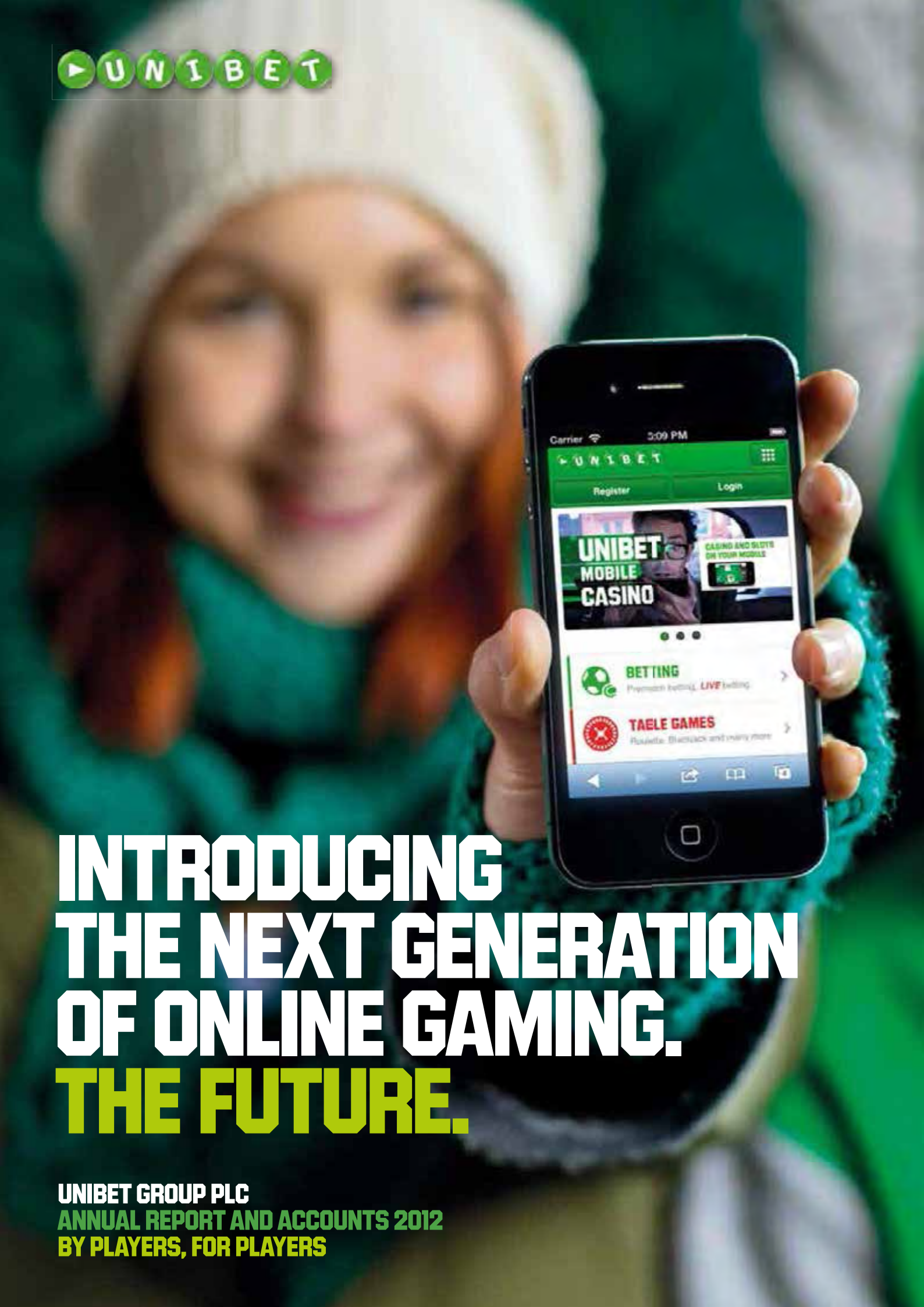


INTRODUCING THE NEXT GENERATION OF ONLINE GAMING. THE FUTURE.

UNIBET GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2012
BY PLAYERS, FOR PLAYERS

Front cover image:
Swedish Josefine is 25 years old and is a true Unibet fan who likes to place a bet on her favourite team whenever she wants.

PLAYER SAFETY

As a company founded "By players, for players", Unibet takes its commitment to customer safety extremely seriously and strives to make online gaming a safe, secure and enjoyable digital experience for all. For the majority of players, betting is an entertaining pastime but Unibet understands that excessive gaming can be an issue, and for a small minority of the population gambling can lead to problems. The Unibet Player Safety department brings together highly skilled professional staff and market-leading technology in fraud prevention and responsible gambling. It is well equipped to detect suspicious activity and to identify problem gambling at an early stage. Monitoring, assessment, intervention, guidance and support form the basis of the Unibet system that works in partnership with Gambling Therapy to assist anyone affected by gambling problems. A zero tolerance policy on criminal activity means that Unibet players are safe in the knowledge that their enjoyment, entertainment and safety is in good hands.

+15 YEARS

experience of responsible gaming, controls, security and fraud protection.

More on page 14

OVERVIEW

STRATEGIC REVIEW

OPERATING & FINANCIAL REVIEW

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

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.

UNIBET HAS PIONEERED ONLINE GAMING FOR 15 YEARS...

...professional, established, experienced and passionate, with a competitive advantage that is set to deliver the next generation of online gaming businesses.

Unibet was founded in 1997. With over 7.2 million registered customers in more than 100 countries, the Group is one of Europe's largest online gaming operators. 15 years on, Unibet's brand promise is still defined by the same founding motto "By players, for players". Putting customers at the heart of the Unibet strategy ensures a market-leading position, competitive advantage and continues to deliver value for both the customers and shareholders.

CEO'S REVIEW

I am proud to announce another year of excellent growth and outstanding performance for Unibet, in a year where the business and the entire sector are undergoing a rapid transformation. We have extended the business successfully into new markets, and delivered records both in gross winnings revenue and EBITDA in a year of exceptional growth. Our unique brand of moneytainment® has attracted 28 per cent more active customers and shareholder value is showing excellent returns.

Our commitment to delivering a better business for our customers, our investors and our employees has proved to be successful, making us one of Europe's largest online gaming companies. We have built our business through providing the best online casino and sports betting experience, becoming a brand of choice for almost one million active players across more than 100 countries in 2012.

I am extremely happy to report that it has been an eventful year for Unibet where delivery against our strategy has extended the appeal of the Unibet and Maria brands across new markets, delivering a dynamic, confident business with a healthy balance sheet and a strong cash flow.

Sustainable growth

Unibet's core markets continue to deliver strong growth with profitability which gives us the capability to invest for long-term growth while also taking a leading position in re-regulated markets. We have increased our top line significantly this year making us well positioned for further success in our chosen regions.

Both Unibet and Maria (our casino and bingo brand that primarily targets a female audience), have delivered healthy growth in a climate of economic uncertainty against a backdrop of political and legislative change. Our Sportsbook business-to-business offer, Kambi Sports Solutions, has also had a positive year, attracting four new full service operators.

We have achieved good organic growth within our established markets extending the business through three recent acquisitions in Europe and Australia – EurosportBet, Betchoice and Bet24. With these, and the uptake of other licences in Belgium and Denmark, we are increasing our exposure to re-regulated markets while establishing a presence in major new markets outside Europe.

These strategic developments will change our business model over time but I am confident that we are building a position to be a market-leader in the next generation of online gaming businesses.

UNIBET IS A BRAND OF CHOICE FOR ALMOST 1 MILLION ACTIVE PLAYERS IN 2012

A strong brand

The strategy of building the Unibet brand has paid great dividends this year. 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 responsible gaming environment while remaining local and relevant. We are dedicated to making the Unibet experience unique, engaging and accessible to all players.

Maria too has built on the strength of its brand this year with notable success, defining a clear, differentiated position, providing a softer approach to online gaming for an audience that prefers a more sociable approach. The Maria Casino offer has been launched on mobile this year and Maria has also extended into new territories, notably the UK.

Next generation gaming business

As our industry develops, our business requires skill and agility to adapt to new trading conditions. Our strategy drives innovation and delivers high performance throughout the business, positioning us as a next generation gaming business. Our technology, our products and our services have improved with a clear focus on good cost control with marketing efficiency. This commitment to good practice alongside a passion for customer centricity within the business is set to make significant contributions to profit and cash flow.

Dot country licenses

Last year's acquisition in France gave Unibet a French licence that offers sports betting, poker and horse racing which was successfully rebranded to unibet.fr. Although it is expected that industry conditions will continue to be challenging here, it secures for us a strategic position in the French market at a limited cost, enabling us to take full advantage of the longer-term opportunities. In Italy, new products were added through the year and we look forward to increased opportunities in the medium term. Our dot country licences for Australia, Denmark and Belgium also went live in 2012 with Estonia to come during 2013.

Market regulation

As the trend for countries to introduce national licences (known as the move from dot com to dot country) progresses, it has brought both challenges and opportunities. 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 to take advantage of these opportunities.

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

The re-regulation processes in Europe give us access to all media, all payment solutions and all channels in the different markets, but perhaps more importantly, the licences will position us more clearly as an alternative to the state monopolies or incumbents.

Unibet will apply for licences where they provide wider access to markets, sound shareholder value and potential for future growth. This does not mean that we will avoid tough commercial decisions when individual country regimes are considered economically unsound or unduly restrictive in protecting the interests of former monopolies.

The balance of regulated and re-regulated income figures for the Group show that 18 per cent of our gross winning revenues in the last quarter came from re-regulated markets. Unibet's aim is to increase the proportion of gross winnings revenue from national licensed markets to prepare the business for a position of strength in the future with a considerably reduced risk.

In parallel to these changes Unibet also realises that international platforms (dot com) will be an important source of income going forward. Therefore Unibet will support the legal, regulatory and operational framework of dot com businesses operating in the EU/EEA in accordance with the European Digital Agenda.

Focus on value

Shareholders this year saw very healthy returns on their investment with the Board of Directors proposing a dividend of GBP 0.700 (0.580) per share/SDR. The Board has reviewed the projected cash requirements for 2013 and proposed for this year to increase the dividend above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

As ever 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.

The year ahead

I look forward to another exciting year for Unibet. The Group is constantly vigilant for opportunities that will give us a greater geographic footprint, where Unibet's focus, as always, will be on regions with high potential for long-term profitability. I also expect consolidation within the industry to speed up and we will evaluate opportunities that enhance shareholder value. In addition we will address changing conditions by focusing efforts on our established markets.

Unibet's success is because of its people and we are all focused on becoming the best next generation online gaming company.

Henrik Tjärnström, CEO
Malta, 18 March 2013

UNIBET... FOCUSES ON THE CUSTOMER...

PUTTING PLAYERS FIRST

The Unibet business has a motto that summarises the business philosophy: "By players, for players". It's a mantra that focuses Unibet's attention on what consumers want and makes it a distinctly customer centric business. As the business landscape changes and products become commoditised, Unibet knows that its reputation for customer service "par excellence" is a valuable distinguishing factor. This year the business strategy has put enormous efforts into ensuring every member of the Unibet team knows that customer centricity is vital for delivering long-term value to customers and shareholders.

Unibet listens carefully to what players want, understands their habits, their favourite games, their most loved sports and their enjoyment of moneytainment®. Unibet uses this knowledge to tailor relationships, marketing and customer conversations so that it stays relevant to every player. Knowing that people prefer local knowledge and friendly service, Unibet delivers it.

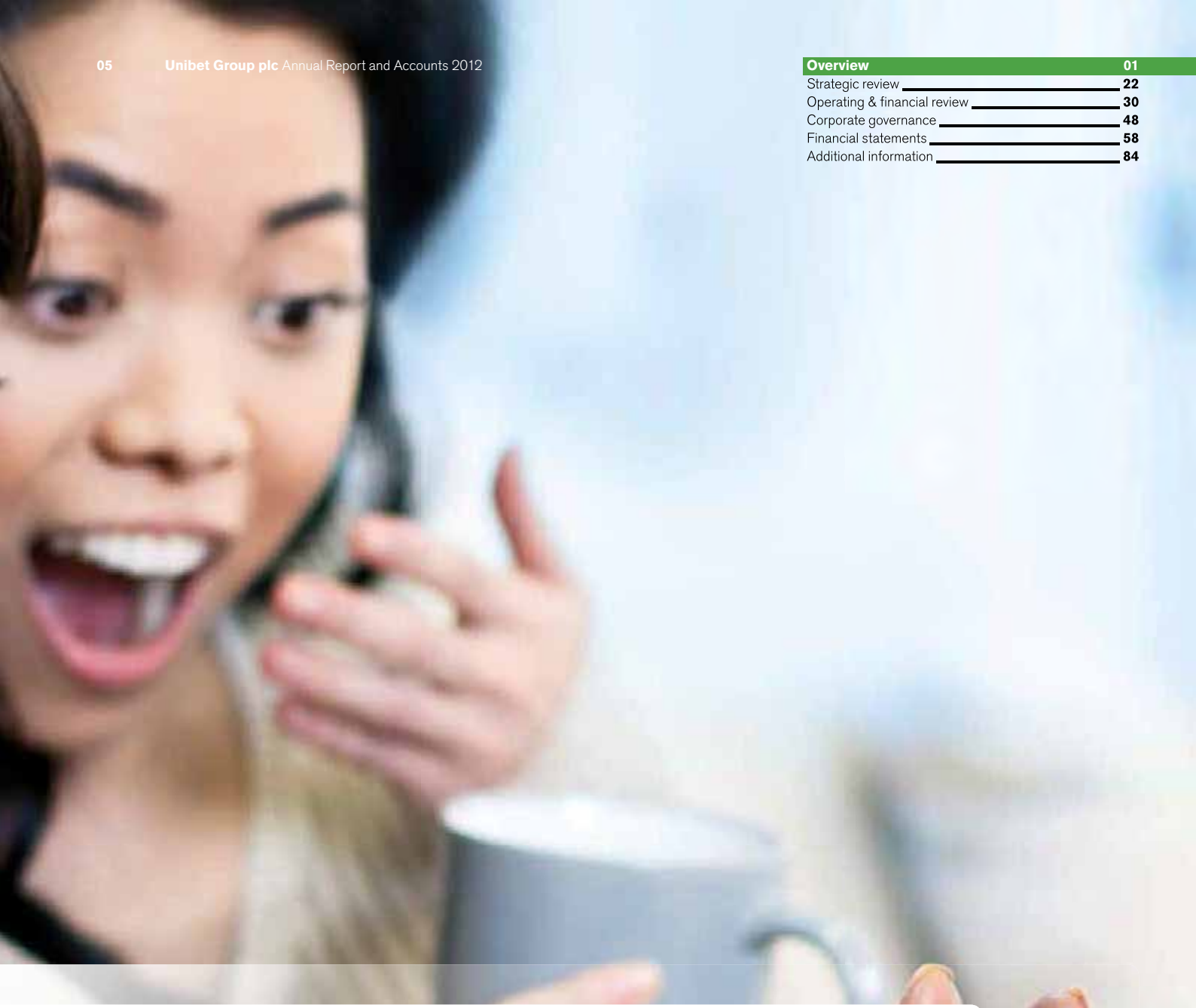
The aim is to give players what they want, when they want it, in a way that delights them and is relevant to their world.

This year Unibet has embedded customer centricity in all its operations, creating a seamless, relevant, intuitive experience for players and finding ways to provide entertaining innovative and interesting products and promotions.

Mobile apps, the seamless wallet, quicker customer service, localised knowledge, better technology, great user experience designs, new games, multi-language advisors, a social media presence, more relevant promotions, a variety of bets and games, and a Unibet Open poker tournament in the Caribbean – are all driven by the desire to be customer centric and to be famous for customer service. "By players, for players" is a powerful mantra and Unibet employees across the world strive each day to deliver it.

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

MOBILE APPS MAKE TV THE SECOND SCREEN



UNIBET B2C TECHNOLOGY PLATFORM

See our B2C brands
Pages 30–35

See our products
Pages 30–32

SPORTS BETTING | CASINO | POKER | OTHER GAMES

UNIBET

MARIA

B2C BRANDS

PRODUCTS

CUSTOMER CENTRIC MINDSET

CHANNELS

LICENCES

.COM
.DK
.COM.AU
.BE
.FR
.IT

See our channels overview
Pages 18–19

PC | MOBILE | TABLET | CUSTOMER SERVICE CENTRE | MARKETING COMMS

See our operating markets
Pages 20–21

...EMPOWER PERFORMANCE BY CONTROLLING TECHNOLOGY...

RESPONDING TO RE-REGULATION

In a rapidly changing industry, one clear way to build competitive advantage is to own the technology platform that delivers your products and services to your customers. In the online gaming industry this is surprisingly less common than one would expect given the complexity of operating a multi-licence, multi-brand, multi-site, multi-jurisdiction business. At a time when the industry is transitioning to different, distinct licensing regimes, the pressure to adapt and react quickly has never been greater.

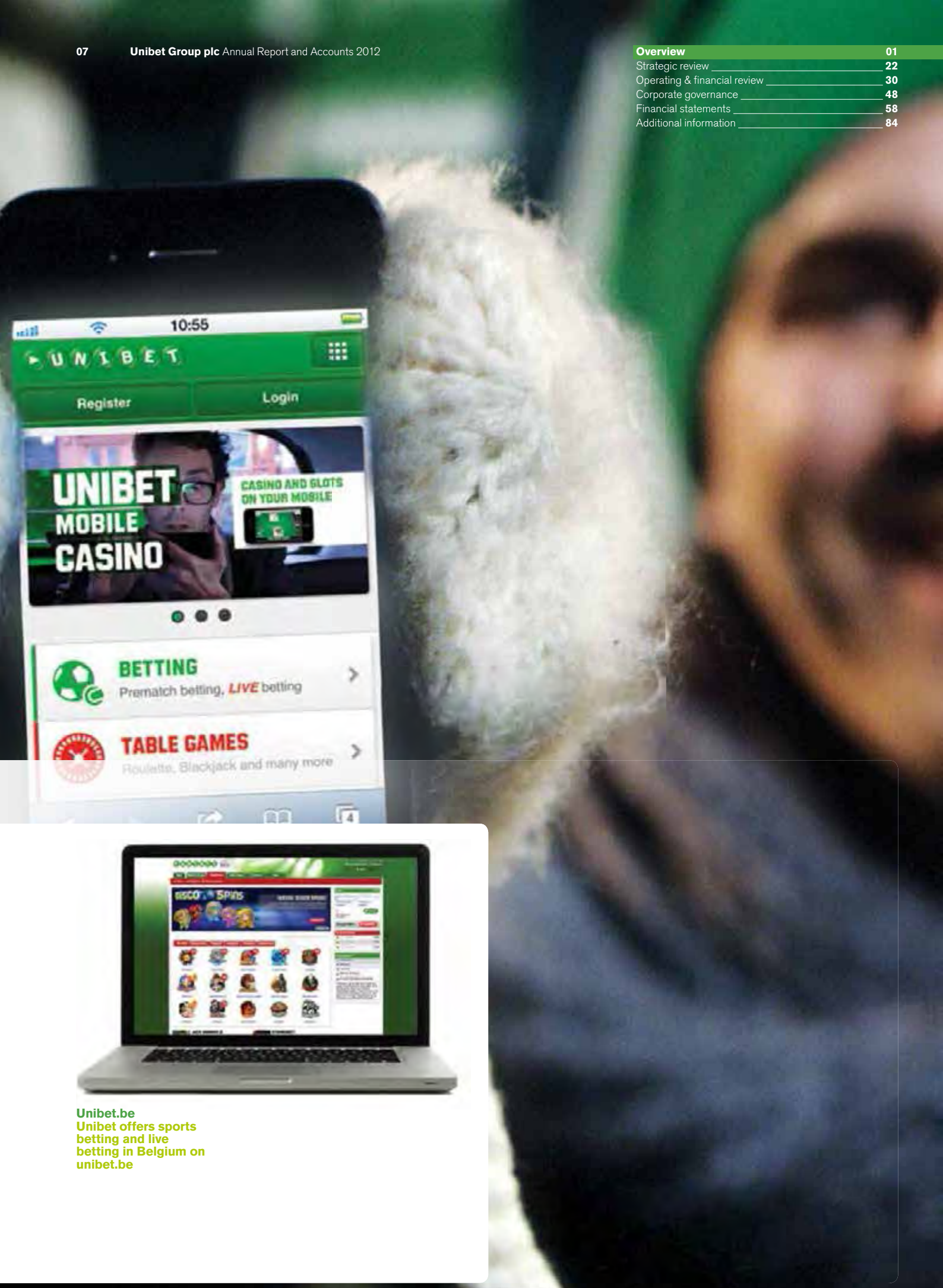
Unibet realised earlier than many how important independent control of technology would become. By investing in its own technology platform while customising for new regulated market opportunities, Unibet now has the flexibility, the speed to manoeuvre, the scale and the independence from suppliers that makes it an agile and responsive business.

Creating such flexibility in a system that handles enormous transaction volumes was a major challenge, but the benefits in terms of economy of scale are enormous. Separating the Kambi Sportsbook operations and systems from the Unibet platform also protects the integrity and independence of the Kambi B2B operations. The Kambi B2B operations are described fully on page 33.

Managing this gradual platform transition has enabled Unibet to absorb costs over time without the shock to the bottom line that a major technology overhaul in the future would mean. Investing in technology has meant that Unibet now has strong foundations for a stable, competitive, manageable future.

The independence of a strong technology infrastructure gives Unibet a unique competitive advantage in control and adaptability. Owning registration, payment and customer management systems, allows Unibet to manage customer relationships directly and to have the flexibility, speed, adaptability, and scalability to adapt to changing market needs and conditions. It also means Unibet can deliver great, localised moneytainment® experiences to its customers directly, exploiting opportunities, whatever the channel or market requirements.

86% OF MOBILE INTERNET USERS ARE USING THEIR DEVICES WHILE THEY ARE WATCHING TV



Unibet.be
Unibet offers sports betting and live betting in Belgium on unibet.be

...EXPLOIT STRATEGIC OPPORTUNITIES FOR GROWTH...

ORGANIC GROWTH AND STRATEGIC ACQUISITIONS

With a renewed focus on core markets Unibet delivered organic growth this year as planned, but it also seized opportunities for growth with a series of strategic acquisitions. Both types of growth deliver competitive advantage to Unibet.

The shift to regulated national markets that is driving change throughout the industry led to each of the acquisitions. Each was a well-planned move to balance the transformation of the business at a manageable pace to deliver good value for players, for shareholders, and for the business.

Denmark

The regulated market in Denmark saw the launch this year of unibet.dk with Unibet having a local licence to operate sports betting and casino including poker, and access to all the channels and payment terms afforded to the national state monopoly operator. In tandem with the new site Unibet saw the opportunity to acquire a key Danish competitor, Bet24. Acquiring their customer base ensured a clear top position in the country.

Australia

Unibet bought Betchoice in Australia in February 2012 and repackaged, restructured and relaunched the business as Unibet Australia by 15 May. The fast and effective rebranding saw Unibet enter the lucrative regulated Australian market on favourable terms and conditions. The business now has excellent customer service, integrated communication, an improved Sportsbook and potential to grow faster and stronger.

France

At the end of 2011 Unibet bought the Solfive Group in France in order to re-enter the French regulated market, at a limited cost, to take advantage of the longer-term opportunities. In 2012 the site was rebranded and now operates as unibet.fr for players in France. The regulated market in France remains highly restricted, which means that the regulation has failed to achieve its objective to close the black market and improve player safety. Over the medium term, this reality makes it likely that France will develop a more sustainable model. Unibet's acquisition places it perfectly for future developments in the French market.

Betchoice
Unibet undertook the strategic acquisition of Australian operator Betchoice and rebranded the business as Unibet Australia

Players are increasingly using their mobile device as their premier access channel

...PROVIDE A MARKET-LEADING SPORTSBOOK.

RISK MANAGEMENT AND OPERATIONAL EFFICIENCY

One of Unibet's clear competitive strengths is its unique market-leading Sportsbook that provides pre-game betting and live betting. Unibet's Sportbook is provided by Kambi Sports Solutions, Unibet's market-leading B2B provider. For more information about Kambi's offering and clients, see page 33. It offers a comprehensive range of odds on a variety of international and local sports events, to a worldwide customer base 24 hours a day, 7 days a week via Unibet's sites and on mobile and tablet devices.

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.

In 2012, the Unibet Sportsbook improved its offering and delivered an exceptionally good service for sports fans everywhere. The growth has been driven by an increase in live betting events, a large increase in mobile betting, the expansion of Unibet's streaming offer and a sporting calendar that encompassed the 2012 Olympic Games and football's Euro 2012 championship.

Unibet streamed over 17,000 events providing pictures from all around the globe and betting opportunities at all hours of the day, from high-profile events such as Wimbledon and US Open tennis, World Cup qualifier football matches to sports events such as snooker, darts, table tennis and volleyball. Without doubt, the highlights this year for Unibet included pre-game and live betting on major football games such as the final match of football's Euro 2012 Championships – Spain against Italy. Other key matches in the major European football leagues, such as the English Premier League and Spain's La Liga, The Champion's League and Europa League also created a lot of interest.

For the first time and in the majority of its markets, Unibet streamed the 2012 US Open tennis major. The streaming gave an additional boost to the live betting turnover throughout the US Open. The final between Andy Murray and Novak Djokovic was the biggest live betting event of the series. The Wimbledon tennis final also proved to be one of the live betting turnover highlights of the year.

The summer of 2012 was positive for Unibet with a one-off pre-game and live betting turnover uplift as London hosted the Olympic Games. Unibet had one of the biggest betting offers in the world, with odds on every event pre-game as well as a wide and extensive live betting offer.

The Unibet Sportsbook is designed to ensure that its customers do not miss a moment of the action and gives opportunities to bet any time and any place, with a packed calendar of events and a product that covers every goal scored and win celebrated!

Euro 2012
The final match of Euro 2012 kicked off on 1 July with Spain against Italy. It was another strong display from the Spanish team as they beat Italy 4-0

60,000 LIVE EVENTS AVAILABLE TO PLAYERS

Brand ambassadors Unibet signed popular cricket legend Merv Hughes as a brand ambassador for the Australian Sportsbook

KEY HIGHLIGHTS

Unibet's winning performance this year has been boosted by a healthy combination of focusing on customer centricity, organic growth and strategic acquisition. Growth in the business has led to a rise of 28 per cent gross winnings revenue, driven by a very strong product offer and dynamic brands that are relevant and appealing to all Unibet and Maria.com players.

OPERATIONAL

781
NUMBER OF EMPLOYEES AT YEAR END
(2011: 572)

491,958
ACTIVE CUSTOMERS IN Q4
(2011 Q4: 400,697)

15 YEARS...
...OF DELIVERING MARKET-LEADING MONEYTAINMENT®

16.2M
DIVIDEND AND SHARE BUY BACK (GBP)
(2011: 16.4m)

17,000
STREAMING EVENTS ONLINE
(2011: 12,000)

226,282
BETS PLACED ON MOBILE APPLICATIONS
(2011: 100,025)

28,276,266
NUMBER OF SHARES AT YEAR END
(2011: 28,258,038)

60,000
LIVE EVENTS AVAILABLE
(2011: 45,000)

FINANCIAL SUMMARY

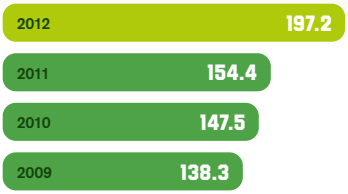
IFRS	2012	2011	2010	2009	2008
Gross winnings revenue	197.2	154.4	147.5	138.3	123.4
Profit after tax	31.6	35.5	32.4	26.8	8.8
Capital expenditure intangible assets	14.9	11.9	6.2	2.6	4.8
NON-GAAP*					
EBITDA	52.5	48.0	43.8	41.9	46.3
EBITDA per share	1.882	1.718	1.561	1.498	1.657
Operating cash flow per share**	1.833	1.737	1.586	1.526	1.506

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

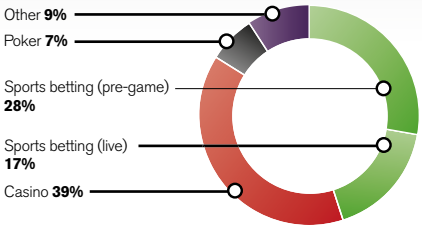
The financial summary figures are measured in GBP millions, except for EBITDA per share and Operating cash flow per share which are measured in GBP and calculated using average number of shares for 2012.

IFRS

Gross winnings revenue (GBPm)



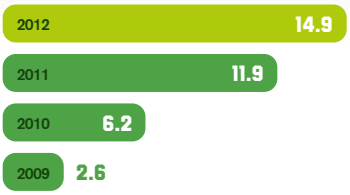
Gross winnings revenue by product 2012 (%)



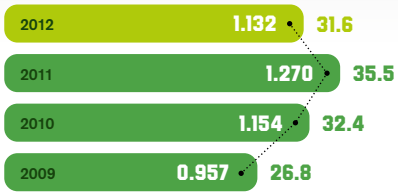
197.2M
Gross winnings revenue (GBPm)
(2011: GBP 154.4m)

+28%
Increase in gross winnings revenue GBP 197.2m
(2011: GBP 154.4m)

Capital expenditure on intangible assets (GBPm)



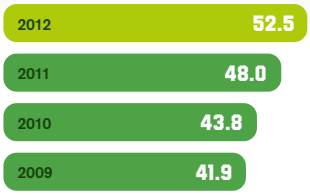
Profit after tax (GBPm) and earnings per share (GBP)



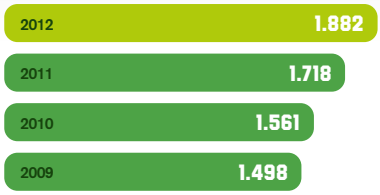
31.6M
Profit after tax (GBPm)
(2011: GBP 35.5m)

ADDITIONAL FINANCIAL INFORMATION (NON-GAAP*)

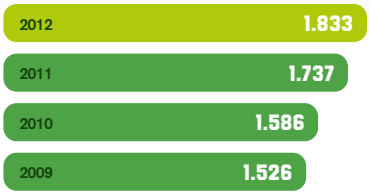
EBITDA (GBPm)



EBITDA per share (GBP)

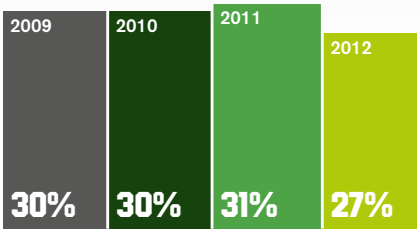


Operating cashflow per share (GBP)**



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

EBITDA margin (%)



The change in EBITDA margin in 2012 was expected and is in line with Unibet's strategy to operate in re-regulated markets. The main changes in EBITDA margin in 2012 were the impact of increased betting duties and the impact of Unibet's business acquisitions in locally regulated markets.

PLAYER SAFETY

UNIBET'S UNIQUE APPROACH

PLAYER SAFETY

- **Responsible gaming and pro-active prevention with tailored individual approach**
- **Fraud detection teams**
- **Compliance engagement and mandatory training**

As a truly customer centric company, Unibet takes its responsibility towards its customers very seriously. With an holistic approach to player safety, Unibet ensures that the digital entertainment experience it provides remains as safe, secure and supportive to customers as possible.

In order to provide a secure customer experience, Unibet's Player Safety department unites both Responsible gaming and Fraud detection under one umbrella. The team includes a number of highly skilled professionals with academic backgrounds in areas of criminology, psychology and auditing. In addition to this dedicated expertise, Unibet invests in using pioneering, industry-leading technology to verify customer identities, monitor financial transactions and detect any suspicious or potential problematic activity. With competent staff – supported by leading technology – observing customer behaviour 24/7, Unibet aims to ensure that its customers can enjoy a digital gaming experience that is as safe and secure as possible.

As part of its commitment to safety, Unibet operates a strict zero tolerance policy to any kind of fraud or criminal activity. Besides a thorough customer registration process allowing Unibet to get to know its customers, a strict age limit policy is applied which excludes any customers under the legal age limit.

+15 YEARS EXPERIENCE OF RESPONSIBLE GAMING, CONTROLS, SECURITY AND FRAUD PROTECTION

Responsible gaming and consumer protection

The majority of people perceive gambling as a form of entertainment where gambling is seen as a digital leisure hobby and provides a fun and enjoyable experience. However, for a small minority of customers gambling can cause certain anxieties and problems. Academic research shows that around two per cent of the whole population might experience problem gambling. Unibet employs a holistic approach to ensure that gambling remains an enjoyable form of leisure activity for the majority of its customers. Unibet has put in place proactive responsible gaming strategies as well as a specifically developed system to monitor customer activity and behaviour so it can recognise and educate customers who might experience problems with their gambling. Unibet's dedicated system is based on scientific empirical research and goes hand in hand with our customer centric approach. All relevant information about customers is run through a sophisticated science-based scoring system which highlights any irregularities present in gaming activity. Amongst other criteria, the system assesses customer communication and any unusual pattern of player behaviour. In this way, Unibet can intervene and provide prompt assistance and guidance at the very early signs of problematic behaviour.

Customers are also advised to consult Unibet's responsible gaming page which is readily available on the Unibet website. The responsible gaming page provides advice to parents and advice to anyone who might be experiencing problem gambling. The page is equipped with information about responsible gaming tools which include a self-assessment test, deposit/spending limits and self-exclusion. The self-assessment test allows customers to monitor and check their current gambling patterns. Unibet offers its customers the opportunity to set a deposit/spending limit or other protective account settings. Unibet also offers tools such as cooling off periods and/or self-exclusion if customers would rather take a break from gambling.

Fraud detection teams

Unibet operates a zero tolerance policy to any kind of fraud, money laundering or other illegal activity, and operates a 24/7 monitoring of customer behaviour. All fraud teams focus on key tollgates such as customer registrations, deposits, playing activities and withdrawals, collecting evidence on all customer behaviour. In the risk profile of a player, appropriate follow-up actions such as enhanced customer due diligence will be undertaken.

A constant evaluation of all risk factors enables a targeted risk-based approach to put in place any necessary account restrictions, keeping fraudulent customers out while refraining from providing a negative experience for other customers.

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 payment solutions and Unibet has clear internal procedures for detecting and handling suspicious transactions. Any suspicious cases will be disclosed to the relevant acting authorities.

Compliance engagement and mandatory training

Unibet's Player Safety department realises that providing a safe, secure and supportive environment is a shared responsibility within the Group and it is also embedded in Unibet's corporate culture. For these reasons all Unibet employees go through mandatory training with regard to anti money-laundering and responsible gaming. Depending on the employee's role, more in-depth training is also provided and includes workshops about motivational interviewing and empathy skills.

To provide the best possible education for employees, the responsible gaming training programmes are carried out in collaboration with Gambling Therapy. This organisation provides online help for anyone who is going through problem gambling and/or is directly affected by it. Gambling Therapy provides online support in 44 languages through help lines, live chat and group therapy.

Unibet also cooperates directly with different national treatment centres and counselling services maintaining an open communication channel to exchange information about its current responsible gaming measures and to extend its commitment to helping potential compulsive gamblers access professional support.

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

UNIBET'S ACTION PLAN

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

Gordon House Association Gambling Therapy Center for Ludomani

Unibet has strong collaborative relationships with third-party counselling services and academic research centres.

Unibet operates a strict age control policy with under-age players not being able to register.

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
BGC
Belgian Gaming Commission
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
NTRC
Northern Territory Racing Commission
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

UNIBET'S MARKETPLACE

In 2013 the European online gaming market is set to reach over EUR 12 billion with global estimates at EUR 28 billion.

Growth and development

These statistics 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. Europe has one of the world's highest and fastest growing rates of internet and broadband penetration. Latest EU figures reveal that the number of households with broadband internet in the EU has grown at an exceptional rate. In 2006 around 30 per cent of EU households had access to broadband and in 2012, 72 per cent of households have access. Globally two billion people – about one-third of the world's population – had been internet users by the end of 2011. (Source: International Telecommunication Union/BBC)

Industry commentators have suggested that certain established gambling markets in Europe and Scandinavia were reaching saturation point but the reality is that the online market continues to grow. Further growth will continue as gambling 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 of the business as it strengthens the experience a customer has in relation to the event. 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, smart phones and tablets have been embraced by 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 currently a main driver of growth in the industry and is set to stimulate even more activity as network reliability and 4G technology is embedded in new and established territories.

Ready for change

Unibet believes the trend for national licences will continue and mature, driving a gradual transformation of the e-gaming industry EU consultations have taken place and decisions about the benefits of harmonisation across European countries are expected, 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. Preparing for gradually regulating markets will prevent any financial shocks in the future. A strong brand, great customer service, great product choice, excellent financial controls, keen operating efficiency, adaptility and scalability will make all the difference.

Dot com to dot country

Over the last few years some European governments have been reviewing legislation and the dominant trend suggests that the future of the industry will gradually turn 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 well when fair and equal terms, a wide product scope and reasonable taxation framework are adopted. Unibet has seen how this process can work well and how it can work badly. France chose in 2010, to regulate and create national licences but imposed very restrictive terms, damagingly high taxation and limited product scope resulting in an uncompetitive customer offering, significant leakage from the regulated system and increased black market activity. 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. Once a country decides to open a local licence regime, there is no objective reason why the former monopoly should be given special privileges.

Some countries, such as the UK and Australia, have regulations in place that create a balanced and effective online gaming marketplace that benefits the state by taxation and the consumer with regulated, accountable operators.

Internationally, 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 considered out of scope. Regulatory change is either happening or is on the horizon for several countries such as the Netherlands and Germany over the next 12 months and will be watched with interest.

Unibet TV
In 2012 Unibet TV streamed 17,000 events from all around the globe, at all hours of the day and night

Outlook 2013

The outlook is good. Forecasts for the online gaming market are positive for the next decade. Gambling is moving from offline to online and increasingly to mobile channels. The more accessible and the more connected we are, the more opportunities there will be for future growth.

It's a dynamic marketplace and the explosion of the mobile channel is currently driving even more growth for businesses that are well positioned to take advantage of developing markets and new technologies. Recent reports from United Nations telecom agency ITU suggests that there are almost as many mobile phone subscriptions in the world as people, with seven billion people on earth, and six billion mobile subscriptions at the end of 2011.

Delivering a dot country site

Denmark, Belgium and Australia have joined the list of nations with regulated dot country sites operated by Unibet this year, and the Group now has a wealth of experience and is well prepared for other countries considering similar plans. The new Unibet platform and the experience gained from setting up dot country sites for Italy and Denmark have helped Unibet gain a bigger footprint in the national regulated markets, reducing the Company's exposure to risk and offering many marketing benefits in a more stable trading landscape.

UNIBET'S CORE MARKETS

Unibet has customers in more than 100 countries worldwide. The Group's key markets are divided into four regions: Nordic region, Western Europe, the combined region of Central, Eastern and Southern Europe (CES) and Other including Australia. The Nordic region is the Group's biggest market and also where its brand is strongest.

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

More on pages 20 & 21

MARKET DRIVERS

From desktop to digital diversity

After several years of predicting and preparing for the explosion of the mobile channel in e-gaming, the revolution has arrived. For many businesses that have adapted to providing products and services online for 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 perform faster than the speeds currently experienced on an ethernet-connected computer.

THE ADVENT OF 4G TECHNOLOGY IS CREATING A 24/7 ON-THE-GO RELIABLE DIGITAL ENVIRONMENT

More high speed broadband

Broadband internet access and online payment systems are now part of everyday life across Europe and much of the developed world with recent figures from the 2012 ITU Report suggesting that 70 per cent of the population was online in developed countries, compared with 24 per cent in developing regions. That means around two billion people – about one-third of the world's population – had been internet users by the end of 2011. Better broadband penetration, new channels, new devices, and faster speeds mean more gaming opportunities and better, more enjoyable user experiences for online players.

The mobile revolution

The mobile channel is undoubtedly one of the most important areas of potential growth. Recent estimates have put global smartphone users at more than 1 billion (Strategy Analytics, October 2012). It's a channel with extremely favourable growth prospects as the introduction of 4G technology 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 over EUR 6 billion by 2013 in terms of gross gaming yield. Given the rapid growth rate Unibet has experienced 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 developing apps and extending its mobile gaming 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 gaming operator. Unibet continues to focus on its mobile offer as the mobile revolution continues, giving its customers the most up-to-date moneytainment® experience as the industry continues its transition into fast-moving internet and mobile channels.

Mobile apps

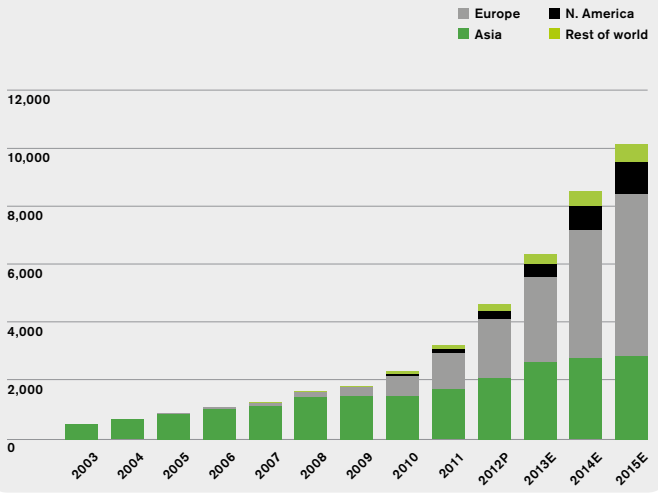
Unibet is one of the few online gaming businesses that has ALL three apps

Online/search marketing

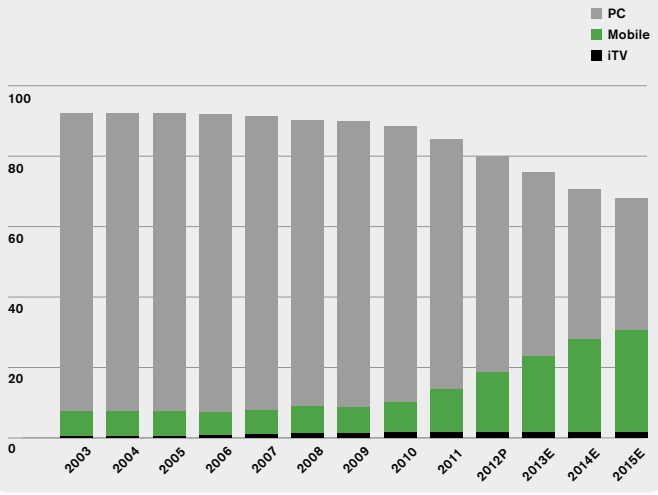
Online marketing is extremely important to Unibet in its drive to attract new visitors to the Unibet sites. Unibet focuses on optimising search engine positionings, working proactively in social media and co-operating with its affiliates and partners to drive revenue through online channels. The huge growth in mobile players means that online marketing has been optimised for mobile devices.

Growth across all these channels makes it easier for consumers to explore social networking, and provides a growing marketing and communication channel for Unibet for the future.

Mobile Gross Win by Region (€bn)
Source: H2 Gambling Capital March 2013



Mobile Percentage of Interactive (%)
Source: H2 Gambling Capital March 2013



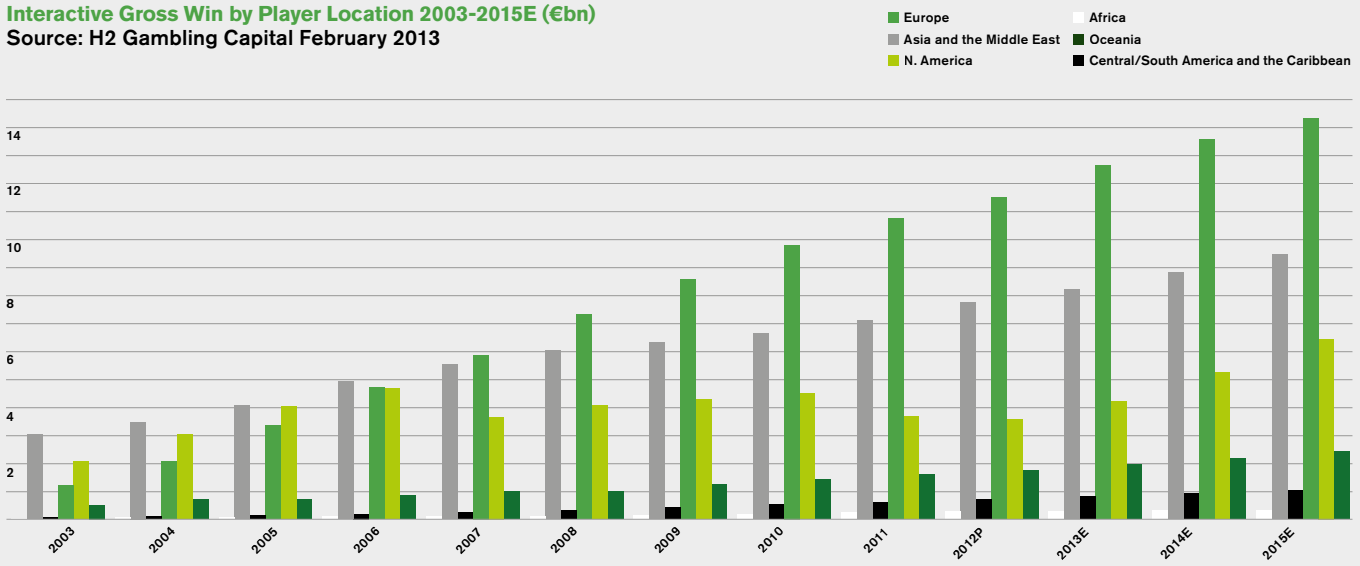
The growth of social networking sites has shown no signs of slowing down. The statistics are impressive. Facebook had one billion monthly active users in 2012 with 50 per cent of them daily active users. Even more staggering is the fact that 604 million people used Facebook on their mobile. Twitter has reached 500 million registered users. Unibet's investment in strategic social media planning, training, resources and advanced tools has helped it to exploit a new communication channel for an improved customer retention and acquisition rates and even better customer services.

Unibet recognises the importance of social media and uses it commercially as a central part of its marketing strategy. It has empowered Unibet to listen, engage and participate in meaningful conversations with current and potential customers on their preferred platforms across the business. 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**

Interactive Gross Win by Player Location 2003-2015E (€bn)
Source: H2 Gambling Capital February 2013



OPERATING MARKETS

In an action-packed year of sporting and casino action, Unibet saw exceptional business results across its markets. The European football championship and the Olympic Games in London were among the highlights that provided more reasons for players to visit and enjoy the Unibet experience.

While Unibet's core markets are in Europe it addresses global markets, excluding territories that Unibet has consistently blocked for legal reasons such as the USA, Turkey and similar markets.

	Pre-game sports-betting	Live betting	Poker	Casino	Games	French horse racing	Racing	Bingo
Unibet.com	x	x	x	x	x			x
Unibet.it	x		x	x	x			
Unibet.dk	x	x	x	x	x			
Unibet.fr	x	x	x			x		
Unibet.be	x	x	x	x	x			
Unibet.com.au	x						x	
Maria.com			x	x	x			x
Mariacasino.dk			x	x	x			

For operational purposes Unibet divides its market into four specific territories – the Nordic region, Western Europe, CES (the combined area of Central, Eastern and Southern Europe) and Other (which includes Australia). Unibet's aim is to appear as local and relevant as possible in all these markets and to demonstrate expert local knowledge to create content that is relevant for local customers.

Unibet offers Sportsbook B2B services through Kambi Sports Solutions, kambi.com.

951,718 ACTIVE CUSTOMERS IN 2012: AN ALL-TIME HIGH

63M GWR WESTERN EUROPE

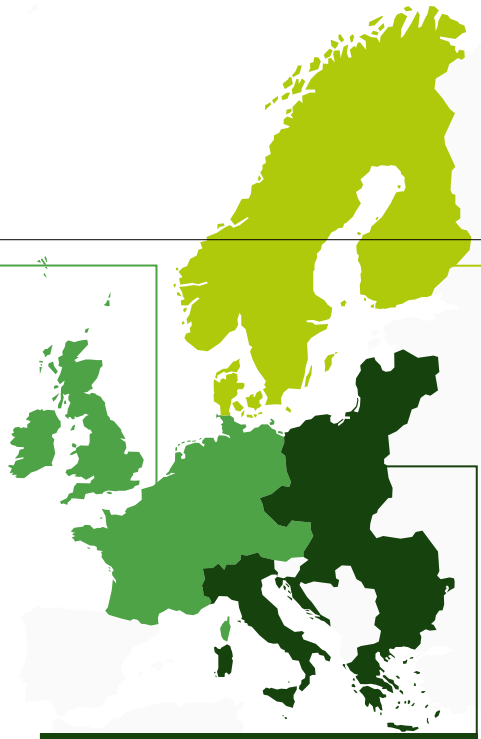
For Unibet the Western European market is growing well, but this year has seen economic upheaval in the Eurozone and a somewhat turbulent legal landscape. Despite the challenges of the Euro and the drift to market re-regulation Unibet has performed well and remains well positioned to take advantage of future developments.

Belgium granted local licences this year and Unibet took up a Sportsbetting licence and, in cooperation with the Rank Group, the casino offer is now complete, making Unibet an operator with a full product offering in this market.

In 2012, Unibet's operations in the French market was rebranded and now operates as unibet.fr. It remains in line with expectations, and positions the business well to take advantage of any future regulation changes.

Unibet remains one of the main online gaming brands in the Netherlands, a market currently preparing for regulation of the online offer, where the brand is well known, and Unibet is actively co-operating.

+47% GWR IN WESTERN EUROPE 2012



18M GWR CENTRAL, EASTERN & SOUTERN EUROPE

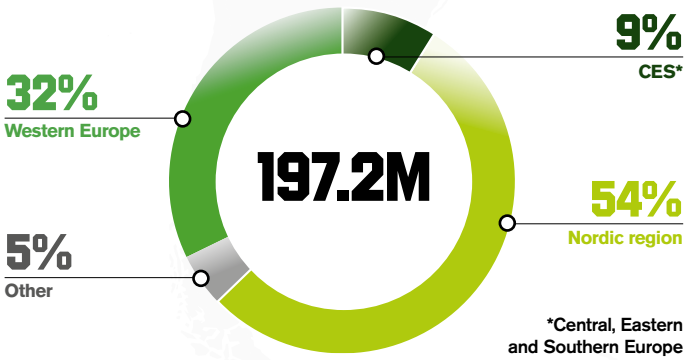
For Unibet the Central, Eastern and Southern (CES) European market includes a very diverse selection of countries and the diversity and size of these markets shows the reach of the Unibet brand, and its broad appeal to players everywhere. Unibet's dedicated team have built an excellent reputation across these territories.

Unibet's launch of its own platform in Italy on unibet.it in 2010 strengthened Unibet's position as a leading player in the European market and as this is the third largest market in Europe, it will provide potential for future growth.

This year Unibet exited the B2C market in Spain to concentrate on the B2B market with its Kambi Sportsbook offer. This has proved to be a strategically wise move as operating conditions and legislation in Spain became less favourable for operators. Kambi has been extremely successful in the region however, acquiring four large operators as clients this year.

Regulation in some countries in the EU 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.

Unibet's gross winnings revenue by region 2012



*Central, Eastern and Southern Europe

Sponsorship
Unibet sponsors the Danish Superliga football clubs FC København and FC Midtjylland

Unibet is focusing on a big mobile offering

105M GWR 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.

The strong brand together with a clear positioning in all countries give Unibet a solid foundation for future growth.

For Unibet, a strategy of increasing the focus on the core Nordic region has been extremely successful this year delivering growth and profitability for the business. Unibet is also confident that the Nordic regions will provide further opportunities going forward. In line with its strategy to pursue licences in regulating markets, Unibet launched its new unibet.dk site in Denmark during 2012. Unibet's operations in Denmark now have access to all the marketing tools and channels and payment methods that were previously only available to the state monopoly. In addition the acquisition of Bet24 in Denmark meant a rise in player numbers, giving Unibet one of the leading positions in the Danish market.

This acquisition has opened up more potential in the Danish market consolidating Unibet's position. With a strong Sportsbook product Unibet is well placed to take market share in the coming years. The regulation of the Danish market has also given Unibet access to sponsorship opportunities with two Danish SuperLiga football clubs, FC København and FC Midtjylland. Unibet is now the exclusive betting partner for both clubs, and will benefit from advertising in the football clubs' stadiums.

Maria, the female focused brand in the Unibet family has also made exceptionally good progress in the Nordic region. While bingo is now restricted in Denmark, the Maria Casino offer has seen considerable growth.

Across the region Unibet has been very active in TV advertising and finds that core markets are now delivering results consistent with having a well-known and trusted brand.

The mobile offering has been in focus in our communication and we have seen huge growth in all markets. A new mobile client, expanded mobile casino and launch of mobile live streaming will keep the Nordic region growing in the coming years.

The Danish Gambling Authority has extended Unibet's one-year license for betting and online casino into a five-year license

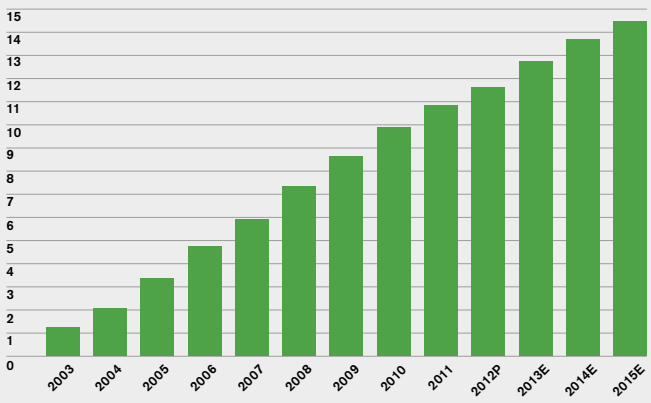
+18% GWR IN THE NORDIC REGION 2012

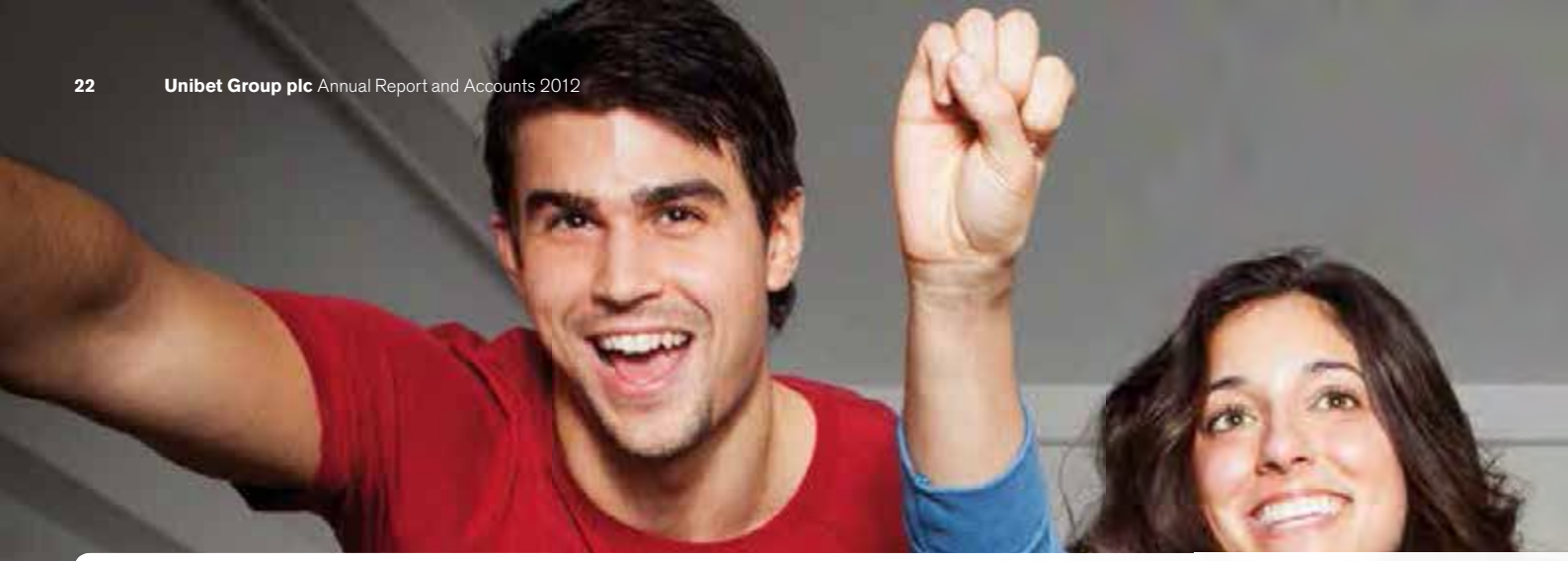
10M GWR OTHER

With the acquisition of Betchoice in Australia, Unibet entered the licensed Australian market in February 2012 with favourable trading conditions, rebranding the site to the Unibet brand in May 2012. Currently the unibet.com.au site can offer sports betting and racing to the Australian market but further products may become available in the future.

The acquisition gave Unibet a strong offering and market position in horse racing and through Kambi, it has the opportunity to enhance the quality and performance of the sports betting offer and deliver revenue growth and margin improvements. The launch of the Unibet brand has been received positively and the outlook for this market is good in the medium term.

European Internet Gambling Data GGY (€m)
Source: H2 Gambling Capital, March 2013





BUSINESS MODEL AND STRATEGY

01 ...MONEYTAINMENT® IS CENTRAL TO OUR CUSTOMER EXPERIENCE...

Moneytainment® defines the customer experience and explains what the business does. Unibet provides the most rewarding and entertaining, local and relevant digital gaming experience possible, for all its players.

PLAYER SAFETY

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.

Player Safety on pages 14 & 15

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.

CLEAR DIRECTION

The Unibet strategy has driven the business to success over the last two years. The focus on key markets, the drive for operational efficiency and customer centricity have been key to the business success. Going forward there are new challenges for the sector but the strategy remains relevant in all market conditions. Unibet's strategy will help it to excel in multi-licence operations, actively manage its geographic footprint, prepare for industry collaboration, optimise its branding and marketing, and continue to control operational efficiency. This strategy will deliver the clear direction and the strong brand that Unibet needs to succeed.

02 ...APPLIED ACROSS OUR FOUR CORE PRODUCT AREAS...

SPORTS BETTING

Sports betting and especially live betting, is central to the Unibet business and one of the keys to its success. Unibet offers 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, on mobile, tablets and PC. As part of a broader experience of the digital content customers can also watch live streamed sport events.

CASINO

The Unibet Casino features an exciting array of games and an action-packed moneytainment® experience for players at every level on mobile, tablets and PC. The Casino offers 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.

POKER

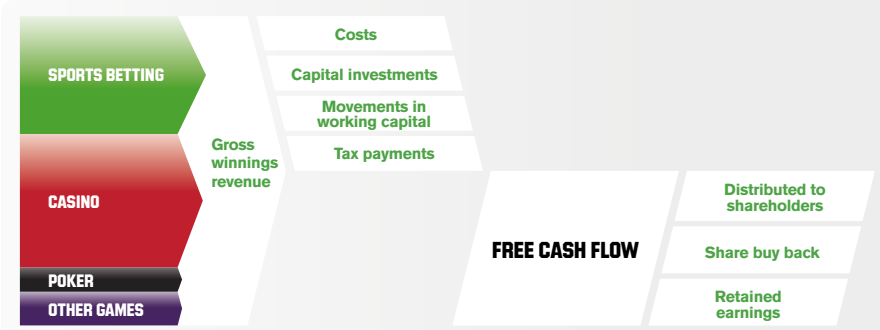
Online poker creates a fantastic player experience that is enjoyed at Unibet by recreational players in many regions around the world. The successful Unibet Open poker tour, a highlight on the European poker calendar, in its fifth anniversary year visited London, Prague, Paris and Saint Maarten in the Caribbean keeping Unibet players involved and at the top of their game.

OTHER GAMES

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.

03 ...USING OUR 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 is maintained to fund its normal operations, acquisitions or other corporate development projects, the remainder is kept by the Company as retained earnings.



04 ...COUPLED WITH AN INTELLIGENT STRATEGY...

VISION
To be one of the major players in the global market for online gaming.

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

VALUES
A strong corporate culture built on Unibet's customer focused core values.
- **Friendly**
- **Passionate**
- **Expert**

STRATEGY
To provide customers with entertaining and reliable products and excellent service whilst increasing profitability.

STRATEGIC PILLARS

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

Products
Continue to develop premium products across all digital channels. Embrace technology in the endless quest 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.

KEY PERFORMANCE INDICATORS

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

FINANCIAL

	Results	Definition	Performance
Gross winnings revenue (GBPm)	2012 197.2 2011 154.4 2010 147.5 2009 138.3	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 net turnover.	Combination of strong organic growth in core markets in both Unibet and Maria brands, supported by impact of acquisitions. **197.2M** (2011: 154.4m) **+28%**
EBITDA (GBPm)	2012 52.5 2011 48.0 2010 43.8 2009 41.9	Profit from operations before depreciation and amortisation charges.	Strategic focus on core markets and cost control continue to deliver improved performance. **52.5M** (2011: 48.0m) **+9%**
Profit after tax (GBPm)	2012 31.6 2011 35.5 2010 32.4 2009 26.8	Profit after tax is a measure of the profitability after accounting for all costs. A common synonym for Profit after tax is the bottom line.	A number of specific items affected profit after tax during the year. See Financial Review on page 36. **31.6M** (2011: 35.5m) **-11%**
Earnings per share (GBP)	2012 1.132 2011 1.270 2010 1.154 2009 0.957	Profit after tax divided by the weighted average number of ordinary shares for the period.	The same items that affected profit after tax also had an impact on EPS development in the year. **1.132** (2011: 1.270) **-11%**
Dividend and share buy back/ share (GBP)	2012 0.700 2011 0.746 2010 0.425 2009 0.710	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.	The Board has reviewed the projected cash requirements for 2013 and is proposing for this year to increase the dividend above 50 per cent of free cash flow. **0.700** (2011: 0.746) **-6%**

		Results	Definition	Performance
FINANCIAL	**Operating margin (%)**	2012 18 2011 25 2010 23 2009 24	Profit from operations as a percentage of gross winnings revenue.	2012 was affected both by higher betting taxes in regulated markets and the impact of acquisitions. **18%** (2011: 25%) -28%
FINANCIAL	**Capital expenditure on intangible assets (GBPm)**	2012 14.9 2011 11.9 2010 6.2 2009 2.6	Capital expenditure on intangible assets.	Re-regulation and Kambi drives business investments. **14.9M** (2011: 11.9m) +25%
FINANCIAL	**Equity/ Share (GBP)**	2012 6.329 2011 5.632 2010 5.018 2009 4.343	Total assets less total liabilities, divided by the number of ordinary shares at the balance sheet date.	A strong balance sheet creates stability. **6.329** (2011: 5.632) +12%
FINANCIAL	**Free cash flow per share (GBP)**	2012 1.18 2011 1.13 2010 1.25 2009 1.65	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. **1.18** (2011: 1.13) +4%
NON-FINANCIAL	**Active customers last quarter of the year**	2012 491.958 2011 400,697 2010 308,872 2009 365,865	An active customer is a customer who has placed at least one bet during the last quarter.	Strong year-on-year growth augmented by acquisitions. **491,958** (2011: 400,697) +23%
NON-FINANCIAL	**Employees who view Unibet as a good employer (%)**	2012 87 2011 82 2010 60 2009 76	The 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 shows that the revised strategy has been well received by the Unibet people. **87%** (2011: 82%) +5%

RISK MANAGEMENT

RISK GOVERNANCE

Unibet has implemented a holistic risk management process to ensure that Group risks are managed in a pro-active manner.

The Board via the Audit Committee has the overall responsibility for the risk management process and risk governance. The Executive management is responsible for identifying, assessing and managing the risks within Unibet.

The newly established Risk Management and Internal Audit team have begun to perform reviews of the effectiveness of the risk mitigation controls and report the result to the Audit Committee on a quarterly basis.

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:

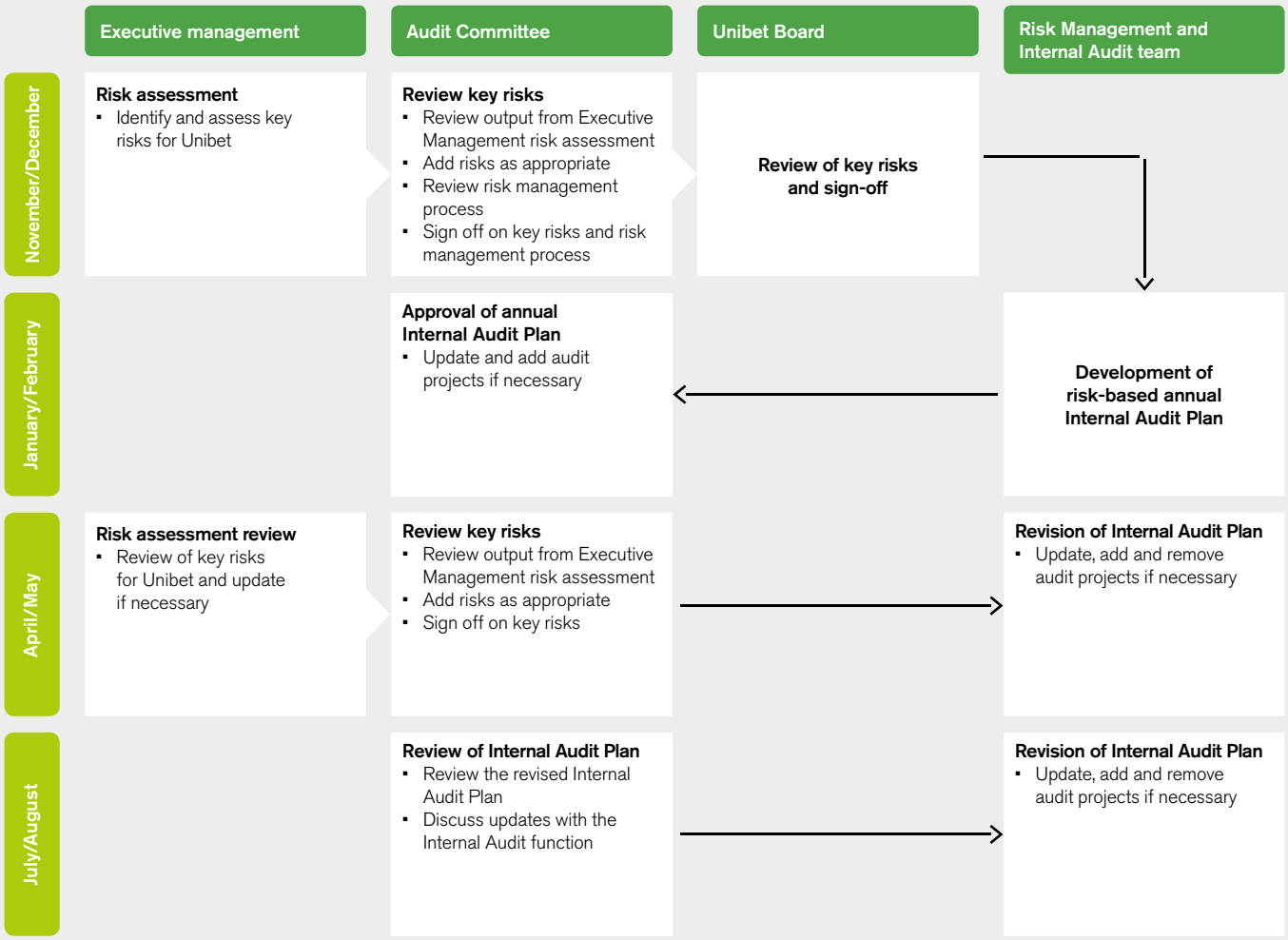
- **Odds/Trade related risks**
- **Exchange risks**
- **Fraud, Anti-Money Laundering and Legal risks are discussed in the Player safety section, page 14, and the General Legal Environment on pages 44 and 45.**

RISK MANAGEMENT PROCESS

Risks are identified using the process as described in the following picture. Identification and assessments are done across the Unibet Group via regular workshops with key stakeholders. The results are compiled into a risk report which is presented on a bi-annual basis to the Audit Committee.

A risk owner is identified for all risks who has the responsibility to implement the mitigation strategy and to monitor the risk.

Risk management and internal audit cycle



MONTHLY RETURNS AND TRACKING ERRORS

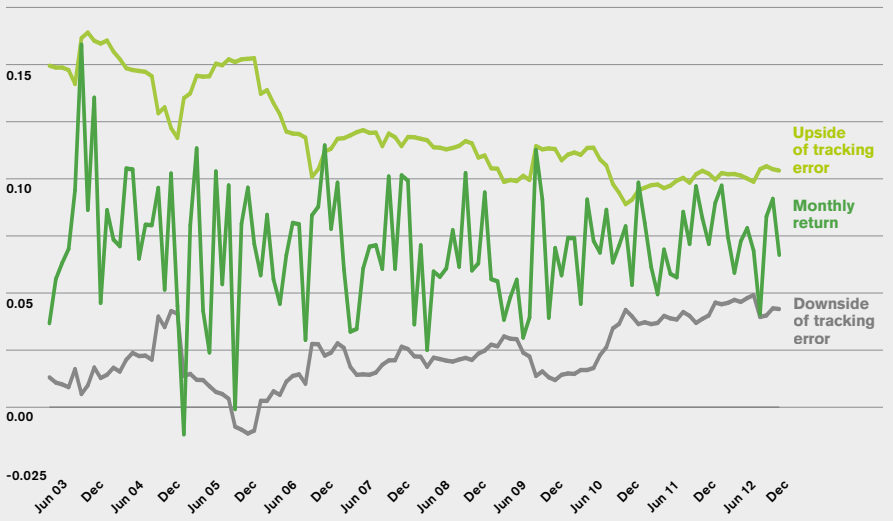
Kambi Sports Solutions, Unibet's B2B Sportsbook provider, employs various risk management tools to assess and manage the risks. For example, to monitor the relative risk of the Sportsbook, it has risk tools and models normally used in the investment management industry.

The chart below sets out the monthly return on the Sportsbook from mid-2003 to date (pre-game 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. One of the main contributors is due to the fact that the relative amount of live betting within the Sportsbook has increased, and live betting is more stable, although 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	+/- 1.972m
Administrative expenses	+/- 1	+/- 0.810m
Marketing expenses	+/- 1	+/- 0.476m

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). The Association works closely with many of the world's leading sport federations including FIFA, the ATP, and the IOC, and has signed co-operation agreements with most European gaming regulators, to make sure any such intelligence is shared as soon as possible.

In 2012, millions of betting transactions were registered within the ESSA security network. Of those transactions, 112 alerts raised by members based upon incoming transactions were investigated. Six events proved to be suspicious and were passed onto the respective competent authorities.

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.

ESSA is also, together with EGBA and RGA, in close cooperation with EU Athletes, an independent athletes association representing over 25,000 professional athletes throughout Europe. A code of conduct and education programme co-financed by the European Commission has been set up, which helps professional athletes and sports people understand and comply with the sports rules against match fixing.

EU ATHLETES
EUROPEAN ELITE ATHLETES ASSOCIATION

RISK MANAGEMENT
CONTINUED

		Risk	Description of risk
GENERAL RISKS	Strategic	**Disadvantageous re-regulation on core markets**	If core markets establish a disadvantageous re-regulation model with both high taxes and significant product restrictions, then it is hard to achieve a profitable business. The technical/operational risk posed by future re-regulation is now lower than seen 1-2 years ago, as a result of the significant investments made to the operating platform.
		Supplier related risks	Lack of control over availability of external suppliers gives rise to risk of either business disruption or sub-optimisation. There is a risk as the industry evolves of supplier concentration; if key suppliers acquire dominant or monopoly positions then that creates a risk of uncontrolled price increases. To operate effectively in local markets Unibet needs all major product suppliers to be prepared to make the necessary investments to comply with local requirements.
		Technological and market changes in core markets	Unibet faces a risk in relation to potential new products, technologies, channels and markets (such as social gaming) that might emerge or change the behaviour of the customers. Unibet also faces the risk of new market entrants or stronger competition. As a result of these factors, Unibet might find it difficult to generate adequate growth to meet medium to long-term market expectations.
	Operational	**Site stability**	Failures in Unibet's website including those triggered by internal or external IT failures or deliberate acts, could lead to disabling of the site or unavailability of business critical products. An unacceptable level of errors would damage the brands and could motivate customers to look for other sites.
		Failure in recruiting or keeping key staff	Failure to recruit or keep existing key staff will lead to difficulties reaching the company objectives.
		External security intrusion attempts	Either as a result of a cyber-attack or internal security weakness, Unibet customer data, including sensitive data such as passwords and/or banking details, could leak into the public domain. This could have a devastating reputational effect on brand and business.
	Financial	**Goodwill impairment**	Unibet has over GBP 170 million of goodwill and acquired intangibles on the balance sheet. This is reviewed annually for impairment.
	Compliance	**Tax risk**	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.
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.
	Exchange related risk		The Group operates internationally and in addition to GBP, is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish kronor, Norwegian kroner, Danish krone and Australian dollar.

Mitigation

Unibet has continuous contacts with regulators and policymakers in the core markets to be able to provide input regarding new or updated regulations to help create a sustainable regulation that is aligned to customer demand and the cross-border digital market reality.

The risk is mitigated by reducing dependency on single suppliers and to work with multiple third-party suppliers. This allows Unibet to mitigate risks of failure of suppliers to operate effectively in re-regulated markets.

The risk is mitigated by a number of activities:

- Investments in new markets to help diversify the exposure to any market;
- Mobile investment to ensure that Unibet maintains and enhances the market position; and
- Focus on Innovation projects to explore new revenue streams or new ways to generate additional revenues or cost savings from the existing business.

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 will immediately take over.

The risk is mitigated by identifying key staff and ensuring that Unibet is attractive for key staff to stay with the Company.

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

To be able to detect any signs of intrusion, Unibet has a dedicated Security Operations Centre that monitors the internal networks 24/7.

Unibet performs several security tests per year to ensure that the systems are secure. The tests are performed by external security companies. Any issues discovered during the tests are mitigated.

Risk is managed by monitoring and ensuring any issues are anticipated and all steps necessary are taken in time to prevent problems arising (e.g. considering if business restructuring has an impact on goodwill or other asset values).

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.

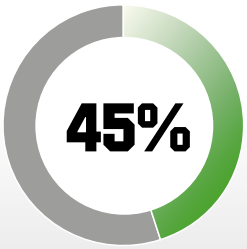
In managing its taxation affairs, including estimating the amounts of taxation due (both current and deferred) for the purposes of inclusion in the financial statements, Unibet relies on the exercise of judgment concerning its understanding of those laws and its compliance therewith, assisted by professional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

The Group has adopted specific risk management policies that control the maximum risk exposure 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-game book which has made the Group market risk trending downwards as the proportion of live betting has increased. The heads of the Kambi Odds compiling teams, the Livebetting 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.

The Group's operating cash flows provide a natural hedge of operating currency risks, since deposits and payouts to customers in different territories 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 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. Unibet Group plc renewed the revolving loan facility in December 2011, for a maximum level of EUR 30 million. As the borrowings of the Group as at 31 December 2012 are denominated in euro and Swedish kronor, there is a currency translation exposure related to this financial liability. The translation gains and losses will be unrealised until the repayment date. The potential translation gains and losses arising on the loan in future would be offset to the extent that the Group generates positive future cash flows in other areas of the business in euros and Swedish kronor.

UNIBET'S PRODUCTS

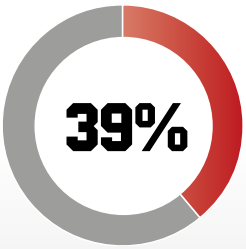
The Unibet business is structured around sports betting, casino, poker, bingo and soft games. A choice of these products is available to players via websites in 27 different languages and importantly for the future, increasingly via mobile phones and tablets.



SPORTS BETTING

87.8M

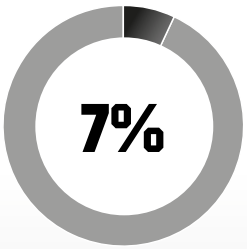
Total GWR (GBP)
(2011: 60.9m)



CASINO

76.6M

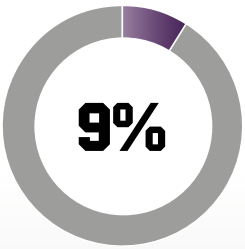
Total GWR (GBP)
(2011: 64.6m)



POKER

14.5M

Total GWR (GBP)
(2011: 13.6m)



OTHER

18.3M

Total GWR (GBP)
(2011: 15.3m)

SPORTS BETTING

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, 7 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.

The Sportsbook 2012

The Unibet Sportsbook portfolio consists of fixed odds pre-game and live betting as well as pool betting products Supertoto and Superscore.

2012 saw more than 92 million bets placed (pre-game and live combined) compared with 75 million in 2011 with football the most popular betting sport accounting for 48 per cent of turnover and 65 per cent of gross winnings revenue.

The growth has been driven by an increase in Unibet's live betting events, a large increase in mobile betting and the expansion of Unibet's streaming offer on a sporting calendar that included the 2012 Olympic Games and football's Euro 2012 championship.

Unibet's reputation as a fun company is also reflected in the Sportsbook where players can bet on non-sports events that capture their imagination. This year saw bets placed on everything from the Oscars to the US election results, from the X Factor to the Nobel Literature Prize. Over 28,000 bets were placed on the Eurovision Song Contest – the biggest non-sport event in the calendar and an annual favourite for Unibet players.

Growth drivers

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 us significant growth once again in 2012.

It has been driven by a better range of products, more live betting events and streaming, but more than anything, by the rapid uptake of mobile betting.

32.8M
LIVE SPORTS BETTING GWR 2012
(2011: 23.8)

Mobile access to the Unibet moneytainment® experience has been predicted for years but really accelerated in 2012. The Group has seen an increase in players using their mobile device as their premier internet access channel and has raised its game to accommodate this rise in demand. Mobile technology is now embedded into Unibet products and is not treated as a separate channel. Unibet has developed a mobile user experience that has delivered a record breaking year.

The mobile revolution continued to drive change across the business with Unibet launching the fourth mobile app in the Apple app store. The new Unibet Pro App is the first full betting mobile app in the Apple app store and it also supports all major platforms, including being the first betting app in the Windows Phone Market place.

Pre-game betting

Pre-game betting has grown well this year and accounts for 41.5 per cent of Sportsbook turnover and 62.7 per cent of Sportsbook gross winnings. This year it covered major football leagues in Europe, major golf and tennis tournaments as well as ice hockey leagues in the Nordic countries and North America.

Football remains the largest betting sport in pre-game betting with particular interest coming from the English Premier League, Euro 2012, the Champions League, Spain's La Liga and Italy's Serie A.

Unibet this year provided one of the biggest Olympic offers anywhere in the world and was first to market with prices on all major events. The Sportsbook delivered every qualifier, race, weight class, distance and final, priced for pre-match betting.

It is easy to see the excitement generated by pre-game betting, when you hear about the Norwegian customer who won Unibet´s biggest ever pre-game bet this year with a stake of GBP 85.80 (NOK 786) at odds of 1,405 to win GBP 120,555.68.

Live betting

Unibet players get what they want, and they tell us they want more live betting. Players have always embraced live betting with enthusiasm and it is responsible for much of the Group's customer retention and growth. Unibet's growth in this area has been phenomenal. It has provided live betting on more than 60,000 live events in 2012 compared with 45,000 in 2011. It accounted for 58.5 per cent of the Sportsbook turnover excluding Free Bets and for 37.3 per cent of total Sportsbook gross winnings.

Football and tennis each account for around 40 per cent of all live betting turnover but live betting is offered on everything from beach volleyball and snooker to basketball, volleyball and handball around the globe.

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

Streaming

Unibet streams thousands of events each year across all markets. 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 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.

This year Unibet streamed around 17,000 live events, more than any sports TV channel, and gives us a big point of difference in the market. High-profile events that inspired players this year included three major tennis tournaments – covering every court from Wimbledon as well as the US Open and Australian Open. For the first time ever Unibet was able to offer US sports as we streamed NBA games too. The streaming of major football showed all the action from the Spanish Primera Liga and the World Cup 2014 qualifying matches. Unibet streams sport with local interest too such as the exclusive streaming of events in local markets such as the Klitchko v Wach fight in Finland and local MMA (Mixed Martial Arts) in the Nordic markets.

CASINO

The Unibet Casino is an action-packed online adventure that connects with players of table games as well as fans of slots and jackpot games. It has performed extremely well this year with steady growth, a new launch into mobile, and many new games and features. Big advances have been made with the roll out of a seamless wallet for players and easy navigation around the casino offers. The casino sites feature around 300 games at any one time including roulette, blackjack, video slots and video poker. Customers are offered a large variety of attractive promotions including free spin offers and regular tournaments with large prize pools of up to EUR 20,000. Whilst old favourite games like Dallas remain popular, new games like Starburst and movie-themed Scarface have proved very successful too.

Unibet's Live Casino offers players authentic casino action in their own home, featuring high quality live video streaming of real casino croupiers. 2012 witnessed live games up by 12 per cent year-on-year and the launch of a new roulette table featuring Swedish-speaking dealers, which has further broadened the appeal of the casino, for the Swedish players. The casino has also moved offline for the first time this year to connect with blackjack and roulette players on the Unibet Open poker tour.

Unibet has entered a new era in 2012 with the launch of the mobile casinos in March. The mobile version has received a significant response in such a short time and already accounts for 7 per cent of the total casino turnover. Unibet mobile casino aims to deliver the market-leading mobile offer during 2013.

OVER 40 CASINO GAMES AVAILABLE ON MOBILE

Unibet brand
Strong brand awareness has helped the organic growth of Unibet

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

UNIBET'S PRODUCTS
CONTINUED

POKER

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 ideas creating promotions that also appeal to Unibet Sportsbook users. Innovations this year include the launch of Fast Poker that has been particularly popular online. The recreational player is our target audience but the prizes are out of this world. This year has seen prize pots reach EUR 200,000 with other prizes of gold bars, expensive wrist watches and even a Porsche.

The Unibet Open continues its success as one of Europe's leading poker tours with the annual series holding events in London, Prague, Paris and, for the first time, on its fifth anniversary, the tour went to the Caribbean.

The Unibet Open this year also featured live blackjack and roulette to create a truly comprehensive Unibet festival that has its own website at unibetopen.com.

These events attract many Unibet players and give the brand strong media coverage, connecting the brand with players in a very dynamic and impactful way.

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

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

OTHER GAMES

Bingo

Unibet provides bingo games on its Unibet sites and on Maria.com for a loyal following of bingo players across many regions which have notable success in some of our core markets. Significant events in the year saw improvements and major releases in side games which have proved especially popular and provided growth and considerable success in the Unibet bingo offer. For example, September saw the launch of a new bingo side game, Fireworkz Blitz, based on the ever popular Bouncy Balls side game. It's not just a fun way to pass the time – in fact the new version launched with a GBP 1 million progressive jackpot.

To tie in with the Olympic mania over the summer months, Unibet Bingo launched an Olympic-themed bingo game where players could pick their choice of 10 athletes to cheer to victory and if their chosen athlete was first to the finish line they won additional prizes.

UNIBET BINGO HAS 7 DIFFERENT BINGO VARIANTS AVAILABLE TO PLAY

The audience for bingo is definitely a fun-loving crowd as can be seen from the ever popular Maria.com bingo cruises that have attracted a great reputation for fun-loving players and some pretty attractive bingo jackpots.

Bingo remains extremely popular with prizes hitting a record high of daily GBP 200,000 prizes in September 2012. Bingo players also get access to slots and other games on the sites.

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. Unibet offers players Keno and lottery-style games, alongside slots and hi-lo and exclusive games such as Kronesautomaten and Club 2000. The games products continue to perform well and are becoming an increasingly valuable part of the portfolio where growth has been driven by some high-quality new games releases including: Rocky, Shoot, Tiger vs Bear, 'The Dark Knight', based on the Batman film, Megadeth, based on the band, and Random Runner, a popular game in Holland which is exclusive to Unibet.

KAMBI SPORTS SOLUTIONS

What is Kambi?

Kambi Sports Solutions is a business-to-business (B2B) supplier of quality sports betting services provided on an in-house developed proprietary software platform.

After developing and operating Unibet's award-winning Sportsbook since 1997, Kambi was set up as a separate entity in 2010. Today, Kambi is run independently with its own offices and Advisory Board, and provides its services to a number of clients including Unibet, Paf, Egasa, Acrismatic, Mediaset España, Napoleon Games, Suertia Expekt, Interwetten, AsianLogic, Fun88 and Tonybet. Kambi is currently licensed in Malta, Alderney and Spain. In addition, Kambi has also completed several audits during the year and currently has its services certified in Denmark, Belgium and Italy.

As part of the process of changing the organisation from being part of a B2C company to an independent B2B company, Kambi has completed the creation of its own, independent organisation and company structure. Kambi employs 261 people, of whom 156 are in the trading department and 74 system developers across offices in Stockholm, London, Manila and Malta.

The goal for Kambi is to be an independent and preferred partner to larger private operators and to the state lotteries around the world. To provide advice and governance, the Kambi Advisory Committee has been formed. It is comprised of two members of the Board of Unibet Group plc and two advisors, to create a committee with extensive experience of the gaming industry and other relevant business sectors. Its current 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.

2012 ACHIEVEMENTS
SIGNED FOUR FULL SPORTSBOOK CLIENTS

DID YOU KNOW?

- The majority of sports betting revenues for a leading online operator are generated from live betting
- Every jurisdiction that has regulated online gaming so far has had very different requirements
- The top European operators will all offer more than 70,000 live betting events in 2013, or on average close to 200 events per day
- Mobile betting is growing rapidly and will soon become the leading distribution channel for sports betting

Kambi's services

By tapping into Kambi's established infrastructure, the operator can focus solely on marketing to drive revenues at the same time as making substantial savings compared to operating an in-house Sportsbook. Furthermore, the operator can rely on Kambi to offer their players cutting edge products in the present as well as in the future. Kambi gives the operator a fully serviced solution:

- **Distribution on web, mobile and retail through tailor-made front end clients**
- **75,000 live betting events/year**
- **170,000 pre-game events/year**
- **20 pool betting coupons/week**
- **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**

By insourcing Kambi's Sportsbook, operators are placed in pole position to compete profitably and successfully with significantly lower fixed costs and therefore lower company risk.

Mediaset España
Mediaset Espana became one of Kambi's latest fully managed Sportsbook signings

Delivery 2012

Paf, Number 13 in eGaming Review´s Power50, 2012, licensed by the Åland Provincial Government, launched Kambi's sports betting product in June 2011. There has been a steady growth since the launch in June and their Sports betting turnover has increased by 275 per cent during the first 12 months in operation (year-on-year).

During 2012 Kambi signed agreements to deliver a fully managed Sportsbook solution with Egasa, Acrismatic, Mediaset España, and Napoleon Games, all of which are now successfully launched.

Seven key areas to maximise profits for operators and user experience for punters

UNIBET'S PRODUCTS
CONTINUED

Maria.com, the female brand in the Unibet family, offers bingo, casino, games and poker in a less sports-focused environment. Maria.com has had another exceptional year achieving great growth in new customers, gross winnings revenue and EBITDA.

This success was due to loyal customers, a unique positioning as a female-friendly brand, and its appeal to those seeking a less competitive gaming site.

OVER 60% OF MARIA STAFF ARE FEMALE

UNIBET'S FOURTH LARGEST MARKET

MOBILE BINGO & CASINO AVAILABLE IN THE NORDICS & UK

Transformation
Maria's origins were in bingo but it has been transformed over the last 24 months from a bingo house to a fully developed gaming business that is focused on women. The brand'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.

Partnership
Maria.com 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.

Target audience
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.

Maria.com customers seek fun and entertainment, they are sociable and prefer meeting friends or caring for family to climbing the career ladder or working out at the gym. Whether they work or tend family they have a busy schedule but love to make time for a favourite TV series, gossip magazines, clothes shopping, holidays, and surfing the internet. Maria.com customers love to play casino games and bingo in their free time and enjoy the dream of winning big bucks one day.

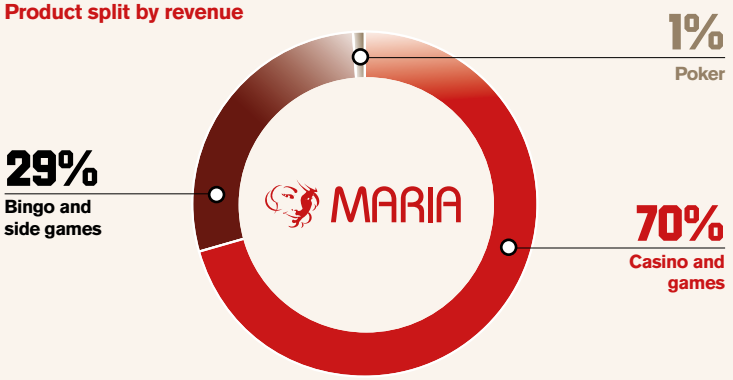
Market reach
The biggest markets for Maria.com are in the Nordic region, but the brand operates across different European countries and also runs a network of six white label bingo offers including Bingo.com, Violet Bingo & Casino, and Amor Bingo. The network works with different games suppliers to provide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

Point of difference
Maria.com promises a shortcut to excitement and fun, just one click to a world where players can enjoy themselves and win money. Maria.com constantly strives to be the most user-friendly gaming site where it's easy to register easy to play and easy to win without the complexity or competitiveness of other sites. A new platform, seamless wallet and unified bonus schemes add to the easy atmosphere at Maria.com

New for 2012
It's been an eventful year for Maria.com and its customers this year. The whole site saw a complete redesign launched in August. Behind the scenes the site has moved to the new Unibet platform and a new license in regulated Denmark meant the launch of mariacasino.dk. 2012 also saw the launch of the Maria.com mobile casino with more than 30 games, and Fast Poker, an easier, faster way for busy people to enjoy the fun of poker. A new departure also saw Maria.com launch in the UK market and plans are in the pipeline for the next Maria.com launch.

Fun
The Maria.com target audience really enjoys the fun factor. Players are less concerned with big matches or sporting events and enjoy the fact that Maria.com has a softer and friendlier approach than most gaming sites. It connects with consumers in a sociable way, creating a community of players that enjoy the chance to make money while enjoying the party atmosphere or relaxing with friends.

Product split by revenue



MARIA.COM

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 finds 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 payouts, 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!

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 in accordance with the Maltese Companies Act 1995.

The accounting policies as adopted in the published results for the year ended 31 December 2012 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 2012 increased to GBP 197.2 (2011: GBP 154.4) million. Gross winnings revenue from sports betting amounted to GBP 87.8 (2011: GBP 60.9) million for the full year 2012. Other products (casino, poker, bingo and games) saw gross winnings revenue amounting to GBP 109.3 (2011: GBP 93.5) million for the full year 2012.

Live betting accounted for 58.5 (2011: 58.6) per cent of turnover on sports betting, excluding Free Bets, in 2012 and 37.3 (2011: 39.2) per cent of gross winnings revenue on sports betting, excluding Free Bets, in 2012.

Gross winnings revenue by market and business segment

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

The Other segment has increased in 2012 following the acquisition of Betchoice in Australia.

Gross margin on sports betting

The gross margin for pre-game sports betting before Free Bets in 2012 was 11.8 (2011: 10.2) per cent.

The gross margin for total sports betting in 2012 before Free Bets was 7.8 (2011: 6.9) per cent, and after Free Bets was 7.0 (2011: 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 of Malta, Italy, France, Denmark, Belgium and Australia. 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. Betting duties in Denmark are levied at 24 per cent of gross winnings revenue on sports betting and casino. Betting duties in Belgium are levied at 11 per cent of gross winnings revenue on sports betting, casino and poker. Antigua is a licensed jurisdiction where there are no betting duties. Betting duties for the full year 2012 amounted to GBP 11.7 (2011: GBP 1.9) million.

Of the Cost of sales, the marketing-related revenue share and affiliate cost amounted to GBP 14.4 (2011: GBP 13.4) million for the full year 2012.

Gross profit

Gross profit for the full year 2012 amounted to GBP 171.1 (2011: GBP 139.1) million.

Marketing costs

During the full year 2012, marketing costs were GBP 47.6 (2011: GBP 35.4) million. Active customers during the three-month period ending on 31 December 2012 were 491,958 (2011: 400,697). Active customers during the full year ending on 31 December 2012 were 951,718 compared to 745,408 for the previous year, due to strong year-on-year growth augmented by acquisitions.

Administrative expenses

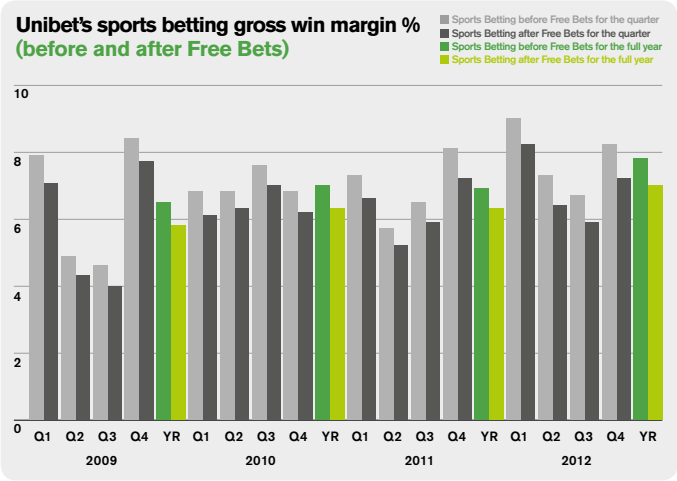
During the full year 2012, ongoing administrative expenses were GBP 81.1 (2011: GBP 62.0) million. These included GBP 12.9 (2011: GBP 9.1) million for depreciation and amortisation charges. Included within amortisation charges disclosed within administrative expenses, is GBP 9.5 million charged in respect of capitalised development expenditure (2011: GBP 6.9 million), and GBP 0.9 (2011: GBP 0.6) million for other intangibles. There is also an amortisation element included within items affecting comparability as explained overleaf.

Excluding depreciation and amortisation, ongoing administrative expenses were GBP 68.1 (2011: GBP 52.9) million, of which GBP 34.9 (2011: GBP 25.3) million were salaries and associated costs. Excluding depreciation and amortisation expenses, the increase in administration expenses is in line with the increase in gross winning revenue.

Gross winnings revenue by market and business segment

	2012			2011		
GBP 000	Sports betting	Other products	Total	Sports betting	Other products	Total
Nordic Region	38,590	66,693	**105,283**	32,866	56,666	**89,532**
Western Europe	32,900	30,302	**63,202**	18,783	24,096	**42,879**
Central, Eastern and Southern Europe	7,497	11,000	**18,497**	8,423	11,457	**19,880**
Other	8,839	1,338	**10,177**	801	1,304	**2,105**
Total	**87,826**	**109,333**	**197,159**	**60,873**	**93,523**	**154,396**

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



Note 4 in the financial statements on page 70 provides more analysis of operating costs, including items affecting the comparability of the results.

Items affecting comparability

The Group defines items affecting comparability as those items which, by their size or nature in relation to the Group, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparability of the Group's results between periods.

Items affecting comparability include merger and acquisition transaction costs, of which the Group spent GBP 1.1 (2011: GBP 0.6) million during the year. In 2012, Unibet made a one-off payment to Spanish tax authorities, covering betting duties, interest and penalties of GBP 2.6 million.

Amortisation of acquired assets of GBP 3.2 (2011: GBP 0.1) million for the year, is the charge on assets acquired as part of business combinations. This is included as part of the Group's total amortisation charge shown in Note 11 to the consolidated financial statements.

During 2012, an adjustment to carrying value of discontinued brand of GBP 1.2 million was triggered, because Unibet had taken a commercial decision to move the acquired business in Australia to the Unibet brand, for reasons of long term efficiency. This item is a one-off, non-cash charge, and is also included within Note 11. The adjustment to carrying value of contingent consideration of GBP 1.8 million relates to the determination of the final earn-out payment on the 2011 Solfive acquisition, which was lower than provided for at 31 December 2011. This is also a one-off non-cash item.

Kambi

Of the administrative expenses for the full year 2012, GBP 16.0 (2011: 11.1) million is related to Kambi Sports Solutions. Of this cost GBP 4.7 (2011: 2.7) million is specifically related to the B2B business. Kambi's capital expenditure in the full year 2012 was GBP 5.9 (2011: 6.0) million, of which GBP 3.6 (2011: GBP 4.2) million is related to the B2B business.

EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2012 were GBP 52.5 (2011: GBP 48.0) million.

Profit from operations for the full year 2012 was GBP 35.1 (2011: GBP 38.8) million. As mentioned above the full year 2012 was affected by a number of specific items related to payment to Spanish tax authorities and the recent acquistions of Solfive, Betchoice and Bet24.

Finance costs

Finance costs for the full year 2012 were GBP 1.1 (2011: GBP 0.9) million.

Profit after tax

Profit after tax for the full year 2012 was GBP 31.6 (2011: GBP 35.5) million.

Development and acquisition costs of intangible assets

In the full year 2012, expenditure of GBP 13.9 (2011: GBP 10.8) million, had been capitalised. Expenditure of GBP 1.0 (2011: GBP 1.1) million was capitalised with regard to other intangible assets. The increase in capitalised development costs during 2012 reflects Unibet's commitment to investing in long term sustainable growth, with the key drivers being the response to local licensing requirements and development of the Kambi business.

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, Guildhall Media Invest in 2008, the Solfive Group in 2011, and Betchoice Corporation Pty Ltd and the business and certain operating assets of Bet24 in 2012. The acquisitions of Betchoice and Bet24 increased the goodwill balance by GBP 21.6 million.

Goodwill and certain intangible assets recognised in connection with these acquisitions 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 0.3 million in 2012 (2011: decreased by GBP 1.4 million).

The carrying value of other intangible assets decreased by GBP 0.1 million (2011: decreased by GBP 0.5 million). These translation adjustments were credited to the currency translation reserve. Certain non-current assets of the Group relate to capitalised IT development costs. Other non-current assets include computer software, computer hardware and fixtures and fittings, and the investment in Bingo.com Limited.

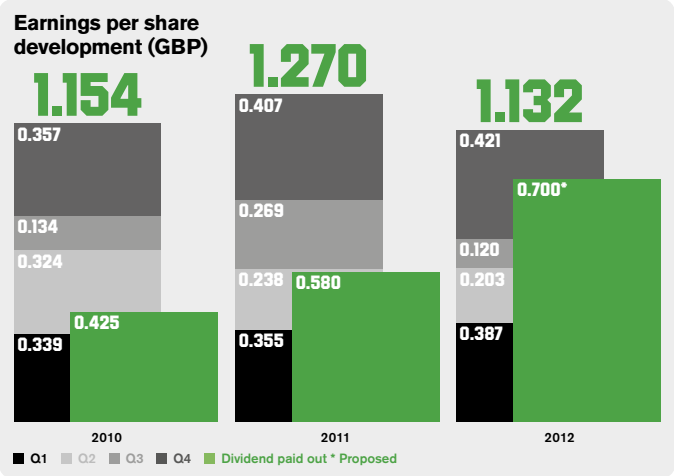
The non-cash current assets on the balance sheet relate only to other receivables, prepayments and taxation. The movements in the tax balances in the consolidated balance sheet are influenced by the timing of dividend payments within the Group. Significant liabilities on the balance sheet include trade and other payables, and customer balances (see Note 16 on page 75).

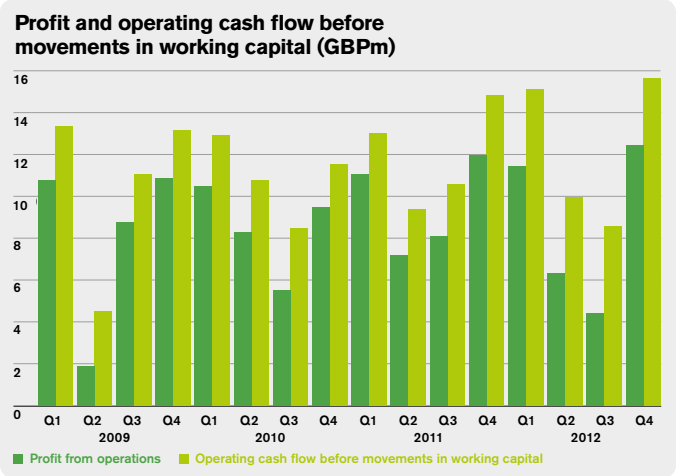
Financing and cash flow

The net cash inflow for the 2012 year was GBP 9.0 (2011: inflow GBP 4.8) million, increasing the total cash balance at the end of 2012 to GBP 49.9 (2011: GBP 41.8) million.

The Group continues to demonstrate the ability to generate strong operating cash flows, whereby a total of GBP 50.2 (2011: GBP 46.7) million in cash was generated from operating activities during 2012. Operating cash flow before movements in working capital amounted to GBP 51.1 (2011: GBP 48.5) million for the full year. More information by quarter is shown in the graph below.

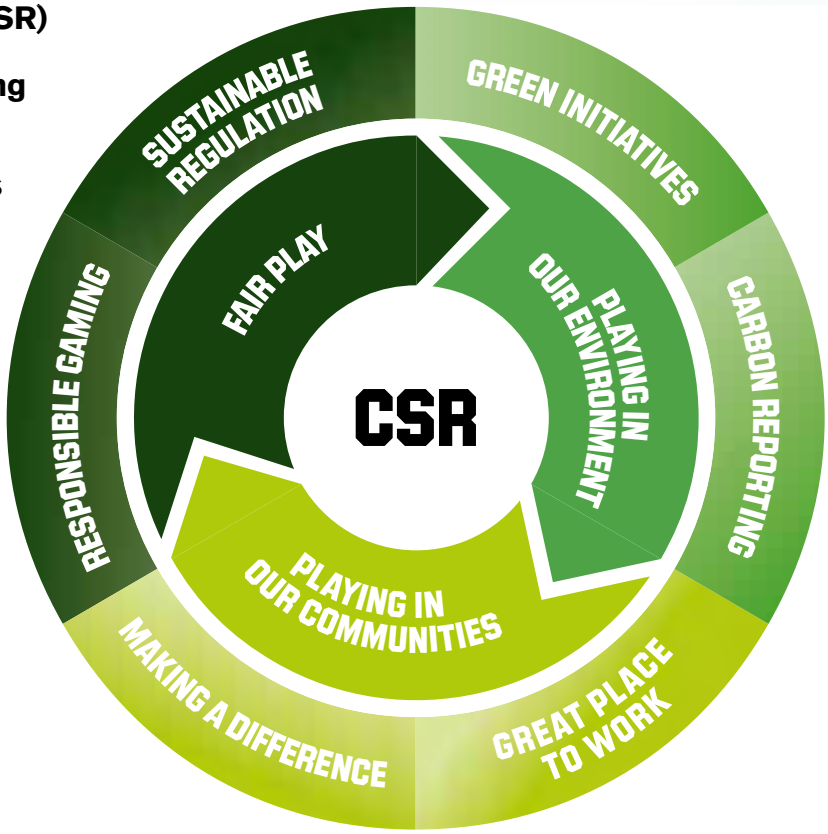
Cash was impacted during 2012 by cash outflows in respect of the acquisition of Betchoice of GBP 11.7 million, and the purchase of business and certain operating assets of Bet24 of GBP 10.9 million. In May 2012 Unibet paid out a dividend of GBP 16.2 million to shareholders. In order to partially fund these movements, Unibet drew down on the Revolving Credit Facility, with a net cash inflow from borrowings of GBP 13.0 million during the year. At 31 December 2012, GBP 13.5 (2011: GBP Nil) million of the Revolving Credit Facility was utilised. The facility has a maximum value of EUR 30 million and terminates on 16 December 2013 (see Note 17 on page 75 for more information). The Group's ability to generate strong operating cash flows, together with the option to utilise the Revolving Credit Facility, gives flexibility for the Group to consider strategic opportunities.





CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is of huge importance to Unibet. It is central to the strategy of putting customers first and is managed by a team of people that represent the breadth of the Unibet business and the geographical reach of the organisation.

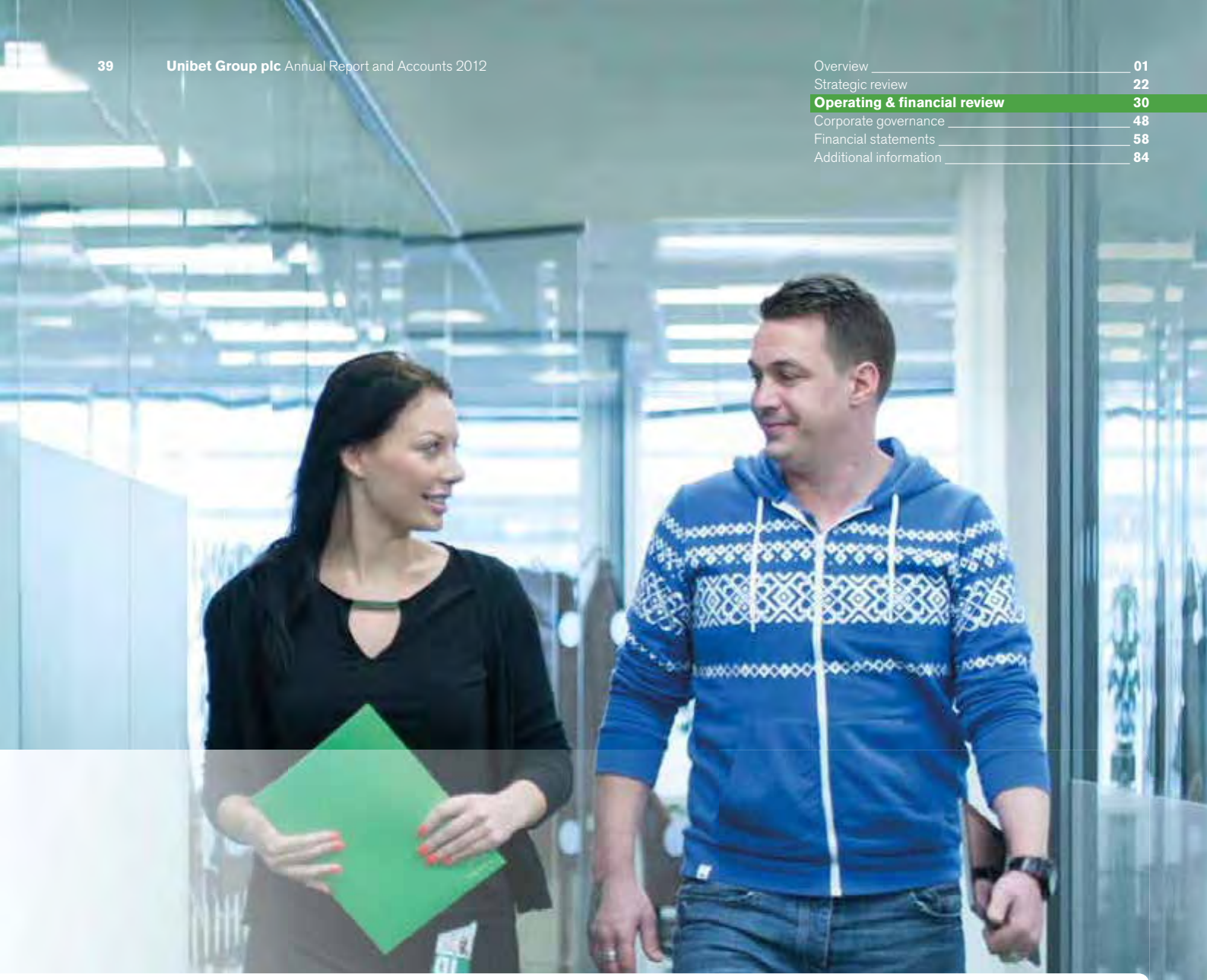


A year of progress

During 2012, Unibet made good progress against key objectives: maintaining excellence in equal opportunities and employee policies, maintaining and supporting integrity in the industry, improving the effectiveness of responsible gaming policies and raising charitable efforts.

An integrated CSR strategy

Despite this progress, the CSR committee have re-appraised the areas of focus to be aligned with the central strategy of putting players first. These areas are defined as: fair play, playing in our environment and playing in our communities. In refocusing the CSR strategy, Unibet has set itself some challenging CSR objectives for 2013.



2013 CSR objectives:

FAIR PLAY

Responsible gaming
- Continue to use the latest scientific evidence to help in the identification of problem gambling behaviour
- Provide support to national gambling organisations
- Provide players with the best possible support tools, such as deposit/spend limits and self-exclusion
- Be organised internally to ensure a holistic approach to player safety and support

Promoting sustainable regulation
- Ensure maximum channelling to local licences to enable effective player protection
- Promote regulation that is fact based and aligned to existing player demand and the global digital economy
- Be an active partner in the EU Action Plan on online gambling, both towards national and EU stakeholders

PLAYING IN OUR ENVIRONMENT

Green initiatives
- Replace each item of IT hardware at the end of its useful life with a more efficient equivalent
- Be innovative in reducing our footprint
- Use a variety of channels to inform our employees of their impact on the environment and how to minimise it

Carbon reporting
- To reduce total CO_2 emissions per employee, year-on-year until 2017
- To completely offset CO_2 emissions from flights by 2017
- To improve our Carbon Disclosure Project disclosure rating in 2013
- To seek and implement ways to improve the quality and regularity of our carbon reporting

PLAYING IN OUR COMMUNITIES

Making a difference
- To provide opportunities and support for employees to give their time and expertise to community projects
- To increase the numbers of our employees fundraising with matched funding

Great place to work
- Target a year-on-year increase in employee satisfaction as measured by Employee Surveys
- Promote a healthy working culture for all of our employees

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED

Fair play
Responsible gaming

Unibet is committed to provide a safe, secure and supportive environment for its customers, and thus responsible gaming is embedded in its culture.

Responsible gaming is under the same umbrella of fraud prevention which is united under the Player Safety department which includes a number of highly skilled professionals. In addition to this expertise, Unibet also invests in industry-leading technology in order to take a holistic approach in evaluating customer behaviour. With respect to responsible gaming, an internal system is used based on empirical evidence to detect customers who might be going through the initial stages of problem gambling; internally known as System Luzern.

Over the last years, Unibet has invested more than EUR 200 million in developing a reliable and secure consumer platform. Unibet is audited on a regular basis by, amongst others, PwC, eCOGRA, G4, GLI and NMi on complying with the CEN WP58 standard on consumer protection and responsible gambling.

Unibet also aids local organisations which help people who are going through gambling problems and their loved ones. Unibet was also nominated for the eGR Social Responsible Operator 2012 award.

Promoting sustainable regulation

Unibet's commitment to responsible gaming and the promotion of sustainable legislation is reflected in its highly visible involvement in global initiatives.

Unibet's commitment to promoting a fair and sustainable regulation framework for operators continued as Unibet received an invitation from the European Commission to contribute to three of five working groups surrounding the EC's green paper on "Online gambling in the internal market".

Unibet is deeply concerned with corruption in sport and is a founding member and proud supporter of ESSA, the European Sports Security Association, an organisation dedicated to keeping fraud and insider betting out of sport. Unibet is also an active member of EGBA, the European Gaming and Betting Association, RGA, the Remote Gambling Association, and a number of local trade associations across the EU and Australia.

Playing in our environment
Green initiatives and awareness

Unibet is acutely aware of its impact on the environment and on the lives of others and the Group is committed to reducing the negative impact of its operation on the environment 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 technology centres core to Unibet's operation and the resources used in everyday working life.

Unibet's progress this year has seen a marked improvement across a number of its key objectives in waste management, energy consumption, transport fuel consumption, environmental issues and procurement.

The Group has implemented several initiatives to reduce its environmental impact. Unibet has stuck to strict recycling policies in its offices. In addition travel and online booking policies have also been completely overhauled this year.

Travel

The Group has introduced a new travel policy to reduce its impact on the environment and actively encourages video conferencing wherever possible. As a result the flight travel CO_2 per employee has reduced year on year by 9 per cent from 1.18 tonnes to 1.07 tonnes as the new policy takes effect.

This reduction is impressive in the light of the increased global footprint of the Group including new offices in Sydney, Manila and Paris.

Cleaner travel is also actively encouraged internally by a "cycle to work" scheme in the London offices.

Waste

The Company tries to minimise waste through careful purchasing and efficient use of natural resources, recycling as much as possible. This year the waste per employee has reduced significantly year on year to 2.41m^3.

Procurement

The Group is committed to purchasing products and services using sustainable criteria and encouraging good environmental behaviour among suppliers and partners. Computer servers are continuously upgraded to be more energy efficient, and attention is paid to energy efficiency in lighting to save energy consumption. This year in Malta the new Kambi office has won environmental accreditation for its energy efficiency.

Carbon reporting and measurement

In 2012 Unibet became the first solely online gaming business to make a submission to the Carbon Disclosure Project (CDP) making its results publically available in the CDP Nordic 260 Climate Change report. As a result the Company achieved the highest disclosure rating within the sector.

Unibet annually commissions Carbon Footprint Limited to report on its progress in reducing its carbon impact. Their report for the 12 months to November 2012 showed that the Group reduced its carbon emissions per employee by 10 per cent.

Reducing CO_2e

10% REDUCTION ON OUR CARBON EMISSION FOOTPRINT IN TONNES OF CO_2 PER EMPLOYEE FOR 2012

CDP HIGHEST DISCLOSURE RATING IN SECTOR

Listening to our people
Unibet believes in open and transparent communication with its employees via a wide range of channels

73% OF EMPLOYEES ARE PLEASED WITH THEIR WORKING ENVIRONMENT

Playing in our communities

Great place to work

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.

The Group believes in open and transparent two-way communication between its employees and its management and has a variety of mechanisms that facilitate this including regular company updates, Q&A's with the CEO, Employee Engagement surveys and individual departmental briefings. Unibet therefore believes strongly in the effectiveness of its existing employee consultative processes and where relevant supports both the recognition and membership of employment unions.

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.

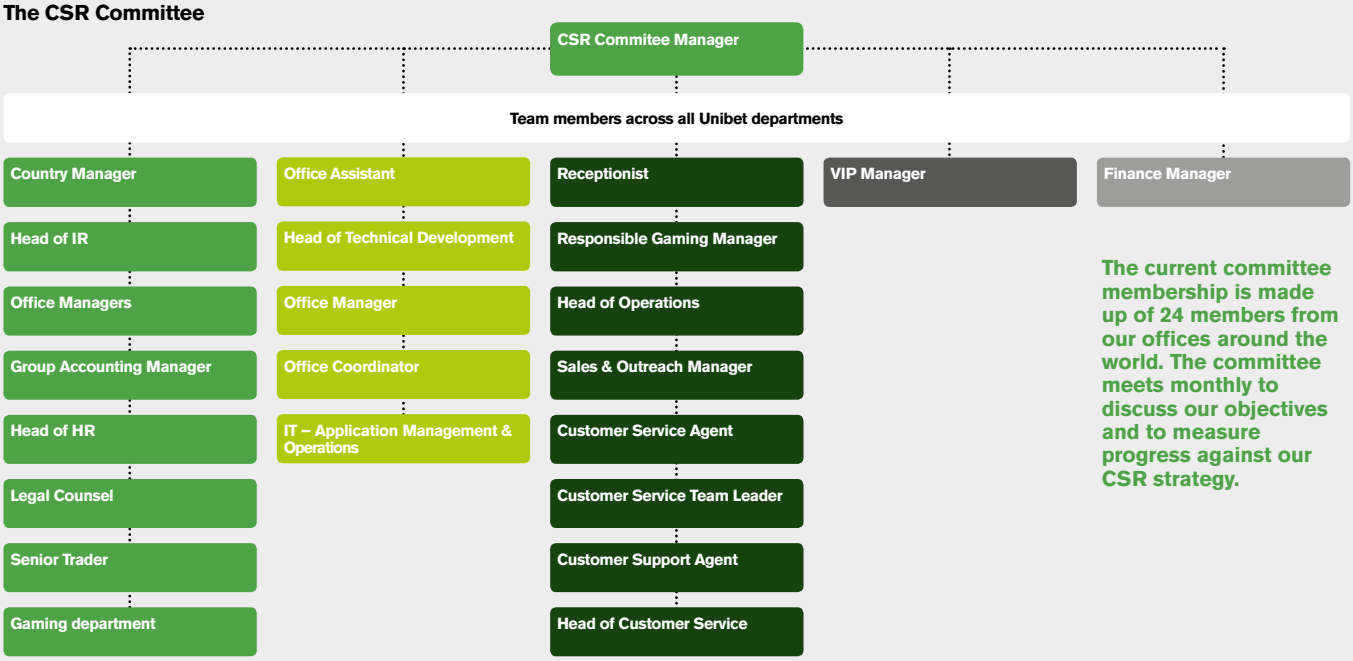
Making a difference

Unibet supports its employees when they participate in charity events and has a good track record of employee involvement in local fundraising. In Malta Unibet employees supported the JUGS & Friends Corporate Social Responsibility initiative donating their manpower to help transform a local children's home donating time and money to a very worthy cause. In the UK offices, Unibet has continued to support local food-banks, donating almost half a tonne of food for homeless people over the festive period.

Unibet's policy on charitable donations aims to support those in need and this year corporate donations have been made along with staff collections for a wide range of charities. The Unibet charity of the year this year was Hand in Hand which has an international network aimed at reducing poverty through job creation. Other charities supported by the London office this year include RNLI, Rays of Sunshine, VICTA, Asthma UK, Royal Marsden Children Cancer, Huckleberry Foundation, NSPCC, The British Heart Foundation, Help for Heroes and Movember.

Emergency food for local people in crisis
Food donated by Unibet weighed almost 500 kilos

The CSR Committee



The current committee membership is made up of 24 members from our offices around the world. The committee meets monthly to discuss our objectives and to measure progress against our CSR strategy.

UNIBET PEOPLE

95% STAFF APPROVAL RATINGS FOR UNIBET'S CURRENT STRATEGY

Putting people first
Unibet's employees drive 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" is central to the Unibet philosophy. It means Unibet is a totally customer centric business. To succeed Unibet endeavours to attract, develop and retain a team of world-class customer centric employees who will help to achieve a sustainable competitive business.

Employer of choice
Unibet actively promotes its brand and its values to attract and hire the best people. In return for excellence in performance Unibet supports its staff with excellent terms of employment, fair remuneration, equal opportunities, access to training and development, and a safe working environment.

Vibrant learning and development environment
Unibet has a long-standing commitment to developing the skills and talents of its employees and this year has seen great progress in the continuous learning and development of skills within the business. Unibet's aim is to create an environment where all employees can perform at their best and to enable their development. The business relies on the knowledge and expertise of Unibet employees and nurtures their talents.

Excellence in leadership and management
At Unibet, leadership shapes the Group'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.

Growing in Unibet
Unibet has a strong track record of internally grown talent and continues to invest in developing exciting and interesting career opportunities. Since 2007 more than 50 employees from Unibet's Customer Service department have been promoted to other roles internally, proving a very high level of growth opportunities in Unibet.

High level of business understanding
All Unibet employees have goals that are fully aligned with the business strategy and all understand how they, as individuals or teams, can contribute to the Group's success. A shared vision, with people who genuinely care about what they do and who have the ability to adapt the product and marketing mix to meet the specific characteristics of each market, 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.

High-performance culture
Unibet knows that it is essential to engage staff in their strategy, their aims and their vision. Group-wide employee engagement surveys measure employee participation and engagement with the core business and credible goals and objectives create a consistently high level of performance. In terms of engagement there is a culture at Unibet that rewards performance but also a system that cares about involving everyone in the vision of the organisation.

CASE STUDY STAFF PROGRESSION: BUSINESS CHANGE MANAGER

One person who appreciates Unibet's excellent recruitment process and training and development is the new Business Change Manager for Malta. After completing her masters at the Copenhagen Business School and Stockholm School of Economics she was talent spotted for Unibet and went through a series of interviews that included meeting the team she would be working with. She was appointed as a Management Trainee in London, and then with experience, training and support progressed to become the HR Project Manager working on leadership training. After this her career move was to Strategy Implementation and Communication. She cites the excellent development opportunities, the culture and the great people as her main motivation to stay at Unibet as she takes up another new role in the Customer Service department as Business Change Manager in Malta.

VALUING EXCELLENCE

Age breakdown
Unibet's relatively low average age reflects the fact that the Group is operating in a young industry

14%
OVER 40 YEARS
38%
UNDER 30 YEARS
48%
30-40 YEARS

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

25%
FEMALE
75%
MALE

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

24%
HIGH SCHOOL OR EQUIVALENT
76%
UNIVERSITY DEGREE INCLUDING
2 DOCTORATES

Nationalities
Unibet's staff are uniquely qualified to understand customers and their needs

31
LANGUAGES SPOKEN
47
NATIONALITIES

Employee engagement

Unibet employees are on the whole, highly motivated individuals often with outstanding educational qualifications, good language skills and a love of the moneytainment® offer we provide for players. Unibet welcomes and values the diversity of skills and abilities that a global workforce brings to the business because, ultimately, it gives the Group a competitive advantage over any competition. Unibet recognises that the more engaged in the business its employees become the more they enjoy its success.

Living the brand

Kick off

This year Unibet hosted more than 500 of its employees at a 15th Anniversary conference in Malta to engage them in what it means to be a successful customer-centric business. The conference looked back to Unibet's origins, and reflected on its successes before engaging all Unibet employees in defining just how to be a consumer-focused business in the future. As a motivational conference and engagement exercise the event was a massive success, and an immediate morale boost. Presentations from the original founder of Unibet and senior management kicked off debates, workshops and idea sessions to define customer centricity in the business for the next 15 years.

More than 500 people attended the "Kick Off" event in Malta

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 within the EU and holds licenses in a number of Member States. Besides the gaming licenses already held in Malta, Italy and France, Unibet was in 2012, granted local licenses in Denmark and Belgium. Despite the ongoing trend of re-regulation in an increasing number of markets, which enable Unibet to operate a dot country offer, Unibet believes that the current fragmentation of the European digital consumer market goes against EU objectives. Unibet and its EU customers in principle benefit from certain fundamental freedoms including the principle that there should be no restrictions within the EU affecting the free movement of goods, capital or services, the right to establish and the right to consume, provide and promote services across borders.

Any restriction under the national laws of individual Member States affecting these EU fundamental freedoms may be contrary to overriding EU law. The only exception is where a Member State is able to demonstrate that a non-discriminatory restriction is necessary and proportionate and aims to meet general public interests, such as the protection of consumers, public policy and/or the prevention of crime. A Member State must also show that its overall policy is consistent with the pursued aims.

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

In 2012, the Court of Justice of the European Union (CJEU) confirmed its standing jurisprudence that in absence of dedicated EU gaming regulations, Member States may – under strict conditions only – have a certain degree of freedom to deviate from overriding EU fundamental freedoms. Most importantly, in 2012, the CJEU repeated that no sanctions may be imposed on operators who have been excluded from obtaining or applying for a license in breach of EU law. It is furthermore clarified that a Member State must implement licence conditions and processes in a transparent, precise and non-discriminatory manner.

Following the European Commission (EC) Green Paper consultation on Online Gambling, the EC published its much awaited action plan on Online Gambling in October 2012. As part of the action plan, the EC re-launched the old infringement proceedings (2006-2008) against nine Member States, of which five countries (including Sweden, Finland and the Netherlands) have received formal letters requesting information on developments of their national gaming laws. The EC has, furthermore, initiated new investigations against a number of EU Member States who are subject to more recent complaints. In addition, the action plan focuses on responsible gaming, preventing fraud and money laundering, safeguarding the integrity of sports and putting in place a broader regulatory cooperation between the Member States.

In his speech to the European Parliament, following the publication of the action plan, the Commissioner for the Internal Market, Mr Michel Barnier, presented the main points, explaining that consumers and especially young and vulnerable people must be protected, money laundering and fraud must be prevented, sport must be protected from betting-related match-fixing and national rules must comply with EU law.

Despite the ongoing EU law debate, a risk remains that courts judging under the national laws of a particular country may rule against the activities of Unibet and/or that national policy makers adopt new laws that may be in breach of EU law.

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 in this regard. Unibet's assessment of the current legal environment it faces in certain material European markets is set out country by country overleaf.

The acquisition of the Australian company Betchoice Corporation Pty Ltd on 29 February 2012 means that Unibet is now operating under a local Australian betting license and is regulated by the Australian Northern Territory Racing Commission. 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.

Sweden

AB Trav och Galopp (ATG) filed a lawsuit against Unibet in 2007, claiming infringement of its database on horse race fixtures. ATG claimed damages up to the amount of SEK 325 million. After a negative outcome in the District Court, Unibet won the case in the Stockholm Court of Appeal in January 2012. ATG appealed to the Supreme Court. On 7 January 2013 the Supreme Court decided not to grant ATG leave for the appeal. The decision from the Supreme Court cannot be appealed, meaning that Unibet has won a case of significant financial and strategic importance.

In addition, there is some litigation pending in the Stockholm District Court related to Unibet's (2005-2007) sponsorship of a ProTour cycling team. This is not expected to result in a material loss to the Group.

There is currently an ongoing debate in Sweden on whether to re-regulate its gaming legislation in order to allow private operators to seek a local licence. Unibet is following the developments closely and is one of the founding members of the local trade association BOS (Branschföreningen för OnlineSpel). The aim is to be a speaking partner to all stakeholders in the debate, notably legislator and regulator, and to use experience gained in other countries to make a positive contribution to local re-regulation based upon customer demand and the cross-border reality of the digital entertainment consumer market.

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 horse racing). Unibet was granted the initial one-year licences on 15 December 2011 and as of 1 January 2012, Unibet offers its Danish customers gaming and betting under the new local licences. In accordance with the Danish requirements, Unibet underwent a regulatory audit during 2012 and was subsequently awarded a permanent five-year licence on 10 December 2012.

The Netherlands

Unibet supports the commitment of the current Dutch government to re-regulate the gaming market access under national law by the end of 2014. Unibet continues to be engaged with relevant stakeholders to contribute to this process in a constructive manner.

In 2007, De Lotto (the local State-approved monopoly) brought procedures against several Unibet legal entities. The legal possibility for De Lotto to enforce fines established in the summary proceedings (cap of EUR 3 million) has lapsed due to procedural regulations. De Lotto has instead notified the first instance judgment on the merits, where the court in a default judgment from 2007 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 a first instance appeal against the judgment, which is still pending.

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, including the allocation of licenses to incumbent monopolies, is in breach of overriding EU law.

Germany

The authorities of Baden-Württemberg are attempting to enforce the previous State Lottery Treaty against certain Unibet legal entities. Unibet is subject to general prohibition orders and two fines of EUR 10,000 each. Unibet's challenge of the orders was rejected during 2012. Unibet has appealed.

The state of Schleswig-Holstein and the other 15 Regions (Länder) have adopted two different sets of regulatory models. Unibet has been awarded a licence in Schleswig-Holstein and has since July 2012 been paying federal betting duties.

France

The new French Gambling law on the partial controlled opening of the national gaming market was enacted on 12 May 2010. Following the acquisition of the Solfive Group (eurosportbet.fr) in the fourth quarter of 2011, Unibet is operating under three licences issued by the French Gaming Commission (ARJEL) covering sports betting, horse betting and poker. The criminal case against Unibet's former CEO is still pending, as well as some intellectual property rights related cases in France and Belgium.

Spain

The new Spanish Gambling Law was adopted on 28 May 2011. Unibet took a business decision not to apply for a licence and instead withdrew from the market in the second quarter of 2012. Kambi submitted its application in December 2011 and was successfully granted a licence on 1 June 2012. In October 2012 Unibet entered – without prejudice to its rights – into a settlement with the Spanish Tax Authority regarding a one-off and once and for all payment of EUR 3.2 million in betting taxes for the period of January 2009 to May 2011.

SHARES AND SHARE CAPITAL

SHAREHOLDING INFORMATION

Unibet Group plc's issued share capital as at 31 December 2012 comprises 28,276,266 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 an annual high of SEK 207.50 having started the year at SEK 162.50. The lowest closing price during the year was SEK 161. As at 31 December 2012, Unibet Group plc had a market capitalisation of approximately SEK 5.9 billion (GBP 557 million).

Trading volumes

In 2012, there were 70,691 trades in Unibet, representing a total value of SEK 3.6 billion.

Dividend policy

For details of the Dividend policy please refer to the Directors´ Report on page 54.

Dividend for 2012

The Board of Directors proposes a dividend of GBP 0.700 (0.580) per share/SDR, which is approximately SEK 6.97 (6.09) with the exchange rate 9.96 GBP/SEK at 12 February 2013, to be paid to holders of ordinary shares and SDRs. If decided by the AGM, the dividend is expected to be distributed on 22 May 2013 and amounts to a total of GBP 19.6 (16.2) million, which is approximately 59 per cent of the Group's free cash flow for 2012. The Board has reviewed the projected cash requirements for 2013 and is proposing for this year to increase the dividend above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

No dividend will be paid on the shares/SDRs held by the Company as a result of the share buy back programme (2012: nil).

Share buy back programme

At the AGMs from 2007 to 2012 the shareholders approved a share buy back programme authorising the Board to acquire GBP 0.005 ordinary shares/SDRs in the Company. The maximum number of shares/SDRs that may be so acquired under 2012 approval was 2,825,803, i.e. may not exceed 10 per cent of the total number of shares issued by the Company at the time of approval. Under this approval, 297,900 shares/SDRs were acquired by the Company during 2007 and 387,717 were acquired during 2011. No share buy back was made during 2012. During 2012, 233,125 of the shares/SDRs held by the Company were sold in connection with the Company's share option programmes (2011: 2,100). The number of outstanding shares at 31 December 2012 was 28,276,266, of which 343,467 are held by the Company, representing 1.2 per cent of the total number of shares.

The Board can either cancel the shares (requires further shareholder approval), use as consideration for acquisitions, or issue to employees under a share option programme.

Shareholders ownership data

On 28 February 2013, Unibet Group had 5,150 holders of SDRs.

On 28 February 2013 the Group's 14 largest owners represented 61.9 per cent of the capital and votes, as shown on this page.

Analysis of shareholdings at 28 February 2013

Source: Euroclear Sweden.

Shareholder	Number of shares/SDRs	Share of share capital/votes, %	Accumulated %
Anders Ström through company	2,850,000	10.1	10.1
Nordea Fonder	2,616,334	9.3	19.3
Swedbank Robur Fonder	2,513,534	8.9	28.2
Skandia Liv	1,372,436	4.9	33.1
Lannebo Fonder	1,248,891	4.4	37.5
Handelsbanken Fonder	1,220,000	4.3	41.8
SEB Fonder	1,143,048	4.0	45.8
Columbia Acom	1,078,829	3.8	49.7
Verdipaperfond Odin	867,949	3.0	52.7
Länsförsäkringar Fondförvaltning	703,230	2.5	55.2
Catella Fondförvaltning	565,772	2.0	57.2
Peter Lindell through company	538,570	1.9	59.1
Fjärde AP-fonden	466,909	1.7	60.8
Unibet Group plc[1]	343,467	1.2	62.0
Futuris	325,000	1.1	63.1
Others	10,422,297	36.9	100.0
Total	**28,276,266**	**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 are 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 Australia and the USA.

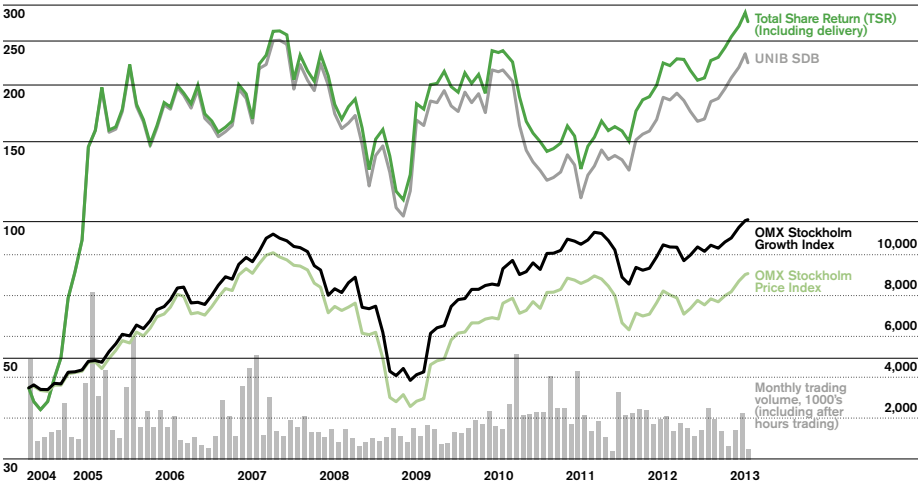
On Unibet's corporate website, **www.unibetgroupplc.com**, investors can find up-to-date information about the Group's financial performance, stock market data, a financial calendar and Company information.

Unibet arranges the following capital market activities:

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

Unibet share price development

Source: NASDAQ OMX



Ownership distribution at 28 February 2013

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/ SDRs	Share capital/ votes, %
1–500	**4,332**	**562,929**	**2.0**
501–1,000	**373**	**306,964**	**1.1**
1,001–10,000	**326**	**1,054,260**	**3.7**
10,001–250,000	**96**	**5,319,406**	**18.8**
250,001–	**23**	**21,032,707**	**74.4**
Total	**5,150**	**28,276,266**	**100.0**

Ownership structure at 28 February 2013

Source: Euroclear Sweden.

Organisation type/name	Percentage %
Swedish financial institutions	**42.5**
Other Swedish financial entities	**2.9**
Other Swedish legal entities	**5.3**
Non-Swedish owners	**45.2**
Swedish naturalised persons	**4.1**
Total	**100.0**

Share capital development

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
Exercise of share options	2012	13.99	10,000	28,268,038	0.005	50.00	141,340.19
Exercise of share options	2012	14.59	750	28,268,788	0.005	3.75	141,343.94
Exercise of share options	2012	14.05	478	28,269,266	0.005	2.39	141,346.33
Exercise of share options	2012	13.99	7,000	28,276,266	0.005	35.00	141,381.33

Seven-year summary	2012	2011	2010	2009	2008	2007	2006
Equity per share GBP	6.329	6.301	5.018	4.343	3.565	3.384	3.290
Equity per share after full dilution GBP	6.282	5.625	5.016	4.333	3.565	3.376	3.248
EBITDA per share GBP	1.882	1.718	1.561	1.498	1.657	0.922	1.125
Earnings per share GBP	1.132	1.270	1.154	0.957	0.314	0.665	1.344
Earnings per share after full dilution GBP	1.128	1.270	1.153	0.956	0.312	0.659	1.342
Net cash per share GBP	0.578	0.506	0.400	0.406	0.994	1.047	0.458
Cash flow per share GBP	0.32	0.17	0.03	-0.43	-0.41	0.59	0.50
Dividend per share SEK	6.97	6.09	4.48	7.68	2.75	6.00	5.50
Return on total average equity %	21	26	26	29.3	37.2	10.9	31.0
Equity:assets ratio %	64	68	65	58	45	45.1	70.8
Number of shares at year end	28,276,266	28,258,038	28,258,038	28,258,038	28,241,092	28,241,092	28,241,092
Fully diluted number of shares at year end	28,488,442	28,292,637	28,268,771	28,322,407	28,241,092	28,308,080	28,612,088
Average number of shares	27,897,651	27,920,660	28,062,245	27,955,464	27,946,192	28,096,472	28,197,870
Average number of fully diluted shares	28,013,581	27,920,660	28,088,435	27,989,238	28,091,206	28,355,999	28,236,388

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.

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 principal tasks of the Nomination Committee are to propose decisions to the shareholders' meeting on election and remuneration issues and 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.

DIRECTORS' NATIONALITY
UNIBET'S BOARD IS COMPRISED OF SWEDISH, UK AND AMERICAN CITIZENS

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.

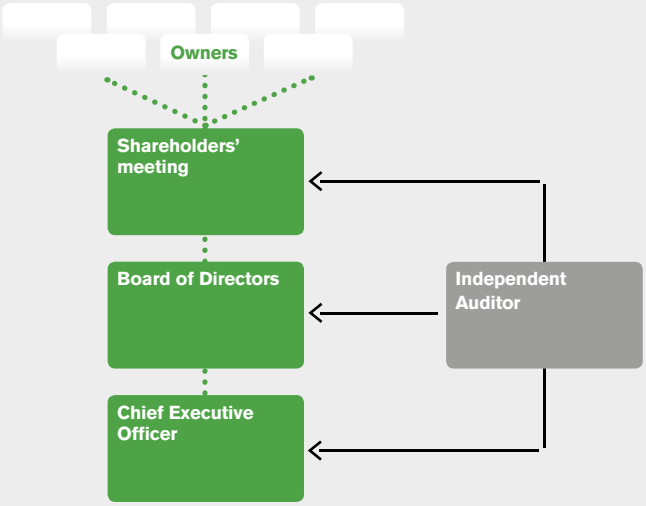
The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management, and the appointment of auditors. The role of the Committee is set out in its written terms of reference.

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

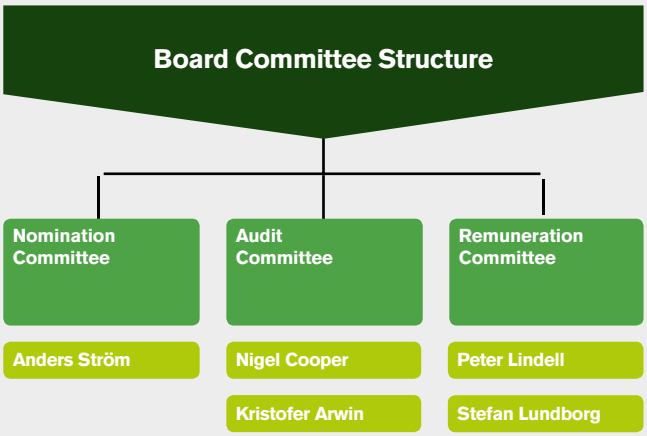
The Chief Executive Officer and Executive Committee co-ordinate Unibet's operations through two principal bodies, the Enterprise Priority Council (EPC) and the Strategy Review Group. The EPC usually meets monthly and brings together stakeholders from across the Group's operations and offices to ensure alignment of priorities and allocation of resources on operational projects in line with the strategy set by the Board. The EPC consists of eleven Senior Officers, of which four are women. The Strategy Review Group meets twice a year to review the progress of cross-functional strategic projects against targets set by the Board.

The Company's statutory auditor is appointed by the shareholders' meeting to examine the Company's annual accounts and accounting practices. The Auditors present their annual audit report to the owners at the Annual General Meeting.

Corporate Governance model



Unibet's Board Structure



BOARD OF DIRECTORS, CEO AND 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 28 February 2013.

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:
2,850,000 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, StoreVision AB, Nebula Oy and Verkkokauppa.com. Some of the previous engagements include Djurgården Fotboll AB, Accelerator AB, Nordic Edge AB, Springtime AB, Syntetich MR AB, Add-Bio AB and Swedish Private Equity & Venture Capital Association.

Holding:
538,570 Unibet SDRs (through company).

Independent Auditors
PwC Malta and PwC London

Audit partners Ms. Lucienne Pace Ross from the PwC Malta office and Mr. John Waters, from the PwC 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 Unibet 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. After leaving KPMG in September 2005 Nigel joined the Internet property portal Rightmove Plc, prior to the floatation of the company on the LSE in 2006, as Non-executive director and chairman of the audit committee. In May 2008, he was appointed to the board of Metro international, the Swedish free newspaper group, quoted on NASDAQ OMX Nordic exchange, as independent Non-executive director and chairman of the audit committee. Nigel left the board of Rightmove in March 2009. Following the company being taken private, he left the board of Metro in January 2012.

Nigel was appointed as Independent Non-executive director to the board of Parmalat Spa in June 2011 and to the board of Impregilo in May 2012, both companies listed on the Italian stock exchange. Following takeovers of the boards of both companies Nigel left Parmalat in May 2012 and Impregilo in July 2012.

Holding:
3,000 Unibet 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 Stockholm's Travsällskap with a wide experience of international gaming.

Holding:
19,000 Unibet 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:
42,000 Unibet SDRs and 200,937 share options.

CORPORATE GOVERNANCE STATEMENT

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

Foreign companies whose shares or depositary receipts are admitted to trading on a regulated market in Sweden are required to apply either the Swedish Code, or 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, it must include a statement describing in which important aspects the Company's conduct deviates from the Swedish Code.

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

The following statement on pages 50 to 53 has not been audited.

The Board of Directors

The Board of Directors and the Management of Unibet are structured 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 at the Annual General Meeting (AGM).

The following Directors elected at the AGM on 10 May 2012 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

All Directors will seek re-election at the forthcoming AGM. The emoluments and interests of the Directors are shown on page 57.

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 48 to 49 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 Chairman of Kambi Advisory Committee during 2012.

Brief résumés of the Board and CEO can be found on page 49.

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 52.

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) and from the Audit, Nomination and Remuneration Committees. Where appropriate, matters are delegated to the Audit, Nomination and Remuneration Committees, and reports on their activities are included within this corporate governance statement.

Board and Committee meetings and attendance

	Full Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held	6	4	5	4
Name				
Kristofer Arwin	6	4	–	–
Peter Boggs	6	–	–	–
Nigel Cooper	6	4	–	–
Peter Lindell	6	–	–	4
Stefan Lundborg	6	–	–	4
Anders Ström, Chairman	6	–	5	–

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. The Board has a short meeting without the CEO or CFO at 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 is 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.

Following these performance reviews, the Chairman is responsible for ensuring that the appropriate actions are taken. Evaluations are provided 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. 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 57 in the Annual Report. None of the Directors hold 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 2 million in aggregate.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

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 its attention by the external auditors. Formal risk management reports were presented twice to the Board during the year by the Group Risk Officer and at two meetings of the Audit Committee during the year.

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 General Counsel, the Group Risk Officer and the Chief Operating Officer of Kambi (Kambi COO). It receives reports from the CFO, with whom the results are discussed on a regular basis. The Group Risk Officer reports to the Audit Committee as required.

During 2012, Unibet established an Internal Audit function, managed by the Group Risk Officer and reporting to the Audit Committee. The Audit Committee agrees the scope of work of Internal Audit in advance and receives reports on completed projects. Management is then responsible for taking actions on conclusions and recommendations from Internal Audit.

The Committee remains satisfied that the controls in place, and the review process overseen by the CFO, the Group Risk 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, PwC Malta and PwC London, 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 70. 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. It is noted that in 2012, the PwC London engagement leader has changed from David Snell to John Waters.

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 General Counsel and the Risk Officer and the Kambi COO, is effective in monitoring, controlling and reporting the Group's risks. During 2012, Unibet has established a separate Internal Audit department, details of which can be found on page 26.

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 2013 AGM. At the AGM on 10 May 2012, it was decided that the Nomination Committee for the AGM 2013 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 2012. The Nomination Committee shall appoint as its chairman the representative of the largest shareholder in terms of voting rights.

The Nomination Committee for the 2013 AGM consists of Anders Ström, Chairman; Evert Carlsson, Swedbank Robur Fonder; Frank Larsson, Handelsbanken Fonder; and Peter van Berlekom, Nordea Fonder. 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 56 to 57.

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, stockbrokers 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 2012

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 CEO, the CFO, the General Counsel, the Group Risk 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 General Counsel, and the Group Risk Officer.

Working throughout the Group, the role of the General Counsel and the Group Risk 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 and the Group Risk 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 implementation of a special internal audit function and review of the financial reports published quarterly, is contained in the Audit Committee report on page 52.

On behalf of the Board
Malta, 18 March 2013

Anders Ström
Chairman and Director

Nigel Cooper
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 2012 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 voluntarily 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 consolidated financial statements and auditors' report, for the year ended 31 December 2012.

Principal activities

Unibet is an online gaming business, with over 7.2 million registered customers worldwide as at 31 December 2012, and is one of the largest independent publicly-quoted online gaming operators in the European market.

Unibet offers pre-game sports betting, live betting, poker, casino and games on unibet.com, unibet.it and unibet.dk and pre-game sports betting, live betting, French horse racing and poker on unibet.fr. On unibet.be pre-game sports betting, live betting, poker and casino is offered and on unibet.com.au sports betting and racing is offered to the Australian market. Through the Maria brand, Unibet offers bingo, lotteries, poker, casino and games on Maria.com and casino and poker on mariacasino.dk. Unibet also offers Sportsbook B2B services through Kambi Sports Solutions, kambi.com.

The customer base spans more than 100 countries. While Unibet's core markets are in Europe and Australia, 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, and bets can be placed via Unibet's websites or increasingly via wireless devices.

On average, the Unibet Group handles over 4.5 million transactions every day (including sportsbets, casino and games) and has around 14,000 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 consolidated financial statements.

Results and dividends

The consolidated income statement is set out on page 58 and shows the result for the year. The profit after tax was GBP 31.6 (2011: GBP 35.5) million.

The Unibet Board of Directors 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 cash requirement to ensure that an appropriate capital cash structure is maintained.

Dividend for 2012

The Board of Directors proposes a dividend of GBP 0.700 (0.580) per share/SDR, which is approximately SEK 6.97 (6.09) with the exchange rate 9.96 GBP/SEK at 12 February 2013, to be paid to holders of ordinary shares and SDRs. If decided by the AGM, the dividend is expected to be distributed on 22 May 2013 and amounts to a total of GBP 19.6 (2011: GBP 16.2) million, which is approximately 59 per cent of the Group's free cash flow for 2012. The Board has reviewed the projected cash requirements for 2013 and is proposing for this year to increase the dividend above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

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

Business review

A detailed Financial Review is set out on pages 36 to 37.

Details of Key Performance Indicators are set out on pages 24 and 25.

For further information on risk management, refer to pages 26 to 29 and Notes 2C and 2D on pages 66 to 67.

Significant events during 2012

On 1 January 2012, Unibet launched unibet.dk and mariacasino.dk in 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 for AUD 20 million. The acquisition was finalised on 29 February 2012.

On 8 February 2012, Unibet received a Belgian sports betting license in accordance with the new Belgian Gaming Act.

On 11 April 2012, Unibet signed an agreement to acquire the business and certain operating assets of Bet24. Legal completion of the transaction occurred on 3 May 2012.

On 15 May 2012, Kambi Sports Solutions signed a contract with Grupo Acrismatic, one of Spain's leading casino groups, to deliver a complete sports betting service.

On 13 June 2012, Kambi Sports Solutions signed a contract with Egasa Group, Spain's third largest Gaming Group, to deliver a complete sports betting service.

On 11 July 2012, Unibet launched sports betting on unibet.be for the Belgium market.

On 14 August 2012, Unibet signed a strategic cooperation agreement with Rank Group to be able to offer a full casino and poker products offering online for the Belgium market.

On 17 October 2012, an A+ licence in Belgium was awarded for unibet.be which means that in cooperation with Rank all products are now live on unibet.be.

During October 2012, Kambi signed two additional full service contracts to provide sportsbook to Napoleon Games and Mediaset.

Significant events after the year end

On 16 January 2013, Kambi signed an agreement to deliver a fully managed online and mobile Sportsbook to Suertia Interactiva S.A. for the Spanish market.

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 10 May 2012 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 57.

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 13.9 (2011: GBP 10.8) million of development expenditure, and expensed GBP 14.4 (2011: GBP 10.4) 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 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.

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

Comments on environmental and community issues has been included in the Corporate Responsibility section on pages 38 to 41.

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Malta 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 it 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 Malta 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 consolidated financial statements of Unibet Group plc for the year ended 31 December 2012 are included in the Annual Report and Accounts 2012, which is published in hard-copy printed form and may be made available on the 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, PwC Malta and PwC London, 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, 18 March 2013

Anders Ström
Chairman and Director

Nigel Cooper
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 2012, all chaired by Peter Lindell. In all of the meetings Peter Lindell and Stefan Lundborg participated. In addition to the above formal meetings, the CEO, CFO and Head of HR are co-opted on an ad hoc basis to provide advice and support on remuneration related issues.

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 2012.

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 862,115 share options outstanding at 31 December 2012 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.

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 2012 was SEK 207.50, and it ranged from SEK 161 to SEK 207.50 during 2012.

	Fees/salary GBP 000	Other[1] GBP 000	2012 Total GBP 000	2011 Total GBP 000
Directors				
Anders Ström, chairman[2]	105.0	29.6	134.6	160.0
Kristofer Arwin	50.0	–	50.0	40.0
Peter Boggs	33.3	10.8	44.1	37.5
Nigel Cooper	75.3	7.5	82.8	63.3
Peter Lindell	44.8	2.5	47.3	40.8
Stefan Lundborg	42.3	20.0	62.3	87.7
	350.7	**70.4**	**421.1**	**429.3**
Executive management				
Henrik Tjärnström, CEO	592.2	0.2	592.4	372.5
Executive management	1,310.5	2.8	1,313.3	1,003.2
Total	**2,253.4**	**73.4**	**2,326.8**	**1,805.0**

[1] Other emoluments comprise additional amounts payable such as consultancy.
[2] Anders Ström's salary from 2006 to 2009 remains undrawn.

Directors' interests (audited)

The Directors' and Executive managements' beneficial interests in the shares/SDRs of Unibet Group plc as at 31 December 2012 are set out below:

	Ordinary shares/SDRs at 31 December 2012	Ordinary shares/SDRs at 31 December 2011	Share options at 31 December 2012	Share options at 31 December 2011
Directors				
Kristofer Arwin	500	500	–	–
Peter Boggs	13,100	13,100	–	–
Nigel Cooper	3,000	3,000	–	–
Peter Lindell	538,570	542,570	–	–
Stefan Lundborg	17,000	6,000	–	–
Anders Ström	2,950,000	2,950,000	–	–
	3,522,170	**3,515,170**	**–**	**–**
Executive management				
Henrik Tjärnström, CEO	42,000	25,000	200,937	170,638
Executive management	17,850	17,100	190,162	187,153
Total	**3,582,020**	**3,557,270**	**391,099**	**357,791**

Performance graph (unaudited)

Shown on page 47 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 2012	Year ended 31 December 2011
Gross winnings revenue	3	**197,159**	154,396
Betting duties	4	**-11,725**	-1,889
Other cost of sales	4	**-14,363**	-13,371
Gross profit		**171,071**	**139,136**
Marketing costs	4	**-47,620**	-35,359
Administrative expenses	4	**-81,076**	-61,969
Underlying profit before items affecting comparability		**42,375**	**41,808**
Merger and acquisition transaction costs	4	**-1,060**	-600
Settlement of prior year betting duties	4	**-2,557**	–
Amortisation of acquired intangible assets	4	**-3,230**	-87
Adjustment to carrying value of discontinued brand	4	**-1,181**	–
Adjustment to provision for contingent consideration	4	**1,779**	–
Foreign currency loss on operating items	4	**-985**	-2,339
Profit from operations	3	**35,141**	**38,782**
Finance costs	6	**-1,109**	-856
Finance income	7	**176**	278
Share of loss from associate	13	**-7**	-101
Profit before tax		**34,201**	**38,103**
Income tax expense	8	**-2,612**	-2,632
Profit after tax		**31,589**	**35,471**

All the above amounts relate to continuing operations and are wholly attributable to owners of the parent.

Key ratios

	Note	2012	2011
Operating margin % (Profit from operations/gross winnings revenue for the year)		**18**	25
Return on total assets % (Profit after tax/average of opening and closing assets for the year)		**12**	16
Return on average equity % (EBIT/average of opening and closing equity for the year)		**21**	26
Equity: asset ratio %		**64**	68
EBITDA margin %		**27**	31
Net cash/EBITDA (rolling 12-month basis)		**0.31**	0.30
Employees at year end		**781**	572
Earnings per share GBP	10	**1.132**	1.270
Fully diluted earnings per share GBP	10	**1.128**	1.270
Number of shares at year end	21	**28,276,266**	28,258,038
Fully diluted number of shares at year end		**28,488,442**	28,292,637
Average number of shares	10	**27,897,651**	27,920,660
Average number of diluted shares	10	**28,013,581**	27,920,660

More detailed definitions can be found on page 85. The notes on pages 62 to 82 are an integral part to these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GBP 000	Year ended 31 December 2012	Year ended 31 December 2011
Profit for the year	**31,589**	35,471
Other comprehensive income		
Currency translation adjustments taken to equity	**360**	-2,240
Total comprehensive income for the year	**31,949**	**33,231**

Profit and total comprehensive income relate to continuing operations and are wholly attributable to owners of the parent. 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 2012	As at 31 December 2011
Assets			
Non-current assets			
Goodwill	11	**152,633**	131,251
Other intangible assets	11	**39,677**	34,530
Investment in associate	13	**1,275**	1,282
Property, plant and equipment	12	**6,830**	3,820
Deferred tax asset	18	**1,167**	556
		201,582	**171,439**
Current assets			
Trade and other receivables	15	**15,411**	10,699
Taxation recoverable		**13,465**	9,367
Cash and cash equivalents	27	**49,878**	41,806
		78,754	**61,872**
Total assets		**280,336**	**233,311**
Equity and liabilities			
Capital and reserves			
Share capital	21	**141**	141
Share premium	21	**74,299**	74,044
Currency translation reserve	21	**13,900**	13,540
Reorganisation reserve	21	**-42,889**	-42,889
Retained earnings		**133,510**	114,315
Total equity attributable to the owners		**178,961**	**159,151**
Non-current liabilities			
Other non-current liabilities	19	**3,553**	–
Deferred tax liability	18	**763**	818
		4,316	**818**
Current liabilities			
Borrowings	17	**13,535**	–
Trade and other payables	16	**32,052**	31,868
Customer balances	16	**33,532**	27,503
Deferred income	14	**1,506**	1,395
Tax liabilities		**16,434**	12,576
		97,059	**73,342**
Total liabilities		**101,375**	**74,160**
Total equity and liabilities		**280,336**	**233,311**

The official closing middle rate of exchange applicable between the presentation currency and the euro issued by the European Central Bank as at 31 December 2012 was 1.2253 (2011: 1.1972).

The notes on pages 62 to 82 are an integral part to these financial statements.

The financial statements on pages 58 to 82 were authorised for issue by the Board of Directors on 18 March 2013 and were signed on its behalf by:

Anders Ström
Chairman and Director

Nigel Cooper
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 2011		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 intangibles	11	–	–	-1,848	–	–	-1,848
		–	–	-2,240	–	–	-2,240
Total comprehensive income		**–**	**–**	**-2,240**	**–**	**35,471**	**33,231**
Transactions with owners							
Share options – value of employee services	20	–	–	–	–	496	496
Treasury share buy back		–	–	–	–	-4,635	-4,635
Disposal of treasury shares	21	–	–	–	–	28	28
Dividend paid	9	–	–	–	–	-11,764	-11,764
Total transactions with owners		**–**	**–**	**–**	**–**	**-15,875**	**-15,875**
At 31 December 2011		**141**	**74,044**	**13,540**	**-42,889**	**114,315**	**159,151**
Comprehensive income							
Profit for the year		–	–	–	–	31,589	31,589
Other comprehensive income							
Foreign exchange differences on the translation of net equity investments in foreign enterprises		–	–	-23	–	–	-23
Translation adjustment on goodwill and intangibles	11	–	–	383	–	–	383
		–	–	360	–	–	360
Total comprehensive income		**–**	**–**	**360**	**–**	**31,589**	**31,949**
Transactions with owners							
Share options – value of employee services	20	–	–	–	–	415	415
Proceeds of shares issued	21	–	255	–	–	–	255
Disposal of treasury shares	21	–	–	–	–	3,350	3,350
Dividend paid	9	–	–	–	–	-16,159	-16,159
Total transactions with owners		**–**	**255**	**–**	**–**	**-12,394**	**-12,139**
At 31 December 2012		**141**	**74,299**	**13,900**	**-42,889**	**133,510**	**178,961**

The notes on pages 62 to 82 are an integral part to these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

GBP 000	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Operating activities			
Profit from operations		**35,141**	38,782
Adjustments for:			
Depreciation of property, plant and equipment	12	**2,521**	1,720
Amortisation of intangible assets	11	**13,652**	7,478
Adjustment to carrying value of discontinued brand	11	**1,181**	–
Loss on disposal of property, plant and equipment	12	**–**	35
Adjustment to carrying value of contingent consideration		**-1,779**	–
Share-based payment	20	**415**	496
(Increase)/decrease in trade and other receivables		**-4,014**	1,749
Increase/(decrease) trade and other payables, including customer balances		**6,576**	-444
Cash flows from operating activities		**53,693**	**49,816**
Income taxes paid net of tax refunded		**-3,523**	-3,125
Net cash generated from operating activities		**50,170**	**46,691**
Investing activities			
Acquisition of subsidiaries, net of cash acquired and debt assumed	22	**-11,749**	-3,298
Acquisition of business and assets	22	**-10,935**	–
Settlement of contingent consideration		**-85**	–
Interest received		**172**	278
Interest paid		**-513**	-636
Purchases of property, plant and equipment	12	**-4,516**	-2,875
Purchases of intangible assets	11	**-14,885**	-11,884
Net cash used in investing activities		**-42,511**	**-18,415**
Financing activities			
Dividends paid	9	**-16,159**	-11,764
Disposal of treasury shares	21	**3,350**	28
Treasury share buy back		**–**	-4,635
Proceeds of issue of new shares for share options	21	**255**	–
Proceeds of issue of new shares for employee ownership scheme	19	**860**	–
Proceeds from borrowings		**22,882**	–
Repayment of borrowings		**-9,891**	-7,095
Net cash generated from/(used in) financing activities		**1,297**	**-23,466**
Net increase in cash and cash equivalents		**8,956**	**4,810**
Cash and cash equivalents at the beginning of the year		**41,806**	**38,495**
Effect of foreign exchange rate changes		**-884**	-1,499
Cash and cash equivalents at the end of the year		**49,878**	**41,806**

The notes on pages 62 to 82 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 as adopted by the European Union (IFRSs as adopted by the EU) and IFRIC interpretations, 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 2012 and adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material effect on the group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 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. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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 2014.

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 2014. 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs 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 2013. 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 out of 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. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Acquisition-related costs are expensed as incurred.

All associate entities are accounted for by applying the equity accounting method. Associates are discussed further on page 74.

Items affecting comparability

The Group defines items affecting comparability as those items which, by their size or nature in relation to both the Group and individual segments, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparability of the Group's results between periods.

Items affecting comparability include, to the extent they are material, merger and acquisition transaction costs, gains or losses on the disposal of assets, impairments (or subsequent reversal) of the carrying value of assets, amortisation of acquired assets, changes in carrying value of contingent consideration, and foreign currency gains and losses on operating items.

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

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 to the Group. 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) is accounted for 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 items affecting comparability.

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 substantively 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 on a straight-line basis over 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 on a straight-line basis over their estimated useful life of three years. Computer software is carried at cost less accumulated amortisation and any recognised impairment losses. 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 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. Other receivables also include financial assets at fair value through profit or loss. 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.

Interest paid in the consolidated cash flow statement is presented within investing activities as opposed to financing activities, as the principal use of the borrowings to which they relate are to fund expansion of the business, such as acquisitions.

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.

When options are exercised, the company may issue new shares. Proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

With respect of cash settled share based payments, the Group measures goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognised in profit or loss for the period.

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 using the effective interest method as and when it accrues.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 64. 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 44 and 45. 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 Chief Operations Officer and the Compliance Officer of Kambi 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 Chief Operations Officer and the Compliance Officer of Kambi 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 Australian 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 2012 the rate of exchange of the euro weakened against GBP by 2.3 per cent (from a rate of EUR 1.197 per GBP to a rate of EUR 1.225 per GBP). The rate of exchange of the Swedish kronor strengthened by 1.4 per cent (from a rate of SEK 10.669 per GBP to a rate of SEK 10.516 per GBP). 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 70 and to the foreign exchange loss on the borrowings as shown on Note 6 on page 70. Additional foreign exchange disclosures are contained in Note 16 on page 75.

As the borrowings of the Group at the end of the financial year are denominated in euros and Swedish kronor, there is a currency translation exposure related to that financial liability. Based on the exchange rate between the euro and GBP at 31 December 2012, a 5% fall in the value of GBP against the euro would give rise to an exchange loss of approximatelly GBP 0.17 million. Based on the exchange rate between Swedish kronor and GBP at 31 December 2012, a 5% fall in the value of GBP against Swedish kronor would give rise to an exchange loss of approximatelly GBP 0.54 million. Until such time as the loan becomes repayable, such translation gains and losses are unrealised. The potential translation gains and losses arising on the loan would be offset to the extent that the Group generates positive future cash flows in euros and Swedish kronor.

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 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.

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 2012, the unused credit facility available to be drawn on was EUR 13.5 million (see Note 17 on page 75). 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 75. Of the Group's total financial liabilities of GBP 82.7 (2011: 59.3) million, GBP 79.1 (2011: GBP 59.3) million mature in less than one year, and GBP 3.6 (2011: GBP Nil) million mature within two to five years.

The Group always maintains cash balances in excess of customer balances.

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 2012			At 31 December 2011		
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	**13,535**	**–**	**–**	–	–	–
Deferred income	**1,506**	**–**	**–**	1,395	–	–
Trade and other payables (excluding non-financial liabilities)	**30,530**	**–**	**–**	28,490	–	–
Customer balances	**33,532**	**–**	**–**	27,503	–	–
Contingent consideration payable	**–**	**–**	**2,693**	1,963	–	–
Cash settled equity liabilities	**–**	**–**	**860**	–	–	–

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.

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. For further information on fair value estimates see Note 14 on page 75.

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 2012 and 2011, based on publicly reported Fitch ratings, are as follows:

GBP 000	**2012**	**2011**
AA	**–**	1
AA-	**2,830**	1,048
A+	**21,740**	5,863
A	**6,998**	18,805
A-	**562**	23
BBB+	**2,642**	559
Not rated	**14,841**	14,901
Other	**265**	606
Total cash and cash equivalents	**49,878**	**41,806**

Unibet continually monitors its credit risk with banking partners and did not incur any losses during 2012 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 2012 and 2011.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

The segment information provided to the CEO and Executive management team for the reportable segments during the year ended 31 December 2012 is as follows:

31 December 2012 **GBP 000**	**Nordic Region**	**Western Europe**	**Central, Eastern and Southern Europe**	**Other**	**Total**
Gross winnings revenue	105,283	63,202	18,497	10,177	**197,159**
Cost of sales	-8,040	-11,579	-4,673	-1,796	**-26,088**
Gross profit	97,243	51,623	13,824	8,381	**171,071**
Marketing costs					**-47,620**
Administrative expenses					**-81,076**
Items affecting comparability					**-7,234**
Profit from operations					**35,141**
Assets by reportable segments					
Goodwill	62,487	67,048	10,907	12,191	**152,633**
Intangibles acquired through business combinations	17,312	1,512	–	645	**19,469**
Other assets not allocated to reportable segments					
Other intangible assets				20,208	**20,208**
Investment in associate				1,275	**1,275**
Property, plant and equipment				6,830	**6,830**
Deferred tax assets				1,167	**1,167**
Trade and other receivables				15,411	**15,411**
Taxation recoverable				13,465	**13,465**
Cash and cash equivalents				49,878	**49,878**
	79,799	**68,560**	**10,907**	**121,070**	**280,336**

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 2011 is as follows:

31 December 2011 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					**-61,969**
Items affecting comparability					**-3,026**
Profit from operations					**38,782**
Assets by reportable segments					
Goodwill	53,173	67,171	10,907	–	**131,251**
Intangibles acquired through business combinations	15,670	2,384	–	–	**18,054**
Other assets not allocated to reportable segments					
Other intangible assets				16,476	**16,476**
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**
	68,843	**69,555**	**10,907**	**84,006**	**233,311**

Product revenues

Gross winnings revenue by principal product groups:

GBP 000	2012	2011
Sports betting (after Free Bets)	**87,826**	60,873
Casino	**76,584**	64,625
Poker	**14,479**	13,641
Other	**18,270**	15,257
	197,159	**154,396**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4: EXPENSES BY NATURE

GBP 000	31 December 2012	31 December 2011
Betting duties	**11,725**	1,889
Other cost of sales	**14,363**	13,371
Marketing costs	**47,620**	35,359
Administrative expenses		
Fees payable to statutory auditor	**716**	468
Operating lease rentals	**2,332**	1,524
Depreciation of property, plant and equipment	**2,521**	1,720
Amortisation of intangibles	**10,422**	7,391
Loss on disposal of property, plant and equipment	**–**	35
Staff costs	**34,851**	25,255
Research and development expenditure	**14,423**	10,383
Other	**15,811**	15,193
Total administrative expenses	**81,076**	**61,969**
Items affecting comparability		
Merger and acquisition transaction costs	**1,060**	600
Settlement of prior period betting duties	**2,557**	–
Amortisation of acquired intangible assets	**3,230**	87
Adjustment to carrying value of discontinued brand	**1,181**	–
Adjustment to provision for contingent consideration	**-1,779**	–
Foreign exchange loss on operating items	**985**	2,339
Total items affecting comparability	**7,234**	**3,026**
Total expenses	**162,018**	**115,614**

As explained within the accounting policy note on page 62, the Group defines items affecting comparability as those items which, by their size or nature in relation to both the Group and individual segments, should be separately disclosed in order to give a full understanding of the Group's underlying financial performance, and aid comparability of the Group's results between periods.

Amortisation of acquired intangible assets within items affecting comparability is the charge on IFRS 3 Business combination acquired assets over the useful economic life of the asset, and is included as part of the Group's total amortisation charge shown in Note 11 on pages 72 and 73.

Adjustment to carrying value of discontinued brand relates to an impairment charge on the Betchoice brand which was triggered due to a commercial decision to move the acquired business in Australia to the Unibet brand, for reasons of long term efficiency. This item is a one-off, non-cash charge, and is shown within Note 11 on pages 72 and 73.

Adjustment to carrying value of contingent consideration relates to the determination of the final earn-out payment on the 2011 Solfive acquisition, which was lower than provided for at 31 December 2011. See Note 22 on pages 80 and 81 for further information.

During 2012, a one-off payment to the Spanish tax authorities was made of GBP 2.6 million, to cover the settlement of prior period betting duties and interest and penalties.

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

GBP 000	31 December 2012	31 December 2011
Annual statutory audit	**427**	368
Tax advisory and compliance services	**45**	26
Other assurance services	**244**	74
	716	**468**

Other assurance services includes half year review and due diligence on acquisitions.

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 2012	31 December 2011
Finance, administration and management	**92**	75
Marketing and customer service	**322**	236
Kambi	**216**	153
Research and development	**85**	65
	715	**529**

Staff costs can be broken down as follows:

GBP 000	31 December 2012	31 December 2011
Wages and salaries	**29,179**	20,891
Share option charge – value of employee services (see Note 20)	**415**	496
Social security costs	**4,483**	3,376
Pension costs	**774**	492
	34,851	**25,255**

The remuneration of the Directors and Executive management is disclosed on page 57.

6: FINANCE COSTS

GBP 000	31 December 2012	31 December 2011
Interest payable on bank borrowings	**562**	646
Foreign exchange loss on borrowings	**547**	210
	1,109	**856**

Foreign exchange gains or losses on operating activities are included within items affecting comparability.

7: FINANCE INCOME

GBP 000	31 December 2012	31 December 2011
Interest on bank deposits	**176**	**278**

8: INCOME TAX EXPENSE

GBP 000	Note	31 December 2012	31 December 2011
Current tax:			
Current tax on profits for the year		**-3,211**	-2,851
Deferred tax:			
Origination and reversal of temporary differences	18	**599**	219
Total tax expense		**-2,612**	**-2,632**

Income tax in Malta is calculated at a basic rate of 35 per cent (2011: 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, as a result of the changes in the UK corporation tax rate to 24% which was substantively enacted on 26 March 2012 and was effective from 1 April 2012; and to 23% which was substantively enacted on 3 July 2012 and effective from 1 April 2013, the relevant deferred tax balances have been re-measured. A further reduction to the UK corporation tax rate has been announced. The change proposes to reduce the rate to 21% from 1 April 2014. The change had not been substantively enacted at the balance sheet date, and, therefore, is not recognised 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 2012	31 December 2011
Profit before tax	**34,201**	38,103
Taxation at the basic income tax rate of 35% (2011: 35%)	**-11,970**	-13,336
Effects of:		
Tax refund on operating activities (i)	**13,335**	9,341
Tax effect on internal reorganisation (ii)	**-3,485**	–
Overseas tax rates	**448**	594
Items of income/expenditure not taxable/deductible	**-962**	-403
Other	**22**	1,172
Tax expense	**-2,612**	**-2,632**

(i) The tax refund of GBP 13,335,000 (2011: GBP 9,341,000) represents Malta tax recoverable by the Company in accordance with applicable fiscal legislation on intra-group dividends distributed during the year.

(ii) The tax effect on internal reorganisation of GBP 3,485,000 relates to the reorganisation to streamline the operations of the Group's Kambi Sports Solutions business into separate legal entities within the Group.

9: DIVIDENDS

GBP 000	31 December 2012	31 December 2011
Dividend paid GBP 0.580 per share (2011: GBP 0.425 per share)	**16,159**	11,764

In addition, the Board of Directors is proposing a final dividend in respect of the financial year ending 31 December 2012 of GBP 0.700 per ordinary share/SDR, which will absorb an estimated GBP 19.6 million of shareholders' funds. If approved at the AGM on 14 May 2013, the dividend will be paid on 22 May 2013 to shareholders who are on the Euroclear Sweden register on 17 May 2013.

The Board has reviewed the projected cash requirements for 2013 and is proposing this year to increase the dividend above 50 per cent of the Group's free cash flow for 2012. This is in line with the dividend policy to distribute surplus cash.

10: EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

GBP 000	31 December 2012	31 December 2011
Earnings		
Earnings for the purposes of basic earnings per share	**31,589**	35,471
Earnings for the purposes of diluted earnings per share	**31,589**	35,471
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**27,897,651**	27,920,660
Effect of dilutive potential ordinary shares – Share options	**115,930**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**28,013,581**	27,920,660
Earnings per share GBP		
Basic earnings per share	**1.132**	1.270
Fully diluted earnings per share	**1.128**	1.270

The nominal value per share is GBP 0.005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11: INTANGIBLE ASSETS

			Other intangible assets				
GBP 000	**Note**	**Goodwill**	**Development costs**	**Computer software**	**Customer database**	**Brands and other**	**Total**
Cost							
At 1 January 2011		127,197	27,437	6,033	7,097	17,786	58,353
Additions		–	10,795	1,089	–	–	11,884
Acquisitions - through business combination		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
Additions		–	13,906	979	–	–	14,885
Acquisitions – through business combination	22	21,649	253	120	2,897	1,941	5,211
Currency translation adjustment		-267	-261	9	-72	115	-209
At 31 December 2012		**152,633**	**53,839**	**8,264**	**12,252**	**19,425**	**93,780**
Accumulated amortisation							
At 1 January 2011		–	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
Charge for the year	4	–	10,521	915	1,876	340	13,652
Adjustment to carrying value of discontinued brand	4	–	–	–	–	1,181	1,181
Currency translation adjustment		–	-139	-19	48	17	-93
At 31 December 2012		**–**	**35,879**	**6,018**	**8,589**	**3,617**	**54,103**
Net book value							
At 31 December 2012		**152,633**	**17,960**	**2,246**	**3,663**	**15,808**	**39,677**
At 31 December 2011		131,251	14,444	2,034	2,762	15,290	34,530

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, Guildhall Media Invest in 2008, and Bet24 on 3 May 2012, 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. The activities and customers acquired from Bet24 were integrated immediately within Unibet's existing business, on Unibet's existing platforms, and utilising Unibet's existing licence and software.

Both the acquisitions of Solfive (acquired on 12 December 2011) and Betchoice (acquired on 29 February 2012) continued to operate on a substantially separate basis at 31 December 2012 as a result of regulatory requirements in both jurisdictions. Management therefore considers both Solfive and Betchoice to be separate cash-generating units at the year end. Management will continue to review the appropriateness of this in future years.

During the year, goodwill of GBP 152.6 million (including goodwill of GBP 5.2 million relating to Solfive and GBP 12.2 million relating to Betchoice), and the Maria Brand of GBP 15.6 million were 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 actual 2012 trading performance, 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 on any of the separate cash-generating units.

In carrying out their assessment of the goodwill, the Directors believe there are no cash-generating units where reasonably possible changes to their assumptions exist that would give rise to impairment, with the exception of Solfive. In relation to Solfive, the headroom under the impairment model is 19% of the cash-generating unit's carrying value. If the forecast growth rate in revenue is not achieved or becomes unrealistic in future periods, then an impairment charge may arise.

11: INTANGIBLE ASSETS CONTINUED

The key assumptions which have been approved by the Board used for the value-in-use calculations were as follows:

Goodwill associated with the integrated operations of Unibet Group and Maria Brand

EBITDA margin	28.0%
Effective tax rate applicable to operating income	6.0%
Risk adjusted Discount rate	10.0%

Goodwill arising on the Solfive acquisition

EBITDA margin	various rates in the range of 0.0 - 10.0%
Effective tax rate applicable to operating income	0.0%
Risk adjusted Discount rate	8.5%

Goodwill arising on the Betchoice acquisition

EBITDA margin	various rates in the range of 0.0 - 35.0%
Effective tax rate applicable to operating income	0.0%
Risk adjusted Discount rate	8.5%

Goodwill balances related to acquisitions 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 2011		1,972	8,676	10,648
Additions		221	2,654	2,875
Additions – through business combination		4	159	163
Disposals		-201	-3	-204
Foreign exchange translation difference		-25	-82	-107
At 31 December 2011		1,971	11,404	13,375
Additions		744	3,772	4,516
Additions – through business combination	22	35	1,014	1,049
Disposals		-200	-285	-485
Foreign exchange translation difference		24	-57	-33
At 31 December 2012		**2,574**	**15,848**	**18,422**
Accumulated depreciation				
At 1 January 2011		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**
Charge for the year	4	300	2,221	2,521
Disposals		-200	-285	-485
Foreign exchange translation difference		-25	26	1
At 31 December 2012		**1,489**	**10,103**	**11,592**
Net book value				
At 31 December 2012		**1,085**	**5,745**	**6,830**
At 31 December 2011		557	3,263	3,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13: SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's principal subsidiaries and associated companies at 31 December 2012 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 (Belgium) Limited	Malta	100%
Moneytainment Media Limited	Malta	100%
Unibet (Estonia) Limited	Malta	100%
Unibet (Germany) 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%
Unibet Australia Pty Limited	Australia	100%
Betchoice Corporation Pty Limited	Australia	100%
Kambi Group Limited	Malta	100%
Kambi Malta Limited	Malta	100%
Kambi Spain plc	Malta	100%
Kambi Services Limited	Great Britain	100%
Global Technology & Sports Limited	British Virgin Islands	100%
Kambi Philippines Inc.	Philippines	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 Ltd, listed on Other OTC market on the NASDAQ Stock Market, through a directed rights issue/private placement of USD 2.25 million. This investment is treated as an interest in associate.

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. The market value of the investment exceeds its carrying value, being 15 million shares held at a share price of USD 0.41 per share as at 31 December 2012, totalling USD 6.15 (GBP 3.8) million.

As a result of Bingo.com Ltd issuing further shares during October and December 2012, Unibet held 22.8 per cent of Bingo.com Ltd's total issued shares as at 31 December 2012 (2011: 23.5 per cent).

The movements in the Group's interests in associates are shown below:

GBP 000	2012	2011
Carrying value at 1 January	**1,282**	1,362
Foreign exchange movement	**–**	21
Share of associate's loss	**-7**	-101
Carrying value at 31 December	**1,275**	**1,282**

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 2012, other receivables of GBP 10.9 (2011: GBP 7.7) 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 0.9 (2011: GBP 0.8) million.

The Group's financial liabilities consist of other financial liabilities, except for liabilities at fair value through profit and loss of GBP 4.2 (2011: GBP 3.4) million. Financial liabilities at fair value through profit and loss consist of deferred income relating to unsettled bets at balance sheet date of GBP 1.5 (2011: GBP 1.4) million, the contingent consideration payable on the acquisition of Solfive of GBP Nil (2011: GBP 2.0) million, and the contingent consideration payable on the acquisition of Betchoice of GBP 2.7 (2011: GBP Nil) million. Additionally, the cash settled equity liabilities of GBP 0.9 (2011: GBP Nil) million that arose in connection with the Kambi employee share scheme (see Note 19), are remeasured to fair value at the end of each reporting period, with any changes in value recognised in profit or loss for the period.

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 2012	31 December 2011
Due within 1 year:		
Other receivables	**10,918**	7,728
Prepayments and accrued income	**4,493**	2,971
	15,411	**10,699**

16: TRADE AND OTHER PAYABLES, INCLUDING CUSTOMER BALANCES

GBP 000	31 December 2012	31 December 2011
Due within 1 year:		
Trade payables	**6,494**	4,633
Other taxation and social security	**1,522**	1,415
Other payables	**1,757**	1,840
Accruals	**22,279**	22,017
Contingent consideration payable (see Note 22)	**–**	**1,963**
	32,052	**31,868**

Customer balances of GBP 33.5 (2011: 27.5) 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 2012	31 December 2011
EUR	**52%**	62%
SEK	**14%**	13%
NOK	**9%**	9%
DKK	**6%**	4%
USD	**5%**	4%
GBP	**4%**	5%
AUD	**4%**	0%
Other	**6%**	3%
	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 2012	31 December 2011
Due within 1 year:		
Bank borrowings	**13,535**	–
Total borrowings	**13,535**	**–**

Borrowings are repayable with the following maturity:

GBP 000	31 December 2012	31 December 2011
Due in 1 year	**13,535**	–
Due in 1 to 2 years	**–**	–
Due in 2 to 5 years	**–**	–
	13,535	**–**

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 2012, the balance of the facility utilised was GBP 13.5 (2011: GBP Nil) million.

The borrowings are denominated in both euro and Swedish kronor. The euro portion has a fixed interest rate of 2.0 (2011: 2.0) per cent above EURIBOR. The Swedish kronor portion has a fixed interest rate of 2.0 (2011: 2.0) per cent above STIBOR. Both are unsecured. The Revolving Credit Facility terminates on 16 December 2013. The fair value of the bank borrowings was GBP 13.5 (2011: GBP Nil) million at 31 December 2012.

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 2012 Unibet was in compliance with these undertakings. Unibet anticipates continued full compliance and that if the facility is further utilised in future, it will be repaid in accordance with contracted terms at any such time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Property, plant and equipment	Unrealised exchange differences	Tax losses	Intangible assets	Other	Total
At 1 January 2011:								
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
(Credit)/charge to income for the year	8	–	-13	-368	-471	-32	285	-599
Balance sheet movement for the year		–	–	–	–	–	-86	-86
Transfer to currency translation reserve		–	1	–	9	1	8	19
At 31 December 2012:								
Deferred tax liability		**–**	**2**	**–**	**–**	**653**	**333**	**988**
Deferred tax asset		**–**	**-310**	**-100**	**-513**	**-16**	**-453**	**-1,392**

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 2012	31 December 2011
Deferred tax liabilities	**763**	818
Deferred tax assets	**-1,167**	-556
Net liabilities	**-404**	**262**

At 31 December 2012 the Group had unutilised trading tax losses of GBP 48,680,000 (2011: GBP 43,753,000) and other unutilised tax losses of GBP 1,469,000 (2011: GBP 2,109,000) available for offset against future profits. The amount of unutilised trading tax losses and other unutilised tax losses at 31 December 2012 for which a deferred tax asset has been recognised is GBP 1,699,000 (2011: GBP 146,000), and GBP Nil (2011: GBP 640,000), respectively. No deferred tax asset has been recognised in respect of the remaining unutilised trading tax losses and in respect of the other remaining unutilised tax losses (2011: GBP Nil) due to insufficient evidence of their reversal in future periods.

The major component of unrecognised trading tax losses arises from unutilised trading tax losses acquired as part of the Solfive acquisition, for which there is insufficient evidence of reversal. These losses represent GBP 46,779,000 (2011: GBP 43,404,000) of the total unutilised trading tax losses disclosed above. There is no specific expiry date of the total unutilised tax losses for which no deferred tax asset has been recognised.

The aggregate amount of other deductible temporary differences at 31 December 2012 for which deferred tax assets have been recognised is GBP 3,660,000 (2011: GBP 2,162,000). This includes a deferred tax asset recognised in respect of unexercised share options for GBP 168,000 (2011: GBP 261,000). A deferred tax asset has not been recognised for other deductible temporary differences of GBP 1,371,000 (2011: GBP 1,708,000).

19: OTHER NON-CURRENT LIABILITIES

GBP 000	31 December 2012	31 December 2011
Contingent consideration payable	**2,693**	–
Cash settled equity liabilities	**860**	–
	3,553	–

Contingent consideration payable relates to the acquisition of Betchoice, see Note 22.

Cash settled equity liabilities arose in connection with the Kambi employee share scheme approved by the AGM in 2011 and implemented in 2012. Under the terms of the scheme, specified employees of Kambi were permitted to purchase shares in Kambi Group Limited, a subsidiary of Unibet Group plc. During 2012 Unibet received GBP 860,000 as payment for issuance of shares representing 4.9% of the issued share capital of Kambi Group Limited. In accordance with IFRS 2, taking account of restrictions governing the shares issued, and an employee option enabling sell-back, the amount is recognised as a liability.

20: 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 Group. 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 2012 will become exercisable during 2015-16. 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	29 Sept 2008	11 Aug 2010	16 Sept 2010	7 Dec 2010	3 Nov 2011	16 Aug 2012
Average share price prior to grant GBP	12.72	12.25	11.88	11.86	14.34	**16.29**
Exercise price GBP	12.72	13.48	13.07	13.01	15.74	**17.95**
Number of employees	8	1	47	46	65	**72**
Shares under option	40,346	86,061	94,243	85,972	196,791	**358,702**
Vesting period (years)	3.10	3.50	3.50	3.50	3.50	**3.50**
Expected volatility %	39	43	43	42	28	**24**
Option life (years)	3.10	3.50	3.50	3.50	3.50	**3.50**
Expected life (years)	3.10	3.50	3.50	3.50	3.50	**3.50**
Risk-free rate %	3.72	1.50	1.50	1.93	1.32	**1.50**
Expected dividends expressed as dividend yield %	4.08	5.81	6.03	5.89	–	**3.47**
Fair value per option GBP	2.12	2.32	2.16	2.29	2.92	**1.84**

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 16 August 2012 were also denominated in SEK as follows (GBP figures are translated at the rates ruling at the respective dates of grant): SEK 189 (GBP 17.95).

The risk-free rates of return applied to the 2012 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 2012 is shown below:

	2012		2011	
	Number	Weighted average exercise price GBP	Number	Weighted average exercise price GBP
Outstanding at 1 January	**837,506**	**14.21**	753,904	13.91
Exercised	**-251,353**	**14.34**	-2,100	13.18
Granted	**358,702**	**17.95**	211,796	15.74
Lapsed	**-82,740**	**14.22**	-126,094	15.00
Outstanding at 31 December	**862,115**	**15.73**	**837,506**	**14.21**

Dilution effects

Options over 82,740 shares lapsed or were cancelled during 2012 (2011: 126,094). If all option programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 4,310.58 (2011: GBP 4,187.53) by the issue of a total maximum of 862,115 ordinary shares (2011: 837,506 ordinary shares), corresponding to 2.96 per cent (2011: 2.88 per cent) of the capital and votes in the Company.

Included within the 862,115 outstanding share options are 40,346 options that were due to be exercisable in 2011. The lives of these options were extended by the Board in May 2011, and the options became exercisable in March 2013. Of the 40,346 options, the Board decided to cancel 20,175 as not all performance conditions were achieved. 13,315 of the 20,171 remaining options in this grant were exercised between 1-15 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20: SHARE-BASED PAYMENTS CONTINUED

		2012				2011	
		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	**–**	**–**	**–**	14.59	175,778	0.4	0.4
13.18	**–**	**–**	**–**	13.18	11,746	0.9	0.9
13.99	**–**	**–**	**–**	13.99	36,078	0.9	0.9
12.72	**40,346**	**–**	**–**	12.72	47,355	0.9	0.9
14.05	**–**	**–**	**–**	14.05	77,219	0.4	0.4
13.48	**86,061**	**1.2**	**1.2**	13.48	86,061	2.2	2.2
13.07	**94,243**	**1.3**	**1.3**	13.07	100,043	2.3	2.3
13.01	**85,972**	**1.5**	**1.5**	13.01	91,430	2.5	2.5
15.74	**196,791**	**2.5**	**2.5**	15.74	211,796	3.5	3.5
17.95	**358,702**	**3.5**	**3.5**	–	–	–	–

251,353 (2011: 2,100) options were exercised during 2012. The total charge for the year relating to employee share-based payment plans was GBP 415,368 (2011: GBP 496,035), 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.

20: 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
25	40,346	1-15 Jun 2013	12.72
30	86,061	1-15 Jun 2014	13.48
32	63,082	1-15 Sep 2014	13.07
34	80,585	1-15 Nov 2014	13.01
36	146,109	1-15 Nov 2015	15.74
38	343,171	1-15 Jun 2016	17.95
Total	**759,354**		

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
31	31,161	1-15 Sep 2014	13.07
33	5,387	1-15 Nov 2014	13.01
35	50,682	1-15 Nov 2015	15.74
37	15,531	1-15 Jun 2016	17.95
Total	**102,761**		

Kambi share scheme

During 2012, the Company received GBP 0.86 million from employees of the Company's subsidiary Kambi, in connection with the share scheme approved at the 2011 AGM. Employees of Kambi now own 4.9 per cent of the shares in Kambi (see also Note 19 on page 76).

21: SHARE CAPITAL AND RESERVES

a) Share capital

GBP	2012	2011
Authorised:		
200,000,000 (2011: 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 (2011: 28,258,038) ordinary shares of GBP 0.005 each	**141,290**	141,290
Issue of share capital -18,228 shares of GBP 0.005 each	**91**	–
At 31 December – 28,276,266 (2011: 28,258,038) ordinary shares of GBP 0.005 each	**141,381**	**141,290**

During 2012, 18,228 shares were issued by the Company at prices of GBP 13.99, GBP 14.59 and GBP 14.05 per share, as a result of the exercise of employee share options. The total proceeds of this issue of new shares was GBP 255,488, of which GBP 91 was an increase in issued share capital and GBP 255,397 was an increase in share premium.

The total shares of 28,276,266 includes a balance of 343,467 shares at end of 2012 that were bought back by the Company. When these shares are repurchased or subsequently sold, the impact is reflected within retained earnings.

During 2012, 233,125 of the shares repurchased were used in connection with the exercise of share options by employees. The 233,125 shares were sold for net proceeds to the Company of GBP 3,349,986 at the option prices of GBP 14.59, GBP 13.18, GBP 13.99 and GBP 14.05.

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.

b) Share premium

Apart from the premium arising on the issue of new shares related to the share option scheme as described above, there was no movement in share premium in 2012 nor the previous year.

c) Reorganisation reserve

This reserve of GBP -42.9 million (2011: 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 13.9 million (2011: GBP 13.5 million) is a non-distributable reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22: BUSINESS COMBINATIONS

a) Acquisition of Betchoice Corporation Pty Limited ('Betchoice')

On 7 February 2012, Unibet entered into an agreement to acquire 100 per cent of the issued share capital of Betchoice Corporation Pty Limited, a company incorporated in Australia.

The transaction was finalised on 29 February 2012, and the results of Betchoice have been consolidated since this date.

The acquisition price of GBP 13.0 million (AUD 20.0 million), was settled in full on 29 February 2012.

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 20.0 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. The estimated earn-out payable as at 31 December 2012 is GBP 2.7 million (AUD 4.2 million), which is shown as a non-current liability on the balance sheet within 'Contingent consideration payable'.

The net assets of Betchoice at the date of acquisition were GBP 2.9 million (AUD 4.2 million), and accordingly, Unibet recognised goodwill of GBP 12.9 million (AUD 18.9 milllion), which is included within goodwill in the Group's balance sheet.

The balance sheet of Betchoice at the date of acquisition is set out below:

GBP 000	Carrying values pre-acquisition	Fair value
Intangible assets	373	3,015
Property, plant and equipment	1,049	1,049
Trade and other receivables	1,730	1,730
Trade and other payables	-2,565	-2,565
Customer balances	-1,671	-1,671
Cash and cash equivalents	1,296	1,296
Net assets acquired	N/a	**2,854**
Goodwill	N/a	12,910
Consideration	N/a	**15,764**
Consideration satisfied by:		
Cash	N/a	13,045
Earn-out payable (estimated at acquisition date)	N/a	2,719
	N/a	**15,764**

Goodwill represents immediate access to the regulated Australian online sports betting market.

The intangible assets acquired as part of the acquisition of Betchoice can be analysed as follows:

GBP 000	Fair value
Software platform	373
Brand	1,941
Customer relationships	701
	3,015

The outflow of cash and cash equivalents on the acquisition of Betchoice is calculated as follows:

GBP 000	Fair value
Cash consideration	13,045
Cash acquired	-1,296
	11,749

From the date of acquisition to 31 December 2012, the acquisition contributed GBP 5.8 million to gross winnings revenue and a loss of GBP 1.5 million to profit before tax. The result for the period includes reorganisation and integration costs, costs associated with the rebranding of the business, and additional marketing investments.

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	198.3
Profit before tax	34.3

b) Acquisition of Bet24 business ('Bet24')

On 11 April 2012, Unibet signed an agreement to acquire the business and certain operating assets of Bet24. Following completion of conditions precedent, legal completion of the transaction occurred on 3 May 2012.

The agreed purchase price of EUR 13.5 million (GBP 10.9 million) has been allocated to certain assets as set out below:

GBP 000	Provisional fair value
Intangible assets	2,196
Goodwill	8,739
Consideration	**10,935**

Goodwill represents the synergistic effects of combined business, including the opportunity to strengthen the market position in Denmark.

Intangible assets consist of customer relationships, and certain trademarks and domain names acquired as part of the business acquisition.

Since the acquisition was a specific scope purchase of certain assets, which were integrated into Unibet's existing business immediately following completion, it is not possible to identify the exact contribution of the transaction to Unibet's gross winnings revenue or profit before tax for the year.

c) Acquisition of Solfive SAS ('Solfive')

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). The formal closing of the transaction occurred on 12 December 2011 and the results of Solfive were 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 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 was GBP 8.1 million.

Depending on certain operating metrics of the Solfive Group for the first six months following closing date of 12 December 2011, an earn-out may also have been payable. The estimated amount payable as at 31 December 2011 was EUR 2.3 million (GBP 2.0 million) which was included as part of trade and other payables in the Group balance sheet at 31 December 2011.

On completion of the earn-out period in 2012, an assessment was performed and agreed with the former owners of Solfive, as a result of which a final payment of GBP 0.1 million was made. Following adjustments for exchange rate movements, an amount of GBP 1.8 million was recognised as a credit in the consolidated income statement for the year ended 31 December 2012 as an adjustment in the fair value of contingent consideration.

The net assets of Solfive at the date of acquisition were GBP 4.57 million and accordingly, Unibet recognised goodwill of GBP 5.45 million, which was included within goodwill in the Group's balance sheet.

The balance sheet of Solfive at the date of acquisition is set out below:

GBP 000	Carrying values pre-acquisition	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	N/a	8,058
Earn-out payable (estimated at acquisition date)	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 were analysed as follows:

GBP 000	Fair value
Software platform	1,769
Gaming licences	90
Customer relationships	2,420
	4,279

23: CAPITAL AND OTHER COMMITMENTS

The Group has not entered into any contracted non-current asset expenditure as at 31 December 2012. As at 31 December 2012, the Group had an outstanding guarantee of GBP 244,898 (2011: GBP 250,627) to the UCI in respect of Unibet's Pro Tour 2007 engagement.

24: 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 2012	31 December 2011
No later than 1 year	**2,806**	1,687
Later than 1 year and no later than 5 years	**7,184**	3,852
Later than 5 years	**–**	305
	9,990	**5,844**

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.

25: RELATED PARTY TRANSACTIONS

For details of Directors' and Executive Management Remuneration please refer to the Remuneration Committee Report on pages 56 and 57.

26: 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 44 and 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27: CASH AND CASH EQUIVALENTS

Included within the total cash and cash equivalents balance of GBP 49,878,000 at 31 December 2012 (2011: GBP 41,806,000), is a balance of GBP 244,898 (2011: GBP 1,397,563) which is treated as restricted cash.

Of the restricted cash balance, GBP 244,898 (2011: GBP 250,627) represents an amount set aside to back the guarantee as detailed in Note 23. Also included within restricted cash is an amount of GBP Nil (2011: GBP 1,146,936) related to the acquisition of Solfive which was repayable to third parties, subsequent to certain conditions being met.

28: RECONCILIATION OF EBITDA TO OPERATING PROFIT

GBP 000	2012	2011
EBITDA	**52,495**	47,980
Depreciation	**-2,521**	-1,720
Amortisation	**-14,833**	-7,478
Profit from operations	**35,141**	**38,782**

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.

29: RECONCILIATION OF ADJUSTED OPERATING CASH FLOW AND FREE CASH FLOW TO PROFIT FROM OPERATIONS

GBP 000	Year ended 31 December 2012	Year ended 31 December 2011
Profit from operations	**35,141**	38,782
Adjustments for:		
Depreciation of property, plant and equipment	**2,521**	1,720
Amortisation of intangible assets	**14,833**	7,478
Loss on disposal of property, plant and equipment	**–**	35
Adjustment to carrying value of contingent consideration	**-1,779**	–
Share-based payment	**415**	496
Operating cash flow before movements in working capital	**51,131**	**48,511**
Movements in receivables	**-4,014**	1,749
Movements in payables	**6,576**	-444
Income taxes paid	**-3,523**	-3,125
Purchases of property, plant and equipment	**-4,516**	-2,875
Purchases of intangible assets	**-14,885**	-11,884
Settlement of prior period betting duties	**2,557**	–
Free cash flow	**33,326**	**31,932**

The table above shows how adjusted operating cash flow, and free cash flow which are non-GAAP measures, are derived from the adjusted profit from operations reported in the consolidated income statement.

In assessing free cash flow as part of their consideration of the proposed dividend to shareholders for the 2012 financial year, the non-recurring betting tax payment of GBP 2.6 million was excluded by the Board.

30: SUBSEQUENT EVENTS

On 7 January 2013, the Supreme Court of Sweden refused an application from ATG to appeal the earlier decision of the Stockholm Court of Appeal in favour of Unibet. This decision formally concluded a litigation process spanning several years. The Supreme Court further ruled that ATG should repay Unibet's legal costs and in February 2013 Unibet duly received compensation of GBP 621,000. Further details of the case are given on page 45.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNIBET GROUP PLC

Report on the Financial Statements for the year ended 31 December 2012

We have audited the accompanying consolidated financial statements of Unibet Group plc which comprise the consolidated balance sheet as at 31 December 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 58 to 82.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on page 55, 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 2012 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.

Proper 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.

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 2012.

PricewaterhouseCoopers
78 Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

18 March 2013

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
United Kingdom

John Waters
Partner

18 March 2013

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Unibet Group plc will be held at 10.00 CET on Tuesday 14 May 2013, 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 on Friday 3 May 2013 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 17.00 CET on Tuesday 7 May 2013, 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 3 May and 14 May 2013.

Dividend

The Board of Directors proposes a dividend of GBP 0.700 (0.580) per share/SDR, which is approximately SEK 6.97 (6.09) with the exchange rate 9.96 GBP/SEK at 12 February 2013 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 22 May 2013 and amounts to a total of GBP 19.6 (16.0) million, which is approximately 59 per cent of the Group's free cash flow for 2012. The Board has reviewed the projected cash requirements for 2013 and is proposing for this year to increase the dividend above 50 per cent of free cash flow. This is in line with the dividend policy to distribute surplus cash.

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 2013 on the following dates:

Interim Report January – March 2013, on 2 May 2013

Interim Report January – June 2013, on 7 August 2013

Interim Report January – September 2013, on 5 November 2013

Full Year Report 2013, on 11 February 2014.

DEFINITIONS

Average number of employees: Average number of employees based on headcounts at each month end.

Cashflow per share: Net increase/(decrease) in cash and cash equivalents, divided by the number of ordinary shares at the balance sheet date.

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 other products equates to net 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.

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