000	122,154,646	95.8%	100.0%
Betsson AB (of which C shares 6,077,508)		6,078,592	4.2%	0.0%
Total	16,260,000	128,233,238	100.0%	100.0%

SHARE CAPITAL COMPOSITION AT 31 DECEMBER 2018

Shares	Number of shares	Number of votes	Quota value	SEK
Shares, series A – 10 votes per share	16,260,000	162,600,000	0.67	10,840,000
Shares, series B – 1 vote per share	122,155,730	122,155,730	0.67	81,437,153
Shares, series C – 0 vote per share	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 AT 31 DECEMBER 2018

Number of shares	Number of shareholders	Proportion of total number of shareholders	Number of shares	Proportion of total number of shares (%)	Share of voting rights
1–500	21,215	74.1%	2,739,585	1.9%	0.9%
501–1,000	3,250	11.3%	2,529,970	1.8%	0.9%
1,001–2,000	1,944	6.8%	2,968,437	2.1%	1.0%
2,001–5,000	1,399	4.7%	4,333,245	3.0%	1.5%
5,001–10,000	411	1.4%	3,021,718	2.1%	1.0%
10,001–20,000	175	0.6%	2,523,309	1.7%	0.9%
20,001–50,000	113	0.4%	3,558,977	2.5%	1.2%
50,001–100,000	66	0.2%	4,668,021	3.2%	1.6%
100,001–500,000	77	0.3%	19,985,224	13.8%	6.9%
500,001–1,000,000	15	0.1%	9,565,253	6.6%	4.7%
1,000,001–	31	0.1%	88,599,499	61.3%	79.4%
Total	28,636	100%	144,493,238	100.0%	100%

FIVE-YEAR SUMMARY

Amounts in SEK million unless otherwise stated

	2018	2017	2016	2015	2014
Income Statement					
Revenues	5,419.8	4,716.5	4,117.3	3,722.0	3,035.1
Gross profit	3,859.9	3,419.4	3,078.0	2,675.6	2,231.3
Operating income	1,193.7	882.2	946.4	886.4	821.2
Profit/loss before tax	1,152.4	842.9	936.0	883.0	814.8
Income after tax	1,078.1	786.5	878.0	831.7	770.7
Balance Sheet					
Intangible fixed assets	5,164.5	4,943.4	4,627.5	3,980.3	3,402.2
Property, plant and equipment	95.5	97.7	85.9	57.0	50.9
Financial fixed assets	1.4	11.8	12.6	16.9	25.1
Deferred tax receivables	57.1	43.8	34.9	21.2	29.3
Current receivables	1,664.1	1,241.9	1,057.4	1,126.9	1,027.0
Cash and cash equivalents	488.7	479.5	444.3	524.9	478.1
Total assets	7,471.2	6,817.9	6,262.5	5,727.4	5,012.6
Shareholders' Equity	4,589.3	3,666.9	3,502.9	3,153.7	3,073.8
Provisions	74.6	42.2	21.0	115.8	5.4
Interest-bearing non-current liabilities	93.5	993.9	1,325.6	505.2	523.4
Current liabilities	2,713.8	2,114.9	1,413.0	1,952.7	1,410.1
Total equity and liabilities	7,471.2	6,817.9	6,262.5	5,727.4	5,012.6
Cash Flow					
Cash flow from operating activities	1,273.3	946.7	1,168.5	1,154.5	868.3
Cash flow from investing activities	-295.6	-524.0	-648.9	-620.5	-496.6
Cash flow from financing activities	-989.1	-389.7	-616.9	-469.2	-479.3
Total cash flow for continuing operations	-11.4	32.9	-97.4	64.7	-107.6
Revenues per product					
Casino	4,077.5	3,437.9	2,907.8	2,543.6	2,094.9
Sportbook	1,244.0	1,140.3	1,080.4	1,012.7	778.9
Other	98.3	138.2	129.1	165.8	161.2
Total	5,419.8	4,716.5	4,117.3	3,722.0	3,035.1
Revenues per region					
Nordic countries	2,517.5	2,258.1	2,013.8	1,801.8	1,731.8
Western Europe	1,734.7	1,350.7	926.2	851.7	563.6
Central and Eastern Europe and Central Asia	940.4	943.5	1,073.1	990.5	684.3
ROW	227.2	164.1	104.2	78.0	55.4
Total	5,419.8	4,716.5	4,117.2	3,722.1	3,035.1

	2018	2017	2016	2015	2014
Number of customers					
Number of registered customers (thousands)	14,010.0	12,993.0	10,101.0	9,022.2	7,732.4
Number of active customers (thousands)	668.7	615.5	573.3	526.3	390.7
Profitability and financial position					
Gross margin	71.2%	72.5%	74.8%	71.9%	73.5%
EBITDA margin	27.8%	24.4%	28.1%	28.1%	31.3%
Operating margin	22.0%	18.7%	23.0%	23.8%	27.1%
Profit margin	21.3%	17.9%	22.7%	23.7%	26.8%
Return on equity	26.1%	21.9%	26.4%	26.7%	30.2%
Equity/assets ratio	61.4%	53.8%	55.9%	55.1%	61.3%
Deposited amounts					
Customer deposits, all gaming solutions	18,726.0	16,308.0	14,457.6	12,999.2	10,540.3
Investments					
Investments	294.2	282.9	316.7	235.1	156.3
Personnel					
Average number of employees	1,602	1,870	1,661	1,584	850
Number of employees at year-end	1,547	1,873	1,821	1,639	870
The share					
Share capital	96.3	96.3	96.3	95.4	93.1
Number of shares outstanding at year-end	138,414,646	138,414,646	138,414,646	138,414,557	138,052,302
Number of own shares at year-end	6,078,592	6,078,592	6,078,592	4,694,524	1,566,279
Number of shares at year-end	144,493,238	144,493,238	144,493,238	143,109,081	139,618,581
Average number of shares outstanding	138,414,646	138,414,646	138,414,571	138,239,023	136,698,507
Average number of shares outstanding after dilution	138,414,646	138,414,646	138,414,571	138,239,023	136,779,423
Number of shareholders	28,636	40,009	41,056	35,156	21,443
Average share price (SEK)	65.86	73.60	93.80	127.59	77.15
Share price at year-end (SEK)	73.00	60.50	87.90	155.50	91.67
Market capitalisation at year-end	10,104.3	8,374.1	12,166.6	21,523.5	12,654.8
Earnings per share for continuing operations (SEK)	7.79	5.68	6.34	6.02	5.64
Earnings per share after dilution (SEK)	7.79	5.68	6.34	6.02	5.63
Equity per share (SEK)	33.16	26.49	25.31	22.78	22.27
Dividend or equivalent per share (SEK)	3.89	2.84	4.76	4.51	3.98
Dividend amount	538.4	393.1	658.9	624.3	549.7

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand

	Note	2018	2017
Revenues	3, 4, 8	5,419,824	4,716,458
Total		5,419,824	4,716,458
Costs of services provided	5	-1,559,845	-1,297,069
Gross profit		3,859,979	3,419,389
Operating expenses			
Work performed by the Company for its own use and capitalised		201,538	214,073
Marketing expenses		-994,504	-969,571
Personnel costs	9	-813,946	-786,397
Other external expenses	6, 7	-741,047	-719,432
Depreciation	10	-311,352	-267,586
Other operating income/expenses	11	-6,891	-8,283
Total operating expenses		-2,666,202	-2,537,194
Operating income		1,193,777	882,195
Net financial items	12, 13		
Financial income		2,839	2,437
Financial expenses		-44,234	-41,700
Total net financial items		-41,395	-39,263
Profit/loss before tax		1,152,382	842,932
Tax	16	-74,327	-56,460
Profit/loss for the year		1,078,055	786,472
Of which attributable to:			
- shareholders in the parent company		1,078,055	786,472
Earnings per share in continuing operations			
- before dilution (SEK)	14	7.79	5.68
- after dilution (SEK)	14	7.79	5.68
Proposed/paid dividend per share (SEK)	15	3.89	2.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand

	Note	2018	2017
Net income for the year		1,078,055	786,472
Other comprehensive income			
Items that can subsequently be reversed in the income statement:			
Hedging of net investments in foreign currency		-6,858	-14,744
Deferred tax on hedging of net investments in foreign currency	16	1,508	3,244
Exchange rate differences on translation of foreign operations		239,628	44,369
Other comprehensive income for the year (after tax)		234,278	32,869
Total comprehensive income for the year		1,312,333	819,341

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand

	Note	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	17	5,164,469	4,943,372
Property, plant and equipment	18	95,486	97,663
Financial fixed assets	22	1,357	9,178
Other longterm receivables	21	1,122	2,589
Deferred tax assets	16	57,059	43,803
Total fixed assets		5,319,493	5,096,605
Current assets			
Tax assets	16	581,512	444,764
Other receivables	23	990,748	662,670
Prepaid expenses and accrued income	24	90,674	134,439
Cash and cash equivalents	25	488,747	479,451
Total current assets		2,151,681	1,721,324
TOTAL ASSETS		7,471,174	6,817,929
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	26	96,329	96,329
Other contributed capital		1,438,315	1,437,845
Reserves		383,490	149,212
Retained earnings including net income for the year		2,671,126	1,983,531
Total shareholders' equity attributable to Parent Company shareholders		4,589,259	3,666,916
Provisions		32,658	12,894
Deferred tax liabilities	16	41,925	29,259
Total provisions		74,583	42,153
Non-current liabilities			
Bond loan	27	-	993,940
Non-current liabilities to credit institutions	27	93,505	-
Total		93,505	993,940
Current liabilities			
Bond loan	27	997,102	-
Liabilities to credit institutions	27	-	663,930
Accounts payable		111,404	174,811
Tax liabilities	16	687,611	513,767
Other liabilities	28	521,103	481,033
Accrued expenses and deferred income	29	396,607	281,378
Total current liabilities		2,713,827	2,114,920
TOTAL EQUITY AND LIABILITIES		7,471,174	6,817,929

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousand

	Note	2018	2017
Operating activities			
Income after financial items		1,152,382	842,932
Adjustments for items not included in cash flow			
- Depreciation	10	311,352	267,586
- Share of shareholders' equity and share of profit in associated company		8,172	2,988
- Share-based remuneration		2,850	3,467
- Unrealised currency effects		-3,672	412
Paid company tax		-43,479	-58,481
Cash flow from operating activities before changes in working capital		1,427,605	1,058,903
Changes in working capital			
Changes in current receivables		-288,977	-176,091
Changes in current liabilities		134,706	63,843
Cash flow from operating activities		1,273,334	946,655
Investing activities			
Acquisition of intangible fixed assets	17	-239,960	-232,144
Acquisition of property, plant and equipment	18	-55,630	-50,796
Acquisition of shares in subsidiary companies	8	-60	-323,021
Acquired cash and cash equivalents	8, 19	-	81,912
Cash flow from investing activities		-295,650	-524,049
Financing activities			
Share redemption programme	15	-393,098	-658,854
Raised bank loans	27	313,181	333,648
Repayment of bank loans	27	-890,594	-
Additional purchase consideration	28	-20,300	-61,918
Paid deposits		1,467	-2,589
Premiums received for issued warrants		470	320
Cash paid upon redemption of warrants and employee stock options		-212	-291
Cash flow from financing activities		-989,086	-389,685
Change in cash and cash equivalents		-11,402	32,921
Cash and cash equivalents at the beginning of the year		479,450	444,270
Exchange rate differences in cash and cash equivalents		20,699	2,259
Cash and cash equivalents at year-end		488,747	479,450
Additional information			
Unutilised credit facilities amounted to	27	786,495	426,255
Interest paid during the year amounted to		-40,708	-37,881
Interest received during the year amounted to		2,839	2,258

CHANGES IN EQUITY FOR THE GROUP

Amounts in SEK thousand

	Share capital	Other contributed capital	Translation reserve	Retained earnings including net income for the year	Total equity
Opening balance Shareholders' equity, 1 Jan 2017	96,329	1,437,525	116,344	1,852,737	3,502,934
Comprehensive income 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
Closing balance Shareholders' equity, 31 Dec 2017	96,329	1,437,845	149,212	1,983,531	3,666,916
Opening balance Shareholders' equity, 1 Jan 2018	96,329	1,437,845	149,212	1,983,531	3,666,916
Comprehensive income 2018					
Profit/loss for the year				1,078,055	1,078,055
Hedging of net investments in foreign currency			-5,350		-5,350
Exchange rate differences on translation of foreign operations			239,628		239,628
Total comprehensive income for the period			234,278	1,078,055	1,312,333
Transactions with the Company's owners 2018					
Share redemption	-48,165			-344,933	-393,098
Bonus issue	48,165			-48,165	0
Warrants, value of employee services				2,850	2,850
Redemption of employee stock options and warrants				-212	-212
Premiums received for warrants		470			470
Closing balance Shareholders' equity, 31 Dec 2018	96,329	1,438,315	383,490	2,671,126	4,589,259

PARENT COMPANY INCOME STATEMENTS

Amounts in SEK thousand

	Note	2018	2017
Revenues	3	27,949	29,930
Total		27,949	29,930
Operating expenses			
Personnel costs	9	-37,688	-32,033
Other external expenses	6,7	-35,204	-38,943
Depreciation	10	-591	-659
Other operating income/expenses	11	2,574	-287
Total operating expenses		-70,909	-71,921
Operating income		-42,960	-41,991
Financial items	13		
Income from participations in Group companies		1,161,332	1,054,538
Profit/loss from interests in Group companies, Group contributions		47,842	45,791
Interest income and similar profit/loss items		2	36
Interest expenses and similar profit/loss items		-62,320	-59,513
Total net financial items		1,146,856	1,040,853
Result after financial items		1,103,896	998,862
Profit/loss before tax		1,103,896	998,862
Tax	16	0	0
Profit/loss for the year		1,103,896	998,862
Proposed/paid dividend per share, SEK	15	3.89	2.84

PARENT COMPANY BALANCE SHEETS

Amounts in SEK thousand

	Note	2018	2017
ASSETS			
Fixed assets			
Property, plant and equipment			
Equipment	18	1,151	2,056
Total tangible fixed assets		1,151	2,056
Financial fixed assets			
Participations in Group companies	19, 20	5,023,946	4,955,946
Deferred tax receivables	16	11,660	11,660
Total financial fixed assets		5,035,606	4,967,606
Total fixed assets		5,036,757	4,969,662
Current assets			
Current receivables			
Receivables from Group companies		894,150	805,698
Tax assets	16	849	849
Other receivables	23	1,419	274
Prepaid expenses and accrued income	24	5,591	2,949
Total current receivables		902,009	809,771
Cash and bank balances	25	188,312	145,191
Total current assets		1,090,321	954,961
TOTAL ASSETS		6,127,078	5,924,623

	Note	2018	2017
EQUITY AND LIABILITIES			
Shareholders' Equity			
Restricted equity			
Share capital	26	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		2,153,296	1,547,274
Profit/loss for the year		1,103,896	998,862
Total non-restricted equity		4,449,600	3,738,544
Total equity		4,799,208	4,088,152
Non-current liabilities			
Bond loan	27	–	993,940
Liabilities to credit institutions	27	91,616	–
Total non-current liabilities		91,616	993,940
Current liabilities			
Bond loan	27	997,102	–
Liabilities to credit institutions	27	–	647,295
Accounts payable		2,541	3,440
Liabilities to Group companies		211,219	151,275
Other liabilities	28	11,500	29,995
Accrued expenses and deferred income	29	13,892	10,525
Total current liabilities		1,236,254	842,531
TOTAL EQUITY AND LIABILITIES		6,127,078	5,924,623

PARENT COMPANY CASH FLOW STATEMENTS

Amounts in SEK thousand

	Note	2018	2017
Operating activities			
Income after financial items		1,103,896	998,862
Adjustments for items not included in cash flow			
- Depreciation	10	591	659
- Exchange differences and other		3,162	3,162
Cash flow from operating activities before changes in working capital		1,107,649	1,002,682
Changes in working capital			
Changes in current receivables		-92,139	-237,690
Changes in current liabilities		18,164	-947
Cash flow from operating activities		1,033,674	764,046
Investing activities			
Acquisition of property, plant and equipment		-	-72
Acquisitions of shares and participations, subsidiaries	19, 20	-	-302,233
Paid shareholder contributions	20	-	-2,183
Cash flow from investing activities		-	-304,489
Financing activities			
Share redemption	15	-393,098	-658,854
Premiums received for issued warrants		470	1,045
Cash paid upon redemption of warrants and employee stock options		-212	-291
Raised bank loans	27	313,181	333,649
Repaid bank loans	27	-890,594	-
Repaid additional purchase consideration	28	-20,300	-35,222
Cash flow from financing activities		-990,553	-359,673
Change in cash and cash equivalents		43,121	99,884
Cash and cash equivalents at the beginning of the year		145,191	45,307
Cash and cash equivalents at year-end		188,312	145,191
Additional information			
Unutilised credit facilities amounted to		786,495	425,800
Interest paid during the year amounted to		-37,411	-37,604
Interest received during the year amounted to		2	36

CHANGES IN EQUITY FOR THE PARENT COMPANY

Amounts in SEK thousand

	RESTRICTED QUITTY		NON-RESTRICTED QUITTY			
	Share capital	Statutory reserve fund	Share premium reserve	Retained earnings	Profit for the year	Total equity
Shareholders' equity, 1 Jan 2017	96,329	253,279	1,192,408	1,286,109	919,264	3,747,388
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 Incentive 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
Shareholders' equity, 31 Dec 2017	96,329	253,279	1,192 408	1,547,274	998,862	4,088,151
Appropriation according to AGM				998,862	-998,862	0
- Share redemption	-48,165			-344,933		-393,098
- Bonus issue	48,165			-48,165		0
Payment Incentive 2018				470		470
Redemption of employee stock options and warrants				-212		-212
Group contributions					47,842	47,842
Profit/loss for the year, excl, Group contributions					1,056,055	1,056,055
Shareholders' equity, 31 Dec 2018	96,329	253,279	1,192,408	2,153,296	1,103,896	4,799,208

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 10 April, 2019. All amounts stated in these Notes are in SEK thousand, unless stated otherwise.

NOTE 2. SUMMARY OF IMPORTANT ACCOUNTING AND VALUATION PRINCIPLES

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

Basis of preparation

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

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

New standards, amendments and interpretations

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 17.

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 and 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 2018, Alecta's surplus in the form of the collective funding ratio amounted to 142 percent (154 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, 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.

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 the integration 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 accumulated 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 year
Capitalised development expenditure for games, gaming systems and gaming platforms	max 3 years
Office equipment and fittings 5-7 years	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 reserve.

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	
	2018	2017	2018	2017
- Gaming operations	5,093,522	4,282,927		
- Licencing revenues	326,302	433,531		
- Consultancy, management			12,059	14,863
- Rental fees and office services			15,890	15,068
Total	5,419,824	4,716,458	27,949	29,930

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 6 (9) percent of total revenues. Of the Company's non-current assets, 0.9 (0.5) percent are attributable to Sweden.

GROUP	2018	2017
Revenues per product, SEK million		
Casino	4,077.5	3,437.9
Sportbook	1,244.0	1,140.3
Other products	98.3	138.2
Total	5,419.8	4,716.5
Revenues per region, SEK million		
Nordic countries	2,517.5	2,258.1
Western Europe	1,734.7	1,350.7
Central & Eastern Europe and Central Asia	940.4	943.5
Other	227.2	164.1
Total	5,419.8	4,716.5

NOTE 5. COSTS OF SERVICES PROVIDED

SEK million	GROUP	
	2018	2017
Licence fees	508	434
Betting duties	262	205
Affiliates and partners commission	436	364
Other cost of services provided	354	294
Total	1,560	1,297

NOTE 6. LEASING

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

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Expensed leasing and rental fees	64,373	43,058	12,093	9,860

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

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
- within one year	54,472	44,400	11,121	10,534
- within two to five years	85,969	58,711	13,901	24,900
- after five years	8,906	-	-	-
Total	149,347	103,111	25,022	35,434

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	
	2018	2017	2018	2017
Audit assignment				
PricewaterhouseCoopers	*5,234	*3,303	1,620	857
Other auditing firms	130	523		
Audit activities other than the audit assignment				
PricewaterhouseCoopers		**110		110
Other auditing firms				
Tax advisory services				
PricewaterhouseCoopers	265	1,442	31	1,228
Other auditing firms	218			
Valuation services				
PricewaterhouseCoopers				
Other auditing firms				
Other services				
PricewaterhouseCoopers	1,206	2,561	687	2,422
Other auditing firms	547	1,081	251	901
Total	7,600	9,020	2,589	5,518

Other services primarily concern acquisition related services.

* Of wich SEK 1,620 (857) thousand refers to PwC Sweden

** Of wich SEK 110 thousand refers to PwC Sweden

NOTE 8. BUSINESS COMBINATIONS

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. The purchase price was GBP 26.4 million. There is no additional purchase considerations outstanding from these 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. The acquired customer bases have been valued at SEK 9.9 million and the ongoing amortisation of this item is charged to the Group's income over a period of two years. This amortisation is not 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. The purchase price allocation is final.

No acquisitions have been done in 2018.

	Megaplex	Netplay	Total
Purchase price, SEK million	29.1	294.0	323.0
Reported amount of identified 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	0.0	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 9. EMPLOYEES, SALARIES AND FEES

	2018		2017	
	Total	of whom women	Total	of whom women
Parent company				
Sweden	14	51%	15	53%
Total Parent company	14	51%	15	53%
Subsidiaries				
Sweden	98	16%	104	14%
Denmark	1	0%	2	0%
Gibraltar	4	21%	5	20%
Hungary	30	15%	11	18%
China	2	100%	2	100%
Estonia	58	33%	56	39%
Latvia	2	0%	0	0%
Lithuania	68	98%	81	88%
UK	54	31%	77	34%
Malta	929	33%	1,084	34%
Georgia	342	62%	430	59%
Total subsidiary companies	1,588	41%	1,852	41%
Group totalt	1,602	41%	1,867	41%

Proportion of women in Executive Management

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Board of Directors	25%	25%	17%	17%
Other senior executives	33%	57%	40%	67%

Salaries, other remuneration
and social security contributions

	2018				2017			
	Salaries and remuneration	Of which CEO, Board and senior executives	Social security contributions	Of which pension costs	Salaries and remuneration	Of which CEO, Board and senior executives	Social security contributions	Of which pension costs
Parent company	25,620	20,537	13,280	5,006	22,056	15,144	11,706	4,633
Subsidiaries	653,815	10,109	77,184	7,932	640,393	11,954	75,474	9,263
Total Group	679,435	30,646	90,464	12,938	662,449	27,098	87,180	13,896

Remuneration and other benefits to the management during the year

	2018				2017			
	Basic salary/fee/benefit	Variable remuneration	Pension costs	Share-based remuneration	Basic salary/fee/benefit	Variable remuneration	Pension costs	Share-based remuneration
Pontus Lindwall	5,475	1,938	2,318		5,500	152	2,212	
Patrick Svensk	1,039				597			
Kicki Wallje Lund	473				604			
Lars Linder-Aronson until May 17	0				175			
Martin Wattin until May 18	183				492			
Jan Nord	478				484			
Fredrik Carlsson from August 17	542				220			
Mathias Hedlund from May 18	295							
Johan Lundberg from May 18	289							
Tristan Sjögren from May 18 until October 18	160							
Total Board fees including Chairman's fees, parent company	8,934	1,938	2,318		8,072	152	2,212	
Board fees, foreign subsidiaries	624				986			
Ulrik Bengtsson					8,289	481	90	319
Jesper Svensson from September 17	3,077	3,467		65	832	26		65
Other subsidiaries*	10,341	2,324	2,475	18	6,991	866	1,345	
Total	14,042	5,791	2,475	83	17,098	1,373	1,435	403

*) Including severance pay and termination pay of SEK 420 thousand.

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, Pontus Lindwall, receives salary, company car benefits and bonus in accordance with the guidelines decided at the Annual General Meeting. For current executive managers please see pages 32-33. Basic salaries stated above include, where applicable, 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 to 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 2018

The category 'senior executive' relates to Group Management, which comprises the CEO, CFO, Vice President Governance, Risk and Compliance, the Group's Head of Legal Affairs and Vice President Head of Tax. 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 comprise fixed salary, 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 10.4 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 normally is 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 is entitled to 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 2018 amounted to SEK 1,938.1 thousand (152.0), this was 36 (3) percent of the basic salary.

Other senior executives received bonuses for 2018 at an amount of SEK 5.790,8 (1.239,0) thousand, an average of 45 (16) 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 10. DEPRECIATION

Depreciation/amortisation specified according to category of fixed asset:

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Gaming products, systems and platforms	250,729	205,546		
Customer databases	14,507	24,321		
Inventories, IT equipment, fixed installations, etc.	46,116	37,719	591	659
Total	311,352	267,586	591	659

NOTE 11. OTHER OPERATING INCOME AND OPERATING EXPENSES

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Capital result on sale/disposal/depreciation/write down of non-current assets	43	-795	43	
Profit/loss from sale/disposal of non-current assets	43	-795	43	
Operational exchange gains	31	4	2,531	
Operational exchange losses	-6,965	-7,492	-	-287
Currency effects	-6,934	-7,487	2,531	-287
Total other operating income/ expenses	-6,891	-8,283	2,574	-287

NOTE 12. FORWARD AGREEMENTS

At year-end 2018, there were no exchange rate forward contracts outstanding. Outstanding exchange rate forward contracts at year-end 2017 and their effects are stated below:

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Effects of outstanding contracts				
Exchange rate forward contracts PLN	-	-36.9	-	-
Total	-	-36.9	-	-
Outstanding nominal amounts in local currency				
Exchange rate forward contracts PLN	-	14,000	-	-

At year-end 2017, there was one outstanding exchange rate forward contract of PLN 14 million.

The financial effect from forward exchange contracts is reported within operating expenses. Forward exchange agreements are not subject to offsetting.

NOTE 13. NET FINANCIAL ITEMS

Group	2018	2017
Interest income	2,839	2,258
Liquidation profit/loss	–	121
Exchange rate fluctuations in financial assets and liabilities	–	58
Financial income	2,839	2,437
Interest expenses	-43,959	-41,700
Exchange rate fluctuations in financial assets and liabilities	-275	–
Financial expenses	-44,234	-41,700
Total net financial items	-41,395	-39,263

Parent company	2018	2017
Dividends from subsidiaries	1,161,332	1,054,417
Group contributions from Swedish subsidiaries	47,842	45,791
Income from participations in Group companies	–	121
Total income from participations in Group companies	1,209,174	1,100,330
Interest income, other	2	36
Total financial income and similar items	1,209,176	1,100,366
Interest expenses, other	-40,576	-41,244
Exchange rate fluctuations, financial assets and liabilities	-21,744	-18,269
Total financial expenses and similar items	-62,320	-59,513
Total net financial items	1,146,856	1,040,853

NOTE 14. EARNINGS PER SHARE

	2018	2017
Income after tax attributable to the Parent company's shareholders	1,078,055	786,472
Average number of shares		
- average total number of shares	144,493,238	144,493,238
- reduced by average number of repurchased shares	-6,078,592	-6,078,592
Average number of outstanding shares before dilution	138,414,646	138,414,646
Average number of outstanding shares after dilution	138,414,646	138,414,646
Earnings per share		
- before dilution (SEK)	7.79	5.68
- after dilution (SEK)	7.79	5.68

NOT 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 2018 amounted to SEK 393.1 million (SEK 658.9 million), which corresponded to SEK 2.84 (4.76) per share. At the Annual General Meeting of 7 May 2019, a share redemption for the 2018 financial year of SEK 538.4 million will be proposed, equal to SEK 3.89 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 34. The proposed transfer to shareholders has not been recognised as a liability in this report.

NOTE 16. TAX

Distribution between current and deferred tax	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Current tax	-73,051	-51,613		
Deferred tax	-1,276	-4,848		
Total	-74,327	-56,460		
Allocation of tax cost:				
Current tax				
Sweden				
Outside Sweden	-73,051	-51,613		
Total current tax	-73,051	-51,613		
Deferred tax				
Sweden				
Outside Sweden	-1,276	-4,848		
Total deferred tax	-1,276	-4,848		
Difference between tax expense and tax based on applicable tax rate				
Reported income before tax	1,152,382	842,932	1,103,896	998,862
Tax according to current tax rate (22.0%)	-253,524	-185,445	-242,857	-219,746
Difference in tax in foreign operations	186,186	135,751		
Tax effect of non-deductible items	-6,989	-6,766	-465	-178
Tax effect of non-taxable items	0	0	243,322	219,924
Reported tax	-74,327	-56,460	0	0
Specification of deferred tax expense				
Changes in tax on temporary differences	-1,276	-4,848		
Deferred tax on hedges in net investments in foreign currency, reported directly in equity and other comprehensive income	1,508	3,244		
Tax in balance sheet	2018	2017	2018	2017
Longterm receivables				
- Deferred tax on temporary differences 1)	57,059	43,803	11,660	11,660
Current assets				
- Tax receivable	581,512	444,764	849	849
Provison for taxes				
- Deferred tax on temporary differences 1)	41,925	29,259		
Current liabilities				
- Tax liabilities	687,611	513,767		

1) The deferred tax on temporary differences in receivables and liabilities is mainly related to accumulated differences from changing foreign exchange rates related to hedge accounting of assets and loans.

NOTE 17. INTANGIBLE FIXED ASSEST

Group	Gaming products, systems and platforms	Brands	Customer databases	Goodwill	Total
Accumulated cost					
Opening balance 1 Jan 2017	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
Assets developed by the Group	239,960				239,960
Scrap and Disposals	698				698
Exchange rate fluctuations	58,623	86,759	9,317	138,649	293,348
Closing balance 31 Dec 2018	1,639,465	1,672,795	176,175	3,168,725	6,657,160
Accumulated depreciation and impairment					
Opening balance 1 Jan 2017	-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
Depreciation/amortisation for the year	-244,409		-14,330		-258,739
Scrap and Disposals	-948				-948
Exchange rate fluctuations	-45,028		-8,194		-53,222
Closing balance 31 Dec 2018	-1,290,595	-	-165,823	-36,273	-1,492,691
Carrying value					
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
As of 31 Dec 2018	348,870	1,672,795	10,352	3,132,452	5,164,469

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 4,802,577 thousand (of which goodwill amounts to SEK 3,125,104 thousand and brands SEK 1,677,473 thousand) are part of a single cash generating unit.

As these assets are not amortised, an impairment test was performed in conjunction with the 2018 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 estimating values

The recoverable amount was based on the cash flow projections reflecting actual income from operations in 2018, the budget for 2019 as confirmed by the Board, and an estimate for years 2019–2023 in which an average annual rate of growth of 5 (9) percent was assumed. The 5 percent is somewhat lower than the organic growth during 2018. The Cash flows for years following 2023 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 (10) percent before tax. The company's assessment is that 10 percent is in line with the risk average in the industry, due to the fact that more markets are getting regulated.

The effective tax rate was estimated at 7(7) percent, which is in line with average rate of approximately 6.5 percent. 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 18. PROPERTY, PLANT AND EQUIPMENT

	GROUP	PARENT COMPANY
Accumulated cost		
Opening balance 1 Jan 2017	264,789	11,661
Investments	50,796	72
Acquisitions	51,431	–
Sales/disposals	-10,923	–
Exchange rate fluctuations	-504	–
Closing balance 31 Dec 2017	355,589	11,773
Investments	40,966	58
Sales/disposals	2,228	-697
Exchange rate fluctuations	14,874	–
Closing balance 31 Dec 2018	413,657	11,094
Accumulated depreciation and impairment		
Opening balance 1 Jan 2017	-178,852	-9,019
Acquisitions	-47,597	–
Depreciation/amortisation for the year	-33,936	-659
Sales/disposals	3,281	–
Exchange rate fluctuations	-821	–
Closing balance 31 Dec 2017	-257,925	-9,678
Depreciation/amortisation for the year	-45,623	-590
Sales/disposals	-4,810	325
Exchange rate fluctuations	-9,813	–
Closing balance 31 Dec 2018	-318,171	-9,943
Carrying value		
As of 31 Dec 2016	85,937	2,642
As of 31 Dec 2017	97,663	2,055
As of 31 Dec 2018	95,486	1,151

NOTE 19. PARTICIPATIONS IN GROUP COMPANIES

Company	Corporate identity number	Country	Participating interest (%)	Number of shares	PARENT COMPANY	
					2018	2017
Betsson Technologies AB	556651-8261	Sweden	100%	1,000	3,907	3,907
Betsson PR & Media AB	556118-8870	Sweden	100%	18,000	5,577	5,577
AB Restaurang Rouletter	556133-3153	Sweden	100%	1,000	131	131
Finansson euro AB	559048-3987	Sweden	100%	6,000	818,056	750,056
Finansson AB	556169-9843	Sweden	100%	2,500	290	290
BSG Limited	103233	Gibraltar	100%	2,000	23	23
Betting Technologies Inc	C5201210210	Philippines	100%	21,995	3,504	3,504
Betsson Malta Holding Ltd	C37767	Malta	100%	11,249	1,473,586	1,473,586
- Clearpay Ltd	C41277	Malta	100%	–		
- Betsson Platform Solutions Ltd	C50732	Malta	100%	–		
- Scandinavian Slots Ltd	C59181	Malta	100%	–		
- Applied Digital Media Limited	C81741	Malta	100%	–		
- Netplay Malta Ltd	C81115	Malta	100%	–		
- Betsson Business Limited	C 87613	Malta	100%	–		
- Betsson Nordic Limited	C 87620	Malta	100%	–		
- Auto Nordic Limited	C 87612	Malta	100%	–		
- BS Nordic Limited	C 87610	Malta	100%	–		
- NGG Nordic Limited	C 87619	Malta	100%	–		
- BML Group Ltd	C34836	Malta	100%	–		
- Betsson Business Consulting Co. Ltd		China	1%	–		
- Betsson Payments ApS	34081506	Denmark	100%	–		
- Latsson Licensing SIA	40103940885	Latvia	100%	–		
- Betsson Services Ltd	C44114	Malta	100%	–		
- Betsson Business Consulting Co. Ltd		China	1%	–		
- Betsson Applied Digital Technologies Ltd	09922905	UK	100%	–		
- Hubsson Kft	01-09-284224	Hungary	100%	–		
Great Pike Investments AB	556205-2307	Sweden	100%	6,000	27,066	27,066
- Betsson Business Consulting Co. Ltd	91420103568350732D	China	98%	–		
- Chusson Investment and development Co. Ltd	914201025623240xk	China	100%	–		
- Media Sports Development Co. Ltd	91420103669504251W	China	49%	–		
Transvectio Ltd	C55367	Malta	100%	402,472	123,451	123,451
- Estneti Osaühing	10858474	Estonia	100%	–		
- Triogames OU	11079281	Estonia	100%	–		
- Sargo Management Ltd	C56645	Malta	100%	–		
- Litsson Management UAB	304296603	Lithuania	100%	–		
- Losimu Strategine Grupe UAB	302442970	Lithuania	100%	–		
Betsson Perch Investments AB	559016-1484	Sweden	100%	500	696,732	696,732

Company	Corporate identity number	Country	Participating interest (%)	Number of shares	PARENT COMPANY	
					2018	2017
- Premiere Megaplex PLC	C86932	Malta	100%	–		
- Chempionebi III LLC	240420647	Georgia	100%	–		
- Europebet LLC	445389589	Georgia	100%	–		
- Geoslot LLC	205053859	Georgia	100%	–		
- Europebet Gori LLC	417881625	Georgia	100%	–		
- Europebet Rustavi LLC	404470746	Georgia	100%	–		
- Vip Beti LLC	437059086	Georgia	100%	–		
Class One Holding Ltd	C34865	Malta	100%	1,600	1,171,243	1,171,243
- Content Publishing Ltd	C63744	Malta	100%	–		
- Corona Ltd	C45585	Malta	100%	–		
- Oranje Casino Ltd	C34934	Malta	100%	–		
- Swissgame Malta Ltd	C34863	Malta	100%	–		
RaceBets International Ltd	C48144	Malta	100%	100,000	398,996	398,996
- Racebets International Gaming Ltd	C48152	Malta	100%	–		
- HBMT Ltd	113562	Gibraltar	100%	–		
NetPlay TV Ltd	03954744	UK	100%	293,523,785	301,384	301,384
- NetPlay TV Group Ltd	1691	Alderney	100%	–		
- NetPlay TV Marketing Services Ltd	03716547	UK	100%	–		
- NetPlay TV Broadcasting Ltd	05400581	UK	100%	–		
- NetPlay TV Services Ltd	05207308	UK	100%	–		
- NetPlay TV Marketing (BVI) Ltd	1496201	British Virgin Islands	100%	–		
- Synergy Digital Services Ltd	1878921	British Virgin Islands	100%	–		
- Adfusion Web Services Ltd	515297828	Israel	100%	–		
Total					5,023,946	4,955,946

NOTE 20. CHANGES IN PARTICIPATIONS IN GROUP COMPANIES

	2018	2017
Opening balance, cost	4,955,946	4,729,942
Acquisition RaceBets		849
Acquisition NetPlay		301,384
Acquisition Betsson Perch		2,183
Shareholder contribution	68,000	-78,319
Voluntary liquidation of wholly-owned subsidiaries		-93
Closing carrying value	5,023,946	4,955,946

NOTE 21. OTHER LONGTERM RECEIVABLES

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Deposits, rent	1,122	2,589	–	–
Total	1,122	2,589	–	–

NOTE 22. PARTICIPATIONS IN ASSOCIATED COMPANIES

Company	Registered offices	Participating interest (%)	GROUP	
			2018	2017
Media Sports Development Co. Ltd	China	49%	1,357	9,178
Total carrying value in the Group	China	49%	1,357	9,178
Changes in participations in associated companies, reported according to the equity method				
Opening cost			9,178	12,601
Share of income			-8,172	-2,988
Exchange rate differences			351	-435
Closing carrying value			1,357	9,178

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

	2018	2017
Fixed assets	5,717	6,599
Current assets	710	1,413
Current liabilities	5,829	7,122
Net assets	598	890
Income and comprehensive income	-916	-6,099
Profit/loss from continuing operations	-916	-6,099
Total comprehensive income	-916	-6,099
Dividends received	–	–

NOTE 23. OTHER RECEIVABLES

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Tax account	3	14	1	1
Receivables from payment system suppliers	696,253	448,071		
Receivables from B2B/ market partners	136,848	154,065		
Receivables from associated companies	4,495	4,349		
Deposits made to payment system suppliers	23,352	36,559		
VAT	103,369	6,463	759	244
Other	26,428	13,149	659	29
Total	990,748	662,670	1,419	274

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. The risk of bad debts refers to individual players not being able to cover their purchases.

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 service providers are to be settled within 90 days, while no significant amounts under other items were due as per closing date.

NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Rental fees/leasing	15,105	14,997	3,203	2,567
Production costs		26,907		
Marketing partners	3,831	492		
Licensing costs/ gaming tax	28,416	25,979		
Consultants	53			
Live streaming rights		14,578		
Other prepaid expenses	43,269	51,486	2,388	382
Total	90,674	134,439	5,591	2,949

NOTE 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and Cashflow statement;

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Cash and bank balances	488,747	479,451	188,312	145,191
Total	488,747	479,451	188,312	145,191

NOTE 26. SHARE CAPITAL COMPOSITION

Parent company	2018		2017	
	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)	6,077,508	4,052	6,077,508	4,052
Total number of shares	144,493,238	96,329	144,493,238	96,329

During 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 on pages 42 and 47. Reserves are reported in the summary of changes in equity for the Group.

NOTE 27. BOND LOAN AND LIABILITIES TO CREDIT INSTITUTES

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Bond loan, SEK '000 3Y, 3M variable 3,0% (2.9%)	997,102	993,940	997,102	993,940
Bank loan, carry- ing value in SEK '000, long-term	93,505	–	91,616	–
Bank loan, carry- ing value in SEK '000, short-term		663,930		647,295
Nominal amount, EUR thousand		41,385		41,385
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 –6.9 (-14.7) 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 880.0 (1,089.7) million, whereof utilised SEK 93.5 (663.9) million.

EUR 35 million was due in February 2018 and the remaining available facilities of SEK 700 million was due in June 2018. The credit facilities have been replaced by a revolving credit facility of SEK 800 million with maturity date May, 2021 with possibilities of extension. The terms comprise certain conditions regarding the company's net debt in relation to EBITDA, which the company is considerably below.

In November 2016, the company issued a senior unsecured bonds in a total amount of SEK 1 billion, with a current reported value of 997.1 (993.9) 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 for the bond has been 3.0 (2.9) percent. Average interest rate for the bank loans has been 0.9 (0.9) percent and interest rates is established for 30–90 day periods. The new credit facility of SEK 800 million runs with a fixed interest rate of 0.72 percent. At December 31, 2018 the bond was listed at a rate of SEK 101.75 (102.32).

Balance sheet changes related to financing activities

Reported change between 2017 and 2018 regarding the bond loan consists of accrued borrowing costs. Reported change between 2017 and 2018 regarding outstanding bank loans relates to payments of SEK 890.6 million, of which currency effects of SEK 21.7 million and new loans of SEK 313.2 million.

Reported change between 2017 and 2018 regarding liabilities for additional consideration at an amount of SEK 20.3 million.

NOTE 28. OTHER CURRENT LIABILITIES

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Personnel withholding tax	10,690	11,837	1,165	753
Social security contributions	2,662	2,438	747	524
VAT	35,989	–		
Market partners	99,982	78,183		
Gaming tax	60,555	36,073		
Licences	5,474	12,432		
Player accounts	270,226	299,635		
Additional consideration Racebet	10,275	29,549	9,567	28,701
Other	25,250	10,886	21	17
Total	521,103	481,033	11,500	29,995

Reported change between 2017 and 2018 in outstanding debt for additional acquisition consideration consists of repayment of SEK 20.3 million, of which currency effects of SEK 1.1 million.

NOTE 29. ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Holiday pay liabilities	14,911	18,046	2,201	2,474
Social security contributions	13,393	13,084	1,592	1,972
Salaries	45,692	19,438	5,271	1,013
Jackpot reserve	132,500	74,916		
Marketing expenses	127,489	88,400		
Consultancy costs	12,616	13,714	1,680	2,006
Interest	3,149	3,064	3,148	3,060
Other	46,857	50,716		
Total	396,607	281,378	13,892	10,525

NOTE 30. PLEDGED ASSETS CONCERNING OWN LIABILITIES

	GROUP		PARENT COMPANY	
	2018	2017	2018	2017
Company listings in own possession	35,600	35,600	35,600	35,600

NOTE 31. CONTINGENT LIABILITIES

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

NOTE 32. CLOSELY RELATED PARTIES

The parent company has a close relationship with its subsidiary companies, see Note 19. 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 2018, purchases amounted to SEK 626 (SEK 386) 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 2018, the Group's purchases amounted to SEK 2,074 (2,549) thousand, of which Betsson AB's purchases amounted to SEK 2 (664) 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 30-31. For remuneration to directors and senior executives, please see Note 9.

	PARENT COMPANY	
	2018	2017
Purchases of services from related parties		
Purchases from subsidiaries	702	925
Purchases from other related parties	628	1,050
Sales of services to related parties		
Sales to subsidiaries	27,948	29,931
Financial transactions with related parties		
Dividend from subsidiaries	1,161,332	1,054,417
Group contributions from Swedish subsidiaries	47,842	45,791
Capital gains/losses on liquidation of subsidiary company	–	121
Liabilities to related parties		
Liabilities to subsidiaries	211,219	151,275
Receivables from related parties		
Receivables from subsidiaries	894,151	805,698

NOTE 33. FINANCIAL INSTRUMENTS

	Items 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 2018						
Other longterm receivables						
Other receivables		888,514		888,514	103,369	991,883
Cash and bank balances		488,747		488,747		488,747
Total financial assets	-	1,377,261	-	1,377,261	103,369	1,480,630
Bond			997,102	997,102		997,102
Current liabilities to credit institutions			93,505	93,505		93,505
Accounts payable			110,696	110,696		110,696
Other liabilities (of which derivatives 0)	10,275		348,101	358,376	109,896	468,272
Total financial liabilities	10,275	-	1,549,404	1,559,679	109,896	1,669,575
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

The Note continues on the next page

NOTE 33. Continuation from previous page.

	Items 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
Parent company 2018						
Receivables from Group companies		894,151		894,151		894,151
Other receivables		660		660	760	1,420
Cash and bank balances		188,312		188,312		188,312
Total financial assets		1,083,123	–	1,083,123	760	1,083,883
Bond			997,102	997,102		997,102
Current liabilities to credit institutions			91,616	91,616		91,616
Accounts payable			2,541	2,541		2,541
Liabilities to Group companies			211,219	211,219		211,219
Other liabilities (of which derivatives 0)			9,567	9,567	1,933	11,500
Total financial liabilities	–	–	1,312,045	1,312,045	1,933	1,313,978
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
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

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 2018 consist of liabilities for additional purchase consideration of SEK 10,275 (29,541) 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 2018, SEK 10,3 million (EUR 1 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 34. 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.

Issue date	2018-06-30	2018-06-30	2017-06-30	2017-06-30	2016-06-30	2016-06-30
Type of instrument	Purchase option	Employee stock option	Purchase option	Employee stock option	Purchase option	Employee stock option
Average share price on issue date (SEK)	53.70	53.70	74.10	74.10	70.10	70.10
Redemption price per share (SEK)	69.80	69.80	96.40	96.40	91.70	91.70
Number of participants during allocation	3	16	5	27	10	76
Number of paid warrants/allocated employee stock options	200,000	730,075	115,000	960,000	173,000	1,035,944
Final redemption date	2021-08-13	2021-08-13	2020-08-14	2020-08-14	2019-08-16	2019-08-16
Anticipated duration (months)	37.2	37.2	37.2	37.2	37.2	37.2
Risk-free interest rate (percent)	-0.40	-0.40	-0.40	-0.40	-0.60	-0.60
Expected volatility (percent)	30.00	30.00	30.00	30.00	30.00	30.00
Fair value per option (SEK)	2.00	2.00	2.78	2.78	4.20	4.20
Reported cost related to each program for 2017		170.3		596.0		1,232.8

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

	2018	2018	2017	2017	2016	2016
	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	120.27	2,092,416	128.77	2,784,544	149.93	2,507,600
Allocated	69.80	730,075	96.40	960,000	91.70	1,035,944
Forfeited	107.21	-195,600	120.72	-1,652,128	147.97	-758,011
Exercised	-	-	-	-	91.70	-989
As per 31 December	107.22	2,626,891	120.27	2,092,416	128.77	2,784,544

NOTE 35. 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, EUR, GEL and TRY. Group costs are affected mainly by fluctuations in EUR and GEL.

As per year-end 2018, the Group had external loans denominated in EUR amounting to EUR 10.1 million (consisting of bank loans EUR 9.1 million and liability regarding additional purchase consideration EUR 1.0 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 27.

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 percent 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. At year-end 2018, the Group had a bond loan of SEK 997.1 million with an interest based on 3 M Stibor plus a margin of 3.5 percent (currently approximately 3.0 percent), as well as bank loans of SEK 93.5 million with fixed interest (currently approximately 0.72 percent). Note 27.

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.

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 36. SIGNIFICANT EVENTS AFTER CLOSING DATE

The new Swedish Gaming Act came into force on 1 January 2019, with an 18 percent gaming tax.

On 19 February, the Dutch Senate adopted a new Betting and Gaming Act for online gaming, which, when it comes into effect, will make it possible for foreign gaming companies to obtain a local licence. The new act is expected to enter into force at the earliest during the third quarter of 2020, when it will be possible for applications to be submitted. Gaming tax will be applied at 29 percent of gross gaming revenue (GGR).

The new act is accompanied by a proposal for a cooling-off period of two years. The proposal does not differentiate between fined and non-fined operators, meaning that Corona Ltd (a subsidiary of Betsson that has been fined by the Dutch gaming authority but lodged an appeal in 2018) is in the same position in this respect as other foreign gaming operators active on the market.

Italy has announced increased gaming taxes from 1 January 2019, from 20 to 25 percent for Casino.

PROPOSED APPROPRIATION OF PROFITS

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

Amounts in SEK	
Net profit for the financial year 2018	1,103,896,251
Retained earnings and non-restricted reserves	3,345,703,910
	4,449,600,161

The Board and the CEO propose that the entire amount, SEK 4,449,600,161, be carried forward.

TRANSFER TO SHAREHOLDERS

The Board proposes to the Annual General Meeting that the amount of SEK 538,433 thousand 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 3.89 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 3,911,167,188 and SEK 4,260,774,554 respectively.

The annual report and consolidated financial statements for Betsson AB (publ) for the year 2018 have been approved for publication in accordance with the Board's resolution on 10 April 2019. It is proposed that the annual report and consolidated financial statements be adopted by the Annual General Meeting on 7 May 2019.

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 10 April 2019

Patrick Svensk
Chairman of the Board

Fredrik Carlsson
Board member

Mathias Hedlund
Board member

Johan Lundberg
Board member

Jan Nord
Board member

Kicki Wallje-Lund
Board member

Our audit report was submitted on 12 April 2019

Niklas Renström
Authorised 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 2018 except for the corporate governance statement on pages 24–33. 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 and the group as of 31 December 2018 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 2018 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. Our opinions do not cover the corporate governance statement on pages 24–33. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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 Board of Directors 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, where applicable, its parent 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.

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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. 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
<p>Process for monitoring compliance with laws and regulations considering the developing nature of gaming sector in various national markets</p> <p>Refer to pages 19-22 “Significant risks and factors of uncertainty” in the Management report.</p> <p>Betsson operates on the basis on its international license in Malta and on a number of territory specific licences.</p> <p>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 anti-money laundering obligations.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>

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 1-17 and 34-37. 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 Director’s 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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 2018 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 fulfill 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 24–33 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially 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 opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

PricewaterhouseCoopers AB, 113 97, was appointed auditor of Betsson AB (publ) by the general meeting of the shareholders on the 15 May 2018 and has been the company's auditor since the 12 May 2008.

Stockholm 12 April 2019
PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Betsson AB,
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 2018 on pages 10-17 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, 12 April 2019
PricewaterhouseCoopers AB

Niklas Renström
Authorised Public Accountant





BETSSON AB (PUBL) · CIN: 556090-4251 · REGERINGSGATAN 28 · SE-111 53 STOCKHOLM, SWEDEN
PH: +46 (0) 8 506 403 00 · INFO@BETSSONAB.COM · WWW.BETSSONAB.COM