

Betsson AB (publ) interim report, 1 January-30 June 2018

# Revenue increased 14% EBIT increased 45%

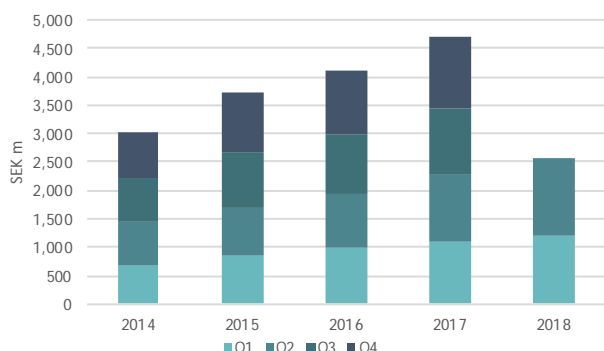
## QUARTER: APRIL - JUNE 2018

- Group revenue was SEK 1,346.4 (1,177.5) million, an increase of 14 percent with an organic growth of 11 percent.
- Casino revenue grew by 16 percent and Sportsbook revenue grew by 17 percent, with a sportsbook margin of 6.3 (6.4) percent.
- 3.7 percent of the Group revenue in the second quarter was related to the FIFA World Cup that started on 14 June 2018.
- Operating income (EBIT) was SEK 300.7 (206.9) million, an increase of 45 percent, mainly due to high activity during the World Cup, product improvements and efficiencies.
- The operating margin was 22.3 (17.6) percent.

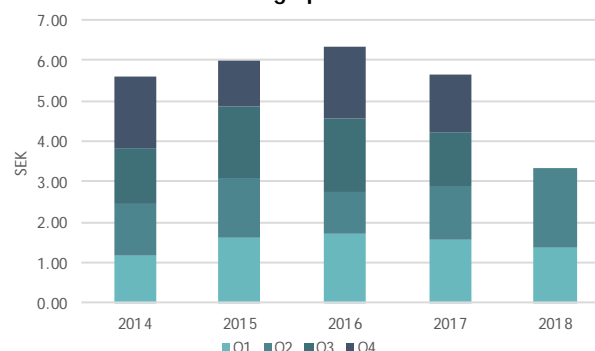
## PERIOD: JANUARY - JUNE 2018

- Group revenue was SEK 2,556.4 (2,279.4) million, an increase of 12 percent with an organic growth of 8 percent.
- Operating income (EBIT) was SEK 512.1 (447.8) million.
- Net income was SEK 459.4 (400.5) million, corresponding to SEK 3.32 (2.89) per share.
- Operating cash flow amounted to SEK 583.3 (447.3) million.
- SEK 393.1 million was distributed to shareholders in June.

Revenue



Earnings per share



## KEY DATA

SEK m	Q2 2018	Q2 2017	Δ	Jan-Jun 2018	Jan-Jun 2017	Δ	Jan-Dec 2017
Revenue	1,346.4	1,177.5	14%	2,556.4	2,279.4	12%	4,716.5
Gross profit	968.0	851.1	14%	1,832.3	1,657.4	11%	3,419.4
Operating income (EBIT)	300.7	206.9	45%	512.1	447.8	14%	882.2
EBIT margin	22.3%	17.6%	-	20.0%	19.6%	-	18.7%
Net income	271.4	186.1	46%	459.4	400.5	15%	786.5
Earnings per share (SEK)	1.96	1.34	46%	3.32	2.89	15%	5.68
Operating cash flow	271.2	242.4	12%	583.3	447.3	30%	946.7
Casino revenue	1,016.6	876.6	16%	1,939.5	1,699.5	14%	3,437.9
Sportsbook gross turnover	6,226.5	5,755.0	8%	11,999.6	11,761.1	2%	23,117.5
Sportsbook revenue	300.2	255.6	17%	563.7	505.9	11%	1,140.3
Sportsbook margin after free bets	6.3%	6.4%	-	6.4%	6.2%	-	6.9%
Deposits	4,664.7	4,056.3	15%	8,855.0	7,845.5	13%	16,308.0
Active customers	692,431	551,181	26%				



*The improved earnings are mainly a result of high activity during the World Cup, product improvements and efficiencies.*

Pontus Lindwall  
CEO Betsson AB

## MESSAGE FROM THE CEO

“Revenue for the second quarter 2018 was SEK 1,346.4 (1,177.5) million, an increase of 14 percent compared to the same quarter 2017. The organic growth was 11 percent for the quarter. The increased revenue is mainly related to continued growth in Western Europe and increased activity during the FIFA World Cup.

Casino revenue increased by 16 percent and reached over 1 billion SEK in revenue in a quarter for the first time. The Sportsbook revenue increased by 17 percent with a sportsbook margin slightly below the eight quarter rolling average.

Operational income (EBIT) for the quarter was SEK 300.7 (206.9) million, an increase of 45 percent compared to the same quarter in 2017. The improved earnings are mainly a result of high activity during the World Cup, product improvements and efficiencies. Operating expenses increased by 4 percent compared to the 14 percent revenue growth.

## STARTING TO SEE SIGNS OF IMPROVEMENT

There has been progress in some areas during the quarter, for example better efficiency and product upgrades, but we still have a lot more to do. We continue to systematically follow our back-on-track plan, which is a long list of actions that are built around four main areas: growth in core markets, product and technology, efficiencies, and M&A activities temporarily on hold.

At the core of everything is our company culture and organisation. Betsson is as good as its employees and it has been a pleasure to see the enthusiasm and hard work of the Betssonites during the World Cup.

The third quarter has begun with daily revenues higher than the average daily revenue for the full third quarter last year. The revenue increase is to a large extent a result of activity related to the FIFA World Cup that ended on 15 July 2018 and should not be regarded as guidance for the full third quarter.

We continue to work hard with the ambition to make Betsson’s product offering more competitive and the marketing efforts more efficient. However, it will still take time until we see sustainable improvements.”

## ABOUT BETSSON

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

Betsson’s operational subsidiaries’ vision is to deliver the best customer experience in the industry. They offer casino, sportsbook and other games via gaming licences in eleven countries in Europe and Central Asia. The business model is to offer gaming under multiple brands, including Betsson, Betsafe, Nordicbet and Casinoeuro. The brands are operated on a proprietary platform, which is the core of the offer and the customer experience.

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

Learn more about the Group on [www.betssonab.com](http://www.betssonab.com)

Founded in

1963



Betsson AB’s B share is listed on Nasdaq Stockholm Large Cap

Ticker: BETS B



Betsson Group operates 17 brands

11

Gaming licences in 11 jurisdictions.

## REVENUE AND EARNINGS

### REVENUE FOR THE QUARTER

Group revenue was SEK 1,346.4 (1,177.5) million, an increase of 14 percent, with 11 percent organic growth. The increase was mainly due to increased activity during the FIFA World Cup that started on 14 June 2018. Sportsbook revenue related to the FIFA World Cup accounted for 3.7 percent of total revenues in the second quarter. Currency fluctuations had a positive impact on revenues of SEK 36 million due to the weakening of the SEK.

Mobile revenue amounted to SEK 816.4 (625.5) million, an increase of 31 percent. Mobile revenue was 61 (53) percent of total revenue.

Licence revenue for system deliveries to the gaming operator Realm Entertainment Ltd. (Realm) amounted to SEK 64.1 (113.5) million, and now corresponds to 5 (10) percent of total Group revenue. TRY depreciation had a negative impact on licence revenue related to Realm by SEK 16.2 million, compared with the second quarter 2017.

### Revenue by product

Casino revenue amounted to SEK 1,016.6 (876.6) million, an increase of 16 percent, of which 12 percent was organic. Casino represented 76 (74) percent of Group revenue.

Mobile Casino revenue was SEK 612.4 (439.4) million, an increase of 39 percent compared to the same quarter last year.

Sportsbook revenue in the second quarter amounted to SEK 300.2 (255.6) million, an increase of 17 percent, of which 17 percent organic. Sportsbook represented 22 (22) percent of the Group's revenue.

Gross turnover in Sportsbook, in all Betsson's gaming solutions, amounted to SEK 6,226.5 (5,755.0) million, an increase of 8 percent. Organic gross turnover increased with 16 percent.

The margin after free bets in Sportsbook was 6.3 (6.4) percent. The eight-quarter rolling average margin was 6.9 percent.

Mobile Sportsbook revenue amounted to SEK 199.0 (180.1) million, an increase of 11 percent. Mobile accounts for 66 (70) percent of Sportsbook revenue.

Revenue from other products amounted to SEK 29.6 (45.3) million, a decline of 35 percent, and represented 2 (4) percent of total revenues.

### Revenue by region

Revenue from region Nordics was SEK 621.9 (558.7) million, an increase of 11 percent, of which 7 percent organic. Casino grew by 11 percent and Sportsbook grew by 18 percent.

Revenue from region Western Europe amounted to SEK 443.5 (351.8) million, an increase of 26 percent, of which 19 percent was organic growth, mainly due to growth in Casino.

Revenue from region Central & Eastern Europe and Central Asia (CEECA) amounted to SEK 214.4 (226.5) million, a decline of 5 percent. The organic revenue grew by 1 percent.

Locally taxed revenue (revenue from markets where Betsson pays local betting duties) increased by 15 percent compared to the second quarter last year and amounted to SEK 323.2 (280.5) million, corresponding to 24.0 (23.8) percent of total revenue. The share of locally taxed revenue is expected to increase as the Group obtains additional local gaming licences.

### REVENUE FOR THE PERIOD

Group revenue totaled SEK 2,556.4 (2,279.4) million, an increase of 12 percent. Gross profit amounted to SEK 1,832.3 (1,657.4) million.

# 61%

Mobile share of revenue

Revenue by product



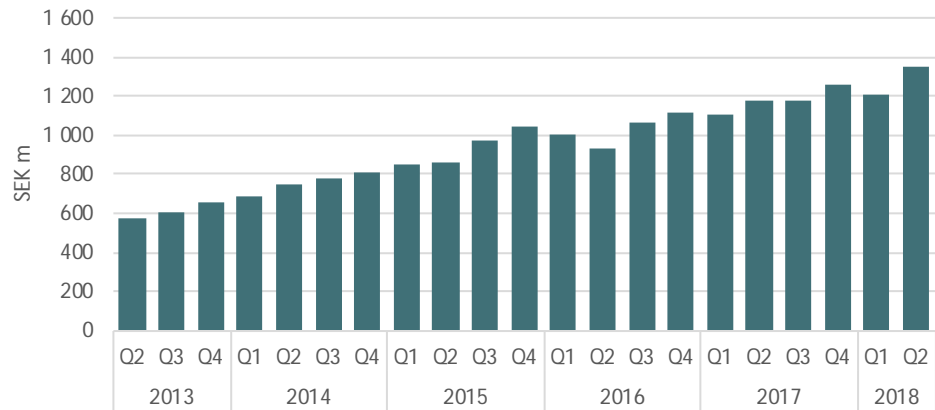
- Casino (76%)
- Sportsbook (22%)
- Other (2%)

Revenue by region



- Nordic (46%)
- Western Europe (33%)
- CEECA (16%)
- ROW (5%)

## Group revenue



## EXPENSES FOR THE QUARTER

Cost of services provided were at SEK 378.5 (326.4) million for the quarter, an increase of 16 percent. Currency exchange rate fluctuations had a negative impact of SEK 15.1 million on Cost of services provided. See table on page 17.

Gross profit amounted to SEK 968.0 (851.1) million, corresponding to a gross margin of 71.9 (72.3) percent.

Operating expenses amounted to SEK 667.3 (644.2) million, organic operating expenses were SEK 635.9 million. The operating expenses are mainly in EUR and exchange rates fluctuations had a negative impact of SEK 31.4 million in the second quarter compared with the same period last year.

Marketing expenses were flat, despite the increase in revenue, due to efficiencies and amounted to SEK 249.3 (246.5) million. The organic marketing expenses were SEK 240.1 million.

Personnel expenses amounted to SEK 207.2 (203.2) million, the organic personnel expense was SEK 197.8 million.

Other external expenses, which primarily include sportsbook related costs, consultants and software licences, amounted to SEK 184.5 (182.0) million. The organic other external expenses were SEK 172.9 million.

Capitalised development costs amounted to SEK 52.8 (56.8) million. Amortisation of capitalised development was SEK 60.8 (48.8) million. Total depreciation and amortisation for the quarter was SEK 78.9 (67.5) million.

## EARNINGS FOR THE QUARTER

Operating income (EBIT) amounted to SEK 300.7 (206.9) million, and the operating margin was 22.3 (17.6) percent. The organic operating income was SEK 311.2 million. The increase in operating income was due to revenue growth and improved efficiencies. The acquired company NetPlay, which is consolidated as of the second quarter 2017, had a negative impact on operating income.

Net financial items amounted to SEK -9.3 (-10.3) million and are mainly attributable to interest costs.

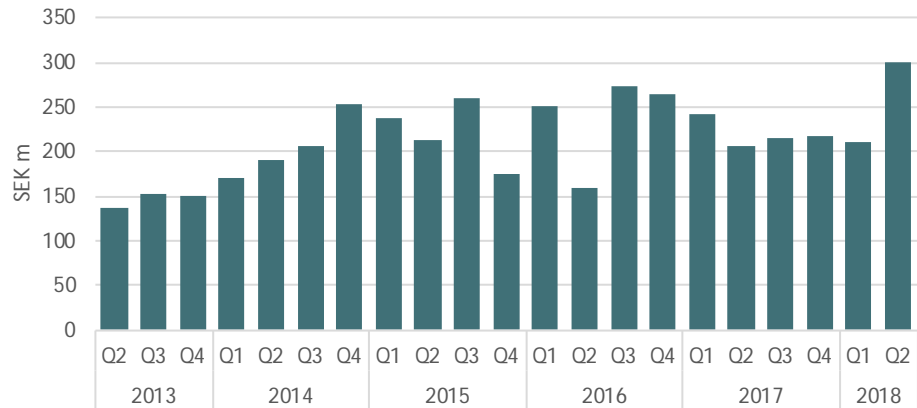
Net income amounted to SEK 271.4 (186.1) million, corresponding to SEK 1.96 (1.34) per share.

The reported corporate tax amounted to SEK 20.0 (10.5) million, corresponding to 6.9 (5.3) percent of profit before taxes. For the full-year 2017, the corporate tax was 6.7 percent of profit before taxes. The effective tax rate may fluctuate between quarters, depending on the tax base in the countries where Betsson has subsidiaries. For example, corporate taxes in certain countries are based on dividend distribution which may result in a difference between the effective and statutory rate.

## EARNINGS FOR THE PERIOD

Operating income for the first six months 2018 amounted to SEK 512.1 (447.8) million. Net income amounted to SEK 459.4 (400.5) million, corresponding to SEK 3.32 (2.89) per share.

### Operating income (EBIT)



## CASH FLOW AND FINANCIAL POSITION

### LIQUID FUNDS AND CUSTOMER LIABILITIES

Cash and cash equivalents at the end of June 2018 amounted to SEK 561.6 (470.1) million. Customer liabilities, including reserves for accumulated jackpots, amounted to SEK 425.6 (368.1) million. Gaming regulations require the Company to reserve a certain share of cash to cover player liabilities and accumulated jackpots. Current receivables from payment providers for unsettled customer deposits were SEK 550.0 (325.2) million.

### CASH FLOW

Cash flow from operating activities during the quarter amounted to SEK 271.2 (242.4) million.

### FINANCING

Betsson has a strong cash flow from operating activities and uses external financing for acquisitions. As per 30 June 2018, total available bank credit facilities were SEK 880.0 (1,083.6) million, of which SEK 729.1 (972.7) million were utilised. During the quarter, Betsson signed a revolving credit facility (RCF) amounting to SEK 800 million.

#### External financing

Credit facility	Amount	Utilised	Unutilised	Maturity date
RCF (SEK m)	800.0	729.1	70.9	May, 2021
Bank overdraft (SEK m)	80.0	0.0	80.0	-
Bond (SEK m)	995.5	995.5	0.0	Nov, 2019

SEK 393.1 million was distributed to shareholders through an automatic redemption process during the second quarter.

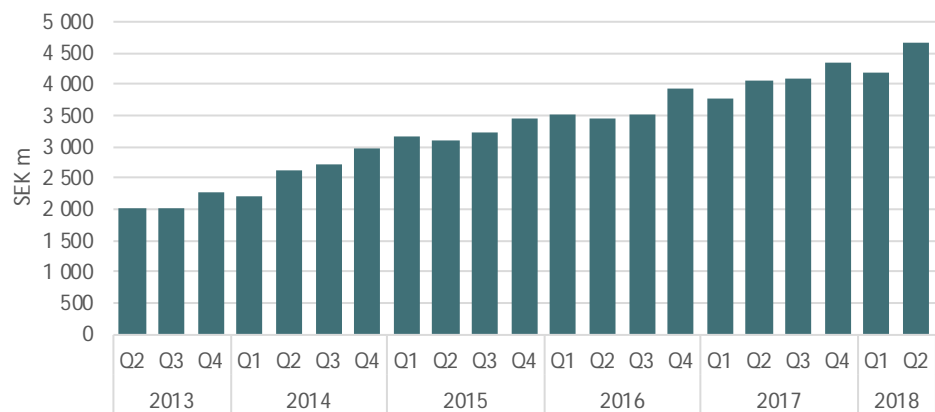
## CUSTOMER ACTIVITY

Customer deposits in all Betsson's gaming solutions during the quarter amounted to SEK 4,664.7 (4,056.3) million, an increase of 15 percent. Development in deposits should be evaluated over a longer period than a quarter due to normal quarterly variances.

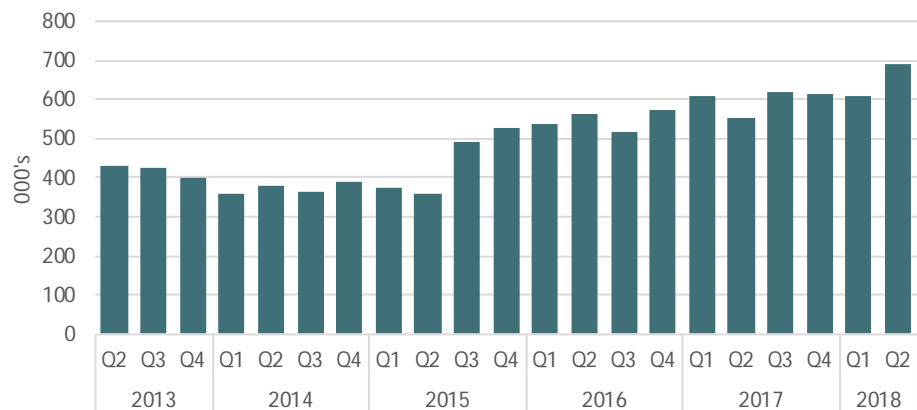
By the end of the second quarter, the number of registered customers was 13.5 (12.4) million, an increase of 9 percent.

Active customers during the quarter amounted to 692,431 (551,181), an increase of 26 percent. The increase is mainly attributable to activity during the FIFA World Cup. Trends in active customers should be evaluated over a longer period than a quarter due to normal quarterly variances.

### Customer deposits



### Active customers



## SIGNIFICANT EVENTS AND OUTLOOK

### OTHER SIGNIFICANT EVENTS DURING THE QUARTER

The Swedish parliament has decided that a new Swedish gaming regulation will come into force on 1 January 2019. Applications can be submitted on 1 August 2018.

At Betsson AB's Annual General Meeting (the "AGM") on 15 May 2018, the shareholders resolved to re-elect Patrick Svensk, Kicki Wallje-Lund, Jan Nord and Fredrik Carlsson as members of the Board of Directors. Tristan Sjöberg, Mathias Hedlund and Johan Lundberg were elected new members of the Board of Directors. Patrick Svensk was elected Chairman of the Board of Directors. PricewaterhouseCoopers AB was re-elected as auditor of the Company for the period until the end of the AGM 2020. The AGM also resolved to distribute SEK 393.1 million to the shareholders of the Company through an automatic redemption process. In addition, the AGM resolved to authorise the Board of Directors to issue shares and/or convertible bonds for payment in kind or by way of set-off, involving the issue of or conversion into up to 14.4 million Class B shares (corresponding to a dilution of about 10.0 percent of the share capital and about 5.1 percent of the shareholders' votes). For full information on the AGM's resolution, please see the Company website.

There have been no other significant events during the period.

### SIGNIFICANT EVENTS AFTER THE QUARTER

The daily revenue in the third quarter 2018 up until 15 July was 28 percent (23 percent organic) higher than the average daily revenue of the full third quarter 2017. The revenue increase is mainly due to high activity during the FIFA World Cup which ended on 15 July 2018. This trading update is not a forecast for the revenue of the third quarter, but an indication of how the quarter has started.

As of 1 July, Triin Toomemets-Krasnitski is appointed new VP Legal and Amandus Jabin is appointed to VP Global Tax. Both are members of the Betsson AB management team.

In July, the new coalition government in Italy has proposed a blanket ban on all gambling advertising and sponsorships, regardless of the medium through which they're promoted. The bill must be approved by the parliament and could come into force on 1 January 2019. The gambling industry argues that such a ban would only benefit unlicensed operators and would jeopardize channelisation.

Betsson has changed the date for publication of the report for the year-end and fourth quarter 2018 to 14 February 2019.

There have been no other significant events after the end of the reporting period.

### OUTLOOK

The company is taking measures to improve revenue growth and earnings. These measures include product improvements, efficiencies and focus on core markets.

The management expects that revenues from regulated markets will continue to grow and thereby increased betting duties paid. The gaming industry is changing and Betsson is continuously adapting its business model to market conditions to grow revenues and earnings.

## OTHER INFORMATION

### PERSONNEL

Average FTE	Q2 2018	Q2 2017
Employees	1,546	1,878
Contractors	189	214

At the end of the second quarter, the Group had 1,547 (1,887) employees. The average number of employees in the Group during the second quarter amounted to 1,546 (1,878) of which 889 (1,032) were based in Malta.

In addition, the Group employed 189 (214) full-time consultants at the end of the quarter, mainly within product development. The cost of consultants is recognised under Other external costs.

### PARENT COMPANY

The Parent Company Betsson AB's (publ) business consists of investing in and administering shareholdings in companies, which, through partners or by themselves, offer games to end users online. The Company provides and sells internal services related to financing, communication, accounting and administration to certain Group companies.

Revenue for the second quarter 2018 amounted to SEK 5.3 (6.3) million, and earnings before tax amounted to SEK -20.0 (-1.2) million.

Cash and cash equivalents in the Parent Company was SEK 263.7 (42.5) million.

### EQUITY

Equity in the Group amounted to SEK 4,090.1 (3,301.7) million, corresponding to SEK 29.55 (23.85) per share.

### OWNERSHIP STRUCTURE AND SHARES OUTSTANDING

The Company's Series B shares are listed on Nasdaq Stockholm Large Cap List (BETS). At the end of the period, the Company had 36,581(42,847) shareholders.

The total number of shares and votes in Betsson amounts to 144,493,238 and 290,833,238, divided into 16,260,000 Series A shares with ten votes each, 122,155,730 Series B shares with one vote each and 6,077,508 Series C shares which may not be represented at general meetings of shareholders. Betsson treasury shares amounted to 1,084 Series B shares, which have been acquired in previous years at an average price of SEK 19.42, and 6,077,508 Series C shares.

#### Shareholders at 30 June 2018

Name	A shares	B and C shares	Votes (outstanding)	% Capital (total capital)	% Votes (votes outstanding)
Hamberg family and companies	5,098,500	225,000	51,210,000	3.7%	18.0%
Danske Bank International S.A	3,731,000	653,753	37,963,753	3.0%	13.3%
Knutsson family and companies	2,710,000	4,350,000	31,450,000	4.9%	11.0%
Lundström family and companies	2,557,500	1,950,400	27,525,400	3.1%	9.7%
Lindwall, Berit	1,683,000	70,000	16,900,000	1.2%	5.9%
Swedbank Robur Funds	0	11,745,842	11,745,842	8.1%	4.1%
DNB Technology	0	5,210,290	5,210,290	3.6%	1.8%
JPM Chase	0	4,965,566	4,965,566	3.4%	1.7%
Svenska Handelsbanken For PB	450,000	98,800	4,598,800	0.4%	1.6%
Försäkringsaktiebolaget Avanza	0	4,165,031	4,165,031	2.9%	1.5%
Other	30,000	88,719,964	89,019,964	61.4%	31.3%
Betsson treasury shares	0	6,078,592	0	4.2%	0.0%
Total	16,260,000	128,233,238	284,754,646	100.0%	0.0%



# 7%

Estimated CAGR on Betsson's core markets in Europe 2018-2022

## MARKET

Industry market data indicates that the entire gaming market, including offline and online gaming, is worth close to EUR 385 billion with an expected growth of 2 percent annually up until 2022. Online gaming is expected to increase its share of the total market to increase from 12 percent in 2018, to an estimated share of 14 percent in 2022.

Annual growth in Betsson's core markets in Europe, which in aggregate are worth close to EUR 13 billion, is expected to be 7 percent during the years 2018-2022. Sweden is expected to show strong growth in 2019 as a result of the re-regulation of the Swedish gaming market, which comes into effect in January 2019. (Data source: H2GC.)

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

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

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

The Swedish parliament has voted in favour of a new gaming regulation and the new Swedish regulation will come into force on 1 January 2019.

The new Dutch government has the ambition to introduce a new regulation, which is currently planned for 2020.

## PRODUCTS

The gaming sites operate on an in-house developed platform, which is the core of the offer and the customer experience. It processes and hosts payments, customer information, accounts, customer transactions and games. The games are mainly casino and sportsbook, but the offer also includes poker, scratch cards, bingo and other games. First class customer experiences are crucial and Betsson continuously invests in innovation and technology to reinforce its leading position.

Betsson's Casino offers around 2,700 different games, of which more than 2,000 are available on mobile devices. The Betsson brands offer a selection of games targeting their specific customer segments and the games portfolio is actively managed to ensure it offers the right mix of games. Slots is the largest games category in Betsson's Casino followed by live casino. Live casino is growing in popularity and in the second quarter, Betsson launched a new dedicated Scandinavian Live studio with Evolution Gaming.

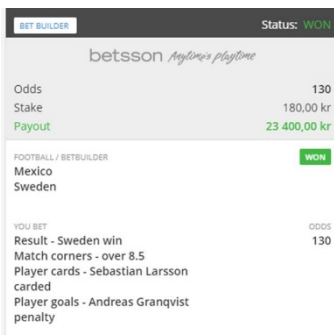
The offering in Betsson's proprietary sportsbook is continuously improved. In the second quarter, Betsson added a large number of pre-match and live markets for football, which was reflected in the FIFA World Cup offering, and also made improvements in speed in parts of the Sportsbook. Betsson has also launched BetBuilder on core brands. BetBuilder offers multiples made up of dozens of different markets within the same game.

The OBG frontend framework is launched on mobile for Betsson's core brands. The launch of OBG for desktop is expected to start later this year.

## SUSTAINABILITY

Responsible gaming is one of the most important parts of Betsson's sustainability work. Betsson ordered an independent review of its responsible gaming tools and processes in December 2017. The report recognises that Betsson has high ambitions within responsible gaming, but it also points out potential enhancements.

Two of the key factors of responsible gaming are employee training and giving players tools to control their gaming. Betsson has taken measures to raise awareness and encourages new depositing customers to set a deposit limit.



In the second quarter 2018, 191 (76) employees received responsible gaming training and 12.2 (13.5) percent of all new depositing customers (NDC's) choose to set a deposit limit.

## DECLARATION BY THE BOARD

The Board and the CEO in Betsson AB hereby confirm that this interim report gives a fair view of the operations, balance sheet and income statement of the Parent Company and the Group and that it describes the material risks faced by the Company and the Group.

**Stockholm, 19 July 2018**

Pontus Lindwall  
President and CEO

Patrick Svensk  
Chairman of the Board

Fredrik Carlsson  
Board member

Mathias Hedlund  
Board member

Johan Lundberg  
Board member

Jan Nord  
Board member

Tristan Sjöberg  
Board member

Kicki Wallje-Lund  
Board member

*This year-end report has not been subject to review by the Company's auditors.*

## CONSOLIDATED INCOME STATEMENT

SEK m	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Revenue	1,346.4	1,177.5	2,556.4	2,279.4	4,716.5
Cost of services provided	-378.5	-326.4	-724.1	-622.0	-1,297.1
Gross profit	968.0	851.1	1,832.3	1,657.4	3,419.4
Marketing expenses	-249.3	-246.5	-493.7	-457.8	-969.6
Personnel expenses	-207.2	-203.2	-416.7	-382.3	-786.4
Other external expenses	-184.5	-182.0	-366.8	-348.7	-719.4
Capitalised development costs	52.8	56.8	107.9	110.8	214.1
Amortisation and depreciation	-78.9	-67.5	-150.1	-128.2	-267.6
Other operating income/expenses	-0.3	-2.2	-0.9	-3.4	-8.3
Operating expenses	-667.3	-644.2	-1,320.2	-1,209.6	-2,537.2
Operating income	300.7	206.9	512.1	447.8	882.2
Financial income and expenses	-9.3	-10.3	-19.1	-20.8	-39.3
Income before tax	291.5	196.6	492.9	427.0	842.9
Tax	-20.0	-10.5	-33.5	-26.4	-56.5
Net income	271.4	186.1	459.4	400.5	786.5

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q2 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Net income	271.4	186.1	459.4	400.5	786.5
Other comprehensive income					
Revenue/expenses recognised directly in equity:					
Hedge of net investments in foreign currency incl. deferred tax	-6.7	-3.2	-7.5	-2.9	-11.5
Exchange differences in translating foreign operations	93.4	29.9	362.7	57.6	44.4
Other comprehensive income of the period (after tax)	86.7	26.7	355.1	54.7	32.9
Total comprehensive income for the period	358.1	212.8	814.5	455.2	819.3

## CONSOLIDATED BALANCE SHEET

SEK m	30/06/2018	30/06/2017	31/12/2017
Intangible fixed assets	5,308.8	5,049.0	4,943.4
Property, plant and equipment	100.5	87.0	97.7
Financial assets	5.5	10.4	9.2
Deferred tax receivables	46.2	41.7	43.8
Other longterm receivables	0.0	0.0	2.6
<b>Total non-current assets</b>	<b>5,460.9</b>	<b>5,188.0</b>	<b>5,096.6</b>
Current receivables	1,356.9	854.8	1,241.9
Cash and cash equivalents	561.6	470.1	479.5
<b>Total current assets</b>	<b>1,918.5</b>	<b>1,324.9</b>	<b>1,721.3</b>
<b>Total assets</b>	<b>7,379.4</b>	<b>6,512.9</b>	<b>6,817.9</b>
Equity	4,090.1	3,301.7	3,666.9
Provision gaming tax	12.3	20.1	12.9
Deferred tax liabilities	35.4	10.6	29.3
<b>Total Provisions</b>	<b>47.7</b>	<b>30.7</b>	<b>42.2</b>
Bond	995.5	992.4	993.9
Non-current liabilities to credit institutions	729.1	0.0	0.0
<b>Total non-current liabilities</b>	<b>1,724.6</b>	<b>992.4</b>	<b>993.9</b>
Current liabilities to credit institutions	0.0	972.7	663.9
Other current liabilities	1,517.0	1,215.6	1,451.0
<b>Total current liabilities</b>	<b>1,517.0</b>	<b>2,188.2</b>	<b>2,114.9</b>
<b>Total equity and liabilities</b>	<b>7,379.4</b>	<b>6,512.9</b>	<b>6,817.9</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEK m	Q2 2018	Q2 2017	30/06/2018	30/06/2017	31/12/2017
Income after financial items	291.5	196.6	492.9	427.0	842.9
Adjustments for non-cash items	82.5	68.8	156.1	131.5	274.5
Taxes paid	-22.9	-2.3	-28.3	-36.8	-58.5
Cash flow from operating activities before changes in working capital	351.1	263.1	620.8	521.7	1,058.9
Changes in working capital	-79.9	-20.8	-37.5	-74.4	-112.2
<b>Cash flow from operating activities</b>	<b>271.2</b>	<b>242.4</b>	<b>583.3</b>	<b>447.3</b>	<b>946.7</b>
Investments	-76.6	-74.3	-153.3	-136.5	-282.9
Acquisition of cash and cash equivalents	0.0	0.0	0.0	81.9	81.9
Acquisition of shares in subsidiaries	0.0	-294.5	0.0	-323.0	-323.0
<b>Cash flow from investing activities</b>	<b>-76.6</b>	<b>-368.8</b>	<b>-153.3</b>	<b>-377.6</b>	<b>-524.0</b>
Cash paid upon redemption of warrants	0.0	0.0	0.0	0.0	-0.3
Paid gaming tax provision	0.0	0.0	0.0	0.0	-7.2
Settled purchase consideration	0.0	0.0	-20.3	-26.1	-54.7
Changes in bank loans	309.2	382.8	49.3	644.1	333.6
Guarantees	0.0	0.0	0.0	0.0	-2.6
Share redemption programme	-393.1	-658.9	-393.1	-658.9	-658.9
Warrant premiums received	0.0	0.0	0.0	0.7	0.3
<b>Cash flow from financing activities</b>	<b>-83.9</b>	<b>-276.1</b>	<b>-364.1</b>	<b>-40.2</b>	<b>-389.7</b>
<b>Changes to cash and cash equivalents</b>	<b>110.7</b>	<b>-402.6</b>	<b>65.9</b>	<b>29.5</b>	<b>32.9</b>
Cash and cash equivalents at beginning of period	446.2	874.4	479.5	444.3	444.3
Exchange differences	4.7	-1.8	16.2	-3.8	2.3
<b>Cash and cash equivalents at end of period</b>	<b>561.6</b>	<b>470.1</b>	<b>561.6</b>	<b>470.1</b>	<b>479.5</b>

## CHANGE IN GROUP EQUITY

SEK m	30/06/2018	30/06/2017	31/12/2017
<b>Opening balance</b>	<b>3,666.9</b>	<b>3,502.9</b>	<b>3,502.9</b>
Total comprehensive income for the period	814.5	455.2	819.3
<b>Total change excluding owner transactions</b>	<b>814.5</b>	<b>455.2</b>	<b>819.3</b>
Share redemption programme	-393.1	-658.9	-658.9
Warrants paid premium	0.0	0.7	0.3
Payment on exercise of options	0.0	0.0	-0.3
Share options - value of employee services	1.8	1.6	3.5
<b>Equity at end of period</b>	<b>4,090.1</b>	<b>3,301.7</b>	<b>3,666.9</b>
Attributable to:			
Parent company's shareholders	4,090.1	3,301.7	3,666.9

## PARENT COMPANY, INCOME STATEMENT

SEK m	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Revenue	10.4	18.0	29.9
Operating expenses	-30.5	-40.6	-71.9
Operating income	-20.1	-22.6	-42.0
Financial items	-13.5	13.5	1,040.9
Income before tax	-33.6	-9.0	998.9
Net income	-33.6	-9.0	998.9

## PARENT COMPANY, BALANCE SHEET

SEK m	30/06/2018	30/06/2017	31/12/2017
Property, plant and equipment	1.8	2.3	2.1
Financial assets	4,967.6	4,954.2	4,967.6
Total non-current assets	4,969.4	4,956.5	4,969.7
Current receivables	401.6	263.9	809.8
Cash and cash equivalents	263.7	42.5	145.2
Total current assets	665.3	306.4	955.0
Total assets	5,634.7	5,262.9	5,924.6
Restricted equity	350.4	350.3	350.4
Unrestricted equity	3,311.1	2,729.9	3,737.8
Total equity	3,661.5	3,080.2	4,088.2
Bond	995.5	992.4	993.9
Non-current liabilities to credit institutions	696.6	0.0	0.0
Total non-current liabilities	1,692.1	992.4	993.9
Current liabilities to credit institutions	0.0	957.7	647.3
Other current liabilities	281.1	232.6	195.2
Total current liabilities	281.1	1,190.4	842.5
Total equity and liabilities	5,634.7	5,262.9	5,924.6

## QUARTERLY DATA

## INCOME STATEMENT

SEK m	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Revenue	1,346.4	1,210.0	1,256.4	1,180.6	1,177.5	1,102.0	1,118.5	1,063.3
Cost of services provided	-378.5	-345.6	-353.5	-321.6	-326.4	-295.7	-288.0	-256.2
<b>Gross profit</b>	<b>968.0</b>	<b>864.3</b>	<b>903.0</b>	<b>859.0</b>	<b>851.1</b>	<b>806.3</b>	<b>830.6</b>	<b>807.0</b>
Marketing expenses	-249.3	-244.4	-269.2	-242.5	-246.5	-211.4	-206.3	-200.1
Personnel expenses	-207.2	-209.5	-208.4	-195.8	-203.2	-179.1	-175.9	-171.2
Other external expenses	-184.5	-182.3	-184.6	-186.2	-182.0	-166.7	-166.4	-167.2
Capitalised development costs	52.8	55.1	51.9	51.4	56.8	54.0	55.6	59.5
Amortisation and depreciation	-78.9	-71.3	-70.4	-69.1	-67.5	-60.6	-61.8	-56.0
Other operating income/expenses	-0.3	-0.6	-3.9	-1.0	-2.2	-1.3	-10.6	0.9
Operating expenses	-667.3	-652.9	-684.6	-643.0	-644.2	-565.4	-565.5	-534.2
<b>Operating income</b>	<b>300.7</b>	<b>211.4</b>	<b>218.4</b>	<b>216.0</b>	<b>206.9</b>	<b>240.9</b>	<b>265.1</b>	<b>272.9</b>
Financial items, net	-9.3	-9.9	-8.7	-9.7	-10.3	-10.6	-5.5	-1.8
Income before tax	291.5	201.4	209.6	206.3	196.6	230.4	259.6	271.1
Tax	-20.0	-13.5	-10.8	-19.3	-10.5	-16.0	-16.0	-17.0
<b>Net income</b>	<b>271.4</b>	<b>187.9</b>	<b>198.9</b>	<b>187.0</b>	<b>186.1</b>	<b>214.4</b>	<b>243.6</b>	<b>254.1</b>

## BALANCE SHEET

SEK m	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Non-current assets	5,460.9	5,368.8	5,096.6	5,084.9	5,188.0	5,062.8	4,760.8	4,372.1
Current assets	1,918.5	1,812.7	1,721.3	1,463.9	1,324.9	1,828.8	1,501.7	1,576.3
<b>Total assets</b>	<b>7,379.4</b>	<b>7,181.6</b>	<b>6,817.9</b>	<b>6,548.9</b>	<b>6,512.9</b>	<b>6,891.7</b>	<b>6,262.5</b>	<b>5,948.4</b>
Equity	4,090.1	4,123.7	3,666.9	3,389.3	3,301.7	3,746.8	3,502.9	3,343.3
Provisions and non-current liabilities	1,772.3	1,039.3	1,036.1	1,016.3	1,023.0	1,614.2	1,346.7	721.2
Current liabilities	1,517.0	2,018.6	2,114.9	2,143.2	2,188.2	1,530.6	1,412.9	1,883.9
<b>Total equity and liabilities</b>	<b>7,379.4</b>	<b>7,181.6</b>	<b>6,817.9</b>	<b>6,548.9</b>	<b>6,512.9</b>	<b>6,891.7</b>	<b>6,262.5</b>	<b>5,948.4</b>
<b>Consolidated cash flow statement</b>								
Operating cash flow	271.2	312.2	278.9	220.4	242.4	204.9	332.2	294.4
Cash flow from investing activities	-76.6	-76.7	-75.6	-70.9	-368.8	-8.8	-426.1	-82.2
Cash flow from financing activities	-83.9	-280.2	-166.3	-183.2	-276.1	235.9	20.4	-115.2
Total cash flow	110.7	-44.8	37.1	-33.7	-402.6	432.1	-73.5	97.1

## KEY RATIOS

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
<b>Key financial ratios</b>								
Gross Margin (% of revenue)	71.9	71.4	71.9	72.8	72.3	73.2	74.3	75.9
EBITDA-margin (% of revenue)	28.2	23.4	23.0	24.2	23.3	27.4	29.2	30.9
EBIT-margin (% of revenue)	22.3	17.5	17.4	18.3	17.6	21.9	23.7	25.7
Profit margin (% of revenue)	21.6	16.6	16.7	17.5	16.7	20.9	23.2	25.5
Marketing expenses (% of revenue)	18.5	20.2	21.4	20.5	20.9	19.2	18.4	18.8
Basic earnings per share (SEK)	1.96	1.36	1.44	1.35	1.34	1.55	1.76	1.84
Diluted earnings per share (SEK)	1.96	1.36	1.44	1.35	1.34	1.55	1.76	1.84
Equity per share (SEK)	29.55	29.79	26.49	24.49	23.85	27.07	25.31	24.15
Executed dividend/redemption per share (SEK)	2.84	0.00	0.00	0.00	4.76	0.00	0.00	0.00
Equity/assets ratio (%)	55	57	54	52	51	54	56	56
Return on equity (%)	7	5	5	5	6	6	7	7
Return on total capital (%)	4	3	3	3	3	4	4	5
Return on capital employed (%)	6	4	4	4	5	5	4	6
Net debt (SEK m)	1,173	970	1,208	1,404	1,553	1,061	955	780
<b>Shares</b>								
Average share price (SEK)	60.45	66.06	64.46	74.38	77.29	80.50	88.47	79.61
Share price at end of period (SEK)	54.38	63.12	60.50	74.25	73.00	78.00	87.90	94.80
Highest share price (SEK)	69.50	70.40	76.00	80.50	82.40	91.95	96.05	96.20
Lowest share price (SEK)	52.57	60.04	57.70	68.30	72.85	73.10	79.25	63.05
Number of shareholders at end of period	36,581	38,158	40,009	41,312	42,847	43,474	41,056	42,237
Number of shares outstanding at end of period (million)	138.4	138.4	138.4	138.4	138.4	138.4	138.4	138.4
Number of shares at end of period (million)	144.5	144.5	144.5	144.5	144.5	144.5	144.5	143.1
<b>Personnel</b>								
Average number of employees (accumulated)	1,612	1,679	1,867	1,889	1,878	1,848	1,661	1,595
Number of employees at end of period	1,547	1,567	1,873	1,888	1,887	1,902	1,821	1,680

## CUSTOMERS

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Registered customers (000's)	13,457	13,288	12,993	12,705	12,381	12,159	10,101	9,676
Active customers (000's)	692	608	615	619	551	607	573	515

## CUSTOMER DEPOSITS

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Customer deposits (SEK m)	3,906.1	3,450.5	3,564.4	3,349.7	3,240.0	3,024.1	3,090.8	2,737.1
Customer deposits, all gaming solutions (SEK m)	4,664.7	4,190.3	4,362.4	4,100.1	4,056.3	3,789.2	3,947.1	3,521.2



## SPORTSBOOK MARGIN

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Gross turnover, all gaming solutions (SEK m)	6,226.5	5,773.1	5,965.4	5,391.0	5,755.0	6,006.1	6,117.7	5,548.0
of which gross turnover live betting (SEK m)	4,072.5	3,904.8	4,126.0	3,864.8	3,982.2	4,353.2	4,492.0	4,216.9
Margin after free bets (%)	6.3	6.6	8.2	7.1	6.4	6.1	6.6	7.6
Revenue (SEK m)	300.2	263.5	359.3	275.1	255.6	250.3	264.4	300.2
Gross margin, Sportsbook (%) <sup>1)</sup>	4.8	4.6	6.0	5.1	4.4	4.2	4.3	5.4

<sup>1)</sup> Margin after allocated costs

## REVENUE BY PRODUCT

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
<b>Revenue (SEK m)</b>								
Casino	1,016.6	922.8	867.3	871.1	876.6	822.9	823.7	731.8
Sportsbook	300.2	263.5	359.3	275.1	255.6	250.3	264.4	300.2
Other products	29.6	23.6	29.8	34.4	45.3	28.8	30.4	31.3
<b>Total</b>	<b>1,346.4</b>	<b>1,210.0</b>	<b>1,256.4</b>	<b>1,180.6</b>	<b>1,177.5</b>	<b>1,102.0</b>	<b>1,118.5</b>	<b>1,063.3</b>

	2018 Q2	2017 Q1	2017 Q4	2017 Q3	2017 Q2	2016 Q1	2016 Q4	2016 Q3
<b>Share of total revenue (%)</b>								
Casino	76	76	69	74	74	75	74	69
Sportsbook	22	22	29	23	22	23	24	28
Other products	2	2	2	3	4	3	3	3

	2018 Q2	2017 Q1	2017 Q4	2017 Q3	2017 Q2	2016 Q1	2016 Q4	2016 Q3
<b>Growth, compared with previous quarter (%)</b>								
Casino	10	6	-0	-1	7	-0	13	7
Sportsbook	14	-27	31	8	2	-5	-12	35
Other products	26	-21	-13	-24	57	-5	-3	7
<b>Total</b>	<b>11</b>	<b>-4</b>	<b>6</b>	<b>0</b>	<b>7</b>	<b>-1</b>	<b>5</b>	<b>14</b>

	2018 Q2	2017 Q1	2017 Q4	2017 Q3	2017 Q2	2016 Q1	2016 Q4	2016 Q3
<b>Growth, compared with same period previous year (%)</b>								
Casino	16	12	5	19	28	23	20	11
Sportsbook	17	5	36	-8	15	-15	-15	9
Other products	-35	-18	-2	10	55	-25	-32	-22
<b>Total</b>	<b>14</b>	<b>10</b>	<b>12</b>	<b>11</b>	<b>26</b>	<b>10</b>	<b>7</b>	<b>9</b>

## REVENUE BY REGION

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
<b>Sportsbook (SEK m)</b>								
Nordics	139.0	130.2	190.6	133.0	118.2	106.3	118.0	152.5
Western Europe	43.2	34.0	45.3	32.5	34.4	24.8	11.5	15.6
Central & Eastern Europe and Central Asia	78.2	83.2	102.1	94.3	90.7	106.8	127.1	119.1
RoW	39.8	16.1	21.3	15.3	12.3	12.4	7.8	13.0
<b>Total</b>	<b>300.2</b>	<b>263.5</b>	<b>359.3</b>	<b>275.1</b>	<b>255.6</b>	<b>250.3</b>	<b>264.4</b>	<b>300.2</b>
<b>Casino (SEK m)</b>								
Nordics	471.3	428.9	405.5	418.4	426.4	410.3	424.3	386.4
Western Europe	385.8	345.0	305.3	309.3	304.3	248.4	235.9	194.7
Central & Eastern Europe and Central Asia	132.0	128.0	134.5	124.2	129.8	139.9	145.3	133.0
RoW	27.5	20.9	22.0	19.2	16.1	24.3	18.3	17.6
<b>Total</b>	<b>1,016.6</b>	<b>922.8</b>	<b>867.3</b>	<b>871.1</b>	<b>876.6</b>	<b>822.9</b>	<b>823.7</b>	<b>731.8</b>
<b>Total, for all products, per region (SEK m)</b>								
Nordics	621.9	568.3	606.6	562.4	558.7	530.3	556.9	554.6
Western Europe	443.5	390.0	362.2	355.2	351.8	281.6	255.9	218.3
Central & Eastern Europe and Central Asia	214.4	215.3	241.1	223.2	226.5	252.7	279.1	258.7
RoW	66.7	36.4	46.5	39.7	40.6	37.3	26.6	31.6
<b>Total</b>	<b>1,346.4</b>	<b>1,210.0</b>	<b>1,256.4</b>	<b>1,180.6</b>	<b>1,177.5</b>	<b>1,102.0</b>	<b>1,118.5</b>	<b>1,063.3</b>
<b>Share per region (%)</b>								
Nordics	46	47	48	48	47	48	50	52
Western Europe	33	32	29	30	30	26	23	21
Central & Eastern Europe and Central Asia	16	18	19	19	19	23	25	24
RoW	5	3	4	3	3	3	2	3
<b>Growth, compared with previous quarter (%)</b>								
Nordics	9	-6	8	1	5	-5	0	27
Western Europe	14	8	2	1	25	10	17	5
Central & Eastern Europe and Central Asia	-0	-11	8	-1	-10	-9	8	-3
RoW	83	-22	17	-2	9	40	-16	28
<b>Growth, compared with same period previous year (%)</b>								
Nordics	11	7	9	1	28	14	17	22
Western Europe	26	39	42	63	69	16	5	-8
Central & Eastern Europe and Central Asia	-5	-15	-14	-14	-15	-6	-8	-2
RoW	65	-3	75	26	64	76	49	71

## SPECIFICATION OF COST OF SERVICES PROVIDED

SEK m	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Licence fees	127.7	117.7	116.6	111.3	108.9	96.8	99.3	88.6
Betting duties	62.1	56.6	56.2	52.1	53.9	43.3	35.4	33.5
Affiliates and partners commission	108.2	96.1	102.1	83.5	92.3	85.8	84.6	72.5
Other cost of services provided	80.5	75.3	78.6	74.7	71.2	69.7	68.7	61.6
<b>Total</b>	<b>378.5</b>	<b>345.6</b>	<b>353.5</b>	<b>321.6</b>	<b>326.4</b>	<b>295.7</b>	<b>288.0</b>	<b>256.2</b>

## ORGANIC CALCULATIONS

	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Reported revenues	1,346.4	1,210.0	1,256.4	1,180.6	1,177.5
- Revenue from acquisitions <sup>1</sup>	0.0	-53.5	-74.1	-91.9	-103.6
- Currency effects	-36.0	-7.4	48.2	32.4	8.3
<b>Organic revenues</b>	<b>1,310.4</b>	<b>1,149.1</b>	<b>1,230.5</b>	<b>1,121.1</b>	<b>1,082.2</b>
Organic growth (YoY)	11%	4%	10%	5%	16%
Reported growth (YoY)	14%	10%	12%	11%	26%
Reported operating income (EBIT)	300.7	211.4	218.4	216.0	206.9
- Result from acquisitions <sup>1</sup>	0.0	15.2	15.5	5.0	-6.8
- Currency effects	10.5	15.3	34.0	27.4	17.8
<b>Organic operating income</b>	<b>311.2</b>	<b>241.9</b>	<b>267.9</b>	<b>248.4</b>	<b>217.9</b>
Organic growth (YoY)	50%	0%	1%	-9%	38%
Reported growth (YoY)	45%	-12%	-18%	-21%	31%

<sup>1</sup> For 2018 Q1, NetPlay and Premier Casino.

2017 Q4, Racebets, NetPlay and Premier Casino.

2017 Q2 & Q3, Tonybet, Racebets, NetPlay and Premier Casino.

## APPENDIX

### ACCOUNTING POLICIES

Betsson complies with IFRS standards and interpretations (IFRIC) as adopted by the EU. This Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company's financial statements have been prepared in accordance with RFR 2.

The accounting policies applied are consistent with those presented in the Annual Report for 2017. Detailed information about the Group's accounting and valuation principles can be found in the Annual Report for 2017 (Note 2), which is available on [www.betssonab.com](http://www.betssonab.com) or at the Company's head office.

As of 1 January 2018 IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments are applicable.

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

Betsson is primarily an online casino operator and the revenue streams mainly result from casino games and sports book activities. The payout for wagers placed on these gaming activities typically is known at the time the wager is placed. This form of wagering is referred to as "fixed odds wagering." Such wagering contracts meet the definition of a financial instrument within the scope of IFRS 9 Financial Instruments and are excluded from the scope of IFRS 15. Applying IFRS 9 instead of IFRS 15 does not impact the revenue recognition or the financial statements since timing, amounts etc. remains the same regardless of which standard is applied. Betsson deems that IFRS 9 is to be applied to contracts relating to fixed odds wagering and IFRS 15 is not applicable with regards to these revenue streams. The company concludes that this is in line with the view of IASB. No effects in the financial statements have been identified when applying IFRS 9.

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

As of 2019, **IFRS 16 Leases** will be enforced. IFRS 16 require that assets and liabilities attributable to all leases, with some exceptions, be reported in the balance sheet. This accounting is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time an obligation to pay for this right. IFRS 16 replaces IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard is applicable for fiscal years commencing January 1, 2019 or later, the company will not use early application. The standard is adopted by the EU. The standard will primarily affect the accounting of the Group's operating leases, and the effects are under evaluation.

This interim report refers to certain key performance indicators, which Betsson and others use when evaluating the performance of Betsson. These are referred to as alternative performance measures (APMs) and are not defined under IFRS. The figures give management and investors important information to enable them to fully analyse Betsson's business and trends. The APMs are not meant to replace but to complement the performance measures defined under IFRS.

## RISKS

The gambling industry is largely regulated and different political decisions, interpretations of law and developing regulation in various states can significantly affect Betsson's earnings and financial position. Betsson operates its businesses under gaming licences issued in Malta, as well as in Denmark, Estonia, Georgia, Spain, Germany, Ireland, Italy, Latvia, Lithuania and Great Britain, where national governments have regulated the industry, necessitating businesses to obtain licences in order to operate gambling in the territory. The Swedish Parliament has voted in favour of a new gaming regulation that will come into effect on 1 January 2019. Betsson is closely following developments.

Pressure continues to be put on EU/EEA countries to adapt their national legislation to comply with applicable EU law, and while a number of states have already successfully re-regulated the industry and others have announced that they are working on new legislation in line with the EU framework, a number of others are lagging behind, either having re-regulated in ways which challenge the European framework or not yet having taken concrete steps towards re-regulation. One such country is Norway where a very restrictive view has been taken and state monopolies have been granted rights to operate the larger part of the industry. Since 2010, Norway has implemented a prohibition against the execution of payments for gaming arranged outside Norway. This negatively affects banks in particular, as providing redemption services in conjunction with the payment of gaming via credit, and payment cards with foreign gaming companies is prohibited. Betsson's assessment is that this legislation is in conflict with EU law.

The European Commission has previously questioned whether the Dutch gambling framework is compliant with EU law. The EU commission stated in late 2017 that all infringement cases relating to gambling would be closed on grounds of policy and that operators should instead look to the European Courts for redress. The new Dutch government has the ambition to introduce a new regulation, which is currently planned for 2020. Betsson is watching these developments carefully to ensure compliance with EU law.

When new legislation is adopted it is often unclear if the state would impose settlement of previous obligations relating to historical situations, or the size of any such obligation.

In 2007, Turkey introduced legislation against internet gaming that did not fall within the local regulatory framework and it reinforced parts of this legislation in 2013. A Betsson associate, which has its own gaming licence in Malta and is owned and managed separately, accepts that Turkish gamblers bet under this licence. Pursuant to the legal situation described above, income originating from Turkey can be regarded as comprising a higher operational risk than income from other markets.

Seasonal variations can significantly affect the Company's operations during periods of lower gaming activity and fluctuating results in different sporting events. Economic fluctuations have not affected the operations to any significant degree. Betsson is an international company with operations that are constantly exposed to various currencies. Changes in exchange rates affect Group income.

For a more detailed description of the risks mentioned above and other risks and uncertainties, please refer to the Annual Report for 2017.

## CURRENCY EXCHANGE RATES

The exchange rates below are applied in the interim report.

### Income Statement (average year-to-date rate)

	2018	2017	Δ
EUR/SEK	10.145	9.592	+5.8%
GBP/SEK	11.529	11.148	+3.4%
GEL/SEK	3.397	3.540	-4.0%
NOK/SEK	1.057	1.046	+1.1%
TRY/SEK	2.057	2.436	-15.6%

### Balance sheet (closing rate)

	30/06/2018	30/06/2017	Δ
EUR/SEK	10.4213	9.6734	+7.7%
GBP/SEK	11.7518	11.0144	+6.7%
GEL/SEK	3.6418	3.5714	+2.0%

## TRANSACTIONS WITH RELATED PARTIES

No significant transactions took place between Betsson and related parties that affected Betsson's financial position and performance in the period. The extent and nature of transactions with related parties in the period are consistent with previous year's transactions with related parties, as described in the annual report 2017.

## GLOSSARY AND DEFINITIONS

**Active customers:** Number of customers who have played on any of Betsson's gaming sites in the past three months, without any deposit requirement.

**All gaming solutions:** In the term All Betsson's gaming solutions, KPIs attributable to Betsson are consolidated with KPIs attributable to B2B associates.

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

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

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

**Deposits:** Customers' deposits to gaming accounts.

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

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

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

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

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

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

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

**Mobile revenue:** Revenues customers using mobile devices.

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

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

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

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

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

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

**Organic:** Excluding effects from currency fluctuations, in relation to the comparable period, and contribution from acquired entities over the past 12 months.

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

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



## CALENDAR

January-September and Q3 2018:  
Year-end report and Q4 2018:

24 October 2018  
14 February 2019

## INFORMATION ON THE PRESENTATION

Betsson invites media, analysts and investors to Betsson's office in Stockholm, Sweden on Thursday, 19 July, 2018 at 09:00 CET, for the presentation of the interim report with CEO Pontus Lindwall and CFO Kaaren Hilsen. Visitors are asked to use the entrance at Regeringsgatan 26.

The presentation will be held in English and followed by a questions and answers session. It is also available via webcast and conference call.

To participate by phone, please dial:

UK: +44 2033645374

SE: +46 850556474

US: +1 8557532230

To watch the webcast of the presentation, visit [www.betssonab.com](http://www.betssonab.com) or  
<https://edge.media-server.com/m6/p/qts6hb5d>



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