

NOTES

NOTE 1 General information

Betsson AB (Parent company, Corporate ID Number 556090-4251) operates, through subsidiaries (collectively referred to as the group), gaming operations over the Internet. Operations are carried out by companies in Sweden, Malta, Gibraltar and England.

The parent company is a limited liability company registered and based in Stockholm. The address of its registered office is Regeringsgatan 28, 111 53 Stockholm. The parent company is listed on the Nasdaq OMX Nordic Mid Cap List.

These consolidated accounts were approved by the Board for publication on April 13, 2011.

NOTE 2 Summary of the most important accounting- and valuation principles

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

Basis of preparation

Consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpreted by the International Financial Reporting Interpretations Committee (IFRIC) as they have been adopted by the EU Commission. Consolidated accounts are prepared in accordance with the Swedish Annual Accounts Act, the recommendations of the Council for Financial Reporting RFR 1 Supplementary Accounting Regulations for Groups. They have been prepared using the acquisition value method except as concerns financial assets and liabilities (including derivative instruments) which have been valued at their fair value via income statements.

The parent company has prepared its Annual Report according to the Swedish Annual Reports Act and RFR 2 Accounting for Legal Entities. RFR 2 implies that the parent company, in its Annual Report for the legal entity, will apply all EU-adopted IFRS statements, as far as is possible within the framework of the Annual Reports Act, taking into account the correlation between accounting and taxation. The differences in the Parent Company Income Statements compared with the consolidated accounts are mainly in the reporting of the income statement and the balance sheet which follow the format stipulated in the Swedish Annual Reports Act.

Changes in accounting principles and information

The following standards and amended standards are mandatory for the first time as regards the consolidated accounts for financial years beginning 1 January 2010 and have been applied by the group:

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with certain significant changes. For example, all payments in purchasing a business are recorded at fair value at acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value, or at the non-controlling interest's proportionate share of the acquirer's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies that when a parent company no longer has controlling interest, any remaining interest is to be re-measured at fair value and any gain or loss is to be recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

Standards, amendments and interpretations to existing standards that have been published and are mandatory, but are currently of no relevance for the group's accounting:

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

IFRIC 9 and IAS 39, Embedded derivatives (changed), effective 1 July 2009.

IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009.

IAS 38 (amendment), 'Intangible assets', effective 1 January 2010.

IAS 1 (amendment), 'Presentation of financial statements'.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010.

IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'

New standards and amendments and interpretations of existing standards where changes have not yet entered into force and have not been applied in advance by the group:

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been adopted by the EU.

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for financial years beginning on or after 1 January 2011.

None of the new standards and interpretations of existing standards have had any significant impact on the group's income statements and financial position. Otherwise accounting policies are unchanged from the previous periods.

Applied basis of valuation and classification

The parent company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the parent company and for the group. All amounts are, unless otherwise indicated, rounded up/down to the nearest thousand.

Assets and liabilities are reported on the basis of acquisition value except for certain financial instruments which are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments classified as financial assets valued at fair value through the financial statements or as financial assets available for sale.

Assets classified as current assets are expected to be sold or intended for sale or consumption during the company's normal operating cycle, if they are held primarily for trading purposes, or if they are expected to be realised within twelve months of closing date or if in the form of 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 closing day or if the company does not have an unconditional right to defer settlement of the liability for at least twelve months after closing day. All other liabilities are classified as long-term liabilities.

Assessments and estimates in financial reports

In order to prepare financial reports in accordance with IFRS, it is necessary that management undertake assessments and estimates, as well as make assumptions affecting the application of accounting principles and the reported amounts of assets, liabilities, revenues and costs. The actual outcome could differ from these estimates and assessments.

The areas involving a high degree of assessment, that are complex or such areas where assumptions and estimates are of great importance are primarily the assumptions on which write-down tests for goodwill and other intangible assets with indefinite economic lifetimes are based. See Note 15.

Bases for consolidation

Consolidated Income Statements encompass the parent company and companies in which the parent company, directly or indirectly, holds more than fifty percent of the votes or otherwise has a controlling interest.

Consolidated accounts have been prepared in accordance with the acquisition accounting method. This method implies that the parent company indirectly acquires all subsidiary company assets and assumes its liabilities. The difference between the share purchase price and the fair value at acquisition date of the acquired identifiable net assets 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 statements.

Revenues from subsidiary companies and costs as well as assets and liabilities, are included in the consolidated accounts from the date on which control

is assumed (acquisition date) and until the date of termination. Intra-group receivables and liabilities, and the transactions between group companies and their associated profits, are eliminated in full.

Reporting by segment

Operational segments are reported in a manner consistent with the internal reporting which is provided to the highest operative decision-making official in the company. This level is the function responsible for allocating resources and assessing operating segment earnings. In the group this function has been identified as the executive management team undertaking the strategic decisions.

Discontinued operations

A discontinued operation is part of the group that has been discontinued, divested or classified as held for sale. A discontinued operation consists of an independent business or a subsidiary company that had been acquired with the exclusive purpose of resale.

Foreign currency

Receivables and liabilities in foreign currency

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

Translation of foreign operations

Operations whose functional currency is other than Swedish kronor (SEK) are translated into SEK using the current method. Consequently all assets, provisions and other liabilities are translated at the closing day rate of exchange and income statement items are translated at the average exchange rate. Exchange rate differences arising from translation, translation differences, are entered directly against equity.

On the disposal of a foreign operation, the operations-related cumulative translation differences, after deduction for any hedging activities, are realised in the Consolidated Income Statement.

Revenues

Revenues from group gaming operations are reported as revenues. Marginal revenues generated by services sold are also included. Gaming transactions where the company's revenue consists of commission, rakeback, fixed percentage or similar are accounted for in accordance with IAS 18 Revenues, gaming revenues reported net after deduction of players' winnings, variable remuneration and loyalty programmes. This applies to Poker, Casino, Exchange, Scratch Cards, Bingo and Games.

Revenues concerning gaming transactions in which the company takes open positions against the player are reported net after deduction of players' winnings, variable remuneration, loyalty programmes and licensing fees and gaming taxes which are calculated according to the outcome of the game. Outstanding amounts are derivatives and are reported at fair value according to IAS 39 Financial Instruments. The revenue reported in this manner refers to Sportsbook and Trader (financialbetting).

That portion of revenue dedicated to customer bonus points in Betsson's loyalty programmes is recorded as revenue only when the customers actually use the points.

Revenue from services sold are reported exclusive VAT and discounts, and after elimination of sales within the group. Services sold include consultancy, rental and licence revenues. The majority relate to group internal sales from the parent company to subsidiary companies. External revenues from services sold are of marginal value only.

Other revenues

Other revenues include income from activities outside normal operations, primarily recovered written-off receivables, exchange rate gains from operations for the parent company, as well as profits on sales of assets.

Operating expenses for gaming operations

Operating costs for gaming operations refer to expenditure on gaming taxes, licensing fees to games providers, costs for payment services through bank and credit cards for deposits of bets and payment of winnings and costs for fraud. Regarding the games reported as financial instruments, the cost of gaming taxes and license fees are calculated based on the outcome of the game and are deducted from the revenue reported from the game.

Gross profit

Several gaming companies describe their gross profit as revenue from gaming operations (games surpluses or equivalent), and, thus report licence fees to game suppliers and report costs for payment services as a reduction of

revenues. Betsson recognises these costs as operating expenses for gaming operations (except for Sportsbook and financial betting which are identified as financial instruments and reported net), but has also introduced the income level Gross profit in order to simplify comparison with other gaming companies.

Betsson has, however, chosen to recognise revenues as the result of transactions with end customers, namely the players. At this level, success in the games, themselves, can be measured.

Gross profit also includes the results from transactions with third parties, that is, games providers and payment providers, which implies that the success of Betsson's negotiations with suppliers can also be measured.

Gross profit from group gaming operations consists of the net of received gaming bets and paid out winnings minus gaming taxes, licensing fees to games suppliers, net revenues and costs of payment services through banks and credit cards for deposits of bets and payment of winnings and costs for frauds (unapproved payment transactions).

Capitalised development costs

Capitalised development costs refer to the period's direct expenditures 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

These include external costs of production and distribution of marketing of Betsson and Betsson games in various media and the costs associated with cooperating partners and affiliates. Payments to partners and affiliates are volume-related and reflect the end customers' gaming transactions at Betsson.

Leasing

Leasing is classified as either financial or operating leases in consolidated accounts. Leasing of fixed assets, where the group undertakes, essentially 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 operating leases, 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. The extent of leasing payments is shown in Note 5.

Equity-related benefits

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 own capital instruments (options) issued to the employees.

The fair value of the service entitling employees to be allocated stock options is written off. The total amount to be written off is based on the fair value of options granted, excluding any impact from non-market related services and vesting conditions for the options (for example, profitability targets for sales increases or that the employee remains at the company for a specified time period). Non market-related conditions for earning options are taken into consideration in the assumptions applied as regards the number of options expected to be earned. The total amount to be written off is reported allocated during the vesting period which is the period during which all of the stated vesting conditions are to be fulfilled. Each closing day, the company reviews all of their estimates of the number of shares which are expected to be earned based on the non market-related earning conditions. Any deviations from initial assessments noted in such review are reported in the income statement and corresponding adjustments are made to equity.

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

Pension expenses

Group payments concerning contribution pension plans are charged to income during the period in which the employee renders the services to which the contribution relates. Portions of commitments for retirement pensions and family pensions for salaried employees in the parent company in Sweden are secured through insurance cover with Alecta. According to a statement by the Council for Financial Reporting, UFR 3, this is a defined benefit plan covering several employers. For 2010 and 2009 the company has not had access to information that enables it 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 year's pension contributions covered by Alecta amounted to SEK 266 (213) thousand. Alecta's surplus can be distributed to policyholders and/or the insured. At the end of 2010, the

Alecta surplus in the form of collective consolidation level was 146 (141) per cent. The collective consolidation level consists of the value of Alecta assets in per cent of insurance undertakings calculated according to Alecta technical insurance assumptions, which do not comply with IAS 19.

Other operating income

In order to reduce exposure to currency exchange rate fluctuations, Betsson has entered into forward exchange contracts in order to secure portions of future cash flows. These derivatives are carried at fair value and any valuation changes are reported via the income statements, as with other operating revenues. Hedge accounting is not applied.

Other operating expenses

Expenses for secondary activities within ordinary operations concerning receivables and payables are reported as other operating expenses. These include, primarily, exchange rate losses on operations and losses from sales or depreciation of fixed assets or operations.

Taxes

Taxes in income statements consist of current tax and deferred tax. Current tax consists of tax to be paid or received during the year in question. This also includes the adjustment of current tax attributable to prior periods. Taxes are reported in the income statements, except when the tax relates to items reported directly in equity. Deferred tax is calculated using the balance sheet method based on temporary differences between the reported fiscal values of assets and liabilities by applying the tax rates and tax rules that have been enacted or, substantially, enacted as at closing day. Temporary differences are not taken into consideration in group goodwill, nor are the differences attributable to shares of subsidiaries and associated companies not expected to be taxed in the foreseeable future.

Deferred tax recoverables 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 subject to IAS 39 Financial Instruments, reporting and valuation are to be classified in any of the following classes:

- Financial assets and liabilities reported at fair value through income statement
- Investments held to maturity
- Loans and accounts receivable
- Financial assets available for sale.

Financial instruments are initially recorded at acquisition value equivalent to the instrument's fair value plus transaction costs, except as regards the financial instruments measured at fair value in the income statement, where transaction costs are written off immediately. Subsequent treatment depends on how the financial instruments have been classified according to the definitions provided below.

Financial assets and liabilities reported at fair value via income statements

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

Investments held to maturity

Consist of financial assets that have payment flows that are fixed, or that may be specified in advance, and with a fixed tenor regarding which the company has expressly stated that it intends to hold to maturity. Assets in this category are valued at amortised cost. Amortised cost is determined based on the effective annual rate of interest calculated at acquisition date. This implies that surplus and deficit values, as well direct transaction costs, are allocated over the investment's lifetime.

Loan receivables and accounts receivable

Loans and receivables are financial assets that are not derivatives with fixed payments or payments that can be set and which are not quoted on an active market. Loans are valued at amortised cost, which is determined based on the effective annual rate of interest calculated on acquisition date. Accounts receivable are recorded in the amounts that are expected to be received after deduction for bad debts that have been estimated without discount. The Write-down of accounts receivable is reported in operating expenses.

Financial assets available for sale

The category financial assets available for sale includes financial assets that are not classified in any other category or are financial assets that the company initially chose to classify in this category. Assets in this category are valued at fair value with any value change against equity. At the point in time at which the investments are removed from the balance sheet, previously reported accumulated profits or losses in equity are transferred to the income statement.

Other Financial liabilities

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

Intangible noncurrent assets

Goodwill and intangible noncurrent assets with indefinite useful lives

Goodwill and the Betsson brand are expected to have an indefinite useful lifetime and are not subject to annual depreciation. These assets are assessed annually to identify any possible necessary depreciation and are reported at acquisition cost less accumulated write-down and accumulated losses.

Development costs and other intangible noncurrent assets

Intangible noncurrent assets also include development costs and acquired assets in the form of other brands/domains and customer databases, etc. Expenses for development are capitalised as assets in the balance sheet to the extent they are expected to provide future financial benefits. Only expenses incurred in connection 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 made and the pre-conditions are in place to do so. The reported value includes costs for materials, services purchased, direct spending on salaries and indirect expenses which can be attributed to the asset in a reasonable and consistent manner. Development costs are included at acquisition value less accumulated depreciation and write-down losses.

Other intangible assets are reported in the balance sheet at acquisition value less accumulated depreciation and impairment losses. Valuation of intellectual property assets' ability to generate revenue is undertaken continuously in order to identify any write-down requirement needs.

Tangible fixed assets

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any write-down losses. Repairs and maintenance are charged to income as they occur.

Depreciation and impairments

Depreciation is based on the original acquisition value reduced by the calculated residual value, taking into account already implemented write-downs. Depreciation is applied in a straight-line basis over the asset's estimated useful lifetime.

The following useful lifetimes are applied:

Trademark, brand, domain name	indefinite or maximum of 5 years
The Betsson brand	indefinite, not amortised
Customer databases	2 years
Leaseholds	3-5 years
Capitalised development costs for games, gaming systems and gaming platforms are determined based on the nature of the asset and are	
- investments made up to and including 2008	maximum 5 years
- investments made from 2009	maximum 3 years
Office inventory	5 years
Servers and similar	5 years
Computers	5 years
Computers within technology and development	written off directly
Vehicles	3-5 years

The assessment of an asset's residual value and useful life is reviewed annually. If there are any indications that the tangible or intangible noncurrent assets of the group have an exceedingly high book value, an analysis is undertaken in which the specific type of assets or naturally coherent types of assets, is determined as either the net sales value or the value in use, whichever is the highest.

Value in use is measured as the expected future discounted cash flow. A write-down consists of the difference between the book value and the

recoverable amount. A write down is reversed when it is no longer justified. Such reversal is recorded at a maximum value, not to exceed the book value that would have been reported, with reduction for depreciation, if no write-down had taken place.

In conjunction with the book closing for 2008, management re-evaluated the economic lifetime of capitalised development costs of games, gaming systems, gaming platforms and payment solutions. In view of current and expected market and competition situations it was deemed difficult to justify a depreciation period of five years. Consequently, for investments made from 2009 onwards the depreciation period has been reduced to a maximum of three years. The new evaluation has not led to impairment requirements for existing platforms, etc. in addition to depreciation according to plan.

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 short term liabilities if they fall due within one year or earlier (or during the normal operational cycles whichever is longer). If these conditions are not met, they are classified as long-term liabilities.

Trade payables are initially reported at fair value and subsequently at amortised cost using the effective annual rate of interest method.

Cash and cash equivalents

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

Accounting policies for parent company

The parent company applies the same principles as the group, except that the parent company's accounts are prepared in accordance with RFR 2.2 Accounting for legal entities.

The difference between group and parent company accounting principles is justified by the constraints imposed by the Swedish Annual Report Act (ÅRL) on the application of IFRS in the parent company and the taxation regulations permitting different accounting for legal entities and for the group.

Group contributions and shareholders contributions

Group contributions and shareholders' contributions are reported in accordance with the statement from the Council for Financial Reporting (UFR 2). Shareholders' contributions are entered directly against equity by the recipient of the contribution and are capitalised as shares and participations by the provider of the contribution to the extent that no write-downs are necessary. Group contributions are reported according to their economic significance. This implies, for example, that group contributions provided or received in order to minimise total group tax are reported directly against retained profits, after deduction of the actual tax effect.

Group companies

Shares in group companies are reported in the parent company at acquisition value, less any write-downs.

Restricted and non-restricted equity

In the parent company balance sheet, equity is divided into restricted and unrestricted equity in accordance with the Annual Accounts Act.

Untaxed reserves and balance sheet appropriations

The parent company reports deferred tax liabilities on reserves as a part of untaxed reserves, due to the relationship between accounting and taxation.

Definitions

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

Gross Profit (gaming surplus). Revenue, as above, less gaming taxes, license fees for games suppliers, payments to suppliers and frauds (unapproved payments).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 Reporting per segment

Segment information

Operating segments are determined based on the information considered by the group executive management and are utilised in undertaking strategic decisions.

Group Management assesses operations in the first instance from a geographical perspective and secondly from a product perspective. Geographical assessments are carried out based on earnings from gaming operations in the Nordic countries, EU except the Nordic countries, in the rest of Europe and the rest of the world. Product-wise earnings from Casino, Sportsbook, Poker and Other Products are assessed.

All operating segments for which information is provided generate their revenue from gaming operations, except the segment "Other non allocated" which includes marginal, non-game related revenues.

Group management assesses operating segment earnings based on the measurement gross profit (gaming surplus). Gross profit from group gaming

operations consists of the net receipts of bets and payouts minus gaming taxes, license fees for games suppliers, net of revenues and costs for payment services through bank and credit cards for deposits of bets and payments of winnings plus costs for fraud (unapproved payment transactions). Management believes that the gaming surplus is adequate for the measurement of operations and in order to undertake strategic decisions, as gaming surplus both measures the success of the transactions with customers and the success of transactions with third parties, i.e. the success of Betsson's negotiations with game and payment services suppliers.

In addition to cases in which the revenue and expenses are specifically attributable to the operating segments described above, there are common costs related to all operating segments, which are found in the joint operating platform. These joint operating overhead costs, see consolidated income statement, are reported under the segment "Other non allocated" with revenues and expenses not arising from gaming operations.

Information on assets, liabilities and investments is based on the location of the company holding the assets. Product-wise, no allocation of assets, etc. is made, as all products are operated on a joint platform.

2010	Nordic countries	EU, non-Nordic countries	Rest of Europe	Rest of the world	Other, non allocated	Group
Revenues	704,832	190,734	699,520	8,125	2	1,603,213
Gross Profit (gaming surplus)	587,061	153,352	533,917	7,724	2	1,282,056
Gross margin (per cent)	83.3	80.4	76.3	95.1	-	80.0
Operating income	587,061	153,352	533,917	7,724	-901,506	380,550
Profit before tax						382,437
Profit after tax						365,655
Assets	181,977	1,312,737	332	526	0	1,495,572
Liabilities	36,889	631,323	1,365	357	0	669,934
Investments	15,401	29,560	0	0	0	44,961
Depreciation	3,530	46,170	0	9	0	49,709
Write-downs/disposals of fixed assets	763	0	0	0	0	763
2009	Nordic countries	EU, non-Nordic countries	Rest of Europe	Rest of the world	Other, non allocated	Group
Revenues	700,074	170,799	423,879	4,949	13	1,299,714
Gross profit (gaming surplus)	604,998	139,751	295,898	4,375	13	1,045,035
Gross margin (per cent)	86.4	81.8	69.8	88.4	-	80.4
Operating income	604,998	139,751	295,898	4,375	-728,122	316,900
Profit before tax						318,925
Profit after tax						303,259
Assets	242,704	1,147,718	335	1,435	0	1,392,192
Liabilities	18,400	550,554	469	2,328	0	571,751
Investments	963	57,567	0	0	0	58,530
Depreciation	2,181	34,415	0	42	0	36,638
Write-downs/disposals of fixed assets	0	754	0	0	0	754
GROSS PROFIT PER PRODUCT	Casino	Sportsbook	Poker	Other products	Other, non allocated	Group
2010	745,420	367,652	106,725	62,257	2	1,282,056
2009	670,423	206,591	131,876	36,132	13	1,045,035

NOTE 4 Revenues

	Group		Parent company	
	2010	2009	2010	2009
Revenues				
Gaming business	1,186,205	1,069,145	-	-
Gaming business, derivatives	417,006	230,556	-	-
Consultancy, management	-	-	2,784	2,736
Rental and office services	-	-	13,480	8,024
Total	1,603,211	1,299,701	16,264	10,760
Other revenues				
Bad debts recovered	-	1	-	1
Other	2	12	-	-
Total	2	13	-	1

NOTE 5 Leasing

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

	Group		Parent company	
	2010	2009	2010	2009
Expensed leasing and rental charges	10,681	7,492	6,399	3,887

Future minimum charges concerning non terminable operational leasing and rental agreements are estimated to result in the following:

	Group		Parent company	
	2010	2009	2010	2009
Within one year	9,822	7,477	7,848	6,040
Within two to five years	16,932	21,512	15,145	21,160
After five years	-	-	-	-
Total	26,754	28,989	22,993	27,200

NOTE 6 Auditors' fees

The following remuneration has been paid to auditors and auditing companies for auditing and other examinations according to relevant legislation and for the provision of advice and other assistance as a result of observations made during the audit. Remuneration has also been provided for other independent advice, which relates primarily to ongoing tax consultations and advice on accounting issues.

	Group		Parent company	
	2010	2009	2010	2009
Auditing assignments				
PricewaterhouseCoopers	1,518	1,592	235	235
Other auditing firms	-	139	-	-
Other assignments than the auditing assignments				
PricewaterhouseCoopers	115	115	115	115
Tax consultations				
PricewaterhouseCoopers	70	378	70	108
Other services				
PricewaterhouseCoopers	599	705	441	379
Other auditing firms	-	9	-	-
Total	2,302	2,938	861	837

NOTE 7 Employees, salaries and fees

Average number of employees	2010		2009	
	Total	Of whom women, %	Total	Of whom women, %
Parent company				
Sweden	7	43	7	43
Total parent company	7	43	7	43
Subsidiaries				
Sweden	64	14	63	13
Norway	3	33	3	33
Finland	1	0	1	0
Malta	191	33	149	40
Gibraltar	2	0	-	-
Malaysia	0	0	2	50
Total subsidiaries	261	29	218	32
TOTAL GROUP	268	29	226	32

Proportion of women in executive management

	Group		Parent company	
	2010	2009	2010	2009
Board of Directors, (per cent)	17	17	17	17
Other executive positions, (per cent)	14	17	0	0

Salaries, other remuneration and social security contributions

	2010				2009			
	Salaries and remuneration	Of which CEO, Board & executive positions	Social security contribution	Of which expenses for pensions	Salaries and remuneration	Of which CEO, Board & executive positions	Social security contributions	Of which expenses for pensions
Parent company								
Sweden	12,036	10,232	6,584	2,144	10,499	7,843	4,514	1,492
Subsidiary companies								
Sweden	36,632	1,727	15,849	3,291	35,297	1,165	14,257	3,568
Norway	1,833		350	71	2,054		396	88
Finland	569		-160		1,108		120	
England					230		27	
Malta	86,408	11,390	3,510		66,419	7,392	2,527	
Gibraltar	2,111	432	433		111		16	16
Malaysia	70		19	19	1,101		200	200
Total group	139,657	23,781	26,285	5,525	116,819	16,400	22,057	5,364

NOTE 7 Employees, salaries and fees (continuing)

Remuneration and other management benefits

	2010				2009			
	Basic salary/fees	Variable remuneration	Pension expenses	Equity related benefits	Basic salary/fees	Variable remuneration	Pension expenses	Equity related benefits
John Wattin, Chairman	925				748			
Per Hamberg	250				229			
Patrick Svensk	250				229			
Kicki Wallje-Lund	250				229			
Carl Lewenhaupt	250				229			
Lars Linder-Aronson	250				229			
Total Board fees including Chairman's fees	2,175	0	0	0	1,893	0	0	0
Board fees foreign subsidiaries	2,592	200	0	794	1,196			84
Pontus Lindwall, CEO	3,780	2,183	485	328	4,400	0	533	316
Other executives, 6 (5) individuals/positions	7,782	4,979	663	2,232	7,534	316	552	661
Total	16,419	7,362	1,148	3,354	15,023	316	983	1,061

Notes on above table:

Basic salary/fees refers to salary and other benefits including company car and fuel benefits. Variable compensation costs refers to bonuses which are based on achieved quarterly targets and which are paid out during the year in which they are earned and in the following year. The group has only defined contribution pension plans. Pension costs refers to the costs that have affected the year's earnings.

The Chairman and the board members have not received any remuneration other than Board fees.

The current management team is presented on page 13. Basic salary as above includes remunerations for consultancy services provided within the group.

Equity related benefits

During the fourth quarter of 2010 the incentive programmes 2008-2010 were exercised. CEO of Betsson AB subscribed 100,000 Class B shares at the price of SEK 75 per share. The other senior executives sold their options at market price and received cash payment or purchased shares for their profit from selling options. In total, SEK 2,336 thousand was paid out and 12,787 Class B shares were transferred to senior management. Company costs for the stock options are reported in the table above as share-based remuneration. SEK 4,284 thousand was paid out to other key employed option holders and 37,658 Class B shares were transferred.

In 2010 the company's EGM resolved on a new incentive programme for employees through the issuance of financial instruments in the form of stock options to employees. The programme is described in Note 27. Subscription options were allocated to personnel in Sweden while stock options were allocated to personnel employed outside Sweden.

CEO Betsson AB was allocated 90,000 subscription options. The other six senior executives were allocated a total of 100,000 subscription options and 185,000 stock options. Company costs for these are reported in the table above as share-based remuneration. Other key employees in the group subscribed to 169,800 subscription options and 191,000 stock options.

Decision-making and preparation process

The Chairman and members of the board are paid fees according to the resolution of the Annual General Meeting. There is no remuneration for committee work.

The 2010 Annual General Meeting Guidelines for Remuneration for Senior Executives

Senior executives are defined as the CEO and CFO of parent company, the CEO of Betsson Malta and other members of the executive management team. Remuneration is to be market level and competitive in order to attract and retain competent management employees. Remuneration will consist of fixed salary, when necessary variable compensation, as applicable, will include pensions and other benefits such as, in some cases, a company car.

Variable compensation that may be offered to senior executives is to be determined based on achievement of previously established group and individual targets concerning operating income and the company's financial

development as well as on the assessment of the executives' individual development. The normal retirement age is 65. Pension terms are to be market based and defined contribution pension plans.

Periods of notice are normally six to twelve months if the termination occurs on the initiative of company and normally six months if the termination takes place on the initiative of the executive. Upon termination from the company's side, the employee will be awarded severance pay in amounts of up to twelve months' salary. The Board may diverge from these guidelines in individual cases in special circumstances.

Bonuses

For the CEO/Group President the bonus for 2010 was SEK 2,183 (0) thousand. Bonus amounted to 61 (0) percent of basic salary.

For other senior executives bonuses for 2010 amounted to SEK 4,979 (316) thousand. The bonus amount for other senior executives represented an average of 63 (4) per cent of basic salary.

Pensions

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

Severance pay

Upon termination from the employer's side, the CEO is entitled to a period of notice corresponding to six months and severance pay equivalent to twelve months' salary. Deduction from severance payments are not made if salary is received from other employment. The notice period is six months if the individual resigns. Severance pay is not payable when an employee resigns.

For other executives the mutual period of notice is up to six months. When termination is carried out by 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.

Sick leave rates in Sweden

PROPORTION OF NORMAL WORKING HOURS, %	Group	
	2010	2009
Total absence due to illness	1.6	1.2
Proportion of sick leave that referring to absence of more than 60 consecutive days; long-term sick leave	0.0	0.0
Sick leave rate for men	1.6	1.2
Sick leave rate for women	1.4	1.6
Employees, 29 or younger	2.0	1.6
Employees, 30-49 years old	1.4	1.2
Employees, 50 or older	0.0	0.0

NOTE 8 Depreciation

Depreciation is allocated to the relevant activities as below:

	Group		Parent company	
	2010	2009	2010	2009
Gaming products, systems and platforms	40,009	30,004	-	-
Customer Databases	1,047	-	-	-
Rental contracts	543	543	-	-
Inventory and IT-equipment	8,110	6,091	1,459	808
Total	49,709	36,638	1,459	808

NOTE 9 Other operating income and other operating expenses

	Group		Parent company	
	2010	2009	2010	2008
Earnings from exchange rate forward agreements	9,850	21,407	10,575	21,407
Total other operating income	9,850	21,407	10,575	21,407
Write-down/disposal of fixed assets	763	754	763	-
Exchange rate differences	29,204	24,165	23,597	12,905
Total other operating expenses	29,967	24,919	24,360	12,905

NOTE 10 Forward Agreements

Outstanding Exchange Rate Forward Agreements at year end and their effects are presented below

	Group		Parent company	
	2010	2009	2010	2009
Effects of outstanding contracts (in SEK thousand)				
Exchange rate forward agreements, USD	610	-	-	-
Exchange rate forward agreements, GBP	102	-	-	-
Total	712	-	-	-
Outstanding nominal amounts in local currencies				
Exchange rate forward agreements, USD	2,839,000	-	-	-
Exchange rate forward agreements, GBP	1,818,108	-	-	-

All of the group's exchange rate forward agreements are due within one year.

Betsson intends to sign, on continuous basis, new exchange rate forward agreements or correspondent hedging instruments in order to minimise currency exposures.

All outstanding exchange rate contracts are reported as other current liabilities, see Note 22. The income effect of the forward contracts is reported with operating expenses as earnings from exchange rate forward agreements, see Note 9 above.

NOTE 11 Net Financial Income, financial items

GROUP	2010	2009
Interest income	1,928	2,166
Net exchange rate changes	-	-
Financial income	1,928	2,166
Interest expenses	41	141
Financial expenses	41	141
TOTAL NET FINANCIAL INCOME	1,887	2,025
PARENT COMPANY	2010	2009
Dividends from subsidiaries	361,051	298,177
Write-down of shares in subsidiaries	-499	-
Total income from participation in group companies	360,552	298,177
Interest revenues, external	1,240	1,389
Exchange rate differences	-	-
Total interest income and similar items	1,240	1,389
Interest costs, internal	56	-
Interest costs, external	9	0
Total interest expenses and similar items	65	0
TOTAL FINANCIAL ITEMS	361,727	299,566

NOTE 12 Tax

Tax expenses in income statements

	Group		Parent company	
	2010	2009	2010	2009
Distribution between current and deferred tax				
Current tax	-24,804	-16,695	-506	-2,444
Deferred tax	8,022	1,029	9,369	3,154
Total	-16,782	-15,666	8,863	710

Tax expenses are distributed as follows:

	Group		Parent company	
	2010	2009	2010	2009
Current tax				
Sweden	-4,533	-2,431	-506	-2,444
Outside Sweden	-20,271	-14,264	-	-
Total current tax	-24,804	-16,695	-506	-2,444

Deferred tax				
Sweden	9,370	3,154	9,369	3,154
Outside Sweden	-1,348	-2,125	-	-
Total deferred tax	8,022	1,029	9,369	3,154

Difference between actual tax cost and tax costs based on current tax rates

Reported income before tax	382,437	318,925	320,210	288,315
Tax according to current tax rate (26.3%)	-100,581	-83,877	-84,215	-75,827
Tax attributable to previous years	-523	-	-506	-
Difference in tax in foreign operations	85,096	69,137	-	-
Tax effect CFC taxation	-909	-804	-909	-804
Tax effect of items that are not deductible	-403	-133	-463	-64
Tax effect of Items not liable to tax	538	11	94,956	77,405
Reported tax expense	-16,782	-15,666	8,863	710

Specification of deferred tax

Changed tax on temporary differences	9,370	3,154	9,369	3,154
Tax on appropriations	-1,348	-2,125	-	-
Reported deferred tax expense	8,022	1,029	9,369	3,154

Taxes in Balance Sheets

	Group		Parent company	
	2010	2009	2010	2009
Long-term receivables				
Deferred tax on temporary differences	6,146	1,536	6,143	723
Current receivables				
Tax receivables	195,695	186,175	465	748
Long-term liabilities				
Deferred tax on untaxed reserves	214	214	-	-
Deferred tax on temporary differences	3,951	4,294	-	-
Total	4,165	4,508	-	-
Current liabilities				
Tax liabilities	224,523	212,145	-	-

NOTE 13 Earnings per share

GROUP	2010	2009
Income after tax attributable to parent company shareholders	365,655	303,259
Average number of shares		
Average total number of shares	39,553,720	39,553,720
Reduced by average number of repurchased own shares	-308,320	-310,000
Average number of outstanding shares before dilution	39,245,400	39,243,720
Employee stock options	0	25,544
Average number of outstanding shares after dilution	39,245,400	39,269,264
Earnings per share		
– before dilution (SEK)	9.32	7.73
– after dilution (SEK)	9.32	7.72

Please refer to Note 2, Definitions, for calculation method.
Average share price 2010 (2009): SEK 109.79 (95.09).

NOTE 14 Dividend per share

For 2009 and 2010, Betsson has chosen to execute an automatic share redemption programme, instead of a traditional share dividend. The transfer to shareholders who were paid in this manner in 2010 and 2009 amounted to SEK 353,193 thousand (9.00 per share) and SEK 200,143 thousand (5.10 per share). A share redemption programme will be proposed for 2010 at the Annual General Meeting on May 12, 2011, for SEK 7.00 kronor a share – a total of SEK 275,759 thousand. The proposed transfer to shareholders has not been reported as a liability in these financial reports.

NOTE 15 Intangible noncurrent assets

GROUP	Gaming products, systems & platforms	Brand "Betsson"	Brand Other	Customer databases	Lease/rental contracts acquired	Goodwill	Total
Accumulated acquisition value							
Opening balance 1 Jan 2009	114,538	77,261	0	9,089	1,900	320,682	523,470
Assets developed in-house	51,972	-	-	-	-	-	51,972
Investments	-	-	5,176	-	-	-	5,176
Assets disposed of	-1,269	-	-	-	-	-	-1,269
Currency exchange rate changes	-5,769	-	-	-	-	-	-5,769
Balance carried over 31 Dec 2009	159,472	77,261	5,176	9,089	1,900	320,682	573,580
Assets developed in-house	35,678	-	-	-	-	-	35,678
Investments	-	-	360	2,964	-	-	3,324
Currency exchange rate changes	-22,855	1,507	-676	-	-	-	-22,024
Closing balance 31 Dec 2010	172,295	78,768	4,860	12,053	1,900	320,682	590,558
Accumulated depreciation and write-downs							
Opening balance 1 Jan 2009	36,025	0	0	9,089	407	36,273	81,794
The year's depreciation	30,004	-	-	-	543	-	30,547
Assets disposed of	-515	-	-	-	-	-	-515
Currency exchange rate changes	-2,430	-	-	-	-	-	-2,430
Closing balance 31 Dec 2009	63,084	0	0	9,089	950	36,273	109,396
The year's depreciation	40,009	-	-	1,047	543	-	41,599
Currency exchange rate changes	-10,544	-	-	-59	-	-	-10,603
Closing balance 31 Dec 2010	92,549	0	0	10,077	1,493	36,273	140,392
Book value							
As per 1 Jan 2009	78,513	77,261	-	0	1,493	284,409	441,676
As per 31 Dec 2009	96,388	77,261	5,176	0	950	284,409	464,184
As per 31 Dec 2010	79,746	78,768	4,860	1,976	407	284,409	450,166

Impairment testing of goodwill and brands with indefinite useful lifetimes

Group goodwill and the Betsson brand derives from the acquisition of Betsson at the beginning of 2005. Both of these assets, which together have a reported value of SEK 363.2 (361.7) million, are owned by the cash-generating unit at point of acquisition, Betsson Online. After the company had distributed the Cherry companies and Net Entertainment to shareholders in 2006 and in 2007, there remains only one cash-generating unit in the group.

As these assets had not depreciated, an impairment test was carried out in February 2007 (in conjunction with the annual accounts for 2006) by calculating the recoverable value based on the assets' value in use. This test showed that the recoverable amount significantly exceeded the carrying value.

Since the most recent calculation of the recoverable amount, no events have occurred which could have a negative impact on the estimated recoverable amount. The assets and liabilities constituting the unit have not changed in any significant manner. It is, therefore, unlikely that a new estimate of the recoverable amount would prove to be less than the carrying value.

The recoverable amount as calculated in February 2007 was based on cash flow projections based on earnings from operations up to and including 2006 and on a five-year forecast which was based on a business plan for the same period and a budget for 2007. Cash flow for the years following 2011 was extrapolated to an annual growth rate of around 3 per cent, representing an assumed average future pace of inflation. The growth rate in the first five years is expected to be higher than industry as operations are relative operations with opportunities for continued strong growth. The projected cash flow was discounted by 16 per cent before tax. The most important assumptions in the five-year forecast and the methods used to estimate values are as follows:

IMPORTANT VARIABLES

Sales

Methods for estimating values

A forecast based on current marketing plans is updated annually reflecting actual results. The forecast is based on past experience and external information sources.

Operating margin

The operating margin is largely dependent on the implemented marketing investments. The amounts are determined in annual budgets for the unit. The forecast is based on past experience and external information sources.

The actual outcomes of 2010, 2009, 2008 and 2007 operations in Betsson Online are much higher than the assumptions on which the 2006 estimated recoverable amount is based. Budgets for 2011 and assumptions concerning other important variables in the calculation also affect the value positively.

Consequently, it is anticipated that there is no need for impairment write-downs of goodwill and brands with indefinite useful lifetime.

NOTE 16 Tangible fixed assets

Inventory, servers, hardware etc.

	Group	Parent company
Accumulated acquisition value		
Opening balance 1 Jan 2009	27,054	3,965
Investments	2,941	517
Currency exchange rate changes	1,307	-
Closing balance 31 Dec 2009	31,032	4,482
Investments	18,828	5,306
Disposals	-1,635	-1,512
Currency exchange rate changes	-3,132	-
Closing balance 31 Dec 2010	45,363	8,276
Accumulated depreciation and write-downs		
Opening balance 1 Jan 2009	8,491	804
The year's depreciation	6,091	808
Currency exchange rate changes	-473	-
Closing balance 31 Dec 2009	14,109	1,612
The year's depreciation	8,110	1,459
Disposals	-823	-749
Currency exchange rate changes	-1,683	-
Closing balance 31 Dec 2010	19,713	2,322
Book value		
As per 1 Jan 2009	18,563	3,161
As per 31 Dec 2009	17,193	2,870
As per 31 Dec 2010	25,650	5,954

NOTE 17 Participations in group companies

Company	Corporate ID Number	Registered offices	Participation (percent)	Participation (number)	Parent company	
					2010	2009
Betsson Technologies AB	556651-8261	Stockholm	100	1,000	107	107
Betsson PR & Media AB	556118-8870	Stockholm	100	18,000	5,577	5,577
Shopsson AB	556750-4930	Stockholm	100	1,000	100	100
Shopsson S.B. AB	556824-7141	Stockholm	100	500	50	-
Betsson Malta Holding Ltd		Malta	100	10,000	571,519	569,777
– Betsson Malta Ltd		Malta	100	-	-	-
– Clearpay Ltd		Malta	100	-	-	-
– Betsson Services Ltd		Malta	100	-	-	-
– Betsson Platform Solutions Ltd		Malta	100	-	-	-
Betsson Ltd (liquidation in progress)		England	100	100	2	2
The Open Exchange Ltd (liquidation in progress)		England	100	100	1	1
Betsson PR & Media Ltd (liquidation in progress)		England	100	1	0	0
BIA Communications SDN BHD (liquidation in progress)		Malaysia	100	250,000	0	499
BSG Limited		Gibraltar	100	2,000	23	0
Intact Technology Stockholm AB	556561-4814	Stockholm	100	1,000	901	901
Cherry International AB	556561-8575	Stockholm	100	8 000	890	890
Great Pike Investments AB	556205-2307	Stockholm	100	6 000	812	812
First Casino AB	556443-0527	Uppsala	100	1 000	1,000	1,000
Cherry Maritime Service Väst AB	556206-3403	Stockholm	100	10,000	2,642	2,642
Cherry Leisure AB	556169-9843	Solna	100	2,500	290	290
AB Restaurang Rouletter	556133-3153	Solna	100	1,000	131	131
Svenska Casino AB	556560-6869	Solna	100	1,000	100	100
Casinoinvest i Sverige AB	556444-6119	Solna	100	5,000	541	541
Total					584,686	583,370

NOTE 17 Participations in group companies (continuing)

Changes in participations in group companies

	2010	2009
Opening acquisition value	583,370	583,370
Investment share capital in start-ups	73	0
Write down of shares in dormant subsidiaries	-499	-
Share holder contributions	1,742	-
Closing book value	584,686	583,370

NOTE 18 Long-term receivables and other receivables

The Group and Parent company have no other long-term receivables that are fixed assets

Other receivables that are current assets

	Group		Parent company	
	2010	2009	2010	2009
At year end				
Tax accounts	2	45	-	45
Receivables from payment system suppliers	264,559	157,703	-	-
Deposits at payment system suppliers and other deposits	3,760	7,643	-	1,358
Value Added Tax	22,662	12,583	-	418
Other	621	643	15	9
Total	291,604	178,617	15	1,830

Receivables from payment service providers refer to receivables relating to banks and other credit institutions who are credit providers (issuers of credit cards or similar) for Betsson customers. The risk of bad debts here refers to the individual players not being able to cover their purchases. Betsson has not allocated reserves for possible losses in outstanding receivables. Betsson's assessment, based on historical losses, is that credit losses in outstanding receivables are marginal compared to group earnings. During the year, written off bad debts related to credit card sales amounted to SEK 7 (12) million, corresponding to 0.5 (0.9) per cent of total group revenue.

Receivables for payment service providers are settled within 7-30 days.

NOTE 19 Prepaid expenses and accrued income

	Group		Parent company	
	2010	2009	2010	2009
Rental expenses	3,627	1,565	1,813	736
Production costs	251	289	-	-
Marketing partners	6,015	9,329	-	-
License costs	2,153	-	-	-
Consultants	3,951	3,293	-	-
IT-equipment	2,802	-	-	-
Travel costs	1,202	-	-	-
Interest	164	80	164	46
Other prepaid expenses	1,625	812	253	198
Total	21,790	15,368	2,230	980

NOTE 20 Equity

Composition of share capital

	2010		2009	
	Number of shares	Share capital	Number of shares	Share capital
PARENT COMPANY				
Shares, Class A (10 votes)	5,420,000	10,840	5,420,000	10,840
Shares, Class B (1 vote)	34,133,720	68,267	34,133,720	68,267
Total shares	39,553,720	79,107	39,553,720	79,107

At the end of the year, 100,000 Class B newly issued shares, (referring to the redemption of subscription options 2008-2010) had been paid for but not registered with the Swedish Companies Registration Office. These are not included in the above table. The parent company has, during the period 2007-2008, repurchased its own Class B shares. Portions of these holdings have been utilised in executing the employee stock options during 2010. At year-end, the company's own holdings amounted to 259,555 (310,000) Class B shares.

The quotient value of the share is SEK 2. Both Class A and Class B shares entitle the same right to the company's assets and earnings. The specification of equity into group and parent company appears in Note 2. Reserves are shown in the summary of changes in group equity.

NOTE 21 Untaxed reserves, appropriations

PARENT COMPANY	2010	2009
Balance sheet		
Accumulated excess depreciation	413	413
Total untaxed reserves	413	413
Deferred tax in untaxed reserves are included to the sum of	409	109
Income statements		
Difference between book depreciations and depreciation according to plan	-	-
Total balance sheet allocations	0	0

NOTE 22 Other liabilities

OTHER CURRENT LIABILITIES	Group		Parent company	
	2010	2009	2010	2009
Employees' tax	4,462	1,698	1,141	377
Social security contributions	1,749	1,425	752	270
Liabilities to personnel	4,747	-	4,045	-
Marketing partners	137,994	79,906	-	-
Gaming tax	6,623	350	-	-
Licences	14,207	19,587	-	-
VAT	645	279	37	-
Players' accounts	120,189	120,663	-	-
Other	3,296	-	-	-
Total	293,922	223,908	5,975	647

NOTE 23 Accrued expensed and deferred income

	Group		Parent company	
	2010	2009	2010	2009
Holiday pay liabilities	5,543	6,204	872	780
Social security contributions	3,756	2,759	977	583
Salaries	7,331	2,671	1,961	-
Reserves jackpot	63,161	82,916	-	-
Marketing costs	7,846	1,985	-	-
Consultancy costs	6,150	6,553	2,752	1,694
Emission rights	120	130	120	130
Other	7,043	8,215	-	-
Total	100,950	111,433	6,682	3,187

NOTE 24 Pledged assets concerning own liabilities

	Group		Parent company	
	2010	2009	2010	2009
Bank balance	-	17,764	-	-
Total	-	17,764	-	-
Chattel mortgages in the company's own custody	35,600	35,600	35,600	35,600

The amounts refer to blocked bank funds at banks, etc. used as security for customer deposits.

NOTE 25 Contingencies

	Group		Parent company	
	2010	2009	2010	2009
Guarantee commitment for subsidiary	-	-	-	60
Total	-	-	-	60

NOTE 26 Related party relationships

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

Services sold between parent company and subsidiary company mainly refer to accounting, information technology and management services, as well as rental and office expenses.

The Betsson group rents seven (three) apartments from Solporten Fastighets AB, in which CEO Pontus Lindwall and Board member Per Hamberg are shareholders/ Board members. In 2010 purchases amounted to SEK 392 (142) thousand.

Betsson Malta and Betsson AB purchases legal services from WH Law, where Board member in Betsson Malta, Dr. Olga Finkel, is a Managing Partner. Purchases in 2010 amounted to SEK 959 (1,463) thousand.

Transactions with related parties are priced at market conditions. Services free of charge have not been supplied.

Board member Per Hamberg has a large ownership influence in Betsson AB. For information on the Board's holdings in the company please refer to pages 11-12. For remuneration paid to Board members and senior executives, please refer to Note 7.

Transactions with related parties

PARENT COMPANY	2010	2009
Purchase of services from related parties		
Purchases from subsidiaries	960	480
Purchases from other related parties	259	142
Sale of services to related parties		
Sales to subsidiaries	16,264	10,760
Financial dealings with related parties		
Dividend from subsidiaries	361,051	298,177
Interest costs to subsidiary	56	-
Liabilities to related parties		
Liabilities to subsidiaries	151,839	177,590
Receivables from related parties		
Receivables from subsidiaries	371,700	293,373

NOTE 27 Financial instruments

	Items recognised at fair value via income statement – derivatives	Loan receivables & accounts receivables	Other financial liabilities	Total recognised value	Fair value	Non financial assets & liabilities	Total Balance Sheet
Group 2010							
Other long-term receivables							
Accounts receivable							
Other receivables		268,942		268,942	268,942	22,662	291,604
Cash and bank balances		497,076		497,076	497,076		497,076
Total financial assets	-	766,018	-	766,018	766,018	22,662	788,680
Accounts payable							
Other liabilities	4,419		38,929	38,929	38,929		38,929
Total financial liabilities	4,419	-	154,699	159,118	159,118	173,733	332,851
Group 2009							
Other long-term receivables							
Accounts receivable							
Other receivables		166,034		166,034	166,034	12,583	178,617
Cash and bank		529,119		529,119	529,119		529,119
Total financial assets	-	695,153	-	695,153	695,153	12,583	707,736
Accounts payable							
Other liabilities	2,589		19,757	19,757	19,757		19,757
Total financial liabilities	2,589	-	140,420	143,009	143,009	100,656	223,908
Parent company 2010							
Other long-term receivables							
Accounts receivable							
Receivables from group companies		371,700		371,700	371,700		371,700
Other receivables		15		15	15		15
Cash and bank		282,961		282,961	282,961		282,961
Total financial assets	-	654,676	-	654,676	654,676	-	654,676
Accounts payable							
Liabilities to group companies			3,555	3,555	3,555		3,555
Other liabilities			151,839	151,839	151,839	5,975	151,839
Total financial liabilities	-	-	155,394	155,394	155,394	5,975	161,369
Parent company 2009							
Other long-term receivables							
Accounts receivable							
Receivables from group companies		293,273		293,273	293,273		293,273
Other receivables		1,412		1,412	1,412	418	1,830
Cash and bank balances		393,866		393,866	393,866		393,866
Total financial assets	-	688,551	-	688,551	688,551	418	688,969
Accounts payable							
Liabilities to group companies			1,065	1,065	1,065		1,065
Other liabilities			177,590	177,590	177,590	647	177,590
Total financial liabilities	-	-	178,655	178,655	178,655	647	179,302

Fair value

In order to determine the fair value of financial assets and liabilities, the value of assets and liabilities has been calculated based on market value, where possible. Interest-bearing financial assets and liabilities that are not derivatives are calculated based on future cash flows of capital amounts and interest according to the effective annual interest rate method. For short-term financial assets and liabilities with variable interest rates, fair value is considered to be the same as carrying value. The fair value of short-term, interest-bearing receivables and liabilities is considered, because of the shortness of the term, to be equal to carrying value.

In respect of the games in which Betsson assumes open positions against the players, these are treated as derivatives and are reported at fair value. Fair value is determined on the basis of a weighted probability calculation for various possible outcomes.

NOTE 28 Share-based remuneration

Betsson's incentive programmes for senior executives and other key personnel were adopted at the EGM held on 21 November 2008 and at the EGM held on 23 August 2010.

Programme 2008-2010

The programmes were exercised during the last quarter of 2010. In total, 260,000 subscription options were exercised. 100,000 were used to subscribe for 100,000 new Class B shares at strike-price of SEK 75.00. The remaining 160,000 subscription options were repurchased by Betsson AB at market value, which resulted in a pay out of SEK 5,778 thousand.

In addition to this, a total of 263,544 stock options were exercised as Betsson AB repurchased the stock options at market value and used the gain to buy Class B shares for the employees (by transfer of the company's own shares at market price). In total, 50,445 Class B shares were transferred to the stock option holders and SEK 842 thousand was paid out in cash (regarding withheld tax on fringe benefits in Malta).

Programme 2010-2012

One programme was aimed at employees in Sweden and involved the issuance of subscription options. The personnel were offered options at the market rate established, as per the last day for subscription, at SEK 3.78 per warrant. When the offer expired, 260 000 options had been subscribed. In 2010, this resulted in an addition to equity of SEK 1,360 thousand. Each warrant entitles the holder to, during the period from the day after publication of the company's quarterly report for the third quarter of 2012 and no later than 1 December 2012 up to and including 31 December 2012, subscribe for a new Class B share in Betsson AB at a rate of SEK 113.40 per share.

The second programme was aimed at employees in countries other than Sweden. In order to participate in this programme it was required that participants invested in Betsson shares. These shares could have been held previously or acquired on the market in connection to the notification of participation in the programme. The participants then received a free allocation of stock options. Provided that the participant was still employed by the group upon the exercise of options, and that the holders had maintained their initial investment in Betsson shares, each stock option entitled the employee to acquire a Betsson Class B share at a price fixed at SEK 113.40 per share. At the expiry of the offer, 376,000 options had been subscribed.

The fair value of the options and assumptions that formed the basis of the calculations is as follows;

	Subscription options	Stock options
Day of issue	27 Aug 2010	27 Aug 2010
Average share price on day of issue (SEK)	94.53	94.53
Last subscription date	31 Dec 2012	31 Dec 2012
Anticipated duration (months)	27	27
Vesting date	1 Dec 2012	1 Dec 2012
Vesting period (months)	27	27
Strike price (SEK)	113.40	113.40
Risk free interest (per cent)	1.30	1.30
Anticipated volatility (per cent)	27.20	27.20
Number of options issued	359,800	376,000
Value according to Black & Scholes	3.78	3.78
Expected number of utilised options according to assessment on 31 Dec 2010	359,800	333,700

If subscription options are fully subscribed, the parent company's equity will increase by a maximum of SEK 40.8 million and the number of shares will increase by 359,800 Class B shares with an total quotient value amounting to SEK 0.7 million.

If the stock options are fully subscribed according to the above expectations, the parent company's equity will be increased by a maximum of SEK 37.8 million of which the number of shares will increase by 333,700 B shares with an total par value amounting to SEK 0.7 million.

NOTE 29 Financial risks

Group financial operations are conducted according to a financial policy adopted by the Board which is characterised by goal of minimising group risk levels.

Financial operations and financial risk management are coordinated through the parent company Betsson AB, which is also responsible for investment of surplus liquidity. Financing of the subsidiary companies 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 boards after coordination with the parent company.

Betsson's financial liabilities fall due within one year, implying that there is no discounting effect for them.

Currency risks

Group earnings are exposed to exchange rate changes when sales are partly in currencies other than those of the costs (transaction exposure). Betsson has, from 2009, used financial hedging instruments with the aim of offsetting this exposure.

Earnings are also affected by exchange rate changes when foreign subsidiaries' earnings are converted into SEK (translation exposure). In addition, group equity is affected by foreign exchange rate changes when assets and liabilities in foreign subsidiary companies are translated to SEK (translation exposure).

Given the complexity of Betsson's transaction flow, no sensitivity analysis is given of, for example, the relationship SEK/EUR, as this does not provide a true picture.

Refinancing risk, liquidity risk and capital management

Group operations are financed through company resources. The foreign subsidiary companies will be financed mainly through equity, and, if necessary, internal loans from parent company.

Betsson's goal has traditionally been to have a low level of debt with an equity ratio of at least 40 per cent. Group tangible fixed assets consist primarily of IT hard-ware and inventory. It has been determined that future investments in tangible fixed assets will be primarily financed by internally-generated funds or rental solutions. It has also been determined that the necessity of external financing may occur in connection with the expansion of Betsson's operations and for the possibility of larger company acquisitions.

The primary aim is acquisition through cash payment and/or the issuance of treasury shares.

Interest rate risk

Group revenue and cash flow from operations is essentially independent of the changes to market interest rates. Group surplus funds are placed in banks for the short term, and the group currently has no external loans. In the current situation, there is no substantive risk in regards to changes to external interest rates.

Counterpart risk and credit risk

Group financial transactions give rise to credit risks as regards financial counterparts. Betsson has no significant concentration of credit risk.

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 which significantly reduce fraud. Betsson estimates that it has taken sufficient steps to reasonably protect itself against fraud and credit risks.

NOTE 30 Significant events after closing date

In line with the B2B-strategy, Betsson has entered an agreement with the objective of initiating a Joint Venture in Italy.

Betsson has entered an agreement with a Chinese state-owned company with the objective of establishing operations in China.

During the first quarter of 2011, a complete gaming portal was launched on behalf of Realm Entertainment. This gaming portal includes a complete supply of games which are, technically and commercially, offered to third parties.

No other significant events took place after the end of the year.