**Press Release** **9 April 2014**

**GVC Holdings PLC**

("GVC" or the "Group")

**Preliminary Results and Trading Update**

GVC Holdings PLC (AIM:GVC), the multinational sports betting and gaming group, today announces its Preliminary Results for the year ended 31 December 2013 and a Trading Update for its first quarter to 31 March 2014.

**Highlights**

- Total Proforma Revenues* increased by 69% to €180.6 million (2012: €107.1 million)
- Clean EBITDA** rose year-on-year by 148% to €38.3 million, ahead of upgraded market expectations
- Sportingbet turnaround complete and contributed €4.7 million to 2013 EBITDA
- EPS (normalised and non-diluted) rose 83% to 58.6 €cents (2012: 32.1 €cents)
- Quarterly dividend - 11.5 €cents declared plus a special dividend of 4.5 €cents also declared
- Total dividends declared for 2013 up 120% to 48.5 €cents (2012: 22.0 €cents)
- Current trading at record levels, NGR exceeded €50 million for Q1 (Q1 2013: €35.6 million)
- Complex acquisition capabilities proven and GVC looking at a variety of further opportunities

* Assumes revenues from East Pioneer Corporation consolidated from 1 January 2013 to 19 March 2013

** Earnings before interest, taxation, depreciation, amortisation, share option charges and exceptional items

Commenting on the results, Kenneth Alexander, Chief Executive of GVC Holdings plc, said: "Executing the complex acquisition and turnaround of Sportingbet has been a milestone for GVC and has led to greater geographical diversification and a significant increase in profits and dividends. We are now ready for the next stage in our corporate development and further geographic expansion through organic growth and acquisitions. GVC aims to deliver this without diluting the dividend. The Board is confident of meeting current market expectations for the 2014 financial year as underpinned by our proposed dividend of 16 €cents total."

**- Ends -**

**For further information:**

**GVC Holdings PLC**


| | |
|---|---|
| Kenneth Alexander, Chief Executive | Tel: +44 (0) 1624 652 559 |
| Richard Cooper, Group Finance Director | www.gvc-plc.com |
| **Daniel Stewart & Company Plc** | Tel: +44 (0) 20 7776 6550 |
| David Hart / Paul Shackleton | www.danielstewart.co.uk |

**Media enquiries:**

**Abchurch**

| | |
|---|---|
| Henry Harrison-Topham / Joanne Shears | Tel: +44 (0) 20 7398 7702 |
| henry.ht@abchurch-group.com | www.abchurch-group.com |

**CHAIRMAN'S STATEMENT**

2013 saw a step-change in GVC, its size, its complexity, but more importantly its profitability, cash generation, and the dividends paid to shareholders following the acquisition of Sportingbet plc on 19 March 2013.

The Group is now generating over €1.2 billion a year in sports wagers, and total revenues in the first quarter of 2014 exceeded €50 million, an average of more than €556k per day (2013: €394k). At the date of this statement, GVC's market capitalisation is now over £230 million, and between 2009 and 2013 the Group has paid to its shareholders £51.8 million in dividends and is already ranked as one of the highest yielding dividend payers on AIM (Source: Dividends on AIM – March 2014 by Allenby Capital).

Cash generation and its conversion into dividends is a key part of GVC's strategy, and the Board is pleased to announce today a final dividend for 2013 of 11.5 €cents. In addition, the Board is proposing a special dividend of 4.5 €cents, reflecting results ahead of recently upgraded market expectations for 2013. The payment of the 16 €cents dividend is proposed for 19 May 2014 but is dependent on the shareholder vote at the Annual General Meeting to be held in the Isle of Man on 14 May 2014. Thus the total dividend declared for the year will be 48.5 €cents, an increase of 120% on the prior year (2012: 22.0 €cents).

GVC undertook its acquisition of Sportingbet: to mitigate the earn-out payments arising from the November 2011 Superbahis transaction with Sportingbet to: acquire market-leading software; and acquire customers in over 20 additional markets. GVC has a proven track record of executing acquisitions and now GVC has the platform, scale and infrastructure to pursue further transactions, along with being able to utilise economies of scale to further drive organic growth.

GVC significantly restructured Sportingbet and its balance sheet, which not only had a deficit in working capital of €50 million at acquisition, but also, was substantially loss-making and cash-burning. In the nine and half months since acquisition, a financial turnaround has been achieved resulting in a Clean EBITDA for Sportingbet of €4.7 million with €3.8 million being generated in Q4-2013 alone.

The acquisition and the subsequent restructuring costs were largely financed through the issue of an additional 29 million shares to existing Sportingbet shareholders at a "roll-over" price per share of £2.48; and from William Hill plc a contribution of £36.5 million along with a long-term loan of £6.9 million.

GVC's strategy is to increase shareholder returns through a combination of: generating high levels of cash and distributing this by way of dividends; increasing the markets in which the

Group trades to diversify geographic risk; and improving the quality of the Group's earnings through acquisitions and joint ventures. In the next 12 months, the Group will seek to: accelerate its penetration in Brazil, the host nation of the FIFA World Cup; drive further synergies from the Sportingbet acquisition; improve the product offering, particularly mobile; continue growing the many markets in which GVC operates; and devote more executive time to non-dilutive investment and acquisition opportunities.

Current trading (Q1 2014) is at record levels, with sports wagers averaging €3.8 million per day, a sports margin of 10.1% and an average Net Gaming Revenue ("NGR") increasing by 41% to €556k per day compared to €394k in 2013, and up by 6.3% on Q4-2013 (€523k). The Board is therefore confident of meeting current market expectations for the 2014 financial year as underpinned by our proposed 16 €cents dividend.

**Lee Feldman**
**Chairman**
8 April 2014

## REPORT OF THE CHIEF EXECUTIVE

I am pleased to report a series of significant increases over 2012:

| | 2013 (€) | 2012 (€) | Percentage Increase |
|---|---|---|---|
| **Sports wagers** | **1.2 billion** | 0.5 billion | **125%** |
| **Proforma Revenue*** | **181 million** | 107 million | **69%** |
| **NGR** | **168 million** | 60 million | **179%** |
| **Contribution** | **103 million** | 36 million | **181%** |
| **Clean EBITDA** | **38.3 million** | 15.6 million | **148%** |
| **Normalised EPS** | **58.6 cents** | 32.1 cents | **83%** |
| **Dividends declared** | **48.5 cents** | 22.0 cents | **120%** |

Totals may not sum due to rounding and percentages have been calculated on the underlying rather than the summarised figures.

** as described in the Chairman's report of 25 March 2013, being the underlying levels for the business as if the revenues of the B2B partner, East Pioneer Corporation BV were fully consolidated in the results of GVC.*

GVC has achieved a record level of Clean EBITDA for 2013 at €38.3 million which is ahead of recently upgraded market expectations. The financial turnaround of Sportingbet was completed during the year with significant restructuring, and the acquired business returned to profitability, making a contribution to Clean EBITDA of €4.7 million.

This financial turnaround has allowed GVC not only to pay a quarterly dividend of 11.5 €cents in line with what it had already paid earlier in 2014, but also to announce a special dividend of a further 4.5 €cents. This means that the total dividend declared for the year is 48.5 €cents, an increase of 120% on 2012 (22.0 €cents).

In Sportingbet, GVC has acquired and developed further a market leading sports platform, and it is this, together with a more "fit for purpose" corporate infrastructure which has allowed the Board to be ready for further acquisitions and investments. GVC is already benefiting from the successful integration of Sportingbet and this can be seen in the record levels of trading in Q1-2014, with revenues exceeding €50 million per quarter for the first time.

However, whatever the size of the transactions the GVC Board looks at, none will be considered if they might undermine the maintenance of the dividend for our shareholders.

The principal aims of GVC in 2013 were to:

- Complete the acquisition and integration of Sportingbet at minimal cost and dilution to shareholders;
- Deliver significant synergies on the Sportingbet integration;
- Enhance the dividend for shareholders; and
- Improve the overall product offering, particularly in the mobile channel.

Shareholders and customers alike have benefited from all of the above. Of particular note, in my statement for last year, I was hopeful that GVC would restore the dividend by November 2013. In fact, in July 2013 GVC announced a 50% increase in its quarterly dividend to 10.5 €cents up from 7.0 €cents declared in January 2013, and the Board then declared a further 10.5 €cents in September 2013. In January 2014, the dividend was increased again by 1 €cent (a rise of 9.5%) to 11.5 €cents.

After eight months of negotiations, the deal to acquire the non-Australian business of Sportingbet was completed on 19 March 2013. GVC passed on Sportingbet's Spanish business to William Hill, as previously agreed, on 16 September 2013. The Group had its shares suspended at 233.5 pence on 16 October 2012 and on 20 March 2013, the date on which the new GVC shares were admitted to trading, the shares closed at 247 pence.

The business of Sportingbet was profoundly indebted, loss-making and cash-burning. In the nine and a half months since acquisition, GVC has converted these substantial losses into a profit of just under €5 million but with the majority of this being generated in the back-end of the year, with €3.8 million being earned in Q4-2013.

To make the acquisition financially enhancing for our shareholders, deep cuts were needed and it was necessary to reduce the inherited headcount by around a third, which, along with property and other cost reductions, reduced the expenditure base by around 50%. A number of in-house functions were outsourced and GVC has a number of significant partnerships in cost-efficient jurisdictions. GVC sees this as a blueprint for its future expansion.

This success has not just been achieved however through cost cutting. GVC has very much focused on driving-up its revenues against strong currency headwinds in both Brazil and Turkey. The Group has grown its revenues in local currencies and those reported in Euros through a combination of intensive CRM activity and VIP management. Of course a key driver of the revenue success is the achievement of consistently high sports margins. There will of course be times when the sports results are "punter-friendly." GVC's aim has been to use the skills of its trading teams (around 100 employees and a sixth of the Group's workforce) and combine this with state-of-the-art event feeds. This approach has enabled GVC to deliver an aggregate sports margin of 9.6% in 2013.

GVC's customers want great service, great products and a great experience. The Group is unrelenting in the delivery of these factors, without which the highly competitive landscape will entice players away from GVC. For that reason, the Group has been investing in its mobile product and has witnessed a significant increase in the take-up of mobile to around 19% of sportsbook NGR, albeit, from a low base of around 10%. This is a trend that GVC sees continuing and being ever more important for customer retention. In-play betting continues to grow and now represents around 70% of the sports wagers placed. Football, tennis and basketball represent around 90% of customer wagering.

Operationally, by early 2014 GVC had:

- migrated its main gaming licence to Malta;
- integrated its Betboo product;
- consolidated its payment wallets; and
- outsourced at significantly lower cost some of its IT and Customer Services support functions.

I am also pleased to report on our high-level KPIs based on "pro-forma" revenues ("PFR") over the last nine quarters expressed in €000's per day.

| | Sports wagers €000's | Sport margin % | Sports NGR €000's | Gaming & Other revenues €000's | Total PFR €000's |
|---|---|---|---|---|---|
| **Q1-2014** | **3,773** | **10.1%** | **254** | **302** | **556** |
| *Q1-2013* | *1,894* | *12.5%* | *209* | *185* | *394* |
| *Q1-2012* | *1,530* | *11.5%* | *148* | *141* | *289* |
| | | | | | |
| **Q4-2013** | **3,926** | **8.4%** | **244** | **279** | **523** |
| *Q4-2012* | *1,453* | *12.3%* | *162* | *162* | *324* |
| | | | | | |
| **Q3-2013** | **3,335** | **9.8%** | **267** | **251** | **518** |
| *Q3-2012* | *1,402* | *10.4%* | *123* | *149* | *272* |
| | | | | | |
| **Q2-2013** | **3,637** | **9.2%** | **275** | **267** | **542** |
| *Q2-2012* | *1,286* | *10.8%* | *120* | *166* | *286* |

Sports wagers have doubled in value over Q1-2013 to just under €3.8 million per day and revenues per day have not only grown by 41% year-on-year but have grown 6.3% in the last quarter alone.

Gaming revenues have also increased across all of the Group's markets and are expected to benefit further by our continued investment in our mobile product.

The Group has been impacted by a stronger Euro, and we estimate that the impact of this in 2013 alone would be around €25k per day, thus GVC's underlying growth rates are closer to 50%.

GVC is now ready for the next stage in its corporate development and further geographic expansion through organic growth and acquisitions.  GVC aims to deliver this without diluting the dividend.  The Board is confident of meeting current market expectations for the 2014 financial year as underpinned by our proposed dividend of 16 €cents total.

**Kenneth Alexander**
**Chief Executive**
8 April 2014

## REPORT OF THE GROUP FINANCE DIRECTOR

The financial information for the Group reflects the consolidation of Sportingbet* for the 287 days from 19 March 2013. The business is now largely integrated and the Group now presents its results as a single entity, including both CasinoClub and the B2B activities.

*Table 1: Summary of key financial measures*

| **In €millions** | **2013** | **2012** | **Change** | **% change** |
|---|---|---|---|---|
| **Sports wagers** | **1,169.5** | **518.9** | **+650.6** | **+125%** |
| *- sports from Sportingbet* | *661.9* | *-* | *+661.9* | |
| *- sports from existing businesses* | *507.6* | *518.9* | *-11.3* | |
| **Sports margin** | **9.6%** | **11.3%** | **-170bps** | **-15%** |
| Sports revenue | 90.8 | 50.6 | +40.2 | |
| Gaming revenue | 89.8 | 56.5 | +33.3 | |
| *- gaming from Sportingbet* | *35.2* | *-* | *+35.2* | |
| *- gaming from existing businesses* | *54.6* | *56.5* | *-1.9* | |
| **Total proforma revenue** | **180.6** | **107.1** | **+73.5** | **+69%** |
| *- from Sportingbet* | *86.1* | *-* | *+86.1* | |
| *- from existing businesses* | *94.5* | *107.1* | *-12.6* | |
| **Total NGR** | **168.4** | **60.3** | **+108.1** | **+179%** |
| *- NGR acquired from Sportingbet* | *74.7* | *-* | *+74.7* | |
| *- NGR from existing business* | *93.7* | *60.3* | *+33.4* | |
| **Contribution** | **102.6** | **36.5** | **+66.1** | **+181%** |
| Contribution divided by PFR = | 57% | 34% | +23% | |
| *- Contribution from Sportingbet* | *42.0* | *-* | *+42.0* | |
| *- Contribution from existing brands* | *60.6* | *36.5* | *+24.1* | |
| **Expenditure** | **(64.3)** | **(21.0)** | **+43.3** | |
| **Clean EBITDA** | **38.3** | **15.5** | **+22.8** | **+148%** |
| Clean EBITDA/proforma revenue | 21% | 14% | +7% | |
| PBT and exceptional items | 32.7 | 10.6 | +22.1 | +208% |
| Exceptional items | (19.7) | 0.2 | -19.9 | |
| Taxation | (0.7) | (0.5) | -0.2 | |
| Discontinued activities | - | (1.1) | +1.1 | |
| Profit after taxation | 12.3 | 9.2 | 3.1 | |
| Adjusted, non dilutive EPS in €cents | 58.6 | 32.1 | +26.5 | +83% |
| Dividend paid / share in €cents | 28.0 | 26.0 | +2.0 | +8% |
| Dividends declared / share in €cents | 48.5 | 22.0 | +26.5 | +120% |
| Operating cashflows | 19.8 | 4.8 | +15.0 | +312% |
| Dividends paid | (15.0) | (8.2) | +6.8 | +83% |
| Cash and cash in transit | 37.1 | 20.0 | +17.1 | |
| Customer liabilities | (13.3) | (1.7) | -11.6 | |
| Net current assets | 0.3 | 4.6 | -4.5 | |
| Non-current liabilities | (14.0) | (12.3) | -1.7 | |
| Shareholder funds | 141.1 | 58.5 | 82.6 | +141% |
| Number of shares in issue | 60,906,760 | 31,592,172 | 29,314,588 | +93% |
| Number of shares under option | 3,801,667 | 3,698,180 | 103,487 | |

** Excluding Australia and certain other assets along with Sportingbet's Spanish business past over to William Hill from 16 September 2013.*

## REVENUES

Sports wagers, incorporating Sportingbet from 19 March 2013, grew 125% to €1,169.5 million (2012: €518.9 million). Sportingbet wagers, consolidated from 19 March 2013 to 31 December 2013 averaged €2.3 million per day and rose to €3.9 million per day in Q4 (Q4-2012: €1.5 million).

Sports margins differ widely across the multiple markets in which GVC operates as a consequence of the maturity of each market and the sports followed within them. A sports margin of 9.6% across the full year and 287 days since the acquisition of Sportingbet was achieved despite the industry-wide backdrop of punter-friendly results in Q4 2013, as previously reported by the Group on 4 December 2013.

Sport NGR represents the gross margin less free bets and promotional bonuses.

Customers have a variety of gaming opportunities ranging from Casino, through to Poker and, in certain markets, Bingo. Casino games are provided by over ten companies including such industry-leading suppliers such as Net-Entertainment, Evolution and Boss Media. Sports and gaming revenues are relatively equal now, and in H2-2013 sports NGR represented 52% of proforma revenue and gaming represented 48%.

As trailed in the 2012 Report and Accounts, whilst the customer base of Superbahis, acquired in 2011, belongs to third-party provider, East Pioneer Corporation ("EPC"), as the bulk of the economic benefit resides with the now enlarged GVC, under accounting rules approved by the EU, the Group has to fully consolidate the results. This is shown as "proforma" revenue. NGR is proforma revenue less the revenues attributable to EPC for the period from 1 January 2013 to 19 March 2013.

2013 saw a 69% increase in proforma revenues over 2012.

*Table 2: Average revenues per day since 1 January 2013*

| €000's | Q1-2013 | Q2-2013 | Q3-2013 | Q4-2013 | Q1-2014 |
|---|---|---|---|---|---|
| Sports wagers per day | 1,894 | 3,637 | 3,335 | 3,926 | 3,763 |
| Sports margin % | 12.5% | 9.2% | 9.8% | 8.4% | 10.1% |
| PFR per day | 394 | 542 | 518 | 523 | 556 |

Average sports wagers per day have risen by 99% to €3.8 million in Q1-2014 compared to Q1-2013 (€1.9 million). Proforma revenues per day have increased by 41% over the same period.

## CONTRIBUTION

Contribution is GVC's measure of revenues less cost of sales, and costs with a high correlation to revenues, such as partner shares, affiliate commissions and other marketing expenditure. Cost of sales includes payment processing charges, software royalties and local betting taxes payable in jurisdictions where we have a local licence.

The Group continues to encourage dialogue with its existing and potential regulators in the markets in which the Group operates, although it notes that in some markets there remains regulatory uncertainty.

Contribution increased by 181% to €102.6 million and an aggregate contribution margin percentage of 57% was achieved based on PFR.

The Group is making significant marketing investments ahead of the FIFA World Cup in the summer of 2014 and aims for an aggregate contribution margin of between 52% and 55%.

**CLEAN EBITDA**

Clean EBITDA is contribution less expenditure incurred primarily on staff costs, property, professional fees and other overheads. The Group aims to achieve a clean EBITDA margin of not less than 20%.

Expenditure inevitably rose with the acquisition of Sportingbet, although the acquired cost base has already been trimmed by around 50%. The Group headcount in December 2013 was around 400 employees higher than in December 2012, although around 165 inherited staff left the Group in 2013.

Within expenditure there are remuneration arrangements highly geared to performance and dividend payments. Indeed for 2014, the Board's bonuses are wholly linked to dividends and all staff can earn bonuses, although 50% of the potential is dependent on market expectations of dividend targets being met.

**EXCEPTIONAL ITEMS**

An acquisition as complex as a public company consortium bid has been accounted for by GVC as an exceptional item, as substantial, and one-off costs were incurred in both the acquisition and the restructuring. Whilst a significant portion in cash-terms was contributed by William Hill, accounting rules require that the contribution was taken to the balance sheet whilst the costs were taken to the Income Statement. A summary of the components of these and other exceptional costs is reproduced below:

*Table 3: Summary of exceptional items*

| | €millions |
|---|---|
| Transaction costs | 9.2 |
| Restructuring costs | 11.9 |
| Gross costs | 21.1 |
| Contribution from Sportingbet Spanish business to 16 September 2013 | (1.4) |
| | 19.7 |

The actual costs of the restructuring at €21.1 million have been lower than €24 million as anticipated in page 49 of the prospectus.

Included within restructuring costs of €11.9 million was €9.0 million incurred through either redundancy or retention arrangements payable to staff who departed through the restructuring process. The terms of the exit payments were governed largely by the inherited redundancy terms of the Sportingbet group and these terms were enforceable by the application of the City Code on takeovers and mergers. Also included were the cost of terminating a variety of contracts, including property commitments that has allowed the Group to reduce its overheads.

Under the terms of the consortium agreement with William Hill plc, GVC was the custodian and financial beneficiary of the Sportingbet Spanish “Miapuesta” brand from 19 March 2013 to 16 September 2013. As GVC was not a “controlling party” as defined under IFRS, the contribution has been treated as a deduction from exceptional items. The financial benefit of this amounted to €1.4 million.

**NON-CASH CHARGES IN THE INCOME STATEMENT**

*Depreciation of Property, Plant and Equipment* rose in the year to €0.5 million (2012 €0.2 million) on total acquisitions of €0.6 million.

*Amortisation of Intangible Assets* rose to €3.2 million (2012: €2.3 million) arising from either assets acquired through the Sportingbet acquisition or through the acquisition of additional software required to run the Sportsbook platform.

*Finance income* is principally the imputed credit (as per IAS 39) on the interest free loan from William Hill. A rate of 4% has been used for the imputation.

*Finance charges* included €43k (2012: €0) on leased software and €1.7 million (2012: €2.2 million) on the unwinding of the discount on the deferred consideration arising from the 2009 acquisition of Betboo.

*Share option charges* increased to €0.7 million principally through the granting of share options to third parties in consideration for underwriting arrangements on the Sportingbet acquisition. The Group has only 3.2 million share options granted to directors and officers (5.2%) although its permitted allocation is 16.8% (10.2 million).

**EARNINGS PER SHARE**

Normalised (i.e. before exceptional items) rose 83% in 2013.

*Table 4: Earnings per share*

| | |
|---|---|
| Normalised EPS: | 58.6 €cents (2012: 32.1 €cents) |
| Basic EPS: | 22.5 €cents (2012: 29.3 €cents) |
| Diluted Normalised EPS: | 57.2 €cents (2012: 31.6 €cents) |
| Diluted EPS: | 22.0 €cents (2012: 28.8 €cents) |

The diluted EPS is affected by two components: grants of share options granted to employees and directors, and warrants granted to third parties pursuant to underwriting arrangements entered into in contemplation of the Sportingbet acquisition.

**DIVIDENDS**

*Table 5: History of dividends paid and declared in 2013*

| Declaration date | Fiscal year 2012 €cents | Fiscal year 2013 €cents | Paid 2013 €cents | Payable 2014 €cents |
|---|---|---|---|---|
| 19 September 2012 | 15.0 | | | |
| 25 January 2013 | 7.0 | | 7.0 | |
| 1 July 2013 | | 10.5 | 10.5 | |
| 25 September 2013 | | 10.5 | 10.5 | |
| 9 January 2014 | | 11.5 | | 11.5 |
| 9 April 2014 | | 16.0 | | 16.0 |
| | 22.0 | 48.5 | 28.0 | 27.5 |

As previously announced, GVC is committed to paying dividends on a quarterly basis and paying a cash amount broadly equivalent to 75% of its net operating cashflows, taking into account an assessment of its working capital needs.

The final dividend of 16.0 €cents per share will be payable on 19 May 2014 to shareholders on the register at the close of business on Friday 25 April 2014. The shares will go ex-dividend on Wednesday 23 April 2014.

**ACCOUNTING FOR THE SPORTINGBET ACQUISITION**

*Table 6: Summary of the acquisition accounting of Sportingbet*

| | **€000's** | **€000's** |
|---|---|---|
| Various non-current assets at fair value | | 6,742 |
| Net current liabilities excluding transaction costs | (35,961) | |
| Transaction costs | (8,624) | |
| Termination arrangements for Sportingbet board | (5,022) | |
| | (49,607) | |
| Amount discharged at completion by William Hill | 42,562 | |
| | | (7,045) |
| Goodwill | | 84,221 |
| Issue of 29,018,075 ordinary GVC shares at £2.48 at £1 = €1.1661 | | 83,918 |

The Sportingbet balance sheet was in very poor shape , GVC effectively inherited a deficit of €50 million – Sportingbet fully drew-down on its banking facilities, had placed heavy reliance on finance leases, had deeply out-of-the-money currency hedges, and legacy liabilities which fell to GVC to discharge. The inheritance of this together with the professional and other costs arising from the acquisition both by Sportingbet and GVC, and the Group's planned restructuring costs were partially offset by the contribution from William Hill and augmented by their interest free loan, which is repayable in three installments by June 2016.

Whilst the acquisition balance sheet was significantly worse than anticipated, the swift turnaround of the business coupled with the mitigated earn-out payments under the Superbahis transaction meant that the acquisition 'washed its face' in less than nine months.

*Table 7: Cash impact of the acquisition and its results during 2013*

| **In €millions** | **Total** | **Acquisition balance sheet** | **Exceptional items** |
|---|---|---|---|
| Costs of removing Sportingbet board | **(5.0)** | (5.0) | |
| Transaction fees incurred by Sportingbet | **(8.6)** | (8.6) | |
| Net current liabilities at acquisition | **(36.0)** | (36.0) | |
| **Balance sheet deficit** | **(49.6)** | (49.6) | - |
| GVC transaction costs | **(9.3)** | | (9.3) |
| Restructuring costs | **(11.9)** | | (11.9) |
| William Hill plc capital contribution | **42.6** | 42.6 | |
| William Hill loan | **8.0** | | |
| Profits arising from Sportingbet turnaround, Superbahis mitigation and Spanish contribution | **25.1** | - | 1.5 |
| | **4.9** | (7.0) | (19.7) |

**NET CURRENT ASSETS**

The net position is obviously affected by the timing of the dividend payments – which totalled €15.0 million during 2013 (2012: €8.2 million). Such is the strategy of GVC towards its dividend payments, that GVC aims to keep its Net Current Assets relatively equal to its Net Current Liabilities, but ensuring at all times that its balances with customers are covered and meet regulatory requirements.

*Table 8: Liquidity position as at 31 December 2013*

| | €000's | €000's |
|---|---|---|
| Restricted cash* | | 7,356 |
| Add: cash in transit with payment processors | | 18,270 |
| Total | | 25,656 |
| Less: Customer balances | | (13,298) |
| Surplus over customer liabilities | | 12,358 |
| Free cash | 11,452 | |
| Trade payables | (9,586) | |
| | | 1,866 |
| Installments payable in 2014 to providers of lease finance | | (945) |
| Installment payable to William Hill in December 2014 | (2,752) | |
| Loan imputed interest | 238 | |
| | | (2,514) |
| Corporate and other taxes reclaimable less payable | | (539) |
| Other tax liabilities | | (4,182) |
| Accruals, prepayments and other net current assets | | (5,765) |
| Net current assets | | 279 |

** Restricted cash refers to balances at banks where the cash has to be ring-fenced for regulatory reasons.*

**SUMMARISED CASHFLOW**

The Group's cashflow position for 2013 is summarised below:

*Table 9: Summarised cashflow*

| | 2013 €millions |
|---|---|
| **Clean EBITDA** | **38.3** |
| Less: | |
| - Exceptional items | (19.7) |
| - Betboo earnout | (6.4) |
| - Expenditure of tangible and intangible fixed assets for cash | (0.0) |
| - Corporate taxes paid (less recovered) | (0.4) |
| - Deficit in Sportingbet Balance sheet (from above) | (49.6) |
| Add: | |
| - Contribution from William Hill | 42.6 |
| - Loan from William Hill | 8.0 |
| - Cash raised in issue of share options | 0.3 |
| And: Net movements in working capital | 14.1 |
| | 27.2 |
| Less: restricted cash | (7.4) |
| **Net operating cashflows** | **19.8** |
| Less: Dividends paid (equating to 75.75% of cashflow) | (15.0) |
| **Net cashflow for year** | **4.8** |
| Add: restricted cash balances | 7.4 |
| Add: Cash at 1 January 2013 | 6.6 |
| **Cash at 31 December 2013** | **18.8** |

## NON-CURRENT LIABILITIES

These consist of three principal items:

### a.) Interest free loan from William Hill

As part of the Sportingbet acquisition there was a loan facility from William Hill of up to £15 million. At the balance sheet date the amount drawn-down amounted to £6.9 million, of which £2.3 million is repayable in less than one year and thus accounted for as a current liability and the balance is shown on the GVC balance sheet as a non-current liability. It is repayable in two further equal installments, by 31 December 2015 and 30 June 2016. Should GVC declare dividends in excess of 58 €cents per share, William Hill are entitled to receive an accelerated repayment equal to the excess of the actual dividend over 58 €cents per share. Whilst the loan is interest free, IAS 39 requires GVC to account for imputed interest calculated at 4%.

| | **2013 €000's** |
|---|---|
| Gross amount of loan payable after one year | 5,504 |
| Imputed interest | (356) |
| Amount recognised in non-current liabilities | 5,148 |

### b.) Deferred consideration on Betboo

Under accounting rules, this item is a combination of gross amounts payable, €8.4 million at 31 December 2013, and which can vary, but are subject to a cap, and the "unwinding of the discount", €0.8 million and chargeable to the Income Statement.

Following the migration of the Betboo software to the existing Sportingbet platform in the second-half of 2013 there was a minor change in the staging of the earn-out payments, but not the ultimate quantum.

*Table 10: Analysis of Betboo deferred consideration*

| **€ millions** | Due to Founders | Acquisition costs | Sub total | Accounting discount | **Total** |
|---|---|---|---|---|---|
| Arising on acquisition | 21.4 | 0.3 | 21.7 | (8.6) | **13.1** |
| Charge to income statement | | | | | |
| - prior to 2013 | - | - | - | (6.1) | **(6.1)** |
| - during 2013 | - | - | - | (1.7) | **(1.7)** |
| - due in 2014 | - | - | - | (0.7) | **(0.7)** |
| - due in future periods | - | - | - | (0.1) | **(0.1)** |
| Payments made | | | | | |
| - on acquisition | 2.8 | 0.3 | 3.1 | - | **3.1** |
| - up to 31.12.2012 | 3.8 | - | 3.8 | - | **3.8** |
| - During 2013 | 6.4 | - | 6.4 | - | **6.4** |
| Payments due | | | | | |
| - In 2014 | 3.8 | - | 3.8 | - | 3.8 |
| - In 2015 | 2.4 | - | 2.4 | - | 2.4 |
| - In 2016 | 2.2 | - | 2.2 | - | 2.2 |
| Lifetime balances | 21.4 | 0.3 | 21.7 | (8.6) | **13.1** |
| | | | | | |
| Memo, due at 31.12.2013 | 8.4 | - | 8.4 | (0.8) | **7.6** |

**c.) Finance leases**

This represents the lease finance taken-out for the purchase of software and similar underpinning the Sportsbook platform.

*Table 11: Analysis of finance lease liabilities*

| | €000's |
|---|---|
| Property, plant and equipment capitalised | 543 |
| Software capitalised | 827 |
| | 1,370 |
| Hardware and software support to be expensed | 753 |
| Total amount financed | 2,123 |
| Finance charges expensed in 2013 | 43 |
| Finance charges expensed in future periods | 74 |
| Total amounts repayable to provider of lease finance | 2,240 |
| | |
| **Payable in 2014 (included in current liabilities)** | **945** |
| Payable in future periods | 1,295 |
| | 2,240 |
| | |
| Amount payable in future periods | 1,295 |
| Less: future finance charges | (74) |
| **Included in non-current liabilities** | **1,221** |

**SUMMARY OF BALANCE SHEET MOVEMENTS**

The most significant impact on the balance sheet was the acquisition of Sportingbet and the issue of shares used to finance it.

*Table 12: Balance Sheet bridge*

| | | Total €000's |
|---|---|---|
| **At 1 January 2013** | | 58,471 |
| EBITDA | 38,299 | |
| Exceptional items | (19,711) | |
| Net finance charges | (1,104) | |
| Depreciation and amortisation | (3,740) | |
| Taxation | (711) | |
| | | 13,033 |
| Movement on translation reserve | | 359 |
| Issue of shares for Sportingbet acquisition | | 83,918 |
| Share options exercised | | 294 |
| Dividends paid | | (14,979) |
| **At 31 December 2013** | | **141,096** |

**CURRENCY EXPOSURES**

GVC Group reports in Euro and its main operating subsidiary is incorporated in the Eurozone.

*Table 13: Mix of currency exposures based on Q4-2013 revenues*

| | |
|---|---|
| Euro | 39% |
| Turkish Lira | 27% |
| Brazilian Real | 4% |
| Sterling | 4% |
| Other currencies | 26% |

During the year, the combined loss from realised and unrealised foreign exchange was €1.9 million although €1.1 million of this arose as a one-off re-translation of the Sportingbet ledgers, hitherto denominated in Sterling. The William Hill loan is denominated in Sterling (£6.9 million) and incurred an unrealised loss of €0.2 million. GVC does not take delivery of either TRY or BRL as such currency conversions are handled by the Group's payment processing intermediaries.

Additionally, the Net Current Assets of the Group are of course revalued each month at month-end exchange rates and this also results in exchange gains and losses. The principal revaluations are for the customer liabilities, although these are now largely currency matched to produce a natural hedge.

The relative purchasing power of the Euro has strengthened against three significant currencies for the Group. GVC estimates that the impact on profits from weaker TRY and BRL when compared to average rates in 2012 would be in the region of €5 million.

*Table 14: Relative purchasing power of the Euro*

(Source: www.oanda.com, the mid point of the bid/offer price has been selected)

| 1 Euro = | Average rate in 2012 | Rate at 31 Dec 2012 | Average rate in 2013 | Rate at 31Dec 2013 | % change in average rate | % change in year-end rate |
|---|---|---|---|---|---|---|
| BRL | 2.502 | 2.70856 | 2.8514 | 3.2531 | Euro Strengthened by 14.0% | Euro Strengthened by 20.1% |
| TRY | 2.314 | 2.3685 | 2.5199 | 2.9464 | Euro Strengthened by 8.9% | Euro Strengthened by 24.4% |
| GBP | 0.8113 | 0.8174 | 0.8491 | 0.8348 | Euro strengthened by 4.7% | Euro Strengthened by 2.1% |

**Future trading updates and financial calendar**

It is anticipated that GVC will make further announcements on or around the following dates:

22 April 2014 – Posting of R&As and Notice of AGM
14 May 2014 – AGM Trading Update, Result of AGM
19 May 2014 – Payment of Final Dividend
W/c 14 July 2014 – H1 and post World Cup Trading Update
W/c 18 August 2014 – Payment of quarterly dividend
W/c 22 September 2014 – Interim Results
W/c 27 October 2014 – Payment of quarterly dividend
W/c 8 December 2014 – Trading Update
W/c 12 January 2015 – Pre-close Trading Update
W/c 9 February 2015 – Payment of quarterly dividend

**Richard Cooper**
**Group Finance Director**
8 April 2014

**CONSOLIDATED INCOME STATEMENT**
**for the year ended 31 December 2013**

| | Notes | **2013 €000's** | 2012 €000's |
|---|---|---|---|
| **Net gaming revenue** | 2 | **168,407** | 60,325 |
| Cost of sales | | **(65,776)** | (23,849) |
| **Contribution** | 2 | **102,631** | 36,476 |
| Operating costs (as below) | 3 | **(88,513)** | (23,442) |
| | | | |
| Other operating costs | 3 | **(64,332)** | (21,024) |
| Share option charges | 3 | **(730)** | (79) |
| Exceptional items | 3 | **(19,711)** | 208 |
| Depreciation and amortisation | 3 | **(3,740)** | (2,547) |
| | | | |
| **Operating profit** | | **14,118** | 13,034 |
| Financial income | | **627** | 2 |
| Financial expense | | **(1,731)** | (2,206) |
| **Profit before tax** | | **13,014** | 10,830 |
| Taxation charge | | **(711)** | (480) |
| **Profit after taxation from continuing operations** | | **12,303** | 10,350 |
| Loss after taxation from discontinued operations | | **-** | (1,114) |
| **Profit after tax** | | **12,303** | 9,236 |
| | | | |
| **Earnings per share** | | **€** | € |
| **Basic** | | | |
| Profit from continuing operations | | 0.225 | 0.328 |
| Loss from discontinued operations | | - | (0.035) |
| Total | 4 | **0.225** | **0.293** |
| | | | |
| **Diluted** | | | |
| Profit from continuing operations | | 0.220 | 0.323 |
| Loss from discontinued operations | | - | (0.035) |
| Total | 4 | **0.220** | 0.288 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 December 2013**

| | **2013 €000's** | 2012 €000's |
|---|---|---|
| Profit for the year | **12,303** | 9,236 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of foreign operations | **359** | - |
| Profit and total comprehensive income for the year | **12,662** | 9,236 |

**CONSOLIDATED BALANCE SHEET**
**at 31 December 2013**

| | Notes | 2013 €000's | 2012 €000's |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | **918** | 653 |
| Intangible assets | | **153,850** | 65,440 |
| Deferred tax asset | | **-** | 83 |
| Total non-current assets | | **154,768** | 66,176 |
| | | | |
| Trade and other receivables | | **23,579** | 17,356 |
| Income taxes reclaimable | | **1,877** | 943 |
| Other tax reclaimable | | **306** | - |
| Cash and cash equivalents | | **18,808** | 6,632 |
| Total current assets | | **44,570** | 24,931 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(24,089)** | (17,270) |
| Balances with customers | | **(13,298)** | (1,712) |
| Income taxes payable | | **(2,722)** | (1,185) |
| Other taxation liabilities | | **(4,182)** | (186) |
| Total current liabilities | | **(44,291)** | (20,353) |
| | | | |
| **Current assets less current liabilities** | | **279** | 4,578 |
| | | | |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | | **(1,221)** | - |
| Non-interest bearing loan and borrowings | | **(5,148)** | - |
| Deferred consideration on Betboo | | **(7,582)** | (12,283) |
| Total non-current liabilities | | **(13,951)** | (12,283) |
| | | | |
| **Total net assets** | | **141,096** | 58,471 |
| | | | |
| **Capital and reserves** | | | |
| Issued share capital | | **609** | 316 |
| Merger reserve | | **40,407** | 40,407 |
| Share premium | | **84,530** | 611 |
| Translation reserve | | **359** | - |
| Retained earnings | | **15,191** | 17,137 |
| **Total equity attributable to equity holders of the parent** | | **141,096** | 58,471 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2013**

**Attributable to equity holders of the parent company:**

| | Share Capital €000's | Merger Reserve €000's | Share Premium €000's | Translation Reserve €000's | Retained Earnings €000's | Total €000's |
|---|---|---|---|---|---|---|
| Balance at 1 January 2012 | 315 | 40,407 | 416 | - | 16,036 | 57,174 |
| Share option charges | - | - | - | - | 568 | 568 |
| Lapsed share options | - | - | - | - | (489) | (489) |
| Share options exercised | 1 | - | 195 | - | - | 196 |
| Dividend paid | - | - | - | - | (8,214) | (8,214) |
| Transactions with owners | 1 | - | 195 | - | (8,135) | (7,939) |
| Profit and total comprehensive expense | - | - | - | - | 9,236 | 9,236 |
| **Balance as at 31 December 2012** | **316** | **40,407** | **611** | **-** | **17,137** | **58,471** |
| Balance at 1 January 2013 | 316 | 40,407 | 611 | - | 17,137 | 58,471 |
| Share option charges | - | - | - | - | 736 | **736** |
| Share options cancelled | - | - | - | - | (6) | **(6)** |
| Share options exercised | 3 | - | 291 | - | - | **294** |
| Issue of share capital for the acquisition of Sportingbet PLC | 290 | - | 83,628 | - | - | **83,918** |
| Dividend paid | - | - | - | - | (14,979) | **(14,979)** |
| Transactions with owners | 293 | - | 83,919 | - | (14,249) | **69,963** |
| Profit and total comprehensive income | - | - | - | - | 12,303 | **12,303** |
| Total comprehensive income | - | - | - | 359 | - | **359** |
| **Balance as at 31 December 2013** | **609** | **40,407** | **84,530** | **359** | **15,191** | **141,096** |

All reserves of the Company are distributable, as under The Isle of Man Companies Act 2006, distributions are not governed by reserves but by the Directors undertaking an assessment of the Company's solvency at the time of distribution.

**CONSOLIDATED STATEMENT OF CASHFLOWS**
**For the year ended 31 December 2013**

| | Notes | **2013 €000's** | 2012 €000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | **173,885** | 56,881 |
| Cash paid to suppliers and employees | | **(181,592)** | (47,686) |
| Corporate taxes recovered | | **1,143** | 1,529 |
| Corporate taxes paid | | **(1,580)** | (1,946) |
| **Net cash from operating activities** | | **(8,144)** | 8,778 |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | **33** | 2 |
| Acquisition earn-out payments (Betboo) | | **(6,378)** | (2,863) |
| Acquisition (net of cash acquired) | 5 | **64,755** | - |
| Non-interest bearing loan (from William Hill) | | **8,020** | - |
| Acquisition of property, plant and equipment | | **(37)** | (492) |
| Acquisition of intangible assets | | **(4)** | (628) |
| **Net cash from investing activities** | | **66,389** | (3,981) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **294** | 196 |
| Repayment of borrowings | 5 | **(31,384)** | - |
| Dividend paid | | **(14,979)** | (8,214) |
| **Net cash from financing activities** | | **(46,069)** | (8,018) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **12,176** | (3,221) |
| Cash and cash equivalents at beginning of the year | | **6,632** | 9,853 |
| **Cash and cash equivalents at end of the year** | | **18,808** | 6,632 |

## NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The financial information, which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and related notes, is derived from the Group financial statements for the year ended 31 December 2013, which have been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and those parts of the Isle of Man Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full accounts within the meaning of the Isle of Man Companies Act 2006. This financial information has been agreed with the auditors for release.

The financial statements are presented in the Euro, rounded to the nearest thousand, and are prepared on the historical cost basis. The financial statements are prepared on the going concern basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The preparation of financial statements in conformity with IFRSs requires directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 2. SEGMENTAL REPORTING

2.1 Reporting by segment

| | Notes | **2013 €000's** | 2012 €000's |
|---|---|---|---|
| **STATEMENT OF TURNOVER** | | | |
| Sports wagers | | **1,169,505** | 518,931 |
| *Sports margin* | | ***9.6%*** | *11.3%* |
| Gross margin | | **112,081** | 58,647 |
| | | | |
| Sports NGR | | **90,823** | 50,621 |
| Gaming NGR | | **89,750** | 56,522 |
| | | **180,573** | 107,143 |
| | | | |
| Revenue recognised by GVC | | **168,407** | 60,325 |
| Revenue recognised by B2B partners (up until 19 March 2013) | | **12,166** | 46,818 |
| | | **180,573** | 107,143 |
| | | | |
| **SEGMENTAL REPORTING** | | | |
| **Total revenue** | | **168,407** | 60,325 |
| Variable costs | | **(65,776)** | (23,849) |
| **Contribution** | | **102,631** | 36,476 |
| *Contribution margin* | | ***61%*** | *60%* |
| Other operating costs | 4 | | |
| Personnel expenditure | | **(32,507)** | (10,811) |
| Professional fees | | **(2,523)** | (1,177) |
| Technology costs | | **(19,795)** | (2,856) |
| Office, travel and other costs | | **(5,146)** | (1,909) |
| Third party service costs | | **(2,427)** | (3,925) |
| Foreign exchange differences | | **(1,934)** | (346) |
| **Clean EBITDA** | | **38,299** | 15,452 |
| Exceptional items | 4 | **(19,711)** | 208 |
| Share option charges | 4 | **(730)** | (79) |
| **EBITDA** | | **17,858** | 15,581 |
| Depreciation and amortisation | 4 | **(3,740)** | (2,547) |
| Financial income | | **627** | 2 |
| Financial expense | | **(11)** | - |
| Finance lease interest | | **(43)** | - |
| Unwinding of discount on deferred consideration | | **(1,677)** | (2,206) |
| **Profit before tax** | | **13,014** | 10,830 |
| Taxation | | **(711)** | (480) |
| **Profit after tax from continuing operations** | | **12,303** | 10,350 |
| | | | |
| **NET ASSETS** | | | |
| Non-current assets | | **154,768** | 66,176 |
| | | | |
| Current assets | | **44,570** | 24,931 |
| Current liabilities | | **(44,291)** | (20,353) |
| Net current assets | | **279** | 4,578 |
| | | | |
| Non-current liabilities | | **(13,951)** | (12,283) |
| | | | |
| **Net assets** | | **141,096** | 58,471 |
| **Total assets** | | **199,338** | 91,107 |
| **Total liabilities** | | **(58,242)** | (32,636) |

2.2 Performance Summary

| | €000's | Total €000's |
|---|---|---|
| **Revenue** | | |
| H2-2013 | **95,744** | |
| H1-2013 | **72,663** | |
| FY-2013 | | **168,407** |
| H2-2012 | **30,699** | |
| H1-2012 | **29,626** | |
| FY-2012 | | **60,325** |
| | | |
| **Contribution** | | |
| H2-2013 | **57,081** | |
| H1-2013 | **45,550** | |
| FY-2013 | | **102,631** |
| H2-2012 | **18,801** | |
| H1-2012 | **17,675** | |
| FY-2012 | | **36,476** |
| | | |
| **Clean EBITDA** | | |
| H2-2013 | **20,499** | |
| H1-2013 | **17,800** | |
| FY-2013 | | **38,299** |
| H2-2012 | **7,776** | |
| H1-2012 | **7,676** | |
| FY-2012 | | **15,452** |

**3. OPERATING COSTS**

| | Notes | **2013 €000's** | 2012 €000's |
|---|---|---|---|
| Wages and salaries, including Directors remuneration | | **24,776** | 8,700 |
| Amounts paid to long term contractors | | **3,763** | 868 |
| Compulsory social security contributions | | **1,794** | 718 |
| Compulsory pension contributions | | **751** | 195 |
| Health and other benefits | | **701** | 45 |
| Recruitment and training | | **722** | 285 |
| Personnel expenditure (excluding share option charges) | | **32,507** | 10,811 |
| Professional fees | | **2,523** | 1,177 |
| Technology costs | | **19,795** | 2,856 |
| Office, travel and other costs | | **5,146** | 1,909 |
| Third party service costs* | | **2,427** | 3,925 |
| Foreign exchange differences | | **1,934** | 346 |
| **Other operating costs** | | **64,332** | **21,024** |
| | | | |
| Share option charges | | **730** | 79 |
| Exceptional items | 3.1 | **19,711** | (208) |
| Depreciation | | **504** | 248 |
| Amortisation | | **3,236** | 2,299 |
| | | **88,513** | 23,442 |

** provided to Betboo by external providers*

## 3.1 Exceptional items

The Group incurred expenditure on exceptional items. These are items which are both exceptional in size and nature.

| | Notes | **2013 €000's** | 2012 €000's |
|---|---|---|---|
| Costs arising on the acquisition of Sportingbet PLC | | | |
| - Legal advice | a | **3,428** | - |
| - Nominated advisors | a | **1,210** | - |
| - Reporting accountants | a | **938** | - |
| - Other professional fees | a | **822** | - |
| Total of professional fees | | **6,398** | - |
| - Underwriting | a | **810** | - |
| - Stamp duty and stock exchange fees | a | **639** | - |
| - Transaction success bonuses | a | **1,444** | |
| **Transaction costs** | | **9,291** | - |
| | | | |
| Redundancies, retentions and similar | a | **9,017** | - |
| Contract buyouts | a | **2,855** | - |
| **Restructuring costs** | | **11,872** | **-** |
| | | | |
| Economic benefit from the management of the Sportingbet Spanish business | b | **(1,452)** | - |
| | | | |
| Boss dispute | c | **-** | (208) |
| | | | |
| | | **19,711** | (208) |

**Note a:**

On 19 March 2013, the Group completed the acquisition of Sportingbet PLC. Professional fees attributable to the acquisition and subsequent costs restructuring the Sportingbet business have been treated as exceptional items. Professional fees associated with the acquisition and incurred by Sportingbet amounted to €8,624,000 (£7,396,000). These have been included in the acquisition balance sheet as liabilities.

**Note b:**

As part of the Group's acquisition of Sportingbet PLC, a call option was granted to William Hill PLC over certain assets of Sportingbet's Spanish business. The call option assets were:

(i) the Spread Your Wings Spain PLC ("SYWS") Customer List;
(ii) the SYWS Customer Balances;
(iii) the entire issued share capital of SYWS; and
(iv) the entire issued share capital of Asesores en Tecnología y Diseño, S.L. ("ATD").

William Hill exercised the call option over all of the call option assets, as a result the Group was entitled to receive the economic benefit of the assets until 16 September 2013. The Group does not consider that it exercised control over the Spanish business in this period and its results have therefore not been consolidated. The benefit to the Group arising from the management fee earned in the period has been shown as exceptional income.

**Note c:**

The Group had been in a number of legal disputes with Boss Media and these have now ended. The net costs incurred by the Group relating to these disputes has been taken as an exceptional item.

**4. EARNINGS PER SHARE**

4.1 Basic Earnings Per Share and Basic Earnings Per Share Before Exceptional Items

Basic earnings per share has been calculated by taking the profit attributable to ordinary shareholders and dividing by the weighted average number of shares in issue. Basic earnings per share from continuing operations before exceptional items has been calculated by taking the profit attributable to ordinary shareholders and adding back the cost of exceptional items in the year and dividing by the weighted average number of shares in issue.

| | **2013** | 2012 |
|---|---|---|
| Profit for the year from continuing operations attributable to ordinary shareholders | **12,303,000** | 10,350,000 |
| Loss for the year from discontinued operations attributable to ordinary shareholders | **-** | (1,114,000) |
| Profit for the year attributable to ordinary shareholders | **12,303,000** | 9,236,000 |
| Weighted average number of shares | **54,586,391** | 31,553,164 |
| Basic earnings from continuing operations (in €) | 0.225 | 0.328 |
| Basic earnings from discontinued operations (in €) | - | (0.035) |
| **Basic earnings per share (in €)** | **0.225** | 0.293 |
| Exceptional items | **19,711,000** | (208,000) |
| Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items | **32,014,000** | 10,142,000 |
| **Basic earnings per share from continuing operations before exceptional items (in €)** | **0.586** | 0.321 |

4.2 Diluted Earnings Per Share and Diluted Earnings Per Share Before Exceptional Items

Diluted earnings per share has been calculated by taking the profit attributable to ordinary shareholders and dividing by the weighted average number of shares in issue as diluted by share options. Diluted earnings per share from continuing operations before exceptional items has been calculated by taking the profit attributable to ordinary shareholders and adding back the cost of exceptional items and dividing by the weighted average number of shares in issue, as diluted by share options.

| | **2013** | 2012 |
|---|---|---|
| Profit for the year from continuing operations attributable to ordinary shareholders | **12,303,000** | 10,350,000 |
| Loss for the year from discontinued operations attributable to ordinary shareholders | **-** | (1,114,000) |
| Profit for the year attributable to ordinary shareholders | **12,303,000** | 9,236,000 |
| Weighted average number of shares | **54,586,391** | 31,553,164 |
| Effect of dilutive share options | **1,419,914** | 505,663 |
| Weighted average number of dilutive shares | **56,006,305** | 32,058,827 |
| Diluted earnings from continuing operations (in €) | 0.220 | 0.323 |
| Diluted earnings from discontinued operations (in €) | - | (0.035) |
| **Diluted earnings per share (in €)** | **0.220** | 0.288 |
| Exceptional items | **19,711,000** | (208,000) |
| Profit for the year from continuing operations attributable to ordinary shareholders before exceptional items | **32,014,000** | 10,142,000 |
| **Diluted earnings per share from continuing operations before exceptional items (in €)** | **0.572** | 0.316 |

**5. ACQUISITION OF SPORTINGBET PLC AND GOMIFER S.A.**

5.1 Sportingbet Plc

On 19 March 2013, the Group completed the acquisition of Sportingbet PLC. Under a court approved Scheme of Arrangement, it excluded the Australian business of Sportingbet which was acquired by William Hill PLC. References to Sportingbet in this statement exclude Australia.

The Group issued 29,018,075 shares at 248p* as consideration, booked at 19 March 2013 exchange rate of £1 = €1.1661, this amounted to €83,918,184 for the acquisition.

** In accordance with IFRS3 – Business Combinations, the price at the date of completion of the acquisition on 19 March 2013 is used as the basis for the fair value of consideration transferred.*

The fair value of consideration comprised the following:

| | | **€000's** |
|---|---|---|
| **Fair value of consideration transferred** | | **83,918** |
| Recognised amounts of identifiable net assets: | | |
| **Non-current assets** | *Useful economic life* | |
| - Property, plant and equipment | *3 years* | 165 |
| - Intangible assets | *3 years* | 769 |
| - Trade names | *5 years* | 946 |
| - Customer list | *2 years* | 675 |
| - Software | *3 years* | 4,187 |
| - Goodwill | *Indefinite* | 84,221 |
| | | 90,963 |
| **Current assets** | | |
| - Trade and receivables | | 21,700 |
| - Cash and cash equivalents* | | 64,792 |
| | | 86,492 |
| **Current liabilities** | | |
| - Trade and other payables | | (55,066) |
| - Bank borrowings and similar | | (31,384) |
| - Income taxes payable | | (820) |
| - Other taxation liabilities | | (6,267) |
| | | (93,537) |
| **Net current liabilities** | | (7,045) |
| **Net position** | | **83,918** |

**includes €42,562,000 (£36,500,000) received from William Hill PLC as a contribution into the scheme of arrangement pool towards the settlement of acquisition liabilities in the Sportingbet Group.*

**Goodwill**

Goodwill of €84,221,000 is primarily related to expected future profitability following the restructuring of Sportingbet, growth expectations from utilising the Sportingbet software platform throughout the group including the provision of services to B2B partners and expected cost synergies.

**Pre-existing relationships**

In considering the impact of the acquisition of Sportingbet and its contracts with East Pioneer Corporation ("EPC") with whom the Group had pre-existing contracts relating to the Superbahis business, the Group re-evaluated its contract with EPC in accordance with IFRS 3. In so doing, it considered the services provided, the risks associated with the provision of those services and the expected financial reward for their provision and concluded the existing contract remained on terms no more or less favourable to market conditions than on its outset.

**Transaction costs**

As part of the transaction costs the Group incurred €6,398,000 of legal and professional fees in acquiring the business. These costs have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year within 'exceptional items'. See note 3.1 for details.

5.2 Gomifer S.A.

On 1 October 2013 following the migration of the Betboo business to the Sportingbet trading platform (see note 12), the Group acquired Gomifer S.A. from the founders of the Betboo business for $1 plus the net asset value of the business at the date of transfer.

The fair value of net assets acquired are as follows:

| | | **€000's** |
|---|---|---|
| **Non-current assets** | *Useful economic life* | |
| - Property, plant and equipment | *3 years* | 23 |
| - Intangible assets | *3 years* | 11 |
| | | 34 |
| **Current assets** | | |
| - Trade and receivables | | 61 |
| - Cash and cash equivalents | | 14 |
| | | 75 |
| **Current liabilities** | | |
| - Trade and other payables | | (58) |
| **Net current assets** | | 17 |
| **Net assets acquired** | | **51** |

5.3 Net Cash Acquired Through Acquisition

The net cash acquired through acquisition is show below:

| | **€000's** |
|---|---|
| Sportingbet Plc acqusition | 64,792 |
| Gomifer S.A. acquisition | 14 |
| Gomifer S.A consideration | (51) |
| | 64,755 |

## 6. RESTATEMENTS

The Group has made two restatements in the period.

**Net Gaming Revenue**
Betting duties and similar taxes and charge-backs have been restated to be recognised as a 'Cost of Sale'. 'Net Gaming Revenue' is now measured at the fair value of consideration received or receivable net of promotional bonuses only.

**Technology costs**
Technology costs relating to the provision of sports data have been restated from 'Cost of Sales' to 'Operating Costs', as it is judged that they are more representative of the contractual commitment being expressed as expenditure as opposed to cost of sales.

The comparative figures for the financial year ending 2012 have been restated as below for these restatements.

| | Original €000's | Restatements €000's | Restated €000's |
|---|---|---|---|
| Revenue | 59,596 | 729 | 60,325 |
| Cost of sales | (24,513) | 664 | (23,849) |
| Operating costs | (22,049) | (1,393) | (23,442) |
| Operating profit | 13,034 | - | 13,034 |

**- Ends -**