

THE ONLINE GAMING

MAGAZINE

No 11

MOBILE CREATIVITY

STRIVING TO BE THE MARKET
LEADER IN MOBILE GAMING

5,200

SEK MILLION IN CUSTOMER
DEPOSITS 2011,
AN INCREASE OF 34 %
FROM LAST YEAR

TEAMING UP

CREATING STRONG
MATCHES WITH ARSENAL
AND BETSAFE

21%

Expected annual growth rate
for mobile and tablet Internet

Paths to success

How to increase your chances of building a successful gaming company

THE MIDDLE KINGDOM

What will happen when 600
million Internet users discover
the benefits of betting online?

**GAMING
MARKET**

ESTIMATED SIZE
OF GAMING
MARKET 2012 IS
EUR 25 BILLION

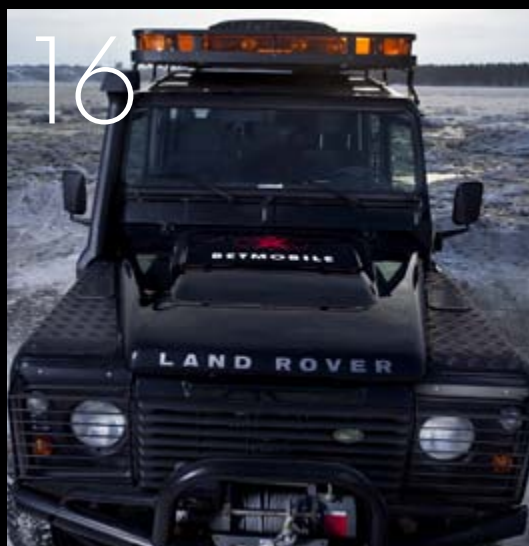
betsson 

WELCOME TO THE FIRST NON-INDEPENDENT ONLINE GAMING MAGAZINE!

At Betsson we like to think differently. And while most companies create an ordinary company presentation or annual report every year, we did not want to make just another company presentation. Instead we decided to produce the first non-independent online gaming magazine in the world. You may ask yourself, "Why would I want to read a non-independent magazine?" Well, why do you read a company presentation? My guess is that it is because you want to get information about the company as well as the company's view of the world. That is what you will get in this magazine — but in a more fun, passionate and creative format. We aim to describe Betsson's view of the gaming market, from different angles, mixed with some interesting views from other stakeholders.

Enjoy reading and welcome to the world of Betsson.

Magnus Silfverberg,
CEO Betsson



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2011 IN NUMBERS

Betsson AB's core business consists of investing and administering shareholding in companies which – through partners or by themselves – offer games to the end users via Internet. Betsson AB owns Betsson Malta and other companies which operate games through partnerships and the websites betsson.com, betsafe.com, casinoeuro.com and cherrycasino.com. Betsson Malta offers Poker, Casino, Sports betting, Scratch Cards, Bingo and Games. The own customers mainly originate from the Scandinavian countries and other parts of Europe. Betsson AB is listed on NASDAQ OMX Nordic Mid Cap List, (BETS).

47%

OPERATING INCOME INCREASE
COMPARED TO PREVIOUS YEAR

17

NUMBER OF BRANDS
WITHIN BETSSON OF WHICH
FOUR ARE B2C BRANDS

30

NUMBER OF NATIONALITIES
OF OUR EMPLOYEES

5.2

BILLION SEK IN CUSTOMER
DEPOSITS, AN INCREASE OF 34
PERCENT COMPARED TO 2010

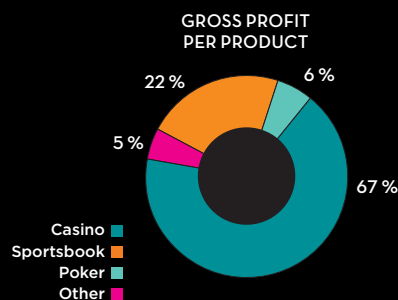
581

PEOPLE WORKING ON
THREE CONTINENT

9

MILLION BETS PER DAY

Betsson's amount of active customers increased by 34 percent last year and the amount of customer deposits has increased just as much. Results from Casino, which is Betsson's largest product, increased by 28 percent.



FEBRUARY

BETSSON STRIKES A DEAL WITH CHINESE STATE-OWNED COMPANY

Betsson establishes a business relationship with a local company in China that has set up a joint venture in the sports lottery related industry together with a Chinese state owned company. "It is an important part of our strategy to be present through our B2B unit in the world's major markets," says Pontus Lindwall, former CEO of Betsson AB.

APRIL

BETSSON STRENGTHENS MANAGEMENT TO PREPARE FOR CONTINUED EXPANSION



The Nominating Committee proposes that the Chief Executive Officer and Group President, Pontus Lindwall, be elected to the Board at

the annual general meeting of shareholders on May 12, 2011. Pontus Lindwall assumes also the position of working Chairman of the Betsson AB Board. The Board appoints the former Chief Executive Officer for Betsson Malta Ltd., Magnus Silfverberg, to Chief Executive Officer in Betsson AB, to work in Stockholm. Henrik Persson, former CEO of Betsafe is appointed Chief Executive Officer for Betsson Malta Ltd.



"Betsson has been investing in Asia for the past three years as we believe that the Asian markets have a great potential in the long term. I believe that this joint venture will provide a solid platform for us in China and I am very excited over this opportunity."

CEO of Betsson AB

A YEAR OF SUCCESSFUL EXECUTION

BETSSON IS A FAST-GROWING GROUP OF COMPANIES WITH CLOSE TO 50 YEARS EXPERIENCE IN THE GAMING INDUSTRY. THE COMPANIES OFFER A WIDE RANGE OF FIRST-CLASS ONLINE GAMBLING PRODUCTS AND GAMES IN A SAFE AND USER-FRIENDLY GAMING ENVIRONMENT.



MAY BETSSON ACQUIRES BETSAFE

Betsson AB acquires Betsafe, a private gaming company based in Malta, offering sports betting, casino and poker to clients primarily in the Nordic countries. Through the acquisition, Betsson strengthens its platform in the Nordic region and creates a strong base for future growth. "This deal will fuel our growth. We strengthen our position in the Nordic region as well as our organization when merging two profitable companies, each of whom have proven their ability to gain market share in a highly competitive market environment," says Pontus Lindwall, former CEO of Betsson.



AUGUST BETSSON IN B2B COOP- ERATION WITH ARSENAL FOOTBALL CLUB

Betsson Business Solutions signs a three year B2B contract with one of the most prestigious football clubs in the world, Arsenal Football Club ("the Gunners"). Betsson becomes the club's Official Betting Partner, providing betting services both online, at www.gunnersgaming.com, and in the stadium for Arsenal fans through a newly created brand, GunnersGaming by Betsson. Arsenal has a global fan base and boasts the highest paid membership in the football world, with just under 200,000 members last season alone.

EUR
11.7
MILLION JACKPOT

SEPTEMBER BETSSON ENTERS GUINNESS WORLD RECORDS

In September a 20-year old Norwegian wins the largest online jackpot in the world on a free bet at Betsson's casino. With this EUR 11.7 million win, Betsson officially enters the Guinness World Records for 'The Largest Online Jackpot Payout' — in the world!

NOVEMBER BETSSON REACHES 5TH PLACE ON THE EGR POWER 50 LIST

The Power 50 list is a ranking of the most respected and valued companies in the online gaming industry and Betsson climbed up from 12th place last year to 5th this year. Betsson has done this due to the great achievements in all the areas judged: Financials, Strategy & Deliverability, Geographic Reach and Brand Value.



DECEMBER BETSSON IS GRANTED A GAMING LICENSE IN DENMARK

Betsson will be represented in Denmark by four brands through B2C and B2B. www.betsson.dk, www.betsafe.dk, www.casinoeuro.dk and www.danmarksautomaten.dk.

JANUARY 2012 BETSSON IS GRANTED A GAMING LICENSE IN ITALY AND WILL BE LAUNCHING IN ITALY THROUGHOUT THE YEAR.

"Launching major B2B contracts, the acquisition of Betsafe and our first steps into China, all contributed to making 2011 an outstanding year. In addition, receiving the Danish gaming license in December and Italy in January, further strengthens Betsson's position in Europe."

Magnus Silfverberg

BETSSON—ONLINE SPORTSBOOK OPERATOR OF THE YEAR

Betsson is named the winner of "Online Sportsbook Operator of the Year" by IGA. The list of nominees is extensive with all major operators represented. The International Gaming Awards 2012 is supported and enhanced by well renowned industry insiders as well as gaming clients from all tiers of the gaming world.



A DYNAMIC COMPANY
IN A CHANGING MARKETPLACE IS

MOVING AHEAD

IN RECENT YEARS BETSSON HAS ADVANCED QUICKLY ON THE LIST OF THE LARGEST AND MOST INFLUENTIAL ONLINE GAMING COMPANIES. WE ARE OVERTAKING MID-SIZED COMPETITION AND CLOSING IN ON THE MARKET LEADERS. IN THE "EGR POWER 50 REPORT" OF 2011, BETSSON WAS RANKED AS THE FIFTH MOST INFLUENTIAL GAMING COMPANY IN THE WORLD, UP FROM 12TH PLACE THE YEAR BEFORE. THIS IS OF COURSE A MASSIVE RECOGNITION OF THE HARD WORK WE HAVE PUT IN AND IT SHOWS THAT OUR BUSINESS MODEL IS RIGHT.

WE ARE LIVING in a time of change. For ten years or so, the online gaming industry has been characterized by a lot of change: Rapid development, high growth, fun and crazy workplaces, but also legal and political uncertainty. Now at least the uncertainty seems to be coming to an end. We are witnessing a change in policy in most EU member states, which are liberalizing and re-regulating the sector. Betsson welcomes the development, and even though it may place high demands on us in terms of new taxes and compliance rules, we believe that the positive effects of being licensed will outweigh the negative ones — as long as the licensing regime comes with reasonable taxes, are non-discriminatory and allows all forms of online gambling.

“We will continue to be focused and passionate about what we do. And we will be dynamic, creative and fair – in other words, we will do it the Betsson way and continue to build this company’s culture and soul. And it will be fun.”

The question many industry employees now pose is, “Will it be boring?” I prefer to think that this is when the real fun begins. We are part of a historic moment of change, which in itself will be a challenging and interesting journey to go through. While going through the changes, and afterwards, we have all the possibilities in the world to continue to develop our business in terms of new creative product offerings and new dynamic business models. And we can continue to have fun, as we have had for the last ten years. This will not be boring, or tedious.

While Europe is going through changes, we are taking our first steps

in Asia. The Asian gaming market is huge and Betsson is very well positioned to take advantage of it. In China, we have a first establishment and we are slowly learning how to do business there. In the near future, our main focus in Asia will be on growing this newly established business. Meanwhile, there are other interesting opportunities in Asia that we are pursuing, mainly from a B2B perspective. Asia will continue to be an area of interest for Betsson as we go forward.

From a product perspective there is also a lot of development and change going on. Good examples are the mobile solutions being developed in the online gaming industry, and Betsson is highly active in this area too. We believe that this year will be the time

when mobile gaming really takes off. Betsson aims at delivering world class mobile solutions that our brands can benefit from.

Speaking of brands, I often get asked what it is that makes Betsson deliver such strong growth year after year? Part of the answer definitely lies in the multi-brand strategy pursued by the Betsson group. Betsson currently runs 17 brands, of which 13 are on behalf of our partners. These brands are often niched at a certain market or product segment. This means that, together with our partners, Betsson covers a very broad range of the customer segments on the market. The belief is that customers want variety and that

they like to play on many sites simultaneously. Betsson’s strategy caters for that, and while many of our competitors run a “one size fits all” strategy, we believe that the multi-brand approach sets us apart.

The competition in the market is fierce, but in recent years, Betsson has advanced quickly on the list of the largest and most influential online gaming companies in the industry. We are overtaking mid-sized competition and closing in on the market leaders. In the “EGR Power 50” report of 2011, Betsson was ranked as the fifth most influential gaming company in the world, up from 12th place the year before. This is of course a massive recognition of the hard work we have put in and it shows that our business model is right. With Betsson’s current development, steps are being taken to match the market leaders in terms of both product offering and geographical coverage. Betsson will not get carried away and try to do everything at once, but the strategy is to invest in a selected number of “new” products and markets in a focused way.

On a group level, we will continue to be passionate about what we do. We will continue to be dynamic, creative and fair — in other words, we will do it the Betsson way and continue to build this company’s culture and soul. And it will be fun.

MAGNUS SILFVERBERG
CEO, BETSSON



A MARKET GROWING WITH THE SPEED OF INTERNET

BY TOMAS JOHANSSON

GIVEN THE STRONG underlying growth, online gaming remains an underpenetrated industry with many years of continued strong growth in the future. Currently there is a positive trend in Europe where governments in Denmark and Italy have been taking steps to legislate online gaming with conditions that will benefit both the governments and the operators. In addition, several other markets are in discussions on opening up to regulation and taxation. For operators in the industry, this is a positive trend that will accelerate growth, as markets become more extensively available, with more opportunities for marketing and other activities that will enable operators to compete with state-owned monop-

lies on equal terms. The same liberalization trends are seen in the U.S. and a number of Asian countries, even if they are still a bit behind Europe in their discussions. The U.S. is still an untapped market and a huge opportunity for the industry and Betsson, which is not operating in the U.S. due to the Internet ban. The U.S. and Asian countries like China and India will probably be the largest online gaming markets within the near future — and these markets are still untouched by serious operators. At the same time, large parts of the world population still have no, or inadequate, access to the Internet, which is a clear indicator that the industry is still in an early phase.

12 billion

USD, is how much the U.S. market for online casinos and poker could be worth.

Source: KPMG Intl, Online Gaming 2010.



Remember that there are about 600 million Internet users in China alone, and the number is growing every day. What will happen when they discover the benefits of betting online?

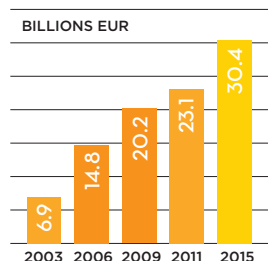
“The online segment of the gambling industry is by far one of its fastest growing divisions and piquing the interest of the industry’s largest players.

Source: KPMG Intl Online Gaming 2010

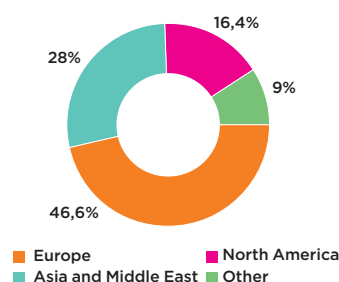


The European gaming market on the Internet will continue to grow in the coming years to an estimated size of EUR 13.9 billion in 2012.

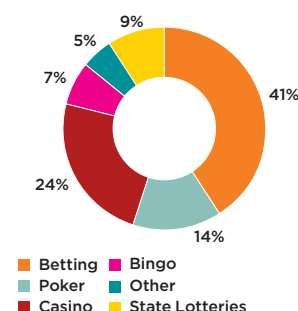
INTERACTIVE GLOBAL TOTAL GROSS GAMBLING YIELD



INTERACTIVE GROSS GAMBLING YIELD BY PLAYER LOCATION 2011



INTERACTIVE GROSS GAMBLING YIELD BY PRODUCT 2011



EUROPE

EUROPE IS AN important market for continued growth for Betsson. Through its dual strategy Betsson captures many opportunities in Europe in both the B2C and B2B segments. According to H2 Gambling Capital, the European gaming market on the Internet will continue to grow in the coming year to an estimated market size of EUR 13.9 billion in 2012, equivalent to an increase of 18 percent from 2011. In 2015, the market is estimated to be worth EUR 16.2 billion meaning an additional market growth of 39 percent, a compounded annual growth rate of 8.5 percent. The online gaming market has actually increased more than 14 times since 2001 and the yield per active account has more than doubled since 2003. Follow-

ing the examples of the U.K. and Italy, and under pressure from the European Commission, many other countries are currently preparing for a controlled opening of their markets. Denmark and Estonia have been liberalizing their online gaming regulations and the markets in Germany and Spain are expected to open up soon. Italy, with a favorable regulation is estimated to grow with a compounded annual growth rate of 11.2 percent going from market size of EUR 1.23 billion in 2011 to EUR 1.87 billion in 2015. Denmark, which has been live with its new regulated market since January 2012, is expected to almost double in terms of market size in 2015, going from an estimated market of EUR 285 million in 2011 to EUR 550 million in 2015.



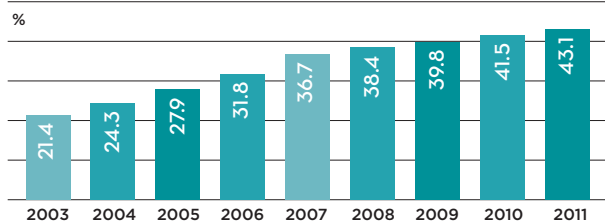
NORDIC

FOR BETSSON, the Nordic market is very important, especially for its B2C segment where Betsson has a strong position. Even though the Nordic market has been in the forefront for many years in terms of online gaming growth, there is still a huge upside with many new players finding the benefits of playing online. The Nordic online market is quite fragmented with each government managing its own gaming regulation. Denmark liberalized and deregulated its gaming regulations in 2012 while the other countries are still a bit behind in this regard. However, if the Danish model proves successful, it could very well become the model for its neighbors.

Betsson has grown faster than the market in recent years and we see no reason why we shouldn't continue to grow in the years to come. Since Betsson only has a fraction of the total market, we have a great position in view of i) the overall underlying market growth and ii) the ability to take market share from the competitors, mainly state-owned monopolies. We trust that the company and the market for Internet gaming in the Nordics will continue to perform strongly. The number of Internet users and people who prefer gaming online instead of offline are growing rapidly, which is a significant driving force in the industry.

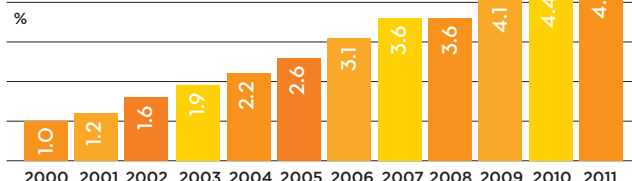
Source: H2 Gambling Capital

BROADBAND PENETRATION OF HOME INTERNET



Source: H2 Gambling Capital

U.S. E-COMMERCE AS A PERCENTAGE OF TOTAL RETAIL SALES 4TH QUARTER



Source: U.S. Census Bureau Retail Indicators Branch November 2011

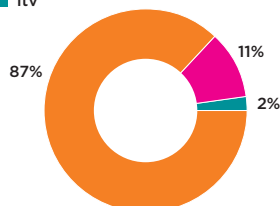
21%

Expected annual growth rate for mobile/tablet Internet for the period 2011-2015. The total market is expected to more than double within four years.

Source: H2 2010

ONLINE GROSS GAMBLING YIELD BY SUB-CHANNEL 2011

Computer Internet
Mobile phone/tablet
Itv



Source: H2 Gambling Capital



ONLINE GAMING DRIVING FORCES

In regions where Internet is available, we see increased confidence in online shopping and an increasing number of users turning to the web for banking, stock trading, insurance, bookings and other activities. The changing behavior and increasing confidence in online services and e-commerce is important for the development of the gaming market.

Developments driving the growth of global online gaming include:

Increased Internet penetration: Increased access to the Internet in households, leading to additional potential players.

Improved broadband capacity: Improved bandwidth enables increasingly advanced gaming functions, which attracts more potential players.

Mobile devices: Mobile devices like smartphones are revolutionizing the mobile Internet experience and have been key drivers of growth in 2011. We expect this trend to continue in the coming years.

Increased confidence in online payment services: Confidence in online gaming op-

erators and payment services is on the rise, which contributes to the increase in the number of potential players.

Market share shift from offline to online: A steadily increasing number of people play online, instead of traditional offline gaming. For younger players who have grown up with the Internet, online gaming is a natural choice.

Increased demand for live betting: In recent years we have seen an increased demand in live betting, mainly on sports events. Through its Sportsbook, Betsson is well positioned to capitalize on this trend.



In the recent years, Betsson has delivered strong profitable growth, which we see as proof that we are on the right track with our strategy. Since 2006, Betsson has increased turnover by 491 percent while keeping the operating margin between 20–33 percent. During the same period, Betsson has invested continuously in IT infrastructure and partnerships, while managing day to day operations.



THE BETSSON CASE >

BUSINESS MODEL

Attracting new customers at low levels of cost and risk is fundamental to Betsson's business model. Customers arrive via direct registration at our sites or via affiliates that direct players to us. Our products belong to two revenue models: Betsson playing against the customer (Casino, Sportsbook, Scratch Cards, Bingo and Games) and customers playing against each other (Poker). Within our partnerships, profit sharing between us and our partners is based on the gaming surplus generated by the customers on the partner sites. Betsson acts as the bank for gaming in Casino, Sportsbook, Scratch Cards, Bingo and Games. Sportsbook is distinct from the other types of gaming as Betsson takes a risk when setting the bet based on probable outcome.

Probability is assessed by professional odds compilers. As the customers' bets are often concentrated on a certain result, earnings from bets fluctuate. This risk is, however, minimized over time due to the large number of bets placed in this gaming area. In the other gaming fields, the bets are built into the actual product and, consequently, gaming profits fluctuate to a much smaller degree.

In the Poker operation, Betsson takes a commission (rake) on every pot within cash games and fees for tournaments. The size of the commission depends on the size of the pot or the buy-in for the tournament. Consequently, Betsson takes no direct risk in the gaming itself but, instead, levies a charge for managing the play.

PRODUCTS



CASINO

Casino is Betsson's largest product. Casino games include table games like Roulette and Black Jack, as well as video slots and video poker. Our casino offers a large variety of world-class casino games that do not require downloads. Games with an opportunity to win large jackpots are the most popular ones. In 2011, many of our customers won the jackpot, including a Norwegian who won EUR 11.7 million on a free bet. With this win, Betsson officially entered the Guinness World Records for the "The Largest Online Jackpot Payout" in the world.

LIVE CASINO

Launched in 2010, Live Casino has proven very popular. Customers interact with live dealers and other players around a physical game table and the gambling experience is the next best thing to a "real life" experience.



POKER

As for many products, localized offers are a key to success and Poker is no exception. Therefore, Betsson offers poker from multiple suppliers in order to cater to specific local demand, thus offering unrivaled variety in a key product. Ogame Networks, one of the world's largest networks with approximately 18 million registered poker players, is our main Poker destination. In addition

to Ogame, Betsson offers Entraction and Microgaming poker on selected markets. A much appreciated addition to gaming is our Poker School, which has helped many new users to dare participate in full.



SPORTSBOOK

Sportsbook has grown substantially in recent years and has become a prioritized product for continued growth. It lets players wager on various events throughout the world. In addition to being a first-class product, this game constitutes a good introduction for our customers, who often go on to try other products. Our Sportsbook offering is among the widest and deepest in the industry, and one of the fastest and most attractive sports betting experiences available.



SCRATCH

Betsson's scratch card offering is among the most extensive in the industry. Betsson offers a range of scratch cards with a jackpot win of EUR 1 million to be paid out over a multi-year period. In addition, more than 50 types of lottery tickets are available. Common to all of these scratch tickets is that they provide considerably better opportunities to win than traditional scratch tickets. Our selection of scratch cards has a high payout rate and every third card is a winning ticket.



BINGO

We offer more than 50 bingo games where bingo cards can cost as little as EUR 0.05. In order for people to enjoy themselves, we have Bingo hosts who chat and socialize with the players.



GAMES

Games cover many types of amusement, from lotteries to dice games. Players try their luck at virtual horse and dog racing or play the Slotbox, Betsson's variation on the classic game of Tetris. Games attract players who have limited time but want a little excitement. Today Betsson offers over 60 different types of games.

MULTIPLE SUPPLIER STRATEGY

With Betsson's multiple supplier strategy, we ensure that we always offer our customers the best and most attractive product mix. A first-class offering is essential for success in the industry and Betsson is working hard to maintain its prominent position through innovation and technology. We continuously add new products and suppliers as opportunities and needs arise.

BETSSON AB

BUSINESS CONCEPT

Betsson AB's business concept is to invest in fast-growing companies operating in the online gaming industry.

OBJECTIVE

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

STRATEGY

Betsson AB and its subsidiaries will grow organically, or via acquisition, inside and outside the EU.

BETSSON SUBSIDIARIES

VISION

Betsson Group shall have a stake in every online bet.

MISSION

- We deliver fun, fair and creative online gaming experiences to the people.
- We strive to be the best where we choose to play.
- We are a creative and dynamic company built by passionate employees.

B2C AND B2B

Our vision "a stake in every online bet" is realized through a dual strategy with Business to Consumers and Business to Business (B2C and B2B).

Currently, Betsson runs 17 different brands, 4 within B2C and 13 within B2B. Betsson's B2C segment is defined as games from users acquired by Betsson, as well as games from users originating in Betsson's network of affiliated websites (affiliatelounge.com). Anything that is not included in this definition is classed as B2B. In our direct business (B2C) we currently fo-

"Betsson has a dual strategy with B2C and B2B fueling the successful multi-brand strategy with localized offerings."



cus on our core markets and products in order to consolidate our resources towards creating higher growth in those areas. The Nordic region is an important market and a platform for Betsson's global ambitions.

In our indirect business (B2B), we target markets as well as niche segments in established markets with a partner strategy, trying to break into these markets together with strong local partners, since we know from experience that local knowledge is an important success factor. Betsson's B2B segment, Betsson Business Solutions, is a dedicated company within the Betsson Group, acting as an independent B2B division for all Betsson partner brands. As further explained on pages 20–21, Betsson Business Solutions is a unit which, together with partners, operate gaming sites jointly.

In addition to our 49 years of gaming experience, companies choosing to partner with Betsson Business Solutions gain access to the best gaming solutions available on the market. In our operations, we build on our strong capabilities within technology, know-how of gaming operations, innovation and quality. When combining Betsson's capability and experience with strong local partners who have considerable presence on the market, we create huge opportunities for Betsson and our partners.

During 2011, Betsson launched a new platform, which allows white labeling of Betsson's entire product portfolio. With this new platform Betsson can deliver a complete gaming portal including a world-class Sportsbook to numerous potential clients.

MULTIPLE PATHS TO SUCCESS

The online gaming industry faces many requirements and expectations. To increase your chances of building a successful gaming company you need to focus on customer-driven innovation, building strong communication channels with your customers and establishing a clear brand strategy – and manage it well.

BY HENRIK PERSSON

“Do today what others will not do so that tomorrow you will have what others will not have.”

This quote symbolizes and encompasses the requirements and expectations that organizations face today, and the online gaming industry is no exception. The competitive nature of the industry requires operators to be early adopters of new technology and products, in order to attract the customer in the right place at the right time and with the right offering. In a world where customers can easily compare product offerings and campaigns from different operators, each operator is compelled to offer the market the very best.

The introduction of the Internet has

changed the buying pattern of traditional shoppers, who have gone from buying products and services locally to becoming worldwide shoppers. To build and operate a successful gaming operation in such an environment requires courage, creativity and stamina. A customer-driven organization, supported by exceptional customer service, and a strong brand are equally necessary. In this industry you are constantly forced to think outside the box to find faster and more efficient ways of communication and shorten time to market. As the Internet continues to spread and a new generation grows up we will see the industry change its face many times before it matures. In

the 1940s, Thomas Watson, then chairman of IBM, estimated the global aggregate demand for computers at five units. Today there are 35,000 new Internet subscriptions every hour. The growth offers great opportunities and challenges for existing businesses and potential customers.

The first thing a company in this industry needs to understand is the importance of listening to its customers. And the goal of making money is more easily attained when you really listen to your customers and understand what their needs are. Once you learn to spot and develop the kind of functionality, game or product that the customer sees as an improvement to the service,

While it is true that gambling has been around since the dawn of mankind, the technology available today coupled with the demand for transparency in the market, means we are only witnessing the beginning of the online gaming era.



you have created a stronger bond and hopefully increased the lifetime value of your customer base. Customer-driven innovation is, and will be, one of the most important parameters in building a successful gaming company.

Customers also want a consistent, reliable, and easy-to-use service. As the speed of service increases, customer expectations grow. Therefore, making customer service friendly, easy, and solution oriented is an important business trend. At Betsson, we focus a lot on building an easily accessible and responsive customer service as we truly believe that being accessible creates comfort for the user and builds a loyal customer base long term. Traditional ways of providing customer service, such as phone and email, will not take you all the way. Today MSN, Live Chat, Skype, Facebook, Twitter and other channels shape the behavior of our clients — and we need to be where our clients are. Online customers require that the company they choose, whatever the service is about, communicates with them in the way that they prefer and not what the company dictates. The sooner you realize that your customers talk about your brand and start interacting with

them in those places, the more successful you will be. The cheapest way to acquire a new customer is through existing satisfied customers.

Companies such as Facebook and YouTube have built products and services that communicate with the users in an accurate and customized manner. They offer the customers what they want, when they want it, creating a feeling among the users that the product was designed just for them. Online gaming companies have been more occupied with offering basic service to the users than user friendliness. This might not come as a big surprise considering what this industry was 20 years ago — nonexistent. However, companies like Zynga, Wikipedia, Spotify and Skype were also nonexistent at that time and today they manage to attract millions of users every day.

The final cornerstone required to build the foundation for the future is our brand. Since Betsson operates many different brands we focus on making each brand feel unique and on building values into each brand. Your product and service have to correspond to the requirements and expectations of the market segment you have chosen. Your brand needs to tell a story

and promise the customer something when they come to you. Creating a brand identity that transcends your market by creating a memorable exposure is imperative. Since the first impression is a lasting impression it is important to ensure that a potential customer's initial introduction to the brand is positive. Since statistics show that returning visitors often buy more than first-time visitors, it is important to keep the site updated with pertinent information, while bearing in mind the importance of branding.

In summary, to increase your chances of building a successful gaming company you need to focus on: 1) Customer-driven innovation, 2) Building strong communication channels with your customers, and 3) Establishing a clear brand strategy and managing it well.

While it is true that gambling has been around since the dawn of mankind, the technology available today coupled with the demand for transparency in the market, means we are only witnessing the beginning of the online gaming era.



A STRONG MATCH



BETSSON OPERATES A multi-brand strategy in order to appeal to a wide audience and satisfy different client tastes and profiles. The acquisition of Betsafe in May 2011 added an innovative, successful and fast-growing brand to the family of brands.

Betsson acquired Betsafe, a Norwegian-founded gaming company based on Malta that offers sports betting, casino and poker to clients in primarily the Nordic countries. The purpose of the acquisition was to further strengthen Betsson's position in the Nordic region by merging two profitable companies, each with a strong brand and a proven ability to gain market share in a highly competitive market environment.

In many ways, Betsafe mirrors Betsson's own successful journey and rapid growth. Last year, for example, Betsafe increased its revenues by 119 percent. Combining the strength of the two brands in slightly different segments will add to overall brand family value.

Betsafe will be retained as an individual brand for many reasons. Online game clients appreciate having different sites to choose between, since they prefer not to put all their eggs in one basket. By keeping two distinct brands that offer similar types of games and betting, the Betsson family of brands secures a larger share of the client's wallet. In all, the Betsson B2C family of brands makes up for approximately 70 percent of the gross profit.

OPPORTUNITIES FOR SYNERGIES

The acquisition of Betsafe paves the way for synergies in many areas, while the fact that the two companies share a similar corporate culture ensures a smooth integration of Betsafe's 150 employees into the Betsson organization. Two strong cultures, with common values and goals, have joined forces with the aim of further developing the business and eventually becoming one of the largest and most profitable players in the market.

Taking into account that Betsson's brands differ somewhat in positioning and approach, Betsson is currently developing a cohesive overriding brand strategy. The benefits of a multi-brand strategy are far greater than the costs associated with it.



Team Betsafe, Malta

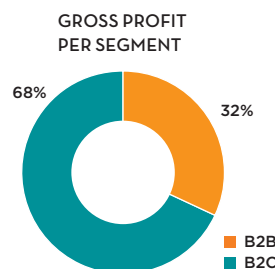
In terms of revenues, the two brands are able to capitalize on each other's strength. One example is race poker games, where the pooling of pots from Betsson and Betsafe into a joint pot with double the prize money, has attracted a larger number of players overall as well as from competing poker sites.

In addition to added revenue, Betsson reaps synergy benefits from, for example, the integration of technical platforms and supplier contracts. Added capacity and a broader product offering are other advantages from the merger.

MARKETING MUSCLE

One reason why Betsson regarded Betsafe as a near-perfect match is the company's strong management skills and its proven track record in innovation, particularly in the field of marketing. One example is the Betmobile — a van with an Internet connection and pc screens that gives visitors at sports events a chance to enjoy online games and betting. The concept has generated tremendous attention and won many new clients.

Like Betsson, Betsafe relies on marketing through affiliates. Independent websites offering information on online game sites are a highly cost-effective marketing channel. In all, Betsson cooperates with some 6,000 websites that help build traffic to its B2C brands. Affiliate marketing is a low-risk, low-cost form of marketing, since Betsson doesn't



pay the affiliate until it collects revenue from the traffic directed from the affiliate.

Television advertising is another important marketing channel, as is print and radio. Overall, Betsson favors action-oriented marketing that builds traffic and attracts clients. We prefer distinct call-to-action messages instead of costly, long-term brand building activities such as sponsorship of top-end soccer teams. Betsson consistently outper-

forms the competition in terms of both growth and profitability, and we believe an important reason behind this is that our marketing is generally more efficient. We are able to focus better, we keep a keen eye on return on marketing investments, and we don't sprinkle money around simply to build our brand.

OTHER B2C BRANDS

Besides betsson.com and betsafe.com, the Betsson family of brands includes cherrycasino.com and casinoeuro.com. These are dedicated casino sites favored by casino players who in general prefer sites that focus on casino games and do not offer sports betting and related products.

Betsson is currently in the process of developing a cohesive overriding brand strategy, taking into account that our brands differ somewhat in positioning and approach. The benefits of a multi-brand strategy, however, are far greater than the costs associated with it.



BETTING ON THE MIDDLE

Everyone in the West has heard about the rise of China for the last 20 years. Every day we are being fed astonishing stories about China's rapid change. There are many reasons why this is of interest but what stands out the most is that we are just in the beginning of this change. In spite of the spectacular growth, the average GDP per capita in China is still less than 10 percent of the U.S. and only about 14 percent of nearby Hong Kong. What we are witnessing is the largest societal change in history and it is not difficult to argue that the coming century will be a Chinese century. The United

Kingdom owned the 19th century, the U.S. the 20th but the 21st will surely belong to China.

THE CHINESE GAMBLING MIND

In most parts of Asia and also in China numerology and the perceived ability to predict numbers is a reality. Mahjong — probably the most popular game in the world — is played everywhere and playing mahjong is an essential part of every Chinese wedding.

In the West, Christianity labeled gambling as a sinful activity and thus it is generally speaking not seen as a moral activity. This is not the case in China where Christianity has never had much influence. The belief in fate is much stronger and gambling is the ultimate way of allowing fate to decide whether you should become

richer or poorer. Thus, placing a large bet on a certain sports event or at the Baccarat table is rather viewed as an investment than a gamble. "Man proposes — God disposes."

CHINESE LOTTERIES

In Mainland China the only forms of licensed gambling are operated through China Sports Lottery and China Welfare Lottery. These organizations sell a relatively wide variety of products — traditional number lotteries, odds betting, scratch cards, various forms of high frequency lotteries and they also operate a basic form of VLT halls.

INTERNET GAMBLING IN CHINA

Today one can roughly divide the Chinese online market into offshore

CHINESE MACAU HAS LONG SINCE OVERTAKEN LAS VEGAS AS THE BIGGEST GAMBLING CITY IN THE WORLD.



KINGDOM

BY MAGNUS GRINNEBACK

and onshore. Offshore operators are sites operating from overseas offering casino, sportsbook and the usual products. The size of this offshore betting in China is difficult to estimate but some figures indicate that it is 8-10 times the size of the licensed market and the authorities frequently clamp down on the activities of these sites.

Onshore sites focus on selling lottery tickets from Sports and Welfare Lottery online. Some of the largest sites are okooo.com and 500wan.com but lottery tickets have also been sold on taobao.com (an e-commerce site), qq.com and other large Internet portals. It is expected that new regulations for Internet sales will be put into effect during the coming years but the exact road

map is still unclear. What is not unclear is that online lottery sales is a priority for both the Sports Lottery and Welfare Lottery organizations and we will closely follow the development in this area.

THE PROSPECTS IN CHINA

In spite of the tight regulations there are opportunities in China for a company which is flexible and creative in its business model and regulations are slowly opening up. The key factor is to work together with the authorities — in particular the lottery centers — to develop solutions that can be regulated and licensed and to have a long-term focus. These are extensive processes that can take years and the outcome is of course uncertain. However — if you

achieve success in China the upside is gigantic.

Operating in China must be considered high risk but with such an upside, how can a company not try to make an effort to become established? Regulatory challenges, fierce competition and potentially massive rewards — to me this sounds like a perfect challenge for Betsson. We certainly believe that betting on the Middle Kingdom is the responsible thing to do and after all — did we not just learn that betting and investment is the same thing?



TEAMING UP WITH ARSENAL

Working with partners comes naturally to Betsson. Over the years many successful partnerships have been established and today they make up a large share of Betsson's total revenues. In order to move the company even closer to realizing the vision of "a stake in every online bet" it is necessary to move beyond the proprietary brands and use the innovative power of others to extend the reach.

Betsson offers a premium turnkey solution for its partners and consequently tries to find selected partners that bring distinctive value that Betsson cannot offer on its own. The partner process is often internally referred to as a 'dating process' rather than a sales pitch. Partnerships, just like relationships, sometimes do not work out as planned and that is one of many reasons we put as

much effort into selecting the partner as the partner does in selecting Betsson.

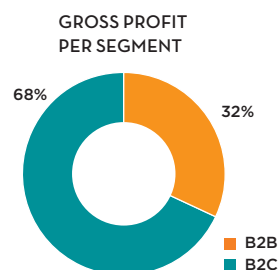
PASSION ABOUT PARTNERSHIPS

When Betsson first contacted Arsenal FC to discuss a potential partnership, the idea was that the right club — with the right approach and a big enough following — would make a great partner for a niche gaming site tailored to the fans. A lot of time was spent initially to create a shared vision of the partnership and the club was quick to catch on. Through a process of elaboration and discussion we managed to find a model that suited both parties.

Betsson Business Solutions finally signed a three-year B2B contract with the club and by doing so Betsson became the Club's Official Betting Partner, providing betting services both online under www.gunnersgaming.com and in-stadia for Arsenal fans through a newly cre-



To team up with Arsenal FC is just one example of innovative approach by Betsson. By being close to the market and being passionate about every partnership we have the potential to share success in a number of partnerships and ultimately get a stake in every online bet.



ated brand, GunnersGaming by Betsson. Arsenal has a global fan base and boasts the highest paid membership in the world of football with just under 200,000 members last season alone. It also has a massive following on Facebook of more than 8 million people.

GunnersGaming by Betsson is a unique site that combines the proven experience of Betsson with the passion of the Arsenal brand. With a clear Arsenal-branded solution, and exclusive Arsenal specific prizes, Betsson delivers a unique offering.

ENTERING LARGE AND COMPETITIVE VIRGIN TERRITORY

The UK market is virgin territory for Betsson and while the market is large and well established it is also known to be highly competitive. Entering the market with a B2B partnership makes sense in multiple ways. It offers a local connection and an opportunity to learn about the market,

while the brand presence is boosted by a ripple effect that comes from being associated with a strong brand.

The opportunity to leverage the platform, processes and expertise of a successful gaming company with a strong brand is always exciting. Even though pure gaming brands will remain dominant in this field, niche white labels are an excellent way to approach customers in the way they prefer.

To team up with Arsenal FC is just one example of the innovative approach by Betsson Business Solutions. By being close to the market and being passionate about every partnership, Betsson has the potential to share success in a number of partnerships and ultimately get a stake in every online bet.

A WELL REGULATED BUSINESS

BY MARTIN THORVALDSSON



The Betsson Group works under increasingly strict regulatory standards, which place many and varied requirements on the organization.

THE BETSSON GROUP works under increasingly strict regulatory standards, which place many and varied requirements on the organization. The main regulatory requirements on the operating part of the business originate from the gaming regulation in the countries where we operate. There is also, however, many other sets of regulations that apply. For example, we are subject to stringent anti-money laundering and data protection legislation that often have far-reaching implications due to the inherent cross-border character of the business. In addition, the operating companies face various marketing restrictions, while the rules and regulations of the Stockholm Stock Exchange (NASDAQ OMX) govern many aspects of the holding company Betsson AB (publ). On top of this there are meticulous financial and certification standards that the group adheres to and continuously updates.

These often overlapping sets of rules are complex in themselves but also subject to rapid change as the online gaming industry is evolving and maturing. The ongoing “re-regulation” of some online gaming markets, primarily in Europe, will continue to be a challenge for all operators, especially as long as the new local regulations remain immature. Betsson and other stakeholders hopes and believes there will be a gradual harmonization and development of joint standards that would make it possible to “passport” approvals in one country to another, but this scenario is probably quite far away. A common view shared by many in the industry, is that it is likely to become even more complex before the different regulations inevitably are brought closer together.

Betsson is in the process of expanding into locally licensed markets and in December 2011, it was granted a gaming license in Denmark. In addition, Betsson has been granted a



license in Italy during 2012. We aim to apply for additional licenses in continental Europe during 2012, provided at all times that the relevant licensing structures are commercially viable and compliant with the principles of EU law. Our intention is to continue to be proactive in these processes and to work closely with the authorities in jurisdictions seeking to re-regulate. We believe we have been reasonably successful in Denmark and we hope to be a vocal partner in other jurisdictions as well, in order to aid the development of well-regulated and commercially attractive markets.


EU CRITICISM AGAINST MONOPOLIES

While the re-regulation has gained momentum we continue to trade under our Malta license under the protection of EU law and international private law principles in the so-called cross-border segments. As the restrictions in many EU member states in reality protect the local monopolies, they do not pass the tests set out in EU case law for such restrictions, which renders them invalid. Our position in the continuing legal debate on whether EU member states may restrict gaming services from other member states was strengthened during 2010 by the European Court of Justice decisions in the Winner Wetten, Markus Stoss,

and Carmen Media Group cases. The European Commission has continued to criticize legislation protecting local monopolies during 2011 — for example the federal legislation in Germany — with the effect of pushing the re-regulation and liberalization of different markets forward.

The European Commission green paper on online gaming has also increased awareness of the issue on the EU level. It remains to be seen whether the Commission will propose measures to address the fragmented market situation once the paper is published in 2012. In any case, the development has increased the chances of re-regulation and liberalization in additional EU member states and also lowered the practical risk of enforcement against the Betsson Group because of the cross-border operations maintained from Malta.

The level of regulation in the online gaming industry is likely to continue to increase. While this is certainly painful for any company we still welcome the development as it goes hand in hand with our ambition to continuously invest in the credibility of our company and our brands. Gaming is one of the most regulated industries in the world and we look forward to being involved in the improvement of gaming regulations and to further improve our compliance with new and existing legislation.



BROADER KNOWLEDGE
OF THE PLAYERS'
BEHAVIOR AND SOLID
CUSTOMER PROTECTION
WILL SUPPORT LONG-
TERM EARNINGS WHILE
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FORWARD IN THE NEWLY
REGULATED MARKETS.

THE DEVIL IS IN THE DETAILS

BY FREDRIK RÜDEN

THE MASSIVE NUMBER OF RULES and regulations that surround a listed company in the gaming sector must be monitored closely, since they tend to develop in different directions. Every company must also take into account their commercial framework and their formulated goal, mission and vision ambitions.

How do you secure growth and profitability in a demanding and constantly changing environment? Having strong control systems is essential.

An important part of Betsson AB's stewardship responsibility is to review and approve the commercial ambitions of its subsidiaries and make sure they implement high quality business control systems.

PLAYER PROTECTION IS PRIORITIZED

Betsson AB constantly ensures that the group's operating entities protect and secure customer funds. This is a key responsibility that the different gaming authorities require from all licensed operators. The first thing a player normally does, when starting a game that involves money, is to deposit funds. In order to act as a link in handling credit card payments, an operator must comply with PCI DSS (Payment Card Industry Data Security Standard), which guarantees a stable and secure infrastructure. Efficient payment solutions are vital, and a failed deposit is a loss of revenue. History has proven that any supplier of gaming solutions that provides players with the means of conducting fast and secure payments enjoys a clear competitive advantage since it contributes to, and strengthens, confidence in the company. That is why this is a prioritized area for Betsson AB as parent of gaming subsidiaries.

Following the deposit, the player can start enjoying the different games. To be able to handle huge gaming volumes on a daily basis, investment in solid systems and high-quality routines are ensured when Betsson AB approves the gaming subsidiaries' budgets. Monitoring systems and routines is an important risk management area as a significant failure can have an adverse effect on the income statement. External auditors, reporting to Betsson AB's management and board of directors, are important parties in identifying weaknesses in the group's control systems. The auditors are an important complement to all other internally initiated checks.

When the player's game is ended — with or without a gain — the operator or player account shows an increase of funds. The operator is

required to continuously report cash balances to the gaming authority. The purpose is to ensure that the company can handle the balance due the customer in the unlikely event of having to pay out the total balance. An operator with inadequate cash flow reporting or lack of respect for these procedures may face serious problems, as evidenced by the 2011 crackdown on one large operator, based on its alleged lack of control regarding customer funds. Betsson AB has requested its subsidiaries to set up cash flow reporting procedures and to view the in and out flows closely to secure compliance with gaming regulators and customer funds.

KNOWING OUR CLIENTS

Another framework of rules incorporated in gaming regulations is KYC (Know Your Client). Betsson's gaming entities are responsible for setting up a customer register and for verifying each player's identity. This is the foundation on which Internet gaming is built and a good starting point for barring access to minors. An Internet gaming site can also be a helpful tool for player protection in other aspects, in that players can view their own behavior, impose personal budgets and other similar restrictions. Players can get real-time help or advice to support their playing ambitions.


Personally, I am glad not to be in the same position, as traditional gaming monopolies such as Svenska Spel, who recently enforced restrictions for under-aged players but continue to sell physical games despite a lack of deeper understanding about the individuals who buy them. It is hard to see how most monopolies would gain acceptance within the EU for arguing

that they are better at taking care of players than the private alternatives. But there is more to the picture than meets the eye, since a problem player is bad for business in many ways. One is that he/she is unlikely to generate steady revenue over a longer period. Secondly, this kind of misbehavior is likely to generate bad will for the online gaming sector.

Broader knowledge of player behavior and solid customer protection will support long-term earnings while securing the way forward in the newly regulated markets.

ORDER AND CLARITY IS VITAL FOR SUCCESS

At a higher level goal, mission and vision statements, approved by Betsson AB, must be reflected in operations. Generally speaking, good order in decision-making processes, clarity in areas of responsibility and accountability is vital to Betsson's success. Viewing the subsidiaries of Betsson AB, we place particular emphasis on identifying and evaluating the most significant risks in routines and work hard on controls aimed at managing these risks. However, the challenge lies in preserving a dynamic, hungry company culture in which individuals are rewarded and appreciated for their efforts while risks are managed on a sound commercial basis. It is therefore important to find a good balance between ambition and maintenance of detailed controls. Improved governance and control in the gaming field facilitates good business and is a competitive tool in the capital market, as well as in strengthening the industry's position in the eyes of the public.

A man with a beard and short hair, wearing a white button-down shirt and blue jeans, is leaning against a metal structure. He is smiling and looking towards the camera. A large, white, stylized letter 'M' is superimposed over the image, partially obscuring the man and the background. The background shows a blurred view of a building or industrial structure.

Mobile communication, particularly the use of handheld devices such as smartphones and tablets, is an important future driver for Betsson.

MOBILE CREATIVITY

BY PIERRE DE BOER

MOBILE GAMING AND gambling growth is getting stronger with an estimated 35 percent year-on-year growth in 2011. The key driver is mobile betting, with currently 75 percent of total mobile gambling.

Mobile communication is clearly becoming an important online channel. We believe, however, that the channel itself will become comparatively less important, whereas seamlessness and usability across different channels, such as the web and mobile Internet, will be the overriding aspect for the customers.

As seen in the graph below, shipments of mobile devices (tablets and smartphones) were expected to surpass PCs in the fourth quarter of 2011. With the launch of Apple's App Store, distribution of mobile content took a drastic turn and was pushed even further by Google's Android Market. According to Gartner, worldwide mobile application store downloads were forecasted to reach 17.7 billion in 2011, a 117 percent increase from an estimated 8.2 billion downloads in 2010.

TRENDS

The clear trends in mobile development are new features, and mobility in itself, rather than mobile apps. Mobile

growth has triggered such features as location/GPS (offered by NFC, Near Field Communication) and will trigger different user behavior and new possibilities for the gaming industry.

Casual gaming and social networking is another trend that will be further fuelled by mobile communication and smartphones have become powerful gaming devices for the mass market. This trend will continue and we are witnessing the emergence of new business models based on subscriptions, micro transactions and in-app billing.

HTML5 and downloadable apps are fighting for space in delivering entertainment to mobile users, and will bring new opportunities for innovative technology providers. We believe this trend to be the single most important in terms of direction of development and positioning of mobile business.

As shipments of smartphones and tablets continue to grow, market fragmentation will continue, forcing operators like Betsson to decide on strategies on how to support and develop services for diverging operating systems, hardware and customer behavior. If innovation is used wisely, this threat may be turned into an opportunity.

POSSIBILITIES

The power of millions of users connected in real-time to the Internet and to each other, will have an immense impact on our possibilities as an online gaming provider. These fairly new distribution channels create opportunities for our products and new types of partnerships. Betsson has a great chance to not only increase revenues by offering superior mobile products, but also to once more strengthen our position as an innovative and rapidly adapting company. Customers will expect from us (and from our competitors) to be able to use our services and products on all their devices connected to the Internet, be they mobile phones, tablets, PCs or other devices.



Our initiative will involve the customers in every step of the development, and we will monitor the trends and adapt our user interfaces and products to what the customers want. In the coming years, we expect game-changing mobile gambling products will be introduced in the market and Betsson will make sure it stays at the forefront of the development.

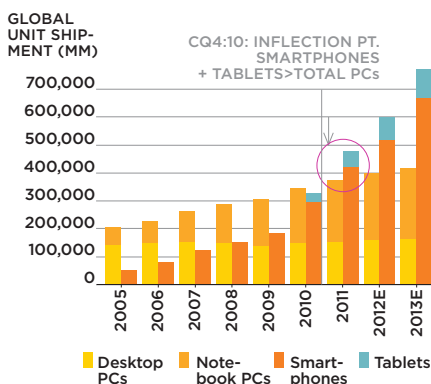
STRATEGY

Our strategy is to use trends and possibilities to our advantage and to use the mobile development as yet another way to generate more revenues and satisfy our customers by:

- Focusing on mobile Internet to enable all segments in all markets full access as well as seamlessness between smartphones/tablets and PC.
- Using apps as enablers for the mobile web and using innovative approaches to reach dedicated segments, such as Live Score App.
- Striving to be the market leader in mobile gaming by being fastest to market, with the best offering and to develop the most innovative products.
- Doing as much of the development in-house as possible in order to come up with unique products, with unique capabilities and to be viewed as the innovation leader.

Mobile creativity the Betsson way!

GLOBAL UNIT SHIPMENT OF DESKTOP PCs + NOTEBOOK PCs VS. SMARTPHONES + TABLETS, 2005-2013E



Note: Notebook PCs include Netbooks. Source: Katy Huberty, Ehud Gelblum, Morgan Stanley Research. Data and estimates as of 2/11.



RESPONSIBLE GAMING

OUR FIRST RESPONSIBILITY IS TO BE SUCCESSFUL, BECAUSE ONLY THEN CAN WE HAVE A POSITIVE IMPACT ON SUSTAINABLE DEVELOPMENT. THE BULK OF BETSSON'S CORPORATE RESPONSIBILITY COMMITMENT RELATES TO ISSUES OF RESPONSIBLE GAMING AND PLAYER PROTECTION.

BY HILLEVI STUHRENBORG

CORPORATE RESPONSIBILITY

Responsible gaming is an integrated part of our business, be it in contacts with customers, marketing, product offering and when evaluating our supply chain. Betsson will only collaborate with entities that share our values and commitment to high standards. We strive to continuously improve the ease with which customers can tailor their personal gaming experience and their spending.

Betsson's investment in corporate responsibility is internationally recognized by the online gaming industry. We have, for example, been shortlisted for "Most Socially Responsible Operator" at the E-Gaming Review awards in London three years running and we won in 2009. This year we are shortlisted for the same category at the International Gaming Awards in London, which brings together online as well as land-based operators.

TRAINING FOR ALL EMPLOYEES

All personnel, irrespective of role and position, receive at least basic gambling awareness training, and most employees receive external and internal training on an ongoing basis. To facilitate the training, Betsson collaborates with the Global Gambling Guidance Group (G4). The training covers health issues as well as problem gambling and gives our staff sufficient knowledge to recognize symptoms that could be indicative of problem gambling. Personnel are also familiarized with the phases of problem gambling and what kind of help is available and deemed most effective. The training offers a background to the policies and procedures adopted by the Customer Services Department. All personnel are sensitized to the importance of keeping our customers healthy and how to address any problems that may arise, and to be mindful of how we in our differ-

ent roles can have a positive and preventive impact. Our customer service personnel are updated continuously and have access to consultancy by the manager for responsible gaming 24/7. In addition, there are monthly responsible gaming updates in the digital Betsson staff magazine. Spelinstitutet trains our personnel in Sweden.

RESPONSIBLE GAMING – ACCORDING TO THOMAS NILSSON, CEO OF SPELINSTITUTET

To be responsible is to execute an action to which one may be held responsible and be praised or vilified for. Information and knowledge is required for an individual to be able to be responsible. Responsible gaming is, in short, when an operator offers tools that aid the customers in retaining their intended game level. In order for the tools to be effective, the customer has to decide prior to the game how much money and time he or she wants to spend. The customer must be able to stop playing and have access to a self-assessment test. For the player to decide whether to receive promotional material and in what form requires collaboration and agreement between the operator and the player. For an operator to offer the players an opportunity to take responsibility for their own gaming behavior, there needs to be accurate information on how the products are used, and that there is a risk of developing gambling problems as a result of gambling. The information serves as the foundation on which the customer can make informed choices, reach out for tools and decide on their intended game level. Once the customer has made the choice, there is a common binding agreement between the player and operator, which both parties are responsible for. This agreement is compulsory for the operator and we always supply our customers with these agreements and restraining tools.

RESEARCH INTO GAMBLING AND PROBLEM GAMBLING

In 2008, Betsson initiated a scholarship for research into problem gambling and gambling in general. Two awards are granted annually in Sweden. The purpose is to stimulate interest and research in the field of gambling in order to contribute to the development of effective strategies and preventive measures to decrease the incidence of gambling problems. In 2010, Betsson in collaboration with the University of Malta, launched an annual award, with the aim of bridging academia and business.

The award ceremony is being held at the Lotteries and Gaming Authority and the dissertations are assessed on

BRAND ASSOCIATION THAT DRIVES RECOMMENDATION



Source: Holden Pearmain Customer Satisfaction Tracker Sept 2011

their validity, degree of innovation and feasibility to the gaming industry. Betsson intends to extend its research support program to additional countries in the near future. Since research is important for us in order to be proactive, we subscribe to and stay updated on any gambling research that is released.



Marcus Lindskog, PhD at the Institute of Psychology, Uppsala University, and winner of Betsson's essay contest with the essay: "Gambling on conjunctions — a study of how feedback influences conjunction errors".

PLAYER PROTECTION AT BETSSON

Betsson has experienced an exceptional growth and it is more important than ever that we fulfill our obligations towards our customers, and continue to offer a fun, exciting and safe gaming environment. In addition to the player protection tools already available to our players, we plan to develop the tools further and add more

“Safeguarding the players means safeguarding our industry and our livelihood.”



Hillevi Stuhrenberg, Manager for Responsible Gaming & CSR

options. We believe that although most customers do not need or make use of them, there are customers who feel that the tools help them retain a comfortable gaming level. Our ventures into licenses outside of Malta require dedication and flexibility in all respects, including the area of responsible gaming. Having been licensed in Malta for a number of years has proven a good foundation, since matters pertaining to player protection and KYC procedures are very stringent compared to some other jurisdictions. We are likely to see a lot of development in this area in view of the fact that player protection and public health issues have been, and to some extent still are, the cornerstones of the pro-state monopoly debate. It will therefore be important to show that we are equal — if not better — in offering our customers a high-quality protection service, that we are just as capable of protecting vulnerable groups as the monopolies are, and that we respond when customers who experience negative consequences from gambling. In order for us to be able to excel in this area, we need continuous investments in new tools that customers can customize according to their own needs and wishes. The more tools we can make available for customers that do not require input from Customer Services, the better we are able to handle increasing volumes, while reducing

the risk of human error and freeing up resources for those customers that need our intervention.

OUR ENVIRONMENT

Betsson only permits business travel that is absolutely necessary and we promote the use of new technology and video conferencing. When feasible, the use of public or shared transport and other environmentally-friendly transportation is stipulated. We compensate for air travel by buying carbon offsets. All of our offices have implemented waste management procedures that include environmental considerations when purchasing material and equipment. Betsson is a gold sponsorship level contributor to the Swedish Nature Conservation Society, whose activities have a global impact. In Malta, Betsson is co-sponsoring a EU environmental educational program, aimed at primary school children, their teachers, families and local communities. The three-year program assists teachers in developing a curriculum to teach the importance of environmental issues and how mismanagement of the environment affects society.

Gambling among the Swedish population has decreased from 88 percent in 1997 to 70 percent in 2009.

This indicates that increased availability and accessibility to gambling does not automatically result in increases in gambling activity in a population.

Swedish National Institute of Public Health
SWELOGS 2009



Our vision is to have
“A stake in every online bet”.

Our mission is to deliver fun, fair and creative online gaming experiences to the people. We strive to be the best where we choose to play. We are a creative and dynamic company built by passionate employees.

Our values are:

Passion — We love what we do

Creative — Challenge and explore

Fun — Smile, you're with Betsson

Fair — We play fair

Dynamic — We embrace quickness, change and flexibility



WORKING AT BETSSON – MORE THAN JUST A JOB

Working at Betsson is more than just a job – to us Betsson is personal. We are a bunch of passionate and driven people who like to go all in when it comes to work.

The Vision, Mission and Values really capture what we do, how we do it and what the Betsson soul is all about.

Working at Betsson is more than just a job – to us, Betsson is personal. We are a bunch of passionate and driven people who like to go all in when it comes to work. Even though the “Betssonite” is competitive and ambitious, the atmosphere at Betsson is humble and we want to achieve and win as a team. We value having an open work climate where our CEOs are as approachable as our receptionists.

A co-worker once coined the expression “fast, faster, Betsson”. In a fast-paced and constantly changing in-

dustry such as online gaming, our employees need to be superheroes when it comes to finding new solutions and ways of doing things, and to do it fast.

By the end of 2011 there were 581 people working for the Betsson Group in ten offices around the world. Our operational headquarters are located in Malta and most of our staff, about 400 people, live and work on this beautiful island in the Mediterranean. Our technology company is based in Stockholm but we also have several software development teams in our Kiev and Manila offices. In addition to this we have a couple of small satellite offices around the world, mainly in Scandinavia, but also for example in India and China.



Today we are a truly international company. This is not only illustrated by the fact that we operate in many markets and have offices around the globe, but also by the fact that our staff is made up of 30 different nationalities.

The ages of our employees range from 18 to 55, but most of us are between 25 and 35. About 23 percent of our employees are female.

THE BETSSON DREAM TEAM

To reach our Vision we believe that we must employ the best people, to be the Barcelona of online gaming, a true Dream Team.

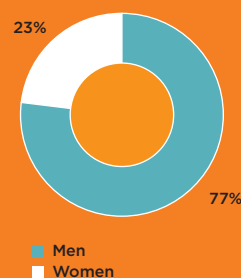
In order to motivate and keep the best people we offer a challenging environment with many opportunities to grow and develop. At Betsson, you can launch a skyrocket career.

We work hard but we also spend a lot of time, effort and money on having fun. The Betsson Sports Club organizes skiing, hiking and surfing trips. We have training challenges, poker tournaments, theme parties, basically anything that we think is fun and will contribute to the team spirit. Last year we challenged ourselves to reach a number of tough goals. We achieved them and the whole company traveled to Las Vegas for a conference. This year we have the Ibiza challenge.

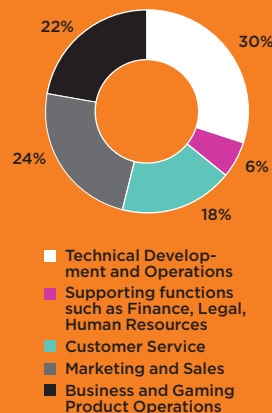
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NATIONALITIES IN
THREE CONTINENTS
WORK AT BETSSON

DISTRIBUTION OF
MEN AND WOMEN



DISTRIBUTION OF
DIFFERENT TYPES OF ROLES



THIS IS WHAT SOME OF OUR EMPLOYEES SAY ABOUT WHAT IT'S LIKE TO WORK FOR THE BETSSON GROUP:



LAZSLO CECZER
B2B CASINO MANAGER,
GAMES OF CHANCE
NATIONALITY: HUNGARIAN
OFFICE: MALTA



MAGNUS NORLING
TEAM LEADER,
TECH OPERATIONS
NATIONALITY: SWEDISH
OFFICE: STOCKHOLM

How would you describe the atmosphere at Betsson?

We have a very good group of people in the company, who are passionate about what they do. Look at the growth for the last five years and you'll see how eager we are to show progress. Look at the pictures from the last company Christmas party and you'll see how much fun we can have! This healthy balance creates a unique atmosphere at Betsson.

Why would you recommend working for Betsson?

There are a lot of opportunities to grow and develop. If you are a rookie, Betsson gives you the chance to show your talent and climb up the company ladder. If you want to try in a different field, you can get that chance — just take my example; I've been working in five different positions over the last three years! If you are seeking new challenges, take a look at all the new business Betsson kicked off during 2011, and you will know that this is a place where you can develop yourself further.

What is your best Betsson memory?

It is very hard to choose from all the memorable moments from successful days in business, various company events, team building, or conferences. However, what thrills me the most is still the fact that we managed to fly down the whole company to Las Vegas and had an amazing time there. How many companies of this size are capable of doing that?!

Why did you choose to work for Betsson?

After almost nine years in the IT industry I decided to find "the big challenge". I evaluated over 150 different positions and at the end there was one that stood out. I applied, and the rest is history. I challenge and develop on a daily basis and it will soon be my fourth year in the company. My search for the big challenge resulted in a Jackpot!

How would you describe your colleagues?

We come from many different backgrounds with unique expert competence within critical IT operations. My team members personify the words humble, competent and dedicated. This combination makes us a world class Tech Operations team!

What is your best Betsson memory?

When our Tech Department in only six months, from scratch, and with the latest technology, designed, built and launched a new production platform. The whole project was delivered with an enormous amount of innovation power and dedication. Nothing is impossible at Betsson!



JEFF TABONE
SPORTSBOOK MANAGER
NATIONALITY: MALTESE
OFFICE: MALTA

How would you describe the atmosphere at Betsson?

Busy comes to mind at the moment — but it's also a very fun and rewarding place to work. Everyone takes a lot of pride in what they do and we push each other to be the best we can. I feel this leads to a good sense of accomplishment when we deliver — hence my description as: Busy, fun and rewarding.

How would you describe your colleagues at Betsson?

The list of adjectives would be so long I don't even want to think about starting. We have an extremely varied group of people (as any company as big as Betsson does). The general common denominator is passion for our jobs. If you don't love what you do and put your heart into your work, then Betsson isn't the place for you.

Why would you recommend working for Betsson?

It's a place where you can impact change; if you are passionate and motivated you can really make a difference here. Actually seeing the changes and developments you have worked on not only improving our product but generating more profits is a very powerful motivating factor — and very rewarding.



ANNA-KATRINA ROMIRO
QA ENGINEER,
TECH DEPARTMENT
NATIONALITY: FILIPINO
OFFICE: MANILA

Why did you choose to work at Betsson?

I was interested in working in online gaming and Betsson also seemed to be a fun place to work. I was not disappointed, as there is a lot of fun, passion, professionalism and creativity!

How would you describe the atmosphere at Betsson?

The five values, Passion, Dynamic, Fun, Creative, and Fair, can be seen both inside and outside of the office. For example In Manila, even in stressful times, people make sure that the atmosphere is positive. Being passionate and creative in what we do helps us deliver the best product — in my case; making us the BEST SPORTSBOOK in the world!

What is your best Betsson memory?

I was awarded Ms. Techsson earlier this year. It was such a happy feeling to be recognized as a good employee. Also, the opportunity to travel to Stockholm to work with the teams there.

GROWING MORE THAN THE MARKET

– AN INVESTMENT CASE

BY TOMAS JOHANSSON

THE ONLINE GAMING market is becoming increasingly attractive as the popularity of gambling and online entertainment continues to grow. Coupled with the huge potential of the opening up of major markets like Asia and the U.S., the online gaming industry has the potential of being one of the fastest-growing industries overall. The gaming industry will continue to migrate online, which favors innovative and flexible operators such as Betsson over monopolies. Current market developments such as licensing, growing competition and higher demands on gaming companies favor large established operators. With the exception of B2B start ups, the barrier to a successful entry into the industry is high and rising, given that:

- Strong growth in number of customers makes first-class robust technology a key differentiator and a key requirement in order to handle multiple transactions every second with no room for mistakes.
- High demands from regulators in terms of security, operational quality and proven levels of continuous reinvestment favors established operators.
- The considerable investment spent on being able to present a best in class product offering under well known and trusted brands can only come from years of successful CRM activities and faultless operations.

Betsson has grown faster than the market in recent years and we see no reason why the company shouldn't continue to do so in the years to come. Since Betsson only has a fraction of the total market, we have a great position in view of i) the overall underlying market growth and ii) the ability to take market share from the competitors, mainly state-owned monopolies.

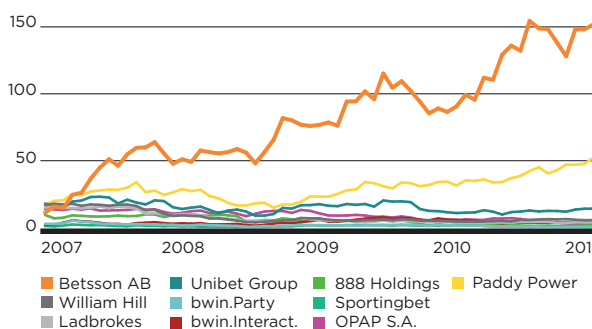
In line with our strategy, we have created features that will favor Betsson in the coming market development. Through the dual B2C and B2B strategy, and with the Nordic market as a foundation with its B2C offering, Betsson is able to move towards new emerging markets. With Betsson Business Solutions, Betsson is at the forefront by offering the best B2B product currently available

on the market. This facilitates Betsson's entry into markets that otherwise would have been very costly or even impossible to enter due to legal restrictions.

	EBIT Growth, %	EBIT margin, %	Dividend, yield, %	Share price increase, %
2007	905	29.3	8.8	127.6
2008	46	26.7	7.7	15.9
2009	15	24.4	9.5	43.9
2010	20	23.7	6.4	15.5
2011	47	32.2	6.9	24.4

Betsson's B2B effort has already paid off in terms of much first-class collaboration throughout the world. Given the benefits of scale in B2B, Betsson can quickly enter a new market at a low cost and reap the benefits of local expertise through its partner.

FIVE YEAR SHARE PRICE



Online gaming remains an under-penetrated industry with high growth potential. Betsson is keeping up the hard work and is well positioned to meet this continued growth. Betsson believes it has only scratched the surface of online gaming. High customer deposits and a soaring level of activity at Betsson sites indicate that we are on the right track.

“We believe Betsson will continue to deliver on its focus on profit growth.”

Source: Analyst Oct 2011

This strong performance has given the best shareholder value since 2006 in comparison to the competitors. In addition, Betsson has paid out dividends since 2006 in accordance with, or above with its dividend policy, which states that 75 percent of the profits shall be distributed to the shareholders. Dividends have been paid through an automatic redemption process that is more favorable than cash dividends.

SEVERAL LUCRATIVE MARKETS TO OPEN UP – IN ASIA AND THE U.S.

Some of the markets that are still untouched may eventually become the biggest markets.

NON-CYCLICAL REVENUES AND EARNINGS

In recent recessions, online gaming was more or less unaffected. Online gaming often benefits from changing consumer behavior as their spending patterns react to the economic circumstances.

“A FIRST-CLASS PRODUCT OFFERING WITH STRONG PROPRIETARY TECHNOLOGY PROVIDING HIGH CUSTOMER VALUE UNDER ESTABLISHED BRANDS AND SCALE THROUGH B2B WILL KEEP BETSSON IN THE FOREFRONT IN TERMS OF MARKET GROWTH”

Source: Company Analyst 2011



BETSSON'S COMPETITIVE ADVANTAGES ARE MANY BUT CAN BE SUMMARIZED BY THE FOLLOWING KEY AREAS:

- i) Dual strategy with B2C and B2B fuelling the successful multi-brand strategy with localized offerings.
- ii) An efficient marketing strategy aimed at attracting new customers at low levels of cost and risk.
- iii) Better product offering with a multi-supplier strategy based on a world-class proprietary gaming platform.
- iv) Cost control permeates the entire company.

Amount in SEK million unless otherwise stated	2011	2010	2009	2008	2007
Total					
Revenues	1,736.6	1,603.2	1,299.7	1,037.8	649.0
Gross earnings (gaming surplus)	1,428.9	1,282.1	1,045.0	828.1	520.8
Operational earnings	559.7	380.6	316.9	276.6	189.9
Earnings before tax	527.8	365.7	303.3	267.3	179.4
Liquid assets	509.7	497.1	529.1	373.2	232.7
Equity	1,334.3	825.6	820.4	720.2	623.5
Gaming surplus per geographical area, B2C					
The Nordic countries	537.2	416.6	466.5	450.2	351.3
EU except the Nordic countries	183.1	139.2	124.0	97.2	66.3
Other Europe	3.9	0.2	-0.3	3.2	-1.0
Other world	14.4	5.0	2.4	2.3	1.5
Total	860.9	558.0	592.6	552.9	418.1
Gaming surplus per product					
Casino	955.9	745.4	670.4	481.3	254.2
Poker	83.9	106.7	131.9	158.5	193.0
Sportsbook	326.9	367.7	206.6	159.0	56.8
Other products	62.2	62.3	36.1	29.3	4.5
Total gaming operations	1,428.9	1,282.1	1,045.0	828.1	508.5
Other operations, adjustments	0.0	0.0	0.0	0.0	12.3
Group Total	1,428.9	1,282.1	1,045.0	828.1	520.8
Other key figures					
Customer deposits (SEK M)	5,237.9	3,894.1	3,258.0	2,279.7	1,346.6
Number of registered customers (thousands)	3,662.4	3,158.2	2,117.8	1,499.9	996.2
Number of active customers (thousands)	403.6	300.5	288.7	167.4	107.0
Average number of employees	340	268	225	154	106
Number of employees at year end	412	282	258	185	136
Number of shareholders	12,507	11,484	9,905	5,790	5,952
Stock exchange value at year end (SEK M)	6,097.5	4,627.8	4,341.0	2,709.4	3,292.8
Earnings per share (SEK) remaining operations	13.12	9.32	7.73	6.81	4.55
Equity per share (SEK)	32.15	20.96	20.91	18.34	15.85
Dividend or equivalent per share (SEK)	9.42	7.00	9.00	5.10	5.00



Left to right: Kicki Wallje-Lund, Patrick Svensk, Carl Lewenhaupt



Clockwise: John Wattin, Lars Linder-Aronson, Per Hamberg, Pontus Lindwall (Chairman)

◀ BOARD OF DIRECTORS

PONTUS LINDWALL

Chairman of the Board.
Born in 1965, Stockholm.
Board member since 2011.
Employed by the group since 1991, Pontus has held many positions within Betsson AB, such as President and CEO from 1998 to 2011. Pontus is a founder of the Internet-based business currently existing in Betsson AB, Net Entertainment AB and Cherry AB. He holds a Master of Science from KTH Royal Institute of Technology, Stockholm.

PER HAMBERG

Born in 1943, Ekerö.
Board member since 1974.
Per is one of the co-founders of Betsson AB (formerly Cherryföretagen AB). He has worked as CEO and has also been Board Chairman of the group and its subsidiaries. Per previously studied Business Administration and Political Science.

JOHN WATTIN

Born in 1947, Stockholm.
Board member since 1989.
CEO of Investering i Kunskap AB. John has many years of international experience of board work, with an emphasis on company development and transformation in listed and unlisted companies. He is one of the founders of Enator, Sigma and a number of other companies. John has been working with his own investments for the past 15 years.

KICKI WALLJE-LUND

Born in 1953, Nyköping.
Board member since 2006. CEO of Wellnet AB. Kicki has business and operational development experience from various international companies in which she has primarily worked within the banking and finance business areas. Kicki has held senior positions at NCR, Digital Equipment, AT&T, Philips, ICL and Unisys.

CARL LEWENHAUPT

Born in 1958, Stockholm.
Board member since 2008. CEO of the advertising agency Calleolle AB. Carl is Creative Director and has many years of experience in international marketing. He has founded, owned and operated several advertising agencies. Carl studied at IHR Stockholm, NYU in New York and at the School of Visual Arts in New York. Carl is a member of the Platinum Academy.

LARS LINDER-ARONSON

Born in 1953, Saltsjöbaden.
Board member since 2008.
Lars has many years of finance and capital markets experience, primarily within investment banking in London, New York and Stockholm. Previously, he was Head of Enskilda Securities and has worked for the investment bank Dillon, Read & Co. Lars graduated in business studies from the Stockholm School of Economics.

PATRICK SVENSK

Born in 1966, Stockholm.
Board Member since 2005. Executive Vice President of Content at MTG. Patrick has experience from various management positions in listed companies. He was former CEO and Head of Group for Zodiak Television. Previously he has worked as CEO of Kanal5 and TV3 Sweden. Patrick graduated in business studies from the Stockholm School of Economics.

SENIOR MANAGEMENT ▶

FREDRIK RÜDEN

CFO, Betsson AB
Born in 1970, Nacka.
Employed by the group since 2008.

MAGNUS SILFVERBERG

CEO, Betsson AB
Born in 1973, Stockholm.
Employed by the group since 2009.

HENRIK PERSSON

CEO, Betsson Malta Ltd
Born in 1980, Malta.
Employed by the group since 2011.

MARTIN THORVALDSSON

CEO, Bsg Ltd & Group
General Counsel
Born in 1970, Gibraltar.
Employed by the group since 2010 (not in the picture).



Left to right: Magnus Silfverberg, Henrik Persson, Fredrik Rüdén



BLACK JACK

Dealer must stand on

INSURANCE







Betsson AB (publ) | Regeringsgatan 28 | SE-111 53 Stockholm | Ph: +46 (0) 8 506 403 00 | info@betssonab.com | www.betssonab.com

Betsson Malta Ltd. | G.B. Buildings | Watar Street | Ta'Xbiex, XBX 1301, Malta | Ph: +356 22 603 300

Betsson Business Solutions | c/o Betsson Services | G.B. Buildings | Watar Street | Ta'Xbiex, XBX 1301, Malta | Ph: +356 22 603 300 | www.betssonbusiness.com