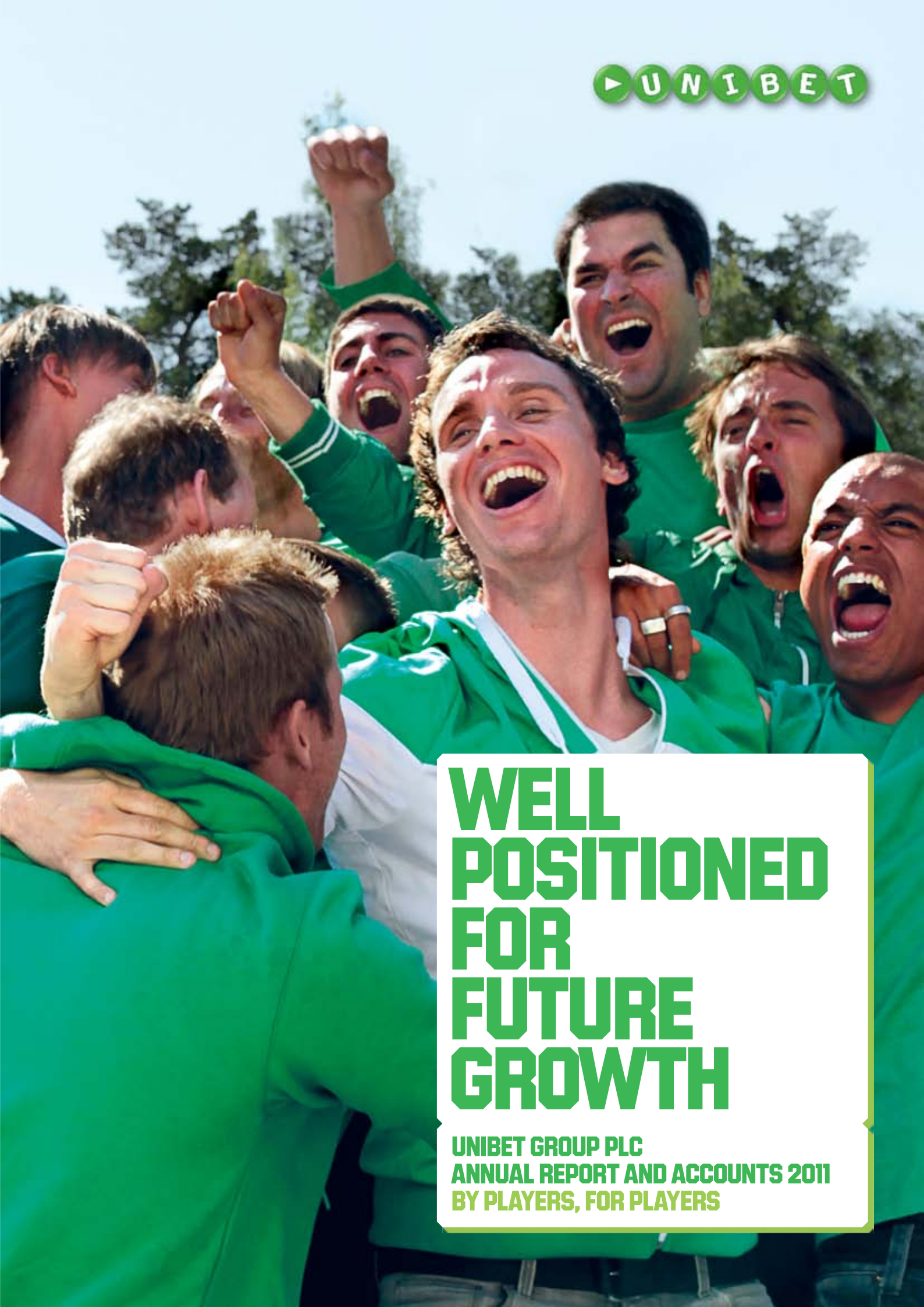

# WELL POSITIONED FOR FUTURE GROWTH

UNIBET GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2011
BY PLAYERS, FOR PLAYERS

**Unibet was founded in 1997. With over 6.2 million registered customers in more than 100 countries, the Group is one of Europe's largest online gaming operators.**

# REPORT FEATURES

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## DELIVERING ON UNIBET'S STRATEGY

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## MARKET OVERVIEW

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## RESPONSIBLE GAMING

Page 08

As a founding member of the European Gaming and Betting Association (EGBA) and the European Sports Security Association (ESSA), Unibet takes its commitment to Responsible Gaming very seriously. The Group has Responsible Gaming embedded in its culture and is dedicated to providing a trustworthy environment where all its players can enjoy gaming and entertainment safely and responsibly. In addition to extensive Responsible Gaming strategies and guidance policies, Unibet also works closely with Gambling Therapy, who provide online support and counselling in 39 languages for anyone experiencing or affected by problem gaming issues.

## UNIBET'S PRODUCTS

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## CORPORATE RESPONSIBILITY

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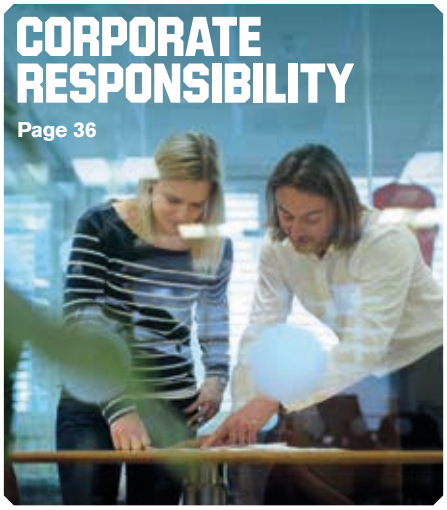


# CONTENTS



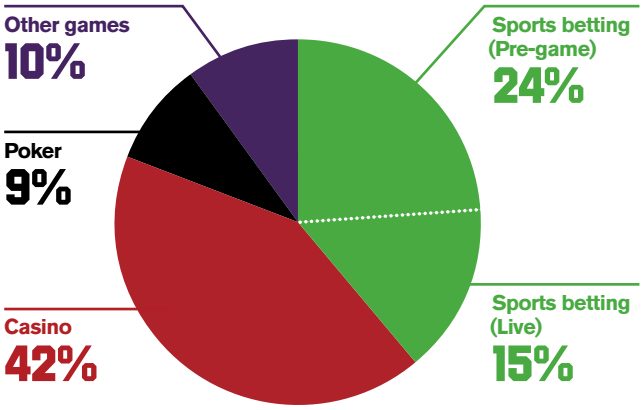
The Company's registered office is at Camilleri Preziosi, Level 2 Valletta Buildings, South Street, Valletta, Malta.
The Company's registered number is C39017.

This document is the English original. In the event of any discrepancy between the original English document and the Swedish translation, the English original shall prevail.

# KEY HIGHLIGHTS

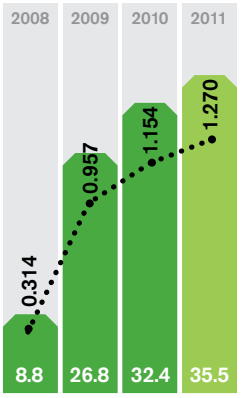
## IFRS (GBP)

### Unibet gross winnings revenue 2011




**154.4M**
**GROSS WINNINGS REVENUE 2011 +4.7%**
(2010: 147.5m)

### Profit after tax (GBPm) and earnings per share (GBP)

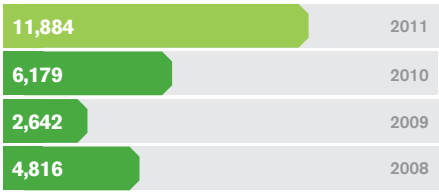



Profit after tax, GBPm
Earnings per share, GBP

**35.5M**
Profit after tax (GBPm)
(2010: 32.4)

**+10%**
Increase in EPS GBP 1.270
(2010: GBP 1.154)

### Capital expenditure intangible assets GBP 000




## OPERATIONAL

**572**
Number of employees
(2010: 493)

**44,500**
Live events available
(2010: 30,000)

**400,697**
Active customers in the last quarter
(2010: 308,872)

**12,000**
Streaming events online
(2010: 9,360)

**28,258,038**
Number of shares at year end
(2010: 28,258,038)

**16.4M**
Dividend and Share buy back (GBP)
(2010: 19.9m)

## NON-GAAP*

**48.0M**
**EBITDA GBP**
(2010: 43.8m)

**1.718**
**EBITDA PER SHARE GBP**
(2010: 1.561 GBP)

**31%**
**EBITDA MARGIN**
(2010: 30%)

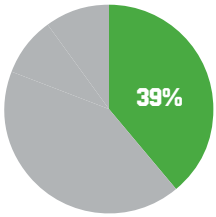
**1.737**
**OPERATING CASHFLOW PER SHARE** GBP**
(2010: 1.586)

* GAAP=Generally Accepted Accounting Principles
** Before movements in working capital

# UNIBET AT A GLANCE

## PRODUCTS

### SPORTS BETTING
**60.9M**
Total GWR* (GBP)
(2010: 62.6m)




Sports betting and especially live betting, is central to the Unibet business and one of the keys to its success. Unibet offer competitive odds on a wide range of international and local sporting events, to a worldwide customer base, 24 hours a day, seven days a week.

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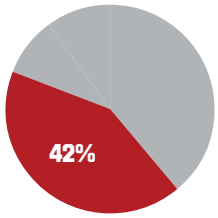
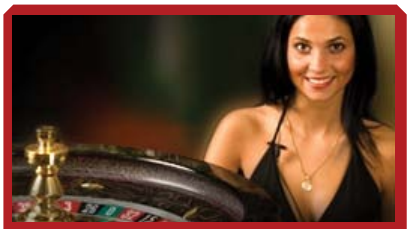
### CASINO
**64.6M**
Total GWR* (GBP)
(2010: 54.1m)



The Unibet casino features an exciting array of games and an action packed moneytainment® experience for players at every level. The browser and downloadable casino offer around 250 games at any time and the live casino is the closest you can get to a real bricks and mortar casino experience online.

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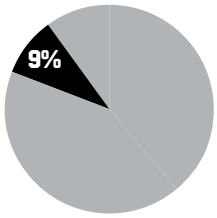
### POKER
**13.6M**
Total GWR* (GBP)
(2010: 20.2m)




Online poker creates a fantastic online experience and is enjoyed by competitive players at many different levels. The successful Unibet Open tour, a highlight on the international poker calendar, this year visited Malta, Barcelona, Riga and Dublin keeping Unibet players engaged and entertained across Europe.

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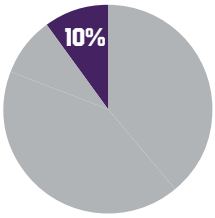
### OTHER GAMES
**15.3M**
Total GWR* (GBP)
(2010: 10.5m)




Unibet offers players a great selection of entertaining games that include Keno, slots, hi-lo and other exclusive online games developed for key markets. Regular launches of new games attract new players and add excitement to the Unibet offer.

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## BUSINESS MODEL

### Central to the Unibet business model is moneytainment®

**It defines the customer experience and explains what the business does. Unibet provides the most rewarding and entertaining gaming experience possible, for all its players.**

The Unibet business model is based on four core product areas: Sports betting, Casino, Poker and Other games. It has a strong commitment to delivering shareholder value from a business that is profitable, ethical, responsible and highly efficient in its management and operations. As a leading online gaming business Unibet is focused on excellence in customer service. Indeed its motto 'By players, for players', reflects a deep understanding of what consumers look for in this sector.

### RESPONSIBLE GAMING

Unibet takes an active role in Responsible Gaming awareness, providing a trustworthy environment where all its players can enjoy gaming safely and responsibly. Responsible Gaming safeguards are integrated into Unibet's systems to address and reduce problem gaming issues and provide guidance and help for those affected by these issues.

### 'BY PLAYERS, FOR PLAYERS'

Founded by players, Unibet continues to be a leading brand in the online gaming sector because it remains true to this motto. Understanding what players want and exceeding their expectations is fundamental to the philosophy that has driven Unibet's growth and success.

### OPERATIONAL EFFICIENCY

The Unibet business is a highly efficient organisation that constantly strives to maximise the return on its marketing spend. Operational efficiency is based on constant refinement of the product offer, constant appraisal of efficiencies in marketing spend and a deep understanding of customer attraction and retention strategies.

Kambi Sports Solutions, Unibet's B2B Sportbook offering, is very scalable with the variable cost for extra users being low compared to the fixed costs. Adding more clients creates a scalability and efficiency which will benefit both Unibet, Kambi and Kambi's clients.

**Where Unibet operate**
Unibet's core markets are divided into three regions: Nordic region, Western Europe and the combined region of Central, Eastern and Southern Europe.

Unibet uses territory management in driving the business forward.

Read more
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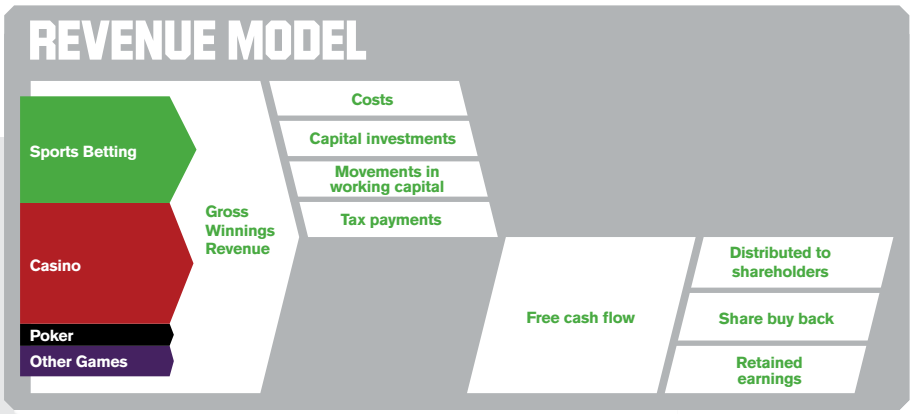


**The Revenue model**
The model shows how Gross Winnings Revenue, adjusted for Costs, Capital investments, Movements in working capital and Tax payments, flow through to Free cash flow which is available to distribute to shareholders as a cash dividend and/or Share buy backs. To ensure that an appropriate capital structure to fund its normal operations, acquisitions or other corporate development projects is maintained, the remainder is kept by the Company as Retained earnings.


**Key performance indicators**
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page 20

**Risk management**
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* Gross Winnings Revenue

# MARKET OVERVIEW

**In 2012 the European online gaming market is set to reach almost EUR 12.2 billion* with sports betting predicted to rise to more than EUR 3.7 billion*.**

### Growth and development

These statistics only serve to emphasise the dynamic growth of the digital entertainment industry. Online gaming has been embraced across the world and in high broadband penetration regions such as Europe the potential for even more growth is clear to see. Broadband access is the key and Europe has one of the world's highest and fastest growing rates of internet and broadband penetration.

Commentators have suggested that certain established markets in Western Europe and Scandinavia were reaching saturation point but the reality is that the market continues to grow. Further growth will continue as gaming moves from offline to online and as consumers feel more at home in the digital world. Unibet has cemented its position at the forefront of the European online gaming industry with a reputation for recognising potential growth markets and for maximising returns from established markets.

Several factors are driving the growth in these established markets and will create further growth in less mature ones. Live betting is especially important to the growth the market is witnessing. As consumers seek new entertainment experiences, live betting puts them at the heart of the action with exciting experiences in real time. The online gaming industry has harnessed advanced technology that delivers a trustworthy, memorable experience and has captured consumer imagination in the process.

In addition, the advent of smartphones and tablets has captured the imagination of consumers everywhere, as they provide an 'always connected' experience that enables players to enjoy their entertainment experiences wherever they may be. The mobile channel is a key driver for the growth of the industry and is set to stimulate even more activity as network reliability and better technology is embedded in new and established markets.

### Changing landscape and re-regulation

Some European governments have been reviewing legislation over the last few years and the dominant trend observed suggests the future is very much towards individual country licences. Specific online licences for specific countries mean that online operators with licences may transit from global platforms to local country platforms in many regions. The gaming industry calls this trend a migration from 'dot com' to 'dot country' offerings. It can provide the impetus for a well-regulated, sustainable and thriving industry that is in the best interests of all parties. This migration to local country licences provides a balance that only works when fair and equal terms, a wide product scope and reasonable taxation framework are adopted. Unibet have seen how this process can work well and how it can work badly. France chose in 2010, to re-regulate and create national licences but imposed very restrictive terms, damagingly high taxation and limited product scope resulting in reported reduced revenues, operator losses and increased black market activity.

### Traffic lights

Other European countries have learned from the French example and are choosing to allow the market more freedom with wider product scope and sensible levels of taxation to increase their tax revenues. Unibet have developed a traffic light system that clearly illustrates a view of the state of play in different world markets.

Some markets are unavailable legally or unattractive commercially to operators in the online gaming market. The USA, Turkey, certain countries in the Middle East and Asia are currently on the red list, or stop zone of the traffic light, and considered out of scope. Re-regulation activity in the amber zone is on the horizon for several countries and will be watched closely over the next 12 months. This includes re-regulation proposals in France, Spain, Greece, Mexico and South America. In the green light zone are countries where there is already re-regulation activity such as the Nordic region, UK, and Australia with new systems already operating in Italy and Denmark.

## REGULATORY INDICATORS

**Unibet have developed a simple 'traffic light' system to identify opportunities within the changing regulatory landscape.**

**USA, Turkey, certain countries in the Middle East and Asia**

**France (2010), Germany, Spain, Greece, Mexico and South America**

**Nordics, Italy, Denmark, France (2013?), UK (2013), Australia**

## DENMARK... READY FOR NEW OPPORTUNITIES

**Re-regulation in Denmark saw Unibet open its unibet.dk site in January 2012.**

With the approval by the European Commission in September 2011 of a different gaming tax for online gambling of 20 per cent of gross winnings revenue, the final piece of the Danish reform was enacted. This allowed the market to open and new operators to apply for a license. Importantly it means that operators like Unibet will have access to all the marketing tools and channels and all the payment methods that were previously only available to the state monopoly.

* Source: H2 Gambling Capital February 2012

# OUR CORE MARKETS

**Unibet has customers in more than 100 countries worldwide. The Group's key markets are divided into three regions: Nordic region, Western Europe and the combined region of Central, Eastern and Southern Europe. The Nordic region is the Group's biggest market and also the fastest growing.**

## NORDIC REGION
## WESTERN EUROPE
## CENTRAL, EASTERN & SOUTHERN EUROPE

Operating markets review
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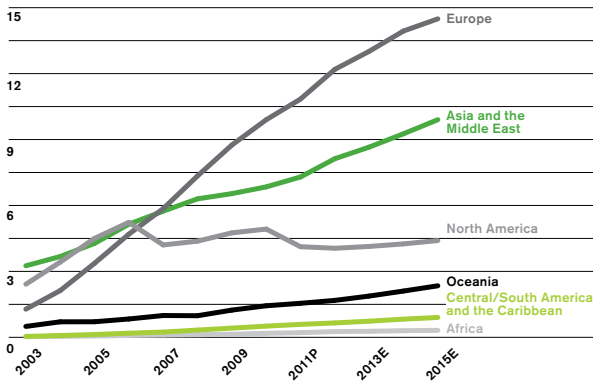
**Interactive gross gambling yield by player location (%)**

Source: H2 Gambling Capital February 2012




### Outlook 2012/13

In 2012 the European online gaming market is set to reach almost EUR 12.2 billion* and the market for world eGaming gross gaming yield is estimated to be almost EUR 27 billion* in the next five years. It's a dynamic marketplace and the mobile channel will undoubtedly drive even more growth for businesses that are well positioned to take advantage of developing markets and new technologies.

### Prepared for action

We believe the trend for national licences will continue and mature, eventually seeing some initiatives across European countries to avoid market fragmentation in the next 10 years. EU consultations are already underway, debating the benefits of harmonisation across European countries, but these processes can take years to filter through. In the meantime, there will be some added pressure on margins but businesses like Unibet who understand the essentials are well ahead of the curve. Excellent financial controls, keen operating efficiency, adaptability, scalability, a strong brand, great customer service and great product choice will make all the difference.

# FROM .COM TO .ITALY
# DELIVERING A 'DOT COUNTRY' PLATFORM

**Unibet re-entered the Italian market with the launch of its own platform in Italy on 16 December 2010. On unibet.it Italian players were initially offered Sit & Go, scheduled and multi-table poker tournaments, and in August 2011, Unibet added poker, cash games, casino offerings and sports betting.**

As the third largest market in Europe, Italy presents great opportunities for Unibet and has been an invaluable experience in managing the 'dot com' to 'dot country' platform migration.

With Unibet's strong brand and moneytainment® credentials there will be new energy in the Italian market for players, more products and better liquidity which will lead to increased revenues for governments too. The launch of unibet.it strengthens Unibet's position as a leading player in the European market, and helped develop systems to prepare the Group for future 'dot country' launches.

Unibet's products
Read more page 26

General legal environment
Read more page 40

* Source: H2 Gambling Capital February 2012

# MARKET DRIVERS

### From desktop to digital diversity

In a relatively short period, the technology revolution has moved forward with another big leap. For many businesses that have adapted to providing products and services for desk and home based PCs, the ground has shifted again. This new era has changed the digital landscape with a significant shift to the provision of products and services for mobile devices – laptops, tablets and smartphones. The business opportunities in this mobile medium are developing very quickly and herald further changes as channels open up for additional devices that will include games consoles, e-readers and internet TV.

In addition to new devices and new apps, further broadband penetration and faster broadband speeds will make this an area of exciting opportunity for many businesses, including Unibet. The development of 4G/LTE capability especially will signal an era where mobile devices could perform faster than the speeds currently experienced on an ethernet-connected computer.

### More high speed broadband

Broadband internet access and online payment systems have all improved across Europe as a whole, and a continuation of these trends would support Unibet's growth potential in these markets.

The ability to provide digital services across national boundaries is opening up markets which were previously subject to state-regulated monopolies or dominant national gaming operators. New channels for offering games are attracting new customer groups and creating more gaming opportunities for existing customers.

Because of the globalisation of the industry and growing internet penetration, companies that specialise in online gaming and offer first-class gaming experiences are in an excellent position to expand thanks to their scalability. In addition to broadband penetration, the infrastructure is improving to allow for faster speeds which makes the delivery of services like Unibet TV an even more enjoyable user experience.

## 87 PER CENT OF THE WORLD POPULATION HAVE ACCESS TO MOBILES

The growth in streamed sports events, as well as a wider interest in games is increasing the demand for online gaming. A wider range of games continues to draw in new target groups and attracts more players.

The growth of faster broadband penetration is also helping to enhance the entertainment value, as it creates opportunities to develop new services with a new dimension of excitement. One example is live betting during sports events. The roll-out of 3G networks has enabled a growing number of people to access an expanding range of games via their laptops, tablets or mobile phones. New technology is also creating opportunities to develop new games and services.

### The mobile revolution

The mobile channel is without doubt one of the most important areas of potential growth. Recent estimates have put global mobile customer numbers at more than 5.9 billion – that's 87 per cent of the world population (International Telecommunication Union). It's a channel with extremely favourable growth prospects as the introduction of 4G technology over the next three years will increase the speed of data services and increase the quality of the mobile user experience.

H2 Gambling Capital predicts that the global market for mobile gaming will grow to EUR 2.9 billion by 2012 in terms of gross gaming yield. Given the rapid growth rate so far, this appears to be a conservative estimate. The underlying market trend is that the internet is increasingly going mobile. So is Unibet.

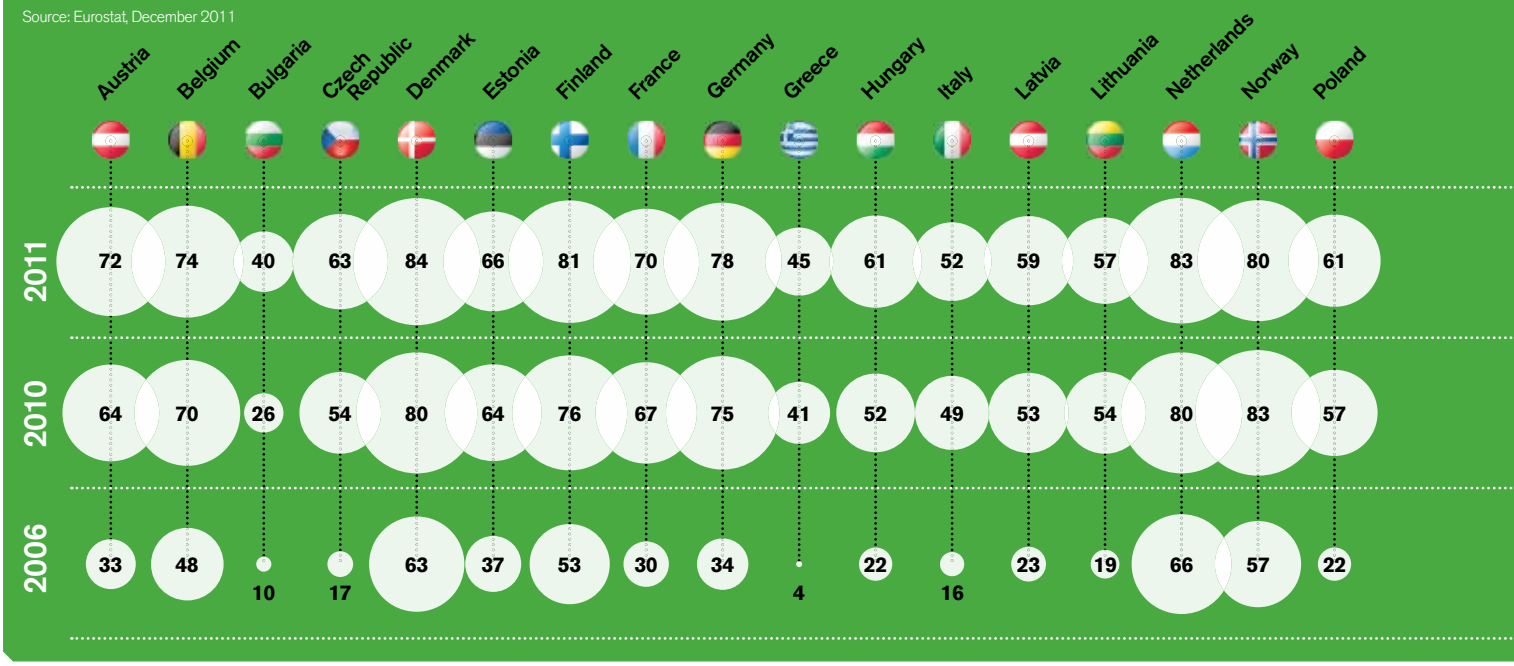
Unibet has continued to be at the forefront of mobile development by extending its mobile betting offer to meet new handset technology requirements and to make the most of the opportunities that this brings. Leadership by innovation is a philosophy that has established Unibet as a leading mobile betting operator.

Unibet continues to focus on mobile betting to serve its customers with the most up to date solutions for the best moneytainment® experience as the betting industry continues its transition into fast-moving internet and mobile channels.

**Unibet TV**
**In 2011 Unibet TV streamed 12,000 events from all around the globe, at all hours of the day and night**

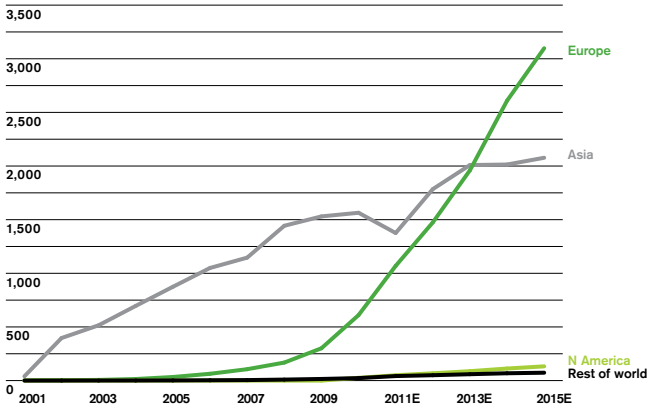
## PERCENTAGE OF HOUSEHOLDS WITH BROADBAND ACCESS

Source: Eurostat, December 2011



## Mobile phone gross gambling yield by region 2001-2015E (EURm)

Source: H2 Gambling Capital July 2011




## Social networking

Online marketing is extremely important to Unibet in its drive to attract new visitors to the Unibet sites and convert them to real money players. Unibet focuses on optimising search engine positionings, social media and cooperation with its affiliates and partners to drive revenue through online channels. Growth across all these channels makes it easier for consumers to explore social networking, and provides a growing marketing channel for Unibet for the future.

The growth of social networking sites has shown no signs of slowing down. The statistics are impressive. Facebook has over 845 million monthly active users and is expected to surpass 1 billion members this year; Twitter has reached half a billion registered users; and the search engine giant Google has recently joined the social network bandwagon with Google+, which is growing rapidly.

In the past year Unibet has undertaken a complete reappraisal of its social media programme. New investment in strategic social media planning, training, resources and advanced tools have helped to set the foundations for a new era of improved customer retention and acquisition rates and even better customer services.

Unibet recognises the importance of social media and is committed to using the channel to optimise its customer experience. Driven by a dynamic social media steering committee, Unibet uses social media commercially as a central part of its marketing strategy.

This new programme has empowered Unibet to listen, engage and participate in meaningful conversations with current and prospective customers on their preferred platforms across multiple regions. It helps the business provide improved and faster customer services, and use the direct feedback to improve its products and services. Social media provides Unibet with exciting opportunities to add value to customer relationships and to develop advanced strategies to monetise those relationships.

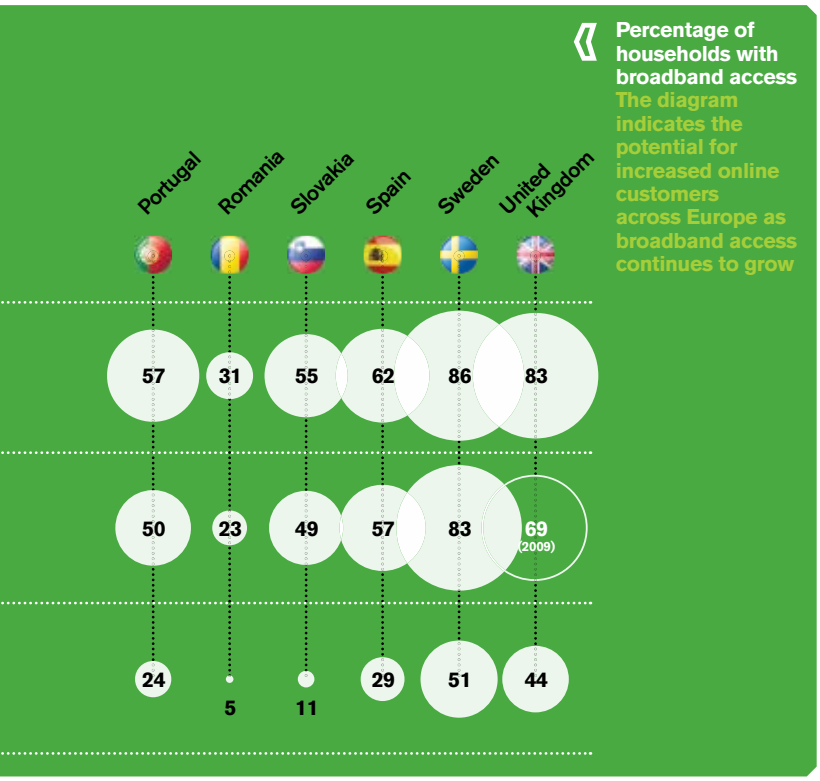
**Well connected**
**Unibet is active across Facebook, Twitter and YouTube**

Facebook.com/Unibet

Twitter.com/Unibetgroup

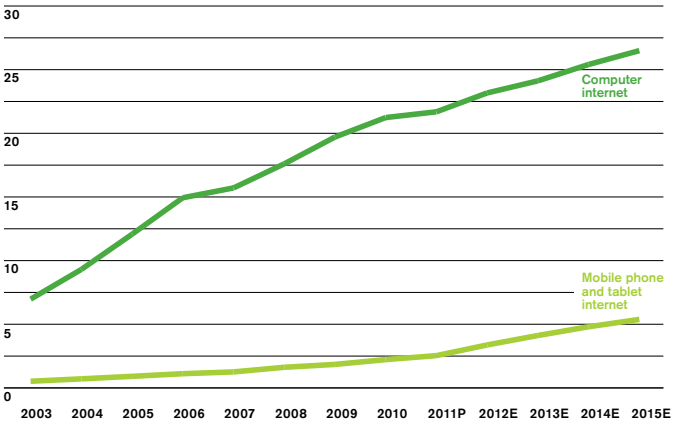
Gplus.to/Unibet

YouTube.com/UnibetOpen

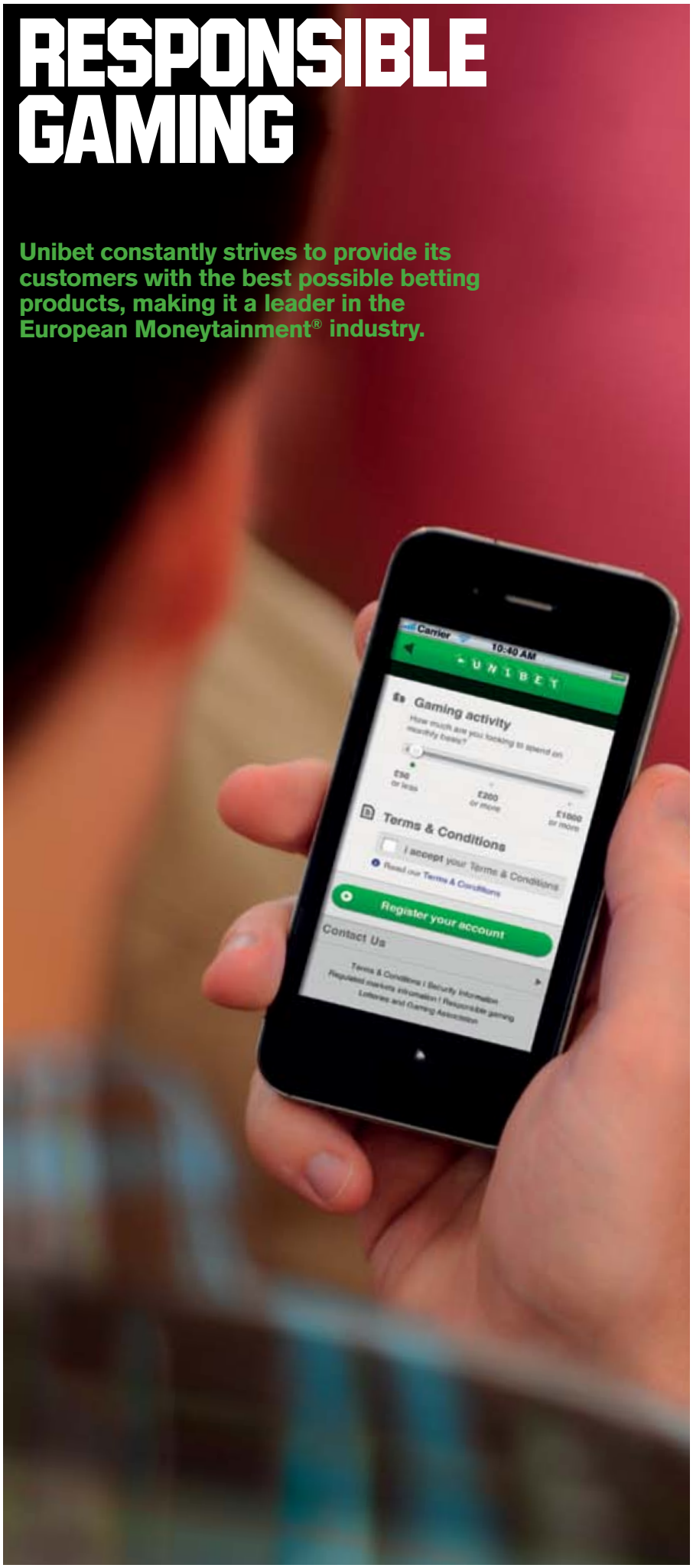

## Online gross gambling yield by sub-channel (%)

Source: H2 Gambling Capital February 2012



# RESPONSIBLE GAMING

**Unibet constantly strives to provide its customers with the best possible betting products, making it a leader in the European Moneytainment® industry.**




**Unibet also takes its responsibilities very seriously, and strives to provide a safe, secure and supportive environment for customers, with a commitment to Responsible Gaming embedded in its culture. As a customer-focused company, Unibet aims to provide a trustworthy environment where players can enjoy gambling and entertainment safely and responsibly.**

For the majority of people, gambling is a leisure activity that is perceived as a fun and enjoyable experience. However, as with many other activities, gambling can be stressful for a small minority of people and may develop into problem gambling, even addiction. Research shows that around 2 per cent of the population experience problem gambling. Although this is a very small percentage, Unibet takes a holistic approach, relevant to all its customers, based on scientific facts so that the best possible results and services are provided to any customer who might experience problem gambling. This approach ensures that gambling remains a leisure activity for everyone.

Proactive Responsible Gaming strategies are integrated into Unibet's day-to-day systems to prevent and restrict problems such as gambling addiction. For example, Unibet monitors all its customer communication so that any potential at-risk gamblers are detected. The analysis of this communication is assessed with a sophisticated scoring system that highlights irregular gambling activity, enabling Unibet to provide early assistance, or intervene at the first potential signs of problem gambling.

## +14 YEARS EXPERIENCE OF RESPONSIBLE GAMING, CONTROLS, SECURITY AND FRAUD PREVENTION

Unibet's customer service department is equipped with more than 70 customer service agents who provide support to customers in 27 different languages. The Unibet customer service department receives more than 700,000 contacts per year through calls, emails and live chat. Responsible Gaming issues account for only four per cent of the total customer communication and although this figure is low, all Unibet customer service agents receive thorough Responsible Gaming training to ensure Unibet provides the best possible advice on Responsible Gaming practices.

In order to provide relevant, up-to-date, Responsible Gaming practices, Unibet works in collaboration with Gambling Therapy. Gambling Therapy is an organisation that provides an online help room for anyone going through problem gambling and for those affected by someone else's problem gambling. Gambling Therapy offers online support and counselling in 39 languages through help lines, live chat and group therapy.

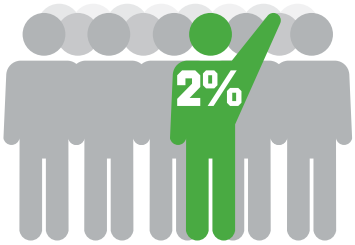
Unibet customer service agents are provided with constant support and guidance about all the Responsible Gaming practices provided within the Company. Every year, every employee, in every department at Unibet receives Responsible Gaming training that is approved by Gambling Therapy. This training is of the utmost importance to Unibet and essential to driving the business forward. For such a diverse business, a one-size-fits-all approach is not practical, and therefore Responsible Gaming training is targeted at different levels in order to equip all Unibet employees with appropriate skills and a thorough knowledge of Responsible Gaming issues.

## OVER 70 CUSTOMER SERVICE AGENTS PROVIDING SUPPORT IN 27 LANGUAGES

Customers may also consult Unibet's Responsible Gaming advice online which is readily available on the Unibet website. This Responsible Gaming section is constantly reviewed and updated with Responsible Gaming tools and the best possible information for all Unibet customers. The Responsible Gaming tools include a self-assessment test which allows customers to monitor the extent of their gambling, the application of limits for depositing and/or spending, and the option to take a break from gambling through Unibet's cooling off and self-exclusion period. The Responsible Gaming page also contains information and links that customers may use to seek help if necessary. Unibet's collaboration with Gambling Therapy is explained here and customers may use this organisation to gain a referral to a local organisation where they may seek the best help and treatment possible.

In short, Unibet understands the importance of providing a safe, secure and supportive service to all its customers, not only to problem gamblers. This approach helps to increase customer satisfaction levels and adds strength to customer retention strategies in providing the best possible gaming experience.

**Around 2% of the major population experience problem gambling. Although this is a very small percentage, Unibet takes gaming responsibly very seriously**




**Why not test your gambling profile www.unibet.com/unibetinfo/g4gamingtest.do**


**Only 4% of the 700,000 contacts Unibet receives per year are related with responsible gaming**

**Optimising consumer protection**
**All of Unibet's operations are designed to prevent problems as much as possible to keep players safe**

## UNIBET'S ACTION PLAN

**Gordon House Association**
**Gambling Therapy**
**Center for Ludomani**

**Unibet operate a strict age control policy with under-age not being able to register.**

**Unibet have strong collaborative relationships with third party counselling services.**

**Responsible gaming is at the heart of Unibet's business and embedded in the corporate culture.**

**Unibet is actively engaging with key industry bodies and regulators.**

**Unibet offer a number of customer tools.**

**Arjel**
Autorité de régulation des jeux en ligne
**AAMS**
L'Amministrazione autonoma dei monopoli di Stato
**eCogra**
e-Commerce Online Gaming Regulation and Assurance
**EGBA**
The European Gaming and Betting Association
**ESSA**
European Sports Security Association
**LGA**
Lotteries and Gaming Authority
**RGA**
Remote Gambling Association
**SPM**
Spillemyndigheden

**Self-assessment test**
**Cooling off period and self-exclusion**
**Deposit/Spending limits**
**Regular staff training**
**Third party counselling services**
**Block gambling sites**

# CEO'S REVIEW

**I am proud to announce another year of excellent results for Unibet driven by organic growth. This achievement is even more pleasing to report when seen in the context of a comparatively quiet sports events calendar in 2011, and the suspension of our activities in France in June 2010. With an increase of 4.7 per cent in Gross Winnings Revenue and an increase of 13 per cent in Profit from operations we continue to achieve outstanding results in an exciting and fast growing sector.**

### Unibet well positioned in an exciting market

Our strategy for delivering a better business for our customers, our investors and our employees has proved to be successful, making us one of Europe's largest gaming companies.

We have built our brand and our business through providing the best online casino and sports betting experience, and we are a brand of choice for over 6.2 million players across more than 100 countries. We truly live by our brand promise 'By players, for players'. For Unibet this means really understanding what customers want – it's about providing premium gaming and betting products adapted to customers' needs in a safe and responsible gaming environment. We are dedicated to continue to make the Unibet experience unique, engaging and accessible to all players.

### Strong organic growth and improved internal efficiency

It's been an eventful and exciting year for Unibet and for the sector as a whole. After the highs of the World Cup in 2010, many were predicting a much slower 2011, but the opposite has proved to be true. The performance of the underlying Unibet business is all the more impressive, given that outstanding results have been achieved in a period without a large international sporting event such as the Football World Cup or the Olympic Games.

Both Unibet and Maria, our bingo and casino brand that primarily targets the female market, have delivered significant growth in a climate of economic uncertainty and against a backdrop of political and legislative change. Our Sportsbook business-to-business offer, Kambi Sports Solutions, has through its Pool Betting products Supertoto and Superscore managed to attract more operators and the full scale sports betting platform launch on Paf has been positive for Kambi's continued development.

As our industry continues its dynamic development, our business requires skill and agility to adapt to new market conditions. Our strategy drives innovation and delivers high performance throughout the business. Our technology, our products and our services have continued to improve. We have initiated projects focusing on cost control and marketing efficiency, which have made a significant contribution in driving profits and cash flow. During the first half of the year we were able to repay our Revolving Credit Facility making Unibet a debt-free company at year end well positioned to take advantage of the many opportunities ahead.

## UNIBET PLANS TO SIGNIFICANTLY INCREASE THE PROPORTION OF GROSS WINNINGS REVENUE FROM LICENSED MARKETS

### Adapting to national regulatory differences

Under the current EU regulation, international platforms (dot com) will continue to be an important source of income going forward. Therefore Unibet continues to support the legal, regulatory and operational framework of dot com businesses operating in the EU/EEA in accordance with the European Digital Agenda.

However, the trend for countries to introduce national licences (known as the move from 'dot com' to 'dot country') has brought many challenges and many opportunities. We appreciate that as individual countries accept that it is unworkable to try to block legitimate, regulated businesses, there are opportunities from wider access to markets. The legal, financial and logistical challenges of a move towards a dot country model have put pressure on many smaller operators, but Unibet is well prepared and perfectly positioned to take advantage of these opportunities.

### Re-entry into three important markets

In November 2011, Unibet decided to re-enter the French market through the strategic acquisition of the Solfive Group, trading as EurosportBet and EurosportPoker. The acquisition gives Unibet immediate access to the French market with a technical platform that is already licensed, offering sports betting, poker and horse racing. Although it is expected that market conditions will continue to be challenging here in the short term, we have, through this acquisition secured a strategic position in the important French market at a limited cost, enabling us to take full advantage of the longer-term opportunities. During 2011, Unibet also launched sports betting and casino on unibet.it in Italy, and we also acquired a country licence for Denmark, launching unibet.dk on 1 January 2012.

The continued regulation processes in Europe certainly add pressure to margins but they also give us access to all media, all payment solutions and all channels in the different markets. More importantly, the licences will position us more clearly as an alternative to the state monopolies or incumbents.

## UNIBET IS A BRAND OF CHOICE FOR OVER 6.2 MILLION PLAYERS

### …and enters the regulated Australian market

With the strategic acquisition of Betchoice, finalised on 29 February 2012 we get access to the regulated Australian market, which is currently open to sports betting and horse racing. We intend to rebrand the business to Unibet during 2012.

Unibet plans to significantly increase the proportion of gross winnings revenue from licensed markets and will apply for licences where they provide sound shareholder value and potential for future growth and profitability. Unibet also remains prepared to take tough commercial decisions when individual country regimes are considered economically unsound or unduly restrictive to protect the interests of former monopolies.

### The year ahead

The European gaming market looks set to grow even faster in 2012 although the implementation of individual licensed markets is likely to put pressure on margins. Given that Unibet is well prepared for changing regulations, I am confident that we will be able to address these changing market conditions by focusing on our established markets and will achieve significant return on our marketing spend. Nevertheless, 2012 looks set to be a very exciting sporting year with Poland and Ukraine hosting the UEFA Euro Championship in football and London hosting the Olympic Games and this will obviously have a positive impact on our sports betting business and customer intake.

We are constantly vigilant for opportunities that will give us a greater geographic footprint for the future. I expect that consolidation within our industry will speed up and we will continue to evaluate opportunities that enhance shareholder value. Unibet's focus, as always, will be on regions with high potential for long-term profitability.

# OUR FOCUS ON THE BOTTOM LINE WILL ALWAYS INFLUENCE OUR STRATEGIC APPROACH TO GROWING THE BUSINESS

### Focus on value for customers and shareholders

Unibet is committed to delivering shareholder value as much as it is committed to delivering the best experience for its customers. We are dedicated to running a profitable, successful business that rewards our investors and we will continue to return favourable results for our shareholders.

Last year, the Board of Directors decided not to pay any dividend to give Unibet the flexibility to consider strategic opportunities, including acquisitions. The Board also said that this cash reserve may be distributed, should the opportunities not materialise. Following evaluation of several strategic opportunities during the year, the Board decided in November to pay an extra dividend of GBP 0.425 per share. Combined with the share buy backs executed in the third quarter, the total distribution to shareholders was GBP 16.4 million, corresponding to approximately 50 per cent of the free cash flow for 2010.

In order to make the dividend policy more transparent, the Board of Directors also adopted a revised dividend policy, linked to cash flow generated by the business instead of net income, as this is more closely aligned to the investment cycle of the business. The revised dividend policy will pay a dividend and/or share buy backs of up to 50 per cent of the Group's free cash flow (being cash flow from operations, adjusted for movements in working capital, capital investment and tax payments). Following the revised dividend policy, the Board have proposed a dividend of GBP 0.580 for 2011.

I look forward to another exciting year for Unibet. Live betting, streaming and mobile channels are set to grow and I am confident that the business is well positioned to embrace these opportunities. Our focus on the bottom line will always influence our strategic approach to growing the business. I believe Unibet is a business that can deliver exceptional shareholder value, and that strategically we are perfectly placed to exploit a growing market in an exciting sector.

**Henrik Tjärnström, CEO**
Malta, 19 March 2012

**The regulatory market has been changing**
Read more on page 04

# STRATEGIC REVIEW

**The market for online gaming has entered into a new and more mature phase in key markets. Consumers are aware of the many choices that they have and Unibet will be working harder than ever to maintain their interest and loyalty.**

**With over 14 years' experience, strong cash flow and a well-balanced geographical and product portfolio, Unibet is well positioned for future growth.**

### Results driven

Unibet is committed to delivering shareholder value as much as it is committed to delivering the best moneytainment® experience for its customers. We are dedicated to running a profitable, successful business that rewards our investors and we will continue to return favourable results for our shareholders. Among the various achievements this year we have delivered a revised dividend policy, a share buy back scheme, as well as an extra dividend and the repayment of our GBP 7.1 million outstanding Revolving Credit Facility.

Our focus on the bottom line will always influence our strategic approach to growing the business. I believe Unibet is a business that can deliver exceptional shareholder value, and that strategically we are perfectly placed to exploit a growing market in an exciting sector.

### A developed strategy

As one of Europe's leading gaming companies, Unibet delivers moneytainment®, in 27 different languages to more than 100 countries. The business aim is to remain one of the major players in the European online gaming market and the strategy for growth has seen significant progress over the last year. During the coming years the European online gaming market is expected to demonstrate continued growth and although re-regulation processes will present margin pressures, Unibet anticipates a dynamic future for moneytainment®.

### Focused on sustainable growth

Unibet's strategy is to develop organic growth within the markets while evaluating new opportunities that arise from consolidation in the industry. The business is looking for controlled geographic growth where there is high potential of building long-term profitability. The market movement towards re-regulation across Europe led Unibet to increase focus and marketing strength in core established markets, a strategy that has delivered very satisfying growth in the last 12 months.

For the future Unibet, will continue to apply for new country licences when conditions are evaluated as sound from a shareholder value perspective, taking into account future growth potential, profitability and the need for defending current positions. Recognising this will be an area of ongoing strategic importance in the coming decade. Unibet has been investing to build up the processes, skills and IT flexibility to be able to exploit these opportunities quickly and with minimal disruption to other important business improvement activities.

The Unibet strategy is to significantly increase the proportion of gross winnings revenue from licensed markets and the key pillars of the strategy have therefore been refined and strengthened to help deliver this goal.

### Customer centric

The legendary commitment to customer service in Unibet is summarised in the motto, 'By players, for players' which is at the heart of the business strategy and employee culture, permeating all aspects of the business. It is a point of difference that resonates with consumers and drives customer loyalty, helping Unibet stand out in a busy market place. Unibet involves its customers in developing better, more entertaining and rewarding moneytainment® experiences. Strategically it is vitally important to understand the needs and desires of many different types of player, and to deliver products that exceed their expectations. Unibet's attention to customer service has driven growth across the business this year, adding great value to the brand and the bottom line.

### Products

For Unibet the moneytainment® business is all about amusing and delighting customers with entertaining and reliable products across the many different user experiences. This year Unibet has continued to develop new and exciting offers, games and technologies that increase the value of Unibet's product ranges and attract new players. Live streaming and live betting have continued again this year to further enrich consumers' experience of online betting, adding excitement and immediacy to the games and sports featured. New games across the casino portfolio have been introduced each month to keep customers entertained, drive new business and build repeat business from existing casino customers too. Other important developments this year have been in improving the whole player experience from registration to payout and the continued development of 'anytime, anywhere' engagement through enhanced mobile channels.

### Branding

Maintaining a strong Unibet brand that is relevant to players around the world is also central to the business strategy. Perceived value to players lives in the brand. The Unibet values – friendly, passionate and expert, are communicated in the way the brand experience is delivered. This year there has been significant progress in building the reputation by improved brand communication. A new brand book has clarified the thinking and strengthened the culture internally and a refocusing of key messages has helped deliver the brand difference locally and globally.

## UNIBET'S STRATEGY EXPLAINED

**VISION**

**To be one of the major players in the Global market for remote gaming.**

**MISSION**

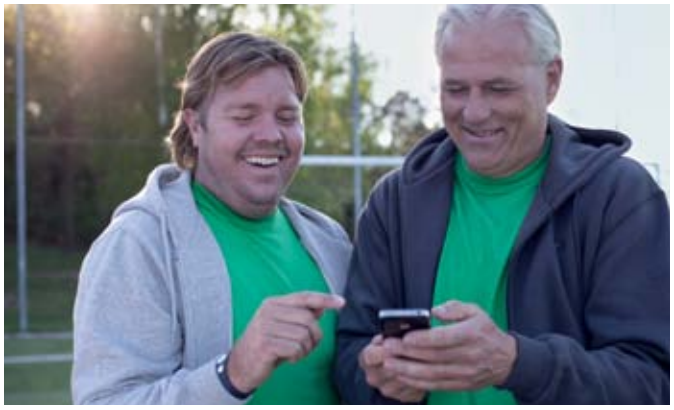
**An underserved market with a need/desire from customers for better products and service, increased transparency and common European standards.**

### Capital structure

Rigorous financial controls and a determination to excel at operational efficiency have helped Unibet achieve major strategic goals this year. A radical approach and tighter focus have delivered marketing efficiencies that in turn have driven profitability. Improved internal processes, better consumer profiling and cost controls have all contributed to creating stable marketing spend that has delivered increased return on investment this year. Unibet's strategic focus on achieving marketing efficiencies has built a better and more valuable business for shareholders and for players.

### People

Attracting and retaining the best people in the industry has always been a priority for Unibet. The passion, the expertise and the friendliness of the brand is driven by people who reflect those values. This year has seen some important new additions to the team as well as a renewed focus on developing training and talent within the business through the launch of new talent schemes. It is this core Unibet ability to select, retain and develop great junior employees into future leaders that helps Unibet maintain such a vibrant, productive and customer-centric culture. Unibet employees are a diverse mix of people that deliver an outstanding service, and Unibet is committed to developing their talents to build a better business and a better brand experience for Unibet players across the world.



**Attracting and retaining the best people**
**Learn more about Unibet's talented staff**

**Read more on page 16**

**Customer centric**
**Placing customers at the centre of the business to ensure our products are always entertaining, reliable and rewarding**

**Read more on page 18**

**Unibet's brand**
**Strong brand awareness has helped the organic growth of Unibet**

**Read more on page 14**

## STRATEGY

**To provide customers with entertaining and reliable products and excellent service whilst showing profitability.**

## STRATEGIC PILLARS

**Customer centric**
Placing customers at the centre of the business to ensure products are always entertaining, reliable and rewarding.

**Products**
Continue to develop stimulating products across all digital channels. Embrace technology in the endless pursuit to deliver a market leading product portfolio.

**Branding**
Continue to develop brand reputation as the brand for real players. The Unibet brand is driven by an unrivalled passion and expertise to deliver the best gambling experience.

**Capital structure**
Exercising rigorous financial control and operational efficiency. Provide strong cash flow to deliver shareholder value and capital structure flexibility.

**People**
Attracting and retaining the best people who embody the Unibet brand through their passion, expertise and welcoming approach.

## VALUES

**VALUES**

**A strong Corporate Culture built on Unibet's core values.**

**VALUES**

- **Friendly**
- **Passionate**
- **Expert**

# DELIVERING ON UNIBET'S STRATEGY

**Unibet has continued to follow a strategy that has seen impressive growth across the business. It's a strategy that has put stronger focus on established markets without taking attention away from potential new territories.**

**Unibet's achievement in the last year should not be underestimated. To produce growth across all regions at a time of such economic uncertainty is encouraging. The growth is due in large part to a well-defined strategy that encompassed a plan for future growth, acquisition and customer retention.**

**Growing the business**

Unibet's strategy for growth is to drive organic growth in its existing markets and expand the geographic footprint of the business in selected regions with high potential for building long-term profitability. As the trend for industry consolidation continues, Unibet's management also carefully evaluates whether a transaction would improve its ability to serve its customers and enhance shareholder value.

This year, the first priority for Unibet was to strengthen the Company's position in its established markets and to develop the business into a valuable asset, which, long term, could serve as a strong base from which to build a larger company.

The change in the market landscape called for a strategy that focused resources and marketing spend, getting better results from markets that were already well acquainted with the Unibet brand.

The strategy has worked well. Unibet has made big steps in the Nordic region and in Western Europe. The Nordic region was a market that many regarded as saturated or at best flat but Unibet has exploited and grown its market share considerably.

Better focus of marketing spend, improved customer segmentation, better targeting and more creative communication have won Unibet a bigger share of a still growing market.

In terms of acquisition the Board is always vigilant for opportunities arising in the sector. During the first half of the year a number of possibilities were assessed with one particular case going as far as due diligence before proceedings ceased.

In December 2011, Unibet acquired the Solfive Group in France. This purchase is part of the Unibet strategy to maximise gross winnings revenue from re-regulated markets whenever appropriate. This purchase will allow Unibet to build on the legacy strength of the Unibet brand in France and be prepared for the future when the terms and conditions of the French National licence are expected to improve.

## STRATEGIC ACQUISITIONS

**Solfive Group**

**The acquisition of the Solfive Group in France gave Unibet immediate access to the French market with a technical platform that is already licensed.**

The EurosportBet.fr and EurosportPoker.fr sites have been rebranded as unibet.fr and allow Unibet to re-enter the French market at a limited cost to take advantage of the longer-term opportunities. Unibet recognises current terms and conditions in France are restrictive but considers that due to market dynamics, over the medium term, France will develop a more sustainable model that will deliver better profitability for the Group.

**Betchoice Corporation Pty Ltd**

**In February 2012 Unibet undertook the strategic acquisition of Australian operator Betchoice Corporation Pty Ltd.**

This gives Unibet immediate access to the fast growing Australian online market, which is currently open to sports betting and horse racing. Betchoice already has a strong offering specifically from horse racing and through Kambi, Unibet has the opportunity to enhance the quality and performance of Betchoice's sports betting offer. Rebranded under the Unibet name, the Group plans to grow market share aggressively and to challenge the leading players in the Australian market.

# ORGANIC GROWTH

**Increasing organic growth in the established markets has been a key strategic goal this year. This has proved to be a successful strategy that has delivered improved market share and higher gross winnings revenue. The strategy has also delivered an increase in new players as well as building a stronger foundation for 2012.**

The potential of the Nordic region was thought by many competitors to be in decline, but Unibet's knowledge and understanding of its heritage markets has allowed it to build impressive growth here when many competitors have decreased their presence. Unibet is a leading operator in Sweden and Norway after the state monopolies and has a top three position in both Denmark and Finland.

Unibet has been able to build the market, gain market share from competitors and profit from the migration from offline to online betting. Excellent marketing execution across the region, innovative use of new marketing channels, cross-selling products and building consumer loyalty has created a much higher share of voice for Unibet this year. Scale is important too as niche players struggle with IT and marketing demands.

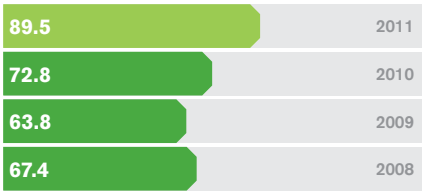
The launch of unibet.dk in newly licensed Denmark was also part of Unibet's strategic plan this year. It has given Unibet access to all the marketing channels and all payment methods that were previously only available to the state monopoly. This barrier to competitiveness has been removed and will provide excellent opportunities for further growth. Exceptional results from a well executed strategy.

Unibet's operating markets
Read more page 32

## +23% NORDIC REGION GROSS WINNINGS REVENUE 2011

(2010: +14%)

**Gross winnings revenue Nordic Region (GBPm)**



# DELIVERING ON UNIBET'S STRATEGY

CONTINUED

## PASSIONATE PEOPLE

**Unibet is all about people. Its customers and its employees are united in their love of moneytainment®. 'By players, for players' is the motto at the heart of the Unibet business – it's a simple and credible promise that distinguishes Unibet from all its competitors.**

The customer always comes first. Understanding the importance of customer satisfaction is a key part of the Unibet strategy. It's important to measure it and constantly evaluate how players feel about Unibet, what products and offers they enjoy and how their gaming experience can be improved. Unibet places its customers at the centre of the business to ensure that its products are always entertaining, reliable and rewarding.

Unibet believes its employees are the best in the business – passionate about what they do, experts in their field and friendly by nature. It's what makes the customer service at Unibet renowned. Experienced people ensure that Unibet has the best range of products, the best offers and the most entertaining experience in the market.

Customer and staff satisfaction surveys are undertaken to show how well the strategy is working. This year Unibet is rated among the best in the business for customer service and for its exciting products.

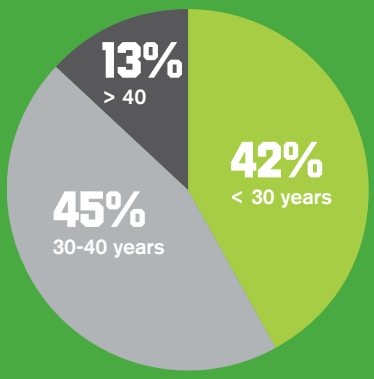
**45 Nationalities**
**No matter what their backgrounds, Unibet's people contribute directly to the Group's continuing success**

**Read more on page 38**

# VALUING EXCELLENCE

## Age breakdown

Unibet's relatively low average age reflects the fact that the Company is operating in a young industry.

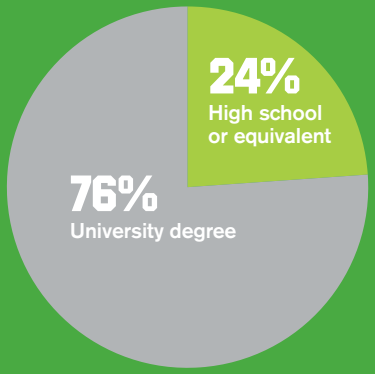




**27 Languages spoken**
Unibet's staff are uniquely qualified to understand customers and their needs

## Education breakdown

An important objective is to ensure that Unibet has a workplace that can attract and help retain existing skilled staff.




## Gender breakdown

Unibet is committed to a policy of equal opportunity in matters relating to employment, training and career development

# DELIVERING ON UNIBET'S STRATEGY

## CONTINUED

## CUSTOMER RETENTION

**'By players, for players'. It's a simple but powerful promise that the Unibet brand is built upon. Unibet has always put players at the heart of its strategy because it knows that understanding what players want is what makes them loyal to the Unibet brand.**

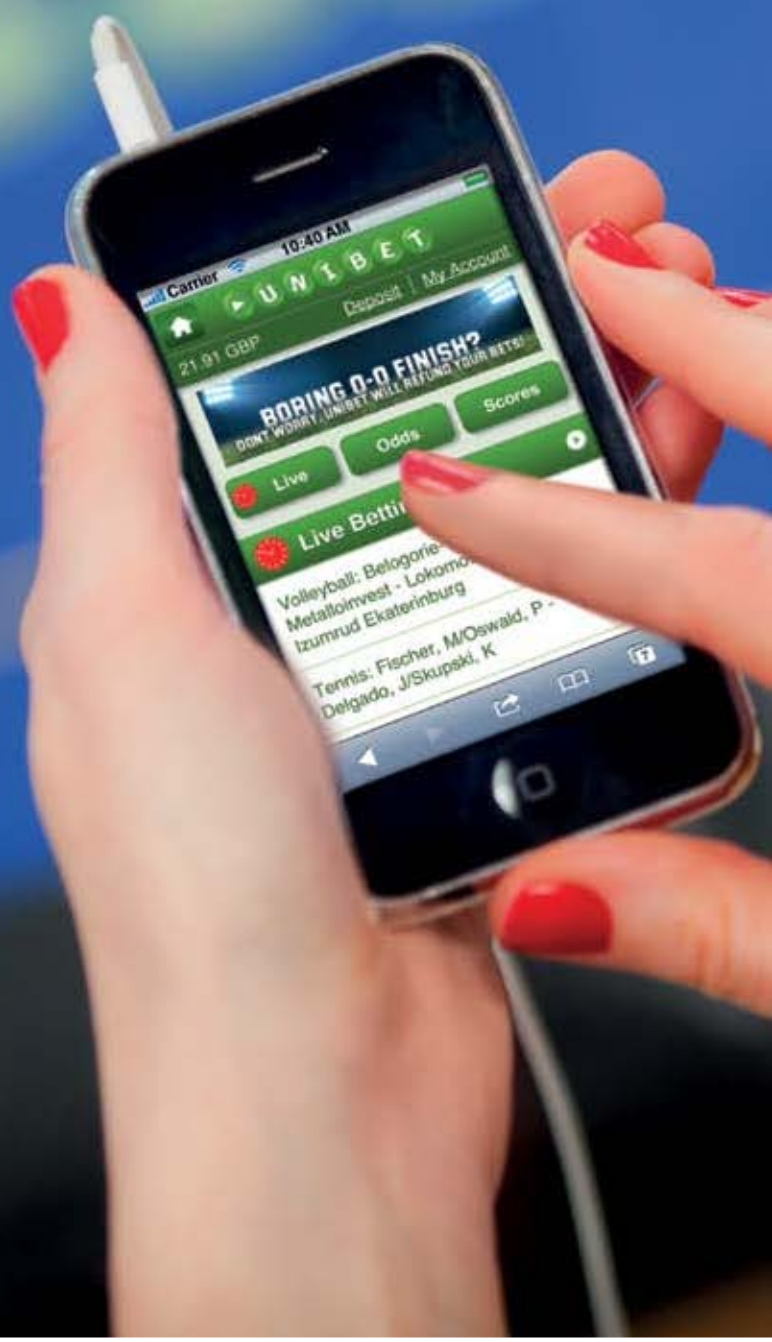
It's clear to see that providing high quality and engaging gaming experience, across all channels with unrivalled customer service is what keeps Unibet players coming back for more. This year feedback from player surveys has been more positive with higher than ever ratings on the Unibet net promoter score too.

Players have had plenty of reasons to enjoy the Unibet experience this year. Exciting promotions, world-class competitions, new games, great odds and fantastic payouts are all central to customer satisfaction in this industry. Delivering a truly entertaining experience with an exceptional live betting product and an increased live streaming presence on Unibet TV has also helped to build an impressive reputation for the business. With live events such as the Unibet Open series and a live blackjack tournament final in Riga, Unibet has connected online and offline making the Unibet experience even more exciting. Major live streaming sporting events and big promotions like the Big Football Trip have kept sports betting fans happy. The Real Madrid v FC Barcelona, and the Chelsea v Liverpool matches on Unibet TV this year saw a notable number of customers tuning in. Another great example of Unibet's commitment to its customers was the streaming of the heavyweight title boxing match between Klitschko and Haye where Unibet was the only streaming provider in Finland.

The Casino Million draw and other amazing prizes, combined with more than 40 new games in the casino, have kept Unibet players engaged – online, on their mobiles and at special live events. Unibet also released a new app which allows players to look up which channels are screening their favourite matches. Unibet's TV guide gives the customer an instant overview of upcoming events both streamed on Unibet TV and on regular TV channels. It also enables the customer to set alarms, add favourite games and share the game on social media, SMS or email.

At Unibet, 'By players, for players' is the driving idea behind a strategy that delivers a great product with excellent customer service. It's a strategy that has delivered a large increase in customer retention for Unibet this year.

Unibet's products
Page 26



# DELIVERING A MULTI-CHANNEL USER FRIENDLY EXPERIENCE

**Unibet TV**
Was developed to increase Unibet's live streaming offer and provides a broad range of sports to bet on


**Live Casino**
All your favourite Live Casino games in the comfort of your own front room

## 6.2 MILLION GLOBAL REGISTERED CUSTOMERS


**Crowd-pleasing features**
Unibet's unique Cash-in function gives you the option to settle your bets before the match is finished – for all bets placed in the Live Betting console

**Highly rated**
85% of customers achieved levels of eight or above on net promoter score testing


# WINNING STREAK

**Maria, the female brand in the Unibet family, is one of the largest online bingo communities in the European market, and offers bingo, casino, games and poker on the maria.com site. Maria had an extremely good year, achieving all-time highs across a multitude of performance measures.**

Important factors in delivering this success have been a focus on consumers that has seen improved registration, retention and reactivation rates. Maria's loyal customers have been delighted by many changes to the site and the way Maria does business. There have been plenty of reasons to remain loyal to Maria this year as the business went through a raft of changes.

In the last 12 months maria.com customers were given an enhanced designed site, more relevant and engaging loyalty and bonus schemes, new games, higher payouts and improved products.

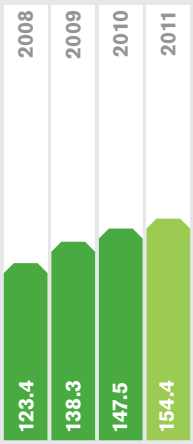
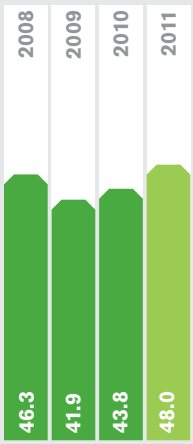
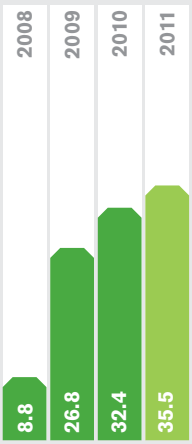
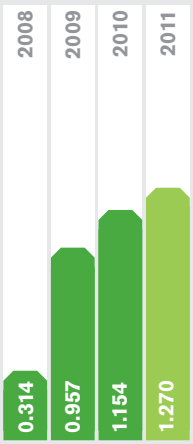
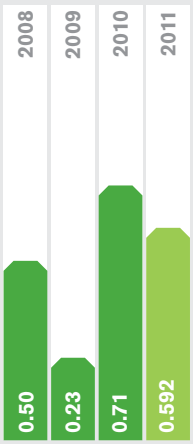
A radical strategy was introduced to refocus maria.com as a gaming site rather than a female entertainment channel: a bold decision that has paid off. Alongside big technical changes that included changing bingo supplier, Maria concentrated on core markets, refined and refocused marketing spend, devised better customer targeting and made bold changes where the offer was not working. Customer retention has never been healthier. Understanding what players want and making the offer engaging, entertaining and relevant have driven the growth observed.


Maria.com
Page 31

# KEY PERFORMANCE INDICATORS

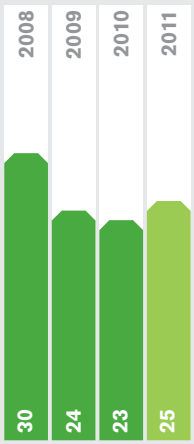
**Unibet assess the performance of the business on a regular basis to measure results and help to deliver on the strategy and its objectives.**

## FINANCIAL

| KPI | Gross winnings revenue 2011 (GBPm) | EBITDA (GBPm) | Profit after tax (GBPm) | Earnings per share (GBP) | Dividend and share buy back/share (GBP) |
|---|---|---|---|---|---|
| Results |   **154.4M** (2010: 147.5m) +5% |   **48.0M** (2010: 43.8m) +10% |   **35.5M** (2010: 32.4) +10% |   **1.270** (2010: 1.154) +10% |   **0.592** (2010: 0.71) |
| Definition | Gross winnings revenue on sports betting represents the net receipt of bets placed and payouts made within the consolidated entity for the financial year. For other products, gross winnings revenue equates to gross turnover. | Profit from operations before depreciation and amortisation charges. | Profit after tax is a measure of the profitability after accounting for all costs.<br>A common synonym for Profit after tax is the bottom line. | Profit after tax divided by the weighted average number of ordinary shares for the period. | Amount proposed by the Board or paid out for the respective year together with the amount of shares repurchased by Unibet divided by the number of ordinary shares in issue. |
| Performance | Strong organic growth considering the French exit. | Strategic focus on core markets and cost control delivers improved performance. | Resilient business model delivers reliable profit. | Earnings per share serves as an indicator of Unibet's profitability and is a primary indicator in determining share price and value. | The dividend policy is to pay a dividend and/or share buy backs of up to 50 per cent of the Group's free cash flow (being cash flow from operations, adjusted for movements in working capital, capital investments and tax payments). |

# NON-FINANCIAL

## Operating margin (%)

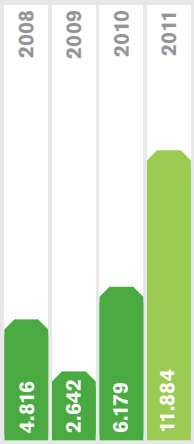



**25%**
(2010: 23%) +2%

Profit from operations as a percentage of gross winnings revenue.

Protecting Unibet's strategy protects Unibet's margin as markets mature.

## Capital expenditure intangible assets (GBPm)

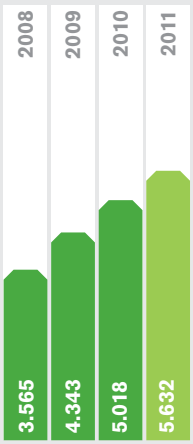



**11.884**
(2010: 6.179m) +92%

Capital expenditure on intangible assets.

Re-regulation and Kambi drives business investments.

## Equity/Share (GBP)

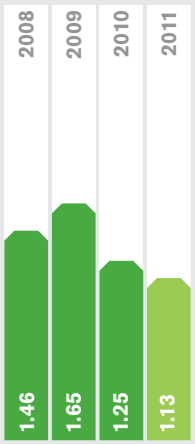



**5.632**
(2010: 5.018) +12%

Total assets less total liabilities, divided by the number of ordinary shares at the balance sheet date.

Increasing reinvestment provides foundation for future growth.

## Free cash flow per share (GBP)

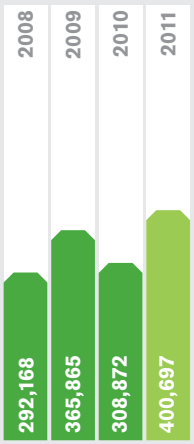



**1.13**
(2010: 1.25) -9%

Cash flow from operations, adjusted for movements in working capital, capital investments and tax payments divided by the number of ordinary shares at the balance sheet date.

Reliable cash flow underpins shareholders' return.

## Active customers




**400,697**
(2010: 308,872) +30%

An active customer is a customer who has placed at least one bet during the last quarter.

Strong year-on-year growth augmented by French acquisition.

## Employees who view Unibet as a good employer (%)


**82%**
(2010: 60%) +22%

This result of this survey represents the degree to which people believe that Unibet is a good employer and a great place to work.

The survey results are used each year to determine and implement actions with the aim of achieving continued improvement. The survey shows that the implementation of the revised strategy in 2011 was very well received by the Unibet people.

# RISK MANAGEMENT

## RISK GOVERNANCE

**Unibet has implemented a holistic risk management process to ensure that risks are identified, prioritised and managed in a proactive manner.**

The Board of Directors has the overall responsibility for risk management process and risk governance. The Executive management group is responsible for managing the risks within Unibet and reported formally to the Audit Committee twice during 2011.

Unibet divides the principal risks into the following main areas: General risks and Specific risks.

**The General risks are divided into the following categories:**

- Strategic
- Operational
- Financial
- Compliance

**The Specific risks are divided into the following areas:**

- Odds/trade related risks
- Fraud and AML related risks
- Exchange related risk

Legal risks are discussed in the General Legal Environment section on pages 40 and 41.

**General and Specific risks**
**See page 24**

## RISK MANAGEMENT PROCESS

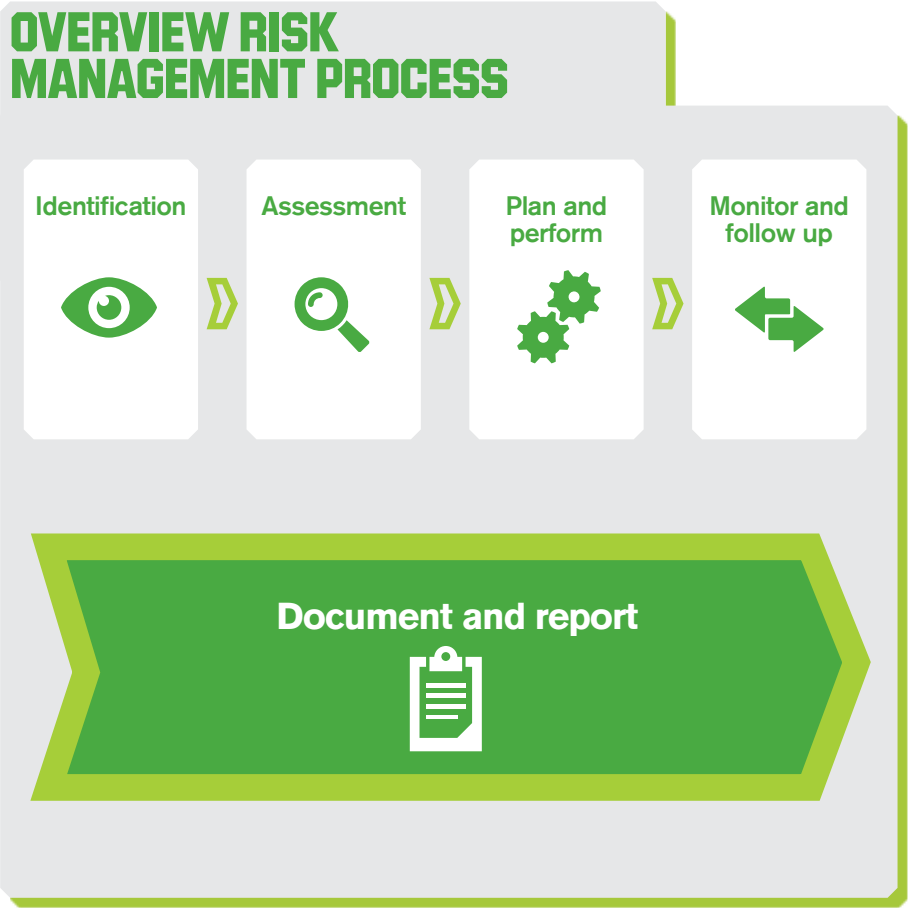
**Risks are managed using the process as described in the following picture.**

Identification and assessments are performed across Unibet via regular workshops with key stakeholders and by including risk assessments into important projects and strategic initiatives. Workshops are to be performed at least every six months, reflecting the fact that risk assessments change over time.

The Executive management group reviews all risks and allocates ownership for all risks. The results are compiled into a risk report for the Unibet Group, which is presented on a bi-annual basis to the Audit Committee. The Board of Directors will perform a risk assessment on an annual basis to ensure that board level risks are identified and assessed.

A risk owner is identified for all risks and has the responsibility to develop and implement the mitigation strategy and action plan. In addition, the owner is responsible to monitor the risk and alert Executive management group if the risk increases.

The Audit Committee formally reviews the risk management process and its effectiveness twice a year.



# MONTHLY RETURNS & TRACKING ERRORS

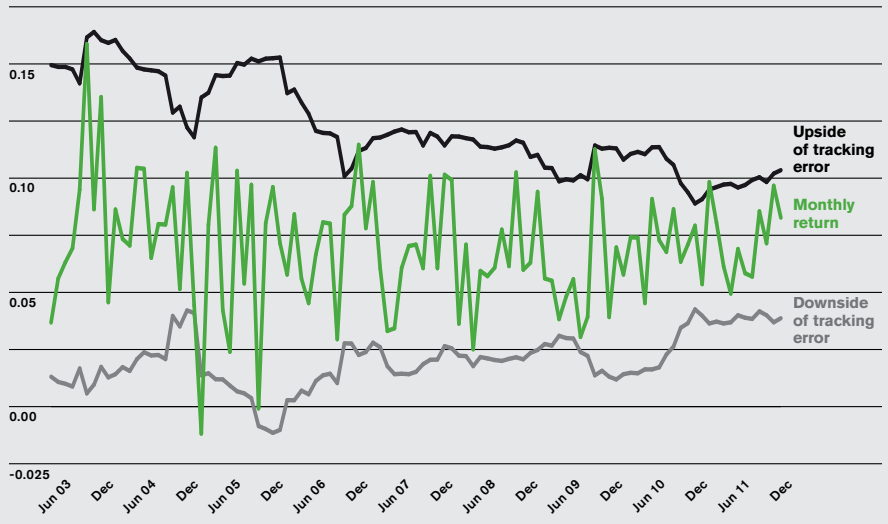
**Unibet employs various risk management tools to assess and manage the risks. For example, to monitor the relative risk of the Sportsbook, Unibet has risk tools and models normally used in the investment management industry.**

The chart below sets out the monthly return on the Sportsbook from mid-2003 to date (pre-match and live betting). The two outside lines represent the upside and downside tracking error of this return benchmarked against a long-term average return. The tracking errors are measured by taking the standard deviation on the difference in return between the Sportsbook and the average return at a 95 per cent confidence interval.

A 95 per cent confidence interval indicates that on average, for 19 months out of 20, the actual return should be between the two tracking error lines.

The chart illustrates that over time the tracking error band has become narrower, indicating that the monthly margins have become more stable. This is because the relative amount of live betting within the Sportsbook has increased, and live betting is more stable, even though it has a lower margin.

**Monthly returns and tracking errors (%)**




# SENSITIVITY ANALYSIS

**Unibet's performance is affected by a number of factors. The sensitivity analysis adjacent only takes into account direct changes. It is likely that actual changes in a specific item will also affect other items and that estimates made by Unibet and other parties on the basis of a change of circumstance would also affect other items.**

**Sensitivity analysis – detail**

Unibet considers movements in the factors below to have the most impact on profit before tax (PBT).

| Factor | % change | PBT impact GBP |
|---|---|---|
| Gross winnings revenue | +/- 1 | +/- 1.540m |
| Administrative expenses | +/- 1 | +/- 0.650m |
| Marketing expenses | +/- 1 | +/- 0.354m |

# INTEGRITY IN SPORTS

**For Unibet, a key element of responsibility means keeping online sports betting free of corruption, which ensures that customers are provided with a fair betting product.**

Sports and betting are part of the same entertainment chain and as a consequence, both have a common objective to ensure the integrity of sport is not compromised.

Far from contributing to betting fraud and match-fixing, the internet and new technologies make it possible to record and analyse each individual action taken online. For instance, irregular betting activities, such as an unusually high amount placed on the unexpected outcome of an event, can be identified and monitored in real time.

To proactively fight all types of fraud in sports betting, Unibet co-founded in 2005 the European Sports Security Association (ESSA). ESSA acts as an early warning system to alert the sports federations of any suspicious betting before and during any of their sporting events. The Association works very closely with many of the world's leading sport federations including FIFA, UEFA, the ATP, and the IOC, to make sure any such intelligence is shared as soon as possible.

In 2011, millions of betting transactions were registered within the ESSA security network. Of those transactions, only 69 alerts raised by members based upon incoming transactions were investigated. However, just eight events proved to be suspicious and passed on to the respective sport's governing body.

In contrary to other alert systems, the ESSA Early Warning System is the only warning system that is based upon transactional data and KYC (Know Your Customer) information, which are key pieces of information to detect and assess suspicious betting behaviour. For this reason, ESSA members are a key contributor to the overall fight against match fixing and corruption in sports.

| Risk | Description of risk |
|---|---|
| **GENERAL RISKS** | |
| **Strategic** | |
| **Strategy delivery** | Unibet could fail to deliver on its strategy for various reasons including competition or because conflicting short-term priorities prevent the delivery of the longer-term objectives. |
| **Company culture** | As Unibet continues to grow, there is a risk that the entrepreneurial spirit of the Company is diluted. |
| **Third party risks** | Lack of control over availability of the services provided by external suppliers gives rise to risk of either business disruption or sub-optimisation for customers. |
| **Operational** | |
| **Website downtime** | Failures on Unibet's website caused by cyber-crime attacks or fundamental IT failures, caused by problems internally or on the product supplier side, could lead to disabling of the site or unavailability of business critical products. |
| **Failure in recruiting or keeping key people** | Failure to recruit or keep existing key people will lead to difficulties reaching the Company objectives. |
| **Financial** | |
| **Tax** | Unibet operates a complex business in multiple jurisdictions and is subject to a variety of national tax laws and compliance procedures, together with varying approaches taken by different taxing authorities towards transfer pricing for cross-border businesses. Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on Unibet's results and additional costs might be incurred in order to comply with any new laws or regulations. |
| **Compliance** | |
| **Non-sustainble re-regulation on core markets** | If Unibet's core markets were to establish a non-sustainable re-regulation model with both high taxes and/or significant product restrictions, then both Unibet and its competitors would need to develop new business models to generate acceptable returns to shareholders and acceptable products to customers. |
| **SPECIFIC RISKS** | |
| **Odds/Trade** | The risk that Unibet will lose money on its business due to unfavourable outcomes on the events where the Group offers odds. |
| **Fraud and AML** | The risk related to fraudulent activities and money laundering. |
| **Exchange related risk** | The Group operates internationally and in addition to GBP sterling, is exposed to foreign exchange risk a rising from various currency exposures, primarily with respect to the euro, Swedish krona, Norwegian and Danish krone. |

**Mitigation**

Unibet has established a programme office that coordinates strategic projects and has direct access to senior management and provides regular reports to the Board to ensure focus is maintained on strategic projects.

Maintaining and further developing the appropriate company culture is a key part of the overall strategic project.

Risk is mitigated by reducing dependency on single suppliers and keeping multiple options open.

Risk is mitigated by using continuous monitoring 24/7 to detect any problems as early as possible. All critical servers are duplicated, i.e. if one server fails, another one will immediately take over. Unibet has also created a back-up site, which in the event of a serious operational interruption will take over from the primary servers.

Risk is mitigated by identifying key people and ensuring that Unibet makes it attractive for key people to stay with the Company.

Succession planning is also performed for all key people and functions.

Risk is managed through active management of Group operations – while operations are not driven by tax, tax is always considered as part of major business decisions and changes in the business model.

In managing its taxation affairs, including estimating the amounts of taxation due (both current and deferred) for the purposes of inclusion in the financial statements, Unibet relies on the exercise of judgment concerning its understanding of those laws and its compliance therewith, assisted by professional advice.

Through various industrial bodies representing the leading online gaming and betting operators established, licensed and regulated within the EU, Unibet continuously promotes the implementation of a fair, competitive and regulated market for online gaming and with a sustainable model.

The Group has adopted specific risk management policies that control the maximum risk level for each sport or event on which the Group offers odds. The results of the most popular teams in the major football leagues comprise the predominant market risk. Through diversification, which is a key element of Unibet's business, the risk is spread across a large number of events and sports. As the live betting product has grown to be a larger part of the total gross winnings revenue the diversification has increased even further. However, even more important, the live betting product also has a more stable margin in comparison with the pre-match book which has made the Group market risk trend downwards as the proportion of live betting has increased. The heads of the odds compiling teams, the live betting team and the Compliance function are responsible for day-to-day monitoring of Unibet's market risk. It is also their responsibility to advise the individual odds compilers, in-play traders and risk managers on appropriate risk levels for specific events.

Unibet requires all customers to provide detailed information upon registration. The Group applies a strict age limit and accepts no customers under the age of 18.

Unibet operates a zero tolerance policy on any kind of fraud and money laundering. To that end it is cooperating with relevant police authorities across Europe.

Unibet uses industry-leading providers of identity verification to ensure that details provided are correct. All clients making major transactions or having a high risk profile will be requested to undergo further documentation requirements (Risk based approach).

Unibet has a dedicated Player Safety department and advanced systems in place to detect and prevent suspicious activity, to ensure that Unibet's websites remain a secure playing-field.

Over the year, Unibet's Player Safety department has developed strong expertise in patterns detection regarding customer behaviour. The consequence is a reduction in drastic measures taken on a customer account, while still guaranteeing customer protection as well as company financial integrity.

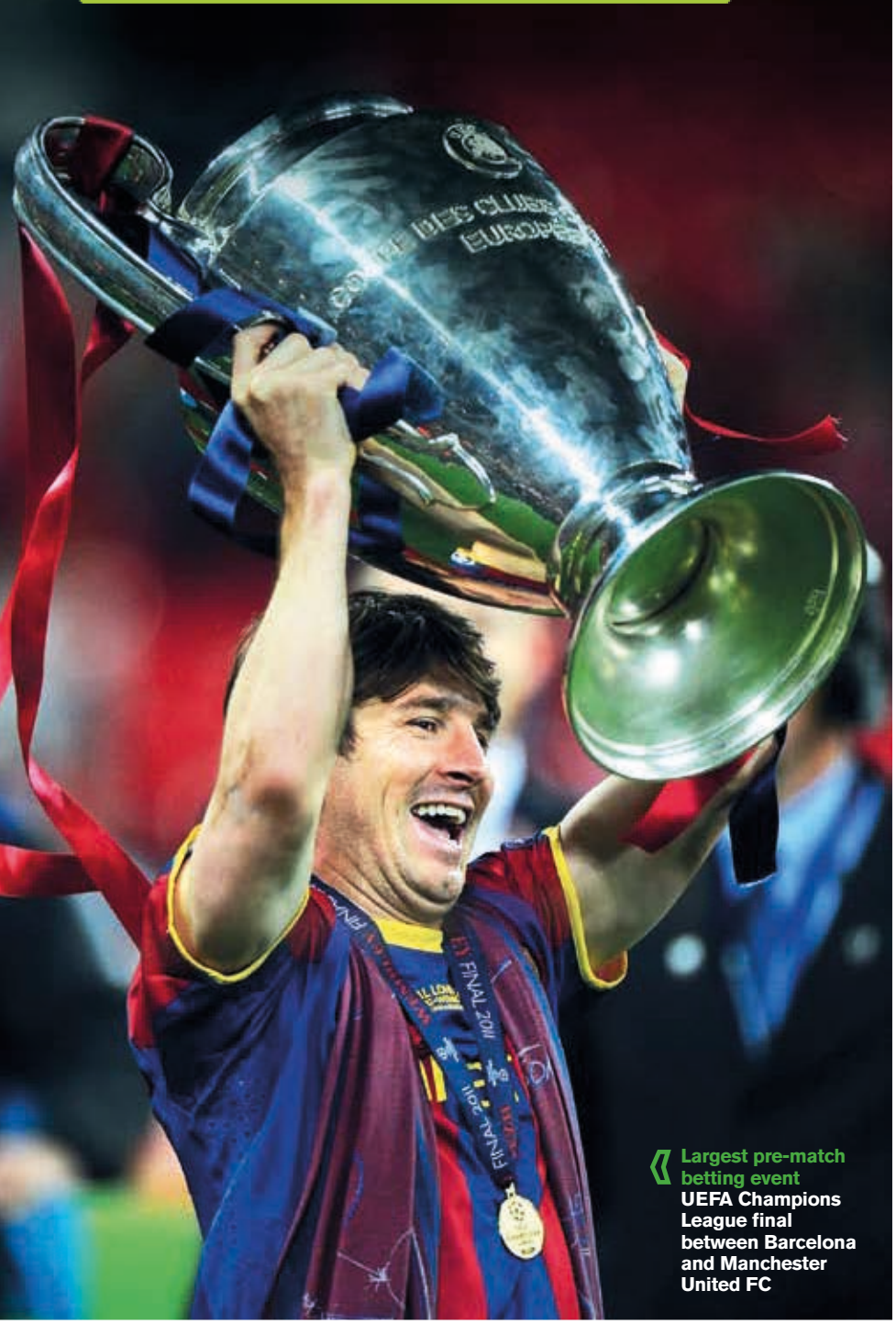
Any account involved in suspicious activity will be suspended and investigated to the fullest extent. All deposits and withdrawals are made through banks or established electronic payments solutions and Unibet has clear internal procedures for detecting and handling suspect transactions.

In order to comply with obligations under money laundering and gaming regulations, all employees need to annually complete a course and pass an assessment.

The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and payouts to customers in different regions are matched in the same currency. The spread of the Group's operations, including material revenue and expenses denominated in many different currencies, and taking into account the fact that customers can trade with the Group in currencies other than the currency of their territory of residence, makes it impractical to give an indication of the impact of single currency movements on the results from operations. In general, when the reporting currency of GBP sterling weakens against the euro and other major trading currencies of the Group, that would tend to increase operating profits because of the positive operating profits and cash flows generated by the Group. In relation to borrowings of the Group, the Revolving Credit Facility that was denominated in euro was repaid in full in April 2011, so as at 31 December 2011 there is no currency translation exposure related to that financial liability. Unibet Group plc agreed a new Revolving Credit Facility in December 2011, for a maximum level of 30 million euros, to replace the existing one. To the extent that Unibet utilises any of the facility at a future point in time, the translation gains and losses will be unrealised until the repayment date. The potential translation gains and losses arising on the borrowings in future would be offset to the extent that the Group generates positive future cash flows in other areas of the business in euro.

# UNIBET'S PRODUCTS

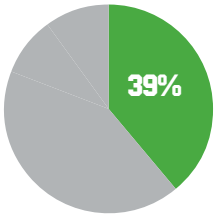
**The Unibet business is structured around sports betting, casino, poker, bingo and other games. A choice of these products is available to players via websites in 27 different languages and increasingly via mobile devices.**



**Largest pre-match betting event**
**UEFA Champions League final between Barcelona and Manchester United FC**

# SPORTS BETTING

**60.9M**
**Total GWR**
**(2010: 62.6m)**




**Unibet's sports betting service offers a comprehensive range of odds on a variety of international and local sports events, to a worldwide customer base in more than 100 countries. The Unibet sports betting product is designed to ensure that its customers do not miss a moment of the action 24 hours a day, seven days a week with a packed calendar of events and a site that covers every goal scored, ball hit and win celebrated!**

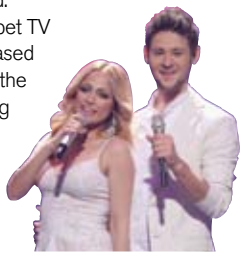
Sports betting is at the heart of the Unibet business and one of the keys to its success. Unibet provides a market-leading product and an unrivalled player experience with sports betting events around the globe, attracting everyone from the most knowledgeable sports betting customers, to the casual sports fan.

## Sportsbook products

The Unibet Sportsbook portfolio consists of fixed odds pre-match and live betting as well as pool betting products Supertoto and Superscore. This year, the Unibet Sportsbook continued to thrive with over 74.7 million bets placed in 2011, up from 68.5 million in 2010. The most popular betting sport was football, accounting for 49 per cent of the total Sportsbook turnover and 63 per cent of the total Sportsbook gross winnings revenue for 2011.

Unibet's reputation as a fun company is also reflected in the Sportsbook where players can bet on non-sports events that have captured their imagination. This year saw Unibet take bets on everything from The X Factor to the Nobel peace prize. The Eurovision Song Contest is another non-sports event that draws a big crowd and was the most popular non-sporting event of the year with over 25,000 bets placed.

The extension of the Unibet TV streaming product, the increased popularity of live betting and the rapid uptake of mobile betting have driven growth for the Unibet Sportsbook this year giving a significant growth once again in 2011.




**Mobile turnover**
**Players are increasingly using their mobile device as their premier access channel and mobile turnover rose more than 168 per cent in 2011**

### Innovative engagement

The driving force behind the growth in 2011 has been live betting, particularly in the mobile channel. Mobile access to the Unibet moneytainment® experience 24/7 has been particularly attractive for Unibet players. The Group has seen an increase in players using their mobile device as their premier access channel and mobile technology is now embedded into Unibet products which have delivered a record year for mobile revenues. Mobile turnover rose more than 168 per cent in 2011.

In tandem with innovations in technology, Unibet keeps pace with developments across many different marketing media. A Unibet promotion in Sweden that asked players to tweet their summary of a football game won a national award for the best Twitter campaign of the year. The launch of Unibet's football predictor game on expertfc.com has given an innovative presence in social media and allowed Unibet to leverage Facebook to attract new audiences.

### Pre-match betting

The majority of Unibet's business is largely determined by the seasons for key sports such as the major football leagues in Europe, major golf and tennis tournaments as well as ice hockey leagues in the Nordic countries and North America.

Even in a year without the World Cup football tournament, football remains the largest betting sport in pre-match betting. Unibet covers the major European leagues providing opportunities to bet on matches in the English Premier League, Spain's La Liga, Italy's Serie A, the UEFA Europa League and the Champions League. Highlights of the football betting year in 2011 were the Spanish La Liga match between Barcelona and Villarreal which Barcelona won 5-0; the Champions League match between Benfica and Manchester United and the Copa America quarter final between Brazil and Paraguay.

## 37.1M (GBP) PRE-MATCH SPORTS BETTING GWR 2011

(2010: 40.5m)

Qualifying rounds for the 2012 European Championships in September proved favourable for Unibet's home nations as the national teams of its largest established markets have qualified and feature in different groups. Football betting produced 65 per cent of the pre-match turnover for the year.

After football, tennis, ice hockey, Euro basketball, volleyball and baseball were significant contributors to the turnover in 2011.

**Most popular non-sports event**
**Winners Ell & Nikki from Azerbaijan perform during the Eurovision Song Contest 2011**

### Live betting

Without doubt, Unibet players have embraced live betting with enthusiasm. It is single-handedly responsible for much of the Group's customer retention and growth. As a product it has overtaken pre-match betting in terms of turnover, and serves to make the business less prone to seasonal fluctuation. Unibet's growth in this area has been phenomenal. It has provided live betting on around 45,000 events this year compared with around 30,000 last year. Football and tennis each account for almost 40 per cent of the live betting turnover. Around the globe, Unibet has provided live betting on many prestigious sporting events from snooker and darts through to handball, basketball and volleyball.

## 23.8M (GBP) LIVE SPORTS BETTING GWR 2011

(2010: 22.1m)

Live betting accounted for nearly 59 per cent of the total Sportsbook turnover for 2011, up from 56 per cent in 2010. The biggest event of the year was the men's US Open tennis final between Novak Djokovic and Rafael Nadal.

**Biggest live betting event**
**Novak Djokovic hits a return against Rafael Nadal during the Men's Final of the 2011 US Open**

### Streaming

Unibet's streaming product is UnibetTV and is one of a limited number of licences to stream live sporting events online. It goes hand in hand with the live betting product and has grown in importance for Unibet as a tool to attract new players. It brings products to life online and really puts players at the heart of the action, giving them the chance to experience high profile events and bet on live action in real time.

2011 saw Unibet stream over 25 per cent of all its live betting events, giving players around the world live moneytainment® throughout the day and night. This year Unibet streamed around 12,000 live events, which gives the business a competitive edge and a big point of difference in the market. High profile events that inspired players this year were Wimbledon Tennis, Copa America, Italy's Serie A, Spain's La Liga, and the Euro 2012 football qualifiers. The David Haye v Wladimir Klitschko fight was exclusively streamed by Unibet in Finland and also attracted a large number of new visitors to the site.

Streaming and live betting have driven the growth in the Sportsbook this year and the growth seems set to continue as Unibet features some of the world's most exciting sporting events on an exciting 24-hour moneytainment® channel.

## 12,000 UNIBET TV STREAMED EVENTS

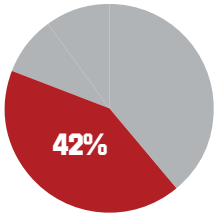
(2010: 9,360)



**Exclusive Unibet live streaming event**
**David Haye ducks from a left hook of Wladimir Klitschko during their heavyweight title fight**

# CASINO

**64.6M**
**Total GWR**
**(2010: 54.1m)**




**Live casino**
Unibet's Live Casino offer players authentic casino action in their own home, featuring high quality live streaming of real casino croupiers on Unibet branded tables


**The Unibet casino is an action packed moneytainment® adventure that connects with players of table games as well as fans of slots and jackpot games. The casino offer has performed extremely well this year and shown steady growth, with Unibet's Maria brand showing exceptional growth.**

The Unibet browser casino and the downloadable casino offer around 250 games at any one time including Roulette, Blackjack, Caribbean Stud, Video Slots and Video Poker as well as branded Video Slots, such as Tomb Raider, Hitman, The Osbournes and The Lord of The Rings.

Each month new games are added, with Unibet launching 35-40 new games over the year. The casino also features exclusive games such as the Warner Brothers' Dallas themed slot game, which was a highly successful game launch for Unibet casino this year.

## 250 CASINO GAMES AVAILABLE TO DOWNLOAD ANYTIME

Unibet offers attractive promotions for its casino regularly, and offers daily and monthly tournaments with prize pools of up to EUR 20,000 to involve players and keep the action moving.

Unibet's Live Casino offers Unibet branded Blackjack tables, Roulette and Baccarat. The Live Casino is the closest you can get to a real bricks and mortar casino online, with real dealers spinning the roulette wheel and dealing the cards. This year saw improvements in the Live Casino lobby and in the user experience.

The launch of the casino on Unibet.it – the new Italian platform was a major event this year and other local games have made an impact too.

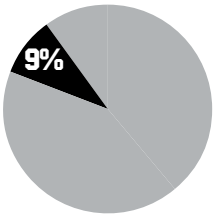
A positive year and a promising outlook for the Unibet casino offer can be attributed to a great product that constantly creates interest, and fantastic customer service.

**Branded video slots**
Unibet offers Exclusive themed games such as Dallas alongside the popular choices of Tomb Raider and the Osbournes



# POKER

**13.6M**
**Total GWR**
**(2010: 20.2m)**




**Unibet has a loyal following of recreational poker players who enjoy playing for fun and appreciate the buzz and the entertainment value of Unibet's dynamic poker products.**

Unibet is innovative in its marketing and promotional ideas, creating media promotions that appeal to all levels of poker players and has become adept at cross-selling the game to Unibet Sportsbook users. The Royal Millions promotion and the Pocket Card Manager are just two examples of innovation, while Bracelet Quest and Bracelet Crusader WSOP campaigns resulted in 10 Unibet players travelling to Las Vegas to compete in the world's biggest poker event.

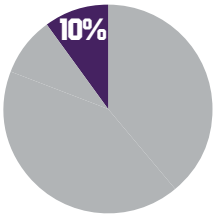
The Unibet Open continues its success as one of Europe's leading poker tours with the annual series holding events in Malta, Barcelona, Riga and Dublin. The events attract many Unibet customers from all over Europe and give the brand strong media coverage. In the coming year the Unibet Open series will continue to play an important role in building the Unibet brand. Plans to expand the Unibet Open to showcase blackjack and other casino games will continue to build interest and growth for the business. With the acquisition of the Solfive Group, Unibet will also be offering poker in France for French customers to play each other.


**Unibet Open**
**Unibet Open continues its sucess as one of Europe's leading poker tours**

**Poker Schools**
**For beginners and players who want to improve their playing skill, Unibet and Maria offer educational instruction schools**


# OTHER GAMES

**15.3M**
**Total GWR**
**(2010: 10.5m)**




### Bingo

Unibet provides bingo games on its Unibet sites and on maria.com for a loyal following of bingo players across many markets. Unibet bingo launched a highly regarded new bingo product from Virtue Fusion at the end of 2010 making the bingo experience as seamless and easy as possible for players. This year has also seen great success for bingo across Unibet's established markets in Sweden, Norway and Denmark on the maria.com brand.

## TOP FIVE POSITION IN THE NORWEGIAN BINGO MARKET

Significant events in the year saw improvements to the bingo offer with major releases in networked side games, networked bingo games and a new bonus tool. Major games releases pre-summer, made a big difference during the traditionally slow summer months, reversing the usual low-margin season performance with real growth from June to September. The addition of side games has proved especially popular and by releasing new content and new games during 2011, side games have shown considerable growth and now account for a large part of the bingo product success.

New marketing initiatives saw Unibet Bingo (Norway) launch its first ever Unibet Bingo TV ad in October 2011, and as a result managed to move quickly into a top five position in the Bingo market. Creative promotions and attractive prizes through the year saw highlights such as one lucky player winning an escalator jackpot that provided the highest winnings of the year – a Unibet customer from Greece placed a bet of EUR 4.80 in December and managed to get full house on 48 calls winning a staggering EUR 134,553!

Towards the end of 2011 a new bingo loyalty programme was launched which had an immediate impact on the December figures delivering the highest gross winnings per month in the entire year.

### Games

Unibet Games focuses on the entertainment aspects of games play, and includes branded content and many different styles of game to interest as wide an audience as possible. New games are added to the lobby regularly to drive new business and add excitement to the user experience.

This year has seen a spectacular growth in the success of Unibet's games products, with a 40 per cent increase in turnover and profit up more than 30 per cent. The emphasis on providing interesting and entertaining games for a full moneytainment® experience has driven the success and growth across all current markets.

Who Wants to be a Millionaire was by far the most successful launch for Unibet this year, and the most successful slot game. In addition, Unibet had a great response to a six-month exclusive deal on Crazy Reels and Crazy Slots in local markets where players were already familiar with the games before the online versions launched. These two games were particularly good in attracting new players to the Unibet sites.

A good variety of slot games creates added interest for players and this year Unibet has certainly provided an entertaining and varied selection. Along with a new, updated version of the very popular Keno game, new and existing players have enjoyed the Unibet games experience on a bigger scale than ever before.


**Successful launch**
**Who Wants to be a Millionaire quickly became the most successful slot game since its launch**

**European Sports Betting Operator of the Year Award**
Winners in 2006, 2008 and 2009

# KAMBI SPORTS SOLUTIONS

**After developing and operating Unibet's award winning Sportsbook since 1997, Kambi was set up as a separate entity in 2010. It is developing into a business-to-business supplier of quality sports betting services to clients on an in-house developed proprietary software platform and went live with its first external client, Paf in 2011.**

The goal for Kambi is to be an independent and preferred partner to larger private operators and to the state lotteries around the world. Today, Kambi is run independently with its own offices in London, Stockholm, Malta and Manila. It has 235 people and provides fully hosted sports betting services and the pool betting products Supertoto and Superscore to both Unibet and operators outside the Unibet group.

Kambi's clients include Unibet, Paf, Expekt, Nordicbet, Interwetten and AsianLogic.

## Why Kambi?

The sports betting industry is undergoing tremendous change in a highly competitive environment.

Unlike other gaming products, sports betting is a staff intensive business where quality of operations will determine the long-term margin. A constant need to adapt to changes in the legal and technical environment adds to the complexity and the barriers to entry into the sports betting industry are high. The fixed costs are significant, a considerable amount of know-how is required and building an in-house organisation takes years.

Kambi's role is to negotiate the fastest, safest and most cost-effective route for operators through the many different challenges. Kambi provides a solution that can be extremely attractive for those thinking of entering the sports betting industry, those who feel the need to catch up with the competition, or those with concerns about the cost-effectiveness of in-house operations.

## The Kambi offer

Kambi delivers a fully serviced solution that allows operators to offer a complete sports betting experience without having any operational staff. Kambi's highly skilled and experienced trading department will handle all operational work. To support the trading team, tools, models and systems have been developed in-house in close co-operation between traders and IT developers.

Kambi's operations provide:

- A trading department of 150 people that operates the centralised trading and risk management.
- An advanced proprietary system for customer profiling that comprises an intelligent system for player segmentation.
- Internal compliance and 24/7 support and monitoring.
- An in-play operation designed to optimise long-term profitability.

By insourcing Kambi's Sportsbook, operators are perfectly positioned to compete profitably and successfully with significantly lower fixed costs and therefore lower company risk.

## Kambi's services

By tapping into Kambi's established infrastructure, operators can focus solely on marketing while making substantial savings compared to operating an in-house Sportsbook. Furthermore, operators can rely on Kambi to offer their players cutting edge, entertaining and engaging products.

Kambi products and services include:

- Distribution on web, mobile and retail.
- 60,000 in-play events for the coming year.
- 170,000 pre-match events per year.
- 65 different sports.
- 24/7 second line support and monitoring.
- Support for local regulatory requirements.
- Service translated to 20 languages and multi-currency support.
- 24/7 high quality risk management and customer profiling.

Kambi provides a top class Sportsbook service that encompasses risk management, trading, customer profiling and technology to present the most appealing and profitable product, and that allows operators to concentrate on marketing, CRM and the overall experience.

## Structure and governance

The Kambi Advisory Committee was formed this year to provide advice and governance. It is comprised of two members of the Board of Unibet Group plc and two new advisors, to create a committee with extensive experience of the gaming industry and other relevant business sectors. Its members are: Anders Ström, Chairman of the Board of Unibet Group plc; Stefan Lundborg, member of the Board of Unibet Group plc; Lars Stugemo, CEO and President of HiQ International, an IT and management consultancy firm, specialising in communications and software development; and Reidar Nordby, former President of the World Lottery Association and former President and CEO of Norsk Tipping, the Norwegian National Lottery.

## The Kambi effect

Paf is a major online gaming operator rated at number nine in eGaming Review's Power 50, 2011 and is licensed by the Åland Provincial Government. Paf went live in June 2011 with Kambi's full sports betting B2B offer, and is seeing very promising results. In the first six months of operations, Paf has seen steady growth in take up of their Sportsbook offer and their sports betting turnover in this period has increased by 41 per cent.

Kambi provides a world-class Sportsbook offer that is scalable, flexible, cost-effective and perfectly placed to take advantage of a growing online gaming market demand for comprehensive B2B sports betting solutions.

superscore

supertoto

**Live Betting**
Kambi has the know-how to deal with the demands of the current Live Betting market place. It also provides proven pool betting games such as Superscore and Supertoto

**Maria.com redesign**
Customers were given a better designed site making it even easier to enjoy the maria.com experience

# MARIA.COM

**Maria.com, the female brand in the Unibet family, offers mainly bingo, casino, games and poker in a less sports-focused environment. Maria.com has had an exceptional year achieving all-time highs in the number of new depositing customers, and gross winnings revenue.**

This success was due to many different factors such as, for example, a stronger focus on the casino offering, a new bingo supplier in Virtue Fusion, strong promotional campaigns in most countries, both on TV and online and a rebranding process from Maria Bingo to Maria.com. It is testament to the appeal of the Maria brand that it has such a loyal following. Redesigned loyalty and bonus schemes have also driven more traffic to the brand.

Maria.com's main focus is on non-skill online games, where the fun is combined with a chance to win money. The brand is run within the Unibet Group by a dedicated team of around 40 people, which unusually in this industry, is made up of more than 60 per cent females.

## OVER 60% OF MARIA STAFF ARE FEMALE

It is a perfect partner brand to Unibet in that it plays a parallel role without cannibalising the parent business. Maria.com attracts a very different customer profile to Unibet, which means there is little overlap, and broader commercial opportunities arise from operating both brands. Even within a product offer like casino where Unibet players focus on table games, Maria.com customers tend to play almost exclusively slots.

**Maria's brand values**
These four personality traits define how Maria communicates

The Maria.com customer experience is softer, with a much more female friendly set of values, but it is still driven by a determination to provide an attractive, entertaining, reliable and engaging online gaming experience. The brand aims to be very customer friendly; easy to play, easy to win.

The biggest markets for Maria.com are in the Nordic region, but the brand operates across different European countries and also runs a network of around 10 white label bingo offers including bingo.com, Violet Bingo & Casino, and Amor Bingo. It works with five different games suppliers to provide a great variety of entertaining games, and a great online experience.

Understanding what players want and making the offer interesting, entertaining and relevant have paid off. The growth figures speak for themselves. Maria has found her winning streak.

Popular Maria features:

- Seamless wallet.
- Same bonus system for several suppliers.
- Rearrangement of all games on site according to type rather than supplier.
- Loyalty system for the bingo.

## MARIA'S PERSONALITY

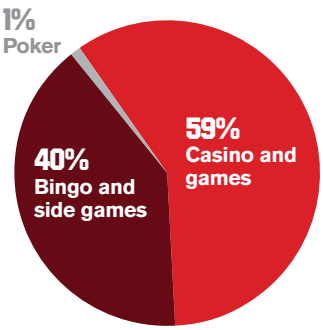
**Feminine**
Being feminine does not mean being vulgar, adolescent or feminist, but does mean being natural – like Maria. Being natural is something that we have embraced from the very beginning and that permeates everything we do.

**Entertaining**
Maria is a friendly type of person who always find it easy to laugh. Having fun is an important part of life. Not in a slap-stick way. When you spend time with Maria, you can always be sure that something joyful is about to happen. Entertainment and excitement, my way.

**Reliable**
Honesty is very important to us. Maria is trustworthy. She always gives you the warm, secure impression that makes you feel safe. Whether it is games or pay-outs, you can always count on Maria.

**Inviting**
Maria genuinely cares about others and she always makes sure that everyone feels invited without being pushy. Whether you like casino, bingo or poker, you can always feel at home with Maria. The brand's charm is hard to resist!

**Product split by revenue**



# OPERATING MARKETS

**In a year that saw no Football World Cup, no European Football Championship or Olympic Games, the world's sports calendar for 2011 may have seemed a little light for some operators but Unibet delivered an action packed year of sporting and casino action that drove exceptional business results across its markets.**

**Unibet is one of Europe's leading companies in moneytainment® with 6.2 million registered users in more than 100 countries. Unibet sites and maria.com sites offer a wide range of moneytainment® experiences in 27 languages across 26 markets. The product offer covers sports betting, live betting, poker, casino, bingo and games. In addition, Unibet also offers Sportsbook B2B services through kambi.com.**

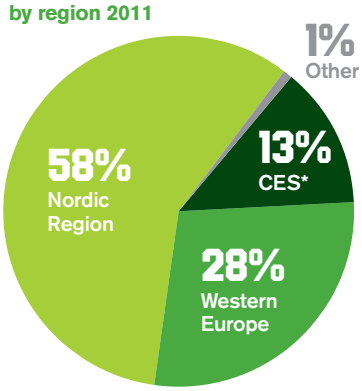
## 6.2 MILLION REGISTERED USERS FROM 100 COUNTRIES

Unibet offers highly competitive odds on a large number of events, a wide range of live sports streaming, the best casino games, and the Unibet Open, one of the most popular European Poker tours around.

For operational purposes Unibet divides its market into three specific regions – the Nordic region, Western Europe and the combined area of Central, Eastern and Southern Europe. These markets form a highly complex, diverse marketplace that requires Unibet to demonstrate expert local knowledge and a wider experience of global online entertainment.

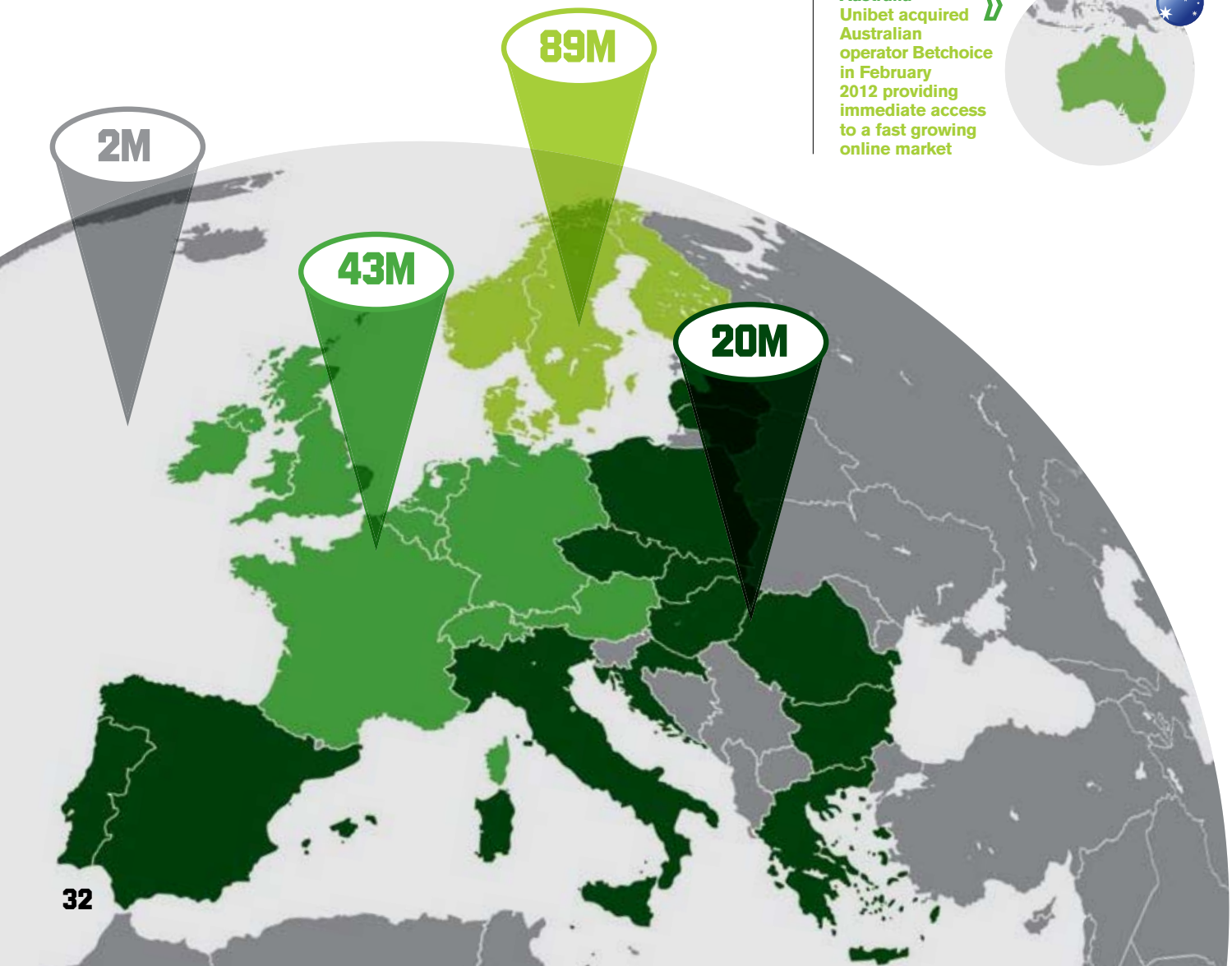
The Unibet brand is strong across these markets with a reputation for sophisticated gaming products and the sector's most capable and friendliest customer service team.

**Unibet's gross winnings revenue by region 2011**




*Central, Eastern and Southern Europe

**Australia**
**Unibet acquired Australian operator Betchoice in February 2012 providing immediate access to a fast growing online market**




**Sports Sponsorship**
**Unibet has reviewed its sports sponsorship programme reducing overheads and maximising exposure to its core markets**

# NORDIC REGION

**In Sweden, Norway, Finland and Denmark Unibet has a strong presence, a very well established brand and is the largest private online gaming operator. This historical connection has proved to be a solid foundation for the business across all its product offerings.**

Increasingly, commentators have described this region as mature or saturated and many other operators have found little growth there. For Unibet, a strategy of increasing their focus on the Nordic region has been extremely successful this year, delivering growth and profitability across the board. Unibet is also confident that the Nordic region will provide further opportunities for growth going forward.

In line with its strategy to pursue licences in re-regulating markets, Unibet launched its new unibet.dk site in Denmark, providing a strong suite of products that will no longer be discriminated against. Unibet's Danish operations will now have access to all the marketing tools and channels and payment methods that were previously only available to the state monopoly. With a very good Sportsbook product, Unibet has an extremely good opportunity to take market share in the coming years. A reflection of its commitment to leading the online gaming sector in the Nordic region can be seen in Unibet's three-year sponsorship agreements with two Danish SuperLiga football clubs, FC København and FC Midtjylland. Unibet has become the exclusive betting partner for both clubs, and will benefit from advertising in the football clubs' stadia amongst other things.

Maria, the female focused brand in the Unibet family, has also made exceptionally good progress in the Nordic region. Although known primarily for bingo, the Maria Casino offer has also seen considerable growth.

## +23% GWR IN THE NORDIC REGION 2011

Across the region, Unibet has focused strongly on better customer profiling, better-targeted campaigns and better product offers. These have all contributed to an improved return on marketing spend and delivered success for the Unibet business in the Nordic region.

The growth of mobile channels, the advance of live streaming and the appeal of Unibet's moneytainment® philosophy will keep the Nordic region growing for the foreseeable future.

# WESTERN EUROPE

**For Unibet the Western European market is important. In line with predictions the European market is growing, but this year has seen enormous economic upheaval in the eurozone. For Unibet to have achieved such strong growth at a time of economic upheaval is quite extraordinary.**

The figures are even more impressive when the situation in France is accounted for. Unibet decided not to activate its licences and essentially suspended from France in June 2010 because of unfair terms and exorbitant taxes on gross winnings. France had accounted for 23 per cent of gross winnings revenue in the first quarter of 2010, but the decision to withdraw was a good one as other operators have seen considerable losses here.

Unibet's performance in the other areas has more than made up for any potential losses from France and has continued to build the Unibet brand into a leading European player. Strong growth across the Casino offer and the Sportsbook has been particularly noticeable in the Netherlands and Belgium as the Unibet offer continues to improve.

Unibet has put stronger focus on the Western Europe market this year and has reaped the rewards. Creative marketing initiatives that make Unibet interesting and different have driven increased business and boosted profitability.

The outlook in Western Europe is promising. With strong indications that fairer terms and conditions are expected in the mid to long term in France, Unibet's acquisition of the Solfive Group is timely. It provides Unibet with a ready-made platform to relaunch operations to take advantage of any regulation changes. As with other markets, the industry expects to see mobile channels taking off and further migration from offline to online betting for the 'always connected' generation.

# CENTRAL, EASTERN & SOUTHERN EUROPE

**For Unibet the Central, Eastern and Southern (CES) European market includes a very diverse selection of countries with differing gaming legislation and varying operating terms and conditions. The diversity and size of these markets is great but shows the international reach of the Unibet brand, and its broad appeal to players everywhere.**

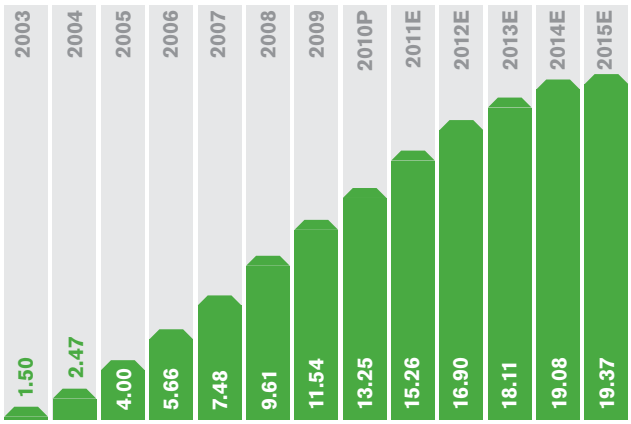
Unibet's dedicated team have built a reputation across this region in previous years that has matured and delivered significant profits this year. Refocusing marketing spend to Unibet's established markets has led to less investment in marketing in the CES region but greater returns here this year. The strategy has also provided clear insight to the markets with the most potential.

Unibet's success in cross-selling its offer in the region was highlighted at the Riga Unibet Open where players took part in the first ever live blackjack tournament and held a prize draw for EUR 1 million.

By far the most important event in this market has been Unibet's re-entry to the Italian market with the launch of its own platform in Italy on unibet.it. As the third largest market in Europe, Italy presents great opportunities for Unibet and this launch has provided an invaluable experience in managing the platform migration from a global to a local offering. The launch of unibet.it strengthens Unibet's position as a leading player in the European market and will provide potential for future growth.

Re-regulation in some countries in the region will provide new opportunities in the years ahead and as a current operator Unibet is well placed to take advantage of any new national licences.

**Market outlook European eGaming GGY (USD BN)**
Source: H2 Gambling Capital, January 2011



# FINANCIAL REVIEW

## Unibet's business has grown continually over the past financial years. The growth has been experienced across all of Unibet's geographical markets and products.

### Financial statement presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the Maltese Companies Act 1995.

The accounting policies as adopted in the published results for the year ended 31 December 2011 have been consistently applied.

Where relevant, certain additional information has been presented in compliance with the NASDAQ OMX Nordic Exchange in Stockholm requirements.

### Gross winnings revenue

Gross winnings revenue on sports betting represents the net receipt of stakes and payouts within the Group for the financial period as reduced for Free Bets. Free Bets are bonuses granted or earned in connection with customer acquisition. Total gross winnings revenue in 2011 increased to GBP 154.4 (2010: GBP 147.5) million. Gross winnings revenue from sports betting amounted to GBP 60.9 (2010: GBP 62.6) million for the full year 2011. Other products (casino, poker, bingo and games) saw gross winnings revenue amounting to GBP 93.5 (2010: GBP 84.8) million for the full year 2011.

Live betting accounted for 58.6 (2010: 54.5) per cent of turnover on sports betting, excluding Free Bets, in 2011 and 39.2 (2010: 35.3) per cent of gross winnings revenue on sports betting, excluding Free Bets, in 2011.

### Gross winnings revenue by market and business segment

Unibet's business is organised into three main geographical areas; Nordic Region, Western Europe, and CES (Central, Eastern and Southern Europe). For an analysis of gross winnings revenue by market and business segment, refer to the table below.

### Gross margin on sports betting

The gross margin for pre-game sports betting before Free Bets in 2011 was 10.2 (2010: 9.9) per cent.

The gross margin for total sports betting in 2011 before Free Bets was 6.9 (2010: 7.0) per cent. The gross margin for total sports betting in 2011 after Free Bets was 6.3 (2010: 6.3) per cent.

Sports betting gross margins can vary from one quarter to the next, depending on the outcome of sporting events. However, over time these margins will even out. This can be seen in the graph below.

### Cost of sales

Cost of sales covers betting duties, revenue share and affiliate programmes. Betting duties are payable in the licensed jurisdictions, Malta, Italy and France. Betting duties in Malta are levied at varying rates on different gaming products, subject to a maximum capped amount per year per licence. Betting duties in Italy are levied at varying rates of betting turnover, averaging about 4 per cent of stakes. Betting duties in France on sports betting are levied at 9.3 per cent of turnover. There are no betting duties in Antigua.

Of the Cost of sales, the marketing related revenue share and affiliate cost amounted to GBP 12.2 (2010: GBP 15.3) million for the full year 2011.

### Gross profit

Gross profit for the full year 2011 amounted to GBP 139.1 (2010: GBP 129.0) million.

### Marketing costs

During the full year 2011, marketing costs were GBP 35.4 (2010: GBP 34.1) million. Active customers during the three month period ending at 31 December 2011 were 400,697 compared to 308,872 at the end of the previous year. The increase in active customers for the fourth quarter of 2011 was influenced by the Solfive Group acquisition. Active customers during the full year ending at 31 December 2011 were 745,408 compared to 764,698 for the previous year.

### Administrative expenses

During the full year 2011, administrative expenses were GBP 65.0 (2010: GBP 60.7) million. Of the administrative expenses GBP 9.2 (2010: GBP 9.5) million were in respect of depreciation and amortisation charges. Included within amortisation charges was GBP 6.9 million charged in respect of capitalised development expenditure (2010: GBP 5.0 million), and GBP 0.6 (2010: GBP 2.8) million attributable to other intangibles.

Excluding depreciation and amortisation, therefore, administrative expenses were GBP 55.8 (2010: GBP 51.1) million, of which GBP 25.3 (2010: GBP 23.2) million were salaries and associated costs. Excluding the effect of foreign exchange losses, and depreciation and amortisation expenses, the increase in administration expenses is in line with the increase in gross winning revenue.

### Kambi

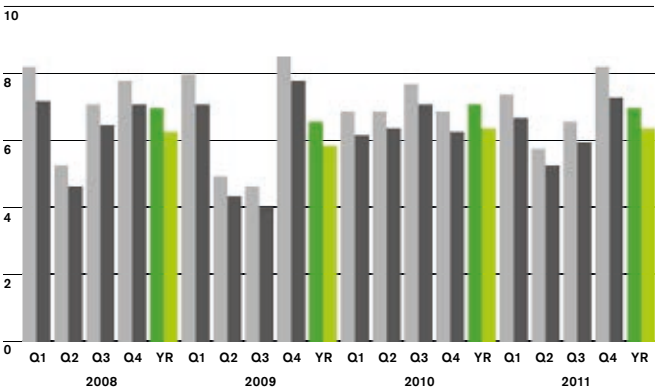
Of the administrative expenses for the full year 2011, GBP 11.1 (2010: 8.1) million is related to Kambi Sports Solutions. Of this cost GBP 2.7 (2010:1.3) million is specifically related to the B2B business. Kambi's capital expenditure in the full year 2011 was GBP 6.0 (2010: 1.8) million, of which GBP 4.2 (2010: GBP 0.7) million is related to the B2B business.

### Gross winnings revenue by market and business segment

Unibet has organised its business into three main geographical areas, Nordic Region, Western Europe, and CES (Central, Eastern and Southern Europe)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| GBP 000 | Sports betting | Other products | Total | Sports betting | Other products | Total |
| Nordic Region | 32,866 | 56,666 | **89,532** | 26,721 | 46,121 | **72,842** |
| Western Europe | 18,783 | 24,096 | **42,879** | 26,153 | 26,842 | **52,995** |
| Central, Eastern and Southern Europe | 8,423 | 11,457 | **19,880** | 7,754 | 10,692 | **18,446** |
| Other | 801 | 1,304 | **2,105** | 2,011 | 1,185 | **3,196** |
| **Total** | **60,873** | **93,523** | **154,396** | **62,639** | **84,840** | **147,479** |

### Unibet's sports betting gross win margin % (before and after free bets)



### EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2011 was GBP 48.0 (2010: GBP 43.8) million.

Profit from operations for the full year 2011 was GBP 38.8 (2010: GBP 34.2) million.

### Development and acquisition costs of intangible assets

IAS 38 requires the capitalisation of certain development costs. These are costs incurred in developing the existing IT platform and the integration and further development of new products. These are identifiable assets from which a future economic benefit is expected to be derived. In the full year 2011, expenditure of GBP 10.8 (2010: GBP 5.2) million, had been capitalised. Expenditure of GBP 1.1 million was capitalised with regard to other intangible assets (2010: GBP 1.0 million).

### Finance costs

Finance costs for the full year 2011 were GBP 0.9 (2010: GBP 0.5) million. Included within finance costs for the year was a foreign exchange loss on the borrowings repaid in April 2011 of GBP 0.2 (2010: gain of GBP 0.6) million.

### Profit after tax

Profit after tax for the full year 2011 was GBP 35.5 (2010: GBP 32.4) million.

### Balance sheet

Unibet's strong balance sheet reflects both the Group's growth and its ability to manage working capital.

A significant asset on the balance sheet is goodwill. The goodwill balance arose on the acquisitions of the MrBookmaker Group of companies in 2005, Maria Holdings Group in December 2007, and Guildhall Media Invest in 2008. The acquisition of the Solfive Group in December 2011 increased the goodwill balance by GBP 5.4 million. Goodwill and certain intangible assets recognised in connection with the acquisitions of Maria Holdings, Guildhall Media Invest, and Solfive are denominated in currencies other than GBP and have therefore been retranslated at the closing exchange rate as required by IAS 21. This translation adjustment decreased the carrying value of goodwill by GBP 1.4 million in 2011 (2010: increased by GBP 4.8 million). The carrying value of other intangible assets decreased by GBP 0.5 million (2010: increased by GBP 1.6 million). These translation adjustments were credited to the translation reserve.

Certain non-current assets of the Group relate to IT development costs, which have been capitalised in accordance with the policy described earlier. Other non-current assets include computer software, computer hardware and fixtures and fittings, and the investment in Bingo.com Limited which was acquired during 2010.

The non-cash current assets on the balance sheet therefore relate only to other receivables, prepayments and taxation. The movements in the tax balances in the consolidated balance sheet are influenced by the timing of dividend payments within the Group.

Significant liabilities on the balance sheet include trade and other payables, and customer balances (see Note 16 on page 71).

### Financing and cash flow

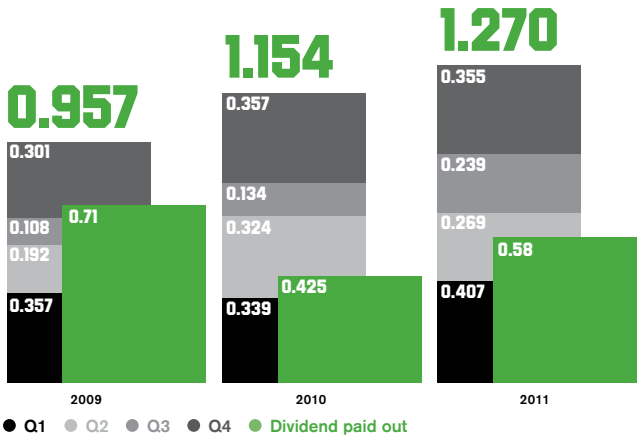
Despite having repaid GBP 7.1 million of the borrowings in April, exercised share buy backs of GBP 4.64 million (executed in the third quarter), and paid out a dividend of GBP 11.76 million to shareholders, the cash in hand position at the end of 2011 increased to GBP 41.8 (2010: GBP 38.5) million. Additionally, the net cash outflow of the Solfive acquisition was GBP 3.3 million. This demonstrates the Group's ability to generate strong operating cash flows, and gives flexibility for the Group to consider strategic opportunities.

A new Revolving Credit Facility was agreed in December 2011 (to replace the one already in existence), with a maximum value of EUR 30 million. The term has been extended until December 2013 (see Note 17 on page 71).

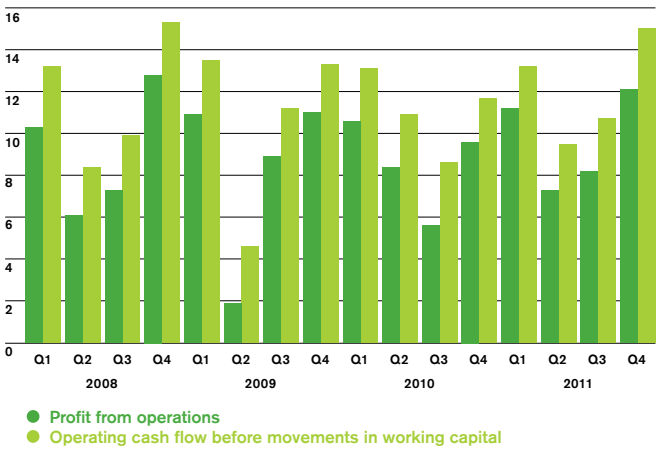
The net cash inflow for the year 2011 was GBP 4.8 (2010: outflow GBP 0.9) million, which included cash generated of GBP 46.7 (2010: GBP 42.7) million from operating activities.

The operating cash flow before movements in working capital amounted to GBP 48.5 (2010: GBP 44.5) million for the full year 2011.

**Earnings per share development (GBP)**




**Profit and operating cash flow before movements in working capital (GBPm)**



# CORPORATE RESPONSIBILITY

**Good corporate citizenship is embedded into the work culture at Unibet. This year the corporate and social responsibility committee (CSR) has redefined the corporate environmental policy and set challenging targets in other areas of corporate responsibility.**

## UNIBET ENVIRONMENTAL POLICY OBJECTIVES FOR 2012

| | |
|---|---|
| **Waste** | The Unibet Group intends to minimise waste through careful purchasing and efficient use of natural resources and recycle as much waste as possible. |
| **Energy** | Unibet will reduce its carbon footprint and save energy across all its offices. |
| **Transport** | Unibet will encourage employees to use sustainable transport and where possible reduce their travel and substitute with video conferencing. |
| **Environmental awareness** | Unibet will raise employee awareness of their individual impact and Unibet's overall impact on the environment and encourage their participation in initiatives aimed at reducing any environmental impact. |
| **Procurement** | Unibet is committed to purchasing products and services using sustainability criteria and encouraging good environmental behaviour among suppliers and partners. |

**During 2011, Unibet made good progress against key objectives: maintaining excellence in equal opportunities and human rights policies; maintaining and supporting integrity in the industry; improving the effectiveness of responsible gaming policies; increasing recycling activities; and raising charitable efforts.**

**7.6% reduction**
**Unibet's energy consumption was reduced over 12 months by 7.6 per cent while the number of employees rose by 13 per cent (London office).**


Reducing $CO_2e$

**Carbon footprint**
**Unibet reduced the carbon emissions in tonnes of $CO_2e$ per server by nearly 20 per cent for the footprint year 2010-2011.**

### Equal opportunities and human rights

Unibet is committed to equality of opportunity and strictly enforces a very comprehensive policy that bans discrimination, abuse and failure to observe equal rights for everyone at Unibet in all aspects of their employment.

Unibet also complies with all applicable international and local legislation which supports human rights and labour rights. In particular Unibet complies with the United Nations Universal Declaration of Human Rights, The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and The United Nations Convention against Corruption and the Universal declaration on human rights.

### Advocating for efficient strict regulation

Being a consumer centric company, Unibet advocates for efficient sustainable regulations that puts consumer interest first. Besides strict licensing requirements regarding the integrity of the operators, players must be provided with a safe, secure and fair product that meets their demand. This strategic objective also translates into an on-going commitment to leading trade associations such as the European Gaming and Betting Association (EGBA), the European Sports and Security Association (ESSA) and the Remote Gambling Association (RGA).

Unibet, for instance, was one of the key contributors to European Committee for Standardisation (CEN) process regarding the establishment of the first pan-European standard on consumer protection and responsible gambling (CWA 16259: 2011). In the context of consultation of the European Commission's Green Paper "On online gambling in the Internal Market" (COM(2011) 128 final), it was invited by the European Commission to 3 out of 5 expert working groups.

### Environment and recycling

Unibet's impact on the environment and on the lives of others is a concern that is shared by all its employees and the Company is committed to reducing the negative impact and improving the contribution to better working practices.

As an online business, Unibet's environmental impact is significantly lower than traditional businesses, with most impact being created by the buildings where Unibet operates and the resources used in everyday working life.

Unibet's progress this year has seen an increase in recycling activities across all offices. The Group has implemented several initiatives to reduce its environmental impact, especially in tackling waste management issues.

Internal recycling facilities have been extended this year to cover paper, glass, toners, inks, plastics, cables, batteries, metals and other electric computer based components.

### Energy reduction

Unibet has conducted intensive campaigns to reduce energy consumption, and the regular carbon footprint audit for the 12 months to March 2011 showed that energy consumption in the Wimbledon office reduced over 12 months by 7.6 per cent while the number of employees increased by 13 per cent.

## 3.68 $TCO_2E$ PER EMPLOYEE

**CDP average for the same sector is 5.37***

Unibet has put procedures in place to ensure that TV screens and computer monitors are all on timers so they switch off to save energy. Computer servers are regularly upgraded to be more energy efficient. All lighting in the Wimbledon office has been replaced with PIR (passive infra-red) lighting to save energy consumption. One of the most effective environmental campaigns Unibet ran internally was a poster campaign that told employees how Unibet could afford to sponsor Manchester United football team for a year if all staff ensured that their monitors were switched off overnight.

### Charity

**Charitable donations**

Unibet's policy on charitable donations aims to support those in need and this year corporate donations have been made along with collections for a wide range of charities. The charities this year included RNLI, Cancer Research UK, UNICEF, Habitat for Humanity, CRIBS, Help for Heroes, Movember, Swedish Heart and Lung Foundation, Comic Relief, Transplant Support Group Malta, NSPCC, Asthma UK, Anthony Nolan, Poppy Appeal and Food Bank Wimbledon.

In addition, Unibet supports its employees when they participate in charity events, and employees have been particularly generous with their charitable activities this year. Unibet employees have had a busy year in marathons, fun-runs, cycle races and other sponsored charity fundraisers.

One particular charity stands out this year for Unibet staff as many of them enjoyed making a considerable contribution to Movember. This is a charity which is responsible for the sprouting of moustaches on thousands of men's faces in the UK and around the world with the aim of raising vital funds and awareness for men's health, specifically prostate cancer and other cancers that affect men. Less arduous than a marathon, Movember saw a host of Unibet moustaches and a very generous donation to charity.

**Charitable activities**
**Unibet staff raised GBP 482 in November this year as part of Movember**

* The sector considered is Entertainment and Media.

# UNIBET PEOPLE

### Putting people first

Unibet's employees are fundamental to the success of the business. It is their passion, their friendliness and their expertise that makes the brand live in the hearts of players across the world. The Unibet motto, 'By players, for players', has never been more relevant, and Unibet endeavours to recruit and retain the best people in the industry. In return for excellence in performance, Unibet is committed to supporting its people with excellent terms of employment, fair remuneration, equal opportunities, access to training and development, and a safe working environment.

## 'BY PLAYERS, FOR PLAYERS' UNIBET ENDEAVOURS TO RECRUIT THE BEST

Unibet employees are on the whole, highly motivated individuals, often with outstanding educational qualifications, good language skills and a love of the moneytainment® offer provided for players. Unibet welcomes and values the diversity of skills and abilities that a global group of people brings to the business because ultimately, it gives the Group an advantage over any competition.

### Training and development

Unibet has a longstanding commitment to developing the skills and talents of its employees and this year has seen great progress in the development of leadership skills within the business. The Company relies on the knowledge and expertise of employees and needs to nurture their talents. At Unibet, leadership shapes the Company's future and inspires employees to the high level of performance essential to continued success.

By motivating, training and developing the leaders of tomorrow, Unibet ensures the continuing success of the Group for the future. Unibet has a strong track record of internally grown talent and continues to invest in developing exciting and interesting career opportunities. Nearly 95 per cent of job opportunities are advertised internally and Unibet is extremely proud that some employees have followed a career path from customer service roles to executive positions.

### Remuneration and retention

Unibet values the ability to create motivation, team spirit and great results, as well as accountability and responsible behaviour. People are celebrated at Unibet through reward, recognition, training and development. The business is proud to have a tradition that publicly celebrates an employee's tenth anniversary with the Company. Unibet believe that longstanding employees who know the Company in depth represent a great asset to the Company and that their contribution must be honoured.

Unibet continues to work with the internally developed performance programme PAGE (Performance And Growth Enrichment). Through PAGE, Unibet has improved its ability to identify and reward outstanding performance among all its employees. In Unibet, the goal is to be the best at what we do.

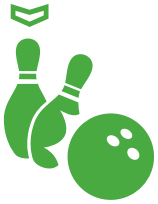
### Social mix

The Group's vibrancy is also reflected in a very active social scene. This year has been another successful year for the Events Committees and many events such as poker nights, bowling, boat trips, drinks at the local bar or eating out in style continue to ensure that there is always something fun going on within the Unibet family!

Unibet people have a shared vision, and genuinely care about what they do. They have the ability to adapt the products and marketing mix to meet the specific characteristics of each market. This enables Unibet to develop the most exciting new products in the market – anticipating the demands of customers and staying one step ahead of the competition.

No matter what their backgrounds, or where in the world they come from, Unibet's people are uniquely qualified to understand their customers and contribute directly to the Group's continuing success. Unibet strives to create an open-minded culture that is true to its roots and the international market the Company operates in.

**Events committee**
**Responsible for organising staff events such as poker, bowling, boat trips**



### Employee engagement

Unibet knows that it is essential to engage people in their strategy, their aims and their vision. Group-wide employee engagement surveys were undertaken twice in the last year to measure employee participation and engagement with the core business.

## 83% STAFF APPROVAL RATING FOR UNIBET'S CURRENT STRATEGY

In total, 70 per cent of employees completed the survey, giving a strong picture of their levels of engagement and the survey returned an 83 per cent approval rating for Unibet's strategy with 73 per cent pleased with their working environment. In terms of engagement, there is a culture at Unibet that rewards independence but also a system that cares about involving everyone in the vision of the business.

**73% of employees are pleased with their working environment**

**Unibet's Head of Acquisition Services**
Began her career in the Customer Services department in the Malta office, then moved to the Ghent office as Marketing Assistant and now heads up the Affiliates team in London

## COMMUNITY INVOLVEMENT

**Breakthrough Breast Cancer**
The Maria and Unibet girls took part in the Adidas women's 5k run to help raise awareness for Breast Cancer Research

**Emergency food for local people in crisis**
Food donated by Unibet weighed almost 300 kilos and will feed 42 people

Wimbledon foodbank

# GENERAL LEGAL ENVIRONMENT

**Unibet group's core business, namely remote sports betting and gaming activities, is subject to a number of legal restrictions and regulations in the markets where Unibet has a commercial interest and focus.**

The vast majority of revenues derive from markets located within the European Union (EU). Unibet is established and licensed in a number of Member States of the EU. Unibet and its EU customers in principle benefit from the application of certain fundamental freedoms applicable to citizens of the EU. These freedoms include, amongst others, the principle that there should be no restrictions within the EU affecting the free movement of goods, the free circulation of capital, the right to establish and the right to consume, provide and promote services across borders.

Any restriction under the domestic law of individual Member States affecting these EU fundamental freedoms may be contrary to overriding EU law. For this reason, in the opinion of Unibet, such national restrictions cannot be maintained. The only exception to this position is where a Member State is able to demonstrate that the non-discriminatory restriction is necessary and proportionate to meet general public interests, such as the protection of consumers and public policy, and that its overall policy is consistent herewith.

In 2011, the Court of Justice of the European Union (CJEU) confirmed its standing jurisprudence in two new judgments. The CJEU again ruled that in absence of dedicated EU gaming regulation, Member States may have a certain degree of freedom to deviate from overriding EU fundamental freedoms. However, certain strict conditions must be met. In the judgments from 2011, the CJEU further tightened the requirements for justifying a national monopoly on the organisation of gaming and betting.

In parallel to ongoing litigation before the CJEU, a European Commission (EC) Green Paper consultation on online gambling was initiated during 2011. For the first time there is a clear intention on a European level, not only to protect the general fundamental principles and freedoms of the EU, but also to take a first step towards the long-term process of cohering EU gaming and betting legislation. Unibet very much welcomes a European initiative in this area based on cross-border market reality and consumer choice.

Furthermore, in a speech given by the Commissioner for the Internal Market to the European Parliament, Mr Michel Barnier underlined his intention to move forward with regulatory initiatives and also confirmed that there is a political need to accept market reality of an existing cross-border remote gaming industry. Mr Barnier also mentioned that the EC will act in relation to Member States' regimes which are non-compliant with EU legislation, thus indicating that the EC is again willing to move forward in the open infringement procedures against certain Member States. In the context of national re-regulation, Unibet holds that any 'controlled opening' may constitute a continued breach of EU law. This is confirmed by the detailed opinions and comments issued by the EC on some of the draft legislation submitted under the so-called notification mechanism. For this reason, one cannot exclude that new infringement proceedings may start against Member States that recently changed national law.

As stated in its submission to the EC Green Paper consultation process, Unibet is mainly focusing on finding sustainable solutions based on dialogue as opposed to litigation. Despite that, and regardless of the ongoing EU law debate, there is a risk that courts judging under the national laws of a particular country may rule against the activities of Unibet.

Given the legal situation in the USA, Unibet stresses that its standing policy and practice remain not to accept any paying customer resident in the USA.

Subject to advice on a case-by-case basis, Unibet expects to appeal any adverse judgments to higher courts evoking overriding principles of European law. For this reason, Unibet does not hold any provisions in its balance sheet for potential adverse judgments. Unibet's assessment of the current legal environment it faces in certain material European markets is set out country by country overleaf.

**The yearly Responsible Gaming Day in Brussels brings together EU and national officials, regulators, experts and academia, stakeholders representing the broad spectrum of the European gaming industry and player representatives.**

### Sweden

In 2003, Unibet launched legal proceedings against the Kingdom of Sweden claiming that Sweden is in breach of EU law in seeking to restrict cross-border gaming services. A judgment was rendered on 2 March 2010 against Unibet by a local District Court. Unibet initially filed an appeal to the Court of Appeal. Given the current political climate and ongoing debate in Sweden, Unibet decided to withdraw its appeal in spring 2011.

AB Trav och Galopp (ATG) has filed a lawsuit against Unibet, claiming infringement in its database on horse race fixtures. ATG is claiming damages up to the amount of SEK 325 million. By judgment dated 11 February 2011, the District Court of Stockholm ruled against ATG's main claim for damages, but condemned Unibet to pay a usage fee of SEK 5 million per year to ATG for extracting and re-utilising information on fixtures from ATG's sports database. From a legal perspective, and given previous case law in Sweden and the EU, the District Court's ruling is highly questionable. Both Unibet and ATG introduced appeals and on 30 January 2012, the Stockholm Court of Appeal upheld Unibet's appeal and overturned the initial judgment of the District Court.

### Norway

In 2010, Norway adopted and implemented payment blocking legislation to restrict cross-border gaming related payments. Unibet asserts that the measure is against Norway's free trade obligations, disproportionate, counter-productive and ineffective. Norway is subject to EU regulations under the Agreement on the European Economic Area (EEA) in force since 1 January 1994.

### Denmark

The re-regulated Danish gambling legislation entered into force on 1 January 2012, meaning that private operators can apply for local licences for online casino (excluding bingo) and betting (excluding e.g. horse racing). Unibet submitted in its licence application on 17 October 2011, was granted the licences on 15 December 2011 and as of 1 January 2012, Unibet offers its Danish customers gaming and betting under the new local licences.

### The Netherlands

In 2007, De Lotto (the local State-approved monopoly) brought procedures against several Unibet legal entities. In summary proceedings, the Unibet legal entities were ordered to stop the provision and promotion of all gaming services to Dutch residents, or pay a fine of EUR 100,000 per day up to a maximum of EUR 3 million. De Lotto served the court order on Unibet on 19 October 2010. So far, the first instance decision has however not been enforced. In the proceedings on the merits, the court ordered the Unibet legal entities to stop the provision and promotion of all gaming services to Dutch residents, or pay a fine of EUR 10,000 per day. Unibet has introduced appeals against both judgments.

An EC Reasoned Opinion, CJEU case-law and a decision from the Dutch Council of State – the highest administrative court – regarding De Lotto's unlawfully granted licence, supports Unibet's position that Dutch law is in breach of overriding EU law. Unibet further observes the intention of the new Dutch government to re-regulate its national market allowing entities such as Unibet to seek and obtain a local licence.

### Germany

The authorities of Baden-Württemberg are attempting to enforce the previous State Lottery Treaty against Unibet legal entities. Unibet is subject to general prohibition orders and two fines of EUR 10,000 each. Unibet's appeal for interim relief against the orders was rejected during 2011 and the case will now continue on the merits.

Unibet notes that the state of Schleswig-Holstein has adopted its own remote gaming and betting act but that the other 15 Regions (Länder) are still working on the regulatory model going forward.

### France

The new French Gambling law on the partial controlled opening of the national gaming market was enacted on 12 May 2010. On 22 October 2010 Unibet was granted three licences by the French Gaming Commission (ARJEL) concerning sports betting, horse betting and poker. Due to the acquisition of the Solfive Group, Unibet did not renew these licences but is instead operating under Solfive Group's (eurosportbet.fr) licences.

The criminal case against Unibet's former CEO is still pending, as well as some intellectual property rights related cases in France and Belgium.

# SHARES AND SHARE CAPITAL

## SHAREHOLDING INFORMATION

**Unibet Group plc's issued share capital comprises 28,258,038 ordinary shares each with a par value of GBP 0.005. All ordinary shares carry equal voting rights and rights to share in the assets and profits of the Group.**

### Listing of Swedish Depositary Receipts

Unibet Group plc is listed on NASDAQ OMX Nordic Exchange in Stockholm through Swedish Depositary Receipts, SDRs, issued by Skandinaviska Enskilda Banken AB (publ). One SDR represents one ordinary share. On 8 June 2004, the SDRs were listed on the O-list of the Stockholm Stock Exchange (Stockholmsbörsen). From 2 October 2006, the SDRs have been listed on the MidCap part of the Nordic List at the NASDAQ OMX Nordic Exchange in Stockholm.

The trading symbol is UNIB SDB and the ISIN code is SE0001 835588. Unibet has a liquidity guarantee agreement with Carnegie Bank AB.

### Share price performance

Unibet's SDRs ended the year at SEK 159 closing price having started the year at closing price SEK 145.50. The highest closing price during the year was SEK 159. The lowest closing price during the year was SEK 108.75. As at 31 December 2011, Unibet Group plc had a market capitalisation of approximately SEK 4.5 billion (GBP 422 million).

### Trading volumes

In 2011, 67,155 trades in Unibet Group were made, representing a total value of SEK 3.5 billion.

### Revised dividend policy

In order to make the dividend policy more transparent and clear for share owners, the Unibet Board of Directors has adopted a revised dividend policy which is linked to cash flow generated by the business instead of net income, as this is more closely aligned to the investment cycle of the business.

Unibet's former dividend policy was to pay a dividend of up to 75 per cent of the Group's net income after tax to the shareholders, provided that other financial objectives were met and an appropriate capital structure was maintained.

The Unibet Board of Directors revised dividend policy is to pay a dividend and/or share buy backs of up to 50 per cent of the Group's free cash flow (being cash flow from operations, adjusted for movements in working capital, capital investments and tax payments).

In addition to the above dividend, which would normally be expected to be in the form of annual cash dividends, the Board can also decide to distribute one-off dividends or execute share buy backs, where management and the Board consider that the Company has generated surplus cash that it does not require either to fund its normal operations, acquisitions or other corporate development projects.

When considering both regular and one-off distributions, the Board will take into account the overall requirement to ensure that an appropriate capital structure is maintained.

### Dividend for 2011

The Board of Directors proposes a dividend of GBP 0.580 (0.425) per share/SDR, which is approximately SEK 6.09 (4.48) with the exchange rate 10.50 GBP/SEK at 14 February 2012 per ordinary share, to be paid to holders of ordinary shares and SDRs. If decided by the AGM, the dividend is expected to be distributed on 21 May 2012 and amounts to a total of GBP 16.0 (11.8) million which is approximately 50 per cent of the Group's free cash flow for 2011 and in line with the dividend policy.

No dividend was paid on the shares/SDRs held by the Company as a result of the share buy back programme.

### Share buy back programme

At the 2007, 2008, 2009, 2010 and 2011 AGMs, shareholders approved a share buy back programme whereby the Board was authorised, until the next AGM in 2012, to acquire GBP 0.005 ordinary shares/SDRs in the Company. The maximum number of shares/SDRs that may be so acquired is 2,825,803, i.e. may not exceed 10 per cent of the total number of shares issued by the Company. Under this approval, 297,900 shares/SDRs were acquired by the Company during 2007 and 387,717 were acquired during 2011. Shares were purchased in 2011 at an average price of SEK 126.4. No share buy back was made during 2008, 2009 or 2010. During 2011, 2,100 of the shares/SDRs held by the Company were sold in connection with the Company's share option programmes (2010: 25,695). The number of outstanding shares at 31 December 2011 was 28,258,038, of which 576,592 are held by the Company, representing 2.0% of total number of shares.

The intention of the Board is to either cancel the shares (requires further shareholder approval), use as consideration for an acquisition or issue to employees under a share option programme.

### Shareholders ownership data

On 29 February 2012, Unibet Group had 4,527 holders of SDRs.

On 29 February 2012 the Group's 14 largest owners represented 68.5 per cent of the capital and votes, as shown on this page.

### Analysis of shareholdings at 29 February 2012

Source: Euroclear Sweden.

| Shareholder | Number of shares/SDRs | Share of share capital/votes, % | Accumulated % |
|---|---|---|---|
| Anders Ström through company | 2,950,000 | 10.4 | 10.4 |
| Swedbank Robur Fonder | 2,891,170 | 10.2 | 20.7 |
| Nordea Fonder | 2,611,423 | 9.2 | 29.9 |
| Catella Fondförvaltning | 1,918,950 | 6.8 | 36.7 |
| SEB Fonder | 1,464,437 | 5.2 | 41.9 |
| Fidelity International | 1,280,360 | 4.5 | 46.4 |
| Handelsbanken Fonder | 1,186,850 | 4.2 | 50.6 |
| Skandia Liv | 1,164,226 | 4.1 | 54.7 |
| Verdipaperfond Odin Sverige | 960,520 | 3.4 | 58.1 |
| Lannebo Småbolag | 861,266 | 3.0 | 61.2 |
| Fjärde AP-fonden | 780,135 | 2.8 | 63.9 |
| Unibet Group plc[1] | 576,592 | 2.0 | 66.0 |
| Peter Lindell directly and through company | 542,570 | 1.9 | 67.9 |
| Andra AP-fonden | 413,499 | 1.5 | 69.4 |
| Futuris | 325,000 | 1.2 | 70.5 |
| Others | 8,331,040 | 29.5 | 100.0 |
| **Total** | **28,258,038** | **100.0** | |

1. As a result of the share buy back programmes.

## Dialogue with capital markets

Unibet's Investor Relations policy focuses on conducting a dialogue with representatives from the capital markets, aimed at increasing interest in Unibet's shares/SDRs among existing and potential investors by providing relevant, up-to-date and timely information.

Investors and capital market players should be provided with clear information about the Group's activities with the aim of increasing shareholder value. Unibet strives to ensure good access to such information for capital markets, notably through presentations in Stockholm and London and through road shows in other European countries, as well as the USA.

On Unibet's corporate website, www.unibetgroupplc.com, investors can find up-to-date information about the Group's financial performance, stock market data, a financial calendar, Company information and other important data.

Unibet arranges the following capital market activities:

- Quarterly meetings, webcasts and teleconferences for analysts, investors and financial media.
- Financial hearings in Stockholm.
- Participation in industry seminars and conferences.
- Webcasts available after each quarterly presentation.

## Unibet share price development

Source: NASDAQ OMX


## Ownership distribution at 29 February 2012

Source: Euroclear Sweden.

| Holding | Number of shareholders | Number of shares/SDRs | Share capital/ votes, % |
|---|---|---|---|
| 1–500 | **3,780** | **440,833** | **1.6** |
| 501–1,000 | **279** | **238,518** | **0.8** |
| 1,001–10,000 | **312** | **1,050,430** | **3.7** |
| 10,001–250,000 | **124** | **7,185,005** | **25.4** |
| 250,001– | **32** | **19,343,252** | **68.5** |
| **Total** | **4,527** | **28,258,038** | **100.0** |

## Ownership structure at 29 February 2012

Source: Euroclear Sweden.

| Organisation type/name | Percentage % |
|---|---|
| Swedish financial institutions | **51.6** |
| Other Swedish financial entities | **5.2** |
| Other Swedish legal entities | **5.8** |
| Non-Swedish owners | **33.9** |
| Swedish naturalised persons | **3.5** |
| **Total** | **100.0** |

## Share capital development

There were no changes in share capital in 2011. The development of the Company's share capital since the Group's reorganisation carried out on 1 November 2006 is shown in the following table:

| Transaction | Year | Issue price | Change in number ordinary shares | Total number ordinary shares | Par value per share GBP | Increase in share capital GBP | Share capital GBP |
|---|---|---|---|---|---|---|---|
| Issued in Group reorganisation | 2006 | – | 21,841,092 | 28,241,092 | 0.005 | 109,205.46 | 141,205.46 |
| Exercise of share options | 2009 | 12.16 | 16,946 | 28,258,038 | 0.005 | 84.73 | 141,290.19 |

| Seven-year summary | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|
| Equity per share GBP | 6.301 | 5.018 | 4.343 | 3.565 | 3.384 | 3.290 | 2.155 |
| Equity per share after full dilution GBP | 5.625 | 5.016 | 4.333 | 3.565 | 3.376 | 3.248 | 2.135 |
| EBITDA per share GBP | 1.718 | 1.561 | 1.498 | 1.657 | 0.922 | 1.125 | 0.824 |
| Earnings per share GBP | 1.270 | 1.154 | 0.957 | 0.314 | 0.665 | 1.344 | 0.523 |
| Earnings per share after full dilution GBP | 1.270 | 1.153 | 0.956 | 0.312 | 0.659 | 1.342 | 0.515 |
| Net cash per share GBP | 0.506 | 0.400 | 0.406 | 0.994 | 1.047 | 0.458 | -0.182 |
| Cash flow per share GBP | 0.19 | 0.03 | -0.43 | -0.41 | 0.59 | 0.50 | 0.07 |
| Dividend per share SEK | 6.09 | 4.48 | 7.68 | 2.75 | 6.00 | 5.50 | 2.25 |
| Return on total average equity % | 26 | 26 | 29.3 | 37.2 | 10.9 | 31.0 | 18.9 |
| Equity:assets ratio % | 68 | 65 | 58 | 45 | 45.1 | 70.8 | 53.6 |
| Number of shares at year end | 28,258,038 | 28,258,038 | 28,258,038 | 28,241,092 | 28,241,092 | 28,241,092 | 28,125,092 |
| Fully diluted number of shares at year end | 28,292,637 | 28,268,771 | 28,322,407 | 28,241,092 | 28,308,080 | 28,612,088 | 28,394,747 |
| Average number of shares | 27,920,660 | 28,062,245 | 27,955,464 | 27,946,192 | 28,096,472 | 28,197,870 | 26,223,857 |
| Average number of fully diluted shares | 27,920,660 | 28,088,435 | 27,989,238 | 28,091,206 | 28,355,999 | 28,236,388 | 26,640,068 |

The above figures have been restated to reflect changes in nominal value of the share.

# BOARD OF DIRECTORS

**The Unibet Board of Directors is comprised of an experienced team, committed to high standards of corporate governance in its management of the Group and in its accountability to shareholders.**

Unibet has three decision-making bodies in a hierarchical relationship to one another: the shareholders' meeting, the Board of Directors and the Chief Executive Officer. It also has a controlling body, the statutory auditor, which is appointed by the shareholders' meeting.

The shareholders' meeting is the Company's highest decision-making body and a forum for shareholders to exercise influence. The shareholders' meeting can decide on any Company issue which does not expressly fall within the exclusive competence of another corporate body. In other words, the shareholders' meeting has a sovereign role over the Board of Directors and the Chief Executive Officer.

The sole task of the Nomination Committee is to propose decisions to the shareholders' meeting on electoral and remuneration issues and, where applicable, procedural issues for the appointment of the following year's Nomination Committee.

Regardless of how they are appointed, members of the Nomination Committee are to promote the interests of all shareholders. Members are not to reveal the content and details of nominations discussions unduly.

Unibet Group plc is incorporated and registered in Malta but listed on NASDAQ OMX Nordic Exchange in Stockholm and therefore has decided to apply the principles of the Swedish Corporate Governance Code. This Code states that a majority of the members of the Board are to be independent of the Company and its management. That is why Unibet's Board of Directors is composed entirely of Non-executive Directors.

The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management, and the appointment of auditors. The role of the Committee is set out in its written terms of reference.

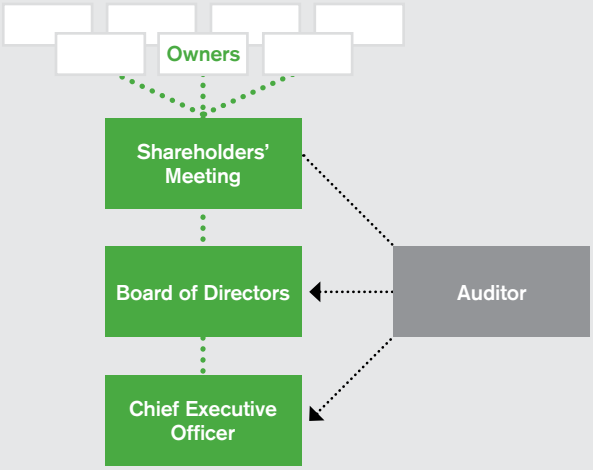
The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the Board.

The Chief Executive Officer is responsible for the Company's day-to-day management together with the Executive Committee. The Executive Committee consists of seven Senior Officers, of which two are women.

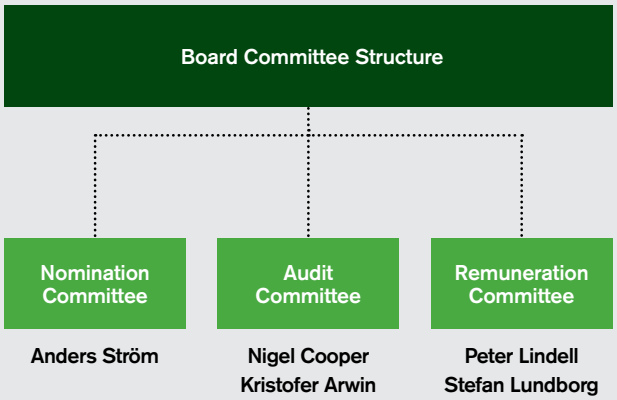
The Company's statutory auditor is appointed by the shareholders' meeting to examine the Company's annual accounts and accounting practices and to review the Board's and the Chief Executive Officer's management of the Company. Auditors present their reports to the owners at the Annual General Meeting in the annual audit report.

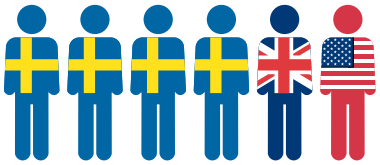

**Unibet rings the NASDAQ OMX closing bell CEO Henrik Tjärnström received the honour of being invited to preside over the closing bell ceremony at the NASDAQ MarketSite in New York's Times Square.**

**Corporate Governance model**




**Unibet's Board Structure**





**Directors' Nationality**
**Unibet's Board is comprised of Swedish, English and American citizens**

# BOARD OF DIRECTORS, CEO & INDEPENDENT AUDITORS

## The below-mentioned holdings include personal holdings, family holdings and holdings through companies in which they have an interest, and are as at 29 February 2012.

**Anders Ström**
Chairman of the Board, Chairman of the Nomination Committee
Swedish citizen. Born 1970. Board member since incorporation. Mr. Ström was the original founder of the Company in 1997. After studying Mathematics, Statistics and Economics at Karlstad University he founded Trav- och Sporttjänst in 1993. Mr. Ström was the CEO of the group until 1997, when Trav- och Sporttjänst was sold in order to found Unibet. Mr. Ström has held various positions in Unibet as Managing Director, CEO, Business Development Director, Chairman and Director. Other significant board assignments: Whitelines AB, Am Bloodstock AB and Anders Ström Investeringsaktiebolag.

**Holding:**
2,950,000 Unibet SDRs (through company).

**Peter Boggs**
Board member
US citizen. Born 1948. Board member since 2002. B.A. in American Studies from Washington College, Maryland, USA. Previous engagements include: 1975-1981: President and COO of NDMS Inc., a US political lobbying and fundraising company; 1981-1985: Managing Director of Brown Direct, Division of Earle Palmer Brown Inc., a US advertising agency; 1985-1991: Director of Ogilvy & Mather Direct Plc, London; 1991-2002: President and COO of Grey Direct Worldwide, a division of Grey Worldwide Inc., New York.

**Holding:**
13,100 Unibet SDRs.

**Peter Lindell**
Board member, Chairman of the Remuneration Committee
Swedish citizen. Born 1954. Board member since 2003. M.Sc. in Industrial Engineering and Management from the Linköping Institute of Technology, Sweden. Partner at Rite Ventures. Other significant board assignments: Allt för föräldrar AB, Nebula Oy and Verkkokauppa.com, Syntetich MR AB and Add-Bio AB. Some of the previous engagements include Djurgården Fotboll AB, Accelerator AB, Nordic Edge AB, Springtime AB and Swedish Private Equity & Venture Capital Association.

**Holding:**
542,570 Unibet SDRs. (through company).

**Independent Auditors**
PricewaterhouseCoopers, Malta and PricewaterhouseCoopers LLP, London

With audit partners Ms. Lucienne Pace Ross from the PricewaterhouseCoopers Malta office and Mr. David Snell, from the PricewaterhouseCoopers LLP London office.

**Kristofer Arwin**
Board member, member of the Audit Committe
Swedish citizen. Born in 1970. Board member since 2008. BSc. in Business Administration and Economics from Stockholm University. Mr Arwin is a co-founder of the consumer buying guide, www.TestFreaks.com and its CEO since the start in 2006. He also founded the price comparison site, PriceRunner in 1999, which he sold to the NASDAQ-listed company, ValueClick in 2004. Mr. Arwin is a Non-executive Director of TradeDoubler AB and AlertSec AB.

**Holding:**
500 SDRs.

**Nigel Cooper**
Board member, Chairman of the Audit Committee
British citizen. Born 1949. Board member since 2010. Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Cooper has spent 33 years in the accounting profession, 21 years as a partner with KPMG in Milan and London specialising in advertising, media and technology clients. On leaving KPMG in 2005, he joined Rightmove plc, the real estate internet portal, as a Non-executive director prior to flotation on the London Stock Exchange. He resigned from Rightmove in March 2009. Nigel Cooper joined Metro International SA as Non-executive director and chairman of the Audit Committee in May 2008. In April 2011, he was elected to the Board of Parmalat Spa, where he also acts as a member of the Committee for Internal Control and Corporate Governance.

**Holding:**
3,000 SDRs.

**Stefan Lundborg**
Board member, member of the Remuneration Committee
Swedish citizen. Born in 1965. Board member since 2010. Mr. Lundborg has a background in private banking, business development and entrepreneurial companies and has been Managing Director of Stockholms Travsällskap with a wide experience of international gaming.

**Holding in the Company:**
6,000 SDRs.

**Henrik Tjärnström**
CEO
Swedish citizen. Born 1970. M.Sc. in Industrial Engineering and Management from the Institute of Technology, Linköping University, Sweden. Senior Financial Manager at Skanska Infrastructure Development AB 2001-2008. Member of the Unibet Board of Directors 2003-2008. CFO of Unibet 2008-2010.

**Holding in the Company:**
25,000 SDRs and 170,638 share options.

# CORPORATE GOVERNANCE STATEMENT

**Unibet Group plc is the parent company of the Unibet Group, is incorporated and registered in Malta and is listed on NASDAQ OMX Nordic Exchange in Stockholm through Swedish Depositary Receipts, SDRs, issued by Skandinaviska Enskilda Banken AB (publ).**

**With effect from 1 January 2011, foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden are required to apply the Swedish Code, the corporate governance code in force in the country where the company has its registered office or the code of the country in which its shares have their primary listing.**

If the Company does not apply the Swedish Code, the Company is to include a statement describing in which important aspects the Company's conduct deviates from the Swedish Code in, or adjacent to, its primary corporate governance.

The Board of Directors of Unibet Group plc decided from the first listing date at the NASDAQ OMX Nordic Exchange in Stockholm to apply the principles of the Swedish Code.

The following statement on pages 46 to 49 has not been audited.

### The Board of Directors

The Board of Directors and the Management of Unibet is conducted in accordance with the European two-tier system with a Chief Executive Officer (CEO), who is subordinate to the Board of Directors, who are in turn elected by the Annual General Meeting (AGM).

The following Directors elected at the AGM on 12 May 2011 served during the year and subsequently, unless otherwise stated:

| | |
|---|---|
| Anders Ström | Chairman |
| Nigel Cooper | Non-executive Deputy Chairman |
| Kristofer Arwin | Non-executive |
| Peter Boggs | Non-executive |
| Peter Lindell | Non-executive |
| Stefan Lundborg | Non-executive |

Anders Ström, Kristofer Arwin, Peter Boggs, Nigel Cooper, Peter Lindell and Stefan Lundborg will seek re-election at the forthcoming AGM.

The emoluments and interests of the Directors are shown on page 53.

The Board of Directors of Unibet Group plc is collectively responsible for the success of the Group and for its corporate governance and aims to provide entrepreneurial leadership of the Group within a framework of prudent and effective financial controls that enable risk to be assessed and managed.

As outlined on pages 44 to 45 the Board comprises the Chairman and five Directors, of which all are independent Non-executive Directors. The Swedish Code identifies the fundamental importance of independent Non-executive Directors in ensuring the objective balance of a Board, and sets out criteria to be considered in determining the independence of Non-executive Directors. In accordance with Provision 4.4 of the Code, the Board considers Kristofer Arwin, Peter Boggs, Nigel Cooper, Peter Lindell and Stefan Lundborg to be independent Non-executive Directors. Anders Ström is Chairman of the Board and also fulfilled extra responsibilities as Working Chairman and Chairman of Kambi during 2011.

Brief résumés of the Board and CEO can be found on page 45.

To ensure effectiveness, the Board's composition brings together a balance of skills and experience appropriate to the requirements of the business. The composition of the Board and recommendations for the appointment of Directors are dealt with by the Nomination Committee and its activities are set out on page 48.

The Board is responsible to the shareholders for the Group's overall strategy and direction and it usually meets every second month throughout the year.

A formal schedule sets out those matters specifically reserved for the Board and its Committees. Those matters include decisions on Group strategy and direction, acquisitions, disposals and joint ventures, capital structure, material contracts, corporate governance and Group policies.

The number of Board and Committee meetings attended by each of the Directors during the year can be seen in the table on the following page.

The Board has a standard agenda, including receiving and considering reports from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on the Group's operational performance, finances, ongoing strategy and risk profile, all of which are considered at the meetings. Where appropriate, matters are delegated to the Audit, Nomination and Remuneration Committees, and reports on their activities are included within this corporate governance statement.

### The working procedures of the Board of Directors

The Board of Directors has adopted written instructions for the CEO. The roles of the Chairman and the CEO have been established in writing to ensure the clear division of responsibilities, and this has been agreed by the Board. At least once a year the Board of Directors will review the strategy and visit the Group's different office locations. Normally the Board has a short meeting without the management, CEO or CFO in conjunction with each Board meeting.

The Chairman, supported by the Deputy Chairman, is responsible for: the leadership of the Board; setting its agenda and taking full account of the issues and concerns of all Board members; ensuring effective communication with shareholders; taking the lead on Director induction and development; encouraging active engagement by all Directors; and ensuring that the performance of individuals and of the Board as a whole, and its Committees, is evaluated at least once a year.

The Chairman ensures that the Board is supplied with accurate, timely and clear information. Directors are encouraged to update their knowledge and familiarity with the Group through meetings with Senior Management. There is an induction process for Non-executive Directors.

The company secretary is also responsible for advising the Board, through the Chairman, on all corporate governance matters. Directors are encouraged to seek independent or specialist advice or training at the Group's expense where this will add to their understanding of the Group in the furtherance of their duties.

In accordance with Provision 8.1 of the Code, the Board has a process to formally evaluate its own performance and that of its Committees. The performance of the Board and its Committees has been the subject of Board discussion, led by the Chairman, to consider effectiveness against performance criteria and potential risks to performance. The performance evaluations of the Board have been structured in such a way as to ensure a balanced and objective review of Directors' performance by using a system of questionnaires intended to stimulate discussion of factors including performance and commitment.

Following these performance reviews, the Chairman is responsible for ensuring that the appropriate actions are taken. The evaluations provide a feedback mechanism to the Nomination Committee and have helped in identifying Board performance objectives, as well as individual actions such as training.

### Remuneration and Directors and Officers Liability insurance

The Annual General Meeting establishes the principles and the maximum amount of the Directors' fees. Employees cannot receive Director's fees. A Director can, during a short period of time, supply consultancy services, but only if this is more cost-effective and better than any external alternative. Any such consultancy fee is disclosed on page 53 in the Annual Report. None of the Directors holds share options issued by the Company. Unibet has taken out Directors and Officers Liability insurance covering the risk of personal liability for their services to the Group. Cover is in place for an indemnity level of GBP 1 million.

### Board and Committee meeting attendance

| Name | Full Board | Audit Committee | Legal Committee | Nomination Committee | Remuneration Committee |
|---|---|---|---|---|---|
| Kristofer Arwin | 10 | 4 | – | – | – |
| Peter Boggs | 10 | – | – | – | – |
| Nigel Cooper | 10 | 4 | – | – | – |
| Peter Lindell | 10 | – | 3 | – | 4 |
| Stefan Lundborg | 10 | – | – | – | 4 |
| Anders Ström, Chairman | 10 | – | 3 | 5 | – |

### Audit Committee report

The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management, and the appointment of auditors. The role of the Committee is set out in its written terms of reference.

The Committee, which met four times during the year to review the interim reports etc, comprises two independent Non-executive Directors; Kristofer Arwin and Nigel Cooper. The Committee is chaired by Nigel Cooper, a senior finance professional who has extensive accounting and financial management expertise. Where appropriate, the Committee consulted with the Chairman of the Board, the Chief Executive Officer, CEO, and the Chief Financial Officer, CFO, regarding their proposals. The external auditors also attended all of the meetings.

Responsibilities include monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance. The Committee has reviewed the Group's financial statements and formal announcements relating to the Group's financial performance before their presentation to the Board. In doing so, it considered accounting policies, areas of judgment or estimation, and reporting requirements, as well as matters brought to their attention by the external auditors. Formal risk management reports were presented to two meetings of the Audit Committee during the year by the Group Security Officer.

The Committee is also responsible for reviewing the Group's systems of internal control and risk management, and determines the scope of work undertaken by the CFO, the Group Regulatory Compliance Officer, the Group Security Officer and the Chief Operating Officer, COO, of Kambi. It receives reports from the CFO, with whom the results are discussed on a regular basis. The Group Regulatory Compliance Officer and the Group Security Officer report to the Audit Committee as required.

The Committee remains satisfied that the controls in place, and the review process overseen by the CFO, the Group Regulatory Compliance Officer, the Security Officer and the Kambi COO, are effective in monitoring the established systems.

The Committee is responsible for making recommendations to the Board in relation to the appointment of external auditors. It is responsible for monitoring the independence and objectivity of the external auditors, and for agreeing the level of remuneration and the extent of non-audit services.

During the year, PricewaterhouseCoopers (Malta) and PricewaterhouseCoopers LLP (UK) (PwC), reported to the Committee on their audit strategy and the scope of audit work. The Committee has reviewed the performance of PwC and the level of non-audit fees paid to PwC during the year. These are disclosed in Note 4 on page 66. The provision of non-audit services, except tax compliance and routine taxation advice, must be referred to the Committee where it is likely to exceed a pre-determined threshold of GBP 50,000. Any work that falls below that threshold must be pre-approved by the CFO. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

The Committee is also responsible for ensuring that an effective whistle-blowing procedure is in place.

The Board remains satisfied that the Group's systems of internal control and risk management, together with the work of the CFO, the Group Regulatory Compliance Officer and the Security Officer and the Kambi COO, is effective in monitoring, controlling and reporting the Group's risks. While Unibet has not established a separate internal audit department, the functions carried out by the CFO, the Group Regulatory Compliance Officer and the Group Security Officer on behalf of the Audit Committee cover a similar scope of activities. The Audit Committee and management believe it is now appropriate for Unibet to establish a separate internal audit function.

### Nomination Committee report

The main responsibilities for the Nomination Committee are to review the structure, size and composition of the Board. The Nomination Committee is responsible for identifying and nominating candidates to fill Board vacancies as and when they arise. The Nomination Committee has written Terms of Reference to lead the process for Board appointments and make recommendations to the AGM thereon.

The Nomination Committee met five times for the 2011 AGM. At the AGM on 12 May 2011, it was decided that the Nomination Committee for the AGM 2012 shall consist of the Chairman of the Board and representatives from at least four other of the largest shareholders in the Company at the end of the third quarter 2011. The Nomination Committee shall appoint as its chairman the representative of the largest shareholder in terms of voting rights.

The Nomination Committee for the 2012 AGM consists of Anders Ström, Chairman; Evert Carlsson, Swedbank Robur Fonder; Jesper Bonnivier, Länsförsäkringar Fondförvaltning and Ulf Strömsten, Catella Fondförvaltning. Anders Ström is also Chairman of the Board.

### Remuneration Committee report

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 52 to 53.

## Communication with investors

In the interests of developing a mutual understanding of objectives, the Investor Relations manager has met regularly with institutional investors to discuss the publicly disclosed performance of the Group and its future strategy. Institutional investors have also been able to meet the CEO, the CFO, line managers and other key persons of the Group.

The Board is kept informed of shareholder views and correspondence. Corporate and financial presentations are regularly made to fund managers, brokers and the media, particularly at the announcement of interim and year end results. Links to webcast presentations are published on the Group's website. All shareholders are invited to attend the AGM, where they have the opportunity to put questions to the Directors, including the Chairmen of Board Committees.

At the AGM, separate resolutions are proposed for each substantially different issue to enable all of them to receive proper and due consideration. Notice of the AGM and related papers are posted on the Group's website between four and six weeks in advance of the meeting. Further information on the activities of the Group and other shareholder information is available via the Unibet Group's corporate website, www.unibetgroupplc.com.

## The Board of Directors' report on internal control over financial reporting for the financial year 2011

### Introduction

According to the Maltese Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been prepared according to the Swedish Code of Corporate Governance Provisions 7.4 and is accordingly limited to internal control over financial reporting. This report, which has not been reviewed by the auditors, is not part of the formal financial statements.

### Description

a. Control environment

The Directors have ultimate responsibility for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

b. Risk assessment

The Executive management group is responsible for reviewing risks, and for identifying, evaluating and managing the significant risks applicable to their respective areas of business. Risks are reviewed and assessed on a regular basis by the Group Regulatory Compliance Officer, the Security Officer, the Audit Committee and the Board. The effectiveness of controls is considered in conjunction with the range of risks and their significance to the operating circumstances of individual areas of the business.

c. Control activities

The Board is responsible for all aspects of the Group's control activities.

The Audit Committee assists the Board in its review of the effectiveness of internal controls and is responsible for setting the strategy for the internal control review. In doing so, it takes account of the organisational framework and reporting mechanisms embedded within the Group, and the work of the Group Regulatory Compliance Officer and the Group Security Officer.

Working throughout the Group, the role of the Group Regulatory Compliance Officer and the Group Security Officer is to identify, monitor and report to the Board on the significant financial and operating risks faced by the Group to provide assurance that Unibet meets the highest standards of corporate governance expected by its stakeholders.

d. Information and communication

The Board receives regular formal reports from Executive management concerning the performance of the business, including explanations for material variations from expected performance and assessments of changes in the risk profile of the business that have implications for the system of internal control. In particular the Board receives direct periodic reports from the General Counsel, the Group Regulatory Compliance Officer and the Group Security Officer.

The Board also takes account of the advice of the Audit Committee, reports received from the external auditors, and any other related factors which come to its attention.

e. Monitoring

Further information concerning the activities of the Audit Committee in relation to the monitoring of Unibet's internal controls, including the annual evaluation of the requirement to implement a special internal audit function and review of the financial reports published quarterly, is contained in the Audit Committee Report on page 48.

On behalf of the Board
Malta, 19 March 2012

**Anders Ström**
Chairman and Director

**Peter Lindell**
Director

### Statement of Compliance with the Swedish Code of Corporate Governance

Unibet does not comply with Provision 2.4 of the Code since Anders Ström is both Chairman of the Board of Directors and Chairman of the Nomination Committee. However, this procedure to nominate the Nomination Committee was decided by shareholders at the 2011 AGM.

Unibet does not comply with Provision 7.3 of the Code, which requires the Audit Committee to have at least three members. Unibet considers that the Audit Committee as presently constituted is effective in meeting the requirements of the EU's 8th Company Law Directive.

No separate auditors' report on the corporate governance is required under the Maltese regulations since the Corporate Governance statement is being prepared in line with principles of the Swedish Code.

With the exception of the matters noted above, the Directors believe that they are in compliance with the Swedish Code of Corporate Governance.

# DIRECTORS' REPORT

**The Directors present their Annual Report on the affairs of the Group, together with the audited financial statements and auditors' report, for the year ended 31 December 2011.**

### Principal activities

Unibet is an online gaming business, with over 6.2 million registered customers worldwide as at 31 December 2011, and is one of the largest independent publicly-quoted online gaming operators in the European market.

Unibet offers sports betting, live betting, poker, casino and games on unibet.com, unibet.it and unibet.fr. Through the Maria brand, Unibet offers bingo, lotteries, poker, casino and games on maria.com. Unibet also offers Sportsbook services to business customers through its separate B2B entity, Kambi Sports Solutions, kambi.com.

The customer base spans more than 100 countries. While Unibet's core markets are in Europe, it addresses global markets, excluding only territories that Unibet has consistently blocked for legal reasons, such as the USA, Turkey and similar markets.

The internet is the main distribution channel for Unibet's products, although sports bets can be placed via Unibet's websites or increasingly via wireless devices.

On average, the Unibet Group handles over 600,000 transactions every day (including bets, deposits and withdrawals) and has between 8,000 and 10,000 offerings on major international and local sporting events every day.

The principal subsidiaries and associated undertakings which affect the results and net assets of the Group in the year are listed in Note 13 to the financial statements.

### Results and dividends

The consolidated income statement is set out on page 54 and shows the result for the year. The profit after tax was GBP 35.5 (2010: GBP 32.4) million.

In order to make the dividend policy more transparent and clear for share owners, the Unibet Board of Directors has adopted a revised dividend policy which is linked to cash flow generated by the business, instead of net income as this is more closely aligned to the investment cycle of the business.

Unibet's former dividend policy was to pay a dividend of up to 75 per cent of the Group's net income after tax to the shareholders, provided that other financial objectives were met and an appropriate capital structure was maintained.

The Unibet Board of Directors revised dividend policy, adopted from November 2011, is to pay a dividend and/or share buy backs of up to 50 per cent of the Group's free cash flow (being cash flow from operations, adjusted for movements in working capital, capital investments and tax payments).

In addition to the above dividend, which would normally be expected to be in the form of annual cash dividends, the Board can also decide to distribute one-off dividends or execute share buy back, where management and the Board consider that the Company has generated surplus cash that it does not require either to fund its normal operations, acquisitions or other corporate development projects.

When considering both regular and one-off distributions, the Board will take into account the overall requirement to ensure that an appropriate capital structure is maintained.

### Dividend for 2011

The Board of Directors proposes a dividend of GBP 0.580 (0.425) per share/SDR, which is approximately SEK 6.09 (4.48) with the exchange rate 10.50 GBP/SEK at 14 February 2012 per ordinary share, to be paid to holders of ordinary shares and SDRs. If decided by the AGM, the dividend is expected to be distributed on 21 May 2012 and amounts to a total of GBP 16.0 (11.8) million which is approximately 50 per cent of the Group's free cash flow for 2011 and in line with the dividend policy.

### Dividend for 2010

Earlier in 2011 the Board of Directors proposed to the 2011 AGM not to pay a dividend for the financial year 2010 to give the Board flexibility to consider strategic opportunities including acquisitions. The Board also said that the cash reserve may be distributed at a later stage should the opportunities not materialise.

During 2011, Unibet evaluated several opportunities including acquisitions, including the Solfive Group that was acquired in November. The Board decided at the start of November 2011 that the cash reserve being built up combined with the Group's strong profitability and cash flow gave the Board a possibility to pay out a dividend of GBP 0.425 per share/SDR which was equivalent to approximately SEK 4.48 on the payment date of 10 November 2011.

Combined with the share buy backs of GBP 4.64 million executed in the third quarter of 2011 detailed on page 42, the dividend of GBP 11.76 million made the total distribution to shareholders GBP 16.4 million for the year. The total distribution is, therefore, approximately 50 per cent of Unibet's free cash flow for 2010.

No dividend was paid on the shares/SDRs held by the Company as a result of the share buy back programme.

### Business review

**Significant events during the year 2011**

On 20 April 2011, the GBP 7.1 million outstanding balance of the Revolving Credit Facility was repaid, which meant that Unibet was debt free for the rest of the year.

On 11 May 2011, Unibet's B2B provider Kambi Sports Solutions entered into a two-year agreement with Interwetten to operate Kambi's Supertoto and Superscore Pool Betting products.

On 30 June 2011, Kambi's first external customer Paf went live with the new Kambi platform for sports betting.

On 9 August 2011, Unibet launched sports betting and casino in the Italian market on unibet.it.

On 10 August 2011, Unibet Board of Directors decided to start exercising the buy back mandate which was received at the Annual General Meeting on 12 May 2011. During the third quarter 2011, 387,717 SDRs were purchased for a total of SEK 49.0 million (GBP 4.6 million) at an average price of SEK 126.4 per SDR.

On 17 October 2011, Unibet submitted an application to the Danish Gambling Authority for a licence to provide sports betting and online casino from 1 January 2012. Unibet was awarded the licence on 15 December 2011.

On 25 October 2011, Kambi, the B2B division of the Unibet Group, went live with Kambi's Pool Betting products Supertoto and Superscore on Paf.

On 2 November 2011, Unibet Board of Directors decided to pay out a cash dividend of GBP 0.425 per share and revised the dividend policy as described above. The dividend was distributed by Euroclear Sweden AB on payment date 10 November 2011.

On 15 November 2011 Unibet signed an agreement to acquire the Solfive Group. Unibet accordingly re-entered the French market on 12 December 2011 when the acquisition was finalised.

On 7 December 2011, Unibet's B2B provider Kambi Sports Solutions entered into an agreement with AsianLogic to operate Kambi's Supertoto and Superscore Pool Betting products.

On 16 December 2011, Unibet signed a new Revolving Credit Facility agreement of EUR 30 million with a leading European bank to replace the one already in existence. Although the facility was not utilised in the year, it provides Unibet with flexible financing for operations and future strategic projects.

**Significant events after the year end**
On 1 January 2012, Unibet launched unibet.dk and mariacasino.dk on the Danish market.

On 2 January 2012, Unibet launched unibet.fr on the French market.

On 7 February 2012, Unibet signed an agreement to acquire Betchoice Corporation Pty Ltd, one of Australia's leading independent online corporate bookmakers. Betchoice operates a range of sports and racing betting products in the Australian market through its website, www.betchoice.com. The acquisition was finalised on 29 February 2012.

On 8 February 2012, Unibet received a Belgian sports betting licence in accordance with the New Belgian Gaming Act with the aim to provide its services in conformity with Belgian law.

On 8 February 2012, a Swedish customer won EUR 7.6 million on a Unibet jackpot game. This was the biggest win ever at Unibet and the fifth player to join the exclusive 'millionaire's club' since 2009.

A detailed Financial Review is set out on pages 34 to 35.

For further information on risk management, refer to page 22 to 25 and Notes 2C and 2D on pages 62 to 63.

## Future developments
Although conscious of the potential impact of the macroeconomic situation in Unibet's core markets, the Directors are confident in the Group's trading and financial prospects for the forthcoming financial year.

## Directors and their interests
The following Directors elected at the AGM on 12 May 2011 served during the year and subsequently, unless otherwise stated:

| | |
|---|---|
| Anders Ström | Chairman |
| Kristofer Arwin | Non-executive |
| Peter Boggs | Non-executive |
| Nigel Cooper | Non-executive |
| Peter Lindell | Non-executive |
| Stefan Lundborg | Non-executive |

Anders Ström, Kristofer Arwin, Peter Boggs, Nigel Cooper, Peter Lindell and Stefan Lundborg will seek re-election at the forthcoming AGM.

The interests of the Directors are shown on page 53.

## Research and development
The Group capitalises certain expenditure when it relates to the development of the core IT platform of the business. During the year the Group capitalised GBP 10.8 (2010: GBP 5.2) million of development expenditure, and expensed GBP 10.4 (2010: GBP 6.9) million.

## Employees
Unibet is committed to equality of opportunity in all aspects of employment including recruitment, training and benefits whatever the gender, marital status, gender reassignment status, disability, race, national origin, ethnic origin, colour, nationality, sexual orientation, religion, belief or age of an employee, considering only the individual's aptitudes and abilities and the requirements of the job.

Unibet also complies with all applicable national and international laws within human and labour rights in the locations in which it operates. These include but are not limited to minimum age, minimum salary, union rights and forced labour as well as United Nation's Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption and the Universal declaration on human rights.

The Group recognises the importance of ensuring employees are kept informed of the Group's performance, activities and future plans.

Comment on environmental and community issues has been included in the Corporate Responsibility section on pages 36 to 39.

## Statement of Directors' responsibilities for the financial statements
The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Unibet Group plc for the year ended 31 December 2011 are included in the Annual Report and Accounts 2011, which is published in hard-copy printed form and may be made available on the parent company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

## Disclosure of information to the auditors
So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Independent auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

On behalf of the Board
Malta, 19 March 2012

**Anders Ström**
Chairman and Director

**Peter Lindell**
Director

# REMUNERATION COMMITTEE REPORT

**The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the Board. The purpose is to support the strategic aims of the business and shareholder interest, by enabling the recruitment, motivation and retention of key employees, while complying with the requirements of regulatory and governance bodies.**

The Committee's report, which is unaudited, except where indicated, is set out below.

### The Committee

The Committee held four meetings during 2011, all chaired by Peter Lindell. In all of the meetings Peter Lindell and Stefan Lundborg participated.

### Remuneration policy

The policy of the Board is to attract, retain and motivate the best managers by rewarding them with competitive compensation packages linked to the Group's financial and strategic objectives. The compensation packages need to be fair and reasonable in comparison with companies of a similar size, industry and international scope. The components of remuneration for executive managers comprise base salary, benefits, performance related salary and long-term incentives.

The members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

### The remuneration packages of Senior Managers

Senior Managers receive base salaries based on position, responsibilities, performance and skills. The base salary is a fixed amount payable monthly which is reviewed annually in March.

Benefits are based on the requirements of the country where the manager is employed.

The performance related salary is designed to support key business strategies and financial objectives and create a strong, performance-orientated environment. The performance targets are reviewed annually and are based on both quantitative and qualitative goals. The payout is conditional upon the Company achieving set financial targets. Thereafter, individual targets are mainly linked to financial objectives such as gross winnings revenue and EBITDA. There is also a part which is based on delivery of specific projects and business critical processes. Achievement of targets is assessed on an annual basis. The amount of potential variable pay compared to basic salary varies depending on position and situation, but is in general less than half the amount of the basic salary. All variable elements have a limit, which means that they cannot exceed a predetermined amount.

Under the standard annual cycle of bonuses for the CEO and executive management, formal approval and payment of bonuses is typically completed after the publication of the Annual Report. Remuneration reported in the table on the page opposite is the remuneration paid during 2011.

Participation in long-term incentive schemes is based on position in the Company, performance and country of residence. Equity awards through option schemes are granted under the terms of the Unibet Share Option Scheme, and are linked to the performance of the Group to further align senior management's interests with those of the shareholders. All the 837,506 share options outstanding at 31 December 2011 may generally only be exercised if the holder is employed by the Unibet Group at the date of exercise. Exceptions are made in special circumstances.

### Remuneration of the Board of Directors

All Board Directors are elected, as appropriate, at the AGM and the remuneration is recommended by the full Board, conditional upon approval at the AGM.

The Group does not operate any form of executive retirement benefits or pension scheme, and thus no contributions are made in respect of any Director. All Directors have rolling service contracts without notice periods. The auditors are required to report on the information contained in the following two sections of this report on Directors' Remuneration.

During 2010, Anders Ström agreed to step into a temporary role as Working Chairman, in order to support the new CEO and management team. Given the smooth transition and the strong performance of the business, Mr Ström together with the Board decided that these additional responsibilities should end at 31 December 2011. Mr Ström has therefore returned to his original role as Non-Executive Chairman subsequent to the year end.

During 2011 Stefan Lundborg provided consulting services to three subsidiaries of Unibet on three separate projects and Peter Boggs provided consulting services to a subsidiary on one project.

## Total emoluments (audited)

All information concerning emoluments and interests of the Directors is presented on the basis of continuity from the date of their appointment to the Board of Directors of the Unibet Group plc. Total emoluments of the Board of Directors and executive managers who served during the year are set out below.

The closing price of the Company's SDRs at 31 December 2011 was SEK 159, and it ranged from SEK 108.75 to SEK 159 during 2011.

| | Fees/salary GBP 000 | Other | 2011 Total GBP 000 | 2010 Total GBP 000 |
|---|---|---|---|---|
| **Directors** | | | | |
| Anders Ström, chairman[1] | 160.0 | – | 160.0 | 99.0 |
| Kristofer Arwin | 40.0 | – | 40.0 | 40.0 |
| Peter Boggs | 30.0 | 7.5 | 37.5 | 30.0 |
| Nigel Cooper | 63.3 | – | 63.3 | 33.3 |
| Peter Lindell | 40.8 | – | 40.8 | 45.3 |
| Stefan Lundborg | 35.8 | 51.9 | 87.7 | 22.3 |
| Daniel Johannesson[2] | – | – | – | 33.9 |
| Staffan Persson[2] | – | – | – | 13.9 |
| | **369.9** | **59.4** | **429.3** | **317.7** |
| **Executive management** | | | | |
| Henrik Tjärnström, CEO from 20 July 2010 | 372.5 | – | 372.5 | 112.5 |
| Petter Nylander, CEO until 20 July 2010 | – | – | – | 201.8 |
| Executive management | 999.9 | 3.3 | 1,003.2 | 760.4 |
| **Total** | **1,742.3** | **62.7** | **1,805.0** | **1,074.7** |

1. Anders Ström's salary from 2006 to 2009 remains undrawn.
2. Daniel Johannesson and Staffan Persson resigned at the AGM on 6 May 2010.

## Directors' interests (audited)

The Directors' and Executive managements' beneficial interests in the shares/SDRs of Unibet Group plc as at 31 December 2011 are set out below:

| | Ordinary shares SDRs 31 December 2011 | Ordinary shares/SDRs at 31 December 2010 | Share options at 31 December 2011 | Share options at 31 December 2010 |
|---|---|---|---|---|
| **Directors** | | | | |
| Kristofer Arwin | 500 | 500 | – | – |
| Peter Boggs | 13,100 | 13,100 | – | – |
| Nigel Cooper | 3,000 | 3,000 | – | – |
| Peter Lindell | 542,570 | 542,570 | – | – |
| Stefan Lundborg | 6,000 | – | – | – |
| Anders Ström | 2,950,000 | 2,950,000 | – | – |
| | **3,515,170** | **3,509,170** | **–** | **–** |
| **Executive management** | | | | |
| CEO | 25,000 | 20,000 | 170,638 | 134,625 |
| Executive management | 17,100 | 20,100 | 187,153 | 266,510 |
| **Total** | **3,557,270** | **3,549,270** | **357,791** | **401,135** |

## Performance graph

Shown on page 43 is a performance graph that compares the Total Shareholder Return (TSR) of Unibet SDRs with the OMX Stockholm Price Index, this being the index where Unibet is listed and therefore the most appropriate comparison.

TSR is defined as the return shareholders would receive if they held a notional number of shares and received dividends on those shares over a period of time.

**Peter Lindell**
Chairman
Remuneration Committee

# CONSOLIDATED INCOME STATEMENT

| GBP 000 | Note | Year ended 31 December 2011 | Year ended 31 December 2010 |
|---|---|---|---|
| Gross winnings revenue | 3 | **154,396** | 147,479 |
| Cost of sales | 4 | **-15,260** | -18,486 |
| **Gross profit** | | **139,136** | **128,993** |
| | | | |
| Marketing costs | 4 | **-35,359** | -34,113 |
| Administrative expenses | 4 | **-64,995** | -60,663 |
| **Profit from operations** | 3 | **38,782** | **34,217** |
| | | | |
| Finance costs | 6 | **-856** | -472 |
| Finance income | 7 | **278** | 169 |
| Share of loss from associate | 13 | **-101** | -101 |
| **Profit before tax** | | **38,103** | **33,813** |
| | | | |
| Income tax expense | 8 | **-2,632** | -1,431 |
| **Profit after tax** | | **35,471** | **32,382** |

All the above amounts relate to continuing operations and are wholly attributable to equity shareholders.

### Key ratios

| | Note | 2011 | 2010 |
|---|---|---|---|
| Operating margin % (Profit from operations/gross winnings revenue for the year) | | **25** | 23 |
| Return on total assets % (Profit after tax/average of opening and closing assets for the year) | | **16** | 15 |
| Return on average equity % (EBIT/average of opening and closing equity for the year) | | **26** | 26 |
| Equity: asset ratio % | | **68** | 65 |
| EBITDA margin % | | **31** | 30 |
| Net cash/EBITDA (rolling 12-month basis) | | **0.30** | 0.26 |
| Employees at year end | | **572** | 493 |
| Earnings per share GBP | 10 | **1.270** | 1.154 |
| Fully diluted earnings per share GBP | 10 | **1.270** | 1.153 |
| Number of shares at year end | 20 | **28,258,038** | 28,258,038 |
| Fully diluted number of shares at year end | | **28,292,637** | 28,268,771 |
| Average number of shares | 10 | **27,920,660** | 28,062,245 |
| **Average number of diluted shares** | 10 | **27,920,660** | 28,088,435 |

More detailed definitions can be found on page 79.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| GBP 000 | Year ended 31 December 2011 | Year ended 31 December 2010 |
|---|---|---|
| Profit for the year | **35,471** | 32,382 |
| | | |
| **Other comprehensive income** | | |
| Currency translation adjustments taken to equity | **-2,240** | 5,859 |
| **Total comprehensive income for the year** | **33,231** | **38,241** |

Profit and total comprehensive income relate to continuing operations and are wholly attributable to equity holders.

The translation adjustment relates primarily to foreign currency retranslation of goodwill and acquired intangibles and the net investment in the subsidiaries, to the closing exchange rate for each year.

# CONSOLIDATED BALANCE SHEET



| GBP 000 | Note | As at 31 December 2011 | As at 31 December 2010 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 11 | **131,251** | 127,197 |
| Other intangible assets | 11 | **34,530** | 26,299 |
| Investment in associate | 13 | **1,282** | 1,362 |
| Property, plant and equipment | 12 | **3,820** | 2,572 |
| Deferred tax asset | 18 | **556** | 293 |
| | | **171,439** | **157,723** |
| **Current assets** | | | |
| Trade and other receivables | 15 | **10,699** | 11,926 |
| Taxation recoverable | | **9,367** | 10,220 |
| Cash and cash equivalents | 26 | **41,806** | 38,495 |
| | | **61,872** | **60,641** |
| **Total assets** | | **233,311** | **218,364** |
| | | | |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 20 | **141** | 141 |
| Share premium | 20 | **74,044** | 74,044 |
| Currency translation reserve | 20 | **13,540** | 15,780 |
| Reorganisation reserve | 20 | **-42,889** | -42,889 |
| Retained earnings | | **114,315** | 94,719 |
| **Total equity attributable to the owners** | | **159,151** | **141,795** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liability | 18 | **818** | 783 |
| | | **818** | **783** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **31,868** | 26,489 |
| Customer balances | 16 | **27,503** | 27,191 |
| Deferred income | 14 | **1,395** | 1,536 |
| Tax liabilities | | **12,576** | 13,685 |
| Borrowings | 17 | **–** | 6,885 |
| | | **73,342** | **75,786** |
| **Total liabilities** | | **74,160** | **76,569** |
| **Total equity and liabilities** | | **233,311** | **218,364** |

The official closing middle rate of exchange applicable between the presentation currency and the euro issued by the Central Bank of Malta as at 31 December 2011 was 1.1972.

The notes on pages 58 to 77 are an integral part to these financial statements.

The financial statements on pages 54 to 77 were authorised for issue by the Board of Directors on 19 March 2012 and were signed on its behalf by:

**Anders Ström**
Chairman and Director

**Peter Lindell**
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| GBP 000 | Note | Share capital | Share premium | Currency translation reserve | Reorganisation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 1 January 2010 | | 141 | 74,044 | 9,921 | -42,889 | 81,517 | 122,734 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | – | – | – | – | 32,382 | 32,382 |
| **Other comprehensive income** | | | | | | | |
| Foreign exchange differences on the translation of net equity investments in foreign enterprises | | – | – | -616 | – | – | -616 |
| Translation adjustment on goodwill and acquired intangibles | 11 | – | – | 6,475 | – | – | 6,475 |
| | | – | – | 5,859 | – | – | 5,859 |
| **Total other comprehensive income** | | **–** | **–** | **5,859** | **–** | **32,382** | **38,241** |
| Transactions with owners | | | | | | | |
| Share options – value of employee services | 19 | – | – | – | – | 425 | 425 |
| Disposal of treasury shares | 20 | – | – | – | – | 323 | 323 |
| Dividend paid | 9 | – | – | – | – | -19,928 | -19,928 |
| **Total transactions with owners** | | **–** | **–** | **–** | **–** | **-19,180** | **-19,180** |
| **At 31 December 2010** | 20 | **141** | **74,044** | **15,780** | **-42,889** | **94,719** | **141,795** |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | – | – | – | – | 35,471 | 35,471 |
| **Other comprehensive income** | | | | | | | |
| Foreign exchange differences on the translation of net equity investments in foreign enterprises | | – | – | -392 | – | – | -392 |
| Translation adjustment on goodwill and acquired intangibles | 11 | – | – | -1,848 | – | – | -1,848 |
| | | – | – | -2,240 | – | – | -2,240 |
| **Total other comprehensive income** | | **–** | **–** | **-2,240** | **–** | **35,471** | **33,231** |
| **Transactions with owners** | | | | | | | |
| Share options – value of employee services | 19 | – | – | – | – | 496 | 496 |
| Treasury share buy back | 20 | – | – | – | – | -4,635 | -4,635 |
| Disposal of treasury shares | 20 | – | – | – | – | 28 | 28 |
| Dividend paid | 9 | – | – | – | – | -11,764 | -11,764 |
| **Total transactions with owners** | | **–** | **–** | **–** | **–** | **-15,875** | **-15,875** |
| **At 31 December 2011** | 20 | **141** | **74,044** | **13,540** | **-42,889** | **114,315** | **159,151** |

The notes on pages 58 to 77 are an integral part to these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT



| GBP 000 | Notes | Year ended 31 December 2011 | Year ended 31 December 2010 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit from operations | | **38,782** | 34,217 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 12 | **1,720** | 1,714 |
| Amortisation of intangible assets | 11 | **7,478** | 7,833 |
| Loss on disposal of property, plant and equipment | 12 | **35** | 34 |
| Loss on sale of subsidiaries | 21 | **–** | 279 |
| Share-based payment | 19 | **496** | 425 |
| Decrease/(increase) in trade and other receivables | | **1,749** | -2,388 |
| (Decrease)/increase trade and other payables, including customer balances | | **-444** | 2,631 |
| **Cash flows from operating activities** | | **49,816** | **44,745** |
| Income taxes paid net of tax refunded | | **-3,125** | -2,076 |
| **Net cash generated from operating activities** | | **46,691** | **42,669** |
| | | | |
| **Investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired and debt assumed | 21 | **-3,298** | -163 |
| Investment in associate | 13 | **–** | -1,484 |
| Interest received | 7 | **278** | 169 |
| Interest paid | | **-636** | -982 |
| Purchases of property, plant and equipment | 12 | **-2,875** | -1,303 |
| Purchases of intangible assets | 11 | **-11,884** | -6,179 |
| **Net cash used in investing activities** | | **-18,415** | **-9,942** |
| | | | |
| **Financing activities** | | | |
| Dividends paid | 9 | **-11,764** | -19,928 |
| Disposal of treasury shares | 19, 20 | **28** | 323 |
| Treasury share buy back | 20 | **-4,635** | – |
| Repayment of borrowings | 17 | **-7,095** | -13,995 |
| **Net cash used in financing activities** | | **-23,466** | **-33,600** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,810** | **-873** |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | | **38,495** | **39,764** |
| | | | |
| Effect of foreign exchange rate changes | | **-1,499** | -396 |
| **Cash and cash equivalents at the end of the year** | | **41,806** | **38,495** |

The notes on pages 58 to 77 are an integral part to these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1: BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Maltese Companies Act 1995.

The consolidated financial statements have been prepared under the historical cost convention, subject to modification where appropriate by the revaluation of financial assets and liabilities at fair value through profit or loss. The individual parent financial statements have been prepared separately.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2B.

### (a) New and amended standards and interpretations effective from 1 January 2011 and adopted by the Group

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2011:

IAS 32 (amendment), 'Classification of rights issues' (effective 1 February 2010). The amendment addresses the accounting for rights issues (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Before the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issues pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. The amendment does not have a material impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The standard does not have a material impact on the Group's financial statements.

IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011). The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. The standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The standard does not have a material impact on the Group's financial statements.

IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement' (effective 1 January 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The standard does not have a material impact on the Group's financial statements.

### (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU. The amendment is not expected to have a material impact on the Group's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU. The amendment is not expected to have a material impact on the Group's financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Unibet Group plc (the Company) and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the ability to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All intercompany transactions and balances between Group companies are eliminated on consolidation. Subsidiaries are consolidated, using the purchase method of accounting, from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. All associate entities are accounted for by applying the equity accounting method. Associates are discussed further on page 60.

### Revenue recognition

Gross winnings revenue on sports betting represents the net receipt of bets placed and payouts made within the consolidated entity for the financial year. For the non-sports betting segment, gross winnings revenue equates to gross turnover.

Revenue is recognised when the amount of revenue can be measured reliably, and it is probable that future economic benefits will flow after specific criteria have been met. Where revenue can be measured reliably but transactions have not closed at balance sheet date, the revenue will be presented within the balance sheet as deferred income.

The Group considers:

i) gross winnings revenues to be financial instruments in which betting transactions are shown net, i.e. stakes (or turnover) less payouts, and

ii) the gains and losses arising as a result of customer bonuses (or Free Bets) as revenue, which is measured at the value of the consideration received or receivable from customers.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer who, subject to authorisation by the Board, makes strategic decisions.

### Leases

Unibet's leases are all operating leases (leases in which a significant portion of the risks and rewards of ownership are retained by the lessor). Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease (net of any incentive received from the lessor).

### Foreign currencies

The Group operates in Malta and in a number of international territories. The presentation currency of the consolidated financial statements is GBP since that is the currency in which the shares of the Company are denominated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Company operates; being the functional currency.

Transactions in currencies other than the functional currency of the Company in which they are recorded are initially recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year. Gains and losses related to financing, including unrealised gains and losses arising on the retranslation of the loan, are recognised within finance costs. Gains and losses arising on operations are recognised within administrative expenses.

The Group does not enter into forward contracts nor options to hedge its exposure to foreign exchange risks.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the exchange rate on the date the transaction took place. Exchange differences arising on the translation of subsidiary reserves are classified as equity and transferred to the Group's currency translation reserve.

Translation differences relating to long term non-trading inter-company balances are also included within the Group's translation reserve.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised within the currency translation reserve in equity.

### Retirement benefit costs and pensions

The Group does not operate any defined benefit pension schemes for employees or Directors. Certain Group companies do make contributions to defined contribution pension schemes for employees on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. The Group does not provide any other post-retirement benefits.

### Taxation

The tax expense represents the sum of the tax currently payable, and movements in the deferred tax provision.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax may be offset where appropriate.

### Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities acquired. Goodwill is carried at cost, less accumulated impairment losses. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity and translated at the closing rate. Adjustments arising on translation are taken to the currency translation reserve. Goodwill is allocated to cash-generating units for the purpose of testing for impairment. Impairment tests on the carrying value of goodwill are undertaken every year. Impairment losses on goodwill are not reversed.

### Other intangible assets

Expenditure on research activities is recognised at cost as an expense in the period in which it is incurred.

An internally-generated development intangible asset is recognised at cost only if all of the following criteria are met:

An asset is created that can be identified (such as a database or software).

It is probable that the asset created will generate future economic benefits.

The development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Internally-generated intangible assets are amortised on a straight-line basis over three to five years.

Intangible assets identified as a result of a business combination are dealt with at fair value in line with IAS 38, and are brought on to the consolidated balance sheet at the date of acquisition. Where they arise as a result of the acquisition of a foreign entity they are treated as assets of the acquired entity and are translated at the closing rate. Acquired intangibles include brands, customer databases and trade names which are being amortised over a period of three to five years, as the Directors believe this to be their useful economic life. The 'Maria' brand is considered to have an indefinite economic life as allowed by the standard, and is therefore not subject to amortisation, but is instead subject to an annual impairment review.

### Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring in to use the specific software. These costs are amortised over their estimated useful life of three years. Costs associated with maintaining computer software are expensed as incurred.

### Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment. In the event that non-financial assets other than goodwill suffer impairment, these non-financial assets are reviewed for possible reversal of the impairment annually.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

### Associated companies

Associates are all companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associated companies have been reported according to the equity method. This means that the Group's share of income after taxes in an associated company is reported as part of the Group's income. Investments in such a company are reported initially at cost, increased, or decreased to recognise the Group's share of the profit or loss of the associated company after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains or losses on transactions with associated companies, if any, have been recognised to the extent of unrelated investors' interests in the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost, less the estimated residual value, of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and office equipment 3 years
Fixtures and fittings 3-5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within administrative expenses in the consolidated income statement.

The residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

If any impairment is identified in the carrying value of an asset, it is written down to its recoverable amount.

## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

## Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash, and cash equivalents in the balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within gross winnings revenue.

The translation differences on monetary securities are recognised in the consolidated income statement, while translation differences on non-monetary securities are recognised in the statement of changes in equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade and other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment that is required when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the assets' carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate.

**Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification (i) financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognised in the income statement; and (ii) financial liabilities measured at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs.

The Group derecognises a financial liability from its balance sheet when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

Trade and other payables, including customer balances

Trade and other payables, including customer balances, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Deferred income

Deferred income, representing revenue which can be measured reliably but where transactions have not closed at balance sheet date, is recognised at fair value with gains or losses recognised in the income statement.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Borrowings and finance costs

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Share-based employee remuneration

The Group operates a number of equity-settled share-based compensation plans, under which Group companies receive services from employees as consideration for equity instruments (options) in Unibet. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including market performance conditions and the impact of any non-vesting conditions, and excluding the impact of any service or vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period of the options, which is usually three years.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises the estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any direct costs are credited to share capital and share premium when options are exercised.

Cash and cash equivalents, and finance income

Cash and cash equivalents includes cash in hand, deposits held at call with banks, payment solution providers and other short-term highly liquid investments with original maturities of three months or less.

Finance income is recognised on bank balances as and when it is receivable.

Dividend distribution

Dividends are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

## 2B: CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated on page 60. The recoverable amount of cash-generating units has been determined based on value-in-use calculations which require the use of estimates. See Note 11.

### Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business.

### Legal environment

The Group operates in a number of markets in which its operations may be subject to litigation risks, as highlighted on pages 40 and 41. The Group routinely makes estimates concerning the potential outcome of such risks.

## 2C: FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the Group's markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is managed by the finance team reporting through the Chief Financial Officer to the Board of Directors. The Board of Directors supervises strategic decisions, including the management of the Group's capital structure.

### Market risk

Market risk is the risk that Unibet will lose money on its business due to unfavourable outcomes on the events where the Group offers odds. The Group has adopted specific risk management policies that control the maximum risk level for each sport or event where the Group offers odds. The results of the most popular teams in major football leagues comprise the predominant market risk. Through diversification, which is a key element of Unibet's business, the risk is spread across a large number of events and sports.

The Heads of Odds compilation and Risk management are responsible for day-to-day monitoring of Unibet's market risk. It is also their responsibility to advise the odds compilers and risk managers on appropriate risk levels for certain events.

To achieve the desired risk profile, Unibet conducts proprietary trading with a small number of well-known companies.

The Compliance Officer and the Head of Sports betting jointly assess risk levels for individual events as well as from a longer-term perspective. Independent staff make random risk evaluations for the various regions.

Regarding betting on other products, Unibet does not usually incur any significant financial risk, except for the risk of fraudulent transactions considered within credit risk below.

### Foreign currency exchange risk

The Group operates internationally and in addition to GBP sterling, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish kronor, Norwegian kroner, Danish krone, and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In addition, the Group reports in GBP sterling, which is the currency in which its own share capital is denominated, although it is incorporated and trading in Malta.

The spread of the Group's operations, including material revenue and expenses denominated in many different currencies, and taking into account the fact that customers can trade with the Group in currencies other than the currency of their territory of residence, makes it impractical to isolate the impact of single currency movements on the results from operations. During 2011 the rate of exchange of the euro weakened against GBP by 3.0 per cent (from a rate of EUR 1.162 per GBP to a rate of EUR 1.197 per GBP). The rate of exchange of the Swedish kronor weakened by 2.4 per cent (from a rate of SEK 10.416 per GBP to a rate of SEK 10.669 per GBP). The main currency movements during 2011 occurred during the third quarter of the year. These movements in some of the Group's principal trading currencies contributed to the overall foreign exchange loss on operations as shown in Note 4 on page 66 and to the foreign exchange loss on the borrowings as shown on Note 6 on page 66 Additional foreign exchange disclosures are contained in Note 16 on page 71.

The Group did not hold any borrowings at the end of the financial year, so there was no currency translation exposure related to this financial liability at the end of the financial year.

### Interest rate risk

The Group interest rate risk has been managed during the year through the negotiation of fixed rates on the individual tranches of the bank borrowings. The Group did not hold any borrowings at the end of the financial year.

The substantial majority of the Group's liquid resources are held in short-term accounts in order to provide the necessary liquidity to fund the Group's operations, so there is no significant exposure to interest rate risk in respect of the Group's interest-bearing assets and liabilities.

### Credit risk

The Group manages credit risk on a group-wide basis. The Group does not in normal circumstances offer credit to any customers and therefore the only exposure to credit risk in respect of its sports betting business arises in respect of the limited trading activities that it occasionally conducts with other parties in order to lay off its exposure. Regarding betting on other products, the Group works with a small number of partners and at any time may have a small degree of credit exposure.

The principal credit risk that the Group faces in its gaming operations comes from the risk of fraudulent transactions and the resulting charge-backs from banks and other payment providers. The Group has a fraud department that is independent of its finance function that investigates each case that is reported and also monitors the overall level of such transactions in connection with changes in the business of the Group, whether in terms of new markets, new products or new payment providers.

The Group also manages credit risk by using a large number of banking and payment solution providers. See Note 2F overleaf.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding for the business. The Group ensures adequate liquidity through the management of rolling cash flow forecasts, the approval of investment decisions by the Board and the negotiation of appropriate financing facilities. As at 31 December 2011, the unused credit facility available to be drawn on was EUR 30 million (see Note 17 on page 71). The Group also monitored adherence to debt covenants that related to the Revolving Credit Facility in accordance with the conditions of those instruments, and has been fully compliant with such conditions.

The maturity of the Group's borrowings is disclosed in Note 17 on page 71. The Group's financial liabilities of GBP 59.3 (2010: 61.4) million all mature in less than one year.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. See also Notes 14 and 16 for further information on the Group's financial liabilities.

| | At 31 December 2011 | | | At 31 December 2010 | | |
|---|---|---|---|---|---|---|
| **GBP 000** | **Less than 1 year** | **Between 1-2 years** | **Between 2-5 years** | **Less than 1 year** | **Between 1-2 years** | **Between 2-5 years** |
| Bank and other borrowings | **–** | **–** | **–** | 6,885 | – | – |
| Deferred income | **1,395** | **–** | **–** | 1,536 | – | – |
| Trade and other payables (excluding non-financial liabilities) | **30,453** | **–** | **–** | 26,336 | – | – |
| Customer balances | **27,503** | **–** | **–** | 27,191 | – | – |

## 2D: CAPITAL RISK MANAGEMENT

Unibet's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure both to reduce the cost of capital and to provide appropriate funding for expansion of the business. Unibet has a consistent record of positive operating cash flows as well as significant ability to manage the timing and extent of discretionary expenditure in the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

## NOTE 2E: FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 2F: CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Since Unibet does not have significant trade receivables other than payment solution providers, the credit risk associated with its normal operations is principally in relation to fraudulent transactions as described in Note 2C overleaf.

Unibet uses a large number of banks and payment solution providers both in order to provide maximum access to markets and convenience for customers and also to ensure that credit risk in banking relationships is spread.

The credit ratings of Unibet's principal banking partners at 31 December 2011 and 2010, based on publicly reported Fitch ratings, are as follows:

| **GBP 000** | **2011** | **2010** |
|---|---|---|
| AA | **1** | 1 |
| AA- | **1,048** | 16,271 |
| A+ | **5,863** | 11,450 |
| A | **18,805** | 90 |
| A- | **23** | 608 |
| BBB+ | **559** | – |
| Not rated | **14,901** | 9,429 |
| Other | **606** | 646 |
| **Total cash and cash equivalents** | **41,806** | **38,495** |

Unibet continually monitors its credit risk with banking partners and did not incur any losses during 2011 as a result of bank failures.

'Not rated' consists of payment solution providers where credit risk is managed by maintaining a spread of Unibet funds across a number of industry established providers.

'Other' consists of a large number of banks, none of whom held more than 3 per cent of the Group's total cash and cash equivalents at 31 December 2011 and 2010.

The maximum exposure to credit risk for cash and cash equivalents, and trade and other receivables, is represented by their carrying amount.

## 3: OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the CEO and Executive management team and provided to the Board, which are used to make strategic decisions.

Management considers the business primarily from a geographic perspective, emphasising the primary role of territory management in driving the business forward. Products are an important part of Unibet's operational matrix but the product teams are considered as suppliers of products and services to the territory managers. This reflects the fact that products may be sourced both internally and externally from independent suppliers.

Where products, such as the Sportsbook, are sourced internally, it is Unibet's intention that the provision of the products and related services should be conducted on a professional basis, consistent with Unibet's strategy of offering such products on a business-to-business basis to external customers in such a way that the integrity of the offering is assured.

The reportable operating segments derive their revenues from online sports and casino, poker, and other games betting operations.

The primary measure used by the CEO and Executive management to assess the performance of operating segments is gross profit, which is defined as gross winnings revenue (net of commissions and bonuses), less cost of sales. This measurement basis excludes central overheads incurred in support of the integrated operating model applied by Unibet in order to derive maximum operational efficiency.

Unibet does not allocate such central operating and administrative expenses by segment since any allocation would be arbitrary. The measure also excludes the effects of equity-settled share-based payments, depreciation and amortisation, and finance costs and income.

Unibet operates an integrated business model and does not allocate either assets or liabilities of the operating segments in its internal reporting, except for certain acquired intangibles as shown in the tables below.

The segment information provided to the CEO and Executive management team for the reportable segments during the year ended 31 December 2011 is as follows:

| 31 December 2011<br>GBP 000 | Nordic Region | Western Europe | Central, Eastern and Southern Europe | Other | Total |
|---|---|---|---|---|---|
| Gross winnings revenue | 89,532 | 42,879 | 19,880 | 2,105 | **154,396** |
| Cost of sales | -5,782 | -3,320 | -5,220 | -938 | **-15,260** |
| **Gross profit** | 83,750 | 39,559 | 14,660 | 1,167 | **139,136** |
| | | | | | |
| Marketing costs | – | – | – | – | **-35,359** |
| Administrative expenses | – | – | – | – | **-64,995** |
| **Profit from operations** | – | – | – | – | **38,782** |
| | | | | | |
| **Assets by reportable segments** | | | | | |
| Goodwill | 53,173 | 67,171 | 10,907 | – | **131,251** |
| Intangibles acquired through business combinations | 15,374 | – | – | – | **15,374** |
| | | | | | |
| **Other assets not allocated to reportable segments** | | | | | |
| Other intangible assets | – | – | – | 19,156 | **19,156** |
| Investment in associate | – | – | – | 1,282 | **1,282** |
| Property, plant and equipment | – | – | – | 3,820 | **3,820** |
| Deferred tax assets | – | – | – | 556 | **556** |
| Trade and other receivables | – | – | – | 10,699 | **10,699** |
| Taxation recoverable | – | – | – | 9,367 | **9,367** |
| Cash and cash equivalents | – | – | – | 41,806 | **41,806** |
| | **68,547** | **67,171** | **10,907** | **86,686** | **233,311** |

### Liabilities

Liabilities are not allocated by reportable segment in the internal management reporting of Unibet.

## 3: OPERATING SEGMENTS CONTINUED

The segment information provided to the CEO and Executive management team for the reportable segments during the year ended 31 December 2010 is as follows:

| 31 December 2010<br>GBP 000 | Nordic Region | Western Europe | Central, Eastern and Southern Europe | Other | Total |
|---|---|---|---|---|---|
| Gross winnings revenue | 72,842 | 52,995 | 18,446 | 3,196 | **147,479** |
| Cost of sales | -3,820 | -4,071 | -6,095 | -4,500 | **-18,486** |
| **Gross profit** | 69,022 | 48,924 | 12,351 | -1,304 | **128,993** |
| | | | | | |
| Marketing costs | – | – | – | – | **-34,113** |
| Administrative expenses | – | – | – | – | **-60,663** |
| **Profit from operations** | – | – | – | – | **34,217** |
| | | | | | |
| **Assets by reportable segments** | | | | | |
| Goodwill | 54,486 | 61,804 | 10,907 | – | **127,197** |
| Intangibles acquired through business combinations | 16,140 | – | – | – | **16,140** |
| | | | | | |
| **Other assets not allocated to reportable segments** | | | | | |
| Other intangible assets | – | – | – | 10,159 | **10,159** |
| Investment in associate | – | – | – | 1,362 | **1,362** |
| Property, plant and equipment | – | – | – | 2,572 | **2,572** |
| Deferred tax assets | – | – | – | 293 | **293** |
| Trade and other receivables | – | – | – | 11,926 | **11,926** |
| Taxation recoverable | – | – | – | 10,220 | **10,220** |
| Cash and cash equivalents | – | – | – | 38,495 | **38,495** |
| | **70,626** | **61,804** | **10,907** | **75,027** | **218,364** |

### Liabilities

Liabilities are not allocated by reportable segment in the internal management reporting of Unibet.

### Product revenues

Gross winnings revenue by principal product groups:

| GBP 000 | 2011 | 2010 |
|---|---|---|
| Sports betting (after Free Bets) | **60,873** | 62,639 |
| Casino | **64,625** | 54,146 |
| Poker | **13,641** | 20,210 |
| Other | **15,257** | 10,484 |
| | **154,396** | **147,479** |

## 4: EXPENSES BY NATURE

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Cost of sales | **15,260** | 18,486 |
| Marketing costs | **35,359** | 34,113 |
| **Administrative expenses** | | |
| Fees payable to statutory auditor | **468** | 446 |
| Operating lease rentals | **1,524** | 1,149 |
| Depreciation of property, plant and equipment | **1,720** | 1,714 |
| Amortisation of intangibles | **7,478** | 7,833 |
| Loss on disposal of property, plant and equipment | **35** | 34 |
| Loss on sale of subsidiaries | **–** | 279 |
| Staff costs | **25,255** | 23,233 |
| Research and development expenditure | **10,383** | 6,867 |
| Foreign exchange losses on operations | **2,339** | 1,244 |
| Other | **15,793** | 17,864 |
| **Total administrative expenses** | **64,995** | 60,663 |
| **Total expenses** | **115,614** | **113,262** |

Fees payable to statutory auditor can be broken down as follows:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Annual statutory audit | **368** | 330 |
| Tax advisory and compliance services | **26** | 39 |
| Other assurance services | **74** | 77 |
| | **468** | **446** |

## 5: STAFF COSTS

The work of all employees relates principally to marketing of sports betting and other betting products (casino, poker, and other games).

| Average number of employees for the year | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Finance, administration and management | **75** | 75 |
| Marketing and customer service | **236** | 238 |
| Kambi | **153** | 123 |
| Research and development | **65** | 53 |
| | **529** | **489** |

Staff costs can be broken down as follows:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Wages and salaries | **20,891** | 19,657 |
| Share option charge – value of employee services | **496** | 425 |
| Social security costs | **3,376** | 2,713 |
| Pension costs | **492** | 438 |
| | **25,255** | **23,233** |

The remuneration of the Directors and Executive management is disclosed on page 53.

## 6: FINANCE COSTS

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Interest payable on borrowings | **390** | 954 |
| Finance costs on borrowings | **256** | 166 |
| Foreign exchange loss/(gain) on borrowings | **210** | -648 |
| | **856** | **472** |

Foreign exchange gains or losses on operating activities are included within operating costs.

## 7: FINANCE INCOME

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Interest on bank deposits | **278** | **169** |

## 8: INCOME TAX EXPENSE

| GBP 000 | Note | 31 December 2011 | 31 December 2010 |
|---|---|---|---|
| Current tax: | | | |
| Current tax on profits for the year | | **-2,851** | -2,862 |
| Deferred tax: | | | |
| Origination and reversal of temporary differences | 18 | **219** | 1,431 |
| **Total tax expense** | | **-2,632** | **-1,431** |

Income tax in Malta is calculated at a basic rate of 35 per cent (2010: 35 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Regarding the UK jurisdiction, on 23 March 2011 the UK fiscal budget announced a corporation tax rate of 26 per cent from 1 April 2011. Further changes, which are expected to be enacted separately each year, propose to reduce the tax rate by 1 per cent per annum from 26 per cent to 23 per cent by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised within taxation figures in these financial statements.

The tax expense for the year can be reconciled to the profit per the income statement as follows:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Profit before tax | **38,103** | 33,813 |
| Taxation at the basic income tax rate of 35% (2010: 35%) | **-13,336** | -11,835 |
| Effects of: | | |
| Utilisation of tax losses | **–** | 92 |
| Double-taxation relief | **–** | 82 |
| Tax refund | **9,341** | 10,219 |
| Overseas tax rates | **594** | 218 |
| Items of income/expenditure not taxable/deductible | **-403** | -2,614 |
| Other | **1,163** | 1,444 |
| Reversal of prior years' deferred tax credit | **9** | 963 |
| **Tax expense** | **-2,632** | **-1,431** |

The tax refund of GBP 9,341,000 (2010: GBP 10,219,000) represents Malta tax recoverable by the Company in accordance with applicable fiscal legislation on dividends distributed during the year.

## 9: DIVIDENDS

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Dividend paid GBP 0.425 per share (2010: GBP 0.71 per share) | **11,764** | 19,928 |

In addition, the Board of Directors is proposing a final dividend in respect of the financial year ending 31 December 2011 of GBP 0.580 per ordinary share/SDR, which will absorb an estimated GBP 16.0 million of shareholders' funds. If approved at the AGM, the dividend will be paid on 21 May 2012 to shareholders who are on the Euroclear Sweden register on 15 May 2012.

The proposed dividend represents 50 per cent of the Group's free cash flow for 2011, in line with the dividend policy.

## 10: EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic earnings per share | **35,471** | 32,382 |
| Earnings for the purposes of diluted earnings per share | **35,471** | 32,382 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **27,920,660** | 28,062,245 |
| Effect of dilutive potential ordinary shares – Share options | **–** | 26,190 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **27,920,660** | 28,088,435 |
| **Earnings per share GBP** | | |
| Basic earnings per share | **1.270** | 1.154 |
| Fully diluted earnings per share | **1.270** | 1.153 |

The nominal value per share is GBP 0.005.

## 11: INTANGIBLE ASSETS

| GBP 000 | Note | Goodwill | Other intangible assets: Development costs | Computer software | Customer database | Brands and other | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2010 | | 122,369 | 22,236 | 5,534 | 6,875 | 16,092 | 50,737 |
| Additions | | – | 5,201 | 978 | – | – | 6,179 |
| Disposals | | -12 | – | -619 | – | – | -619 |
| Currency translation adjustment | | 4,840 | – | 140 | 222 | 1,694 | 2,056 |
| At 31 December 2010 | | 127,197 | 27,437 | 6,033 | 7,097 | 17,786 | 58,353 |
| Additions | | – | 10,795 | 1,089 | – | – | 11,884 |
| Acquisitions – through business combination | 21 | 5,448 | 1,769 | 90 | 2,420 | – | 4,279 |
| Disposals | | – | – | -17 | – | – | -17 |
| Currency translation adjustment | | -1,394 | -60 | -39 | -90 | -417 | -606 |
| **At 31 December 2011** | | **131,251** | **39,941** | **7,156** | **9,427** | **17,369** | **73,893** |
| **Accumulated amortisation** | | | | | | | |
| At 1 January 2010 | | – | 13,641 | 3,481 | 5,221 | 1,797 | 24,140 |
| Charge for the year | 4 | – | 5,024 | 1,371 | 1,304 | 134 | 7,833 |
| Disposals | | – | – | -340 | – | – | -340 |
| Currency translation adjustment | | – | – | 132 | 194 | 95 | 421 |
| At 31 December 2010 | | – | 18,665 | 4,644 | 6,719 | 2,026 | 32,054 |
| Charge for the year | 4 | – | 6,866 | 524 | – | 88 | 7,478 |
| Disposals | | – | – | -17 | – | – | -17 |
| Currency translation adjustment | | – | -34 | -29 | -54 | -35 | -152 |
| **At 31 December 2011** | | **–** | **25,497** | **5,122** | **6,665** | **2,079** | **39,363** |
| **Net book value** | | | | | | | |
| **At 31 December 2011** | | **131,251** | **14,444** | **2,034** | **2,762** | **15,290** | **34,530** |
| At 31 December 2010 | | 127,197 | 8,772 | 1,389 | 378 | 15,760 | 26,299 |

Goodwill arising on business combinations is not subject to amortisation, but is reviewed for impairment as described below. The amortisation period for development costs is between three and five years depending on the nature of the project. For other intangible assets, the amortisation period is between three and five years, based on the Directors' assessment of their useful economic lives.

### Impairment Review

Following the acquisition of the MrBookmaker Group in 2005, the Maria Group in 2007, and Guildhall Media Invest in 2008, the activities of the acquired businesses have been integrated into the existing businesses of Unibet and the combined businesses are now managed on a unified basis. Management considers the combined business to be one cash-generating unit, as the originally purchased businesses are no longer separately identifiable.

Solfive was acquired on 12 December 2011 and its operations had not yet been integrated at 31 December 2011, so management considers it to be a separate cash-generating unit at the year end. Management will review the appropriateness of this as the operations are integrated into the Unibet business in future. The goodwill arising on the acquisition of the Solfiive Group of GBP 5.4 million represents a preliminary estimate and will be reviewed within the first 12 months of closing date. As the acquisition occurred so close to balance sheet date, management has not conducted a separate impairment review, but does not consider that there have been any changes in circumstances that would give rise to any indication of impairment. See Note 21 for more information.

During the year, therefore, the goodwill of GBP 125.9 million (excluding Solfive), and the Maria Brand of GBP 15.3 million was tested for impairment on a value-in-use basis, based on the budget approved by the Board and extrapolated projections of the Group. These calculations used post-tax cash flow projections based on the 2011 trading performance of Unibet, extrapolated forward using growth rates consistent with the forecasts included in industry reports. The projections do not take account of any growth after the first five years. Based on management's review, there is no indication of impairment.

The key assumptions which have been approved by the Board used for the value-in-use calculations were as follows:

| | |
|---|---|
| EBITDA margin | 27.0% |
| Effective tax rate applicable to operating income | 6.0% |
| Discount rate | 10.0% |

Goodwill was subject to foreign currency adjustments as shown in the above table and explained within the Group's accounting policies.

## 12: PROPERTY, PLANT AND EQUIPMENT

| GBP 000 | Note | Fixtures and fittings | Plant and office equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2010 | | 1,831 | 7,497 | 9,328 |
| Additions | | 98 | 1,205 | 1,303 |
| Disposals | | -14 | -177 | -191 |
| Foreign exchange translation difference | | 57 | 151 | 208 |
| At 31 December 2010 | | 1,972 | 8,676 | 10,648 |
| Additions | | 221 | 2,654 | 2,875 |
| Additions – through business combination | 21 | 4 | 159 | 163 |
| Disposals | | -201 | -3 | -204 |
| Foreign exchange translation difference | | -25 | -82 | -107 |
| **At 31 December 2011** | | **1,971** | **11,404** | **13,375** |
| **Accumulated depreciation** | | | | |
| At 1 January 2010 | | 1,028 | 5,348 | 6,376 |
| Charge for the year | 4 | 301 | 1,413 | 1,714 |
| Disposals | | -11 | -146 | -157 |
| Foreign exchange translation difference | | 33 | 110 | 143 |
| At 31 December 2010 | | 1,351 | **6,725** | **8,076** |
| Charge for the year | 4 | 252 | 1,468 | 1,720 |
| Disposals | | -168 | -1 | -169 |
| Foreign exchange translation difference | | -21 | -51 | -72 |
| **At 31 December 2011** | | **1,414** | **8,141** | **9,555** |
| **Net book value** | | | | |
| **At 31 December 2011** | | **557** | **3,263** | **3,820** |
| At 31 December 2010 | | 621 | 1,951 | 2,572 |

## 13: SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's principal subsidiaries and associated companies at 31 December 2011 are as follows:

| Name of subsidiary | Place of incorporation | Proportion of ownership and voting power % |
|---|---|---|
| Global Leisure Partners Limited | Malta | 100% |
| Unibet (Holding) Limited | Malta | 100% |
| Unibet (International) Limited | Malta | 100% |
| MrBookmaker.com Limited | Malta | 100% |
| Maria Holdings Limited | Malta | 100% |
| Unibet (Denmark) Limited | Malta | 100% |
| Unibet (Italia) Limited | Malta | 100% |
| Unibet (France) Limited | Malta | 100% |
| Unibet Business Services Limited | Malta | 100% |
| Moneytainment Media (Malta) Limited | Malta | 100% |
| UGP Limited | Great Britain | 100% |
| Unibet (London) Limited | Great Britain | 100% |
| Firstclear Limited | Great Britain | 100% |
| North Development AB | Sweden | 100% |
| PR Entertainment AB | Sweden | 100% |
| E-Gaming United Limited | Belize | 100% |
| Global Entertainment (Antigua) Limited | Antigua | 100% |
| Global IP and Support Services LP | British Virgin Islands | 100% |
| Unibet Italia SRL | Italy | 100% |
| Solfive SAS | France | 100% |
| SPS SA | France | 100% |
| SPS Betting France SAS | France | 100% |
| | | |
| Kambi Group Limited | Malta | 100% |
| Kambi Malta Limited | Malta | 100% |
| Kambi Services Limited | Great Britain | 100% |
| Kambi Sweden AB | Sweden | 100% |
| Kambi Sports Solution (Alderney) Limited | Alderney | 100% |

On 4 May 2010, Unibet acquired 25.9 per cent of Bingo.com Limited, listed on Other OTC market on the NASDAQ Stock Market, through a directed rights issue/private placement of USD 2.25 million.

The cost of acquisition was GBP 1.484 million, of which the amount determined as goodwill is included within the carrying value of the investment in accordance with IAS 28.

The carrying value of the investment is adjusted for Unibet's share of the losses of the associate, and is assessed for impairment at year end.

As a result of the associate issuing further shares during September 2010, Unibet held 23.5 per cent of Bingo.com's total issued shares as at 31 December 2010 and 31 December 2011.

The movements in the Group's interests in associates are shown below:

| GBP 000 | 2011 | 2010 |
|---|---|---|
| Carrying value at 1 January | **1,362** | – |
| Additions | **–** | 1,484 |
| Foreign exchange movement | **21** | -21 |
| Share of associate's loss | **-101** | -101 |
| **Carrying value at 31 December** | **1,282** | **1,362** |

## 14: FINANCIAL INSTRUMENTS

The carrying value of the Group's financial assets and financial liabilities approximated to their fair values at the year end. At 31 December 2011, other receivables of GBP 7.7 (2010: GBP 9.9) million were considered to be fully performing. Because of the nature of the Group's business, the Group does not carry any provision for impairment of receivables. The Group does not hold any collateral as security for its receivables.

The Group's financial assets consist of loans and receivables, except for assets at fair value through profit and loss of GBP 0.8 (2010: GBP 0.6) million.

The Group's financial liabilities consist of other financial liabilities, except for liabilities at fair value through profit and loss of GBP 3.4 (2010: GBP 1.5) million. Financial liabilities at fair value through profit and loss consist of deferred income relating to unsettled bets at balance sheet date of GBP 1.4 (2010: GBP 1.5) million, and the earn-out contingent consideration payable on the acquisition of Solfive of GBP 2.0 million.

IFRS 7 requires management to identify a three-level hierarchy of financial assets and liabilities at fair value. As noted above, the financial assets at fair value are immaterial and the financial liabilities at fair value have been measured using inputs based on unobservable market data (defined as level three by IFRS 7). A reasonable change in assumptions would not give rise to a material change in value.

## 15: TRADE AND OTHER RECEIVABLES

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| **Due within 1 year:** | | |
| Other receivables | **7,728** | 9,870 |
| Prepayments and accrued income | **2,971** | 2,056 |
| | **10,699** | **11,926** |

## 16: TRADE AND OTHER PAYABLES, INCLUDING CUSTOMER BALANCES

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| **Due within 1 year:** | | |
| Trade payables | **4,633** | 5,554 |
| Other taxation and social security | **1,415** | 153 |
| Other payables | **1,840** | 1,282 |
| Accruals | **22,017** | 19,500 |
| Contingent consideration payable (see Note 21) | **1,963** | **–** |
| | **31,868** | **26,489** |

Customer balances of GBP 27.5 (2010: 27.2) million are repayable on demand, subject to the terms and conditions as described on the Group's websites.

The following table shows the split by currency of customer balances:

| | 31 December 2011 | 31 December 2010 |
|---|---|---|
| EUR | **62%** | 64% |
| SEK | **13%** | 14% |
| NOK | **9%** | 6% |
| DKK | **4%** | 4% |
| USD | **4%** | 4% |
| GBP | **5%** | 4% |
| Other | **3%** | 4% |
| | **100%** | **100%** |

Certain third-party suppliers used by Unibet in its non-sports betting operations use either EUR or USD as their standard currency and therefore the above analysis does not represent the spread of customer balances by territory.

The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and pay-outs to customers in different territories are matched in the same currency.

## 17: BORROWINGS

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| **Due within 1 year:** | | |
| Bank borrowings | **–** | 6,885 |
| **Total borrowings** | **–** | **6,885** |

Borrowings are repayable with the following maturity:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Due in 1 year | **–** | 6,885 |
| Due in 1 to 2 years | **–** | – |
| Due in 2 to 5 years | **–** | – |
| | **–** | **6,885** |

Bank borrowings:

In December 2011, Unibet agreed a new Revolving Credit Facility held with a leading international bank, with a maximum value of EUR 30 million. As at 31 December 2011, the balance of the facility utilised was Nil (2010: EUR 8 million of the facility was utilised).

The credit facility is denominated in EUR at a fixed interest rate of 2.0 (2010: 3.5) per cent above EURIBOR, and is unsecured. The Revolving Credit Facility terminates on 16 December 2013. The fair value of the bank borrowings was EUR Nil (2010: EUR 8) million at 31 December 2011.

The Revolving Credit Facility is subject to financial undertakings, principally in relation to debt service ratio and limitations in respect of permitted business acquisitions and disposals. At 31 December 2011 Unibet was in compliance with these undertakings. Unibet anticipates continued full compliance and that if the facility is utilised in future, it will be repaid in accordance with contracted terms at any such time.

## 18: DEFERRED TAX

The following are the deferred tax liabilities and assets (prior to offset) recognised by the Group and movements thereon during the current and prior reporting year:

| GBP 000 | Note | Unremitted earnings | Tangible fixed assets | Unrealised exchange differences | Tax losses | Intangible assets | Other | Total |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2010: | | | | | | | | |
| Deferred tax liability | | 1,050 | 85 | 291 | – | 622 | – | 2,048 |
| Deferred tax asset | | – | -80 | -5 | – | – | -84 | -169 |
| (Credit)/charge to income for the year | 8 | -1,050 | -148 | -171 | -71 | -14 | 23 | -1,431 |
| Transfer to currency translation reserve | | – | -4 | – | – | 46 | – | 42 |
| At 31 December 2010: | | | | | | | | |
| Deferred tax liability | | – | – | 129 | – | 654 | – | 783 |
| Deferred tax asset | | – | -147 | -14 | -71 | – | -61 | -293 |
| (Credit)/charge to income for the year | 8 | – | -150 | 153 | 19 | 25 | -266 | -219 |
| Transfer to currency translation reserve | | – | 1 | – | 1 | -11 | – | -9 |
| **At 31 December 2011** | | | | | | | | |
| **Deferred tax liability** | | **–** | **4** | **268** | **–** | **668** | **113** | **1,053** |
| **Deferred tax asset** | | **–** | **-300** | **–** | **-51** | **–** | **-440** | **-791** |

Certain deferred tax assets and liabilities may have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| Deferred tax liabilities | **818** | 783 |
| Deferred tax assets | **-556** | -293 |
| **Net liabilities** | **262** | **490** |

At 31 December 2011 the Group had unused trading tax losses of GBP 43,753,000 (2010: GBP 332,000) and other unused tax losses of GBP 2,109,000 (2010: GBP 1,471,000) available for offset against future profits. The amount of unused tax losses at 31 December 2011 for which a deferred tax asset has been recognised is GBP 146,000 (2010: GBP 204,000), and GBP 640,000 (2010: GBP Nil), respectively. No deferred tax asset has been recognised in respect of the remaining unused trading tax losses and in respect of the other remaining unused tax losses (2010: GBP Nil) due to insufficient evidence of their reversal in future periods. The significant increase in unrecognised trading tax losses arises from unused trading tax losses acquired as part of the Solfive acquisition, for which there is insufficient evidence of reversal. These losses represent GBP 43,404,000 of the total unused trading tax losses disclosed above.

The aggregate amount of other deductible temporary differences at 31 December 2011 for which deferred tax assets have been recognised is GBP 2,162,000 (2010: GBP 901,000). This includes a deferred tax asset recognised in respect of unexercised share options for GBP 261,000 (2010: GBP 444,000 in respect of unexercised share options was not recognised). A deferred tax asset has not been recognised for other deductible temporary differences of GBP 1,708,000 (2010: GBP 2,559,000).

## 19: SHARE-BASED PAYMENTS

The Unibet Group plc Executive Share Option Scheme was first introduced in December 2000 and revised in May 2004. Under the scheme, the Board can grant options over shares in the Company to employees of the Company. Options are normally granted with a fixed exercise price equal to 110 per cent of the average closing share price in the five days prior to the date of grant. Awards under the scheme are generally made to employees at a senior level. Options granted under the scheme during 2011 will become exercisable during 2014-15. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. Certain performance conditions are attached to share options. The fair value per option granted and the assumptions used in the calculation are as follows:

| Grant date | 30 April 2008 | 3 Sept 2008 | 29 Sept 2008 | 29 Sept 2008 | 5 March 2009 | 11 Aug 2010 | 16 Sept 2010 | 7 Dec 2010 | 3 Nov 2011 |
|---|---|---|---|---|---|---|---|---|---|
| Average share price prior to grant GBP | 13.26 | 11.98 | 12.72 | 12.72 | 12.78 | 12.25 | 11.88 | 11.86 | **14.34** |
| Exercise price GBP | 14.59 | 13.18 | 13.99 | 12.72 | 14.05 | 13.48 | 13.07 | 13.01 | **15.74** |
| Number of employees | 19 | 11 | 11 | 8 | 33 | 1 | 47 | 46 | **65** |
| Shares under option | 175,778 | 11,746 | 36,078 | 47,355 | 77,219 | 86,061 | 100,043 | 91,430 | **211,796** |
| Vesting period (years) | 3.11 | 3.18 | 3.10 | 3.10 | 3.25 | 3.50 | 3.50 | 3.50 | **3.50** |
| Expected volatility % | 35 | 40 | 39 | 39 | 42 | 43 | 43 | 42 | **28** |
| Option life (years) | 3.11 | 3.18 | 3.10 | 3.10 | 3.25 | 3.50 | 3.50 | 3.50 | **3.50** |
| Expected life (years) | 3.11 | 3.18 | 3.10 | 3.10 | 3.25 | 3.50 | 3.50 | 3.50 | **3.50** |
| Risk-free rate % | 4.00 | 4.15 | 3.72 | 3.72 | 1.75 | 1.50 | 1.50 | 1.93 | **1.32** |
| Expected dividends expressed as dividend yield % | 3.64 | 4.08 | 4.08 | 4.08 | 1.65 | 5.81 | 6.03 | 5.89 | **–** |
| Fair value per option GBP | 3.47 | 2.92 | 2.27 | 2.12 | 3.27 | 2.32 | 2.16 | 2.29 | **2.92** |

Note: The options granted on 29 September 2008 at an exercise price of GBP 12.72 (SEK 155) were subject to a cap on the potential gain of SEK 200 per share.

The exercise prices for share options granted on 3 November 2011 were also denominated in SEK as follows (GBP figures are translated at the rates ruling at the respective dates of grant): SEK 166 (GBP15.74).

The risk-free rates of return applied to the 2011 grants is the approximate implicit risk-free interest rate for the options' term to maturity, based on the three-year maturity rate offered by Riksbank at the respective dates of each grant. The expected volatility is based on the standard deviation of the Group's share price over a year, prior to the grant date.

A reconciliation of option movements over the year to 31 December 2011 is shown below:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price GBP | Number | Weighted average exercise price GBP |
| Outstanding at 1 January | **753,904** | **13.91** | 613,493 | 14.27 |
| Exercised | **-2,100** | **13.18** | -25,695 | 12.16 |
| Granted | **211,796** | **15.74** | 366,267 | 14.57 |
| Lapsed | **-126,094** | **15.00** | -200,161 | 16.43 |
| **Outstanding at 31 December** | **837,506** | **14.21** | **753,904** | **13.91** |

### Dilution effects

Options over 126,094 shares lapsed or were cancelled during 2011 (2010: 200,161). If all option programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 4,187.53 (2010: GBP 3,769.52) by the issue of a total maximum of 837,506 ordinary shares (2010: 753,904 ordinary shares), corresponding to 2.88 per cent (2010: 2.60 per cent) of the capital and votes in the Company.

Included within the 837,506 outstanding share options are 251,633 options that were due to be exercisable in 2011. The lives of these options were extended by the Board in May 2011, so that 204,278 will be exercisable in 2012 and 47,355 in 2013.

Included in the 366,267 share option grants in 2010 were 60,210 share options granted by the Board at an exercise price of SEK 231 in March 2010. This grant, less 2,552 options that had lapsed in the intervening period, was cancelled in its entirety by the Board in December 2010 when the Board determined that the performance conditions relating to the options would not be met. In 2011 the Board has not made any further cancellations.

## 19: SHARE-BASED PAYMENTS CONTINUED

| | | 2011 | | | | 2010 | |
|---|---|---|---|---|---|---|---|
| | | Weighted average remaining life | | | | Weighted average remaining life | |
| Exercise price GBP | Number of shares | Expected | Contractual | Exercise price GBP | Number of shares | Expected | Contractual |
| **14.59** | **175,778** | **0.4** | **0.4** | 17.93 | 44,394 | 0.9 | 0.9 |
| **13.18** | **11,746** | **0.9** | **0.9** | 14.59 | 190,801 | 0.4 | 0.4 |
| **13.99** | **36,078** | **0.9** | **0.9** | 13.18 | 17,018 | 0.9 | 0.9 |
| **12.72** | **47,355** | **0.9** | **0.9** | 13.99 | 42,963 | 0.9 | 0.9 |
| **14.05** | **77,219** | **0.4** | **0.4** | 12.72 | 70,087 | 0.9 | 0.9 |
| **13.48** | **86,061** | **2.2** | **2.2** | 14.05 | 83,431 | 1.4 | 1.4 |
| **13.07** | **100,043** | **2.3** | **2.3** | 13.48 | 86,061 | 3.2 | 3.2 |
| **13.01** | **91,430** | **2.5** | **2.5** | 13.07 | 117,319 | 3.3 | 3.3 |
| **15.74** | **211,796** | **3.5** | **3.5** | 13.01 | 101,830 | 3.5 | 3.5 |

2,100 (2010: 25,695) options were exercised during 2011. The total charge for the year relating to employee share-based payment plans was GBP 496,035 (2010: GBP 425,000), all of which related to equity-settled share-based payment transactions.

### Options

The Company operates two Option Schemes, the Unibet Group plc Unapproved Executive Share Option Scheme (the 'Unapproved Scheme') and the Unibet Group plc Approved Executive Share Option Scheme (the 'Approved Scheme') under which employees may acquire ordinary shares or SDRs. The difference between the Schemes is that the Unapproved Scheme does not comply with the relevant United Kingdom tax legislation while options granted under the Approved Scheme attract UK tax benefits. The main differences between the Approved Scheme and Unapproved Scheme are as follows: a participant may not hold HM Revenue and Customs (HMRC) approved options over more than GBP 30,000 worth of Ordinary Shares (valued at date of grant); alterations to key features of the Approved Scheme are subject to the prior approval of HMRC; the Directors can make, without shareholder approval, amendments to the Approved Scheme to obtain or maintain HMRC approval. The principal terms of the Unapproved Scheme and Approved Scheme are set out below.

The share option schemes described in this section were established when the holding company of the Unibet Group was a company incorporated in the UK. Following the Scheme of Arrangement during 2006 which inserted a new Maltese company as the holding company for the Unibet Group, all employees holding share options were offered the opportunity to exchange those options for equivalent options to acquire shares of Unibet Group plc on substantially the same terms.

### The Unapproved Scheme

#### Responsibility for operation

The Unapproved Scheme is operated by the Directors or, in respect of Executive Directors of the Company, by the Remuneration Committee appointed by the Board, which consists mainly of non-executive Directors of the Company.

#### Eligibility

Employees and Executive Directors of the Company and any subsidiary companies are eligible to participate in the Unapproved Scheme. Non-executive Directors of these companies are not eligible to participate.

#### Grant of options

Options may be granted at the discretion of the Directors, or the Remuneration Committee in the case of Executive Directors of the Company, to selected employees. Options are not pensionable or transferable.

#### Option price

The option price must not be less than the market value of the ordinary shares or SDRs. For this purpose, market value means the weighted average of the market quotations on the five trading days immediately prior to the date of grant.

#### Individual limits

The Board of Directors will decide the maximum number of ordinary shares or SDRs, which may be granted under option to individual participants. At any given time, the number of ordinary shares or SDRs under subsisting options will not exceed the following:

In the case of subsisting options held by the Chief Executive Officer of the Company, 2.75 per cent of the ordinary share capital of the Company.

In the case of subsisting options held by the Executive management (including the Chief Executive Officer) of the Company and other participating companies, 3.75 per cent of the ordinary share capital of the Company.

In the case of subsisting options held by the Executive management (including the Chief Executive Officer) of the Company and other participating companies, and all other employees, 5 per cent of the ordinary share capital of the Company.

#### Scheme limit

At any time, not more than 5 per cent of the issued ordinary share capital of the Company may be issued or be issuable under the Unapproved Scheme and all other employees' share schemes operated by the Company. This limit does not include options which have lapsed or been surrendered.

#### Exercise of options

Options will normally be exercisable in accordance with a vesting schedule set at the date of grant and will expire not later than the fifth anniversary of the date of grant. It is intended to grant options on the basis that they will become exercisable on the third anniversary of grant, for a period of one year, and expire on the fourth anniversary of grant. Exercise of options may take place only within prescribed exercise windows during the one-year exercise period. The rules of the Unapproved Scheme allow the Directors to grant options on the basis that they will be exercisable only to the extent that certain performance conditions have been satisfied. Options may, however, be exercised early in certain circumstances. These include, for example, an employee leaving because of ill health, retirement, redundancy or death. On cessation of employment for other reasons, options will normally lapse.

## 19: SHARE-BASED PAYMENTS CONTINUED

### Change of control, merger or other reorganisations

Options may generally be exercised early on a takeover, scheme of arrangement, merger or other corporate reorganisation. Alternatively, participants may be allowed or, in certain cases, required to exchange their options for options over shares in the acquiring company. No options were exercised under these provisions following the Scheme of Arrangement.

### Issue of shares

Any ordinary shares issued on the exercise of options will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

### Variation in share capital

If there is a consolidation or reduction in the share capital of the Company, options may be adjusted as the Directors consider appropriate in order to ensure that the number of ordinary shares or SDRs comprised in an option and the option price equal the same proportion of the share capital as against the same option price as was the case before the variation took place.

### The Unapproved Scheme

| Option programme | Number of options | Exercise period | Exercise price per option GBP |
|---|---|---|---|
| 18 | 53,622 | 1-15 Mar 2012 | 14.59 |
| 20 | 113,554 | 1-15 Mar 2012 | 14.59 |
| 22 | 11,746 | 1-15 Nov 2012 | 13.18 |
| 23 | 22,119 | 1-15 Nov 2012 | 13.99 |
| 25 | 47,355 | 1-15 Jun 2013 | 12.72 |
| 26 | 28,546 | 1-15 Jun 2012 | 14.05 |
| 28 | 33,257 | 1-15 Jun 2012 | 14.05 |
| 29 | 5,257 | 1-15 Jun 2012 | 14.05 |
| 30 | 86,061 | 1-15 Mar 2013 | 13.48 |
| 32 | 64,894 | 1-15 Sep 2014 | 13.07 |
| 34 | 84,679 | 1-15 Nov 2014 | 13.01 |
| 36 | 154,994 | 1-15 Nov 2015 | 15.74 |
| **Total** | **706,084** | | |

### Approved Scheme

The Approved Scheme is substantially the same as the Unapproved Scheme, except that it has been drafted to comply with the relevant United Kingdom tax legislation so that options granted under it will attract UK tax benefits. Options may be granted in respect of ordinary shares only.

### The Approved Scheme

| Option programme | Number of options | Exercise period | Exercise price per option GBP |
|---|---|---|---|
| 19 | 6,222 | 1-15 Mar 2012 | 14.59 |
| 21 | 2,380 | 1-15 Mar 2012 | 14.59 |
| 24 | 13,959 | 1-15 Nov 2012 | 13.99 |
| 27 | 10,159 | 1-15 Jun 2012 | 14.05 |
| 31 | 35,149 | 1-15 Sep 2014 | 13.07 |
| 33 | 6,751 | 1-15 Nov 2014 | 13.01 |
| 35 | 56,802 | 1-15 Nov 2015 | 15.74 |
| **Total** | **131,422** | | |

## 20: SHARE CAPITAL AND RESERVES

### a) Share capital

| GBP | 2011 | 2010 |
|---|---|---|
| **Authorised:** | | |
| 200,000,000 ordinary shares of GBP 0.005 each (2010: 200,000,000 ordinary shares of GBP 0.005 each) | **1,000,000** | 1,000,000 |
| At 31 December | **1,000,000** | 1,000,000 |
| **Issued and fully paid up:** | | |
| At 1 January – 28,258,038 (2010: 28,258,038 ordinary shares of GBP 0.005 each) | **141,290** | 141,290 |
| **At 31 December – 28,258,038 ordinary shares of GBP 0.005 each** | **141,290** | **141,290** |

There were no shares issued by the Company during 2011.

The total shares of 28,258,038 includes a balance of 576,592 shares that have been bought back by the Company. When these shares are repurchased or subsequently sold, the impact is reflected within retained earnings.

387,717 of the shares were bought back during 2011 in accordance with the share buy-back mandate received at the 12 May 2011 Annual General Meeting. Shares were purchased at an average price of SEK 126.4, representing GBP 4,635,000. The remaining balance of re-purchased shares were bought back by the Company in 2007.

During 2011, 2,100 of the shares repurchased were used in connection with the exercise of share options by employees. The 2,100 shares were sold for net proceeds to the Company of GBP 28,000 at the option price of GBP 13.18.

During 2010, 25,695 of the shares repurchased by the Company in 2007 were sold for net proceeds to the Company of GBP 323,000 in connection with the exercise of employee share options at the option prices of GBP 12.16 and GBP 13.99.

### b) Share premium

There was no movement in share premium in 2011 or 2010.

### c) Re-organisation reserve

This reserve of GBP -42.9 million (2010: GBP -42.9 million) arises in the consolidated financial statements, as a result of the application of the principles of predecessor accounting to the Group reorganisation in 2006. The reorganisation reserve represents the differences between the share capital and non-distributable reserves of Unibet Group plc and the share capital and non-distributable reserves of the former parent company, UGP Limited. This reserve does not arise in the separate financial statements of the parent company and therefore has no impact on distributable reserves.

### d) Currency translation reserve

This reserve of GBP 13.5 million (2010: GBP 15.8 million) is a non-distributable reserve.

## 21: BUSINESS COMBINATIONS

a) Acquisition of Solfive SAS

On 15 November 2011, Unibet entered into an agreement to acquire 100 per cent of the issued share capital of the French company Solfive SAS, including all of its subsidiaries ('Solfive').

The transaction was subject to approval by the French regulator ARJEL. Once this condition precedent was satisfied, the formal closing of the transaction occurred on 12 December 2011. This has accordingly been treated as the acquisition date and the results of Solfive have been consolidated from this date.

The acquisition price was GBP 4.8 million, plus a net cash adjustment of GBP 1.3 million, which was settled in full on 12 December 2011. Unibet also provided funds to Solfive at this date to settle a fixed debt of GBP 2.0 million. Therefore, the total consideration paid for the transaction on 12 December 2011 was GBP 8.1 million.

Depending on the trading results of the Solfive Group for the first six months following closing date of 12 December 2011, an earn-out may also be payable. The earn-out is based on future performance of Solfive, and has been estimated using forecasted net revenues for the six-month period following closing date. The estimated amount payable as at 31 December 2011 is EUR 2.3 million (GBP 2.0 million) which has been included as part of trade and other payables in the Group balance sheet.

The net assets of Solfive at the date of acquisition were GBP 4.57 million and accordingly Unibet has recognised provisional goodwill of GBP 5.45 million, which is included within the goodwill balance in the Group's balance sheet. The goodwill calculation is preliminary and will be reviewed within the first 12 months following closing.

The balance sheet of Solfive at the date of acquisition is set out below:

| GBP 000 | Carrying values pre-acquisition | Provisional fair value |
|---|---|---|
| Intangible assets | 1,859 | 4,279 |
| Property, plant and equipment | 163 | 163 |
| Trade and other receivables | 523 | 523 |
| Trade and other payables | -3,331 | -3,331 |
| Customer balances | -1,821 | -1,821 |
| Cash and cash equivalents | 4,760 | 4,760 |
| Net assets acquired | N/a | 4,573 |
| Goodwill | N/a | 5,448 |
| **Consideration** | N/a | **10,021** |
| | | |
| **Consideration satisfied by:** | | |
| Cash (including costs) | N/a | 8,058 |
| Earn-out payable | N/a | 1,963 |
| | N/a | **10,021** |

Goodwill represents the value of the synergistic effects of the combined business together with the instant access to the French market.

The intangible assets acquired as part of the acquisition of Solfive can be analysed as follows:

| GBP 000 | Fair value |
|---|---|
| Software platform | 1,769 |
| Gaming licences | 90 |
| Customer relationships | 2,420 |
| | **4,279** |

The outflow of cash and cash equivalents on the acquisition of Solfive is calculated as follows:

| GBP 000 | Fair value |
|---|---|
| Cash consideration | 8,058 |
| Cash acquired | -4,760 |
| | **-3,298** |

From the date of acquisition to 31 December 2011, the acquisition contributed GBP 541,000 to gross winnings revenue and GBP 64,000 to profit before tax. The result of the Group's operations, as if the above acquisition had been made at the beginning of the year, is as follows:

| GBP 000 | Fair value |
|---|---|
| Gross winnings revenue | 162,967 |
| Profit before tax | 30,886 |

Losses were primarily incurred in the first two quarters of the financial year, before Solfive operations were restructured.

b) Acquisition and sale of Bingo.com Operations Limited

On 30 April 2010 a subsidiary of Unibet acquired 100 per cent of the issued share capital of Bingo.com Operations Limited, a company incorporated in Malta and 100 per cent of the issued share capital of Bingo.com Services Limited, a company registered in England and Wales, for a combined consideration of GBP 163,000 (USD 250,000).

Following an internal reorganisation of subsidiary activities, on 4 May 2010, Unibet sold 100 per cent of the share capital of its subsidiary company, Vicarius Limited for a cash consideration of GBP 65 (USD 100). Unibet recorded a loss on disposal of GBP 279,000 on this transaction.

## 22: CAPITAL AND OTHER COMMITMENTS

The Group has not entered into any contracted fixed asset expenditure as at 31 December 2011. As at 31 December 2011, the Group had an outstanding guarantee of GBP 250,627 (2010: GBP 258,176) to the UCI in respect of Unibet's Pro Tour 2007 engagement.

## 23: OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, including provision for rent reviews and for early termination.

The total of future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| GBP 000 | 31 December 2011 | 31 December 2010 |
|---|---|---|
| No later than 1 year | **1,687** | 1,251 |
| Later than 1 year and no later than 5 years | **3,852** | 365 |
| Later than 5 years | **305** | – |
| | **5,844** | **1,616** |

Operating lease payments represent rent payable by the Group on properties in Malta and other territories.

There are no future aggregate minimum lease payments under non-cancellable operating leases payable after five years.

## 24: RELATED PARTY TRANSACTIONS

For details of Directors' and Executive Management Remuneration please refer to the Remuneration Committee Report on pages 52 and 53.

Former Executive Management have loans outstanding with a Group company at varying rates of interest based on market rates. The aggregate loans and interest at 31 December 2011 were GBP 167,084 (2010: GBP 172,117), which is included within other receivables.

During the 2010 financial year, the Group entered into a contract with a company related to Petter Nylander, former CEO of Unibet, under which certain services associated with public affairs are provided to the Group. Total services rendered and paid during 2011 was GBP 76,986 (2010: GBP 102,648).

Anders Ström and Peter Lindell remain as partners and board members of a company that maintains investments in Klikki AB, which has an ongoing commercial relationship with the Group. Services rendered and paid by the Group during 2011 were GBP 3,297 (2010: GBP 187,559). There was no outstanding amount owed to Klikki AB as at 31 December 2011 (2010: GBP Nil).

## 25: CONTINGENT LIABILITIES

Currently the Group has not provided for potential or actual claims arising from the promotion of gaming activities in certain jurisdictions. Based on current legal advice the Directors do not anticipate that the outcome of proceedings and potential claims, if any, will have a material adverse effect upon the Group's financial position. Further details can be found in the General Legal Environment section on pages 40 and 41.

## 26: CASH AND CASH EQUIVALENTS

Included within the total cash and cash equivalents balance of GBP 41,806,000 at 31 December 2011 (2010: GBP 38,495,000), is a balance of GBP 1,397,563 (2010: 258,176) which is treated as restricted cash.

Of the restricted cash balance, GBP 250,627 (2010: GBP 258,176) represents an amount set aside to back the guarantee as detailed in Note 22. Also included within restricted cash is an amount of GBP 1,146,936 (2010: GBP Nil) related to the acquisition of Solfive which is repayable to third parties, subsequent to certain conditions being met. Full provision of this amount is included within trade and other payables.

## 27: RECONCILIATION OF EBITDA TO OPERATING PROFIT

| GBP 000 | 2011 | 2010 |
|---|---|---|
| EBITDA | **47,980** | 43,764 |
| Depreciation | **-1,720** | -1,714 |
| Amortisation | **-7,478** | -7,833 |
| **Profit from operations** | **38,782** | **34,217** |

The table above shows how EBITDA, which is a non-GAAP measure, is derived from the profit from operations reported in the consolidated income statement.

## 28: RECONCILIATION OF ADJUSTED OPERATING CASH FLOW AND FREE CASH FLOW TO PROFIT FROM OPERATIONS

| GBP 000 | Year ended 31 December 2011 | Year ended 31 December 2010 |
|---|---|---|
| Profit from operations | **38,782** | 34,217 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,720** | 1,714 |
| Amortisation of intangible assets | **7,478** | 7,833 |
| Loss on disposal of property, plant and equipment | **35** | 34 |
| Loss on sale of subsidiaries | **–** | 279 |
| Share-based payment | **496** | 425 |
| **Operating cash flows before movements in working capital** | **48,511** | **44,502** |
| Movements in receivables | **1,749** | -2,388 |
| Movements in payables | **-444** | 2,631 |
| Income taxes paid | **-3,125** | -2,076 |
| Purchases of property, plant and equipment | **-2,875** | -1,303 |
| Purchases of intangible assets | **-11,884** | -6,179 |
| **Free cash flow** | **31,932** | 35,187 |

The table above shows how adjusted operating cash flow, and free cash flow which are non-GAAP measures, are derived from the profit from operations reported in the consolidated income statement.

## 29: SUBSEQUENT EVENTS

On 7 February 2012, Unibet entered into an agreement to acquire 100 per cent of the issued share capital of Betchoice Corporation Pty Limited ('Betchoice'), a company incorporated in Australia. The acquisition provides access to the regulated Australian online sports betting market.

The transaction was subject to approval by the Australian Northern Territory Racing Commission. Formal closing of the transaction occurred on 29 February 2012, after this condition precedent had been satisfied.

The preliminary initial acquisition price of GBP 13.6 million, on a debt-free, cash-free basis, was settled in cash on 29 February 2012. This price is subject to both downward or upward post-completion adjustments, which will be finalised after the signing of the financial statements. Depending on the future trading results of Betchoice, an earn-out may also be payable. The earn-out will be 40 per cent of the positive result of the greater of 5.5 times 2014 EBITDA or 1.5 times gross winnings revenue, less AUD 20 million. In addition, a maximum of AUD 2.4 million is payable if 2014 EBITDA exceeds AUD 4.4 million. The earn-out is not expected to be paid until the 2014 trading results have been finalised.

Given the short period of time between formal closing of the transaction and the date the financial statements were authorised for issue, the fair value of net assets on acquisition of Betchoice could not be reliably determined. Therefore, the initial accounting for the business combination was incomplete at date of signing the financial statements. Unibet will provide detail on the fair value of net assets acquired, including provisional goodwill recognised, at a future reporting date.

On 22 February 2012, Unibet drew down EUR 12 million on the Revolving Credit Facility held with a leading international bank (see note 17) to partially finance the Betchoice acquisition.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNIBET GROUP PLC

## Report on the Financial Statements for the year ended 31 December 2011

We have audited the accompanying consolidated financial statements of Unibet Group plc on pages 54 to 77 which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2011 and a summary of significant accounting policies and other explanatory information, as set out on pages 58 to 77.

### Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on page 51, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the financial statements:

give a true and fair view of the financial position of the Group as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and

have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

## Report on Other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

The information given in the Directors' report is not consistent with the financial statements.

Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.

The financial statements are not in agreement with the accounting records and returns.

We have not received all the information and explanations we require for our audit.

Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

### Other Matters

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 179 of the Maltese Companies Act 1995 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We have reported separately on the parent company financial statements of Unibet Group plc for the year ended 31 December 2011.

**PricewaterhouseCoopers**
167 Merchants Street
Valletta
Malta

**Lucienne Pace Ross**
Partner

19 March 2012

**PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
United Kingdom

**David Snell**
Partner

19 March 2012

# DEFINITIONS



**Average number of employees:** Average number of employees based on headcounts at each month end.

**Dividend per share:** Dividends paid divided by the fully diluted weighted average number of ordinary shares for the period.

**Earnings per share, fully diluted:** Profit after tax adjusted for any effects of dilutive potential ordinary shares divided by the fully diluted weighted average number of ordinary shares for the period.

**EBIT:** Earnings before interest and taxation, equates to profit from operations.

**EBIT margin:** EBIT as a percentage of gross winnings revenue.

**EBITDA:** Profit from operations before depreciation and amortisation charges.

**Equity:assets ratio:** Shareholders' equity as a percentage of total assets.

**Equity per share:** Total assets less total liabilities, divided by the number of ordinary shares at the balance sheet date.

**Gross profit:** Gross winnings revenue less cost of sales.

**Gross winnings revenue:** For sports betting, represents gross turnover less payouts; for games equates to gross turnover. All references to gross winnings revenue in this Annual Report is after Free Bets unless otherwise disclosed.

**Net cash:** Total cash at period end less customer balances.

**Number of active customers:** Number of active customers is defined as total registered customers who have placed a bet with Unibet during the last three months.

**Number of registered customers:** Number of registered customers means the total number of customers on Unibet's customer database.

**Operating margin:** Profit from operations as a percentage of gross winnings revenue.

**Profit margin:** Profit after tax as a percentage of gross winnings revenue.

**Return on average equity:** EBIT as a percentage of average equity.

**Return on total assets:** Profit after tax as a percentage of average total assets.

**Return on total capital:** Profit after tax as a percentage of total capital.

**Total capital:** Total capital is equal to total equity as disclosed on the consolidated balance sheet, plus net debt (comprising total borrowings and customer balances, less cash and cash equivalents).

**Turnover:** Amounts of bets placed on sporting events and games.

**Weighted average number of shares:** Calculated as the weighted average number of ordinary shares outstanding during the year.

**Weighted average number of shares, fully diluted:** Calculated as the weighted average number of ordinary shares outstanding and potentially outstanding (i.e. including the effects of exercising all share options) during the year.

# ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Unibet Group plc will be held at 9.30 CET on Thursday 10 May 2012, at Moderna Museet, Skeppsholmen, Stockholm in Sweden.

### Right to participate

Holders of Swedish Depositary Receipts (SDRs) who wish to attend the AGM must be registered at Euroclear Sweden AB/VPC on Monday 30 April 2012 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 17.00 CET on Thursday 3 May 2012, by filling in the enrolment form provided at www.unibetgroupplc.com/AGM, Notification to holders of Swedish Depository Receipts in Unibet Group plc. The form must be completed in full and delivered electronically.

Please note that conversions to and from SDRs and ordinary shares will not be permitted between 30 April and 11 May 2012.

### Dividend

The Board of Directors proposes a dividend of GBP 0.580 (0.425) per share/SDR, which is approximately SEK 6.09 (4.48) with the exchange rate 10.50 GBP/SEK at 14 February 2012 per ordinary share, to be paid to holders of ordinary shares and SDRs.

If decided by the AGM, the dividend is expected to be distributed on 21 May 2012 and amounts to a total of GBP 16.0 (11.8) million which is approximately 50 per cent of the Group's free cash flow for 2011 and in line with the dividend policy.

### Financial information

Unibet Group plc's financial information is available in Swedish and English. Reports can be obtained from Unibet's website, www.unibetgroupplc.com or ordered by email at info@unibet.com. Distribution will be via email.

Annual Reports can be ordered through the website, www.unibetgroupplc.com or ordered by email at info@unibet.com.

### Unibet will publish financial reports for the financial year 2012 on the following dates:

Interim Report January – March 2012, on 9 May 2012

Interim Report January – June 2012, on 15 August 2012

Interim Report January – September 2012, on 31 October 2012

Full Year Report 2012, on 13 February 2013.

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**Unibet Group plc**
Fawwara Buildings
Msida Road, Gzira GZR1402, Malta.
Tel: +356 2133 3532

Company No: C39017.
Registered in Malta.

**Registered office:**
c/o Camilleri Preziosi,
Level 2, Valletta Buildings
South Street, Valletta VLT11, Malta.

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