UNIBET
By players, for players

Unibet Group plc Annual report and accounts 2014

A UNIQUE DIGITAL EXPERIENCE ›

PIONEERING THE DIGITAL AGENDA

Unibet is one of the largest online gambling operators in the European market with over 9.7 million registered customers worldwide.

See page 2

OUR HISTORY

1997

FROM ONLINE INTERNET BETTING ›

100
Countries with Unibet customers

INTERNATIONAL EXPANSION

From its early roots in Sweden, Unibet is now an international company with 652 employees in eight different countries. It is licensed in the EU and operates in several re-regulated jurisdictions, including Denmark, Belgium, Estonia, France and Italy. Since the acquisition of Betchoice in 2012, the Unibet brand is now becoming well established in Australia.

+10M
Transactions per day

A CUSTOMER-FOCUSED STRATEGY

Unibet's motto of "By Players For Players" has underpinned considerable exponential growth in customer numbers from 200,000 registered users in 2002 to 9.7 million in 2014. Its strategy focuses on the customer lifecycle from the customer experience, through to service and safety, with the emphasis on relevant, timely customer communication.

See page 16

#ONE
Pioneers in "Cloud" creation

OVER 17 YEARS OF PIONEERING THE DIGITAL AGENDA

Unibet has been at the forefront of the online gambling industry since it launched its first website in 1999. From the launch of its live betting service in 2003, to the introduction of its first mobile site in 2004, Unibet continues to invest in industry-leading products, digital marketing and technology. Next year will see Unibet combine big data with an integrated marketing strategy, using this intelligence to make communication real-time, more personal and focused on the individual customer.

2014

TO MULTI-PRODUCT, ONLINE GAMBLING AND MULTI-CHANNEL DIGITAL ENTERTAINMENT

17.6M

Transactions screened

DEVELOPMENT OF AN AWARD WINNING "PLAYER SAFETY – EARLY DETECTION SYSTEM" (PS-EDS)

Unibet's proprietary PS-EDS is still setting the standard for identifying and supporting players showing early signs of problem gambling, winning the 2014 e-Gaming Innovation of the Year award. As a founding member of the European Gaming and Betting Association and the European Sports Security Association, Unibet continues to share its expertise across the industry.

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PS-EDS
Player Safety - Early Detection System

HIGHLIGHTS

Operational highlights

- Strong organic growth in profits despite negative translation effects of the stronger GBP
- Distribution of Kambi to share/ Swedish Depository Receipt (SDR) owners
- Acquisition of Bingo.com domain

See pages 4–5

Product developments

- Launched new multi-channel Poker software
- Launch of flash game content to iPad customers
- Launch of several native casino apps
- Introduced flexible cross-channel design – same content, same platform

Awards

- PS-EDS – Awarded Innovation of the Year
- Spin City – Awarded Best App of the Year
- IGA Winner – In-Play Sports operator
- IGA Winner – Online Sportsbook operator

Financial highlights 2014

+25%
Gross winnings revenue in local currencies

+20%
Underlying EBITDA

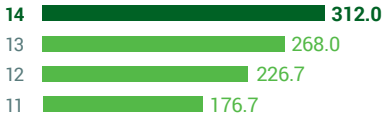
+33%
Underlying earnings per share

36%
Mobile share of GWR

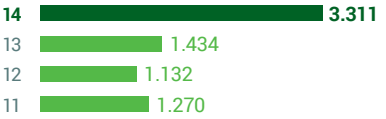
+14%
Casino & Games growth in GWR

8.6%
Sports Betting combined margin

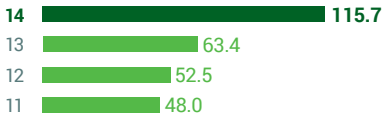
Gross winnings revenue
GBP million



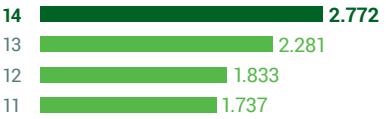
Earnings per share
GBP



EBITDA
GBP million



Operating cash flow per share[1]
GBP

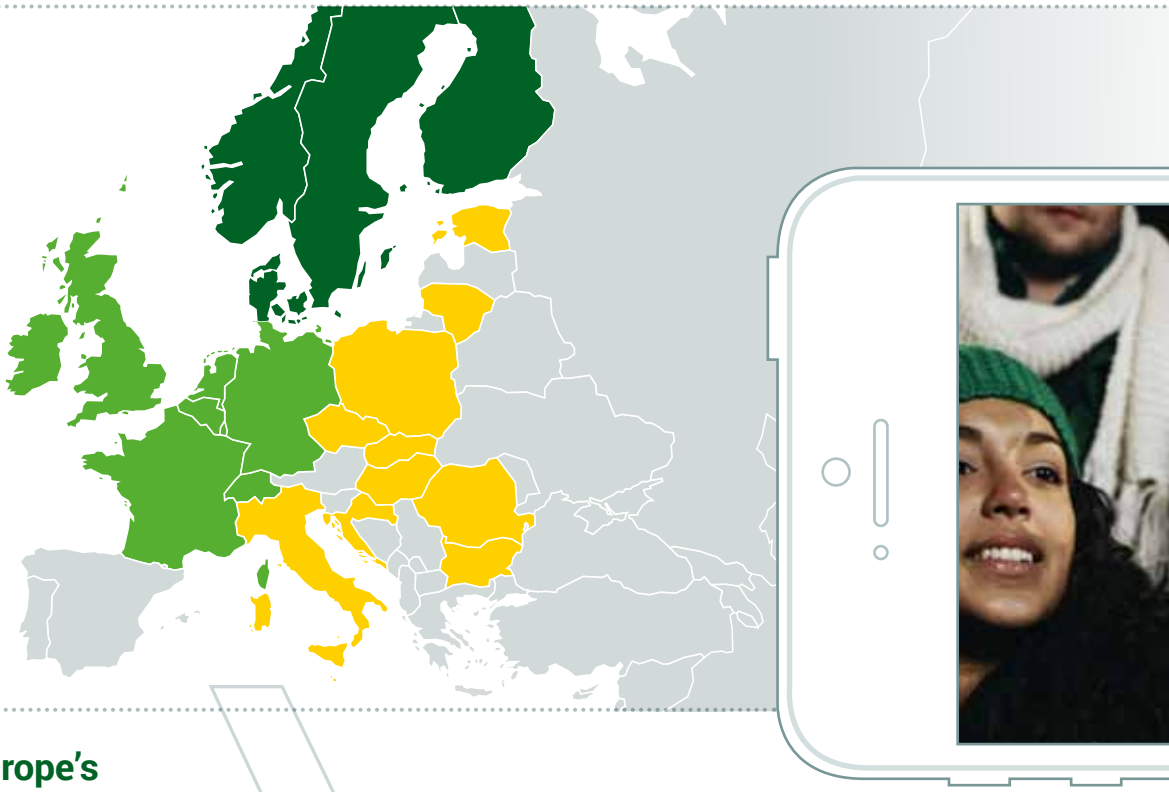


1 Before movements in working capital.

See pages 18–19

Unless stated otherwise Financial highlights are in GBP.

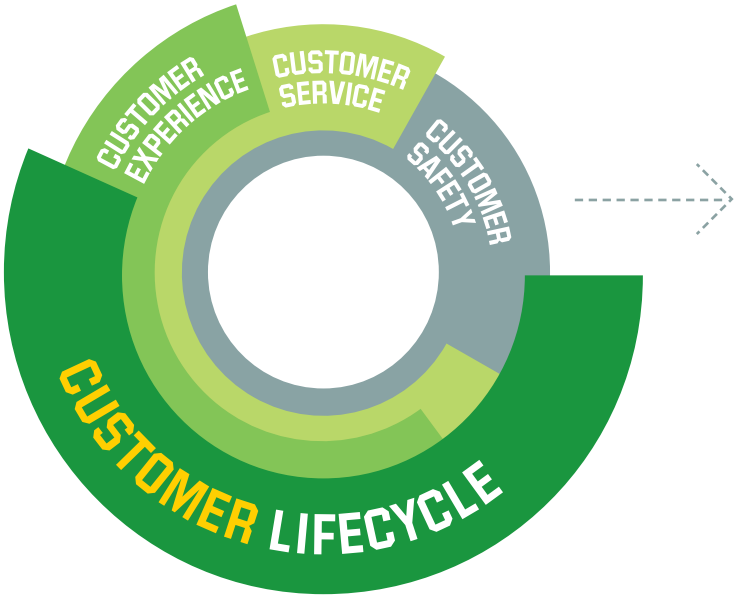
UNIBET AT A GLANCE

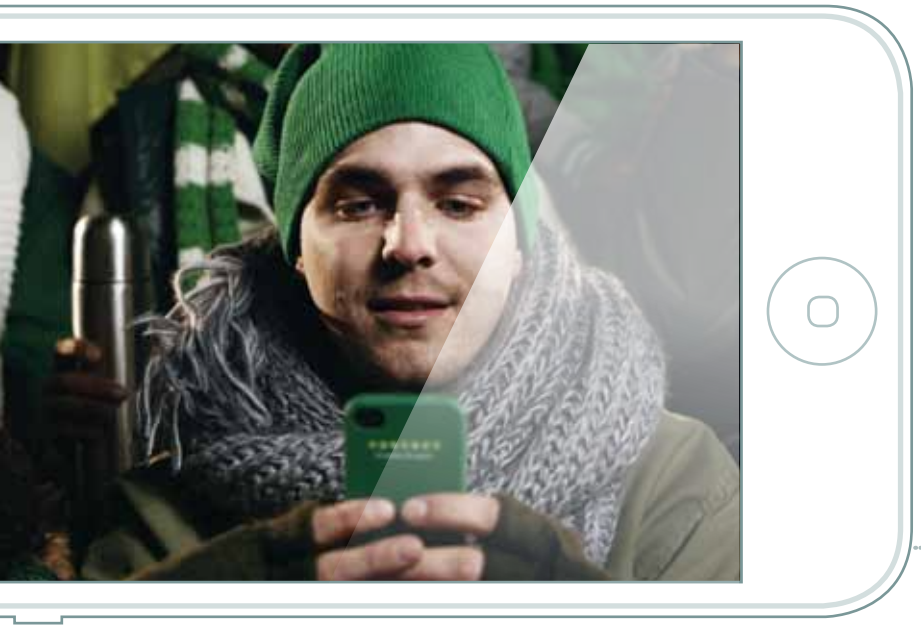


Unibet is one of Europe's largest and fastest growing online gambling operators with over 9.7 million registered customers in more than 100 countries.

Unibet aims to offer its customers the best gambling experience in its markets, providing distinctive products underpinned by an industry-leading player safety environment. The Unibet brand offers world-class Sportsbook, Casino & Games, Poker and Bingo products via desktop, mobile phone and tablet and a unique, personal brand, Maria, offering Casino & Games.

Unibet puts customers at the centre of its business by delivering exceptional customer experience, customer service and customer safety during the customer lifecycle.





89,456
Live betting events

UNIBET SPORTSBOOK

Sportsbook accounts for 43 per cent of Unibet's Gross winnings revenue (GWR) from both pre-games and live betting, generating GBP 133.7 million GWR in 2014, up 31 per cent on 2013.

Players benefitted from the 89,456 live events and 29,912 live streaming events in 2014, including the football World Cup, with live betting now accounting for 45 per cent of the Sportsbook GWR.

An award winning product, Sportsbook won Online Sportsbook Operator 2015 and In-Play Sports Operator 2015 at the prestigious International Gaming Awards in February 2015.

787
Casino & Games

UNIBET CASINO & GAMES

Accounting for 48 per cent of GWR, Unibet's Casino & Games offers 787 games and generated a 14 per cent increase in GWR this year to GBP 149.8 million.

Dramatic growth in mobile casino contributed to a new all-time high in Casino revenues underpinned by 100 games from the industry's leading suppliers and a newly launched Casino app, called Spin City.

POKER

Poker accounts for 3 per cent of Unibet's GWR. Online tournaments are complemented by the legendary Unibet Open Poker Competition, which tours Europe and attracted 1,524 players this year.

395,780,821
Total number of Game Rounds played

MARIA

With its focus on Casino & Games, Maria has a distinctive brand personality, designed to give customers – both male and female – a more personal gambling experience.

Maria is one of the top three brands in the Nordics and is experiencing strong growth in the UK, Denmark and the smaller, Estonian market.

One lucky Maria player won the Mega Fortune jackpot, of EUR 2.9 million in April 2014.

CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED STRONG ORGANIC GROWTH ›

It's been an eventful year for Unibet. Not only has it been a big sporting year with the Winter Olympics and the football World Cup but many of the initiatives we started in prior years are now coming to fruition and are starting to deliver significant contribution to our results. We have grown our market share across our core markets by delivering strong organic growth. We now have 9.7 million registered users from across the globe, supported by over 650 employees totally focused on delivering the best customer experience for our brands.

Distribution of Kambi to shareholders

A significant event during the year was the decision at the AGM to distribute the Kambi Sports Solutions B2B business to shareholders. This was the realisation of the significant investment made by Unibet from 2011–14 in building a world class B2B provider of sports betting products. The transaction gave rise to a one-off gain on disposal of GBP 35.3 million. More importantly for the long-term, it leaves the Kambi business free to focus on delivering the best product to Unibet and its other clients, while Unibet's business focuses on the customer.

Significant growth

We have delivered a strong financial performance, despite the prevailing foreign exchange headwinds throughout the year. Gross winnings revenue (GWR) is up 16 per cent organically to GBP 312.0 million (2013: GBP 268.0 million), equivalent to a 25 per cent increase in local currency. This reflected the impact of the football World Cup in Q2 and Q3 on Sportsbetting, which is up 31 per cent year-on-year. Underlying performance is also strong, for example Casino & Games is up 14 per cent year-on-year, and this growth has continued throughout the year with active customers now numbering 570,360 in Q4 (2013: 516,799).

Our continued focus on cash control has reduced costs to 9 per cent of GWR, down from 12 per cent in 2013, clearly demonstrating the scalability of the business. This is reflected in a 38 per cent increase in free cash flow and EBITDA of GBP 77.7 million, excluding one-off items such as the spin-off of Kambi (2013: GBP 63.4 million). Underlying earnings per share hit an all-time high of GBP 1.964, significantly ahead of last year (2013: GBP 1.474).

Developing our market position

We have delivered growth across all our markets during the year with particularly strong performance in the Nordics and Western Europe. The football World Cup had a significant influence on GWR especially in participating countries but developments in mobile, sports and casino products, and our focus on delivering a superior user experience, all contributed to performance.

Whilst 2014 looked like a quieter year for re-regulation, the high levels of activity in Denmark and Belgium reflected the positive impact of the regulation changes in 2012 and the UK introduced a new licensing regime towards the end of 2014. This marked an important step forward in the transformation of the online gambling industry from a globally based dotcom environment to a more national based dotcountry world.
We continued our work in Sweden and Norway to position Unibet as a key player in society, contributing to the digital agenda for the future and influencing stakeholders to create as good a licensing system as possible. The EU is putting standards for online gambling higher on its agenda as evidenced by the referral of Sweden to the European Court following the EU action plan on online gambling.

This may prove a catalyst for change in Sweden and presents an opportunity for the new Swedish government to create a sustainable policy in line with market reality and digital consumer demand.

Developing our strategy

Having successfully achieved the strategic objectives we set ourselves three years ago, we have now embarked on our next three year plan and are very happy with our progress to date. Our strategy does not take what is world-class today as a starting point but as what it takes to lead the development of tomorrow. The online digital world is transitioning from the 20th Century paradigm focused on national boundaries and led by retailers and companies, to the third Millennium where the consumer is driving the global digital economy, looking for quality and protection. Unibet is well positioned to benefit from this shift due to its history and cultural roots as an entrepreneurial and innovation-driven start-up that has become an international digital leader, with a market capitalisation of over SEK 14 billion at the end of 2014 and over 650 people working in eight countries. We continue to lead the digital agenda in our core markets as we become an increasingly data driven organisation. Utilising data from social media, we will be able to undertake predictive analysis, enabling us to deliver more relevant, timely communications to customers and prospective customers in real-time, moving towards a more individual, personalised approach.

Driving forward our mobile business

Our Sportsbook mobile business is powering ahead with mobile GWR double that of 2013 representing 43 per cent of total GWR by the end of 2014. The football World Cup was a high point when 52 per cent of total related turnover was from mobile devices and 9.2 million apps were opened in June 2014 compared to an average of 4.4 million in the first half of 2014. Mobile registrations were up 220 per cent reflecting our investment in both native and html5 products and in our enhanced product suite of apps. The Unibet Sportsbook has been the number one app in seven core markets in the sports section and our new Spin City App won the App of the Year at the 2014 International Gaming App Awards.

With the launch of our new flexible, cross-channel design, which allows the same content to respond to the platform it is displayed on, we will give our customers a more consistent experience across mobile and PCs and we expect to see the benefits from this investment going forward.

Developing our reputation

We believe that we have three significant assets in Unibet – our customers, our brands and our people – and when we combine these three successfully, it generates significant momentum. Our high employee engagement score is one of our most important metrics. It helps us attract the right recruits as we grow and demonstrates that everyone is aligned to the strategy. We know from experience that happy people make happy customers and happy customers deliver healthy profits.

Player safety is at the centre of our business and winning the 2014 e-Gaming Review Innovation of the Year award for our Player Safety Early Detection System (PS-EDS) is testament to the investment and importance we place on this aspect of our business.
We are a careful company and believe that paying attention to our environmental impact will reflect positively with all our stakeholders. Our efforts were rewarded with a significant increase in our 2014 Carbon Disclosure Project score, demonstrating the strength of our governance with plans, structure and systems now well established.

Ready for the future

We got off to a good start to the year winning two awards for our Sportsbook product at the prestigious International Gaming Awards. 2015 is a good year for us to focus on growing our user base and building loyalty with our existing customers in preparation for the next major sporting event: European football Championship 2016.

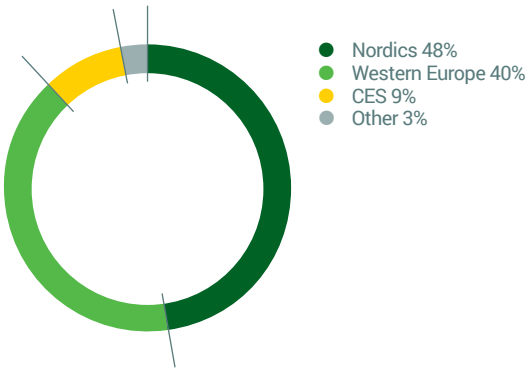
We will continue to work with governments, customers and other operators to influence re-regulation, aiming to ensure that it is sustainable and the best possible system for all stakeholders.

We are ready for the new markets that are planning to re-regulate and are strengthening our position in the ones that already have. The digital world is changing and, with our customer-centric business model and responsive approach to our markets, we are well placed to take advantage of the opportunities this change will generate and continue to deliver sustainable, profitable growth.

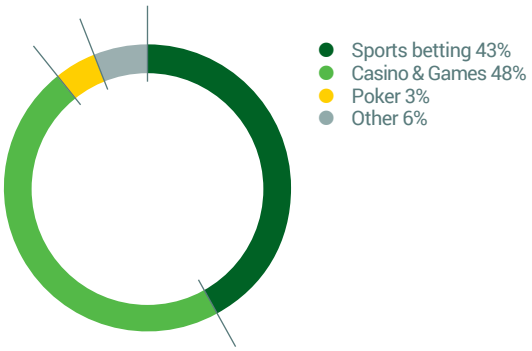
Malta, 13 March 2015

Henrik Tjärnström, CEO

Gross winnings revenue per region
%



Gross winnings revenue per product
%



MARKET REVIEW

WELL PLACED TO DELIVER ›

Growth continues in the online gambling market

The global online gambling market continues to grow with Europe now accounting for 47 per cent of global gross winnings in 2014, when gross winnings in Europe are expected to reach EUR 14.6 billion[1], up 13 per cent year-on-year (2013: EUR 12.9 billion). Online gambling continues to make inroads into traditional gambling, accounting for a predicted 15.7 per cent of all gambling in 2014, up from 14.1 per cent in 2013. By 2018, this is forecast to rise to 19.2 per cent on gross winnings of an anticipated EUR 19.3 billion across Europe.

This trend has been driven by re-regulation and the stellar growth in both smartphone and tablet penetration, increased device capability and the confidence of users to spend via these devices.

Mobile technology growth accelerates

Sales of tablets and smartphones continue to power forward. In 2014, sales were predicted to be 4–5 times that of TVs and PCs – only 10 years since these mobile products were launched. The sales of smartphones overtook PCs in 2011[2] and were due to reach 1.3 billion worldwide in 2014, up 25 per cent year-on-year[3]. The sales of tablets were predicted to outsell PCs for the first time in 2014[2] with the share of web site traffic accounted for by mobile devices rising to 27 per cent of all internet traffic by the end of 2013[4].

According to Forrester, mobile has shifted consumers' expectations dramatically and service providers will need to anticipate their customers' requirements and engage them at exactly the right moment with the right content and services[5]. Forrester refers to these moments as mobile moments and it predicts there will be 651 million tablets in use in 2017, alongside 2.4 billion smartphones[6].

H2 Gambling Capital are expecting the mobile gambling market in Europe to generate just over EUR 8.1 billion of gross winnings by 2018, up from EUR 3.4 billion in 2014, by which time this would represent 42 per cent of all interactive gambling in Europe.

Re-regulation opening up key European markets

Online gambling is one of the fastest growing service activities in the EU, with 6.8 million consumers participating in one or more types of online gambling as of 2012[7]. EU policy is moving away from 28 individual digital markets to encouraging cooperation between member states, recognising that issues cannot be tackled by individual member states given the inherent cross border nature of online gaming. The newly appointed European Commission has a strong digital focus including taking the first steps towards harmonising the legal framework for consumer protection across Europe which will also impact on the European online gambling industry, as the referral of Sweden to the European Court of Justice to rule on its online gambling model shows.

This follows the 2012 Commission Action Plan, which proposed a comprehensive set of actions and common principles to ensure citizens have adequate protection and that money laundering, match-fixing and other fraud is prevented. Whilst member states are currently free to set their own regulations, the EU is encouraging maximum channelling of consumers to regulated offers to reduce the significant risks associated with unregulated gambling sites.

Many EU members are now more open to re-regulating online gambling in their jurisdictions, to aid consumer protection. This year, the UK passed the Gambling Licensing and Advertising Act 2014, which required all offshore and onshore online gambling organisations to be licensed by the UK Gambling Commission and introduced a 15 per cent tax at the point of consumption as from 1 December 2014. The Dutch Government also adopted draft legislation which – subject to parliamentary approval – will introduce a licensing for online gambling in the next two years. Whilst this will increase competition, the market is forecast to grow strongly as online gambling currently accounts for 9 per cent of e-commerce revenue, compared with the 12.5 per cent average across the EU[8].

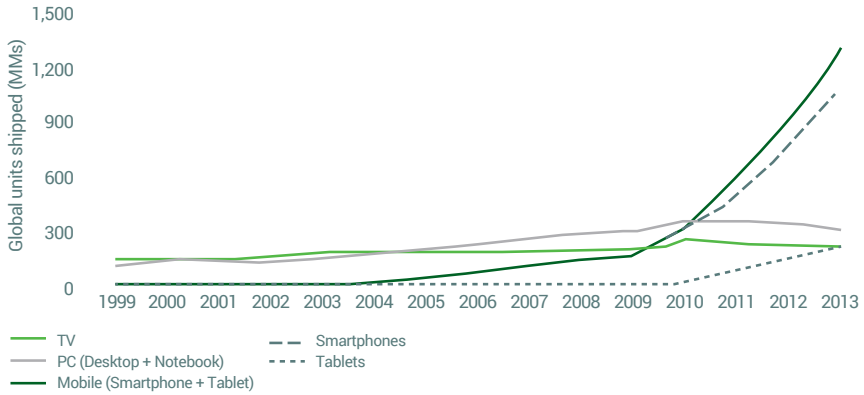
Opportunities for Unibet

With its strong record of responsible gaming and a highly competitive product portfolio, Unibet is well placed to take advantage of the opportunities offered by newly re-regulated markets and is already generating 27 per cent of its revenue from re-regulated markets. The new regulatory environments will favour larger, more established operators, able to comply with licensing requirements and invest in marketing and technology to build market share. This is likely to drive consolidation and raise barriers to entry in the industry as smaller operators will not have the scale and resources needed to compete, and larger players, such as Unibet, are well positioned to benefit.

Sources

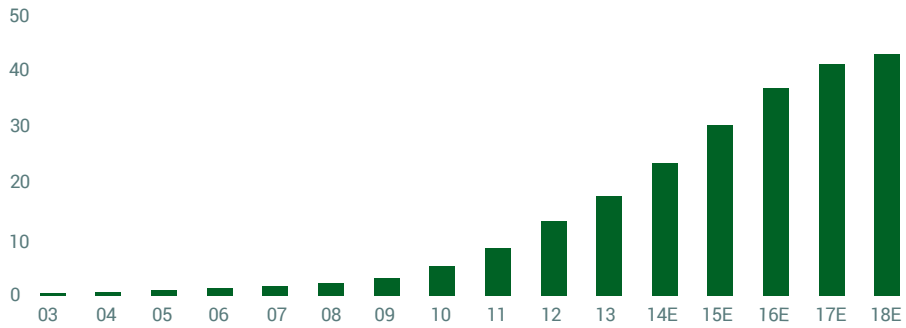
1 H2 Gambling Capital November 2014.
2 KCBP Mary Meeker Internet trends 2014 Code. Conference 28 May 2014.
3 CCS Insight.
4 Walker sands Mobile Traffic Report Q3 2013.
5 Julie Ash: Mobile Predictions Forrester November 2014.
6 Forrester Research World Smartphone/Tablet adoption Forecast 2013–2017.
7 EU press release 23 October 2012.
8 Intersog: Online gambling regulation in the Netherlands: what to expect in 2015?

Global TV vs. PC (Desktop + Notebook) vs. Mobile (Smartphone + Tablet) Shipments, 1999–2013



@KPCB Source: TV unit shipments per NPD Display Search (2004–2013 data) and Philips (1990–2003 data). PC (laptop + desktop + tablet unit shipments per Morgan Stanley Research.

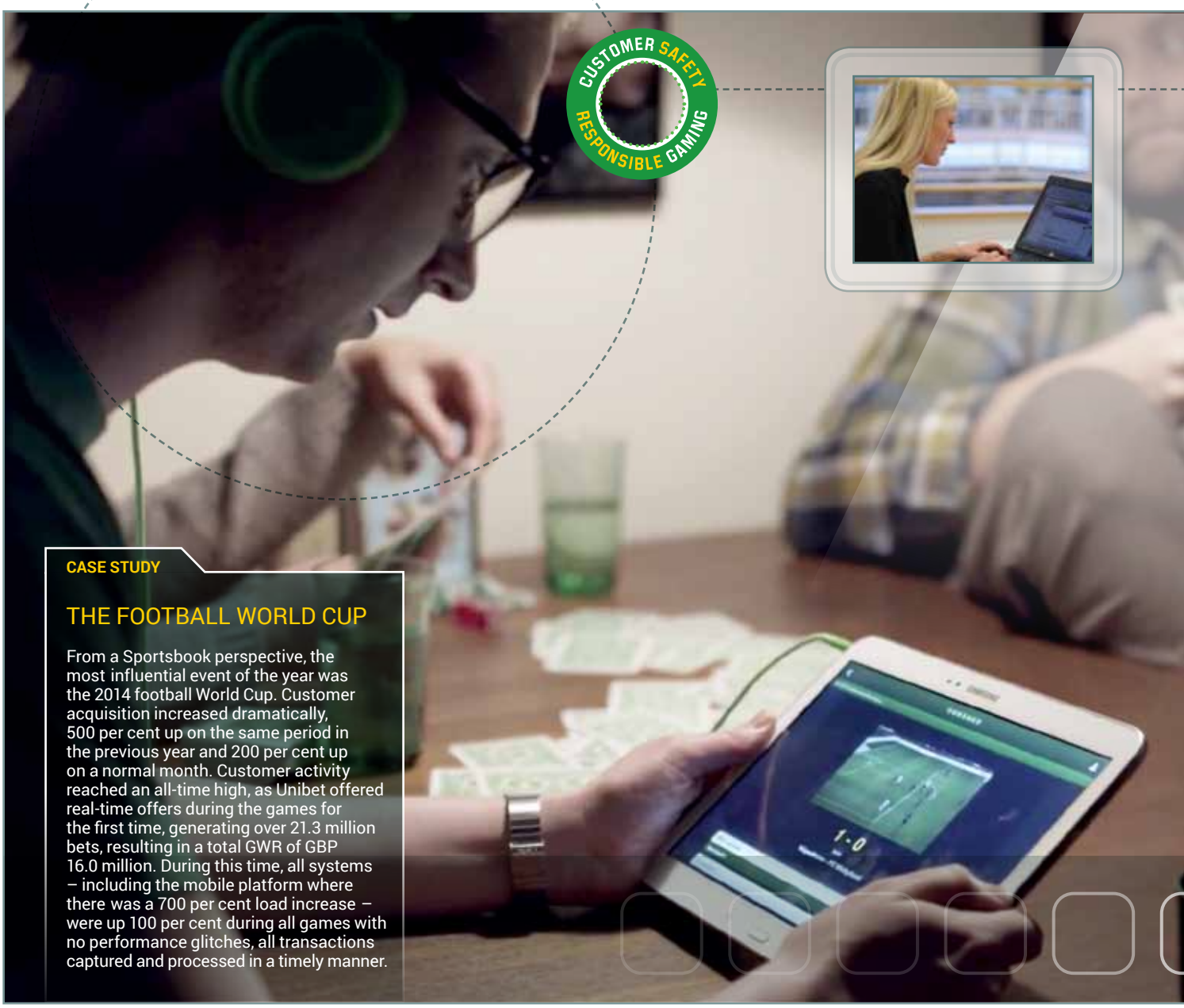
Mobile gambling market in Europe %



Source: H2 Gambling Capital.

CUSTOMER LIFECYCLE: EXPERIENCE

THE NEXT GENERATION › OF DIGITAL ENTERTAINMENT



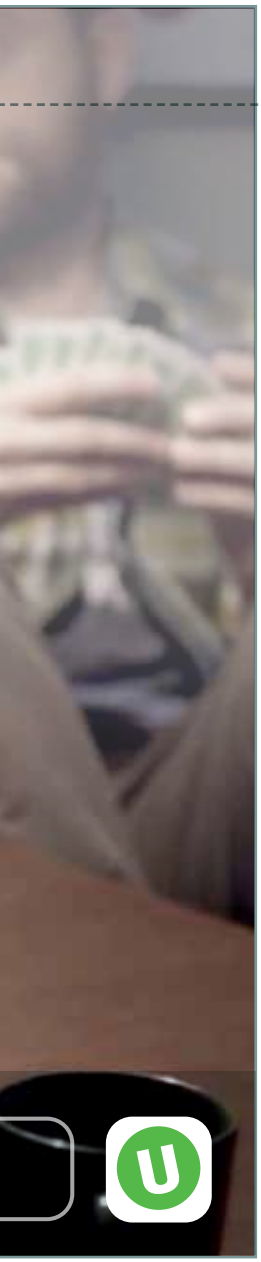
CASE STUDY

THE FOOTBALL WORLD CUP

From a Sportsbook perspective, the most influential event of the year was the 2014 football World Cup. Customer acquisition increased dramatically, 500 per cent up on the same period in the previous year and 200 per cent up on a normal month. Customer activity reached an all-time high, as Unibet offered real-time offers during the games for the first time, generating over 21.3 million bets, resulting in a total GWR of GBP 16.0 million. During this time, all systems – including the mobile platform where there was a 700 per cent load increase – were up 100 per cent during all games with no performance glitches, all transactions captured and processed in a timely manner.

With over 43 per cent of total GWR and over 60 per cent of Sportsbook GWR now coming from mobile, Unibet is well placed to benefit from the convergence of media and multi-channel digital services and aims to deliver the same great experience across multiple devices. During the year, Unibet featured 89,456 live betting events from football to ice hockey to tennis. 29,912 of these were streamed live, 92 per cent of these on mobile.

New services launched in 2014 include the new Unibet Casino app for iPad and Spin me app for Maria, ensuring Unibet stays ahead of the technology curve. This new app includes 30 new Casino titles, underpinned by 12 months exclusive rights on the underlying technology. 2014 was a fantastic year for Live Casino with GWR up by 49 per cent. In 2015 Unibet is expanding the exclusive Live Casino environments even further.



22

Mobile apps of which 11 are real money

787

Casino games through 35 suppliers

CUSTOMER LIFECYCLE: SERVICE

ENHANCING CUSTOMER RELATIONSHIPS ›

A customer centric environment is at the heart of Unibet's corporate philosophy and is encapsulated in the motto "By Players, For Players". This is a powerful mantra that drives the Group's focus on knowledgeable friendly customer service, delivered 24/7 in 21 different languages.

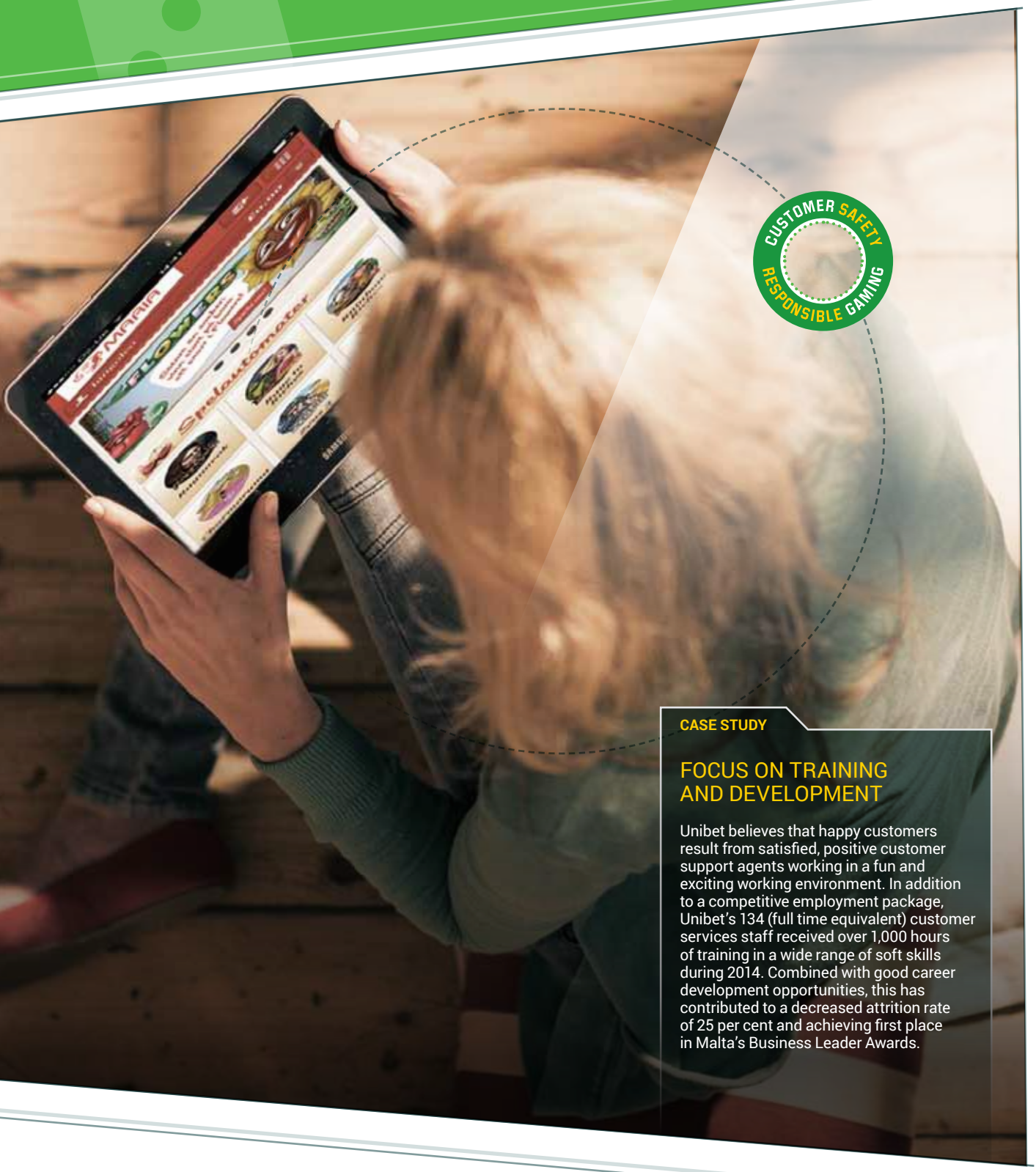
Every customer contact is followed up by a survey with feedback actioned straightaway through the appropriate channels. These are then filtered through our high-end technology system to be used in developing improvements to the customer journey.

All key metrics are tracked on a daily, weekly and monthly basis against a number of customer support key performance indicators (KPIs) including a comprehensive Customer Satisfaction score which is running at levels above 88.5 per cent.

In addition to investing heavily in well-trained and motivated staff, a new GBP 4 million, best-in-class, customer support system has been installed to provide a powerful, multi-channel communication platform.

134
Agents offering 24/7 support

1 MILLION
Interactions yearly



CASE STUDY

FOCUS ON TRAINING AND DEVELOPMENT

Unibet believes that happy customers result from satisfied, positive customer support agents working in a fun and exciting working environment. In addition to a competitive employment package, Unibet's 134 (full time equivalent) customer services staff received over 1,000 hours of training in a wide range of soft skills during 2014. Combined with good career development opportunities, this has contributed to a decreased attrition rate of 25 per cent and achieving first place in Malta's Business Leader Awards.

CUSTOMER LIFECYCLE: SAFETY

PLAYER SAFETY › "A MEASURED BUSINESS"

up to 85%
accuracy rate

24/7
monitoring system

CASE STUDY

Unibet's PS-EDS system analyses player behaviour with the aim of minimising harm. For example, Mark was detected for chasing losses, depositing more money to try and recoup what he had lost. Customer Services were instructed to send a personalised message to let him know about one of the Self-Help tools in the system, in this case the deposit limit. Mark set up a deposit limit, but after two weeks he began increasing that limit. When this was observed, one of the Responsible Gaming experts in Customer Service phoned Mark. After speaking to one of our trained agents Mark decided to take a break from playing. He was also informed about Betfilter and Gambling Therapy.

Player safety is at the heart of Unibet's business and it aims to ensure that its players continue to enjoy Unibet services in a safe, secure and supportive manner.

25 highly skilled specialists provide 24/7 support to monitor, control and protect players, taking a proactive approach to spot early signs of problem gambling. With experience in auditing, criminology, finance, psychology and customer service, the four teams based in Malta monitor transactions to prevent fraud, verify customers, comply with anti-money laundering regulations, control operational risk and implement Unibet's Responsible Gaming policies.

Unibet has been a pioneer in digital safety, developing a proprietary, award-winning Player Safety Early Detection System (PS-EDS), based on scientific empirical evidence that aims to identify players who may be at risk. Unique in the industry, the system takes a personalised approach focused on a holistic approach to the individual concerned, helping them moderate their gambling and advising them with a tailored customer centric approach.

A founding member of key industry associations set up to tackle fraud and gambling issues, Unibet actively contributes to the development of European standards, aimed at providing a safe and secure online gambling environment, and shares its expertise with regulators, governments and the broader industry.

PS-EDS
Player Safety - Early Detection System

CUSTOMER SAFETY
RESPONSIBLE GAMING

BUSINESS MODEL

Unibet's business model is centred on offering its players the best gambling experience in its markets, through market-leading brands, excellence in customer service and leading edge technology. Its commitment to generating shareholder value is underpinned by a continuous focus on player safety and operational efficiency.

CUSTOMERS

Unibet's customer-centric strategy is driven by its core values, "passionate, friendly and expert", and this is translated into a focus on delivering exceptional customer service and a superior customer experience based on detailed insight and an increasingly personalised experience.

1,202,439

Active customers in 2014

PLAYER SAFETY

Player protection is at the heart of the Unibet Customer Lifecycle and the commitment to providing a safe, secure and supportive environment is key to building a sustainable, long-term relationship with customers.

LEADING EDGE TECHNOLOGY

The Group invests on a continuous basis to ensure that it delivers a seamless service to customers across desktop, tablet and mobile devices and stays ahead of the technology curve as media and multi-channel digital content and services converge.

MARKET LEADING BRANDS

Unibet has a highly effective approach to marketing and sponsorship, based on a global framework but focused on local execution. This is essential to building its distinctive, high-profile brands, delivering fresh, new titles and games that exploit the latest technology developments.

89,456
Live events available to players

27,444
Streamed events to mobile

509,769
Live chats with customer service

21
Languages spoken

OPERATIONAL EFFICIENCY

A relentless focus on efficiency and maximising value for money from marketing spend, combined with the benefits of economies of scale contribute to Unibet's ability to deliver robust financial returns.

STRATEGY

Unibet's strategy is based on three key objectives which are all intrinsically linked and focused on delivering sustainable, profitable growth.

BEST CUSTOMER EXPERIENCE

SATISFIED CUSTOMERS

A relentless focus on improving customer experience across all customer journeys has delivered a 15 per cent increase in customer satisfaction scores year-on-year.

INNOVATIVE PRODUCT DEVELOPMENT

A commitment to launching innovative and premium products has resulted in Unibet being recognised as an industry leader: this is evidenced by Unibet winning multiple industry awards for innovative products: the First International App of the Year, Innovation in Poker, Innovation of the Year, Online Sportsbook Operator of the Year and In-Play Sports Operator of the Year categories.

SUSTAINABLE GROWTH

STRONG ACTIVE CUSTOMER GROWTH

Unibet's focus on creating long term, sustainable and responsible relationships with customers has led to a very strong growth in active customers with 1,202,439 at the end of 2014 (2013: 1,039,010).

DIVERSE PORTFOLIO

Strong growth in core markets for Unibet and a concurrent increase in the proportion of revenues coming from re-regulated markets (27 per cent in Q4 2014) provide evidence of a commitment to build a diverse and balanced portfolio of market opportunities.

SUSTAINABLE GROWTH MANAGEMENT

High employee engagement scores (85 per cent of employees rate Unibet as a great place to work in the international Great Place to Work measurement framework) and a significant increase in Unibet's Carbon Disclosure Project score to 90D are evidence of a deep seated commitment to managing growth in a sustainable manner.

PLAYER PROTECTION

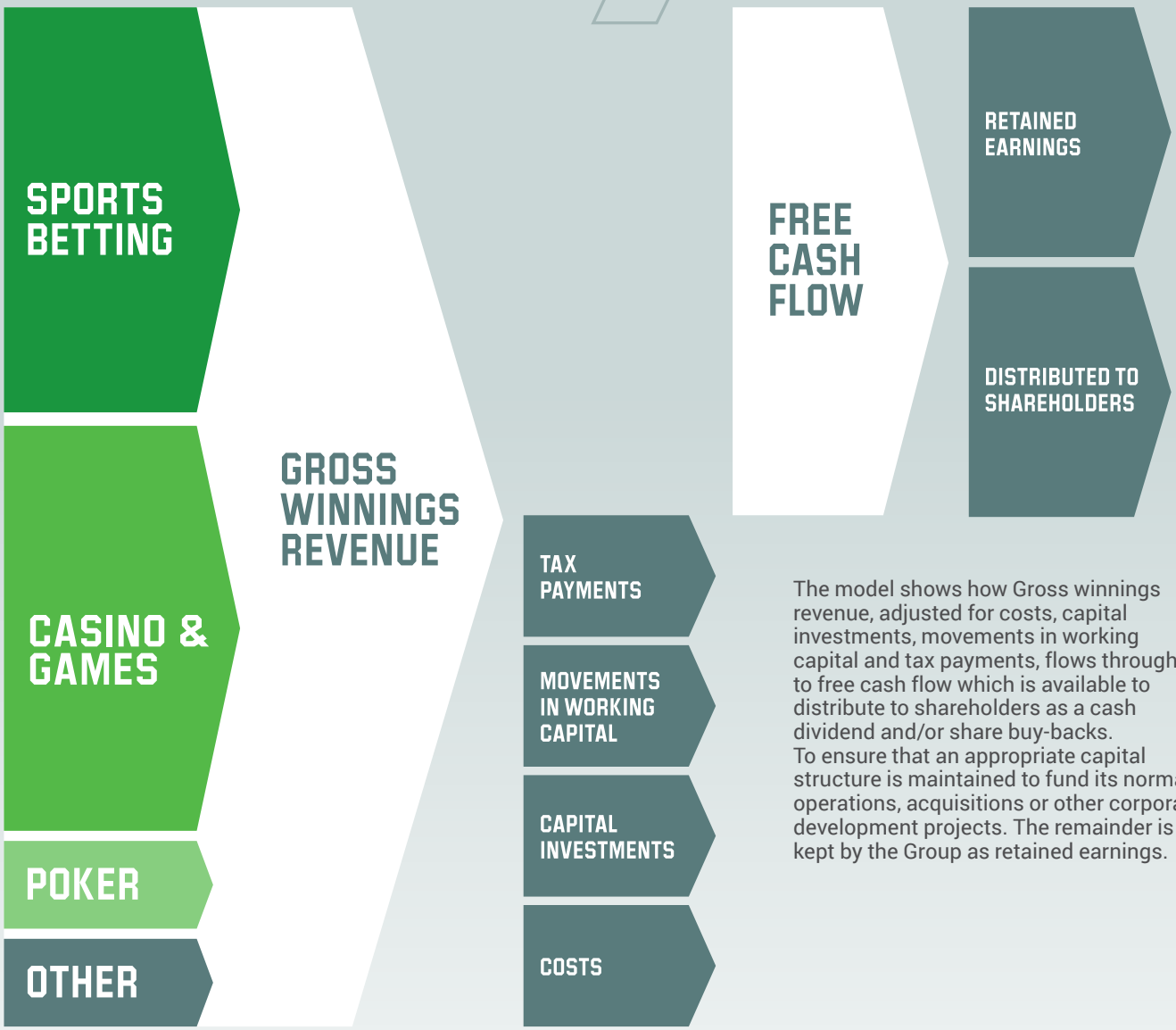
Player protection is a crucial component of Unibet's strategy. This is underpinned by the pioneering Player Safety Early Detection System (PS-EDS). It is for this industry leading approach to safeguarding players that Unibet won the eGaming Review's Innovation of the Year Award for 2014.

SCALABLE MODEL

EFFICIENT CONVERSION OF GROSS WINNINGS REVENUES INTO EARNINGS PER SHARE

A focused effort on building scalability into all aspects of operations has led to major gains in operational efficiency. This is evidenced by an increase of GWR flowing down to earnings per share (EPS) with underlying EPS increasing by 33 per cent in 2014 from 2013.

REVENUE MODEL



The model shows how Gross winnings revenue, adjusted for costs, capital investments, movements in working capital and tax payments, flows 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 Group as retained earnings.

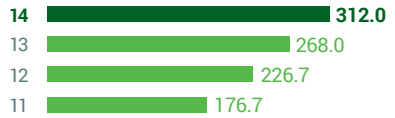
KEY PERFORMANCE INDICATORS

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

Some of the results for 2014 are also presented excluding one-off items to highlight underlying growth.

Financial

Gross winnings revenue
GBP million

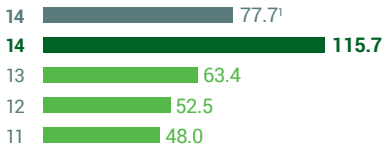


+16%

DEFINITION
Gross winnings revenue on Sports betting is defined as the net gain or loss from bets placed. Within Casino & Games the Group defines GWR as the net gain from bets placed and Poker GWR reflects the net income ("rake") earned from poker games completed. GWR across all products is reported net of the cost of promotional bonuses.

PERFORMANCE
Combination of strong organic growth in core markets in both the Unibet and Maria brands.

EBITDA
GBP million

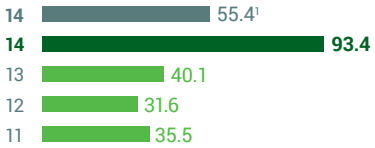


+23%

DEFINITION
Profit from operations before depreciation and amortisation charges.

PERFORMANCE
Strategic focus on core markets and cost control continue to deliver improved performance.

Profit after tax
GBP million

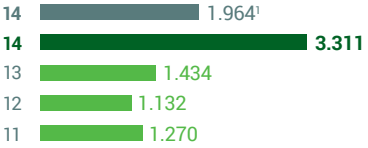


+38%

DEFINITION
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.

PERFORMANCE
A number of specific items affected profit after tax during the year. See Financial review on page 46.

Earnings per share
GBP

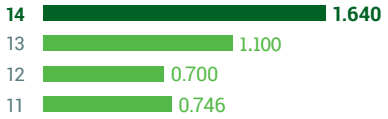


+37%

DEFINITION
Profit after tax divided by the weighted average number of ordinary shares for the period.

PERFORMANCE
The same items that affected profit after tax also had an impact on EPS development in the year.

Dividend and share buy-back/share
GBP



+49%

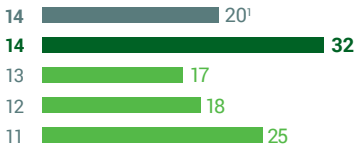
DEFINITION
Amount proposed by the Board or paid out for the respective year together with the amount of shares repurchased by Unibet, divided by the number of ordinary shares in issue.

PERFORMANCE
The Board has reviewed the projected cash requirements for 2015 and has proposed to increase the 2015 dividend above 50 per cent of free cash flow.

1 Excluding one off items for 2014. For more information see Financial review on page 46.

Non-Financial

Operating margin
%



+18%

DEFINITION
Profit from operations as a percentage of Gross winnings revenue.

PERFORMANCE
2014 was affected both by higher betting taxes in regulated markets and increased marketing investments.

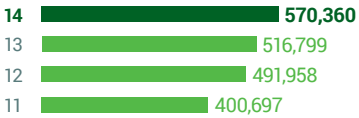
Capital expenditure on intangible assets
GBP million

-27%

DEFINITION
Capital expenditure on intangible assets.

PERFORMANCE
Capital expenditure was lower in 2014 than previous years following the disposal of Kambi. During 2014 capital expenditure was focussed on re-regulation requirements, data analytics, information mining and customer experience improvements.

Active customers last quarter of the year



+10%

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

PERFORMANCE
Strong year-on-year growth has been driven by the football World Cup success and the continued investment in the cross platform offering.

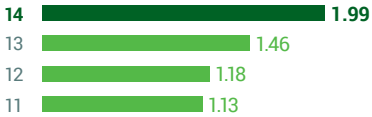
Equity/share
GBP

+0.9%

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

PERFORMANCE
The 2014 performance has strengthened the balance sheet, creating stability from which to grow.

Free cash flow per share
GBP



+36%

DEFINITION
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.

PERFORMANCE
A strong performance during the year has translated to a strong shareholder return via a strong free cash flow generation.

Employees who view Unibet as a good employer %

85%

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

PERFORMANCE
Unibet's high level employee engagement KPIs have evolved in 2014 following a decision to change the method used and instead participate in one of the leading global employee engagement surveys: Great Place to Work (GPTW). Participation in this survey provides an increased opportunity to benchmark the Group against competitors, identify improvements to drive employee engagement and develop the employer brand. For more information see Our People section on page 26.

REGIONAL REVIEW

UNIBET'S MARKETS ›

Unibet segments its operations into four key regions to service its customers across the world and ensure it is well positioned to take advantage of local market conditions and regulatory environments: the Nordic region, Western Europe, the combined Central, Eastern and Southern European countries (CES) and Other which includes Australia.

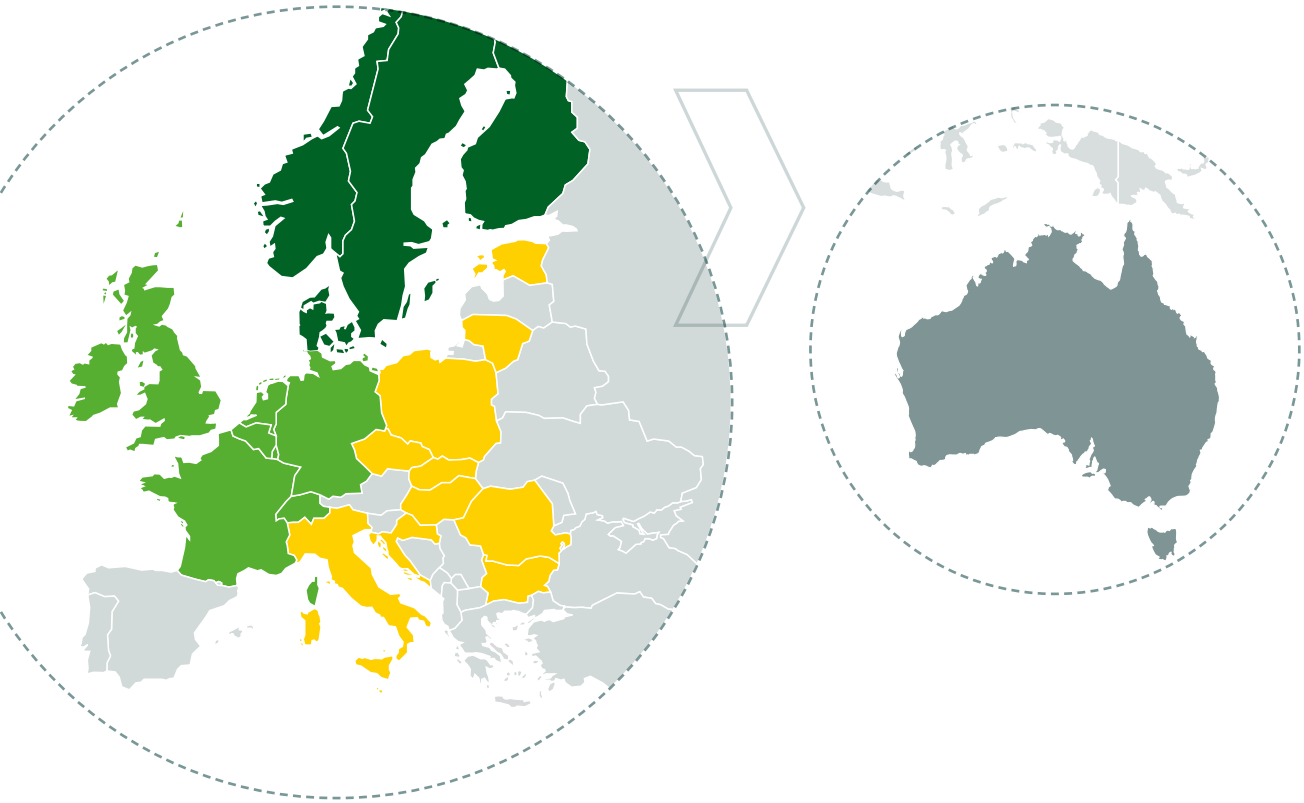
NORDIC

Unibet has grown strongly in the Nordic region during the year with GWR up 15 per cent in local currency taking market share from both competitors and state monopolies. It remains the Group's largest region accounting for 48 per cent of GWR.

GWR has risen in all Nordic countries. High profile sponsorships such as Stockholm Open, Stockholm Marathon and the opening of the Swedish cross country skiing season together with Brian Laudrup as new ambassador in Denmark have helped to reinforce Unibet's reputation as a leading local player. GWR has also grown strongly in Denmark, in its third year as a regulated market, with investment in marketing delivering positive returns, despite a 20 per cent tax rate.

Despite Casino & Games accounting for 54 per cent of GWR in the region, Sportsbook remains the entry product. Football and Tennis remain the biggest sports but are being challenged by ice hockey and trotting.

Although growth rates are forecast to moderate in these mature markets, Unibet's brand strength and competitive products are expected to drive revenues ahead of the market.



WESTERN EUROPE

Newly regulated markets contributed to an exceptional year for this region with growth rates of 45 per cent in GWR driving revenues to GBP 124.6 million, compared with GBP 86.0 million in 2013. Now accounting for 40 per cent of GWR, the UK and Holland in particular, have experienced significant growth in mobile revenues.

Unibet is the market leader in the Belgium market which is now in its second year as a re-regulated market and the recent innovation of in-stadium betting has proved a popular addition, bringing in a new audience who usually bet offline.

As the Netherlands prepares to re-regulate in 2016, Unibet is well-placed to benefit as this immature market opens up.

The UK market has been the fastest growing in percentage terms, albeit from a small base, and marketing investment here is accelerating.

Market share in France has doubled with GWR up by an impressive 70 per cent and margins have improved despite the high gaming tax rates and limited product coverage.

By contrast, Italy remained static and product scope limited but there are signs of improvement.

CENTRAL, EASTERN AND SOUTHERN EUROPE

GWR in this diverse region have increased to GBP 26.8 million (2013: 25.7 million) despite a challenging year addressing changing licensing environments across multiple markets. Activity has been focused on core markets and customers, optimising costs and improving margins.

The focus during the year for Central European states has been to Poland, the Czech Republic, Hungary and the Baltics. Historically Poker has been the lead product in the region but Sportsbetting and Casino & Games have grown strongly, reducing Poker to 5 per cent of GWR, improving the quality of revenues.

In its first full year as a regulated market, Estonia delivered strong growth for both Unibet and Maria brands and the general trend towards regulation over the next two years is expected to generate opportunities which will be addressed on a market by market basis.

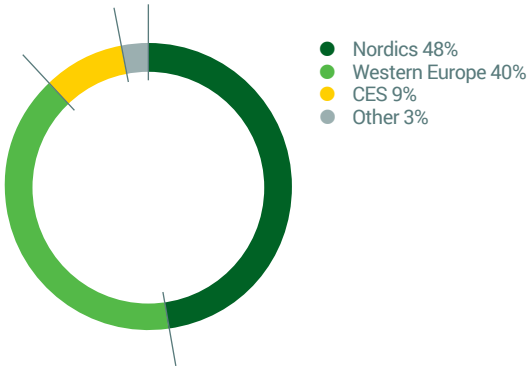
OTHER

Unibet's GWR outside of its core markets is GBP 9.7 million (2013: GBP 11.6 million). Activity has been focused on the Australian business which has gone through a major transformation during 2014, with decommissioning of the old Betchoice platform and the transition of the business to the Unibet global technical platform in June 2014.

Following the implementation of the new platform, the Unibet brand was re-launched into the market during the second part of the year, supported by increased marketing investment compared to the same period last year, and H1 2014. Unibet is planning to continue this ambitious marketing campaign during 2015 and revenues are expected to grow strongly going forward.

Unibet offers sports betting and horse racing products to the Australian market where live betting, casino and poker are still banned.

Gross winnings revenue per region
%



CORPORATE SOCIAL RESPONSIBILITY

Unibet is passionate about doing the right things for its customers, its people and its environment.

At the heart of Corporate Social Responsibility (CSR) is player protection. The Group takes a proactive approach to player safety promoting responsible gaming in a safe, secure and supportive environment. Providing a good experience for players is key to building a sustainable business.

This is aligned in the Group's CSR strategy with creating a great place to work for staff, minimising environmental impact and positively contributing to the local communities where Unibet operates.

The Unibet approach

The Group organises its Corporate Social Responsibility (CSR) activities under the following categories: Fair Play, Playing in our Environment and Playing in our Communities. Progress against all objectives this year has been good with CSR becoming embedded into the Unibet culture. Plans are already in place to raise standards to the next level in the coming year.

Fair Play

Responsible Gaming

Unibet has over 17 years' experience in helping players stay in control of their gambling and since 2012, has been using its proprietary technology (PS-EDS) to spot early signs of problem gambling, backed up by a personalised, holistic approach to address the needs of the individual concerned. A proactive approach to Responsible Gaming is seen as a fundamental pillar in building a long-term positive customer relationship.

This is based on using the latest empirical research to analyse customer behaviour, creating a profile to understand what is happening, and then taking steps to help ensure that problem gambling does not develop into pathological gambling, for example, setting limits to regulate spend. All people in Unibet, from the CEO downwards, undergo mandatory training in Unibet's approach to Responsible Gaming, using a multi-tiered approach dependent on the employees role. This

approach is supported by Gambling Therapy, a global online support service for people who have been adversely affected by gambling. In addition, Unibet provides this expertise to treatment centres in Sweden, Malta and Denmark and offers them funding and support.

An award winning player safety system
A pioneer in digital safety, Unibet's unique Player Safety Early Detection System (PS-EDS) is a proprietary system that monitors player activity 24/7, using constantly updated indicators from the latest scientific research to identify players at risk. In recognition of Unibet's place at the forefront of the online gaming industry, PS-EDS was awarded "Innovation of the Year" by eGaming Review in 2014. It also educates customers about online self-help programmes and other responsible gaming tools, such as deposit limits, self-exclusion and product blocking.

Providing a safe, secure online environment
Unibet has a zero tolerance approach to fraud which starts at registration, with rigorous Know Your Customers processes aimed at preventing those who are underage and vulnerable, from gambling, accompanied by links to central registrars of exclusion. This is followed by close monitoring of transactions to collect evidence of any suspicious behaviour patterns that may lead to account suspension or reporting any abuse of local laws and regulations, such as Anti-Money Laundering rules.

Safeguarding integrity in sports is also key to a secure online gaming environment and Unibet plays a proactive role in the co-operation between the online gaming industry, authorities and sports federations that aim to tackle match-fixing. In 2005, Unibet was a co-founder and member of ESSA, the main industry body for combating match-fixing and an early supporter of the EU Athletics educational work of ProtectIntegrity.com.

Sustainable regulation
Whilst Unibet already complies with relevant EU legislation that impacts on online gambling, it is monitoring emerging EU policy carefully, both within specific markets and also at a pan-European level. Unibet has fully embraced the opportunities in re-regulated markets, such as Belgium and Denmark, contributing advice and expertise to governments and legislators. It works hard to channel customers to the regulated offer and to ensure that it is compliant with all local operating requirements.

The Group is also an active member of the leading trade bodies that help regulate the industry including, the European Gaming and Betting Association (EGBA) and the Remote Gambling Association (RGA).

Playing in our Environment
Unibet is committed to reducing its carbon footprint across the Group's operations and although its emissions are lower than more traditional industries, it recognises the importance of this area to its customers, employees, communities and investors.

Carbon reporting
Unibet has continued to improve the quality of its carbon reporting, increasing the accuracy and rigour of its data collection which resulted in an impressive score of 90D in the Carbon Disclosure Project (CDP), an 18 per cent increase on last year's score and the highest of any online gaming company. The Group has participated in the CDP for three years, driving up its disclosure score each year reflecting both the quality of its response and the continued focus on monitoring its environmental impact.

TO MONITOR
TO CONTROL
TO PROTECT ›

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

The Group engages a third party to calculate its CO_2 emissions in accordance with The Greenhouse Gas Protocol Corporate Standard. The amount of CO_2 generated by the Group during the last two years ended 30 November is shown in the table below. In the year ended 30 November 2014, the Group's CO_2 emissions decreased by 7 per cent and also by 13 per cent after offsetting programmes.

This year's CO_2 emissions partially reflect the impact of the disposal of Kambi which reduced the Group's IT infrastructure and number of data centres and this will set a lower underlying level for 2015.

A clear demonstration of how Unibet's growth is being managed in a green way is the intensity ratio of CO_2 emissions to GWR which is down 20 per cent year-on-year. The other intensity ratios are skewed by the fact they include Kambi emissions prior to disposal but exclude Kambi employee and strategic site numbers as at 30 November.

Green Initiatives
As an international organisation with strategic sites in eight different countries, travel is a key contributor to Unibet's carbon footprint, representing about half of its emissions. To mitigate this, video conferencing is used extensively for internal meetings wherever practical, including for monthly Group-wide updates and new starter induction sessions. In 2014 the Group embarked on its CO_2 off-setting programme where it offset the flight emissions for all employees at a Group strategic conference, where travel was essential. Emissions were offset by buying credits from the European Climate Exchange (ECX), the leading marketplace for trading carbon dioxide (CO_2) emissions in Europe and internationally, with the aim of ensuring the social and environmental impact of the off-setting programme is neutral.

The Group's IT infrastructure also generates about a third of the Group's emissions and initiatives to reduce this are on-going, including replacing end-of-life hardware with more efficient equipment, that uses less energy and generates less heat. As a result data centre power consumption excluding Kambi sites were down an impressive 23 per cent compared with 2013. An initiative to reduce unwanted printing by introducing a log-in feature to printers has had a significant impact, saving almost 2,000 equivalent light bulb hours of energy since their introduction.

Playing in our Communities
Unibet is passionate about doing the right things for its players, its people and other stakeholders in its communities.

A great place to work
Unibet takes great pride in its workforce and works hard to ensure that it provides a fulfilling, enjoyable working environment. As well as offering excellent training and development opportunities, its sporting focus means sporting events – external and internal – are part of everyday work. These include the opportunity to take part in the Unibet Open, participate in key events that the Group sponsors and be part of high profile employee sports teams.

Making a difference
All employees are encouraged to be involved in community initiatives, with the Group matching any funds raised as well as contributing to many local charities and responsible gaming organisations directly. This includes the Homestart organisation in Malta providing social welfare services, a food bank in the UK and food and toiletries to homeless residents in Sweden. As of 1 January 2015, Unibet offers all employees three days paid Community Service leave. This will enable employees to take this time off to give back to their community or help out with their favourite project. This philosophy has also extended to the commercial side of the business, with new customers being offered the opportunity to donate to charity rather than have a free bet, or to donate a percentage of their winnings on the Cheltenham races to charity.

	Year ended 30 November[1]	
	2014	2013
Scope 1 – Operation of site facilities (tonnes CO_2)	**77**	62
Scope 2 – Grid electricity purchased (tonnes CO_2)	**1,485**	1,763
Scope 3 – Indirect emissions including travel (tonnes CO_2)	**2,080**	2,068
Total emissions (tonnes CO_2)	**3,642**	3,893
CO_2 emissions offset from purchase of Carbon credits (tonnes CO_2)	**-260**	–
Total emissions net of offsetting (tonnes CO_2)	**3,382**	3,893
CO_2 ratio (tonnes CO_2 per employee)	**5.58**	4.33
CO_2 ratio (tonnes CO_2 per GWR GBP million)	**11.67**	14.53
CO_2 ratio (tonnes CO_2 per key strategic site)	**152**	139

1 To ensure CO_2 data is collected on a timely and accurate basis the CO_2 reporting year is a month ahead of the financial year.

Summary of progress against objectives

FAIR PLAY

Objectives	Progress
• Continue to use the latest scientific evidence to help in the detection of potential problem gambling behaviour	**Achieved** – See page 12.
• Provide support to national gambling organisations in local environments	**Achieved** – The main focus this year for organisations was to be more locally present and informing what best practice should entail.
• Provide players with the best possible support tools, such as deposit/spending limits and self-exclusion	**In progress** – Advances have been made, and also proposals for more advanced responsible gaming tools for next year. The proposed tools were suggested after reviewing gambling related literature and speaking to local treatment centres.
• Be organised internally to ensure a holistic approach to player safety	**Achieved** – Player Safety including different aspects so to safeguard customers through their customer life with Unibet in order to provide the best customer centric approach.
• Ensure maximum channelling to local licences to enable effective player protection	**In progress** – Ongoing discussion with national policy makers to raise awareness that consumer protection and channelling are the primary policy enablers.
• Promote re-regulation that is fact based and aligned to existing player demand and the global digital economy	**In progress** – Ongoing work to make positive contributions to sustainable policy making and using 16+ years of expertise. – Ongoing work via trade associations to find solutions based upon dialogue.
• Pursue a constructive dialogue with the authorities and be an active partner in the EU Action Plan on online gambling including the July 2014 recommendation on consumer protection, both towards national and EU stakeholders	**Achieved** – Participated in EU and national (including workshops in the Netherlands) expert meetings on consumer protection and responsible gaming. – Ongoing work to make positive contributions to sustainable policy making as a leader in this area. – Ongoing work via trade associations to find solutions based upon dialogue.

PLAYING IN OUR ENVIRONMENT

Objectives	Progress
• Replace each item of IT hardware at the end of its useful life with a more efficient equivalent	**Achieved** – This is a continuous process under the Group's policy. In particular this has been evident in the data centres where energy consumption is down 23 per cent across non Kambi data centres in 2014.
• Be innovative in reducing our footprint	**Achieved** – An initiative to reduce unwanted printing by introducing a log-in feature to printers has had a significant impact, saving almost 2,000 equivalent light bulb hours of energy since their introduction.
• To reduce total CO_2 emissions year-on-year until 2017	**Achieved** – Total net CO_2 emissions were down 13 per cent after off-setting programmes.
• To completely offset CO_2 emissions from flights by 2017	**In progress** – We have embarked on a programme of off-setting and offset 260 tonnes of CO_2 in 2014. This equated to 14 per cent of total flight emissions making one Group-wide event CO_2 neutral. We will continue to seek offsetting opportunities in 2015.
• To achieve excellence in our annual Carbon Disclosure Project (CDP) disclosure score	**Achieved** – We were awarded a disclosure score of 90 in 2014, our highest to date and the highest of any online gambling company.
• To seek and implement ways to improve the quality and regularity of our carbon emission reporting	**In progress** – Linked to our higher CDP score we have implemented new systems and reporting tools to report Group-wide indirect emissions more easily. Further improvements are planned for 2015.

PLAYING IN OUR COMMUNITIES

Objectives	Progress
• To provide opportunities and support for employees to give their time and expertise to community projects	**In progress** – In support of this objective Unibet have introduced a new global policy allowing all employees an additional three days paid leave every year to contribute to community projects.
• To increase the numbers of our employees fundraising with matched funding	**In progress** – Unibet continues to actively support many charities and individual employee fund raising efforts both local and national. Each major location holds their own budget for these activities and is responsible for coordinating local events. In 2014 Unibet have supported employees with marathons, bikeathons, and matched fund their target.
• Target a year-on-year increase in employee satisfaction as measured by Employee Surveys	**In progress** – As referenced elsewhere in the report, Unibet has this year added to its high level employee engagement measures as a result of participation in the global Great Place to Work Survey and is now focussed on delivering year on year improvements across three key KPI's: GPTW Trust Index: 75 per cent, Employees who feel Unibet is Great Place to Work: 85 per cent, Employee Engagement: 79 per cent (the engagement was 84 per cent in 2013 with a different comparative survey).
• Promote a healthy working culture for all of our employees	**In progress** – Unibet had introduced a yearly Wellbeing Allowance, allowing all employees to claim up to GBP 200 for taking up activities relating to an active lifestyle. Unibet has many active sports clubs including football, basketball, squash, cycling and cricket with the cost of these activities subsidised by the Group and high levels of employee participation. Unibet provides fresh fruit daily to all of its offices to support healthy eating and lifestyle and provides Fair Trade beverages. Unibet has changed lighting in offices to replicate sunlight and installed more plants which improve the working environment and decrease stress levels.

OUR PEOPLE

PUTTING OUR PEOPLE FIRST ›

"My jobs in Unibet have always been about helping teams of different expertise with a mind-set of working together towards a common goal. I thrive on new challenges and finding better ways to do things and Unibet has welcomed and supported me in my passion throughout all my career!"

CASE STUDY

Michaela joined Unibet straight from university in 2009 as a Management Trainee in Operations. Moving on into Project Management, she delivered significant projects including the successful application for Unibet's Danish licence and the integration of Bet24, attaining a professional Project Management qualification with Unibet's support.

In 2011 she became Global Marketing Coordinator and undertook a comprehensive management training programme to develop her management skills.

Having gained a thorough knowledge of the business, Michaela took over development of the Business Analysis function in late 2013, where she currently manages a fast growing and successful team of business analysts.

Michaela topped off a great 2014 with a special award at the Women in Gaming conference.

Great Place to Work

Unibet has improved its employee engagement scores year-on-year and been rated as a great place to work. Unibet's high level employee engagement rating has evolved in 2014 following a decision to participate in one of the leading global employee engagement surveys Great Place to Work (GPTW). Participation in this survey provides increased opportunity to benchmark the Group against competitors, better identify improvement actions to drive employee engagement and develop further the employer brand. As a result of this Unibet is now using three high level measures to benchmark itself and drive employee engagement: GPTW Trust Index: score 75%, Employees who feel Unibet is Great Place to Work: score 85%, Employee Engagement: score 79%. Unibet is really pleased with the high level results achieved from participation in the GPTW survey which position us favourably against our competitors in the European Gaming Industry. The Group however will never be satisfied whilst there are opportunities to improve and continues to seek ways to make Unibet more attractive to both existing and new employees.

Human Resources strategy

Unibet's Human Resources (HR) strategy is directly aligned to the Group's strategy for growth and is integral to recruiting and retaining the skills and expertise required. Actions and initiatives are focused on the key stages of the employee lifecycle namely attract, develop and retain.

Attract

Activity during the year has been focused on enhancing the candidate experience through an improved, mobile friendly, careers site (team.unibet.com) that delivers a seamless experience for candidates. Alongside this, significant work has been done to build Unibet's reputation as a more recognisable employee brand through social media channels. 253 employees have been recruited during the year to bring the total number to 652, based primarily in Australia, France, Malta, Sweden, and the UK. They join an international team covering 42 different nationalities, with women representing 33 per cent of employees and 29 per cent of managers.

Develop

Learning & Development supports our people's personal and professional development whilst also aligning to key strategic initiatives. This year, three key themes have been embedded in the learning:

- Understanding customers and putting them first.
- Promoting a multi-channel approach, particularly focusing on mobile.
- Making informed decisions to obtain value for money and ensure conversion to the bottom line.

Training and education for "Customer First" is a good example of this, where the Customer Journey is brought to life ensuring that employees understand their part in that journey and are encouraged to suggest improvements.

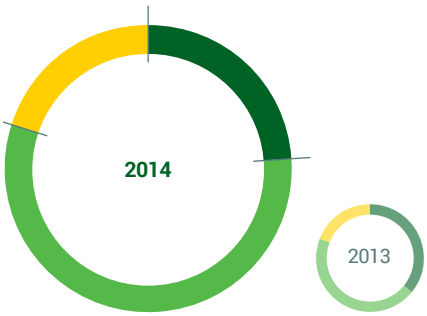
Investment in developing employee's skills and knowledge is vital, and metrics have been put in place to support this. Hours of learning per employee are planned to increase by 10 per cent every year from the current base of 15 hours per employee and overall investment per employee is targeted to double by the end of 2016 reinforcing the very strong commitment the Group has to supporting the learning and development of our employees.

Key to delivering training is the Group's Learning & Development service – Learning 4U – which provides high quality, easy to access training, bespoke for employees specific needs. Training continues at every level including a new structured leadership development programme for managers and support and coaching for executives from Cranfield University Management School. Technical leadership is equally important and ongoing development is provided to ensure technical staff are up to date with the latest developments in technology.

Retain

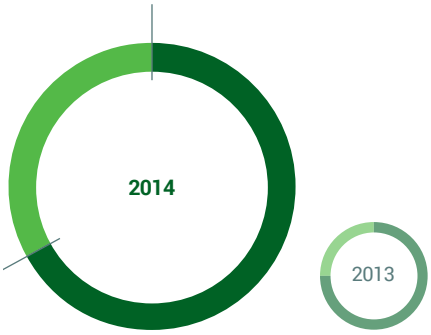
Work has been undertaken during the year to enhance Unibet's employee proposition, with a review of terms and conditions and benefits across all the countries where employees are based. Benefits have been improved everywhere, for example increasing holidays for length of service and offering enhanced parental leave well above the statutory requirements. Whilst attrition rates are in line with industry averages, plans are in place to bring these down. A strong culture of promotion from within is a critical element with over a quarter of vacancies having been filled by an internal candidate with the customer service staff in Malta in particular benefiting from this policy.

Employee age breakdown



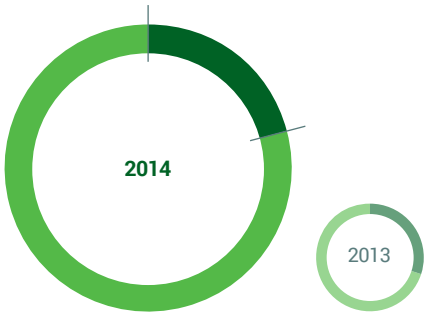
- < 30 years 24% (2013: 36%)
- 30–40 years 56% (2013: 45%)
- > 40 years 20% (2013: 19%)

Gender breakdown



- Male 67% (2013: 75%)
- Female 33% (2013: 25%)

Education



- High school or equivalent 21% (2013: 30%)
- University degree/equivalent or higher 79% (2013: 70%)

Nationalities

- Nationalities 42 (2013: 43)
- Languages spoken 34 (2013: 26)

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RISK MANAGEMENT

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

Risk governance

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

The Risk Management and Internal Audit teams 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 Group specific risks.

The General risks are divided into the following categories:

- Strategic
- Operational
- Financial (see Note 2C pages 60 and 61)
- Compliance

The Group 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 Responsible Gaming section of the CSR report pages 22 to 25, and in the General Legal Environment section on pages 32 to 33.

Risk management process

Risks are identified using the process as described in the diagram below. Identification and assessments are done across the 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 and has the responsibility to implement the mitigation strategy and to monitor the risk.

Sensitivity analysis

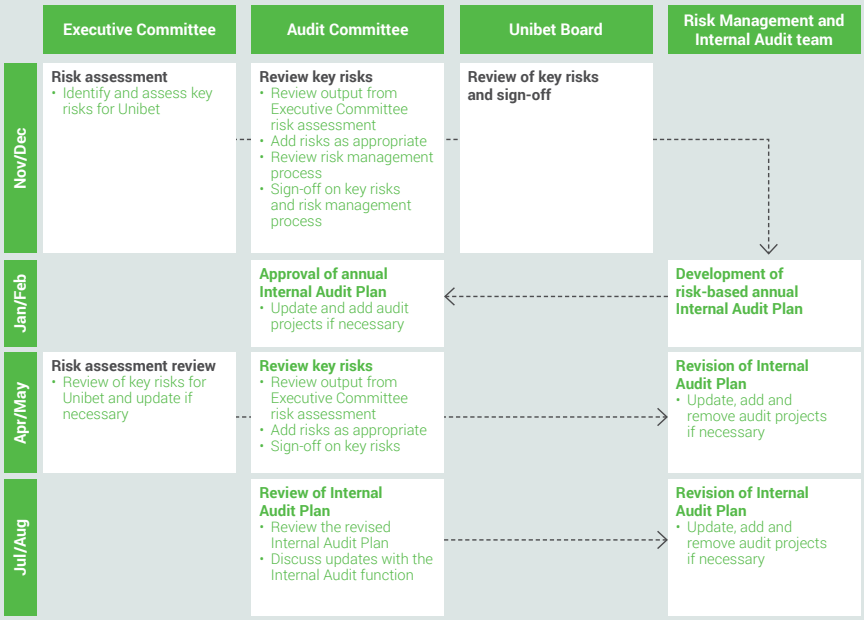
Unibet's performance is affected by a number of factors. The sensitivity analysis below only takes into account direct changes. It is likely that actual changes in a specific factor will also affect other factors and that estimates made by Unibet and other parties on the basis of a change of circumstance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

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	+/- 3.120m
Administrative expenses	+/- 1	+/- 0.869m
Marketing expenses	+/- 1	+/- 0.697m

Risk management and internal audit cycle



Monthly returns and tracking errors

The Group manages the risk of the Sportsbook by using its expert B2B provider Kambi Sports Solutions and maintaining a close working relationship with them. Kambi employs various risk management tools to assess and manage the risks. For example, to dynamically 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 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.

Integrity in sports

Unibet strives to offer a safe and secure gambling environment to all its customers. A key element in this is protecting the integrity in sports and sports betting, ensuring that all customers are provided with a fair betting product.

As safeguarding the integrity in sports is in everyone's interest, Unibet acts side by side with other stakeholders such as governments and sports federations in eradicating any attempt to pollute the sport with criminal activity.

Being an internet-only company, Unibet can trace back every transaction that took place on its platform. For instance, betting patterns can be monitored on the level of all unique transactions. Among other things, the ability to make such a detailed audit trail makes Unibet an important contributor in the battle against match-fixing.

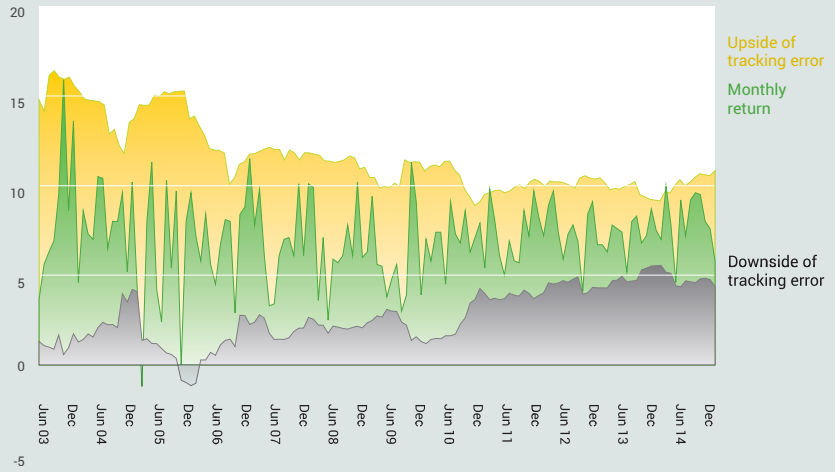
In 2005 Unibet co-founded the ESSA – Sports Betting Integrity, to proactively fight all types of fraud in sports betting by aggregating intelligence deriving from the EU-licensed betting operators. Contrary to other alert systems, ESSA's Early Warning System is the only warning system that is based upon transactional data and Know Your Customer-information, which are key pieces of information to detect and assess suspicious betting behaviour. For this reason, ESSA members are key contributors to the overall fight against match-fixing and corruption in sports.

ESSA works closely with many of the world's leading sport federations, such as the International Olympic Committee (IOC) and FIFA. Moreover, ESSA has signed Memorandums of Understanding with European gaming regulators, to make sure relevant intelligence is shared with the respective authorities as soon as possible.

In 2014, millions of betting transactions were registered within the ESSA security network. Of those transactions, 168 events proved to be suspicious and were passed on to these authorities.

Together with the European Gaming and Betting Association (EGBA) and the Remote Gambling Association (RGA), ESSA is also in close cooperation with European Union (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 have been set up. Both initiatives help professional athletes and sports people understand and comply with the sports rules against match-fixing.

Monthly returns and tracking errors



RISK MANAGEMENT CONTINUED

Strategic risks		Mitigation
Non-sustainable re-regulation of core markets If core markets establish a non-sustainable 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 it was previously, as a result of the significant investments made to the operating platform.	Unibet has ongoing dialogue with regulators and policymakers in the core markets, providing input regarding new or updated re-regulations to help create a sustainable regulation that is aligned to customer demand and the cross-border digital market reality. The Group's compliance with existing re-regulation is embedded in the wider organisation and tested regularly by external agencies.
Supplier related risks Lack of control over availability of external suppliers gives rise to risk of either business disruption or sub-optimisation. As the industry evolves there is a risk 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.	The risk is mitigated by reducing dependency on single suppliers where commercially viable and working with multiple third-party suppliers. This allows Unibet to mitigate the risks of suppliers failing to operate effectively.
Technology 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 and change the behaviour of the digital 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.	The risk is mitigated by a number of activities: • Investments in new markets to help diversify the exposure to any single market. • Mobile investment to ensure that Unibet maintains and enhances its market position. • Focus on Innovation projects to explore new revenue streams, or new ways to generate additional revenues or cost savings from the existing business.

Operational risks		Mitigation
Platform stability Failures in Unibet's platform, 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 undermine user experience and could motivate customers to look for other sites.	The 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. Following any downtime, a detailed root cause analysis is performed to ensure that the underlying reason for the downtime is understood and rectified.
Failure in recruiting or keeping key staff	Failure to recruit or retain existing key staff will lead to difficulties reaching the Group objectives.	The risk is mitigated by identifying key staff and ensuring that Unibet is an attractive employer to encourage key staff to stay with the Group. Succession planning is also performed for all key staff and functions.

Operational risks (continued)		**Mitigation**
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.	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 resolved. In line with requirements Unibet is compliant with and audited against PCI standards.

Financial risks	**Mitigation**
Goodwill impairment Unibet has over GBP 160 million of goodwill and acquired intangibles on the balance sheet. This is reviewed annually for impairment.	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).

Compliance risks		**Mitigation**
Tax Unibet operates a complex business in multiple jurisdictions and is subject to a variety of national tax laws and compliance procedures, together with varying approaches taken by different taxing authorities towards transfer pricing for cross border businesses.	Changes to regulatory, legislative and fiscal regimes for betting and gaming in key markets could have an adverse effect on Unibet's results and additional costs may be incurred in order to comply with any new laws or regulations.	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 judgement concerning its understanding of, and compliance with, those laws assisted by professional advice.

Group specific risks	**Mitigation**	
Odds/Trade 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, via its Sportsbook supplier Kambi, 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.
Foreign exchange 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 krona, Norwegian krone, Danish krone and Australian dollar.	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 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 its revolving loan facility in November 2013, for a maximum level of EUR 50 million. The Group's borrowings as at 31 December 2014 are nil, however if the Group draws down on the facility a currency translation exposure related to this financial liability will exist. 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.

GENERAL LEGAL ENVIRONMENT

Unibet Group's core business of remote sports betting and gambling is subject to a number of legal restrictions and regulations in the markets where Unibet has an interest and focus.

The vast majority of revenues derive from markets located within the European Union (EU). Unibet is established within the EU and is licensed in a number of Member States, including Malta, Italy, France, Denmark, Belgium, United Kingdom and Estonia. Unibet also holds a licence in Alderney and a licence from the Northern Territory Racing Commission to operate its Australian business.

The trend of re-regulation of the gaming and betting legislation by individual EU Member States continues. This trend allows Unibet to operate a local "dot country" offer in accordance with national law. With the establishment of a new European Commission in November 2014, one of the five core focus points is on the creation of a true Connected Digital Single Market. In the Commission's Work Programme, the focus on both the digital and internal market in 2015, including mutual recognition and standardisation, is indirectly linked to the online gambling industry. This could potentially impact the fragmentation of the European gambling market in a positive manner and be an important step towards a sustainable regulatory framework based upon digital market reality and consumer choice.

In light of the Commission's 2012 Action Plan on Online Gambling, the Commission published its recommendation for the common protection of consumers of online gambling services in the EU in July 2014. The Commission also moved forward with the pending infringement cases against a number of Member States. In October 2014 Sweden was the first Member State ever to be brought before the Court of Justice of the EU (CJEU) for its persistent failure to comply with EU Law. Furthermore and in cases referred by national courts, the CJEU emphasised once more the need for EU compliant national legislation and that gaming policy must be consistent.

As part of the Action Plan, attention was also given to the protection of sports integrity and the financing of sports. In May 2014, the European Commission published a study finding that there is no legal basis nor rationale for an EU-wide sports betting right and that it is not an effective mechanism for financial distribution to sport or as an integrity instrument against match-fixing. In parallel the Council of Europe (COE) published its Convention on match-fixing in September 2014. On a national level, the debate on sports betting rights continues.

The work on the 4th Anti-Money Laundering directive continued in 2014, establishing harmonised anti-money laundering rules throughout the EU and across the entire industry. The directive is expected to be formally approved mid-2015, with the Member States having 18 months to implement it.

The trend of market re-regulation and new laws being adopted has also generated increased regulatory scrutiny and compliance requirements. While Unibet welcomes a high-end regulatory framework and is committed to ongoing compliance, this increased burden also requires adequate risk management and internal governance processes.

Sweden

Parliamentary elections were held in September 2014 creating a coalition government headed by the Social Democrats and the Greens. While the government seems to be in favour of re-regulation, Sweden was referred to the CJEU. Unibet estimates it unlikely that material legislative changes become operational before the end of 2016. Unibet is following the policy developments closely via its local trade association Branschföreningen för OnlineSpel (BOS), using the experience gained in other countries to make a positive contribution to the national debate. Unibet was also the first ever operator to organise a 4-day event during the political week in Almedalen with a strong focus on sustainable policy, consumer and society welfare.

Denmark

In September 2014, the General Court of the EU ruled in the case regarding the differentiated Danish tax regime for online gambling, dismissing the case on the grounds of admissibility. The case has been appealed by the land-based applicants and the CJEU will now have to rule on the matter.

Norway

The Norwegian gambling policy, in particular the lottery system, is subject to an infringement procedure before the EFTA's surveillance authority (ESA) for violation of the EEA Agreement and the free movement of services. While the Norwegian government has introduced plans to allow more commercial lotteries and there is some minority support for re-regulation, Norsk Tipping's monopoly is simultaneously strengthened and increased enforcement of market restrictions could be observed.

The marketing practices of online gambling providers have been scrutinised in a recent report (Hamar report) to the Minister of Culture which also recommends the possibility of restricting the activities of media service providers. In early January 2015, a consultancy report on the hypothetical economic impact from possible re-regulation, commissioned by the government, was published.

The Netherlands

Unibet supports the commitment of the Dutch government to re-regulate and supports the Dutch gaming policy objectives to protect consumers and fight crime. 2015 will be a critical year for the re-regulation of the Dutch gambling market. As the Parliamentary debate still has to begin, it is uncertain and too soon to make any material statements as to the future of the Dutch Gaming policy. Unibet maintains an open and constructive dialogue with the government, the regulator and other society stakeholders. In December 2013, Unibet settled its legacy litigation with the Dutch sports betting monopoly.

United Kingdom

Following the enforcement of the remote gambling legislation, Unibet has been granted a continuation licence by the UK Gambling Commission operational as of 1 November 2014. The point of consumption taxation was introduced on 1 December 2014.

SHARES AND SHARE CAPITAL

Shareholding information

Unibet Group plc's issued share capital as at 31 December 2014 comprised 28,537,950 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 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 Stockholm.

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

Share price performance

Unibet's SDRs ended the year at SEK 492.50 having started the year at SEK 308.50. The highest price was SEK 495 and the lowest price during the year was SEK 302.50. As at 31 December 2014, Unibet Group plc had a market capitalisation of approximately SEK 14 billion (GBP 1.1 billion).

Trading volumes

In 2014, there were 124,370 trades in Unibet SDRs, representing a total value of SEK 144.3 billion.

Dividend policy

For details of the Dividend policy please refer to the Directors' Report on page 42.

Dividend for 2014

The Board of Directors has recommended a dividend of GBP 1.640 (2013: 1.100) per share/SDR, which is approximately SEK 20.90 (2013: 12.30 paid out 28 May 2014) with the exchange rate 12.66 GBP/SEK at 10 February 2015, to be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting (AGM) the dividend will be paid on 20 May 2015 and amounts to a total of GBP 46.7 (2013: 30.8) million, which is approximately 75 per cent of the Group's free cash flow for 2014. The Board has reviewed the projected cash requirements for 2015 and is proposing to increase the dividend for this year 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 following the share buy-back programme (2013: nil).

Share buy-back programme

At the AGMs from 2007 to 2014 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 can be acquired under the 2014 approval was 2,828,585 in line with the conditions laid out for the share buyback programme that it must not exceed 10 per cent of the total number of shares issued by the Company at the time of approval. Under these approvals, 297,900 shares/SDRs were acquired by the Company during 2007 and 387,717 were acquired during 2011. There was no share buy-back programme during 2014. In 2014, 161,468 of the shares/SDRs held by the Company were sold in connection with the Company's share option programmes (2013: 96,635). The number of outstanding shares at 31 December 2014 was 28,537,950 of which 85,364 are held by the Company, representing 0.3 per cent of the total number of shares.

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

Share ownership data

On 27 February 2015, Unibet Group had 6,687 holders of SDRs.

On 27 February 2015 the Group's 14 largest owners represented 60.0 per cent of the capital and votes, as shown on the next page.

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.

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
Exercise of share options	2013	12.72	6,856	28,283,122	0.005	34.28	141,415.61
Exercise of share options	2014	13.01	2,729	28,285,851	0.005	13.65	141,429.26
Exercise of share options	2014	13.81	15,814	28,301,665	0.005	79.07	141,508.33
Exercise of share options	2014	12.70	8,186	28,309,851	0.005	40.93	141,549.26
Exercise of share options	2014	14.86	228,099	28,537,950	0.005	1,140.50	142,689.76

Analysis of shareholdings at 27 February 2015

Source: Euroclear Sweden.

Shareholder	Number of shares/SDRs	Share of share capital/ votes %	Accumulated %
Swedbank Robur Fonder	2,511,815	8.8	8.8
Catella Fondförvaltning	1,965,728	6.9	15.7
Anders Ström through company	1,920,000	6.7	22.4
Lannebo Fonder	1,750,000	6.1	28.5
SEB Fonder	1,652,867	5.8	34.3
Andra AP-fonden	1,376,280	4.8	39.2
Handelsbanken Fonder	1,267,049	4.4	43.6
Skandia Liv	1,230,697	4.3	47.9
Columbia Acorn	1,025,289	3.6	51.5
Länsförsäkringar fondförvaltning	781,115	2.7	54.2
DnB & Skandia Fonder	670,414	2.3	56.6
Fjärde AP-fonden	403,829	1.4	58.0
Nordea Fonder	333,802	1.2	59.2
Peter Lindell through company	230,000	0.8	60.0
Unibet Group plc[1]	85,364	0.3	60.3
Others	11,333,701	39.7	100.0
Total	28,537,950	100.0	

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

Ownership distribution at 27 February 2015

Source: Euroclear Sweden.

Holding	Number of shareholders	Number of shares/ SDRs	Share capital/ votes %
1–500	5,820	568,484	2
501–1,000	325	264,632	1
1,001–10,000	332	1,120,970	4
10,001–250,000	188	11,732,928	41
250,001–	22	14,850,936	52
Total	6,687	28,537,950	100

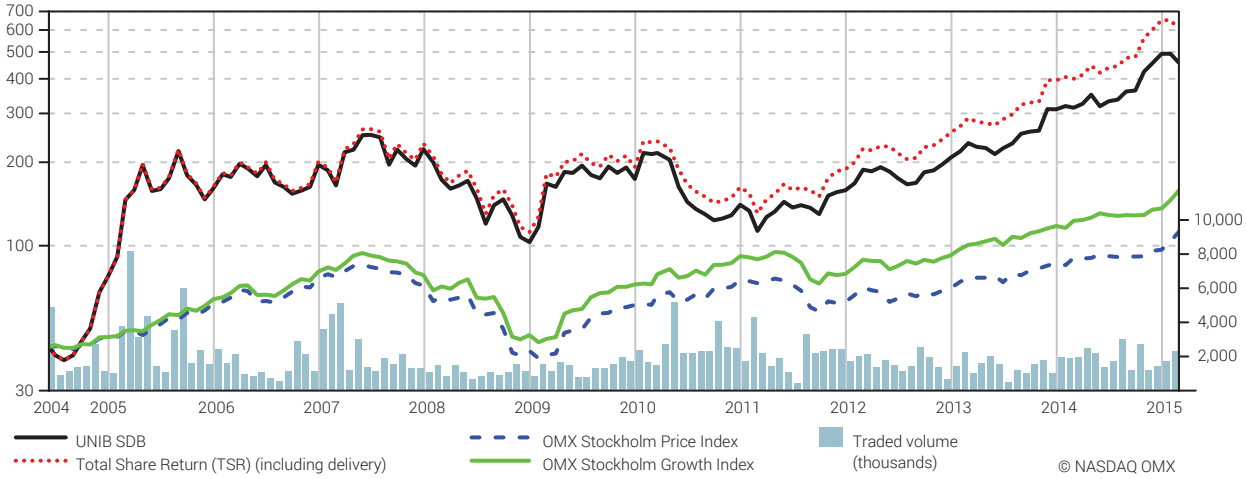
Ownership structure at 27 February 2015

Source: Euroclear Sweden.

Organisation type/name	Percentage %
Swedish financial institutions	44
Other Swedish financial entities	8
Other Swedish legal entities	2
Non-Swedish owners	42
Swedish naturalised persons	4
Total	100

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.



Eight-year summary	2014	2013	2012	2011	2010	2009	2008	2007
Equity per share GBP	**7.110**	7.046	6.329	6.301	5.018	4.343	3.565	3.384
Equity per share after full dilution GBP	**6.988**	6.904	6.282	5.625	5.016	4.333	3.565	3.376
EBITDA per share GBP	**4.102**	2.267	1.882	1.718	1.561	1.498	1.657	0.922
Earnings per share GBP	**3.311**	1.434	1.132	1.270	1.154	0.957	0.314	0.665
Earnings per share after full dilution GBP	**3.243**	1.415	1.128	1.270	1.153	0.956	0.312	0.659
Net cash per share GBP	**1.297**	0.783	0.578	0.506	0.400	0.406	0.994	1.047
Cash flow per share GBP	**0.60**	0.18	0.32	0.17	0.03	-0.43	-0.41	0.59
Dividend per share SEK	**20.90**[1]	11.70	7.11	6.09	4.48	7.68	2.75	6.00
Return on average equity %	**49**	24	21	26	26	29.3	37.2	10.9
Equity:assets ratio %	**70**	68	64	68	65	58	45	45.1
Number of shares at year end	**28,537,950**	28,283,122	28,276,266	28,258,038	28,258,038	28,258,038	28,241,092	28,241,092
Fully diluted number of shares at year end	**29,031,863**	28,865,510	28,488,442	28,292,637	28,268,771	28,322,407	28,241,092	28,308,080
Average number of shares	**28,208,537**	27,959,892	27,897,651	27,920,660	28,062,245	27,955,464	27,946,192	28,096,472
Average number of fully diluted shares	**28,802,760**	28,330,762	28,013,581	27,920,660	28,088,435	27,989,238	28,091,206	28,355,999

1 Proposed.

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BOARD OF DIRECTORS

Unibet's Board is comprised of Swedish, Danish, UK and American citizens.

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.

Unibet Group plc is incorporated and registered in Malta but listed on Nasdaq 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. Unibet's Board of Directors is composed entirely of Non-executive Directors, of which the majority are independent.

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

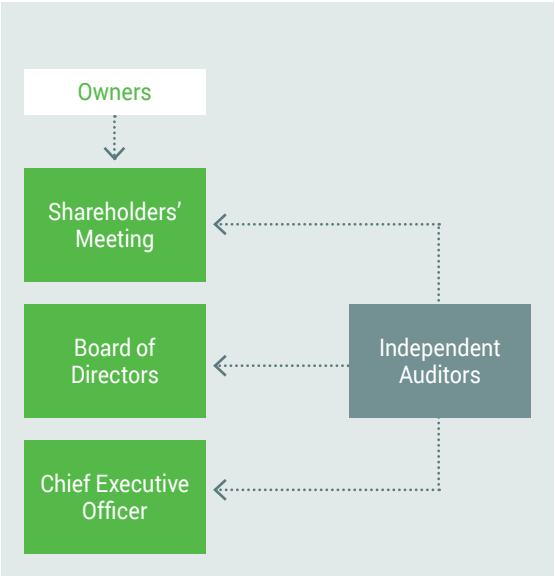
The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the Board.

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

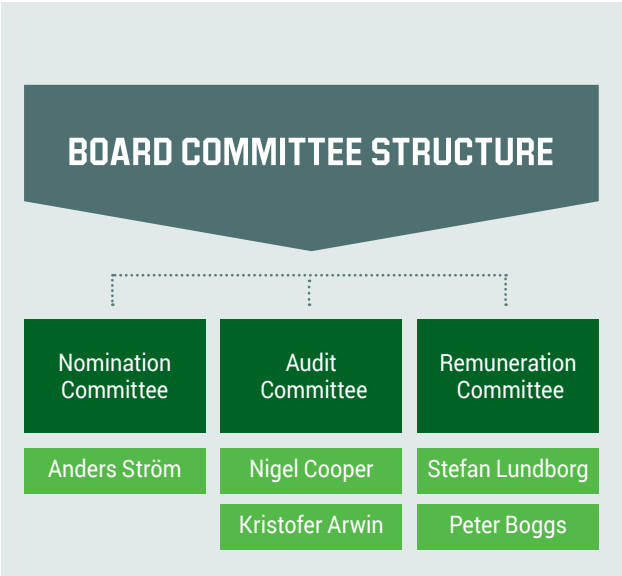
The Chief Executive Officer and Executive Committee co-ordinate Unibet's operations through two principal bodies, the Enterprise Priority Council (EPC) and the Strategy Review Group. The EPC usually meets monthly and brings together stakeholders from across the Group's operations and offices to ensure alignment of priorities and allocation of resources on operational projects in line with the strategy set by the Board. The EPC consists of 11 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



The below-mentioned holdings include personal holdings, family holdings and holdings through companies in which they have an interest, and are as at 27 February 2015.

Anders Ström
Chairman of the Board, member of the Nomination Committee
Swedish citizen. Born 1970. Board member since incorporation. After studying Mathematics, Statistics and Economics at Karlstad University he founded sports information company Trav- och Sport-tjänsten in 1993. Founder of Unibet Group plc in 1997. He has held various positions in Unibet, as Managing Director, CEO, Business Development Director, Chairman and Director. Partner and member of Advisory Board in Hattrick 2008–2012 with focus on Business Development of www.hattrick.org and www.popmundo.com. Co-founder of Kambi Sports Solutions in 2010. Chairman of the Advisory Board in Kambi until May 2014 and then board member of Kambi since the listing. Other board assignment: Anders Ström Investeringsaktiebolag.

Holding: 1,920,000 Unibet SDRs (through company)

Kristofer Arwin
Board member, member of the Audit Committee
Swedish citizen. Born 1970. Board member since 2008. Independent. BSc. in Business Administration and Economics from Stockholm University. Mr Arwin is co-founder of TestFreaks, an online reviews solutions business, where he served as CEO between 2006–2013. Today Mr Arwin is Chairman of TestFreaks. Mr Arwin is also the founder of price comparison business, Pricerunner, where Mr Arwin served as CEO between 1999–2005. In 2004 he sold Pricerunner to NASDAQ listed company ValueClick. Mr Arwin is a board member of listed company Addnode Group and Alertsec AB.

Holding: 705 Unibet SDRs

Sophia Bendz
Board member
Swedish citizen. Born 1980. Board member since 2014. Independent. Venture Partner at BetaAngels. Board member at Norstedts and eTraveli. Global Marketing Director at Spotify 2007–2014.

Holding: 375 Unibet SDRs

Peter Boggs
Board member, member of the Remuneration Committee
US citizen. Born 1948. Board member since 2002. Independent. BA 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

Nigel Cooper
Deputy Chairman of the Board, Chairman of the Audit Committee
British citizen. Born 1949. Board member since 2010. Independent. Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Cooper was 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 flotation 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. He 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 the companies Nigel left both companies during 2012.

Holding: 4,000 Unibet SDRs

Peter Friis
Board member
Danish citizen. Born 1972. Independent. BA in Communications from Roskilde University. Nordic Director for Google. Board member since 2014.

Holding: 250 Unibet SDRs

Stefan Lundborg
Board member, Chairman of the Remuneration Committee
Swedish citizen. Born 1965. Board member since 2010. Independent. Stefan Lundborg started his first company at the age of 24. He has a background from entrepreneurial companies, private banking, business development and has been CEO of Stockholms Travsällskap. Head of Entrepreneurship Services, Private Banking. Venture Capital, Merger and Acquisition of SME's. Responsibility for negotiations and operations, coordination and customer relations. Member of top management team with the responsibility for operational planning, business and product development. Consultant with main focus on reconstructions and re-organisations within several industries. Leadership skills with more than 20 years in managerial positions. Broad experience of board work in SME's. Investor in Prima Barn & Vuxen Psykiatri AB. Investor and Chairman of the board Note Design studio. Chairman of the board Monomak AB.

Holding: 11,500 Unibet SDRs

Henrik Tjärnström
CEO
Swedish citizen. Born 1970. MSc 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: 165,394 SDRs and 9,946 Performance Share Rights

CORPORATE GOVERNANCE STATEMENT

Unibet Group plc is the Parent Company of the Unibet Group, incorporated and registered in Malta and listed on Nasdaq 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 Stockholm, as far as practical, to apply the principles of the Swedish Code.

The following statement on pages 38 to 41 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 is in turn elected at the Annual General Meeting (AGM).

The following Directors elected at the AGM on 20 May 2014 served during the year and subsequently, unless otherwise stated:

Anders Ström
Chairman

Nigel Cooper
Non-executive Deputy Chairman

Kristofer Arwin
Non-executive

Sophia Bendz
Non-executive

Peter Boggs
Non-executive

Peter Friis
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 45.

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 page 36 the Board comprises the Chairman and six 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, Sophia Bendz, Peter Boggs, Nigel Cooper, Peter Friis and Stefan Lundborg to be independent Non-executive Directors. Anders Ström is Chairman of the Board and also fulfilled extra responsibilities as Chairman of the Kambi Advisory Committee until May 2014.

Brief resumés of the Board and Chief Executive Officer can be found on page 37.

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 40.

The Board is responsible to the shareholders for the Group's overall strategy and direction.

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 Board and its Committees usually meet every second month throughout the year. 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.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held	5	4	8	5
Name				
Kristofer Arwin	5	4	–	–
Sophia Bendz[2]	3	–	–	–
Peter Boggs	5	–	–	5
Nigel Cooper, Deputy Chairman	4	4	–	–
Peter Friis[2]	2	–	–	–
Peter Lindell[1]	–	–	–	–
Stefan Lundborg	5	–	–	5
Anders Ström, Chairman	5	–	8	–

1 Peter Lindell resigned at the 2014 AGM.
2 Sophia Bendz and Peter Friis were appointed at the 2014 AGM.

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.

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 regularly and usually 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.

The Board monitors potential conflicts of interest very closely and has implemented controls and policies to avoid conflicts involving any of the Group's Directors. These controls ensure that any Director with a potential conflict of interest does not participate or vote in key decisions impacting the Group.

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 45. None of the Directors hold share options issued by the Company. Unibet has taken out Directors and Officers' Liability insurance for the full year 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, 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 judgement 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 all 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 and the Group Risk Officer. 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.

The Internal Audit function is managed by the Group Risk Officer and currently reports 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, and the Group Risk Officer, 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 65. The provision of non-audit services, except tax compliance and routine taxation advice, must be referred to the Committee where it is likely to exceed a pre-determined threshold of GBP 50,000. Any work that falls below that threshold must be pre-approved by the CFO. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

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

The Board remains satisfied that the Group's systems of internal control and risk management, together with the work of the CFO, the General Counsel and the Risk Officer, is effective in monitoring, controlling and reporting the Group's risks.

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 eight times for the 2014 AGM. At the AGM on 20 May 2014, it was decided that the Nomination Committee for the AGM 2015 shall consist of not less than four and not more than five members, of which one should be the Chairman of the Board.

The Nomination Committee for the 2015 AGM consists of Evert Carlsson, Swedbank Robur Fonder (Chairman), Anders Ström, Johan Strandberg, SEB Fonder and Johan Ståhl, Lannebo Fonder.

Remuneration Committee report

A report on Directors' remuneration and the activities of the Remuneration Committee is set out on pages 44 to 45.

Communication with investors

In the interests of developing a mutual understanding of objectives, the Investor Relations Officer 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 2014

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 Committee 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 Committee 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 review of the financial reports published quarterly and reports from the internal audit function, is contained in the Audit Committee report on page 40.

On behalf of the Board

Malta, 13 March 2015

Anders Ström
Chairman and Director

Nigel Cooper
Director

Statement of Compliance with the Swedish Code of Corporate Governance

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.

› GOVERNANCE
FINANCIAL STATEMENTS

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 2014.

Principal activities

Unibet is an online gaming business, with over 9.7 million registered customers worldwide as at 31 December 2014, and is one of the largest independent publicly-quoted online gaming operators in the European market.

Unibet is one of Europe's leading companies in Moneytainment, operating in 21 different languages in more than 100 countries. Unibet offers pre-game sports betting, live betting, Poker, Casino & 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 and unibet.ee 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.

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

Through the Maria brand, Unibet offers Bingo, lotteries, Poker, Casino & Games on maria.com and mariacasino.ee and Casino and Poker on mariacasino.dk. Maria.com is the female focused brand in the Unibet family. In addition to the site Maria.com this business segment also drives Bingo.se and Bingo.com. While Bingo, Casino & Games drive acquisition numbers and new customers, Casino & Games are the main source of revenue, representing more than 80 per cent of Maria gross winning revenues.

The internet, accessed via mobile, tablet or desktop, is the main distribution channel for Unibet's products, and bets can be placed via Unibet's dot.com and dot.country websites, mobile apps and other wireless devices.

On average, the Unibet Group handles over 10.6 million transactions every day (including Sportsbets, Casino & Games) and has around 30,000 betting opportunities 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 50 and shows the result for the year. The profit after tax was GBP 93.4 (2013: GBP 40.1) million.

The Unibet Board of Director's 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 (defined as cash flow from operations, adjusted for movements in working capital, capital investments and tax payments).

In addition to the dividend described above, which would normally 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 2014

The Board of Directors proposes a dividend of GBP 1.640 (2013: 1.100) per share/SDR, which is approximately SEK 20.90 (2013: 12.30 paid out 28 May 2014) with the exchange rate 12.66 GBP/SEK at 10 February 2015, to be paid to holders of ordinary shares and SDRs. If approved at the Annual General Meeting (AGM), the dividend will be paid on 20 May 2015 and amounts to a total of GBP 46.7 (2013: GBP 30.8) million, which is approximately 75 per cent of the Group's free cash flow for 2014. The Board has reviewed the projected cash requirements for 2015 and is proposing to increase the dividend this year above the 50 per cent of free cash flow policy. This is in line with the dividend policy to distribute surplus cash.

No dividend is paid on the shares/SDRs held by the Company following the share buy-back programme.

Business review

A detailed Financial Review is set out on pages 46 to 49.

Details of Key Performance Indicators are set out on pages 18 and 19.

For further information on risk management, refer to pages 28 to 31. and Notes 2C and 2D on pages 60 to 61.

Significant events during 2014

On 3 February 2014, Unibet was awarded the prestigious title "Online Sportsbook Operator of the Year 2014" at the International Gaming Awards in London.

On 20 May 2014, the AGM decided to distribute all shares in Kambi Group plc to Unibet shareholders. Trading in Kambi on NASDAQ OMX First North started on 2 June 2014.

On 17 June 2014 Unibet was awarded three awards at the eGaming Review's Operator Innovation and Marketing

awards ceremony. Innovation of the year for the in-house developed Player Safety Early Detection System, Innovation in Poker for the new Poker platform and Poker Marketing Campaign for the Poker relaunch campaign.

On 15 October 2014, the Carbon Disclosure Project (CDP) released their 2014 Climate Change Report which scored the largest 260 companies listed on the Nordic exchanges on their disclosures of greenhouse gas emissions, energy use and the risks and opportunities presented by climate change. Unibet Group plc was awarded a disclosure and performance rating of 90 D. This disclosure score puts Unibet among the leading Nordic companies considering and reacting to the impact of climate change. This is a significant achievement in only the Group's third year of participation and reflects its continued commitment to corporate social responsibility.

On 31 December 2014 Unibet disposed of its investment in shares in Bingo.com Ltd and acquired the domain Bingo.com.

Significant events after the year end

On 23 January 2015, Unibet acquired the remaining part of the real money social gaming operator Bonza. The Bonza business will be integrated with Unibet's business.

On 2 February 2015, Unibet was awarded the two prestigious titles "Online Sportsbook Operator of the Year" and "In-Play Sports Operator of the Year" at the International Gaming Awards, IGA, in London.

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 20 May 2014 served during the year and subsequently, unless otherwise stated:

Anders Ström	Chairman
Kristofer Arwin	Non-executive
Sophia Bendz	Non-executive
Peter Boggs	Non-executive
Nigel Cooper	Non-executive
Peter Friis	Non-executive
Stefan Lundborg	Non-executive

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

The interests of the Directors are shown on page 45.

Research and development

The Group capitalises certain expenditure when it relates to the development of the core IT platform of the business. During the year the Group capitalised GBP 10.4 (2013: GBP 13.8) million of development expenditure, and expensed GBP 14.0 (2013: GBP 15.1) 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, 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.

A review of the Group's environmental and community activities is included in the Corporate Social Responsibility section on pages 22 to 25.

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 controls 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 2014 are included in the Annual report and accounts 2014, which is published in hard-copy printed form and is made available on the Group'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 Group'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 should take 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 to re-appoint them will be proposed at the AGM.

On behalf of the Board

Malta, 13 March 2015

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 five meetings during 2014 all of which were chaired by Stefan Lundborg and also attended by Peter Boggs. The Head of HR acted as secretary to the committee and the CEO, CFO and Head of HR were co-opted on an ad hoc basis to provide advice and support on remuneration related issues. Where required on specific projects, the Committee was also supported by external advisers.

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 January.

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 pay-out 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 other 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 2014. Participation in long-term incentive schemes is based on position in the Company, performance and country of residence.

Equity awards are made through the Performance Share Plan which was introduced in 2013. They are granted under the terms of the Unibet Performance Share Plan, and are linked to the performance of the Group to further align senior management's interests with those of the shareholders. The 267,241 share options and the 61,315 PSP shares outstanding at 31 December 2014 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.

Developments in 2014

In connection with the disposal of Kambi, the Board noted that employees holding outstanding share options and performance shares at 31 May 2014 would not be entitled to receive Kambi shares after that date. Accordingly the Board approved a one-off compensation for outstanding share options at 31 May 2014 at a rate of GBP 2 per share, consistent with the valuation performed by KPMG.

The 2nd grant under the Unibet Performance Share Plan (PSP) approved at the AGM in 2013 was made in September 2014. The PSP performance measures are non-market based providing participants with a high degree of alignment to company performance. PSP awards will depend on Unibet achieving financial performance targets over three financial years establishing a clearer link between how Unibet performs and the value that the PSP can deliver. These targets are Gross Contribution (Gross Winnings Revenue Less Cost of Sales less Marketing Costs), Free Cash Flow per Share and EBITDA and will be measured on an aggregate basis between the full year 2014 and the full year 2016 so that performance in each financial year will be important. Aggregated performance against the targets and the resulting allocation of PSP awards will be disclosed after the full year 2016.

A Group Personal Pension Plan for UK employees was established in January 2014 and 82 per cent of eligible employees are currently enrolled in the plan. The pension provider is Sterling ISA Managers Limited which is part of The Zurich Insurance Group.

A global review of the compensation and benefit landscape across all countries the Group operates in was undertaken in 2014. This has resulted in improvements being made to the core terms and conditions covering a wide range of benefits from holiday entitlement through to parental leave and also improvements in the communication of benefits.

Unibet restructured the CEO's total remuneration package, putting in place a fixed maximum amount per year for the years 2014, 2015 and 2016. The restructuring includes a one-off payment of GBP 698,500 incorporating certain retention conditions linked to the CEO's agreement to purchase SDRs/shares in the Company. In accordance with the rules of the Company's share option scheme, the Board also approved that the CEO's 2012 options should become exercisable during the exercise window in November 2014. The CEO exercised 56,964 options with an original vesting date of 1 September 2015. In connection with the above, the CEO acquired a total of 60,000 SDRs/shares in the Company in November 2014.

Remuneration of the Board of Directors

All Board Directors are elected at the AGM and the remuneration is recommended by the Nomination Committee and 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 2014 was SEK 492.5, and it ranged from SEK 302.5 to SEK 495.0 during 2014.

	Fees/salary GBP 000	Other[1] GBP 000	2014 Total GBP 000	2013 Total GBP 000
Directors				
Anders Ström, Chairman	119.7	113.3	233.0	208.5
Kristofer Arwin	64.7	–	64.7	58.3
Sophia Bendz[3]	27.8	–	27.8	–
Peter Boggs	54.7	15.0	69.7	60.3
Nigel Cooper	92.0	15.0	107.0	83.3
Peter Friis[3]	27.8	–	27.8	–
Peter Lindell[2]	16.4	–	16.4	48.9
Stefan Lundborg	57.7	29.7	87.4	77.8
	460.8	**173.0**	**633.8**	**537.1**
Executive committee				
Henrik Tjärnström, CEO	1,673.0	–	1,673.0	641.8
Other Executive management	1,853.2	27.4	1,880.6	1,228.4
Total	**3,897.0**	**200.4**	**4,187.4**	**2,407.3**

1 Other emoluments comprise additional amounts payable such as consultancy.
2 Peter Lindell left the Board at the AGM on 20 May 2014.
3 Sophia Bendz and Peter Friis were appointed to the Board at the AGM on 20 May 2014.

Directors' interests (audited)

The Directors' and Executive managements' beneficial interests in the shares/SDRs of Unibet Group plc as at 31 December 2014 are set out below:

	Ordinary shares/SDRs at 31 December 2014	Ordinary shares/SDRs at 31 December 2013	Performance Share Rights at 31 December 2014	Performance Share Rights at 31 December 2013	Share options at 31 December 2014	Share options at 31 December 2013
Directors						
Kristofer Arwin	705	500	–	–	–	–
Sophia Bendz[2]	375	–	–	–	–	–
Peter Boggs	13,100	13,100	–	–	–	–
Nigel Cooper	4,000	4,000	–	–	–	–
Peter Friis[2]	250	–	–	–	–	–
Peter Lindell[1]	230,000	500,000	–	–	–	–
Stefan Lundborg	10,500	27,000	–	–	–	–
Anders Ström	1,920,000	2,850,000	–	–	–	–
	2,178,930	**3,394,600**	**–**	**–**	**–**	**–**
Executive committee						
Henrik Tjärnström, CEO	165,394	49,176	9,946	4,649	–	187,224
Other Executive management	2,700	17,650	12,157	6,642	81,373	146,078
Total	**2,347,024**	**3,461,426**	**22,103**	**11,291**	**81,373**	**333,302**

1 Peter Lindell left the Board at the AGM on 20 May 2014.
2 Sophia Bendz and Peter Friis were appointed to the Board at the AGM on 20 May 2014.

Performance graph (unaudited)

Shown on page 35 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.

Stefan Lundborg
Chairman
Remuneration Committee

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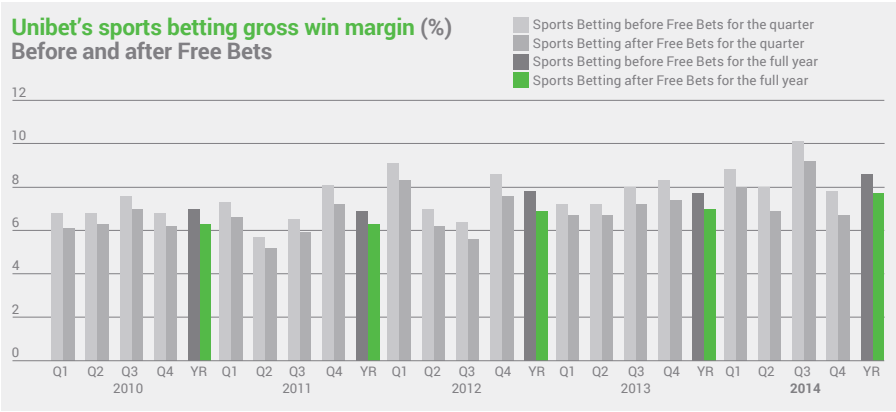
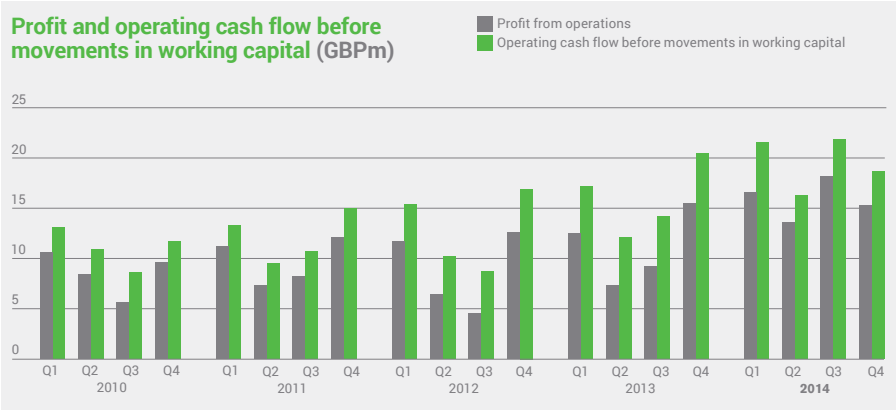
FINANCIAL REVIEW





Unibet's business has grown continually in recent financial years. The growth has been generated 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 2014 have been consistently applied.

Where relevant, certain additional information has been presented in compliance with the Nasdaq Stockholm requirements.

Gross winnings revenue

Gross winnings revenue on sports betting represents the net receipt of stakes and pay-outs within the Group for the financial period excluding Free Bets. Free Bets are bonuses granted or earned in connection with customer acquisition. Total Gross winnings revenue in 2014 increased to GBP 312.0 (2013: GBP 268.0) million. Gross winnings revenue from Sports betting amounted to GBP 133.7 (2013: GBP 101.7) million for the full year 2014. Other products (Casino & Games, Poker and Bingo) saw Gross winnings revenue amounting to GBP 178.3 (2013: GBP 166.3) million for the full year 2014.

Live betting accounted for 64.8 (2013: 62.9) per cent of turnover on sports betting, excluding Free Bets, in 2014 and 45.2 (2013: 46.4) per cent of Gross winnings revenue on sports betting, excluding Free Bets, in 2014.

Gross winnings revenue by market and business segment

	2014			2013[1]		
GBP m	Sports betting	Other products	Total	Sports betting	Other products	Total
Nordic Region	**53.5**	**97.4**	**150.9**	46.3	98.4	**144.7**
Western Europe	**65.5**	**59.1**	**124.6**	40.8	45.2	**86.0**
Central, Eastern and Southern Europe	**9.9**	**16.9**	**26.8**	9.1	16.6	**25.7**
Other	**4.8**	**4.9**	**9.7**	5.5	6.1	**11.6**
Total	**133.7**	**178.3**	**312.0**	**101.7**	**166.3**	**268.0**

1 As outlined in Note 1B, certain administrative expenses have been reclassified between Gross winnings revenue, cost of sales and administrative expenses. The 2013 balances have been re-stated accordingly.

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 above.

Gross margin on sports betting

The gross margin for pre-game sports betting before Free Bets in 2014 was 13.4 (2013: 11.1) per cent.

The gross margin for total sports betting in 2014 before Free Bets was 8.6 (2013: 7.7) per cent, and after Free Bets was 7.7 (2013: 7.0) 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 on page 46.

Cost of sales

Cost of sales covers betting duties, marketing revenue share and other cost of sales. Betting duties are payable in the licensed jurisdictions of Malta, Italy, France, Denmark, Belgium, Estonia, UK 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 20 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. Betting duties in Estonia are levied at 5 per cent of Gross winnings revenue on sports betting, Casino and Poker. Betting duties in the UK are levied at 15 per cent of Gross winnings revenue on sports betting, Casino and Poker. Betting duties for the full year 2014 amounted to GBP 23.6 (2013: GBP 16.3) million.

The marketing-related revenue share costs within cost of sales amounted to GBP 19.6 (2013: GBP 18.4) million for the full year 2014. Other cost of sales amounted to GBP 47.7 (2013: GBP 35.0) million for the full year 2014.

Gross profit

Gross profit for the full year 2014 amounted to GBP 221.1 (2013: GBP 198.3) million.

Marketing costs

During the full year 2014, marketing costs were GBP 69.7 (2013: GBP 58.3) million. Active customers during the three-month period ending 31 December 2014 were 570,360 (2013: 516,799). Active customers during the full year ending 31 December 2014 were 1,202,439 compared to 1,039,010 for the previous year, due to strong year-on-year organic growth.

FINANCIAL REVIEW CONTINUED

Administrative expenses

During the full year 2014, ongoing administrative expenses were GBP 86.9 (2013: GBP 91.0) million. These included GBP 15.0 (2013: GBP 16.1) million for depreciation and amortisation charges. Included within amortisation charges disclosed within administrative expenses, is GBP 10.5 million charged in respect of capitalised development expenditure (2013: GBP 11.8) million, and GBP 1.5 (2013: GBP 1.0) million for other intangibles. There is also an amortisation element included within items affecting year on year comparability as explained below.

Excluding depreciation and amortisation, ongoing administrative expenses were GBP 71.9 (2013: GBP 74.9) million, of which GBP 41.3 (2013: GBP 42.8) million were salaries and associated costs. Administration expenses have decreased despite the increase in Gross winnings revenue demonstrating the focus on cost control as highlighted in the Strategy section. This decrease was assisted by the disposal of Kambi. Note 4 in the financial statements on page 65 provides more analysis of operating costs, including items affecting the year on year comparison of results.

Items affecting year on year comparison

The Group defines items affecting year on year comparison 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 comparison of the Group's results between years.

In 2014, items affecting year-on-year comparison included:

- Disposal of the Group's shares in Kambi to Unibet shareholders. This resulted in a net gain on disposal of Kambi of GBP 35.3 million.
- An adjustment to the fair value of contingent consideration in relation to the acquisition of Betchoice in February 2012. This resulted in a non-recurring gain of GBP 2.2 million.
- Disposal of the Group's 15 million shares in Bingo.com for a consideration of USD 0.4 per share. This resulted in a net gain on disposal of GBP 2.9 million.
- A re-assessment of the fair value of the Group's loan to Bonza, which resulted in an impairment charge of GBP 2.4 million.
- The amortisation of acquired assets of GBP 1.8 (2013: GBP 2.8) 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.

EBITDA and profit from operations

Earnings before interest, tax and depreciation and amortisation (EBITDA) for the full year 2014 were GBP 115.7 (2013: GBP 63.4) million.

Profit from operations for the full year 2014 was GBP 98.9 (2013: GBP 44.5) million.

Finance costs

Finance costs for the full year 2014 were GBP 0.2 (2013: GBP 1.1) million.

Profit after tax

Profit after tax for the full year 2014 was GBP 93.4 (2013: GBP 40.1) million.

Development and acquisition costs of intangible assets

In the full year 2014, development expenditure of GBP 10.4 (2013: GBP 13.8) million, was capitalised. The key elements of capitalised development costs during 2014 are local licensing requirements, customer experience improvements, data analytics and information mining.

GBP 1.8 million of capitalised development expenditure in the year was included in the disposal of Kambi.

Expenditure of GBP 1.3 (2013: GBP 2.2) million was capitalised in the year with regard to other intangible assets.

On 31 December 2014, Unibet acquired the domain Bingo.com at a fair value of GBP 5.1 million.

Balance sheet

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

A significant asset on the balance sheet is goodwill. The goodwill balance increased following 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.

Goodwill and certain intangible assets recognised in connection with these acquisitions are denominated in currencies other than GBP and have therefore been translated at the closing exchange rate as required by IAS 21. This translation adjustment decreased the carrying value of goodwill by GBP 6.9 million in 2014 (2013: decreased by GBP 2.2 million) and the carrying value of other intangible assets decreased by GBP 2.1 million (2013: decreased by GBP 0.1 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, fixtures and fittings, loan to the joint venture, convertible bond and the Bingo.com domain.

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 71).

Financing and cash flow

The net cash inflow for the 2014 year was GBP 17.0 (2013: inflow GBP 5.2) million, increasing the total cash balance at the end of 2014 to GBP 67.0 (2013: GBP 54.9) million.

The Group continues to demonstrate the ability to generate strong operating cash flows and a total of GBP 76.1 (2013: GBP 60.8) million in cash was generated from operating activities during 2014. Operating cash flow before movements in working capital amounted to GBP 78.2 (2013: GBP 63.8) million for the full year. More information by quarter is shown in the graph on page 46.

In May 2014 Unibet paid out a dividend of GBP 31.1 million to shareholders. At 31 December 2014, GBP nil (2013: GBP nil) million of the Revolving Credit Facility was utilised. The facility has a maximum value of EUR 50 million and terminates in November 2016 (see Note 17 on page 72 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 a range of strategic opportunities.

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CONSOLIDATED INCOME STATEMENT

GBP m	Note	Year ended 31 December 2014	Year ended 31 December 2013[1]
Gross winnings revenue	3	**312.0**	**268.0**
Betting duties	3	**-23.6**	-16.3
Marketing revenue share	3	**-19.6**	-18.4
Other cost of sales	3	**-47.7**	-35.0
Cost of sales		**-90.9**	**-69.7**
Gross profit		**221.1**	**198.3**
Marketing costs	4	**-69.7**	-58.3
Administrative expenses	4	**-86.9**	-91.0
Underlying profit before items affecting comparability		**64.5**	**49.0**
Settlement of litigation	4	**–**	-1.1
Amortisation of acquired intangible assets	4	**-1.8**	-2.8
Adjustment to carrying value of contingent consideration	4	**2.2**	–
Net gain on disposal of Kambi	22	**35.3**	–
Adjustment of carrying value of loan to joint venture	13	**-2.4**	–
Net gain on disposal of associate	13	**2.9**	–
Foreign currency loss on operating items	4	**-1.8**	-0.6
Profit from operations	3	**98.9**	**44.5**
Finance costs	6	**-0.2**	-1.1
Finance income	7	**0.6**	0.1
Share of loss from associates	13	**-0.3**	-0.2
Profit before tax		**99.0**	**43.3**
Underlying income tax expense	8	**-5.9**	-3.2
Tax on disposal of Kambi	8	**0.3**	–
Income tax expense	8	**-5.6**	**-3.2**
Profit after tax		**93.4**	**40.1**

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

1 As outlined in Note 1B, certain administrative expenses have been reclassified between Gross winnings revenue, cost of sales and administrative expenses. The 2013 balances have been re-stated accordingly.

KEY RATIOS

	Note	2014	2013[1]
Operating margin % (Profit from operations/Gross winnings revenue for the year)		**32**	17
Return on total assets % (Profit after tax/average of opening and closing assets for the year)		**32**	14
Return on average equity % (EBIT/average of opening and closing equity for the year)		**49**	24
Equity: asset ratio %		**70**	68
EBITDA margin %		**37**	24
Net cash/EBITDA (rolling 12-month basis)		**0.32**	0.35
Employees at year end		**652**	909
Earnings per share GBP	10	**3.311**	1.434
Fully diluted earnings per share GBP	10	**3.243**	1.415
Number of shares at year end	21	**28,537,950**	28,283,122
Fully diluted number of shares at year end		**29,031,863**	28,865,510
Average number of shares	10	**28,208,537**	27,959,892
Average number of diluted shares	10	**28,802,760**	28,330,762

More detailed definitions can be found on page 80. The notes on pages 55 to 77 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GBP m	Year ended 31 December 2014	Year ended 31 December 2013
Profit for the year	**93.4**	40.1
Other comprehensive income		
Currency translation adjustments taken to equity	**-9.0**	-2.0
Total comprehensive income for the year	**84.4**	**38.1**

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.

1 As outlined in Note 1B, certain administrative expenses have been reclassified between Gross winnings revenue, cost of sales and administrative expenses. The 2013 balances have been re-stated accordingly.

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CONSOLIDATED BALANCE SHEET

GBP m	Note	As at 31 December 2014	As at 31 December 2013
Assets			
Non-current assets			
Goodwill	11	**143.5**	150.4
Other intangible assets	11	**34.4**	40.0
Investment in associates	13	**1.5**	2.2
Property, plant and equipment	12	**4.3**	6.9
Deferred tax assets	18	**8.7**	1.7
Convertible bond	23	**5.9**	–
Loan to joint venture	13	**0.8**	2.2
		199.1	**203.4**
Current assets			
Trade and other receivables	15	**14.3**	14.9
Taxation recoverable		**8.0**	21.3
Cash and cash equivalents	28	**67.0**	54.9
		89.3	91.1
Total assets		**288.4**	**294.5**
Equity and liabilities			
Capital and reserves			
Share capital	21	**0.1**	0.1
Share premium	21	**78.1**	74.4
Currency translation reserve	21	**3.0**	12.0
Reorganisation reserve	21	**-42.9**	-42.9
Retained earnings		**164.6**	155.7
Total equity attributable to the owners		**202.9**	**199.3**
Non-current liabilities			
Other non-current liabilities	19	**–**	3.3
Deferred tax liabilities	18	**1.2**	1.3
		1.2	**4.6**
Current liabilities			
Borrowings	17	**–**	–
Trade and other payables	16	**32.9**	29.9
Customer balances	16	**30.0**	32.7
Deferred income	14	**2.0**	2.0
Tax liabilities		**19.4**	26.0
		84.3	**90.6**
Total liabilities		**85.5**	**95.2**
Total equity and liabilities		**288.4**	**294.5**

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 2014 was 1.284 (2013: 1.199).

The notes on pages 55 to 77 are an integral part of these financial statements.

The financial statements on pages 50 to 77 were authorised for issue by the Board of Directors on 13 March 2015 and were signed on its behalf by:

Anders Ström
Chairman and Director

Nigel Cooper
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GBP m	Note	Share capital	Share premium	Currency translation reserve	Reorganisation reserve	Retained earnings	Total
Balance as at 1 January 2013		0.1	74.3	14.0	-42.9	133.5	179.0
Comprehensive income							
Profit for the year		–	–	–	–	40.1	40.1
Other comprehensive income							
Foreign exchange differences on the translation of net equity investments in foreign enterprises		–	–	0.3	–	–	0.3
Translation adjustment on goodwill and intangibles	11	–	–	-2.3	–	–	-2.3
		–	–	-2.0	–	–	-2.0
Total comprehensive income		**–**	**–**	**-2.0**	**–**	**40.1**	**38.1**
Transactions with owners							
Share options – value of employee services	20	–	–	–	–	0.4	0.4
Proceeds from shares issued	21	–	0.1	–	–	–	0.1
Disposal of treasury shares	21	–	–	–	–	1.3	1.3
Dividend paid	9	–	–	–	–	-19.6	-19.6
Total transactions with owners		**–**	**0.1**	**–**	**–**	**-17.9**	**-17.8**
At 31 December 2013		**0.1**	**74.4**	**12.0**	**-42.9**	**155.7**	**199.3**
Comprehensive income							
Profit for the year		–	–	–	–	93.4	93.4
Other comprehensive income							
Foreign exchange differences on the translation of net equity investments in foreign enterprises		–	–	–	–	–	–
Translation adjustment on goodwill and intangibles	11	–	–	-9.0	–	–	-9.0
		–	–	-9.0	–	–	-9.0
Total comprehensive income		**–**	**–**	**-9.0**	**–**	**93.4**	**84.4**
Transactions with owners							
Share options – value of employee services	20	–	–	–	–	0.5	0.5
Deferred tax credit relating to share option scheme		–	–	–	–	0.4	0.4
Proceeds from shares issued	21	–	3.7	–	–	–	3.7
Disposal of treasury shares	21	–	–	–	–	2.2	2.2
Dividend paid	9	–	–	–	–	-31.1	-31.1
Distribution of Kambi	22	–	–	–	–	-56.5	-56.5
Total transactions with owners		**–**	**3.7**	**–**	**–**	**-84.5**	**-80.8**
At 31 December 2014		**0.1**	**78.1**	**3.0**	**-42.9**	**164.6**	**202.9**

The notes on pages 55 to 77 are an integral part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

GBP m	Note	Year ended 31 December 2014	Year ended 31 December 2013
Operating activities			
Profit from operations		**98.9**	44.5
Adjustments for:			
Depreciation of property, plant and equipment	12	**2.9**	3.3
Amortisation of intangible assets	11	**13.9**	15.6
Loss on disposal of property, plant and equipment	4	**0.2**	–
Net gain on disposal of Kambi	22	**-35.3**	–
Adjustment of carrying value of loan to joint venture	4	**2.4**	–
Net gain on disposal of associate		**-2.9**	–
Adjustment to fair value of contingent consideration		**-2.4**	–
Share-based payments	20	**0.5**	0.4
(Increase)/decrease in trade and other receivables		**-4.7**	0.4
Increase/(decrease) in trade and other payables, including customer balances		**7.7**	-2.0
Cash flows from operating activities		**81.2**	**62.2**
Income taxes paid net of tax refunded		**-5.1**	-1.4
Net cash generated from operating activities		**76.1**	**60.8**
Investing activities			
Investment in associate	13	**-0.6**	-1.1
Proceeds from sale of associate		**3.8**	–
Convertible bond subscription	23	**-6.0**	–
Interest received		**0.2**	–
Interest paid		**-0.2**	-0.4
Purchases of property, plant and equipment	12	**-2.4**	-3.6
Purchase of Bingo.com domain	11	**-5.1**	–
Development and acquisition costs of intangible assets	11	**-11.7**	-16.0
Loans granted to joint venture	13	**-1.0**	-2.2
Net cash used in investing activities		**-23.0**	**-23.3**
Financing activities			
Dividends paid	9	**-31.1**	-19.6
Disposal of treasury shares	21	**2.2**	1.3
Proceeds of issue of new shares for share options	21	**3.7**	0.1
Proceeds from borrowings		**16.3**	11.8
Repayment of borrowings		**-15.9**	-25.9
Net cash used in financing activities		**-24.8**	**-32.3**
Net cash transferred on disposal of Kambi	22	**-11.3**	–
Net increase in cash and cash equivalents		**17.0**	**5.2**
Cash and cash equivalents at the beginning of the year		**54.9**	**49.9**
Effect of foreign exchange rate changes		**-4.9**	-0.2
Cash and cash equivalents at the end of the year	28	**67.0**	**54.9**

The notes on pages 55 to 77 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1A: 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 2014 and adopted by the Group

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. IFRS 10 has not resulted in an impact on the Group's Financial statements as there are no uncertainties relating to control of the Group's entities.

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 has assessed the requirements of IFRS 12 and the additional disclosure requirements have not led to a material impact on the Group's financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. 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 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 2018.

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.

1B: Reclassification of income statement items

During the year the Group has changed the classification of certain operational expenses (such as product commission and payment solution costs) between Gross winnings revenue, costs of sales and administrative expenses. The reclassification has been made retrospectively and the comparatives updated accordingly.

The purpose of the reclassification was to align the Group's financial reporting with other European operators and the wider industry to enhance comparability.

The change in classification had no effect on the Group's previously reported EBITDA, profit from operations, or profit before and after tax. Additionally it had no effect on the balance sheet or reported cash flows.

The impact of the reclassification on the relevant financial statement line item comparatives is shown below:

GBP m	2013
Gross winnings revenue before reclassification	234.7
Reclassified costs	33.3
Gross winnings revenue after reclassification	**268.0**
Cost of sales before reclassification	-34.8
Reclassified costs	-34.9
Cost of sales after reclassification	**-69.7**
Administrative expenses before reclassification	-92.6
Reclassified costs	1.6
Administrative expenses after reclassification	**-91.0**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2A: Summary of significant accounting policies continued
Basis of consolidation continued
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 and joint ventures are accounted for by applying the equity accounting method. The Group's policy surrounding associates and joint ventures is outlined on page 58 and they are discussed further on pages 70 and 71.

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.

Revenue recognition
The Group provides online gaming services across the following: Sports betting, Casino & Games, Poker and other products.

Gross winnings revenue on Sports betting is defined as the net gain or loss from bets placed after the cost of promotional bonuses within the financial period. Where it is not probable that open sports bets at the end of the financial period will be settled, the associated Gross winnings revenue is deferred and presented at fair-value as deferred income on the balance sheet.

Within Casino & Games the Group defines Gross winnings revenue as the net gain from bets placed after the cost of promotional bonuses in the financial period.

In doing so the Group considers Gross winnings revenues on Sports betting and Casino & Games to be derivative financial instruments.

Poker Gross winnings revenue reflects the net income ("rake") earned from poker games completed after the cost of promotional bonuses within the financial period.

Other Gross winnings revenues include those from bingo and other products. Bingo Gross winnings revenues are recognised as the net gain from bets placed after the cost of promotional bonuses in the financial period. Other product revenues represent gaming services provided within the financial period.

Across all products Gross winnings revenues are reported net of VAT, TVA and GST.

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-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Chief Executive Officer and the Executive Committee who, subject to authorisation by the Board, make strategic decisions.

Leases
Unibet's leases are currently 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 presentation 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 retranslated 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 or finance income. 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 currency translation reserve.

Foreign currencies continued
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 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 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.

Other intangible assets
Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

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

(i) An asset is created that can be identified (such as a database or software).
(ii) It is probable that the asset created will generate future economic benefits.
(iii) The development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over three to five years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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

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, development costs 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 and the Bingo.com domain are considered to have indefinite economic lives as allowed by the standard and are therefore not subject to amortisation. Instead they are subject to annual impairment tests, allocated to cash-generating units alongside goodwill.

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.

› FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

2A: Summary of significant accounting policies continued

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 and joint ventures
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.

Joint ventures are all companies over which the Group has joint control, generally accompanying a shareholding of approximately 50 per cent of the voting rights.

Investments in associated companies and joint ventures have been reported according to the equity method. This means that the Group's share of income after taxes in an associated company or a joint venture 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 or a joint venture equals or exceeds its interest in the associate or joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Gains or losses on transactions with associated companies and joint ventures, if any, have been recognised to the extent of unrelated investors' interests in the associate or joint ventures.

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

Property, plant and equipment
Fixtures and fittings, plant and office 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 reissued, 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 and options on convertible loan instruments. If such a financial asset is acquired principally for the purpose of selling in the short term they are classified as current assets. If a financial asset is acquired with expected future cash flows or benefits over periods greater than 12 months they are classified as non-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, cash equivalents, loan instruments of convertible loans and loans to joint ventures 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.

(b) Loans and receivables continued
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 the 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 two equity-settled share-based compensation plans, under which Group companies receive services from employees as consideration for equity instruments (options or performance shares) in Unibet. The fair value of the employee services received in exchange for the grant of options or performance shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or performance shares 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 share-based payments that are expected to vest. The total amount expensed is recognised over the vesting period of the share-based payments, which is usually three years.

The grant by the Company of options over its equity instruments or performance share awards 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 financial statements.

At the end of each reporting period, the Group revises the estimates of the number of share-based payments 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 share-based payments 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.

› FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2A: Summary of significant accounting policies continued

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.

2B: Critical accounting estimates and assumptions

Estimates and judgements 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 57. 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 judgement 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 32 and 33. 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.

Financial 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.

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

The Chief Operations Officer assesses risk levels for individual events as well as from a longer-term perspective. Independent employees make risk evaluations for the various regions.

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

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 krona, 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 2014 the rate of exchange of the euro weakened against GBP by 7.1 per cent (from a rate of EUR 1.199 per GBP to a rate of EUR 1.284 per GBP). The rate of exchange of the Swedish krona weakened by 13.5 per cent (from a rate of SEK 10.626 per GBP to a rate of SEK 12.059 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 65 and to the foreign exchange gain on the borrowings as shown in Note 7 on page 66.

Foreign currency exchange risk continued
Additional foreign exchange disclosures are contained in Note 16 on page 71.

The Group had no borrowings at the end of the financial year. However the Group does have access to a EUR 50 million loan facility with a leading international bank and at such time that the Group draws down on the facility a currency translation exposure related to that financial liability will arise. Any potential future translation gains and losses arising on the loan would be offset to the extent that the Group generates positive future cash flows in euros.

Interest rate risk
The Group interest rate risk has been managed during the year through the negotiation of fixed rates above EURIBOR 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 offer credit to any customers, with the exception of a select group of Australian customers in accordance with accepted commercial practice in the Australian market. 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. In respect of 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 chargebacks 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 2014, the unused credit facility available to be drawn on was EUR 50 million (see Note 17 on page 72). 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.

Of the Group's total financial liabilities of GBP 63.4 (2013: 66.5) million, GBP 63.4 (2013: GBP 63.2) million mature in less than one year, GBP nil (2013: 2.4) million mature within one to two years and GBP nil (2013: GBP 0.9) 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 2014			At 31 December 2013		
GBP m	Less than 1 year	Between 1-2 years	Between 2-5 years	Less than 1 year	Between 1-2 years	Between 2-5 years
Deferred income	**2.0**	**–**	**–**	2.0	–	–
Trade and other payables (excluding non-financial liabilities)	**31.4**	**–**	**–**	28.5	–	–
Customer balances	**30.0**	**–**	**–**	32.7	–	–
Contingent consideration payable	**–**	**–**	**–**	–	2.4	–
Cash settled equity liabilities	**–**	**–**	**–**	–	–	0.9

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 71.

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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 on page 60.

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 2014 and 2013, based on publicly reported Fitch ratings, are as follows:

GBP m	2014	2013
AA-	**5.3**	2.7
A+	**28.6**	25.9
A	**1.5**	1.8
A-	**0.2**	0.1
BBB+	**10.9**	8.4
Not rated	**20.4**	15.9
Other	**0.1**	0.1
Total cash and cash equivalents	**67.0**	**54.9**

Unibet continually monitors its credit risk with banking partners and did not incur any losses during 2014 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 0.2 per cent of the Group's total cash and cash equivalents at 31 December 2014 and 2013.

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

3: Operating segments

Management has determined the operating segments based on the reports reviewed by the CEO and Executive Committee 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.

The reportable operating segments derive their revenues from online Sports Betting, Casino & Games, Poker and other betting operations.

The primary measure used by the CEO and Executive Committee to assess the performance of operating segments is gross profit, which is defined as Gross winnings revenue (net of 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 overleaf.

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

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2014 is as follows:

31 December 2014 GBP m	Nordic Region	Western Europe	Central, Eastern and Southern Europe	Other	Total
Gross winnings revenue	150.9	124.6	26.8	9.7	**312.0**
Betting duties	-4.2	-17.3	-0.5	-1.6	**-23.6**
Marketing revenue share	-8.0	-7.7	-3.0	-0.9	**-19.6**
Other cost of sales	-25.1	-16.8	-4.4	-1.4	**-47.7**
Gross profit	**113.6**	**82.8**	**18.9**	**5.8**	**221.1**
Marketing costs					**-69.7**
Administrative expenses					**-86.9**
Items affecting comparability					**34.4**
Profit from operations					**98.9**
Assets by reportable segments					
Goodwill (Note 11)				143.5	**143.5**
Intangibles acquired through business combinations				13.7	**13.7**
Other assets not allocated to reportable segments					
Other intangible assets				20.7	**20.7**
Investment in associates				1.5	**1.5**
Property, plant and equipment				4.3	**4.3**
Deferred tax assets				8.7	**8.7**
Convertible bond				5.9	**5.9**
Loan to joint venture				0.8	**0.8**
Trade and other receivables				14.3	**14.3**
Taxation recoverable				8.0	**8.0**
Cash and cash equivalents				67.0	**67.0**
				288.4	**288.4**

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3: Operating segments continued

The segment information provided to the CEO and the Executive Committee for the reportable segments during the year ended 31 December 2013 is as follows:

31 December 2013[1] GBP m	Nordic Region	Western Europe	Central, Eastern and Southern Europe	Other	Total
Gross winnings revenue	144.7	86.0	25.7	11.6	**268.0**
Betting duties	-3.6	-11.1	-0.6	-1.0	**-16.3**
Marketing revenue share	-8.0	-5.3	-4.5	-0.6	**-18.4**
Other cost of sales	-20.3	-9.8	-4.0	-0.9	**-35.0**
Gross profit	**112.8**	**59.8**	**16.6**	**9.1**	**198.3**
Marketing costs					**-58.3**
Administrative expenses					**-91.0**
Items affecting comparability					**-4.5**
Profit from operations					**44.5**
Assets by reportable segments					
Goodwill (Note 11)				150.4	**150.4**
Intangibles acquired through business combinations				17.3	**17.3**
Other assets not allocated to reportable segments					
Other intangible assets				22.7	**22.7**
Investment in associates				2.2	**2.2**
Property, plant and equipment				6.9	**6.9**
Deferred tax assets				1.7	**1.7**
Loan to joint venture				2.2	**2.2**
Trade and other receivables				14.9	**14.9**
Taxation recoverable				21.3	**21.3**
Cash and cash equivalents				54.9	**54.9**
				294.5	**294.5**

Product revenues

Gross winnings revenue by principal product groups:

GBP m	2014	2013
Sports betting	**133.7**	101.7
Casino & Games	**149.8**	131.6
Poker	**8.4**	13.5
Other	**20.1**	21.2
	312.0	**268.0**

1 As outlined in Note 1B, certain administrative expenses have been reclassified between Gross winnings revenue, cost of sales and administrative expenses. The 2013 balances have been re-stated accordingly.

4: Expenses by nature

GBP m	31 December 2014	31 December 2013[1]
Betting duties	**23.6**	16.3
Marketing revenue share	**19.6**	18.4
Other cost of sales	**47.7**	35.0
Marketing costs	**69.7**	58.3
Administrative expenses		
Fees payable to statutory auditor	**0.5**	0.6
Operating lease rentals	**2.3**	3.0
Depreciation of property, plant and equipment	**2.9**	3.3
Amortisation of intangibles	**12.1**	12.8
Loss on disposal of property, plant and equipment	**0.2**	–
Employee costs	**41.3**	42.8
Research and development expenditure	**14.0**	15.1
Other	**13.6**	13.4
Total administrative expenses	**86.9**	**91.0**
Items affecting comparability		
Settlement of litigation	**–**	1.1
Amortisation of acquired intangible assets	**1.8**	2.8
Adjustment to carrying value of contingent consideration	**-2.2**	–
Net gain on disposal of Kambi	**-35.3**	–
Impairment of loan to joint venture	**2.4**	–
Net gain on disposal of associate	**-2.9**	–
Foreign exchange loss on operating items	**1.8**	0.6
Total items affecting comparability	**-34.4**	**4.5**

As explained within the accounting policy note on page 56, 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 years.

1 As outlined in Note 1B, certain administrative expenses have been reclassified between Gross winnings revenue, cost of sales and administrative expenses. The 2013 balances have been restated accordingly.

In 2014, items affecting year-on-year comparison included:

- Disposal of the Group's shares in Kambi to Unibet shareholders. This resulted in a net gain on disposal of Kambi of GBP 35.3 million (Note 22).
- An adjustment to the fair value of contingent consideration payable in relation to the acquisition of Betchoice in February 2012. This resulted in a non-recurring gain of GBP 2.2 million.
- Disposal of the Group's 15 million shares in Bingo.com for a consideration of USD 0.4 per share. This resulted in a net gain on disposal of GBP 2.9 million.
- A re-assessment of the fair value of the Group's loan to Bonza, which resulted in an impairment charge of GBP 2.4 million.
- 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 page 67.

In 2013, the Group settled mutual historic legal proceedings with De Lotto (the State-approved monopoly in the Netherlands) for GBP 1.1 million.

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

GBP m	31 December 2014	31 December 2013
Annual statutory audit	**0.4**	0.4
Tax advisory and compliance services	**–**	0.1
Other assurance services	**0.1**	0.1
	0.5	**0.6**

Other assurance services includes half year review and in 2014 assurance work on the disposal of Kambi.

5: Employee costs

Average number of employees for the year	31 December 2014	31 December 2013
Finance, administration and management	**140**	108
Marketing	**248**	239
Customer services	**134**	131
Kambi	**83**	303
Research and development	**111**	101
	716	**882**

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5: Employee costs continued
Employee costs can be broken down as follows:

GBP m	31 December 2014	31 December 2013
Wages and salaries	**34.0**	35.6
Share option charge – value of employee services (see Note 20)	**0.5**	0.4
Social security costs	**5.6**	5.7
Pension costs	**1.2**	1.1
	41.3	**42.8**

The remuneration of the Directors and Executive Committee is disclosed on page 45.

6: Finance costs

GBP m	31 December 2014	31 December 2013
Interest payable on bank borrowings	**0.2**	0.5
Foreign exchange loss on borrowings	**–**	0.6
	0.2	**1.1**

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

7: Finance income

GBP m	31 December 2014	31 December 2013
Interest on bank deposits	**0.2**	0.1
Foreign exchange gain on borrowings	**0.4**	–
	0.6	**0.1**

8: Income tax expense

GBP m	Note	31 December 2014	31 December 2013
Current tax:			
Income tax expense		**-12.6**	-3.3
Deferred tax:			
Deferred tax expense	18	**7.0**	0.1
Total tax expense		**-5.6**	**-3.2**

Income tax in Malta is calculated at a basic rate of 35 per cent (2013: 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 21 per cent which was substantively enacted on 2 July 2013 and was effective from 1 April 2014; and to 20 per cent which was substantively enacted on 2 July 2013 and effective from 1 April 2015, the relevant deferred tax balances have been remeasured.

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

GBP m	31 December 2014	31 December 2013
Profit before tax	**99.0**	43.3
Taxation at the basic income tax rate of 35% (2013: 35%)	**-34.6**	-15.2
Effects of:		
Tax recoverable (i)	**12.8**	8.2
Tax effect on internal reorganisation (ii)	**–**	3.5
Overseas tax rates	**2.4**	0.8
Items of income/expenditure not taxable/deductible (iii)	**12.3**	-0.9
Other	**1.5**	0.4
Tax expense	**-5.6**	**-3.2**

(i) The tax recoverable of GBP 12,831,000 (2013: GBP 8,181,000) represents Malta tax refundable in accordance with applicable fiscal legislation on intra-Group dividends distributed during the year and the Malta tax that shall be recoverable upon distribution of unremitted earnings.

(ii) The tax effect on internal reorganisation of GBP Nil (2013: GBP 3,483,000) relates to the reorganisation undertaken during 2013 to streamline the operations of the Group's Kambi Sports Solutions business into separate legal entities within the Group.

(iii) This figure consists principally of the gain recognised upon the transfer of all the shares held in Kambi Group plc by way of a dividend distribution in kind which is exempt from tax in Malta.

9: Dividend

GBP m	31 December 2014	31 December 2013
Dividend paid GBP 1.100 per share (2013: GBP 0.700 per share)	**31.1**	19.6

The Board of Directors is proposing a final dividend in respect of the financial year ending 31 December 2014 of GBP 1.640 per ordinary share/SDR, which will absorb an estimated GBP 46.7 million of shareholders' funds. If approved at the AGM on 12 May 2015, the dividend will be paid on 20 May 2015 to shareholders who are on the Euroclear Sweden register on 15 May 2015.

The Board has reviewed the projected cash requirements for 2015 and is proposing a dividend equal to 75 per cent of the Group's free cash flow for 2014. 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 m	31 December 2014	31 December 2013
Earnings		
Earnings for the purposes of basic earnings per share	**93.4**	40.1
Earnings for the purposes of diluted earnings per share	**93.4**	40.1
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**28,208,537**	27,959,892
Effect of dilutive potential ordinary shares – Share options	**594,223**	370,870
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**28,802,760**	28,330,762
Earnings per share GBP		
Basic earnings per share	**3.311**	1.434
Fully diluted earnings per share	**3.243**	1.415

The nominal value per share is GBP 0.005.

11: Intangible assets

			Other intangible assets				
GBP m	Note	Goodwill	Development costs	Computer software	Customer database	Brands and other	Total
Cost							
At 1 January 2013		152.6	53.8	8.3	12.3	19.4	93.8
Additions		–	13.8	2.2	–	–	16.0
Disposals		–	–	-0.7	–	–	-0.7
Currency translation adjustment		-2.2	0.1	-0.1	-0.1	-0.4	-0.5
At 31 December 2013		150.4	67.7	9.7	12.2	19.0	108.6
Additions		–	10.4	1.3	–	5.1	16.8
Disposals		–	–	-0.4	–	–	-0.4
Disposal of Kambi		–	-18.7	-0.5	–	–	-19.2
Currency translation adjustment		-6.9	-0.5	-0.3	-0.5	-2.0	-3.3
At 31 December 2014		**143.5**	**58.9**	**9.8**	**11.7**	**22.1**	**102.5**
Accumulated amortisation							
At 1 January 2013		–	35.9	6.0	8.6	3.6	54.1
Charge for the year	4	–	12.5	1.0	1.9	0.2	15.6
Disposals		–	–	-0.7	–	–	-0.7
Currency translation adjustment		–	–	–	-0.1	-0.3	-0.4
At 31 December 2013		–	48.4	6.3	10.4	3.5	68.6
Charge for the year	4	–	10.7	1.6	1.6	–	13.9
Disposals		–	–	-0.4	–	–	-0.4
Disposal of Kambi		–	-12.4	-0.4	–	–	-12.8
Currency translation adjustment		–	-0.3	-0.2	-0.5	-0.2	-1.2
At 31 December 2014		**–**	**46.4**	**6.9**	**11.5**	**3.3**	**68.1**
Net book value							
At 31 December 2014		**143.5**	**12.5**	**2.9**	**0.2**	**18.8**	**34.4**
At 31 December 2013		150.4	19.3	3.4	1.8	15.5	40.0

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11: Intangible assets continued

Goodwill arising on business combinations and the Maria brand are not subject to amortisation, but are 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.

The Bingo.com domain purchased on the 31 December 2014 will not be subject to amortisation but will be subject to an annual impairment review in line with the Group's policy.

Impairment review

Following the acquisitions of the MrBookmaker Group in 2005, the Maria Group in 2007, Guildhall Media Invest in 2008, and Bet24 in 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.

The acquisitions of Solfive (acquired 12 December 2011) and Betchoice (acquired 29 February 2012) have continued to operate on a substantially separate basis at 31 December 2014 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 review the appropriateness of this in future years.

During the year, goodwill of GBP 143.5 million (including goodwill of GBP 5.0 million relating to Solfive and GBP 10.0 million relating to Betchoice), and the Maria brand of GBP 13.6 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 2014 trading performance, extrapolated forward using growth rates and assumptions consistent with the forecasts included in industry reports. A perpetuity growth rate of 2.0% has been used to represent cash flows beyond the projection period of 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 the Betchoice acquisition. In relation to the Betchoice acquisition, if the forecast growth rate in revenue is not achieved or becomes unrealistic in future years and is not compensated by savings in planned marketing and operating costs, then an impairment charge may arise.

The key assumptions used by management in the value-in-use calculations to support the overall impairment assessment as approved by the Board were as follows:

Goodwill associated with the integrated operations of the Unibet Group and Maria brand	
EBITDA margin	various rates in the range of 19.0–24.0 per cent
Effective tax rate applicable to operating income	7.5 per cent
Risk adjusted discount rate	10.0 per cent
Long-term growth rate	2.0 per cent

Goodwill arising on the Solfive acquisition	
EBITDA margin	various rates in the range of 2.3–4.5 per cent
Effective tax rate applicable to operating income	7.5 per cent
Risk adjusted discount rate	10.0 per cent
Long-term growth rate	2.0 per cent

Goodwill arising on the Betchoice acquisition	
EBITDA margin	various rates in the range of 0.0–19.3 per cent
GWR margin	various rates in the range of 5.8–7.2 per cent
Effective tax rate applicable to operating income	0.0 per cent
Risk adjusted discount rate	10.0 per cent
Long-term growth rate	2.0 per cent

Goodwill balances related to acquisitions were 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 m	Note	Fixtures and fittings	Plant and office equipment	Total
Cost				
At 1 January 2013		2.6	15.8	18.4
Additions		0.4	3.2	3.6
Disposals		-0.2	-2.2	-2.4
Foreign exchange translation difference		-0.1	-0.3	-0.4
At 31 December 2013		2.7	16.5	19.2
Additions		0.1	2.3	2.4
Disposals		–	-1.2	-1.2
Disposal of Kambi		-0.6	-3.1	-3.7
Foreign exchange translation difference		-0.1	-0.9	-1.0
At 31 December 2014		**2.1**	**13.6**	**15.7**
Accumulated depreciation				
At 1 January 2013		1.5	10.1	11.6
Charge for the year	4	0.3	3.0	3.3
Disposals		-0.2	-2.2	-2.4
Foreign exchange translation difference		–	-0.2	-0.2
At 31 December 2013		1.6	10.7	12.3
Charge for the year	4	0.3	2.6	2.9
Disposals		–	-1.0	-1.0
Disposal of Kambi		-0.3	-1.9	-2.2
Foreign exchange translation difference		-0.1	-0.5	-0.6
At 31 December 2014		**1.5**	**9.9**	**11.4**
Net book value				
At 31 December 2014		**0.6**	**3.7**	**4.3**
At 31 December 2013		1.1	5.8	6.9

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13: Subsidiaries and associated companies
Details of the Group's principal subsidiaries at 31 December 2014 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%
Unibet Services Limited	Malta	100%
SPS Betting France 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 Services Limited	Antigua	100%
Global IP and Support Services LP	British Virgin Islands	100%
Unibet Italia SRL	Italy	100%
Solfive SAS	France	100%
SPS SAS	France	100%
Unibet Australia Pty Limited	Australia	100%
Betchoice Corporation Pty Limited	Australia	100%
Social Gambling (Channel Islands) Limited	Guernsey	100%
Unibet Alderney Limited	Alderney	100%

On 31 May 2014 Unibet disposed of the Kambi Group including its controlling interests in all Kambi subsidiaries. Further information relating to the disposal of Kambi is provided in Note 22 on page 76.

Bingo.com Limited
On 31 December 2014, the Group sold its investment of 15 million shares in Bingo.com Limited for a consideration of USD 0.4 per share. On disposal the investment represented a holding of 21.2 per cent and had a carrying value of GBP 1.0 million. The sale resulted in a net gain on disposal of GBP 2.9 million.

Bonza
On 19 March 2013, Unibet acquired 100 per cent of Social Gambling (Channel Islands) Limited, (SGCI), whose principal asset is an investment in Bonza Gaming LLP. As a result, SGCI held a 49 per cent interest in Bonza, alongside co-investor Plumbee Limited, a leading entrepreneurial social gaming business.

The cost of investment was GBP 100 and Unibet has provided loan facilities of GBP 3.2 million to support the growth of Bonza. This loan has been treated as a loan to a joint venture.

As at 31 December 2014, GBP 3.2 million of the loan had been drawn-down and its carrying amount was GBP 0.8 million, following a GBP 2.4 million impairment. The unrecognised share of losses in the joint venture was GBP 2.2 million.

Relax Gaming Limited
On 5 November 2013, Unibet acquired 25 per cent of Relax Gaming Limited, a specialist Poker software provider. The cost of the investment was EUR 1.2 (GBP 1.1) million.

On 9 December 2014, Unibet acquired a further 10 per cent of Relax Gaming Limited. The cost of the investment was EUR 0.8 (GBP 0.6) million.

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

GBP m	2014	2013
Carrying value at 1 January	**2.2**	1.3
Investment in associate	**0.6**	1.1
Share of associates' losses	**-0.3**	-0.2
Disposal of associate	**-1.0**	–
Carrying value at 31 December	**1.5**	**2.2**

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 2014, other receivables of GBP 9.7 (2013: GBP 10.8) 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, with the exception of betting on credit which is strictly limited to a select group of Australian customers in accordance with accepted commercial practice in the Australian market. 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 0.6 (2013: GBP 0.6) million. Financial assets at fair value through profit and loss consist of the embedded option on the convertible bond of GBP 0.6 million (2013: GBP Nil). The Group's financial liabilities consist of other financial liabilities, except for liabilities at fair value through profit and loss of GBP 2.0 (2013: GBP 4.4) million. Financial liabilities at fair value through profit and loss consist of deferred income relating to unsettled bets at balance sheet date of GBP 2.0 (2013: GBP 2.0) million and the contingent consideration payable on the acquisition of Betchoice of GBP Nil (2013: GBP 2.4) million.

IFRS 13 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 13). A reasonable change in assumptions would not give rise to a material change in value.

15: Trade and other receivables

GBP m	31 December 2014	31 December 2013
Due within 1 year:		
Other receivables	**9.7**	10.8
Prepayments and accrued income	**4.6**	4.1
	14.3	**14.9**

16: Trade and other payables, including customer balances

Trade and other payables are shown in table below.

GBP m	31 December 2014	31 December 2013
Due within 1 year:		
Trade payables	**7.5**	6.1
Other taxation and social security	**1.5**	1.4
Other payables	**2.9**	1.9
Accruals	**21.0**	20.5
	32.9	**29.9**

Customer balances of GBP 30.0 (2013: 32.7) 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 2014	31 December 2013
EUR	**52%**	49%
SEK	**14%**	15%
NOK	**9%**	9%
DKK	**7%**	7%
USD	**5%**	6%
GBP	**6%**	5%
AUD	**4%**	4%
Other	**3%**	5%
	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.

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17: Borrowings

GBP m	31 December 2014	31 December 2013
Due within 1 year:		
Bank borrowings	–	–
Total borrowings	–	–

Bank borrowings
In November 2013, Unibet agreed a new Revolving Credit Facility held with a leading international bank, with a maximum value of EUR 50 million. As at 31 December 2014, the balance of the facility utilised was GBP Nil million.

The borrowings are denominated in euro with a fixed interest rate of 1.2 per cent above EURIBOR. The borrowings are unsecured. The Revolving Credit Facility terminates on 4 November 2016. The fair value of the bank borrowings was GBP Nil (2013: GBP Nil) million at 31 December 2014.

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 2014 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.

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 m	Note	Unremitted earnings	Property, plant and equipment	Unrealised exchange differences	Tax losses	Intangible assets	Other	Total
At 1 January 2013:								
Deferred tax liability		–	–	–	–	0.7	0.3	**1.0**
Deferred tax asset		–	-0.3	-0.1	-0.5	–	-0.5	**-1.4**
(Credit)/charge to income for the year	8	–	–	0.1	-1.0	0.1	0.7	**-0.1**
Balance sheet movement for the year		–	–	–	–	–	–	**–**
Transfer to currency translation reserve		–	–	–	0.2	–	–	**0.2**
At 31 December 2013:								
Deferred tax liability		–	–	0.1	–	0.8	0.9	**1.8**
Deferred tax asset		–	-0.3	-0.1	-1.3	–	-0.4	**-2.1**
(Credit)/charge to income for the year	8	-5.0	-0.1	0.6	-1.9	-0.1	-0.5	**-7.0**
Balance sheet movement for the year		–	–	–	–	–	-0.4	**-0.4**
Release of deferred tax upon Kambi de-consolidation		–	0.1	0.1	0.1	–	–	**0.3**
Transfer to currency translation reserve		–	–	–	0.1	-0.1	–	**–**
At 31 December 2014:								
Deferred tax liability		**–**	**–**	**0.7**	**–**	**0.5**	**0.6**	**1.8**
Deferred tax asset		**-5.0**	**-0.3**	**–**	**-3.0**	**–**	**-1.0**	**-9.3**

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 m	31 December 2014	31 December 2013
Deferred tax liabilities	**1.2**	1.3
Deferred tax assets	**-8.7**	-1.7
Net assets	**-7.5**	**-0.3**

At 31 December 2014 the Group had unutilised trading tax losses of GBP 37,778,000 (2013: GBP 31,202,000) and other unutilised tax losses of GBP 1,469,000 (2013: GBP 1,469,000) available for offset against future profits. The amount of unutilised trading tax losses and other unutilised tax losses at 31 December 2014 for which a deferred tax asset has been recognised is GBP 9,938,000 (2013: GBP 4,355,000), and GBP Nil (2013: GBP Nil), 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 due to insufficient evidence of their reversal in future periods.

The major component of trading tax losses for which no deferred tax asset has been recognised arose from unutilised trading tax losses acquired as part of the Solfive acquisition, for which there is insufficient evidence of reversal. These losses represent GBP 27,839,000 (2013: GBP 30,409,000) of the total unutilised trading tax losses disclosed above. There is no specific expiry date of the total remaining unutilised tax losses for which no deferred tax asset has been recognised. During the period, Unibet Group plc discovered that the unused tax losses disclosed in the prior year financial statements were understated by GBP 3,562,000. This amount was adjusted retrospectively in this note and relates to the restructure of the Solfive Group following acquisition.

The aggregate amount of other deductible temporary differences at 31 December 2014 for which deferred tax assets have been recognised is GBP 11,228,000 (2013: GBP 3,233,000). This includes a deductible temporary difference in respect of unexercised share options for the amount of GBP 2,009,000 (2013: GBP 396,000). A deferred tax asset has not been recognised for other deductible temporary differences of GBP 765,000 (2013: GBP 1,093,000).

19: Other non-current liabilities

GBP m	31 December 2014	31 December 2013
Contingent consideration payable	–	2.4
Cash settled equity liabilities	–	0.9
	–	**3.3**

Contingent consideration payable relates to the acquisition of Betchoice.

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 0.9 million as payment for issuance of shares representing 4.9 per cent 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. This cash settled liability was eliminated on disposal of the Kambi Group.

20: Share-based payments

The Group operates a number of share-based payment schemes as set out within this note. During 2014, 416,296 (2013: 103,491) options within the schemes were exercised. The total charge for the year relating to employee share-based payment plans was GBP 528,026 (2013: GBP 368,501), all of which related to equity-settled share-based payment transactions.

Performance Share Plan (PSP)

The introduction of the Unibet Group plc Performance Share Plan was approved at the 2013 AGM under which future share based payments to senior management and key employees will be made. The PSP performance measures are non-market based conditions providing participants with a high degree of alignment to Company performance.

Grants of performance share rights are subject to achieving business performance targets over three financial years and continued employment. These targets are: Gross Contribution (Gross winnings revenue less Cost of sales less marketing costs), Free Cash Flow per Share and EBITDA. Grants made in each year will have targets measured on an aggregate basis between the full year of grant and the two successive years so that performance in each financial year will be important. Aggregated performance against the targets and the resulting allocation of PSP awards will be disclosed after the full year of vesting. Grants made under the Plan during 2014 will vest after 1 November 2017. Performance share rights are issued in respect of new shares to be issued when the rights are exercised.

Executive Share Option Schemes (ESOS)

The Unibet Group plc ESOS was first introduced in December 2000 and revised in May 2004. Following the introduction of the PSP, no future share-based payments will be made under the ESOS. However the scheme will continue until all outstanding options have vested or lapsed.

The Company operates two ESOS 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. Under the Approved Scheme 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.

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20: Share-based payments continued

The ESOS schemes 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.

Grants made under both the PSP and ESOS share-based payment arrangements are valued using the Black-Scholes option-pricing model. The fair value of grants and the assumptions used in the calculation are as follows:

					ESOS		PSP
Grant date	**11 Aug 2010**	**16 Sep 2010**	**7 Dec 2010**	**3 Nov 2011**	**16 Aug 2012**	**30 Sep 2013**	**30 Sep 2014**
Average share price prior to grant GBP	12.25	11.88	11.86	14.34	16.29	–	–
Exercise price GBP	13.48	13.07	13.01	15.74	17.95	–	–
Number of employees	1	47	46	65	72	75	91
Shares under option	86,061	12,325	85,972	186,071	329,885	31,100	31,848
Vesting period (years)	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Expected volatility %	43	43	42	28	24	16	23
Option life (years)	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Expected life (years)	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Risk-free rate %	1.50	1.50	1.93	1.32	1.50	–	–
Expected dividends expressed as dividend yield %	5.81	6.03	5.89	–	3.47	2.81	3.57
Fair value per option GBP	2.32	2.16	2.29	2.92	1.84	22.58	27.18

The expected volatility is based on the standard deviation of the Group's share price over a year, prior to the grant date. The risk-free rates of return applied to the ESOS grants is the approximate implicit risk-free interest rate for the options' term to maturity, based on the three-year maturity rate offered by Riksbanken at the respective dates of each grant.

A reconciliation of option movements over the year to 31 December 2014 is shown below:

	2014		2013	
ESOS	**Number**	**Weighted average exercise price GBP**	**Number**	**Weighted average exercise price GBP**
Outstanding at 1 January	**700,314**	**15.44**	862,115	15.73
Exercised[1]	**-416,296**	**14.94**	-103,491	13.07
Granted	**–**	**–**	–	–
Lapsed	**-16,777**	**17.53**	-58,310	15.74
Outstanding at 31 December	**267,241**	**17.87**	700,314	15.44

	2014		2013	
PSP	**Number**	**Weighted average exercise price GBP**	**Number**	**Weighted average exercise price GBP**
Outstanding at 1 January	**31,100**	**–**	–	–
Exercised	**–**	**–**	–	–
Granted	**31,848**	**–**	31,100	–
Lapsed	**-1,633**	**–**	–	–
Outstanding at 31 December	**61,315**	**–**	31,100	–

The grants under the PSP are at nil cost therefore the weighted average exercise price for rights outstanding at the beginning and end of the year, exercised granted and lapsed during the year is GBP Nil.

The weighted average remaining contractual life was 0.9 years for the ESOS (2013: 1.4 years) and 2.8 (2013: 3.3 years) years for the PSP.

1 In connection with the rules of the Company's share option scheme, the Board approved that the CEO's 2012 options were exercisable in November 2014 (see Remuneration committee report on pages 44 and 45).

Dilution effects
Options over 18,410 shares lapsed or were cancelled during 2014 (2013: 58,310). If all share based programmes are fully exercised, the nominal share capital of the Company will increase by a total maximum of GBP 1,642.78 (2013: GBP 3,657.07) by the issue of a total maximum of 328,556 ordinary shares (2013: 731,414 ordinary shares), corresponding to 1.14 per cent (2013: 2.52 per cent) of the capital and votes in the Company.

The principal terms of the ESOS and PSP schemes are set out below.

i) Unapproved ESOS

Responsibility for operation
The Unapproved Scheme is operated by the Directors of the Company, through the Remuneration Committee appointed by the Board, which consists mainly of Non-executive Directors of the Company.

Eligibility
Employees 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, to selected employees at a senior level. 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. 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 Committee (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 Committee (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. Exercise of an option is subject to continued employment.

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.

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.

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.

Option programme	Number of options	Final exercise period	Exercise price per option SEK
36	7,484	1–15 Sep 2015	166
38	246,419	1–15 Jun 2016	189
Total	**253,903**		

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20: Share-based payments continued

ii) Approved ESOS

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 benefits. Options may be granted in respect of ordinary shares only.

Option programme	Number of options	Final exercise period	Exercise price per option SEK
35	2,092	1–15 Sep 2015	166
37	11,276	1–15 Jun 2016	189
Total	**13,338**		

iii) PSP

Under the Performance Share Plan, shares awards are granted to employees of the Company and any subsidiary companies. These awards vest based on the successful completion of performance targets set by the Board. The awards are shares or SDRs and not options, therefore there is no exercise price associated with the awards. All other principal terms of the scheme including responsibility, exercise periods, changes of control, scheme and individual limits are consistent with those of the Unapproved ESOS.

21: Share capital and reserves

a) Share capital

GBP	2014	2013
Authorised:		
200,000,000 (2013: 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 – 28,283,122 (2013: 28,276,266) ordinary shares of GBP 0.005 each	**141,415**	141,381
Issue of share capital – 254,828 (2013: 6,856) shares of GBP 0.005 each	**1,274**	34
At 31 December – 28,537,950 (2013: 28,283,122) ordinary shares of GBP 0.005 each	**142,689**	**141,415**

During 2014, 254,828 shares were issued by the Company at prices of SEK 152.3, SEK 140, SEK 166 and SEK 189 per share, as a result of the exercise of employee share options. The total proceeds of this issue of new shares was GBP 3,747,525 (SEK 42,764,622) of which GBP 1,274 was an increase in issued share capital and GBP 3,746,251 was an increase in share premium.

During 2013, 6,856 shares were issued by the Company at a price of GBP 12.72 per share, as a result of the exercise of employee share options. The total proceeds of this issue of new shares was GBP 87,208, of which GBP 34 was an increase in issued share capital and GBP 87,174 was an increase in share premium.

As at 31 December 2014, the total shares of 28,537,950 includes a balance of 85,364 shares that were bought back by the Company. When these shares are repurchased or subsequently sold, the impact is reflected within retained earnings.

During 2014, 161,468 of the shares repurchased were used in connection with the exercise of share options by employees. The 161,468 shares were sold for net proceeds to the Company of GBP 2,177,307 (SEK 23,657,657) at the option prices of SEK 152.3, SEK 140, SEK 166 and SEK 189.

During 2013, 96,635 of the shares repurchased were used in connection with the exercise of share options by employees. The 96,635 shares were sold for net proceeds to the Company of GBP 1,265,091 at the option prices of SEK 152.3, SEK 140, SEK 166 and SEK 189 per share.

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 2014 nor the previous year.

c) Reorganisation reserve

This reserve of GBP -42.9 million (2013: 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 3.0 million (2013: GBP 12.0 million) is a non-distributable reserve.

22: Disposal of subsidiary

Kambi

On 20 May 2014, the Unibet Group plc AGM decided to distribute all shares in Kambi Group plc to Unibet shareholders. Following this decision Kambi was divested via a dividend in specie to the shareholders of Unibet on a one for one share basis. The disposal has been accounted for accordingly under IFRIC 17 "Distributions of Non-cash Assets to Owners" resulting in a GBP 35.3 million one-off, non-cash, net gain on disposal outlined in the table below:

GBP m	Fair value
Fair value of distribution to Unibet shareholders	56.5
Carrying value of Kambi	-19.7
FX recognition from reserves	-0.4
Direct costs of disposal	-2.0
Release of cash settled liability	0.9
	35.3

The carrying value of Kambi represented the net of total liabilities of GBP 10.7 million and total assets of GBP 30.4 million of which GBP 17.4 million represented cash and cash equivalents.

23: Convertible bond

In connection with the disposal of Kambi, the Group subscribed to a GBP 6.0 million convertible bond issued by Kambi. The bond has an embedded contingent option to provide change of control protection to the Group. The option can only be exercised on the occurrence of limited trigger events. The fair value of the option at the subscription date of 31 May 2014 and at 31 December 2014 was GBP 0.6 million.

24: Capital and other commitments

The Group has not entered into any contracted non-current asset expenditure as at 31 December 2014.

25: 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 m	31 December 2014	31 December 2013
No later than 1 year	**1.5**	2.8
Later than 1 year and no later than 5 years	**2.3**	4.7
Later than 5 years	**–**	–
	3.8	**7.5**

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.

26: Related party transactions

For details of Directors' and Executive Committee Remuneration please refer to the Remuneration Committee Report on pages 44 and 45.

A former member of the Executive Committee provided services to the Group during the year totalling GBP 0.6 million via Cygni AB, a company in which they held a controlling interest.

27: 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 32 and 33.

28: Cash and cash equivalents

There are no restricted cash balances included within the total cash and cash equivalents balance of GBP 67.0 million at 31 December 2014 (2013: GBP 54.9 million).

29: Reconciliation of EBITDA to profit from operations

GBP m	2014	2013
EBITDA	**115.7**	63.4
Depreciation	**-2.9**	-3.3
Amortisation	**-13.9**	-15.6
Profit from operations	**98.9**	**44.5**

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.

30: Reconciliation of adjusted operating cash flow and free cash flow to profit from operations

GBP m	Year ended 31 December 2014	Year ended 31 December 2013
Profit from operations	**98.9**	44.5
Adjustments for:		
Depreciation of property, plant and equipment	**2.9**	3.3
Amortisation of intangible assets	**13.9**	15.6
Loss on disposal of property, plant and equipment	**0.2**	–
Net gain on disposal of Kambi	**-35.3**	–
Adjustment of carrying value of loan to joint venture	**2.4**	–
Net gain on disposal of associate	**-2.9**	–
Adjustment to carrying value of contingent consideration	**-2.4**	–
Share-based payment	**0.5**	0.4
Operating cash flow before movements in working capital	**78.2**	**63.8**
Movements in receivables	**-4.7**	0.4
Movements in payables	**7.7**	-2.0
Income taxes paid	**-5.1**	-1.4
Purchases of property, plant and equipment	**-2.4**	-3.6
Purchases of intangible assets	**-11.7**	-16.0
Purchase of Bingo.com domain[1]	**-5.1**	–
Free cash flow	**56.9**	**41.2**

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.

1 Free cash flow for the purposes of determining dividend excludes merger and acquisition activity.

31: Subsequent events

On 23 January 2015, Unibet acquired the remaining part of the real money social gaming operator Bonza for the consideration of GBP 1. The Bonza business will be integrated with Unibet's business.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNIBET GROUP PLC

Report on the Financial Statements for the year ended 31 December 2014

We have audited the accompanying consolidated financial statements (the "financial statements") of Unibet Group plc and its subsidiaries on pages 50 to 77, which comprise the consolidated balance sheet as at 31 December 2014, 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.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on page 43, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 and its subsidiaries as at 31 December 2014 and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the Directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records.
- 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 2014.

Lucienne Pace Ross
Partner
13 March 2015

PricewaterhouseCoopers
78 Mill Street
Qormi
Malta

John Waters
Partner
13 March 2015

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

› ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Unibet Group plc will be held at 10.00 CET on 12 May 2015, 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 5 May 2015 and notify Skandinaviska Enskilda Banken AB (publ) of their intention to attend the AGM no later than 11.00 CET on 7 May 2015, 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 5 May and 12 May 2015.

Dividend

The Board of Directors proposes a dividend of GBP 1.640 (2013: 1.100) per share/SDR, which is approximately SEK 20.90 (2013: 12.30 paid out 28 May 2014) with the exchange rate 12.66 GBP/SEK at 10 February 2015 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 20 May 2015 and amounts to a total of GBP 46.7 (2013: 30.8) million, which is approximately 75 per cent of the Group's free cash flow for 2014. The Board has reviewed the projected cash requirements for 2015 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 2015 on the following dates:

Interim Report January – March, on 29 April 2015
Interim Report January – June, on 5 August 2015
Interim Report January – September, on 4 November 2015
Full Year Report 2015, on 10 February 2016

DEFINITIONS

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

Cash flow 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 number of ordinary shares at the payment date.

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: Gross winnings revenue on Sports betting is defined as the net gain or loss from bets placed. Within Casino & Games the Group defines GWR as the net gain from bets placed and Poker GWR reflects the net income ("rake") earned from poker games completed. GWR across all products is reported net of the cost of promotional bonuses.

Net cash: Total cash at period end less customer balances.

Number of active customers: Number of active customers is defined as the 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: Amount 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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By players, for players

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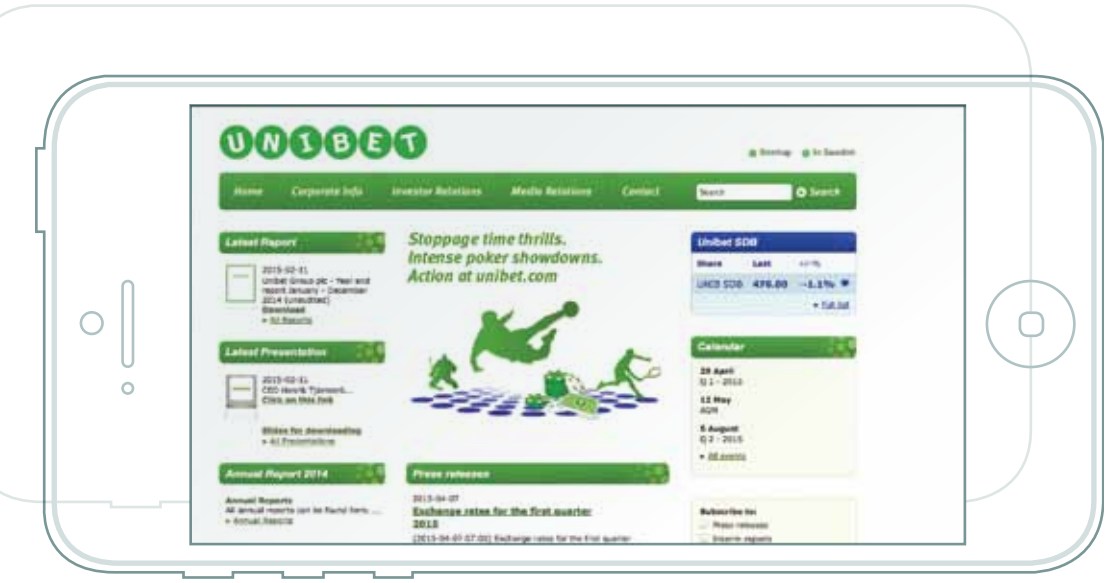
› OR VISIT
WWW.UNIBETGROUPPLC.COM



Scan your smart phone or device here to view the Unibet Group plc investor website.

Unibet Group plc Annual report and accounts 2014