

INTERIM REPORT

January 1 – June 30, 2006

Betsson AB (publ)
Stockholm, 18 August 2006



All figures in this report are in SEK.
Numbers in parenthesis indicate the corresponding period of the previous year.

Interim Period:

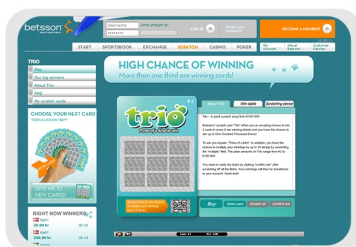
- The group's net sales increases by 39 percent to SEK 265.8 (190.5) million
- Operating profit amounts to SEK 6.3 (15.1) million
- Costs for distribution of dividends in Cherry Casino affects the result by SEK 5.6 million
- Profit after financial items amount to SEK 3.6 (150.7) million
- Profit after tax amounts to SEK 1.8 (146.1) million, corresponding to SEK 0.05 (4.30) per share

Second quarter:

- Cherryföretagen AB changed name to Betsson AB
- Betsson Online's revenues increased by 71 percent to SEK 61.9 million
- The number of active customers at Betsson.com increased by 3 percent
- The number of active customers at Betsson Sport increased by 127 percent
- Betsson increases efforts in product development, launch Bingo
- Net Entertainment's revenues increased by 39 percent to SEK 22.9 million
- Net Entertainment signed 6 new license agreements

Events after the end of the period:

- Cherry Casino will be distributed to the shareholders in September



The Group

Interim Period; January-June

The Betsson group's revenues during the reporting period increased by 39 percent to SEK 265.8 (190.5) million. The Internet-based operations Betsson Online (previous Cherry Online) and Net Entertainment substantially increased their net sales compared to the same period the previous year.

Operating profit amounts to SEK 6.3 (15.1) million. The result includes costs of SEK 5.6 million for financial advisory services and consulting in connection with the division of the Group. Betsson Online decreased their result to SEK -3.8 (2.4) million, while Net Entertainment's profits increased to 18.9 (16.3). The operating margin fell to 2.4 (7.9) percent.

The profit/loss before taxes amounted to SEK 3.6 (150.7) million. Last year, the transition to IFRS affected the net financial income positively by SEK 135.0 million. Profit/loss after tax amounted to SEK 1.8 (146.1) million, which corresponds to SEK 0.05 (4.30) per share.

Return on equity was 0 (38) percent and return on total capital 1 (33) percent. Equity per share was SEK 12.09 (11.64) at the closing date.

Second quarter

Revenues increased by 25 percent to SEK 132.6 (106.4) million. Revenues for both Betsson Online and Net Entertainment increased significantly.

Operating profits fell to SEK -2.6 (11.1) million. The result was affected by costs in connection to the planned issue of shares and separate listing of Cherry Casino amounting to SEK 4.6 million.

Betsson Online reports a negative result for the second quarter, primarily as a result of increased costs for development and marketing. Marketing did not give the expected outcome, and during the third quarter has been reduced and changed.

Business areas

Betsson's operations are divided into three business areas:

- Betsson Online - Internet gaming on a global market primarily via Betsson.com and CasinoEuro.com
- Net Entertainment - development of gaming software for licensing to international gaming companies
- Cherry Casino - traditional casino gaming and gaming machines in Sweden, Denmark and on cruise ships

Betsson Online

The business area Betsson Online consists of the gaming portal betsson.com and the online casino. The gaming portal betsson.com offers at the moment the product groups:

- Betsson Sport, offering a wide variety of possibilities for wagering, both on sports and other pleasures of interest to European players.
- The betting exchange, a marketplace for wagering. Unlike a traditional bookmaker, customers play against each other. Betsson receives commission from those winning a wager.
- Betsson Casino with a large variety of world-class casino games that do not require download. Here there are both traditional and innovative games including Black Jack, Roulette, Casino Hold'em, video poker games, gaming machines and much more.
- Betsson Poker with several different poker games connected to Ongame, the largest poker network in the world with over six million registered poker players.
- Drawings with the scratch card Trio that gives the player a high level of repayments and winnings in average on every third lottery ticket.

The internet casino is offered through CasinoEuro.com, CherryCasino.com and CasinoDomain.com. The casino sites offer casino gaming and poker in more than 17 countries. Focus is on CasinoEuro.com, which is run from Malta with Europe as its primary market.

Net sales and profit/loss

Net sales for Betsson Online increased during the second quarter by 71 percent to SEK 61.9 (36.2) million and the operating profit amounted to SEK -5.3 (3.4) million. For the entire reporting period, the net sales increased by 137% to SEK 130.7 (55.1) million and result amounted to SEK -3.8 (2.4) million.

The lower result during the second quarter is primarily a result of increased costs for marketing and development. Poker and casino gaming activity on Betsson.com was lower, while interest for sport betting was large. The result from sport betting was however marginal as a result of many favourites winning during the World Championships in football. Marketing did not give the expected outcome on some of Betsson's markets. This has now been reduced and directed to a greater extent toward other markets. During the quarter several marketing activities of a one-time nature were also performed for the purpose of strengthening Betsson's new brand launched during the last quarter.

Betsson.com plans to launch several new products during the fall, including Bingo. The new products are expected to attract both existing and new customers.

During the quarter, Betsson.com obtained a licence in Northern Cyprus as one of four international gaming organisers, which gives competitive advantages on the Turkish gaming market.

Betsson.com

The number of registered customers at betsson.com increased by 16 percent during the quarter to 345,000. The number of active customers also increased during the period by 3 percent to 49,000 and has increased in total by 142 percent during the last year.

Betsson.com was named by Internetworld to Sweden's best gaming site 2006, motivated by an innovative interface, good game feel, excellent clarity and a good-looking design.

For Betsson Poker the quarter was not satisfying. The number of registered poker players increased by 7 percent to 241,000, while the number of active poker customers decreased by 15 percent to 29,900 during the quarter. The primary reason for the decrease was increased competition in poker on several of Betsson's core markets. Competition from the World Championships in football and seasonal effects have also contributed to the decrease. Compared with second quarter 2005, the number of active poker players has increased by 83 percent.

The number of active players in Betsson Sport totalled 16,400, compared to 7,200 the previous year. This is a growth of 127 percent. The increase is due to a successful launch of Betsson's own sports wagering system and the strong interest in the football world championships.

The number of players at the betting exchange increased during the quarter by 30 percent to 5,200. The number of active casino players at Betsson Casino on June 30th was 13,800, compared with 16,900 at March 31st, a decrease of 18 percent.

Online Casinos

The number of registered customers in the online casinos at June 30 was 206,000, a decrease of 2 percent from the previous quarter. The number of active customers increased by 14 percent during the quarter to 13,900. Two internet casinos were closed down during the quarter.

Net Entertainment

Net Entertainment is a leading provider within B2B for online gaming. The brand is associated with innovative thinking and quality. Net Entertainment develops gaming software for licensing to an international circle of customers, today consisting of around 30 gaming companies. During the quarter, Net Entertainment signed six new licensing agreements. Revenues consist of royalties and other proceeds from sales.

Net Entertainment's net sales increased by 39 percent to SEK 22.9 (16.5) million during the quarter. Operating profit was SEK 8.3 (9.0) million. Net Entertainment licenses software and sells consulting services internally within the Group to Betsson Online. Exclusive internal group sales increased Net Entertainment's revenues by 62 percent to SEK 18.2 (11.2) million.

The result was affected by increased efforts in development and sales. The investments will result in a wider product portfolio, improved sales efficiency with a wider revenue base as a result.

For the entire reporting period, the net sales increased by 49 to SEK 44.6 (30.5) million and the operating result amounted to SEK 18.9 (16.3) million. Excluding internal group sales to Betsson Online, net sales increased by 55 percent to SEK 33.9 (21.9) million during the reporting period.

Cherry Casino

The business area Cherry Casino operates table games (blackjack and roulette) at more than 240 restaurants in Sweden, gaming machines and table games on 38 cruise ships in the Nordic market and on 8 vessels in the

Mediterranean via a partly-owned company, and gaming machines at 8 gas stations in Denmark in a joint venture with Danish Shell.

Cherry Casino is the market leader in restaurant casinos in Sweden with 37 percent of the active gaming tables. Cherry Casino's share of the maritime gaming market in the Nordic Region is estimated at 34 percent of the number of vessels which have gaming activities.

Revenues for second quarter decreased to SEK 52.6 (58.9) million and the operating profit was SEK 1.8 (1.7) million. For the entire reporting period, net sales amounted to SEK 101.1 (113.2) million and the profit/loss to SEK 2.2 (2.2) million. The decrease in net sales is primarily due to the decreasing market for Swedish restaurant casino games.

Other information

Personnel and organisation

The average number of employees during the period was 268 (266) for the Group. Number of employees increased in Net Entertainment and Betsson Online, while the number of employees in traditional gaming activities dropped. At the end of the quarter, there were 750 (832) employees.

New share issue through the exercise of warrants and convertible debentures

During the second quarter, the company's incentive program has been exercised. Through conversion of its debenture loan during April, 800,000 B shares were added and an additional 694,994 B shares were issued through the exercise of share warrants during May. Total, equity has increased by SEK 6.1 million, of which SEK 3.0 million was put into share capital.

Annual General Meeting

The Group's Annual General Meeting on May 15, 2006 determined to re-elect the board members John Wattin, Per Hamberg, Anders Holmgren, Anna-Carin Månsson and Patrick Svensk and newly elect Kicki Wallje-Lund and Skúli Valberg Olafsson. Board member Ragnar Thorisson had declined re-election. John Wattin was re-elected as chairman of the board.

The assembly authorised the board to, with or without preferential right to share holders, make a decision to issue at the most a total of 3,000,000 shares of series B during the period until the next Annual General Meeting, and to change the company's firm name to Betsson AB (publ).

Information concerning the parent company

The parent company, Betsson AB (publ), provides and sells internal services to other group member companies in the areas of finance, economy, administration and management, and in addition has certain external licensing revenues.

Net sales for the reporting period amounted to SEK 4.2 (1.3) million and the loss after financial items amounted to SEK -13.5 (128.4) million. The previous year's net financial income includes the measurement of financial instruments at fair market value, which increased the net financial income from 2005 by SEK 135.0 million.

The parent company's investments in fixed assets amounted to SEK 24,000 during the reporting period. Cash and cash equivalents amounted to SEK 16.2 (1.5) million at the closing date. The company has no bank loans or bank credits.

In preparation for the proposed distribution of the business area Cherry Casino, the parent company has provided SEK 31.4 million in an unconditional shareholder contribution to the subsidiary Cherryföretagen AB (publ) in the form of supplying operations in connection with establishment of the Group.

Events after the end of the reporting period

The Board of Directors decided on August 17, 2006 to call an additional shareholder's meeting in Betsson AB to consider the proposal to distribute all shares in the subsidiary Cherryföretagen AB (business area Cherry Casino) to the shareholders. The additional shareholder's meeting will be held on September 6, 2006 and if the motion is sustained, the shares in the subsidiary will be noted at the Stock Exchange from September 12. More information about the division is provided in the press release published August 17, 2006.

2006 Prospects

The business area Betsson Online is expected to at least double their turnover during 2006.

The EU commission's review of the gaming monopoly in seven member states, including Sweden, may in the long term result in increased possibilities for all business areas.

Betsson has not issued a forecast for the full year 2006.

Financial reports

The interim report for the first three quarters 2006 will be published on November 13, 2006.

Extraordinary shareholder's meeting

An extraordinary shareholder's meeting to consider the proposed distribution of Cherryföretagen AB (the business area Cherry Casino) will be held on September 6, at 15:00 CET in the company's offices at Birger Jarlsgatan 57 B, 3rd floor, Stockholm, Sweden.

Shareholders who wish to participate in the shareholder's meeting must be recorded in the register of shareholders held by VPC AB (the Swedish Securities Register Center) no later than August 31, 2006, and must notify their intention to participate no later than September 4, 2006.

Registration to attend the extraordinary shareholder's meeting should be made to the company by post to Birger Jarlsgatan 57B, 113 56 Stockholm, Sweden, by telephone at +46 8-506 403 00, by fax at +46 8-735 5744 or by email to info@betsson.se. Shareholders whose shares are nominee-registered must temporarily register their shares in their own name to be entitled to participate in the Meeting.

The Board's complete proposal for the issue of shares and listing prospectus for Cherryföretagen will be available for download on the company's website www.betsson.se from August 23, 2006. These documents will also be available in the company's head offices at Birger Jarlsgatan 57B, Stockholm, Sweden, and can be ordered from the company starting August 23, 2006 by telephone at +46 (0)8-506 403 00 or by email to info@betsson.se.

Accounting principles

The accounting principles remain unchanged from the year-end accounting 2005. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Further information on the Group's accounting and valuation principles is found in note 1 of the annual report for 2005.

For further information, please refer to the summaries included in the quarterly reports of the Group's statement of income, balance sheet, summary of assets, cash flow statement as well as notes and key business ratio for the period and comparison period as well as the annual report for 2005.

Stockholm, 18 August 2006

Pontus Lindwall
President and CEO

For further information, please contact:
Pontus Lindwall, President and CEO, tel. +46 (0)8-556 967 10, +46 (0)708-27 51 55, pontus@netent.com

Review report

I have reviewed the interim report for the period 1 January 2006 - 30 June 2006 for Betsson AB (publ). The Board of Directors and managing director is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this interim financial information based on my review.

I conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by FAR. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different emphasis and is substantially less in scope than an audit conducted in accordance with ('RS') and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on my review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, prepared in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, 18 August 2006
Gunnar Liljedahl
Authorised Public Accountant, Ernst & Young

Betsson is a quoted Swedish gaming company with 3,800 shareholders. The company's B-share is quoted on the Stockholm Stock Exchange's O-list (BETS). Operations are focused on Internet gaming, casino gaming, and gaming machines. Internet gaming is run mainly through betting exchange Betsson.com and Internet casinos. Gaming is run in restaurants in Sweden, on ships, and in amusement arcades via Cherry Casino. Cherry employs 750 people.

Post- och besöksadress Mail- and Visiting address BETSSON AB (publ) Birger Jarlsgatan 57 B, SE-113 56 Stockholm, Sweden	Tel/Phone Fax +46 8 506 403 00 +46 8 735 57 44	Styrelsens säte Registered office Stockholm, Sweden	E-mail info@betsson.se http://www.betsson.se	Org. nr./ Momsreg.nr Company ID / VAT reg.no. 556090-4251 SE556090425101
--	---	--	--	---

Amounts in SEK millions unless otherwise specified

Consolidated income statement	Q2 2006	Q2 2005	Jan-Jun 2006	Jan-Jun 2005	Year 2005	Year 2004
Revenues	132.6	106.4	265.8	190.5	444.2	308.5
Capitalized development costs	0.9	1.2	3.3	2.0	5.7	2.7
External expenses	-93.0	-60.7	-180.2	-109.5	-260.2	-177.3
Personnel expenses	-35.9	-30.5	-68.7	-58.6	-122.0	-104.3
Depreciation according to plan	-6.4	-5.3	-13.0	-9.3	-21.3	-13.0
Other operating expenses	-0.8	0.0	-0.9	0.0	-0.6	0.0
Operating expenses	-135.2	-95.3	-259.5	-175.4	-398.4	-291.9
Operating profit/loss	-2.6	11.1	6.3	15.1	45.8	16.6
Financial income	-0.5	0.1	-1.0	135.4	145.9	1.9
Financial costs	-0.4	0.1	-1.7	0.2	-4.7	-2.0
Profit/loss before tax	-3.5	11.3	3.6	150.7	187.0	16.5
Tax	0.3	-3.5	-1.8	-4.6	-9.0	-4.4
Profit/loss after tax	-3.2	7.8	1.8	146.1	178.0	12.1
Attributable to:						
Parent company's shareholders	-3.4	8.0	1.9	146.2	176.9	11.4
Minority interest	0.2	-0.2	-0.1	-0.1	1.1	0.7
Profit/loss after tax	-3.2	7.8	1.8	146.1	178.0	12.1
Profit/loss per share (SEK)	-0.09	0.22	0.05	4.30	4.91	0.37
Earnings per share after dilution (SEK)	-0.09	0.21	0.05	4.13	4.73	0.36
Proposed/implemented dividend per share (SEK)	0.00	0.00	0.00	0.00	0.00	0.00

Group per segment/business area	Q2 2006	Q2 2005	Jan-Jun 2006	Jan-Jun 2005	Year 2005	Year 2004
Revenues						
Betsson Online	61.9	36.2	130.7	55.1	154.5	25.0
(external) Net Entertainment	18.2	11.2	33.9	21.9	48.3	35.3
Cherry Casino	52.6	58.9	101.1	113.2	240.7	247.4
Group-wide	-0.1	0.1	0.1	0.3	0.7	0.8
Group	132.6	106.4	265.8	190.5	444.2	308.5
Operating profit/loss						
Betsson Online	-5.3	3.4	-3.8	2.4	16.7	-5.4
Net Entertainment	8.3	9.0	18.9	16.3	35.8	21.6
Cherry Casino	1.8	1.7	2.2	2.2	7.0	9.1
Group-wide	-7.4	-3.0	-11.0	-5.8	-13.7	-8.7
Group	-2.6	11.1	6.3	15.1	45.8	16.6

1) In the statement above, only the business areas' external income is accounted for. In addition to this, Net Entertainment supplies the CasinoModule and consulting services to the business area Betsson Online. Net Entertainment's revenues including these sales amount to:

Q2 2006	Q2 2005	Jan-Jun 2006	Jan-Jun 2005	Year 2005	Year 2004
22.9	16.5	44.6	30.5	69.3	40.5

Amounts in SEK millions unless otherwise specified

Consolidated balance sheet	2006-06-30	2005-06-30	2005-12-31	2004-12-31
Intangible assets	398,2	394.9	395.2	18.5
Tangible fixed assets	32,9	34.2	27.3	27.8
Financial investments	0,0	3.5	0.0	21.6
Other long-term receivables	2,2	4.0	1.6	11.4
Deferred tax receivables	0,7	1.7	0.7	1.9
Inventories	1.7	2.7	1.9	2.4
Current receivables	87,6	52.9	68.3	44.0
Current investments	0,0	4.1	0.0	4.1
Cash and liquid assets	63,5	28.5	78.4	19.9
Total assets	586,8	526.5	573.4	151.6
Equity	481,1	444.6	474.1	101.3
Long-term interest bearing liabilities	12,7	4.3	9.7	4.7
Other long-term liabilities	0,0	2.0	0.0	2.8
Deferred tax liabilities	13,9	15.9	14.4	2.0
Current interest bearing liabilities	0,9	0.8	3.5	0.8
Other current liabilities	78,2	58.9	71.7	40.0
Total equity and liabilities	586,8	526.5	573.4	151.6
Consolidated cash flow statement	Jan-Jun 2006	Jan-Jun 2005	Year 2005	Year 2004
Profit/loss after financial items	3,6	150.7	187.0	16.5
Adjustments for non-cash items	13,5	-130.1	-119.5	10.2
Taxes paid	-3,3		-3.8	-0.5
Cash flows from operating activities before changes in working capital	13,8	20.6	63.7	26.2
Changes in working capital	-11,0	3.3	-3.6	-9.0
Cash flows from operating activities	2,8	23.9	60.1	17.2
Investments	-21.7	-16.2	-29.4	-32.0
Investment in acquisition of subsidiaries	-	2.0	2.0	0.0
Change in long-term receivables	-0,6	-0.9	-0.3	-3.3
Sale of shares and fixed assets	0,1	0.7	19.9	5.3
Cash flows from investing activities	-22,2	-14.4	-7.8	-30.0
Dividend paid to minority shareholders in subsidiaries	-	-	-	-1.1
New share issue	2.9			
New share issue costs	-	-0.2	-0.2	0.0
Change in long-term liabilities	3,0	-1.2	5.4	2.0
Cash flows from financing activities	5,9	-1.4	5.2	0.9
Changes to cash and liquid assets	-13,5	8.1	57.5	-11.9
Cash and liquid assets at beginning of period	78,4	19.9	19.9	31.8
Exchange rate differences	-1,4	0.5	1.0	0.0
Cash and liquid assets at end of period	63,5	28.5	78.4	19.9

Amounts in SEK millions unless otherwise specified

Changes in Group equity	Jan-Jun 2006	Jan-Jun 2005	Year 2005	Year 2004
Opening balance	474.1	101.3	101.3	75.8
Effect of changed accounting principles, IFRS 27	-	-	-	2.2
Effect of changed accounting principles, IAS 39	-	222.9	222.9	-
Adjusted opening balance	474,1	324.2	324.2	78.0
Translation differences	-0,9	0.1	0.3	-0.4
Financial assets that can be sold:				
- Total wealth changes reported directly against equity	-	31.9	31.9	-
- Reported in income statement at sale	-	-	-2.8	-
Acquisition and consolidation of Betsson (71%) adjusted to acquisition value of previously acquired shares	-	-57.5	-57.5	-
Profit/loss for the period	1,8	146.1	178.0	12.1
Total change, excl. transactions against company owners	475,0	444.8	474.1	89.7
Dividend to minority shareholders in subsidiaries	-	-	-	-1.1
Sale of minority owned sub-subsidiaries	-	-	0.2	-
Non-cash share issues relating to acquisitions	-	-	-	12.7
New share issue (exercise of convertibles and warrants)	6,1			
New share issue costs	-	-0.2	-0.2	-
Equity, end of period	481,1	444.6	474.1	101.3
Attributable to:				
Parent company's shareholders	478,1	442.9	471.0	99.5
Minority interest	3,0	1,7	3,1	1,8
Total equity	481,1	444.6	474.1	101,3
Key ratios, Group	Jan-Jun 2006	Jan-Jun 2005	Year 2005	Year 2004
	2006-06-30	2005-06-30	2005-12-31	2004-12-31
Number outstanding shares at end of period (millions)	39,6	38.1	38.1	31.2
Number of shares after full dilution (millions)	39,6	39.6	39.6	32.7
Average number outstanding shares during period (millions)	38,6	34.0	36.1	31.0
Number of shares after full dilution (millions)	39,6	35.5	37.6	32.5
Number of own shares	0,0	0.0	0.0	0.0
Number registered shareholders	3,768	4,677	3,785	2,828
Last paid share price (SEK)	24,60	27.40	28.20	20.80
Profit per share after taxes (SEK)	0,05	4.30	4.91	0.37
Earnings per share after tax, after dilution (SEK)	0,05	4.13	4.73	0.36
Cash flow per share (SEK)	-0,39	0.26	1.62	-0.39
Cash flow per share after dilution (SEK)	-0,38	0.25	1.57	-0.37
Equity per share (SEK)	12,09	11.64	12.38	3.19
Equity per share after dilution (SEK)	12,09	11.35	12.06	3.24
Dividend per share (SEK)	0,00	0.00	0.00	0.00
Return on equity (percent)	0	38	44	13
Return on total capital (percent)	1	33	40	13
Return on capital employed (percent)	1	39	46	19
Operating margin (percent)	2,4	7.9	10.3	5.4
Profit margin (percent)	1,4	79.1	42.1	5.3
Equity/assets ratio (percent)	82	84	83	67
Quick ratio (percent)	191	143	195	167
Investments (SEK million)	21,7	14.2	29.4	32.0
Cash and liquid assets (SEK million)	63,5	28.5	78.4	19.9
Average number of employees (full-time equivalents)	268	266	273	252
Number of employees at end of period	750	832	842	843