**9 March 2018**

# GVC Holdings PLC

("GVC" or the "Group")

## Final results for the year ended 31 December 2017

GVC Holdings PLC (LSE:GVC), the multinational sports betting and gaming group, is pleased to announce audited results for the year ended 31 December 2017.

| Year ended 31 December[1] | 2017 €m | 2016 (pro forma[2]) €m | Change | Constant currency | 2016 (actual) €m |
|---|---|---|---|---|---|
| NGR | 925.6 | 794.3 | *17%* | *17%* | 743.1 |
| NGR (including discont'd[3]) | 1,008.0 | 894.6 | *13%* | *15%* | 843.4 |
| Revenue | 896.1 | 772.9 | *16%* | *16%* | 723.0 |
| Clean EBITDA[4] | 239.5 | 170.5 | *40%* | | 158.3 |
| Clean EBITDA (inc discont'd) | 274.2 | 205.7 | *33%* | | 193.5 |
| Adjusted[5] PBT | 178.7 | | | | 58.9 |
| Adjusted EPS € | 0.56 | | | | 0.19 |
| Adjusted EPS (inc discont'd) € | 0.66 | | | | 0.31 |
| DPS € | 0.34 | | | | 0.30 |

## Financial highlights[1]

- NGR +17% to €925.6m vs pro forma 2016 (+ 17% in constant currency)
- Clean EBITDA +40% to €239.5m vs pro forma 2016
- Adjusted profit before tax +182% to €178.7m
- Adjusted EPS €0.56 (2016: €0.19), adjusted EPS inc discont'd €0.66 (2016: €0.31)
- Second interim dividend €0.175, giving full year €0.34 (+13% vs 2016)
- Net debt €108.6m (2016: €126.1m)

## Operational highlights[1]

- Sports Brands NGR +20% vs pro forma 2016, driven by strong sports and gaming
- Games Brands NGR +12% vs pro forma 2016, driven by investment in partypoker and positive performance from casino brands
- Platform migration of all key territories now complete
- Significant product development and enhancements released in 2017 and more to come in 2018
- Disposal of Headlong and associated Turkish facing businesses

## Update and Current Trading (Q1 for period up to 4 March)

- GVC and Ladbrokes Coral shareholders overwhelmingly approve acquisition
- Strong start to 2018 with NGR +16% (+18% in constant currency) up to 4 March 2018
- Acquisition post period end of 51% of Mars LLC ('Crystalbet') in Republic of Georgia
- Board's expectations for the full year remain unchanged

Kenneth Alexander (CEO) said:

"GVC achieved a significant amount in 2017 and as these numbers demonstrate, we have delivered material value from the bwin.party acquisition. It is particularly pleasing that we have been able to produce such strong results at the same time as completing the integration of bwin.party and continuing to enhance our product offering. Our core markets offer attractive growth prospects but we also recognise the opportunity presented by our proprietary technology to create significant synergies through M & A. The importance of geographic diversification is also a key dynamic given the evolving regulatory backdrop. Thus the acquisition of Ladbrokes Coral Group represents an exciting opportunity, bringing together industry leading online and retail brands. There will be plenty of hard work ahead, but we are confident that GVC will deliver once again."

*The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.*

[1] *All financial figures based on continuing operations unless otherwise stated*
[2] *Assumes bwin.party acquisition completed on 1 January 2016*
[3] *Discontinued operations include Headlong and associated Turkish facing businesses*
[4] *Earnings before interest, taxation, depreciation, amortisation, share option costs, impairment charges, exceptional items and other non-trading items*
[5] *Profit before exceptional items, amortisation associated with acquisitions, dividends from previously sold businesses, amortisation of loan fees and repayment option*

## Presentation and live webcast

A presentation for analysts and investors will be held today at 9:30am GMT in the offices of Buchanan Communications, 107 Cheapside, London, EC2V 6DN.

A live audio webcast of the results presentation will be available at 9.30am via the following link: http://vm.buchanan.uk.com/2018/gvc090318/registration.htm

An on demand replay will also be available via the same link and on the GVC website from 12 noon.

**- ends -**


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**About GVC Holdings PLC**
GVC Holdings PLC is a leading e-gaming operator in both B2C and B2B markets. GVC has four business segments with a number of brands; Sports Brands (bwin, Sportingbet, Gamebookers), Games Brands (partypoker, partycasino, Foxy Bingo, Gioco Digitale, CasinoClub), B2B and non-core assets. GVC acquired bwin.party digital entertainment plc on 1 February 2016. The Group is headquartered in the Isle of Man, is a constituent of the FTSE 250 index and has licences in 18 jurisdictions.

For more information see the Group's website: www.gvc-plc.com

## Definition of terms

| | |
|---|---|
| Clean EBITDA | Earnings before interest, taxation, depreciation, amortisation, impairment charges, changes in the fair value of derivative financial instruments, share option charges and exceptional items |
| Contribution | Revenue less betting taxes, payment service provider fees, software royalties, affiliate commissions, partner shares and marketing costs |
| Contribution margin | Contribution as a percentage of NGR |
| Constant currency basis | Each month in the prior period re-translated at the current periods exchange rate |
| Enlarged Group | GVC Holdings plc incorporating Ladbrokes Coral Group |
| IFRS | International Financial Reporting Standards |
| KPIs | Key Performance Indicators |
| Net debt | Cash and cash equivalents (including amounts recorded as assets in disposal groups classified as held for sale), less customer liabilities less interest bearing loans and borrowings. |
| Net Gaming Revenue ("NGR") | Revenue before deducting VAT |
| Revenue | Net Gaming Revenue less VAT (imposed by certain EU jurisdictions on either sports or gaming revenue) |
| Sports Gross Margin | Sports wagers less payouts |
| Sports Gross Margin % | Sports Gross Margin divided by Sports wagers |
| Sports Net Gaming Revenue ('Sports NGR') | Sports Gross Margin less free bets and promotional bonuses |

## Dividend timetable

| | |
|---|---|
| 09 March | Dividend declared |
| 22 March | Ex-dividend date |
| 23 March | Record date |
| 03 May | Payment date |

## Future trading updates and financial calendar

| | |
|---|---|
| April | Trading update |
| w/c 23 April | Posting of 2017 Annual Report |
| 6 June | AGM |
| July | Trading update |
| September | Interim results |
| October | Trading update |

## Chairman's Statement

The upward trajectory and evolution of GVC into one of the world's leading online gaming companies continued apace in 2017, culminating in the recommended offer for the Ladbrokes Coral Group plc, announced in December. Ladbrokes Coral shareholders on 8 March voted overwhelmingly in favour of the GVC offer. Before looking at the transaction in more detail it is worth reflecting on what we achieved in 2017 which positioned the Group to be able to pursue such an exciting opportunity.

**Operational integration complete**
In February 2016, we undertook our most ambitious acquisition to date with the purchase of bwin.party. In less than two years the business has been fully integrated within the GVC Group. The migration of Latin America onto the bwin.party technology platform completed in early 2018 and represented the last material element to complete the full integration. I'm pleased to report that the migration process was a great success, both from a technology and customer perspective. All of our customers now enjoy a significantly enhanced user experience in terms of breadth of product and speed of delivery.

In May 2017, we held a Capital Markets day to demonstrate to investors and analysts the progress we had made with the integration of bwin.party and to give a better insight into GVC and the people, brands and technology that drive the business. The event was well attended and particularly pleasing was the positive feedback on the breadth and depth of our senior management team, something that we are very proud of and which is critical to the success of the business.

**Financial performance**
Acquisitions and integrations can often cause short-term distractions in businesses, temporarily impacting growth. Therefore, it is pleasing to report such a strong revenue performance in 2017. On a reported basis, NGR for the financial year to 31 December 2017 was €925.6m, an increase of 17% over pro forma 2016 and +17% on a constant currency basis. Given that 2016 included the UEFA European Championship, the underlying growth was even more impressive. Including discontinued[1] activities, NGR was €1,008.0m, an increase of 13% on pro forma 2016.

Strong revenue growth combined with the continuing benefit from synergies, saw Clean EBITDA rise 40% over pro forma 2016 to €239.5m. This represented an improvement in the Clean EBITDA margin to 26% (21% pro forma 2016). Including discontinued businesses, total Clean EBITDA was €274.2m compared to €205.7m for pro forma 2016. With a second interim dividend of 17.5 euro cents per share declared, the total declared dividend for the 2017 financial year was 34 euro cents. This represented an increase of 13% on the aggregate two special dividends declared for the 2016 financial year. In 2017, we returned €141m to shareholders via ordinary and special dividend payments.

The strong financial and operational progress made by the Group, enabled us to secure materially improved debt facilities in 2017. In February 2017, the Cerberus Loan used to partially finance the acquisition of bwin.party, was repaid in full via a bridging loan and this was subsequently replaced with a new €250m six-year Senior Secured loan and €70m RCF at materially lower rates of interest. In November 2017, the Senior Secured loan was extended by a further €50m, with a reduction in margin (2.75% + euribor vs 3.25% previously) and on more flexible covenants.

**Corporate activity**
2017 saw the Group undertake a number of transactions as we continue to reshape our business to maximise long-term shareholder returns. In May 2017, we concluded the sale of the payment processing business operating under the Kalixa brand. Kalixa was a non-core activity that was originally part of the bwin.party acquisition. During the second-half of last year we acquired Cozy Games, and with it, Cozy's proprietary bingo platform. As a result, GVC now has proprietary technology across all key online gaming verticals – an important differentiator from our peers. Also during 2017, we took full control of our marketing operations in Greece after buying out our partners.

In an increasingly regulated online gaming environment and one where industry consolidation is vital to diversifying risk and addressing increased costs/taxation, the Board took the decision in November 2017 to dispose of GVC's Turkish-facing operations. The original intention was to sell the respective businesses in return for an earn-out over a five-year period. However, as part of the proposed Ladbrokes Coral Group acquisition, GVC elected to give up the right to future earn-out payments. The

scale of the potential synergies together with the strategic benefits of the Ladbrokes Coral transaction, meant that this was a dis-synergy that was firmly in the interests of the business and its shareholders.

Turning to the proposed Ladbrokes Coral Group acquisition, the combination will create one of the world's largest online gaming groups, with a large portfolio of established brands and a proven scalable proprietary technology platform. Over 90% of revenues would be derived from regulated and/or locally taxed markets and as new markets open up this regulatory footprint will become increasingly important. Furthermore, at least £100m of annualised synergies are expected to be derived from the enlarged Group. These synergies are in addition to the remaining synergies expected to be derived from the Ladbrokes combination with Coral. Yesterday in separate votes, Ladbrokes Coral and GVC shareholders voted in favour of the recommended offer.

In March 2018, we announced the acquisition of 51% of Mars LLC (trading as Crystalbet), one of the Republic of Georgia's leading fully regulated online gaming companies. Crystalbet management has a proven track record, delivering strong growth and gaining market share with a highly effective approach to customer acquisition. GVC will provide Crystalbet with access to a greater portfolio of product and shared expertise. We expect to acquire the remaining 49% in 2021.

**Regulation**

Millions of customers enjoy the entertainment of gambling and have a positive experience, however, for those few that demonstrate problem gambling behaviours, we as operators have an obligation to protect them. In many of the markets in which we operate, the gaming industry has come under the increasing scrutiny of regulators. The UK Gambling Commission (UKGC) in particular has been driving the industry to improve its approach to problem gambling and we very much support this. Where the UKGC has initiated, we as an industry now have to lead. Ultimately, a higher quality, more professional industry will be positive for both consumers and operators.

**Board**

In June 2017, Jane Anscombe was appointed to the Board and became Chair of the Remuneration Committee. Jane played a key role in the introduction of the new incentive plans for management, which were approved by shareholders at an EGM in December 2017. Norbert Teufelberger retired from the Board in February 2018, having served his two-year term. Norbert joined the Board following the acquisition of bwin.party and we would like to thank him for his contribution and wish him all the very best for the future. Upon completion of the Ladbrokes Coral Group transaction, Paul Miles will step down from his position as Chief Financial Officer to be succeeded by Paul Bowtell of Ladbrokes Coral Group plc. Paul Miles has considerably strengthened the Group's finance function since he arrived and played a key role in the further development of GVC as a successful global business. We thank Paul for his hard work, professionalism and being a great member of the team.

I would also like to thank the entire GVC team for their hard work that has enabled the Group to continue to deliver such strong financial results. The gaming industry continues to evolve, presenting opportunities and challenges, but through our high quality people, strong brands and proprietary technology, GVC is well placed to continue to deliver shareholder value.

GVC will be posting its 2017 Annual Report to shareholders in the week commencing 23 April 2018 and it will be uploaded on our website (www.gvc-plc.com) from that date. The AGM will be held in Gibraltar on 6 June 2018.

**Lee Feldman**
Non-Executive Chairman
8 March 2018

[1]*Discontinued activities includes Headlong and associated Turkish facing operations*

## Chief Executive's Review

The Group enjoyed a highly successful 2017, comfortably exceeding market expectations[6] at the beginning of the year, both in terms of NGR and Clean EBITDA. All figures and narrative are for continuing businesses unless stated.

| Year ended 31 December | 2017 €m | 2016 (actual) €m | 2016 (pro forma[3]) €m | Change | Constant currency |
|---|---|---|---|---|---|
| Sports wagers | 3,855.4 | 3,567.3 | 3,789.6 | *2%* | *2%* |
| Sports margin | 10.8% | 9.4% | 9.4% | | |
| NGR | 925.6 | 743.1 | 794.3 | *17%* | *17%* |
| NGR (inc discont'd) | 1,008.0 | 843.4 | 894.6 | *13%* | *15%* |
| Revenue | 896.1 | 723.0 | 772.9 | *16%* | |
| Contribution | 454.4 | 393.6 | 420.1 | *8%* | |
| Contribution margin | *49%* | *53%* | *53%* | | |
| Clean EBITDA | 239.5 | 158.3 | 170.5 | *40%* | |
| Clean EBITDA (inc. discont'd) | 274.2 | 193.5 | 205.7 | *33%* | |
| Statutory operating loss | (5.2) | (116.0) | | | |
| Adjusted PBT | 178.7 | 58.9 | | | |
| Statutory loss before tax | (25.6) | (173.5) | | | |
| Adjusted EPS € | 0.56 | 0.19 | | | |
| Adjusted EPS (inc discont'd) | 0.66 | 0.31 | | | |
| DPS € | 0.34 | 0.30 | | | |

NGR for the year ended 31 December 2017, was €925.6m, representing an increase of 17% on pro forma[3] 2016 (€794.3m) and +17 in constant currency. This was particularly pleasing given the absence of a major summer football tournament in 2017 compared to the prior year, which benefited from UEFA Euro 2016. Including discontinued businesses, Group NGR was €1,008.0m, an increase of 13% (+15% on a constant currency basis) on pro forma 2016. Approximately 74% of NGR was derived from markets that were regulated and/or locally taxed[7]

Clean EBITDA was €239.5m, representing an increase of 40% on pro forma 2016 (+51% on a reported basis), with the margin improving to 26% (21% pro forma 2016). The improvement in EBITDA margin came despite an increase in the proportion of revenues from regulated/locally taxed markets and the return to a more normalised level of marketing investment (25% of NGR vs 21% in pro forma 2016). Revenue growth and incremental synergy benefits from the bwin.party acquisition more than offset these higher variable costs. Clean EBITDA including discontinued businesses increased to €274.2m, (pro forma 2016: €205.7m). A statutory operating loss of €5.2m (2016: loss €116.0m) was reported, which included exceptional charges and non-trading items of €76.0m (2016: €107.0m) and amortisation of acquired assets of €121.0m (€109.5m).

Adjusted PBT was €178.7m, compared to €58.9m in 2016, reflecting the growth in Clean EBITDA and significantly lower finance costs following the refinancing of debt facilities in February 2017. As a result adjusted EPS, increased by 195% to 56 euro cents per share. The statutory reported loss before tax was €25.6m (€173.5m loss in 2016).

In December 2017, we disposed of our Turkish facing businesses and these contributed revenues of €82.4m (2016: €100.3m), Clean EBITDA of €34.7m (2016: €35.2m) and a loss before tax €15.3m for the period up to disposal (19 December 2017) against a PBT of €34.9m in 2016.

The second interim dividend declared for the 2017 financial year was 17.5 euro cents, giving 34.0 euro cents in aggregate. This represents an increase of 13% against the two special dividends paid for the 2016 financial year. In aggregate, we returned €141m to shareholders via dividends paid in 2017.

In January 2018, we announced that we had received an assessment from the Greek authorities for taxes and associated fines and interest amounting to €186.77m. This related to one of the Group's subsidiaries with respect to the tax years 2010-11. The Board strongly disputes the basis of the Assessment calculation, believing the assessed quantum to be widely exaggerated. Having received professional legal and tax advice, the Group is confident that it is in a strong position to appeal the assessment and has commenced the appropriate process. As previously announced, the appeals process requires the Group to make payments of c€8m per month and this has commenced in agreement with the Greek authorities. Until those proceedings advance further, on the balance of probability the Directors do not feel a potential liability will arise. We will update the market accordingly.

**Integration update**

Technology is core to the success of GVC and the smooth integration of bwin.party is testament both to the strength of the platform and the high quality of our people. Latin America was the last major regional market to be migrated onto the technology platform acquired as part of the bwin.party acquisition and this was completed early in 2018. Through hard work and careful planning the migration process has been a complete success, from both a technology and a customer experience perspective. What is particularly pleasing is that we have achieved this, together with product enhancements at the same time as significantly reducing our technology costs.

**Operational overview**

GVC operates through four divisions; Sports Brands, Games Brands, B2B and Non-core. To give a more accurate reflection of year on year comparative performance, unless stated all figures exclude discontinued activities and 2016 divisional KPIs are provided on a pro forma basis.

**Sports Brands**

The division encompasses a number of well-established sports brands including; bwin, Sportingbet, Betboo and Gamebookers, of which the former is the largest.

| Year ended 31 December | 2017 €m | 2016 (pro forma) €m | Change | Constant currency | 2016 (actual) €m |
|---|---|---|---|---|---|
| Sports wagers | 3,785.6 | 3,724.4 | *2%* | *2%* | 3,508.3 |
| Sports margin | 10.8% | 9.4% | | | 9.4% |
| Sports NGR | 331.2 | 277.9 | *19%* | *18%* | 260.7 |
| Gaming/other NGR | 332.6 | 275.7 | *21%* | *20%* | 259.7 |
| NGR | 663.8 | 553.6 | *20%* | *19%* | 520.4 |
| EU VAT | (22.2) | (15.0) | *(48%)* | | (13.9) |
| Revenue | 641.6 | 538.6 | *19%* | | 506.5 |
| | | | | | |
| Contribution | 360.3 | 318.1 | *13%* | | 298.6 |
| Contribution margin | *54%* | 57% | | | *57%* |

Divisional NGR rose 20% in 2017 against 2016 (+19% on a constant currency basis). The sports gross win margin was 10.8% (9.4% in 2016), ahead of the previous long-term guidance of 10%. Given the evolving geographic mix of the business, we now believe the long-term average gross win margin should be c10.5%. Amounts wagered grew 2%, this was despite the strong gross margin. It should also be noted that unlike 2016, there was no major summer football tournament in 2017.

The combination of above average gross win margin and solid wagering performance, led to sports NGR growing 19% to €331.2m compared to pro forma 2016. Meanwhile, the benefits of a programme of continuous improvement in the product offering and a greater emphasis on cross-selling saw gaming NGR from sports customers increase by 21% to €332.6m (2016: €275.7m).

Contribution from Sports Brands improved to €360.3m, an increase of 13% on pro forma 2016. The contribution margin was 54% (2016: 57%), the decline reflecting the impact from the disposal of

Kalixa (previously internally consolidated costs now being external), changing geographic mix and an increase in marketing expense.

At the beginning of 2017 we signalled our intention to return marketing spend on the bwin brand to more normalised levels after a period of reduced investment. Marketing spend at Sports Brands increased in absolute terms by some €33.4m, and as a percentage of NGR amounted to 19% compared to 17% in 2016. A core component of the investment was a new marketing campaign for bwin, including a high production broadcast advertisement, promoting a dynamic 'live the action' message. This was well received by customers, both existing and new.

Although the migration of the sports brands on to a single platform was a key focus for the year, this did not stop us developing and delivering new products and enhancements to our customers. Our golf, horse racing and tennis products saw major upgrades, while the number of live betting events offered increased by c50%. A revamped user experience with improved navigation on in-play and mobile delivered a richer smoother experience for customers. Mobile also continued to grow strongly, with over two thirds of sports betting gross revenues now derived through this channel. In addition, mobile now represents half of gaming revenues compared to 37% in 2016.

The FIFA World Cup takes place in Russia during the summer and we aim to deliver further product enhancements ahead of the tournament.

**Games Brands**

GVC owns a number of stand-alone, well-known gaming brands including partypoker, PartyCasino, Casino Club, Gioco Digitale and Foxy Bingo.

| **Year ended 31 December** | **2017 €m** | **2016 (pro forma) €m** | **Change** | **Constant currency** | **2016 (actual) €m** |
|---|---|---|---|---|---|
| Sports wagers | 69.8 | 65.2 | *7%* | *7%* | 58.9 |
| Sports margin | 8.3% | 7.7% | | | 7.7% |
| Sports NGR | 4.7 | 4.3 | *9%* | *10%* | 3.8 |
| Gaming/other NGR | 224.0 | 199.2 | *12%* | *14%* | 184.4 |
| NGR | 228.7 | 203.5 | *12%* | *14%* | 188.3 |
| EU VAT | (7.3) | (6.4) | *(14%)* | | (6.2) |
| Revenue | 221.4 | 197.1 | *12%* | | 182.1 |
| | | | | | |
| Contribution | 77.0 | 89.0 | *(13%)* | | 82.9 |
| Contribution margin | *34%* | *44%* | | | *44%* |

Games Brands NGR rose 12% (+14% on a constant currency basis) to €228.7m against 2016. Contribution from Games Brands declined to €77.0m (2016: €89.0m), reflecting increased investment in partypoker, along with the impact from the disposal of Kalixa (as outlined above) and incremental increases in gaming taxes.

In 2017, partypoker revenues rose 42% (+41% constant currency), against a global poker market that was estimated to have grown by just 2% in the same period (source: H2 Gambling Capital). Our new live global tour was launched under the partypoker LIVE umbrella in January 2017 and yielded very encouraging results in its debut season. Total guaranteed tournament prize pools of $68m were exceeded by over 7%, with over 26,000 unique players participating during the year. The partypoker live tour in 2018 will dwarf the debut season, with cumulative guarantees of over $150 million. During the year we continued to upgrade the customer proposition including updates to lobby, tables and mobile apps, along with an overhaul of the loyalty scheme. First time depositor numbers rose by 25% in 2017, whilst the number of re-activations reached their highest level in four years – giving us confidence that partypoker remains a significant brand with real heritage in the online poker market.

Our strategy for partypoker is an ambitious one, with the aim of re-energising one of the world's best-known online gaming brands. We have invested significantly in both marketing and product over the last 18 months and will continue to do so over the medium-term. However, during 2018 and beyond we expect marketing spend to decline as a proportion of NGR as the benefits of increased liquidity

and product development begin to come through. As part of our strategy, we entered into a marketing agreement with our main offline tournament partner. Our partner established a new company and as part of the deal, GVC has entered into a put and call agreement dependent on the enhancement to the EBITDA of the poker business.

After many years of decline PartyCasino returned to underlying growth in 2017. The business underwent a rebranding during the year, promoted by a new TV-led marketing campaign and the opportunity to win admission to a new 'big Party event in Ibiza'. Major improvements to the product were implemented in 2017, in particular an expansion in the breadth of games offered and a brand new lobby on desktop and mobile.

Gioco Digitale, our Italian facing gaming business, recorded an impressive performance in 2017, growing faster than the underlying market. This was due to a number of factors including new marketing activity encompassing both television and digital channels, a significant increase in games content and improved customer retention.

2017 was another strong year for Casino Club, which benefitted from a significant investment in its content and games portfolio. While Casino Club's foundation has been its signature table games the games offering had been limited but in H2 of 2017 we added 100s of new titles to its portfolio.

Bingo is the Group's smallest gaming vertical and in 2017 we restructured the business and significantly reduced marketing spend whilst this was undertaken. As expected, revenues at Foxy (the Group's principal bingo brand) declined but profitability improved. In the second-half of 2017 we acquired Cozy Games, a leading provider of B2B services to the bingo sector. Cozy owns its own proprietary bingo technology platform and gives the Group increased long-term flexibility.

The focus in 2018 and beyond very much remains improving the customer experience across all of our gaming brands. We aim to deliver more unique in-house developed content than ever before, whilst at the same time take the best content from third-party suppliers.

**B2B**

The Group provides B2B services to a number of well-known gaming business including MGM, Danske Spil, Fortuna and PMU.

| **Year ended 31 December** | **2017 €m** | **2016 (pro forma) €m** | **Change** | **Constant currency** | **2016 (actual) €m** |
|---|---|---|---|---|---|
| Revenue | 16.5 | 14.2 | *16%* | *n/a* | 13.3 |
| Contribution | 15.1 | 14.0 | *8%* | *n/a* | 13.1 |
| Contribution margin | *92%* | *99%* | | | *98%* |

B2B revenues rose by 16% to €16.5m (pro forma 2016: €14.2m), whilst the contribution improved to €15.1m (pro forma 2016: €14.0m). During 2017 the Group expanded its relationship with MGM, launching a new branded website in New Jersey. We also signed a B2B deal with Rambler Media, to support the launch of the first licenced international sports betting brand in Russia. This went live in Q4 2017 and given the World Cup in Russia during summer 2018, we are excited about the opportunity for bwin.ru.

Looking further ahead, we are paying close attention to regulatory developments and opportunities in the US. In October 2017 Pennsylvania passed legislation to allow online casino and poker in the state. The detail of the legislation is being worked on and we are in active discussions with a number of parties regarding the provision of B2B services in Pennsylvania.

The US Supreme Court is due to rule in the comings months over the possible repeal of PASPA (The Professional and Amateur Sports Protection Act), legislation that effectively prohibits US states from legalising online sports betting. A positive ruling in favour of the states could transform the regulated online betting proposition in the US. The Group believes it is in a strong position should the sports betting market open given that we can offer partners a full technology suite from sports to poker to casino, and are already licenced to supply gaming technology in New Jersey.

**Other**

| Year ended 31 December | 2017 €m | 2016 (pro forma) €m | Change | Constant currency | 2016 (actual) €m |
|---|---|---|---|---|---|
| Revenue | 16.6 | 23.0 | *(28%)* | *n/a* | 21.1 |
| Contribution | 2.0 | (1.0) | *(297%)* | *n/a* | (1.0) |
| Contribution margin | *12%* | *N/A* | | | *N/A* |

Following the disposal of Kalixa in May 2017, the division solely consists of InterTrader, our financial spread betting and CFD business.

InterTrader revenues were €10.5m for the period, representing growth of 53% over pro forma 2016. Growth was driven by effective marketing/efficiencies once InterTrader began operations under its own licence and the absence of disruption caused in 2016 from the move to a new platform provider.

Kalixa contributed revenues of €6.1m up until disposal in May 2017

**Ladbrokes Coral Group**

Yesterday as noted above both Ladbrokes Coral and GVC shareholders voted overwhelmingly in favour of the proposed transaction and we now await the required regulatory clearance for the transaction to complete. The combination of the two groups will create one of the largest listed sports betting and gaming companies in the world, with an unrivalled portfolio of established gaming brands across international markets. This together with our proprietary technology and deep pool of industry talent, leaves us well positioned to further benefit from the opportunities presented by the global gaming market.

**Other corporate activity**

Our global ambition has been further enhanced by the announcement on 5 March that we have agree to acquire 51% of Mars LLC ("Crystalbet"), with the commitment to acquire a further 49% in 2021. Crystalbet is the leading online sports betting operator in the Republic of Georgia, a fully regulated gaming market. Management has grown the business impressively and their philosophy and approach is in line with that of GVC. We are very excited about the prospects for the business.

**Current trading**

The Group has enjoyed a strong start to the current year with like-for-like NGR +16% (+18% constant currency) for the period up to 4 March 2018 and the Board's expectations for the full year remain unchanged.

The gaming industry continues to evolve rapidly, presenting both opportunities and challenges. GVC has never stood still. Our strategy is very much focused on the mid to long-term and ensure we position ourselves to maximise our potential in such a dynamic industry. We are not frightened of challenge or change. We are excited about the opportunity presented by the acquisition of Ladbrokes Coral, which is a significant and important part of our strategic goal of becoming a global gaming group of substantial scale and diversification, whilst continuing to create significant shareholder value.

**Regulatory update**

The Group operates in a dynamically evolving industry and nowhere is this more pronounced than regulation. From a global perspective an increasing number of countries are moving to regulate their respective online gaming markets. This will present opportunities for the Group, particularly given its broad experience across international markets. A licensed and sensibly taxed regulatory structure is the best way to ensure player protection and generate revenues for governments. Within the EU, we work with the industry and those committed to upholding the open market values of being part of the Union.

Regulatory change is no less rapid in markets with established online gaming legislation. In these territories regulatory changes are a reflection of the growth in the industry. We welcome regulation that leads to increased standards across the industry and enable many millions of people to enjoy our products.

In 2017, approximately 74% of the Group's continuing revenues were derived from regulated and/ or locally taxed markets. The Group is currently licensed in more than 18 territories.

In Germany, bwin was among the 20 successful applicants for a sports betting licence in 2014. However, this process was subsequently suspended after being challenged by operators who failed to secure licences and therefore licences were never granted. In 2017, a proposed Second Amendment to the State Treaty on Gambling would have seen all 35 operators (including bwin) that fulfilled the minimum criteria in the licensing procedure receiving sports betting licenses in 2018. However, the proposed Second Amendment was never ratified, with a growing number of states calling for more significant changes to the State Treaty on Gambling than those presented by the Second Amendment. In particular, there is growing recognition among some states that German consumers will be best protected by the creation of a legal framework of licensing for casino and poker as opposed to a ban. The Group currently pays betting tax/VAT on all of its German revenues.

2017 saw another US state, Pennsylvania, pass legislation to create a regulated online gaming market, initially for poker and casino. The finer details of the legislation have yet to be published but the Group is in active talks with a number of parties to ascertain whether entry into the market is financially viable.

Another significant development in the US in 2017 was the referral of New Jersey's challenge to existing legislation that prevents states from enabling a regulated online sports betting market, with the US Supreme Court expected to announce judgement in the coming months. A number of states have already commented that should the Supreme Court rule positively then they will look to regulate online sports betting. The Group is already licensed in New Jersey and is in discussions with a number of potential partners in the event online sports betting is permitted in the US.

In the UK, changes to the point of consumption tax for casino, poker and bingo (now applied to gross rather than net revenues), came into force in Q4 2017. If the changes had been in place for the full year the incremental tax cost to the Group would have been €4.5m.

Through a B2B deal with Rambler Media, bwin became the first major international sports betting brand to be licensed under a new Russian regulatory regime. The bwin.ru site went live in November 2017, presenting the Group with an exciting opportunity ahead of this year's FIFA World Cup.

During 2017, the Swedish government announced plans to introduce legislation that would enable international companies to apply for online gaming licenses for the first time. The application process is expected to begin in 2018 with licences granted in 2019. With a proposed tax rate of 18% of revenues, the legislation will encourage operators to apply for licenses affording customers greater protection.

In the Netherlands, it is expected that an online gaming bill will be passed by parliament in 2018 with the first licences expected to be granted in 2019. Meanwhile, following an agreement between France, Portugal and Spain, licensed poker operators are now able to share liquidity across the three countries.

On 28 February 2018, the CJEU found in favour of the Group's subsidiary, Sporting Odds Ltd, against Hungary, under the principles of the freedom to offer services under EU law.

**Kenneth Alexander**
Chief Executive
8 March 2018

*6 2017 consensus including discontinued activities; NGR €907.3m, Clean EBITDA €254.7m. Source FactSet 1/1/2017*
*7 Includes regulated, regulating and locally taxed*

## Report of the Chief Financial Officer

It is a pleasure to be able to report such a strong set of figures that reflect the continued positive progress made by the Group.

The table below summarises the key GAAP financial measurements.

| Year ended 31 December | 2017 | 2016 |
|---|---|---|
| **Continuing operations** | **€m** | **€m** |
| Revenue | 896.1 | 723.0 |
| Operating loss | (5.2) | (116.0) |
| Loss before tax | (25.6) | (173.5) |
| Basic EPS | (0.13) | (0.51) |

A summary of revenue, contribution and expenditure by reporting segment is shown below. For the purposes of comparing underlying like for like performance year-on-year, the table below details pro forma 2016 financial data as if the acquisition of bwin.party had completed 1st January 2016. Discontinued activities represent Headlong and associated Turkish facing businesses that were disposed of in December 2017.

It is worth noting the distinction between net gaming revenue (NGR), a figure before VAT, and Revenue, the "statutory" number, stated after VAT. While Clean EBITDA (earnings before interest, taxation, depreciation, amortisation, share based payments, exceptional items and changes in fair value derivatives) is a non-GAAP measure, it is used by the Group's management to assess the underlying performance of the business.

| Year ended 31 December | 2017 | 2016 (pro forma) | 2016 (actual) |
|---|---|---|---|
| | €m | €m | €m |
| Sports Brands | 3,785.6 | 3,724.4 | 3,508.4 |
| Games Brands | 69.8 | 65.2 | 58.9 |
| **Total sports wagers** | **3,855.4** | **3,789.6** | **3,567.3** |
| Discontinued | 555.7 | 764.0 | 764.0 |
| **Total sports wagers (inc discont'd)** | **4,411.1** | **4,553.6** | **4,331.3** |
| | | | |
| Sports Brands | 663.8 | 553.6 | 520.4 |
| Games Brands | 228.7 | 203.5 | 188.3 |
| B2B | 16.5 | 14.2 | 13.3 |
| Other | 16.6 | 23.0 | 21.1 |
| **NGR** | **925.6** | **794.3** | **743.1** |
| Discontinued | 82.4 | 100.3 | 100.3 |
| Total NGR (inc discont'd) | 1,008.0 | 894.6 | 843.4 |
| EU VAT | (29.5) | (21.4) | (20.1) |
| **Total revenue (inc discont'd)** | **978.5** | **873.2** | **823.3** |
| **Total revenue** | **896.1** | **772.9** | **723.0** |
| | | | |
| Sports Brands | 360.3 | 318.1 | 298.6 |
| Games Brands | 77.0 | 89.0 | 82.9 |
| B2B | 15.1 | 14.0 | 13.1 |
| Other | 2.0 | (1.0) | (1.0) |
| **Contribution** | **454.4** | **420.1** | **393.6** |
| Discontinued | 42.6 | 43.9 | 43.9 |
| **Total Contribution (inc discont'd)** | **497.0** | **464.0** | **437.5** |
| | | | |
| Sports Brands | 54% | 57% | 57% |
| Games Brands | 34% | 44% | 44% |

| | | | |
|---|---|---|---|
| B2B | 92% | 99% | 98% |
| Other | 12% | (4%) | (5%) |
| **Contribution margin** | ***49%*** | ***53%*** | ***53%*** |
| Discontinued | *52%* | *44%* | *44%* |
| **Total Contribution margin (inc discont'd)** | ***49%*** | ***52%*** | ***52%*** |
| | | | |
| Brands and B2B | (157.7) | (187.0) | (176.7) |
| Other | (8.8) | (17.6) | (16.3) |
| Corporate | (48.4) | (45.0) | (42.3) |
| **Expenditure** | **(214.9)** | **(249.6)** | **(235.3)** |
| Discontinued | (7.9) | (8.7) | (8.7) |
| **Total expenditure (inc discont'd)** | **(222.8)** | **(258.3)** | **(244.0)** |
| | | | |
| Brands and B2B | 294.7 | 234.1 | 217.9 |
| Other | (6.8) | (18.6) | (17.3) |
| Corporate | (48.4) | (45.0) | (42.3) |
| **Clean EBITDA** | **239.5** | **170.5** | **158.3** |
| Discontinued | 34.7 | 35.2 | 35.2 |
| **Total Clean EBITDA (inc discont'd)** | **274.2** | **205.7** | **193.5** |

All figures and narrative refer to continuing operations unless noted otherwise.

**NGR**

NGR grew 17% to €925.6m for the year to December 2017 versus pro forma 2016. On a constant currency basis, pro forma NGR grew by 17% in the year. Including discontinued activities, NGR rose 13% to €1,008.0m vs €894.6m for pro forma 2016.

Both Sports Brands and Games Brands enjoyed double digit growth, with the benefits of improved product and customer proposition being key factors.

**Revenues**

Revenues grew by 16% to €896.1m over the 12 months to 31 December 2017, compared to pro forma 2016. VAT increased due to a combination of geographic mix and a full year impact from the imposition of VAT on gaming revenues in Belgium.

**Variable costs and contribution**

The key components of variable costs remain: betting taxes and duties, payment processing costs, software royalties, affiliate commissions, partner shares and marketing costs.

Contribution in the period was €454.4m, up from €420.1m in pro forma 2016. The decline in the Contribution margin on a pro forma basis to 49% from 53% reflected a greater proportion of revenues coming from locally taxed markets and a return to a more normalised level of marketing spend. In addition, following the disposal of Kalixa, costs previously accounted for as intra-company costs, now being recorded as a cost of sale.

## Expenditure

The prime components of expenditure are personnel (representing around 58% of the cost base) and technology (representing approximately 22% of the cost base). Both personnel and technology costs declined during the period reflecting the benefits of the synergies from the acquisition of bwin.party. Other significant costs include real estate, travel and professional fees.

| Year ended 31 December | 2017 | 2016 (pro forma) | 2016 (actual) |
|---|---|---|---|
| | €m | €m | €m |
| Personnel expenditure | (125.7) | (140.1) | (131.5) |
| Professional fees | (18.4) | (19.6) | (18.2) |
| Technology costs | (47.1) | (70.8) | (67.4) |
| Office, travel and other costs | (21.5) | (24.0) | (21.9) |
| Foreign exchange differences | (2.2) | 4.9 | 3.7 |
| | **(214.9)** | **(249.6)** | **(235.3)** |

## Clean EBITDA

While Clean EBITDA is a non-GAAP measure, it is used by the Group's management to measure the performance of the business. Clean EBITDA increased to €239.5m in 2017 from €170.5m pro forma in the previous year (€158.3m actual 2016).

## Depreciation and Amortisation

Depreciation and amortisation for the period was €151.0m compared to €136.3m in 2016. Amortisation associated with intangible assets recognised on acquisition was €121.0m. These assets are being amortised over periods ranging from 3 to 12 years.

The amortisation of capitalised development expenditure amounted to €14.4m.

| Year ended 31 December | 2017 | 2016 |
|---|---|---|
| | €m | €m |
| Depreciation | (15.6) | (19.8) |
| Amortisation | | |
| - intangible assets recognised on acquisition | (121.0) | (109.5) |
| - internally generated intangibles | (14.4) | (7.0) |
| | **(151.0)** | **(136.3)** |

### Exceptional items

The bulk of the exceptional items have arisen on the acquisition of bwin.party and subsequent restructuring.

| Year ended 31 December | 2017<br>€m | 2016<br>€m |
|---|---|---|
| M & A costs | (7.7) | (51.5) |
| Premium listing application costs | - | (4.4) |
| Reorganisation costs | (23.9) | (14.4) |
| Contract termination costs | - | (11.7) |
| Accelerated depreciation | - | (12.5) |
| Progressive jackpots | - | (7.6) |
| Release of contingent consideration | - | (8.1) |
| Foreign exchange on deposit | (0.3) | (16.4) |
| Profit on disposal of joint venture | - | 11.7 |
| Legal settlements | (2.1) | - |
| Other | (5.9) | (2.9) |
| | **(39.9)** | **(117.8)** |

### Operating loss

The Group reported a statutory operating loss of €5.2m for the period, compared to a loss of €116.0m the previous year. Excluding exceptional items and amortisation associated with the Acquisition, the Group's operating profit was €155.7m compared to €111.3m in 2016.

The movement in fair value of derivative instruments comprises two main elements; the early repayment option (€22.5m charge) relating to the Cerberus Loan and, €12.0m charge relating to the put and call option associated with our poker marketing partner.

| Year ended 31 December | 2017<br>€m | 2016<br>€m |
|---|---|---|
| Clean EBITDA | 239.5 | 158.3 |
| Share based payments | (17.7) | (31.0) |
| Exceptional items | (39.9) | (117.8) |
| Depreciation & amortisation | (151.0) | (136.3) |
| Impairment of available for sale asset | - | (4.2) |
| Impairment of assets held for sale | (1.6) | - |
| Changes in the fair value of derivative financial instruments | (34.5) | 15.0 |
| **Operating loss** | **(5.2)** | **(116.0)** |

### Financing charges

These comprise: interest on indebtedness (principally loans), an accounting charge for debt fee amortisation, other debt administration fees and foreign exchange movements. Financial charges totalled €21.8m for the period compared to €65.3m for the corresponding period in 2016.

| Year ended 31 December | 2017<br>€m | 2016<br>€m |
|---|---|---|
| Loan interest | (14.2) | (46.0) |
| Amortisation of loan fees and early repayment option | (7.3) | (19.0) |
| Other interest | (0.3) | (0.3) |
| | **(21.8)** | **(65.3)** |

## (Loss) / Profit Before Tax

The Group reported a loss before tax of €25.6m against a loss before tax of €173.5m in 2016. As noted above, the loss was due to the exceptional items and amortisation associated with the acquisition of bwin.party. Excluding exceptional items and amortisation associated with the acquisition, the Group achieved an adjusted profit before tax of €178.7m against €58.9m for 2016 from continuing operations.

| Year ended 31 December | 2017<br>€m | 2016<br>€m |
|---|---|---|
| Loss before tax | (25.6) | (173.5) |
| Exceptional items | 39.9 | 117.8 |
| Impairment of available for sale asset | - | 4.2 |
| Impairment of assets held for sale | 1.6 | - |
| Changes in the fair value of derivative instruments | 34.5 | (15.0) |
| Amortisation of acquired intangibles | 121.0 | 109.5 |
| Dividend income | - | (3.1) |
| Amortisation of loan fees and early repayment option | 7.3 | 19.0 |
| **Adjusted profit before tax** | **178.7** | **58.9** |
| Taxation | (10.2) | (7.9) |
| **Adjusted profit after tax** | **168.5** | **51.0** |
| Profit after tax from discontinued operations | 30.4 | 34.6 |
| **Adjusted profit after tax inc discontinued operations** | **198.9** | **85.6** |

## Taxation

The Group is currently headquartered in the Isle of Man, with key operating subsidiaries in Gibraltar (where the headline rate of corporation tax is 10%) and Malta (35% with an effective rate of 5%), as well as a number of jurisdictions with higher tax rates. For the year ended 31 December 2017 the tax credit was €1.9m. This comprised a corporation tax charge of €13.1m and a deferred tax credit of €15.0m.

## Discontinued operations

On 22 December 2017, the Group completed the disposal of Headlong. The loss after tax attributable to discontinued operations for the 2017 financial year was €15.7m (profit after tax €34.6m 2016).

## Earnings (loss) per share

Reported EPS for the period was a loss of13 euro cents (2016: loss of51). Adjusted EPS (based on loss after tax but before exceptional items, non-trading items, amortisation associated with acquisitions and tax on excluded items) from continuing operations, increased by 195% to 56 euro cents (2016: 19) and on a fully diluted basis increase to 54 euro cents (2016: 18). Adjusted EPS including discontinued operations was 66 euro cents (2016: 31).

| Year ended 31 December | 2017<br>€ | 2016<br>€ |
|---|---|---|
| Basic EPS (inc discont'd) | (0.13) | (0.51) |
| Basic, fully diluted EPS (inc discont'd) | (0.13) | (0.51) |
| | | |
| Adjusted continuing EPS | 0.56 | 0.19 |
| Adjusted, fully diluted continuing EPS | 0.54 | 0.18 |
| | | |
| Adjusted EPS (inc discont'd) | 0.66 | 0.31 |
| Adjusted, fully diluted EPS (inc discont'd) | 0.64 | 0.31 |

**Dividends**

The Group declared a second interim dividend of 17.5 euro cents in respect of the financial year ended 31 December 2017 and together with the first interim dividend of 16.5 euro cents this resulted in an aggregate of 34.0 cents for the period. This represented an increase of 13% on the aggregate declared special dividends of 30 euro cents for the 2016 financial year. In terms of dividends paid in 2017, this totalled 46.5 euro cents (nil in 2016).

| Date declared | Description | Per share €x | Per share £p | Date paid |
|---|---|---|---|---|
| 15/12/2016 | Special dividend (FY 2016) | 14.9 | 12.5 | 14/02/2017 |
| 23/03/2017 | Special dividend (FY 2016) | 15.1 | 13.1 | 12/05/2017 |
| 14/09/2017 | Interim dividend (FY 2017) | 16.5 | 14.6 | 19/10/2017 |

**Cash flow**

Free cash before exceptional items amounted to €161.6m for the year to 31 December 2017, compared to €71.3m during the previous year. This was achieved after capital expenditure of €38.4m and a working capital outflow of €16.0m, largely associated with the disposal of Kalixa.

Cash exceptional costs of €39.6m (2016: €86.4m) were predominantly associated with the integration and reorganisation of bwin.party. Acquisition costs net of cash acquired were €36.7m, of which Cozy Games (€22.3m) was the main component. Disposals of €30.7m represented the proceeds from the sale of Kalixa.

During the year the Group refinanced its debt facilities and this is covered in more detail below.

| Year ended 31 December | 2017<br>€m | 2016<br>€m |
|---|---|---|
| Clean EBITDA (inc discontinued) | 274.2 | 193.5 |
| Capitalised software development and other intangible asset purchases | (26.0) | (19.0) |
| Property, plant and equipment purchases | (12.4) | (15.8) |
| Interest paid including loan costs | (43.3) | (47.6) |
| Corporate taxes | (14.9) | (7.9) |
| Other working capital movements | (16.0) | (31.9) |
| **Free cash flow before exceptional items** | **161.6** | **71.3** |
| Exceptional items | (39.6) | (86.4) |
| Acquisitions net of cash acquired | (36.7) | (189.4) |
| Proceeds of issued share capital net of costs | 47.0 | 193.8 |
| Proceeds from disposals | 30.7 | 20.9 |
| Interest bearing loan drawdown | 550.0 | 380.0 |
| Loan repayments | (636.5) | (55.5) |
| Dividends paid | (141.0) | - |
| Other cash movements | 1.3 | 4.8 |
| **Net cash generated** | **(63.2)** | **339.5** |
| Foreign exchange | - | (0.7) |
| Cash and cash equivalents at beginning of period | 367.0 | 28.2 |
| **Cash and cash equivalents at the end of period** | **303.8** | **367.0** |

**Net debt and liquidity**

Strong cash generation meant that despite acquisitions and dividend payments of a combined €177.7m, Group net debt still declined year on year. Net debt as at 31 December 2017 was €108.6m, representing 0.4x 2017 Clean EBITDA.

| As at 31 December | 2017<br>€m | 2016<br>€m |
|---|---|---|
| Loans due <1 year | - | (386.5) |
| Loans due > 1 year | (300.0) | - |
| **Gross debt** | **(300.0)** | **(386.5)** |
| Cash and cash equivalents | 303.8 | 367.0 |
| Short term investments | 5.0 | 5.4 |
| Less client liabilities | (117.4) | (112.0) |
| **Net debt** | **(108.6)** | **(126.1)** |
| Cash in transit with payment processors | 54.1 | 60.0 |
| **Net debt adjusted for payment processors** | **(54.5)** | **(66.1)** |

In March 2017, the Group signed a €320m Senior Secured Term and Revolving Facility (“the Facility”) comprising a €250m term loan (the “Term Loan”) and a €70m revolving credit facility (“RCF”). The Term Loan was used to fully repay the Nomura Loan. In December 2017, the Term Loan was subsequently increased to €300m with the margin reducing to 2.75% over EURIBOR from 3.25% over EURIBOR previously. In addition, the Group achieved increased flexibility through reduced covenants and an increase in maximum leverage to 3.5x from 2.25x (Net Debt:EBITDA).

**Balance sheet**

The decline in assets is largely as a result of the amortisation associated with the acquisition of bwin.party. During 2017, the Group also undertook a refinancing, with the result of reducing short-term loans and borrowings, with an increase in long-term liabilities.

| **As at 31 December** | **2017** | **2016** |
|---|---|---|
| | **€m** | **€m** |
| Goodwill | 1,094.3 | 1,090.3 |
| Other intangible assets | 437.3 | 519.1 |
| Other non-current assets | 22.6 | 28.3 |
| Total non-current assets | 1,554.2 | 1,637.7 |
| | | |
| Cash & cash equivalents | 303.8 | 354.8 |
| Trade receivables | 115.6 | 105.2 |
| Other current assets | 6.8 | 98.0 |
| Total current assets | 426.2 | 558.0 |
| **Total assets** | **1,980.4** | **2,195.7** |
| | | |
| Trade and other payables | (105.7) | (93.9) |
| Balances with customers | (117.4) | (112.0) |
| Progressive prize pools | (18.0) | (22.8) |
| Loans and borrowings | (0.2) | (403.5) |
| Other current liabilities | (84.3) | (89.3) |
| Total current liabilities | (325.6) | (721.5) |
| | | |
| Loans and borrowings | (295.2) | - |
| Deferred tax | (52.2) | (65.6) |
| Other non-current liabilities | (28.6) | (11.3) |
| Total non-current liabilities | (376.0) | (76.9) |
| **NET ASSETS** | **1,278.8** | **1,397.3** |

An unqualified report on the consolidated financial statements for the year ended 31 December 2017 has been given by the auditor Grant Thornton UK LLP. It did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

**Paul Miles**
Chief Financial Officer
8 March 2018

### Principal risks

There are a number of potential risks and uncertainties, which could have a material impact on the Group's future performance. GVC's principal risks fall into four broad categories, which are set out below.
Detail on the Group's approach to risk management will be made available in the Group's 2017 Annual report.

### Technology

- **Data breach**

  A large customer, corporate or employee data breach, from either an internal or an external cause, could result in formal investigation and material sanction due to breach of EU General Data Protection Regulations.

- **Disaster recovery and business continuity**

  A natural or man-made event may affect the continuity of operations of a business or location, undermining player confidence.

### Regulatory

- **Compliance with applicable gaming laws**

  Revenue streams from markets into which the Group makes a gaming offering whilst avoiding regulatory sanction, particularly as there are circumstances where the online gaming laws in the jurisdiction in which the Group provides licensed gaming services and the gaming is transacted, conflict with the laws of the territory in which some of the customers may reside.

### Taxation

- **Imposition of additional gaming or other indirect taxes**

  Revenues earned from customers located in a particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of existing law or the current practice of any tax authority, or by reason of a change in law or practice, then this may have a material adverse effect on the amount of tax payable by the Group.

  Further taxes may include corporate income tax, value added tax (VAT) or other indirect taxes.

### Impact of Brexit

The UK's departure from the EU as a consequence of the Brexit referendum may reduce the Group's ability to operate in certain EU markets.

## Statement of Directors' Responsibilities

The responsibility statement below has been prepared in connection with the Company's Annual Report for the year ended 31 December 2017. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

1. The Group and Company financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company; and

2. The business review, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties they face.

The Directors of GVC Holdings PLC are listed in the Group's Annual Report and a list of current Directors is also maintained on the Company website www.gvc-plc.com.

By order of the Board

**Robert Hoskin**
Company Secretary

8 March 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

| CONTINUING OPERATIONS | Notes | 2017 €m | 2016 €m |
|---|---|---|---|
| Net Gaming Revenue | | **925.6** | 743.1 |
| EU VAT | | **(29.5)** | (20.1) |
| **Revenue** | 2 | **896.1** | 723.0 |
| Cost of sales | | **(441.7)** | (329.4) |
| **Contribution** | | **454.4** | 393.6 |
| Administrative costs | 3 | **(214.9)** | (235.3) |
| **Clean EBITDA *** | | **239.5** | 158.3 |
| Share based payments | 3 | **(17.7)** | (31.0) |
| Exceptional items | 3.2 | **(39.9)** | (117.8) |
| Depreciation and amortisation | 3, 8, 9 | **(151.0)** | (136.3) |
| Impairment of available for sale assets | 10 | **-** | (4.2) |
| Impairment of assets held for sale | 15 | **(1.6)** | - |
| Changes in the fair value of derivative financial instruments | 12 | **(34.5)** | 15.0 |
| **Operating loss** | | **(5.2)** | (116.0) |
| Financial income | 4 | **1.3** | 4.5 |
| Financial expense | 4 | **(21.8)** | (65.3) |
| Dividend income | 5 | **-** | 3.1 |
| Share of profit of associates | | **0.1** | 0.2 |
| **Loss before tax** | | **(25.6)** | (173.5) |
| Taxation credit | 6 | **1.9** | 0.3 |
| **Loss after tax from continuing operations** | | **(23.7)** | (173.2) |
| (Loss) profit from discontinued operations (attributable to equity holders of the parent) | 15.1 | **(15.7)** | 34.6 |
| **Loss after tax** | | **(39.4)** | (138.6) |
| | | | |
| **Loss after tax attributable to:** | | | |
| Equity holders of the parent | | **(39.2)** | (138.3) |
| Non-controlling interests | | **(0.2)** | (0.3) |
| | | **(39.4)** | (138.6) |
| | | | |
| **Loss per share attributable to the ordinary equity holders of the parent:** | | **€** | € |
| Basic | 7 | **(0.13)** | (0.51) |
| Diluted | 7 | **(0.13)** | (0.51) |
| | | | |
| **Continuing loss per share:** | | | |
| Basic | 7 | **(0.08)** | (0.64) |
| Diluted | 7 | **(0.08)** | (0.64) |

** Clean EBITDA is the Group's alternative non-GAAP performance measure and is considered to be a key performance measure by the Directors as it serves as an indicator of financial performance and ability to service debt. It is defined as operating profit or loss for continuing operations adjusted for share based payments, exceptional items, depreciation, amortisation, impairments and changes in the fair value of derivative financial instruments. Exceptional items are those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

| | Notes | **2017** **€m** | 2016 €m |
|---|---|---|---|
| **Loss for the year** | | **(39.4)** | (138.6) |
| | | | |
| **Other comprehensive expense** | | | |
| *Items that will be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operations, net of tax | | **(2.5)** | (2.3) |
| Change in fair value of available for sale assets | | **0.3** | - |
| Total comprehensive expense for the year | | **(41.6)** | (140.9) |
| | | | |
| **Total comprehensive expense for the year attributable to:** | | | |
| Equity holders of the parent | | **(41.3)** | (140.6) |
| Non-controlling interests | 29 | **(0.3)** | (0.3) |
| | | **(41.6)** | (140.9) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

| | Notes | 2017 €m | 2016 €m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 8 | **1,531.6** | 1,609.4 |
| Property, plant and equipment | 9 | **16.2** | 19.7 |
| Investments and assets available for sale | 10 | **4.5** | 3.7 |
| Other receivables | 11 | **1.9** | 4.9 |
| Total non-current assets | | **1,554.2** | 1,637.7 |
| **Current assets** | | | |
| Trade and other receivables | 11 | **115.6** | 105.2 |
| Derivative financial assets | 12 | **-** | 26.2 |
| Income and other taxes reclaimable | | **1.8** | 6.7 |
| Short term investments | 13 | **5.0** | 5.4 |
| Cash and cash equivalents | 14 | **303.8** | 354.8 |
| Assets held for sale | 15 | **-** | 59.7 |
| Total current assets | | **426.2** | 558.0 |
| **Total assets** | | **1,980.4** | 2,195.7 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **(105.7)** | (93.9) |
| Income taxes payable | | **(11.8)** | (18.2) |
| Other taxation payable | 18 | **(71.3)** | (47.2) |
| Client liabilities | | **(117.4)** | (112.0) |
| Progressive prize pools | | **(18.0)** | (22.8) |
| Loans and borrowings | 17 | **(0.2)** | (403.5) |
| Provisions | 20 | **(1.2)** | (1.2) |
| Liabilities held for sale | 15 | **-** | (22.7) |
| Total current liabilities | | **(325.6)** | (721.5) |
| **Current assets less current liabilities** | | **100.6** | (163.5) |
| **Non-current liabilities** | | | |
| Trade and other payables | 16 | **(10.9)** | (4.4) |
| Derivative financial liabilities | 12 | **(12.0)** | - |
| Loans and borrowings | 17 | **(295.2)** | - |
| Provisions | 20 | **(5.7)** | (6.9) |
| Deferred tax | 21 | **(52.2)** | (65.6) |
| Total non-current liabilities | | **(376.0)** | (76.9) |
| **Total net assets** | | **1,278.8** | 1,397.3 |
| **Capital and reserves** | | | |
| Issued share capital | 22 | **3.0** | 2.9 |
| Merger reserve | | **40.4** | 40.4 |
| Share premium | | **1,525.3** | 1,478.4 |
| Available for sale reserve | | **0.3** | - |
| Translation reserve | | **(4.4)** | (2.0) |
| Retained earnings | | **(284.0)** | (120.9) |
| **Equity attributable to equity holders of the parent** | | **1,280.6** | 1,398.8 |
| Non-controlling interests | 29 | **(1.8)** | (1.5) |
| **Total equity** | | **1,278.8** | 1,397.3 |

The financial statements were approved and authorised for issue by the Board of Directors on 8 March 2018 and signed on their behalf by:

**KJ Alexander**
(Chief Executive Officer)

**P Miles**
(Chief Financial Officer)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

| | Share Capital €m | Merger Reserve €m | Share Premium €m | Available for sale €m | Translation Reserve €m | Retained Earnings €m | Total attributable to equity holders of parent €m | Non-controlling interests €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | 0.6 | 40.4 | 85.4 | - | 0.3 | 1.4 | 128.1 | - | 128.1 |
| Share option charges | - | - | - | - | - | 24.0 | 24.0 | - | 24.0 |
| Share options surrendered | - | - | - | - | - | (0.8) | (0.8) | - | (0.8) |
| Share options exercised | - | - | 1.1 | - | - | (7.2) | (6.1) | - | (6.1) |
| Issue of share capital for the acquisition of bwin.party | 2.3 | - | 1,391.9 | - | - | - | 1,394.2 | - | 1,394.2 |
| Arising from the acquisition of bwin.party | - | - | - | - | - | - | - | (1.2) | (1.2) |
| Transactions with owners | 2.3 | - | 1,393.0 | - | - | 16.0 | 1,411.3 | (1.2) | 1,410.1 |
| Loss for the year | - | - | - | - | - | (138.3) | (138.3) | - | (138.3) |
| Loss for the year attributable to non-controlling interest | - | - | - | - | - | - | - | (0.3) | (0.3) |
| Other comprehensive expense for the year | - | - | - | - | (2.3) | - | (2.3) | - | (2.3) |
| Total comprehensive expense for the year | - | - | - | - | (2.3) | (138.3) | (140.6) | (0.3) | (140.9) |
| **Balance at 31 December 2016** | **2.9** | **40.4** | **1,478.4** | - | **(2.0)** | **(120.9)** | **1,398.8** | **(1.5)** | **1,397.3** |
| Balance at 1 January 2017 | **2.9** | **40.4** | **1,478.4** | **-** | **(2.0)** | **(120.9)** | **1,398.8** | **(1.5)** | **1,397.3** |
| Share option charges | **-** | **-** | **-** | **-** | **-** | **17.1** | **17.1** | **-** | **17.1** |
| Share options surrendered | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Share options exercised | **0.1** | **-** | **46.9** | **-** | **-** | **-** | **47.0** | **-** | **47.0** |
| Dividend paid | **-** | **-** | **-** | **-** | **-** | **(141.0)** | **(141.0)** | **-** | **(141.0)** |
| Transactions with owners | **0.1** | **-** | **46.9** | **-** | **-** | **(123.9)** | **(76.9)** | **-** | **(76.9)** |
| Loss for the year | **-** | **-** | **-** | **-** | **-** | **(39.2)** | **(39.2)** | **-** | **(39.2)** |
| Loss for the year attributable to non-controlling interest | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(0.2)** | **(0.2)** |
| Other comprehensive income (expense) for the year | **-** | **-** | **-** | **0.3** | **(2.4)** | **-** | **(2.1)** | **(0.1)** | **(2.2)** |
| Total comprehensive income (expense) for the year | **-** | **-** | **-** | **0.3** | **(2.4)** | **(39.2)** | **(41.3)** | **(0.3)** | **(41.6)** |
| **Balance at 31 December 2017** | **3.0** | **40.4** | **1,525.3** | **0.3** | **(4.4)** | **(284.0)** | **1,280.6** | **(1.8)** | **1,278.8** |

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 (section 49, Companies Act Isle of Man 2006).

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

| | Notes | **2017 €m** | 2016 €m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | **989.4** | 806.7 |
| Cash paid to suppliers and employees | | **(771.2)** | (737.2) |
| Interest paid including loan costs and loan servicing | | **(43.3)** | (47.6) |
| Corporate taxes paid | | **(14.9)** | (7.9) |
| **Net cash from operating activities** | | **160.0** | 14.0 |
| **Cash flows from investing activities** | | | |
| Interest received | | **1.3** | 1.4 |
| Dividends received | 5 | **-** | 3.1 |
| Acquisition earn-out payments | | **-** | (1.6) |
| Business combinations (net of cash acquired) | | **(36.7)** | (189.4) |
| Acquisition of property, plant and equipment | 9 | **(12.4)** | (15.8) |
| Proceeds from disposal of assets held for sale | 15 | **30.7** | 20.9 |
| Capitalised development cost and other intangibles | 8 | **(26.0)** | (19.0) |
| Sale of available for sale assets | 10 | **-** | 1.9 |
| Decrease in short-term investments | | **0.4** | 5.7 |
| **Net cash used in investing activities** | | **(42.7)** | (192.8) |
| **Cash flows from financing activities** | | | |
| Proceeds from interest bearing loans | 17.1 | **550.0** | 380.0 |
| Repayment of interest bearing loans | 17.1 | **(636.5)** | (52.5) |
| Repayment of non-interest bearing loans | | **-** | (3.0) |
| Proceeds from issue of share capital, net of costs | | **47.0** | 193.8 |
| Dividend paid | 23 | **(141.0)** | - |
| **Net cash (used in) generated by financing activities** | | **(180.5)** | 518.3 |
| **Net movement in cash and cash equivalents** | | **(63.2)** | 339.5 |
| Exchange differences | | **-** | (0.7) |
| Cash and cash equivalents at beginning of the year | 14 | **367.0** | 28.2 |
| **Cash and cash equivalents at end of the year** | 14 | **303.8** | 367.0 |

The balance at the end of 2016 of €367.0m above consisted of €354.8m cash and cash equivalents as shown on the face of the consolidated statement of financial position and €12.2m of cash and cash equivalents recognised within assets held for sale.

1. Significant accounting policies
2. Segmental reporting
3. Operating costs
4. Financial income and expense
5. Dividend income
6. Taxation
7. Earnings per share
8. Intangible assets
9. Property, plant and equipment
10. Investments and available for sale financial assets
11. Receivables and prepayments
12. Derivative financial instruments
13. Short term investments
14. Cash and cash equivalents
15. Discontinued activities and assets and liabilities classified as held for sale
16. Trade and other payables
17. Loans and borrowings
18. Other taxation payable
19. Commitments under operating leases
20. Provisions
21. Deferred tax
22. Share capital
23. Dividends
24. Share option schemes
25. Financial instruments and risk management
26. Related parties
27. Contingent liabilities
28. Business combinations
29. Non-controlling interests
30. Subsequent events

## 1. SIGNIFICANT ACCOUNTING POLICIES

This note deals with both the significant accounting policies used in the preparation of these financial statements, together with a note identifying new accounting standards which will affect the Group.

GVC Holdings PLC is a company registered in the Isle of Man and was incorporated on 5 January 2010. It is the successor company of Gaming VC Holdings S.A., a company which had been incorporated in Luxembourg, and took the assets of Gaming VC Holdings S.A. on 21 May 2010 after formal approval by shareholders. The consolidated financial statements of the Group for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the 'Group').

### 1.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

The Directors have reviewed the accounting policies used by the Group and consider them to be the most appropriate. The accounting policies are consistent with the prior year.

### 1.2 Basis of Preparation

The financial statements, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows and related notes 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.

The Directors have assessed the financial risks facing the business, and compared this risk assessment to the net current assets position and dividend policy. The Directors have also reviewed relationships with key suppliers and software providers and are satisfied that the appropriate contracts and contingency plans are in place. The Directors have prepared income statement and cash flow forecasts to assess whether the Group has adequate resources for the foreseeable future and further details are disclosed in the viability statement. The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

The financial statements are presented in Euro, rounded to the nearest €0.1 million, and are prepared on the historical cost basis with the exception of those assets and liabilities carried at fair value. The financial statements are prepared on the going concern basis.

'Fair value' is the price that would be received if selling 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 accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

#### 1.2.1 Significant judgements and estimates

In the application of the accounting policies, which are detailed in this note, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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. The estimates and assumptions, which 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.

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

1.2.1 Significant judgements and estimates (continued)

1.2.1.1 Intangible assets

For all acquisitions management has recognised separately identifiable intangible assets on the Consolidated Statement of Financial Position. These intangible assets have been valued based on expected future cash flow projections from existing customers. The calculations of the value and estimated future economic life of the assets involve, by the nature and variability of the assets, significant judgement and therefore have a material impact, including the amortisation of intangibles.

Additionally the capitalisation of internal development activity includes judgements about the extent to which a project satisfies the capitalisation requirements as well as an assessment on the long term recoverability of the capitalised projects. This is assessed on a project by project basis.

1.2.1.2 Impairment of Goodwill and Trademarks

Determining whether goodwill and trademarks with an indefinite useful life are impaired requires an estimation of the value-in-use of the cash-generating units. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value together with an assessment as to whether future cashflows are subject to any degree of uncertainty. Note 8.2 provides information on the assumptions used in these consolidated financial statements.

The work to assess the existence of impairment indicators and, where applicable, to evaluate the impairment of goodwill and intangible assets was conducted internally by management.

1.2.1.3 Share based payments

Accounting for share based payments requires a degree of judgement over such matters as dividend yield, timing of performance conditions being met, expected volatility and the method in which those liabilities will be settled. Further details on the assumptions made by management are disclosed in note 24.

1.2.1.4 Financial derivatives

Accounting for derivatives requires a degree of judgement over such matters as timing of performance condition being met, expected cash flows, volatility and future expected earnings over business divisions. Further details on the assumptions made by management are disclosed in note 12.

1.2.1.5 Discontinued activities and assets/liabilities held for sale

Assets and liabilities held for sale are measured at the lower of carrying value and fair value less associated costs of sale. Management apply judgement in determining when assets meet the criteria to be recognised as held for sale and in evaluating the fair value less costs to sell. To the extent that the Group disposes of a material geographical territory or business division that would be reported as a discontinued operation as per IFRS5. See note 15 for more detail.

1.2.1.6 Provisions and contingent liabilities

The recognition of provisions requires management to apply judgement in determining the likelihood of the outcome of legal or regulatory proceedings as well as any other circumstances that may cause a liability to fall due. In considering the historical Greek tax situation (see note 27.1) judgement has been exercised based on the likelihood as to whether it is probable that an outflow of resources will arise.

1.2.1.7 Progressive prize pools

Where a legal or constructive obligation exists, management's policy is to record a provision. In considering whether the jackpot prize pools form a liability Management have had to exercise judgement that a constructive obligation does indeed fall on the Group.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.3 Basis of Consolidation

1.3.1 Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2017. A list of principal subsidiaries is included within the parent company accounts.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The Group attributes total comprehensive income (or loss) of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present:

- Power over the investee
- Exposure or rights to variable returns from the investee
- The ability of the company to use its power to affect those variable returns.

Control is re-assessed whenever facts and circumstances indicate that there may be a change in any of the above elements of control.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination except where any non-controlling interests have been acquired by the Group. At this point any share of gains or losses are transferred to the Group's retained earnings. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.3.2 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1.3.3 Investments in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that investment are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

1.3.4 Transactions eliminated on consolidation

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

1.3.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3.5 Business Combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share Based Payments at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the terms for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### 1.4 Foreign Currency

The functional currency of the Company, as well as the presentational currency of the Group, is the Euro.

1.4.1 Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement within operating costs (note 3) and financial expenses (note 4). Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Income and expense items are translated using the exchange rates at the start of the relevant month, unless exchange rates fluctuate significantly, in which case the spot rate for significant items is used.

Exchange differences arising due to the functional currency of operations differing from the presentational currency of the Group, if any, are recognised in other comprehensive income, classified as equity and transferred to the Group’s translation reserve. Such translation differences are reclassified to profit or loss in the period in which the operation is disposed of.

### 1.5 Property, Plant and Equipment

1.5.1 Owned Assets

Property, plant and equipment is stated at cost, less accumulated depreciation (see 1.5.2 below) and impairment losses (see accounting policy 1.7). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**1.5 Property, Plant and Equipment** (continued)

1.5.2 Depreciation

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold property: | over the length of the lease |
| Fixtures and fittings: | 3-5 years |
| Plant and equipment: | 3-5 years |

The residual value, if significant, is reassessed annually.

**1.6 Intangible Assets**

1.6.1 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill has been allocated to each of the Group's Cash-Generating Units ('CGU') that is expected to benefit from the synergies of the combination. IAS36 only permits limited circumstances when goodwill can be reallocated including when an entity reorganises its structure in such a way that the composition of the CGUs to which goodwill has been previously allocated is altered.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant CGU or part thereof, the attributable amount of goodwill as determined by the allocation of expected future cashflows is included in the determination of the profit or loss on disposal.

1.6.2 Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see 1.6.4) and impairment losses (see accounting policy 1.7). The cost of intangible assets acquired in a business combination is the fair value at acquisition date. The valuation methodology used for each type of identifiable asset category is detailed below:

| **Asset category** | **Valuation methodology** |
|---|---|
| Consulting and magazine | Income (cost saving) |
| Software licence | Income (incremental value plus loss of profits) |
| Trademarks | Relief from royalty |
| Trade name | Relief from royalty |
| Non Contractual customer relationships | Excess earnings |

Where, in the opinion of the Directors, the Group's expenditure in relation to development of internet activities results in future economic benefits, these costs are capitalised within software licences and amortised over the useful economic life of the asset.

Development costs are capitalised only when it is probable that future economic benefit will result from the project and the following criteria are met:

- The technical feasibility of the product has been ascertained;
- Adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- The Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated;
- It is the intention of management to complete the intangible asset and use it or sell it; and
- The development costs can be measured reliably.

1.6.3 Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. This includes legal and similar expenditure incurred in registering brands and trade names, which is capitalised, all other expenditure is expensed as incurred.

1.6.4 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and trademarks with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | |
|---|---|
| Software licence agreements | 2-15 years |
| Capitalised development expenditure | 3-5 years |
| Trademarks and trade names | 12-15 years, or indefinite life |
| Non-contractual customer relationships | 4-6 years |

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**1.7 Impairment**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation. For goodwill and trademarks that have an indefinite useful life, the recoverable amount is estimated at each reporting date.

**1.8 Dividends Paid to holders of share capital**

Dividend distributions payable to equity shareholders are recognised through equity reserves on the date the dividend is paid.

**1.9 Employee Benefits**

1.9.1 Pension Costs

In some jurisdictions in which the Group has employees, there are government or private schemes into which the employing company or branch must make payments on a defined contribution basis, the contributions are shown in the profit or loss account in the year.

1.9.2 Share based payments

The Group has share based payment schemes which allow certain employees and contractors to acquire shares of the Company. The Group has accounted for these under IFRS2 Share Based Payments.

1.9.2.1 Share option schemes

The fair value of options granted under the LTIP and MIP schemes are recognised as a share based payment expense with a corresponding increase in equity for equity settled options, whilst for those options which will be cash-settled a liability is recognised into payables. In all cases the fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted are measured using either a binomial or Monte Carlo valuation model. The valuation assumes a dividend credit of Nil (0%) where option holders are entitled to dividend equivalents under the terms of the scheme. Dividend equivalents are accrued in line with scheme rules on vested options with a liability recognised within accruals until paid. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest and market conditions if applicable.

1.9.2.2 Annual share bonus plan

The Group operates an annual share bonus plan and this gives the Company the option of rewarding employees and contractors in either cash or shares or a combination of both upon them achieving performance targets. The type of reward will be at the discretion of the remuneration committee, where a share award is granted the fair value of the award is recognised as a cash-settled share based payment expense in the period that the employee or contractor earned the reward, with a corresponding liability recognised in the statement of financial position.

1.9.2.3 Cash cancelled options

On occasion, at the Remuneration Committee’s discretion, vested share options may be settled in cash, as opposed to issuing new shares. Payments made to repurchase or cancel vested awards are accounted for with the fair value of the options cancelled, measured at the date of cancellation being taken to retained earnings. Also on cancellation an accelerated charge would be recognised immediately.

1.9.2.4 Employer’s social security costs

Employer’s social security costs due on the cash cancellation of options and the employee gain on exercised options will be paid by the Group’s entities and shown within share based payments expense.

See note 24 for further details of the schemes.

**1.10 Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.11 Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable and comprises the following elements:

Casino: net win in respect of bets placed on casino games that have concluded in the year, stated net of promotional bonuses and amounts accrued for progressive prize pools.

Sportsbook: gains and losses in respect of bets placed on sporting events in the year, stated net of promotional bonuses. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.

Poker: net win in respect of rake for poker games that have concluded in the year, stated net of promotional bonuses.

Bingo: net win in respect of bets placed on bingo games that have concluded in the year, stated net of promotional bonuses.

Where promotional bonuses apply to customers playing a variety of products through the same wallet, bonuses are allocated pro-rata to the net win. Revenue is also generated from foreign exchange commissions on customer deposits and withdrawals and account fees. B2B income comprises the amounts receivable for services to other online gaming operators. Other revenue consists primarily of revenue from third-party payment services and financial markets. Revenue in respect of network service arrangements where the third-party owns the relationship with the customer is the net commission invoiced. Income is recognised when a right to consideration has been obtained through performance and reflects contract activity during the year.

### 1.12 Net Gaming Revenue ("NGR")

NGR is the Group's alternate revenue measure and is revenue before the deduction of EU VAT.

### 1.13 Clean EBITDA

Clean EBITDA is the Group's alternative performance measure and is considered to be a key performance measure by the Directors. It is defined as operating profit or loss from continuing activities adjusted for share based payments, exceptional items, depreciation, amortisation, impairment charges and changes in the fair value of derivative financial instruments.

### 1.14 Financial Expenses

Financial expenses comprise interest payable on borrowings, calculated using the effective interest rate method which discounts the expected cash flows over the life of the financial instrument, and foreign exchange differences arising on loans and finance leases.

### 1.15 Exceptional Items

Exceptional items are those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.

### 1.16 Financial Income

Financial income is interest income recognised in the income statement as it accrues, using the effective interest method.

### 1.17 Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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.

Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases, calculated using the liability method on temporary differences. However, deferred tax is neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity as appropriate.

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**1.18 Segment Reporting**

Following the acquisition of bwin.party the Board reviewed and confirmed the Group's reportable segments in line with the requirements of IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports the Group's Chief Executive reviewed during the year to make strategic decisions.

| | |
|---|---|
| Sports Brands: | bwin, Sportingbet and Gamebookers |
| Games Brands: | partypoker, PartyCasino, Gioco Digitale, Cashcade, CasinoClub, Cozy and USA assets |
| B2B: | Provision of the technology platforms to external customers |
| Total core: | The sum of Sports Brands, Games Brands and B2B together with non-allocated costs for technology, operations, customer service, professional fees and travel and office costs. |
| Non-core: | InterTrader |
| Corporate: | Includes shared and corporate functions such as finance, legal and HR |

Variable costs and costs above Clean EBITDA are either directly attributed or allocated to a segment. Costs below Clean EBITDA are not reviewed on a segment basis and accordingly the analysis by segment is from revenue to Clean EBITDA only. In addition, the Consolidated Statement of Financial Position is not reviewed on a segment basis.

**1.19 Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

• represents a separate major line of business or geographic area of operations;
• is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
• is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised in the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation.

**1.20 Financial Instruments**

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.20.1 Non-Derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables including balances with payment processors, cash and cash equivalents, loans and borrowings, customer liabilities, progressive prize pools, trade and other payables and deferred consideration. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method. Contingent consideration is measured at fair value. Provisions for impairment are made against financial assets if considered appropriate and any impairment is recognised in profit or loss. The liability for inactive customer balances is derecognised when the obligation is extinguished with reference to player terms and conditions. Open positions on sports bets are carried within other payables.

Non-derivative financial instruments are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Modifications to the terms of a financial liability are determined to be either substantial or non-substantial. A substantial modification is accounted for as an extinguishment of the existing liability and the recognition of a new liability. Any difference between the carrying value of the liability which has been cancelled and the fair value of the new liability which it has been replaced with, will be recognised as a gain or loss through the income statement. A non-substantial modification is accounted for as an adjustment to the existing liability with no charges being recognised into the through the income statement.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.20 Financial Instruments (continued)

1.20.2 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.20.3 Short term investments

Short term investments are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognised at fair value, plus transaction costs directly attributable to their acquisition or issue. They are subsequently carried at amortised cost using the effective interest rate method, less any provisions for impairment.

1.20.4 Available for Sale Financial Assets ('AFS')

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss.

When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

For AFS equity investments impairment reversals are not recognised in profit and loss and any subsequent increase in fair value is recognised in other comprehensive income.

1.20.5 Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification. These assets are measured at the lower of carrying value and fair value less associated costs of sale except where the assets were previously classified as available for sale, in which case they are carried at fair value.

1.20.6 Derivative Financial Instruments

Derivative financial instruments are accounted for at Fair Value Through Profit and Loss (FVTPL). Any movements in fair value are taken to the consolidated income statement.

1.20.7 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

### 1.21 Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Available for sale represents the gain or loss arising on the revaluation of available for sale assets
- Retained earnings represents retained profits.
- Merger reserve arose on the re-domiciliation of the Group from Luxembourg to the Isle of Man in 2010. It consists of the pre-redomiciliation reserves of the Luxembourg company plus the difference in the issued share capital (31,135,762 share at €0.01 versus 31,135,762 shares at €1.24).
- Translation reserve represents exchange differences on translation of foreign subsidiaries recognised in other comprehensive income.

### 1.22 Operating leases

All leases other than finance leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.23 Standards in issue, not yet effective

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

1.23.1 IFRS 9 'Financial Instruments'

The IASB has released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets together with new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

The Group's management are currently reviewing the various classifications of financial instruments used by the Group but do not believe that there will be any material changes to the classifications used in the Group's financial instruments. Where there are any changes to classification, it is not expected to result in any material adjustments to the Group's results in future periods. The Group does not currently use hedging instruments but will consider the implications of this new standard when considering and implementing the hedging instruments it will utilise going forward. It is not considered that the credit loss model will result in any significant material impairment to the Group's financial instruments although there may be a larger individual impact on the amounts due to the Company, particularly with respect to the amounts owed to the Company by other Group undertakings which are individually material to the Company.

Core NGR arising from sports betting and casino are currently governed under IAS39 and it is not expected that the adoption of IFRS9 will have a material impact on the Group's accounting for or presentation of NGR as a result in the change in standards.

1.23.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018.

The Group's core revenues earned from sportsbook or casino operations do not fall within the scope of IFRS15. For other core revenues and revenues within the Non-core segment which may be governed by the standard, Management do not consider that there would be any impact upon adopting IFRS15. For NGR within the B2B segment, some project based revenues undertaken for customers may be subject to deferment but the impact is not expected to be significant to the Group or division.

1.23.3 IFRS 16 'Leases'

IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases, replacing IAS 17 'Leases'. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases of over 12 months unless the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases, with minimal changes from IAS 17. The new standard applies to annual reporting periods beginning on or after 1 January 2019.

The Group's management consider that the adoption of this statement will result in the majority of the Group's leases which are currently classified as operating being recognised as assets into the Statement of Financial Position. This will likely result in an increase in the non-current assets (representing 'right-of-use' assets) and a corresponding increase in liabilities, both current and non-current on the balance sheet of the Group to the approximate value of the assets contained within its operating lease disclosure in note 19. Further review on the impact will take place in the 2018 financial year.

Other standards which are not expected to have a material impact are shown below:

| | |
|---|---|
| *IFRS 17* | Insurance contracts (effective for annual periods starting on or after 1 January 2021) |
| *IFRIC Interpretation 22* | Foreign currency transactions and advance considerations (effective for annual periods starting on or after 1 January 2018) |
| *IFRIC Interpretation 23* | Uncertainty over Income Tax Treatments (effective for annual periods starting on or after 1 January 2019) |
| *Amendments to IAS 40* | Transfers of investment property (effective for annual periods starting on or after 1 January 2018) |
| *Amendments to IFRS 2* | Classification and Measurement of Share-based Payment Transactions (effective for annual periods starting on or after 1 January 2018) |
| *Amendments to IAS 28* | Long-term Interests in Associates and Joint Ventures (effective for annual periods starting on or after 1 January 2019) |

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed above are not expected to have a material impact on the Group's financial statements.

## 2. SEGMENTAL REPORTING

Management review the business across five operating segments, being Sports labels, Games labels, B2B, Non-core and Corporate. These operating segments are monitored and strategic decisions are made on the basis of overall operating results. Management also monitors revenue by geographic location of its customers.

The reporting by segment includes the results from continuing operations, including discontinued operations NGR was €1,008.0m (2016: €894.6m) and Clean EBITDA was €274.2m (2016: €205.7m).

### 2.1 Geographical Analysis

The Group's continuing revenues from external customers are divided into the following geographic areas:

| | **2017 €m** | 2016 €m |
|---|---|---|
| Germany | **242.1** | 187.9 |
| United Kingdom | **91.7** | 69.3 |
| Other Europe | **435.4** | 349.2 |
| Rest of World | **126.9** | 116.6 |
| **Total** | **896.1** | 723.0 |

Revenues from external customers have been identified on the basis of the customer's geographical location.

### 2.2 Reporting by Segment

| **Year ended 31 December 2017** | **Sports labels €m** | **Games labels €m** | **B2B €m** | **Total core €m** | **Non-core €m** | **Corporate €m** | **Total €m** |
|---|---|---|---|---|---|---|---|
| NGR | **663.8** | **228.7** | **16.5** | **909.0** | **16.6** | **-** | **925.6** |
| EU VAT | **(22.2)** | **(7.3)** | **-** | **(29.5)** | **-** | **-** | **(29.5)** |
| **Revenue** | **641.6** | **221.4** | **16.5** | **879.5** | **16.6** | **-** | **896.1** |
| Variable costs | **(281.3)** | **(144.4)** | **(1.4)** | **(427.1)** | **(14.6)** | **-** | **(441.7)** |
| **Contribution** | **360.3** | **77.0** | **15.1** | **452.4** | **2.0** | **-** | **454.4** |
| *Contribution margin* | **54%** | **34%** | **92%** | **50%** | **12%** | **n/a** | **49%** |
| Other administration costs: | | | | | | | |
| Personnel expenditure | | | | **(99.9)** | **(5.7)** | **(20.1)** | **(125.7)** |
| Professional fees | | | | **(3.4)** | **(0.9)** | **(14.1)** | **(18.4)** |
| Technology costs | | | | **(45.1)** | **(1.3)** | **(0.7)** | **(47.1)** |
| Office, travel and other costs | | | | **(6.0)** | **(0.6)** | **(14.9)** | **(21.5)** |
| Foreign exchange differences | | | | **(3.3)** | **(0.3)** | **1.4** | **(2.2)** |
| **Clean EBITDA** | | | | **294.7** | **(6.8)** | **(48.4)** | **239.5** |

| **Year ended 31 December 2016** | **Sports labels €m** | **Games labels €m** | **B2B €m** | **Total core €m** | **Non-core €m** | **Corporate €m** | **Total €m** |
|---|---|---|---|---|---|---|---|
| NGR | 520.4 | 188.3 | 13.3 | 722.0 | 21.1 | - | 743.1 |
| EU VAT | (13.9) | (6.2) | - | (20.1) | - | - | (20.1) |
| **Revenue** | 506.5 | 182.1 | 13.3 | 701.9 | 21.1 | - | 723.0 |
| Variable costs | (207.9) | (99.2) | (0.2) | (307.3) | (22.1) | - | (329.4) |
| **Contribution** | 298.6 | 82.9 | 13.1 | 394.6 | (1.0) | - | 393.6 |
| *Contribution margin* | *57%* | *44%* | *98%* | *55%* | *(5%)* | *n/a* | *53%* |
| Other administration costs: | | | | | | | |
| Personnel expenditure | | | | (99.5) | (11.4) | (20.6) | (131.5) |
| Professional fees | | | | (5.2) | (1.0) | (12.0) | (18.2) |
| Technology costs | | | | (65.4) | (1.7) | (0.3) | (67.4) |
| Office, travel and other costs | | | | (7.1) | (2.2) | (12.6) | (21.9) |
| Foreign exchange differences | | | | 0.5 | - | 3.2 | 3.7 |
| **Clean EBITDA** | | | | 217.9 | (17.3) | (42.3) | 158.3 |

Management do not review the performance of each segment below the level of Clean EBITDA. The results for either year do not include the results of discontinued activities which were previously reported within the Sports labels.

## 3. OPERATING COSTS

| | Notes | **2017 €m** | 2016 €m |
|---|---|---|---|
| Wages and salaries, including Directors | | **105.6** | 100.8 |
| Staff costs capitalised in respect of intangible asset additions | | **(18.0)** | (10.7) |
| Outsourced consultants | | **19.8** | 21.8 |
| Compulsory social security contributions | | **10.5** | 12.1 |
| Pension contributions | | **1.0** | 0.9 |
| Health and other benefits | | **5.2** | 4.4 |
| Recruitment and training | | **1.6** | 2.3 |
| **Personnel expenditure (excluding share based payments)** | | **125.7** | 131.6 |
| Professional fees | | **18.4** | 18.2 |
| Technology costs | | **47.1** | 67.5 |
| Office, travel and other costs | | **21.5** | 21.6 |
| Foreign exchange differences on operating activity | | **2.2** | (3.6) |
| **Administrative costs** | | **214.9** | 235.3 |
| Equity settled share based payments charges | 24 | **16.7** | 23.9 |
| Cash settled share based payments charges | 24 | **1.0** | 7.1 |
| Exceptional items | 3.2 | **39.9** | 117.8 |
| Impairment of assets held for sale | 15.1 | **1.6** | - |
| Impairment of available for sale asset | 10 | **-** | 4.2 |
| Movement in the fair value of derivative financial instruments | 12 | **34.5** | (15.0) |
| Depreciation | 9 | **15.6** | 19.8 |
| Amortisation | 8 | **135.4** | 116.5 |
| **Total operating costs** | | **459.6** | 509.6 |

### 3.1 Employees

The average monthly number of persons (including Directors) employed by the Group during the year was:

| | **2017** | 2016 |
|---|---|---|
| **Average number of employees** | | |
| With employment contracts or service contracts | **2,559** | 2,211 |
| Contractors | **388** | 471 |
| | **2,947** | 2,682 |

### 3.2 Exceptional items

| | **2017 €m** | 2016 €m |
|---|---|---|
| Professional fees | **7.7** | 18.8 |
| Currency option, including fair value adjustment (see note 3.2.1) | **-** | 10.8 |
| Bonuses and share options (see note 3.2.2) | **-** | 21.9 |
| **Merger & acquisition costs** | **7.7** | 51.5 |
| Premium listing application costs | **-** | 4.4 |
| Reorganisation costs | **23.9** | 14.4 |
| Contract termination costs | **-** | 11.7 |
| Accelerated depreciation | **-** | 12.5 |
| Progressive jackpots | **-** | 7.6 |
| Release of contingent consideration | **-** | 8.1 |
| Foreign exchange on deposit | **0.3** | 16.4 |
| Profit on disposal of joint venture and available for sale investment | **-** | (11.7) |
| Legal settlements | **2.1** | - |
| Other | **5.9** | 2.9 |
| **Total exceptional items** | **39.9** | 117.8 |

Reorganisation costs relate to expenses incurred on restructuring the business including redundancy costs and certain contracts which will expire once migration activities are completed.

**3. OPERATING COSTS** (continued)

**3.2 Exceptional items** (continued)

3.2.1 Currency option

A currency option was held by the Group into 2016 but was extinguished on the settlement of the bwin.party acquisition. No further material options have been utilised since.

At 31 December 2017 there were no forward exchange contracts taken out in the ordinary course of business. The cost of forward exchange options during the year is included within administrative costs and not treated as an exceptional cost.

3.2.2 Transaction bonuses and share options

Transaction bonus and share options arose as a result of the acquisition of bwin.party in 2016.

**3.3 Auditors' remuneration**

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| **Group Auditors' remuneration** | | |
| Audit services | **0.9** | 0.7 |
| Non-audit services: | | |
| Reporting accountant services | **1.5** | 1.0 |
| Half-year review | **0.1** | 0.1 |
| Other services | **0.0** | 0.1 |
| | **2.5** | 1.9 |

Non-audit services include services relating to corporate finance transactions in respect of the Ladbrokes Coral acquisition of €1,523,662, audit related assurance services of €77,610 and other non-audit services of €7,142.

In the prior year audit fees were incurred by the Group for other auditors with fees for audit services of €1.5m and fees payable for non-audit services of €0.5m. In 2017 audit fees paid to other audit firms amounted to €0.1m.

**4. FINANCIAL INCOME AND EXPENSE**

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| **Financial income** | | |
| Interest income | **0.5** | 2.9 |
| Unwinding of discount on contingent consideration | **-** | 0.5 |
| Other income | **0.8** | 1.1 |
| **Total finance income** | **1.3** | 4.5 |

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| **Financial expense** | | |
| Interest on Cerberus loan | **4.2** | 46.0 |
| Interest on Nomura loan | **0.4** | - |
| Interest on Term Loan | **9.6** | - |
| Amortisation of loan fees | **10.4** | 23.4 |
| Unwinding of early repayment option | **(3.1)** | (4.3) |
| Other interest | **0.3** | 0.2 |
| **Total financial expense** | **21.8** | 65.3 |

**5. DIVIDEND INCOME**

Dividends were received in 2016 from the Aldorino Trust in respect of the investment in Betbull. No dividends were received in 2017.

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Dividend income | **-** | 3.1 |

## 6. TAXATION

### 6.1 Analysis of tax credit

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| **Current tax expense** | | |
| Current year | **11.7** | 12.2 |
| Prior year | **1.4** | (0.7) |
| Current tax expense | **13.1** | 11.5 |
| Deferred tax credit | **(15.0)** | (11.8) |
| **Tax credit** | **(1.9)** | (0.3) |

The effective tax rate for the year based on the associated tax expense is 7.4% (2016: tax rate of 0.0%). The higher effective rate arose due to a lower loss in the year, principally due to higher underlying earnings.

The total credit for the year for continuing operations can be reconciled to accounting loss as follows:

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| **Loss before tax** | **(25.6)** | (173.5) |
| | | |
| Income tax using the UK corporation tax rate | **(4.9)** | (34.7) |
| Effect of tax rates in foreign jurisdictions (rates decreased) | **(28.7)** | (1.6) |
| Expenses not deductible for tax purposes | **9.9** | 16.6 |
| Utilisation of tax losses not previously provided | **(3.0)** | (1.0) |
| Group relief | **(0.9)** | (2.5) |
| Tax losses for which no deferred tax assets have been recognised | **24.8** | 24.2 |
| Capital allowances for the period in excess of depreciation | **(0.5)** | (0.6) |
| Adjustments in respect of prior years | **1.4** | (0.7) |
| **Tax credit** | **(1.9)** | (0.3) |

The expenses not allowed for tax purposes are primarily share-based payments, depreciation, amortisation and impairment of assets. The effect of non-taxable income primarily represents the release of the acquisition fair value liabilities and dividend income in 2016.

### 6.2 Factors affecting the tax charge for the year

The Group's policy is to manage, control and operate Group companies only in the countries in which they are registered. At the year-end there were Group companies or branches registered in 30 countries. The rules and practice governing the taxation of e-commerce activity are evolving in many countries. It is possible that the amount of tax that will eventually become payable may differ from the amount provided in the financial statements.

### 6.3 Factors that may affect future tax charges

As the Group is involved in worldwide operations, future tax charges will be affected by the levels and mix of profitability in different jurisdictions. Future tax charges will be reduced by a deferred tax credit in respect of amortisation of certain acquired intangibles.

## 7. EARNINGS PER SHARE

### 7.1 Basic Loss Per Share and Adjusted Earnings Per Share

Basic loss per share has been calculated by taking the loss attributable to ordinary shareholders and dividing by the weighted average number of shares in issue.

| | **2017** | 2016 |
|---|---|---|
| Loss for the year attributable to ordinary shareholders (€m) | **(39.2)** | (138.3) |
| Weighted average number of shares (millions) | **299.2** | 271.8 |
| **Basic loss per share (€)** | **(0.13)** | (0.51) |

The continuing loss per share has been calculated by taking the loss attributable to ordinary shareholders for continuing operations and dividing by the weighted average number of shares in issue.

| | **2017** | 2016 |
|---|---|---|
| Loss for the year for continuing operations attributable to ordinary shareholders (€m) | **(23.7)** | (173.2) |
| Weighted average number of shares (millions) | **299.2** | 271.8 |
| **Basic continuing loss per share (€)** | **(0.08)** | (0.64) |

The performance measure of earnings per share used internally by management to manage the operations of the business and remove the impact of one-off and certain non-cash items is adjusted earnings per share. Management believes that this better reflects the underlying performance.

Adjusted earnings per share has been calculated by taking the loss after tax and adding back the following items in the year and dividing by the weighted average number of shares in issue.

| | **2017 €m** | 2016 €m |
|---|---|---|
| Loss before tax excluding disposal of discontinued activities | **(25.6)** | (173.5) |
| Exceptional items | **39.9** | 117.8 |
| Impairment of assets held for sale | **1.6** | - |
| Impairment of available for sale asset | **-** | 4.2 |
| Changes in the fair value of derivative financial instruments | **34.5** | (15.0) |
| Dividend income | **-** | (3.1) |
| Amortisation on acquired intangible assets | **121.0** | 109.5 |
| Amortisation of early repayment option on loan | **(3.1)** | (4.3) |
| Amortisation of loan fees | **10.4** | 23.3 |
| **Adjusted profit before tax** | **178.7** | 58.9 |
| Taxation | **(10.2)** | (7.9) |
| Adjusted profit after tax | **168.5** | 51.0 |
| Profit after tax from discontinued operations excluding loss on disposal | **30.4** | 34.6 |
| **Adjusted profit after tax including discontinued operations excluding loss on disposal** | **198.9** | 85.6 |
| Adjusted earnings per share based on adjusted profit after tax (€) | **0.56** | 0.19 |
| Adjusted earnings per share based on adjusted profit after tax including discontinued operations excluding loss on disposal (€) | **0.66** | 0.31 |

Share options that could potentially dilute basic earnings per share but were not included because they are antidilutive for the year ending 31 December 2017 amounted to nil effective shares (2016: nil).

### 7.2 Diluted Earnings Per Share and Adjusted Diluted Earnings Per Share

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.

Adjusted diluted earnings per share has been calculated by taking the adjusted earnings as above and dividing by the weighted average number of shares in issue, as diluted by share options.

| | **2017** | 2016 |
|---|---|---|
| Loss for the year attributable to ordinary shareholders (€m) | **(39.2)** | (138.3) |
| Weighted average number of shares (millions) | **299.2** | 271.8 |
| Effect of dilutive share options (millions) | **10.7** | 7.5 |
| Weighted average number of dilutive shares (millions) | **309.9** | 279.3 |
| **Diluted earnings per share* (€)** | **(0.13)** | (0.51) |
| Loss for the year for continuing operations attributable to ordinary shareholders (€m) | **(23.7)** | (173.2) |
| **Diluted continuing earnings per share* (€)** | **(0.08)** | (0.64) |
| Adjusted earnings (€m) | **198.9** | 85.6 |
| Adjusted diluted earnings per share based on adjusted profit after tax * (€) | **0.54** | 0.18 |
| Adjusted diluted earnings per share based on adjusted profit after tax including discontinued operations excluding loss on disposal * (€) | **0.64** | 0.31 |

**A diluted EPS calculation may not increase a basic EPS calculation when the basic EPS is a loss.*

## 8. INTANGIBLE ASSETS

| | Software Licences and capitalised development €m | Goodwill €m | Trademarks & Trade Names €m | Consulting & Magazine €m | Non-contractual Customer Relationships €m | Total €m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2016 | 32.5 | 166.2 | 17.0 | 4.9 | 2.4 | 223.0 |
| Additions | 19.0 | - | - | - | - | 19.0 |
| Acquisition of subsidiaries | 224.0 | 963.9 | 176.0 | - | 208.0 | 1,571.9 |
| Reclassified as held for sale | (2.0) | (6.5) | - | - | (12.0) | (20.5) |
| Foreign exchange | (0.2) | - | - | - | - | (0.2) |
| At 31 December 2016 | 273.3 | 1,123.6 | 193.0 | 4.9 | 198.4 | 1,793.2 |
| Additions | 25.6 | - | - | - | - | 25.6 |
| Acquisition of subsidiaries | 2.3 | 34.9 | 2.2 | - | 23.5 | 62.9 |
| Disposed of in the year | (1.4) | (30.9) | - | - | - | (32.3) |
| **At 31 December 2017** | **299.8** | **1,127.6** | **195.2** | **4.9** | **221.9** | **1,849.4** |
| | | | | | | |
| **Amortisation and Impairment** | | | | | | |
| At 1 January 2016 | 25.8 | 33.3 | 1.5 | 4.9 | 2.4 | 67.9 |
| Amortisation | 62.1 | - | 13.6 | - | 40.8 | 116.5 |
| Reclassified as held for sale | (0.1) | - | - | - | (0.5) | (0.6) |
| At 31 December 2016 | 87.8 | 33.3 | 15.1 | 4.9 | 42.7 | 183.8 |
| Amortisation | 74.7 | - | 15.0 | - | 45.7 | 135.4 |
| Reclassified as held for sale | (1.4) | `- | - | - | - | (1.4) |
| **At 31 December 2017** | **161.1** | **33.3** | **30.1** | **4.9** | **88.4** | **317.8** |
| | | | | | | |
| **Net Book Value** | | | | | | |
| At 31 December 2016 | 185.5 | 1,090.3 | 177.9 | - | 155.7 | 1,609.4 |
| **At 31 December 2017** | **138.7** | **1,094.3** | **165.1** | **-** | **133.5** | **1,531.6** |

Following the disposal of the Turkish operations (as disclosed in note 15.1) €30.9m of goodwill was disposed of from the carrying value of the Betboo and Sportingbet goodwill balances with the amount of goodwill disposed of determined based on the split of expected cashflows from those CGUs.

Certain intangible assets are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The carrying amounts of such assets at 31 December 2017 was as follows:

| | **2017** **€m** | 2016 €m |
|---|---|---|
| Trademarks & Trade Names (related to Games labels) | **15.1** | 15.1 |

Significant items within intangible assets include assets acquired as a results of the bwin.party acquisition carried out in 2016 with €106.5m of software licences, €147.9m of trademarks & trade names and €111.4m of non-contractual customer relationships. These assets are being amortised between three and twelve years.

Other significant items also include assets acquired as a results of the Cozy acquisition (see note 28.1) with €2.1m of software licences, €2.2m of trademarks & trade names and €18.9m of non-contractual customer relationships and €4.6m acquired as a result of the Zatrix acquisition (see note 28.2) of non-contractual customer relationships. These assets are being amortised over three to six years.

Research is insignificant to the group given the nature of its activities.

### 8.1 Amortisation

The amortisation for the year is recognised in the following line items in the income statement.

| | **2017** **€m** | 2016 €m |
|---|---|---|
| Net operating expenses | **135.4** | 116.5 |

**8. INTANGIBLE ASSETS** (continued)

**8.2 Reorganisation of goodwill**

Following the disposal of the goodwill associated with the Turkish facing businesses, Management undertook a review of the goodwill allocated to its cash generating units. The business is now managed on the label-focused basis as presented in Note 2 and Management review the business based on those segments identified. However with these labels split across multiple jurisdictions and utilising a distribution of central resources across the business, Management do not examine profitability down to EBITDA for individual labels.

Prior to the reorganisation the Group had the following goodwill balances.

| | As at 31 December 2016 €m | Disposal of goodwill €m | Arising on acquisition €m | As at 31 December 2017 €m |
|---|---|---|---|---|
| bwin – Sports Brands | 849.1 | - | - | **849.1** |
| bwin – Games Brands | 108.3 | - | - | **108.3** |
| Betboo | 8.3 | (5.7) | - | **2.6** |
| CasinoClub | 40.4 | - | - | **40.4** |
| Sportingbet | 84.2 | (25.2) | - | **59.0** |
| Cozy | - | - | 7.9 | **7.9** |
| Zatrix | - | - | 27.0 | **27.0** |
| | **1,090.3** | **(30.9)** | **34.9** | **1,094.3** |

The subsequent re-allocation of goodwill has not been carried out on the basis of relative values as each of the previous CGUs formed a smaller part of the larger CGUs, amongst which management and resources were shared. It has therefore been considered more appropriate to consolidate the individual smaller CGUs wholly into the new CGUs of Sports Brands and Games Brands based upon their primary offerings to players.

Following the reorganisation, the goodwill allocated to the bwin – Sports Brands, Betboo, Sportingbet and Zatrix segments has been allocated to the Sports Brands segment resulting in carried goodwill of €937.7 m. The goodwill allocated to the bwin – Games Brands, Casino Club and Cozy segments have been allocated to the Games Brands segment resulting in carried goodwill of €156.6m.

**8.3 Impairment tests for cash-generating units containing goodwill and trademarks**

Prior to the reallocation of the goodwill, impairment reviews were carried out for each individual goodwill CGU with no impairment identified. The carrying values of the assets were compared with the recoverable amounts, the recoverable amount was estimated based upon a value in use calculation, based upon management forecasts for the years ending 31 December 2018 and up to 31 December 2022.

An impairment review was also carried on the reallocated goodwill using the assumptions shown below.

| | **Goodwill** €m | **Discount rate** % | Terminal growth rates % |
|---|---|---|---|
| Sports Brands | **937.7** | 7.4% | 2% |
| Games Brands | **156.6** | 9.4% | 2% |
| **At 31 December 2017** | **1,094.3** | | |

Management has considered the sensitivities around its key assumptions used in the review of the carrying values of goodwill and other intangibles with an indefinite useful life. The discount rates used have been considered based on the risks involved in each of the underlying business units and terminal growth rates reflect the expected growth in underlying EBITDA expected from these units. These CGUs have been considered for impairment and sensitivities have been calculated around the terminal growth rates and discount factors used together with specific scenarios including the loss of revenue where those revenues might be considered to be at risk. No impairment would have arisen as a result of reasonably possible changes in the discount rate, growth rate or other scenarios modelled within the sensitivity analysis.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings €m | Plant and Equipment €m | Fixtures and Fittings €m | Total €m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2016 | - | 3.4 | 1.5 | 4.9 |
| Additions | 0.1 | 0.4 | 15.3 | 15.8 |
| Acquisition of subsidiaries | 4.9 | - | 39.6 | 44.5 |
| Disposals | (0.1) | - | (1.3) | (1.4) |
| Exchange movements | (0.2) | 0.2 | (0.9) | (0.9) |
| Reclassified as assets held for sale | - | - | (2.5) | (2.5) |
| At 31 December 2016 | 4.7 | 4.0 | 51.7 | 60.4 |
| Additions | 0.4 | 1.3 | 10.7 | 12.4 |
| Acquisition of subsidiaries | - | - | 0.2 | 0.2 |
| Disposals | - | - | (0.7) | (0.7) |
| **At 31 December 2017** | **5.1** | **5.3** | **61.9** | **72.3** |
| | | | | |
| **Depreciation** | | | | |
| At 1 January 2016 | - | 2.2 | 1.2 | 3.4 |
| Depreciation charge for the year | 1.0 | 0.7 | 18.3 | 20.0 |
| Disposals | - | - | (0.5) | (0.5) |
| Accelerated depreciation | - | - | 18.1 | 18.1 |
| Exchange movements | - | - | (0.1) | (0.1) |
| Reclassified as assets held for sale | - | - | (0.2) | (0.2) |
| At 31 December 2016 | 1.0 | 2.9 | 36.8 | 40.7 |
| Depreciation charge for the year | 0.4 | 1.8 | 13.5 | 15.7 |
| Disposals | - | - | (0.4) | (0.4) |
| Exchange movements | - | - | 0.1 | 0.1 |
| **At 31 December 2017** | **1.4** | **4.7** | **50.0** | **56.1** |
| | | | | |
| **Net Book Value** | | | | |
| At 31 December 2016 | 3.7 | 1.1 | 14.9 | 19.7 |
| **At 31 December 2017** | **3.7** | **0.6** | **11.9** | **16.2** |

In 2016 accelerated depreciation of €18.1m was charged in respect of certain fixture and fittings which were renegotiated following the bwin.party acquisition. An associated payable of €5.6m was also released to the income statement following this renegotiation.

The depreciation charge includes €0.1m (2016: €0.2m) of depreciation included within discontinued activities.

### 9.1 Capital commitments

The Group has capital commitments contracted but not provided for at 31 December 2017 of €2.2m (31 December 2016: €1.4m).

## 10. INVESTMENTS AND AVAILABLE FOR SALE (AFS) FINANCIAL ASSETS

| | Available-for-sale financial assets | Associates | Total |
|---|---|---|---|
| | €m | €m | €m |
| At 1 January 2016 | 2.6 | - | 2.6 |
| Acquisition through business combination | 3.5 | 1.0 | 4.5 |
| Additions | 2.2 | - | 2.2 |
| Share of profit | - | 0.1 | 0.1 |
| Impairments | (4.2) | - | (4.2) |
| Disposals | (1.5) | - | (1.5) |
| At 31 December 2016 | 2.6 | 1.1 | 3.7 |
| Share of profit | - | 0.1 | 0.1 |
| Revaluation gain | 0.7 | - | 0.7 |
| **At 31 December 2017** | **3.3** | **1.2** | **4.5** |

### 10.1 Available For Sale assets (AFS)

On 14 May 2014, the Group acquired a 15% stake in Betit Holdings Limited ('BHL') from Betit Securities Limited ('BSL'). The consideration was for €3.5 million, which was attributed to both the available for sale asset (€5.2m) and the option liability (€1.7m) taken on at acquisition. The asset held for sale consideration, together with professional fees incurred at the time, amounted to a total upfront cost of €5.4m which was impaired at 31 December 2015 to €2.6m. This asset was impaired by €0.7m in 2016 prior to being sold in that year.

The value of bwin.party's available for sale assets on acquisition was €3.5m. The value of these decreased by €3.1m during 2016, principally as a result of the dividend declared by the Aldorino Trust of €3.1m which resulted in the full impairment of this investment. Also as part of the bwin.party acquisition, a convertible instruments investment in Visa Inc that was previously held for sale of €2.2m was recategorised as AFS after the acquisition date. The movement in the year on available for sale assets was €0.7m, principally comprising a gain in the value of the convertible investment in Visa Inc.

### 10.2 Associates

The value of bwin.party's associates on acquisition was €1.0m. The value of this investment had increased by €0.1m by 31 December 2016 based on the share of underlying profit in the associate and by a further €0.1m by 31 December 2017. The Group holds 50% of the voting rights in relation to this entity and amounts related to this entity are presented in the table below:

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Non-current assets | 0.1 | 0.1 |
| Current assets | 2.3 | 2.2 |
| Current liabilities | 0.5 | 0.5 |
| Revenues | 2.3 | 2.6 |
| Profit | 0.4 | 0.4 |

## 11. RECEIVABLES AND PREPAYMENTS

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Balances with payment processors | **54.1** | 60.0 |
| Other receivables | **42.7** | 27.6 |
| Loans and receivables | **96.8** | 87.6 |
| Prepayments | **16.3** | 16.7 |
| Contingent consideration | **1.6** | - |
| Deferred consideration | **0.9** | 0.9 |
| **Current assets** | **115.6** | 105.2 |
| | | |
| Contingent consideration | **1.9** | 4.0 |
| Deferred consideration | **-** | 0.9 |
| **Non-current assets** | **1.9** | 4.9 |

Payment processor balances are funds held by third party collection agencies subject to collection after one month, or balances used to make refunds to players.

Prepayments include payments as at 31 December 2017 for goods or services which will be consumed after 31 December 2017.

Contingent consideration relates to amounts receivable for the sale of domain names following the acquisition of bwin.party and is measured at fair value. The non-discounted book values for these amounts are €1.8m due within one year (2016: €nil) and €2.2m (2016: €6m) due later than one year but not later than five years.

Deferred consideration relates to amounts receivable for the sale of Conspo which was previously classified as held for sale. The non-discounted book values for these amounts are €0.9m (2016: €0.9m) due within one year and €nil (2016: €1.0m) due later than one year but not later than five years.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

| | **Winunited option** | **Early repayment option** | **Betit option** | **Poker options** | **Total** |
|---|---|---|---|---|---|
| | **€m** | **€m** | **€m** | **€m** | **€m** |
| **Balance at 1 January 2016** | 3.8 | - | (0.7) | - | 3.1 |
| Recognised on loan drawdown | - | 7.4 | - | - | 7.4 |
| Disposal in the year | - | - | 0.7 | - | 0.7 |
| Change in fair value of early repayment option | (0.1) | 15.1 | - | - | 15.0 |
| **Balance at 31 December 2016** | 3.7 | 22.5 | - | - | **26.2** |
| Recognised on agreement of the options contracts | - | - | - | (12.0) | **(12.0)** |
| Disposed of in the year | (3.7) | - | - | - | **(3.7)** |
| Released in the year | - | (22.5) | - | - | **(22.5)** |
| **Balance at 31 December 2017** | **-** | **-** | **-** | **(12.0)** | **(12.0)** |

### 12.1 Winunited option

On 24 March 2015, GVC contracted with Winunited Limited for the day-to-day back office operations of the Winunited business, licensed in Malta. Under the terms of the agreement, GVC obtained a call option to purchase the Winunited assets comprising goodwill, customers, licenses, brands and websites. The exercise period for the option is in the three months prior to the five year anniversary of 24 March 2015. No consideration was paid for the call option.

At 31 December 2016 the option was valued using a Monte Carlo valuation model and two methodologies: a discounted cash flow and a multiples based calculation. A long-term growth rate of 2% was assumed, and a discount rate of 13% based on industry peers and observable inputs. Based on this model, the value of the call option at 31 December 2017 was €3.7m (2016: €3.7m). During the year there were no discernible changes to the inputs into the valuation and accordingly no revaluation was performed prior to the inclusion of the asset as part of the sale of the Turkish facing business which was disposed of during the year (see note 15.1).

### 12.2 Cerberus loan early repayment option

The Cerberus facility had a repayment date of 4 September 2017 but was repaid earlier (see note 17). Early repayment changed the profile and size of the cash payments and this feature was identified as an embedded derivative therefore separated from the host contract. The option was previously valued by a third party valuation specialist based on the contracted cash flows under the terms of the facility and measuring the cost saving opportunities resulting from an early repayment and obtaining of new financing at a lower rate. Given the refinance agreement disclosed in note 17, there was considered to be minimal sensitivity of the inputs to the valuation. The early repayment option was fully released following the refinancing of the Group's loans in February 2017.

## 12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### 12.3 Betit option

On 14 May 2014, the Group acquired a 15% stake in Betit Holdings Limited ('BHL'). The Group had a call option to acquire the balance of the outstanding shares which could be exercised no earlier than 1 July 2017 and no later than 30 September 2017, and would be subject to further Maltese Gaming Authority clearance and the Stock Exchange Rules. The minimum call option price was €70 million, and the actual price would be determined by the mix of revenues between regulated and non-regulated markets and certain multiples attaching thereto.

In 2016 the Group disposed of its investment in BHL and its call option was also disposed of as part of this arrangement. The net loss on disposal of the investment and the option was included within changes in value of available for sale assets.

### 12.4 Poker options

During 2017 the Group entered into a marketing services agreement with its principal offline tournament partner with the purpose of organising and promoting a series of live poker events under the partypoker LIVE brand to look to increase traffic to partypoker.com.

As part of entering into this agreement the Group has entered into a call and put arrangement in respect of the entire issued share capital of the company set up by its offline partner dedicated to this agreement, which are exercisable by the Group or its partner respectively on completion of the five-year agreement. There is no minimum call price with a maximum ceiling of £136m dependent on the enhancement of EBITDA of the affected poker business and the enhancement delivered to shareholder earnings through the enterprise value of the Group. The put option has been valued as a liability of €12.0m as at 31 December 2017 and a charge of the same amount has been recognised in the year.

## 13. SHORT TERM INVESTMENTS

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Restricted cash | **5.0** | 5.4 |
| | **5.0** | 5.4 |

Short term investments represent cash held as guarantees for regulated markets' licences. These funds cannot be freely accessed by the Group and so are not treated as cash or cash equivalents.

## 14. CASH AND CASH EQUIVALENTS

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Total cash in hand and current accounts | **303.8** | 367.0 |
| Cash held within assets held for sale | **-** | (12.2) |
| Cash in hand and current accounts | **303.8** | 354.8 |

## 15. DISCONTINUED ACTIVITIES AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The movements in assets and liabilities held for sale are shown in the table below:

| | **Assets held-for-sale** | **Liabilities held-for-sale** | **Total** |
|---|---|---|---|
| | **€m** | **€m** | **€m** |
| As at 31 December 2015 | - | - | - |
| Acquired in business combination | 12.3 | - | 12.3 |
| Reclassified as held-for-sale | 55.7 | (22.9) | 32.8 |
| Trading, working capital and revaluation movements | 4.0 | 0.2 | 4.2 |
| Disposal of Visa shares | (8.4) | - | (8.4) |
| Disposal of Conspo | (3.9) | - | (3.9) |
| As at 31 December 2016 | 59.7 | (22.7) | 37.0 |
| Trading, working capital and revaluation movements | (3.3) | (3.5) | **(6.8)** |
| Impairment of Kalixa (see note 15.2) | (1.6) | - | **(1.6)** |
| Disposal of Kalixa (see note 15.2) | (54.8) | 26.2 | **(28.6)** |
| **As at 31 December 2017** | **-** | **-** | **-** |

## 15. DISCONTINUED ACTIVITIES AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

### 15.1 Discontinued activities

In November 2017 the Group announced the disposal of its Turkish facing operations to Ropso Malta Limited for performance related earn-out consideration of up to a maximum amount of €150m receivable on a monthly basis over a five year period, although the consideration was later waived. The disposal group is being reported in the current year as a discontinued operation and the results to disposal are presented below for the eleven and a half months to disposal in 2017 and for the year ended 31 December 2016.

| | **Period to 20 December 2017 €m** | Year ended 31 December 2016 €m |
|---|---|---|
| **Revenue** | **82.4** | 100.3 |
| Cost of sales | **(39.8)** | (56.4) |
| **Contribution** | **42.6** | 43.9 |
| Administrative costs | **(7.9)** | (8.7) |
| **Clean EBITDA** | **34.7** | 35.2 |
| Share based payments | **(0.3)** | (0.1) |
| Exceptional items | **(3.5)** | - |
| Depreciation and amortisation | **(0.1)** | (0.2) |
| **Operating profit and profit before tax** | **30.8** | 34.9 |
| Taxation expense | **(0.4)** | (0.3) |
| **Profit after tax** | **30.4** | 34.6 |
| Loss on sale of the subsidiary after income tax (see below) | **(46.1)** | - |
| **(Loss)/profit from discontinued operations** | **(15.7)** | 34.6 |

There was no other income received which required disclosure within the statement of other comprehensive income.

The cash inflow from operating activities in 2017 is broadly in line with the Clean EBITDA, although in 2017 it is net of €5.8m disposed of as part of the working capital of the business sold and €3.5m of exceptional costs incurred. There were no non-operating cashflows associated with the discontinued activities in either financial year.

In the initial disposal Management projected to receive earn out consideration of up to €150m based upon results within the disposed business over the next five years. However this consideration was later waived resulting in a loss on disposal of €46.1m based on the carrying value of assets and liabilities as at the date of sale as below:

| | **€m** |
|---|---|
| Goodwill | **30.9** |
| Property, plant and equipment | **0.3** |
| Derivative financial assets | **3.7** |
| Trade receivables | **13.0** |
| Cash and cash equivalents | **5.8** |
| **Total assets** | **53.7** |
| Trade and other payables | **(3.9)** |
| Client liabilities | **(1.4)** |
| Income taxes payable | **(2.3)** |
| **Total liabilities** | **(7.6)** |
| **Net assets** | **46.1** |

Loss per share relevant to the discontinued operations was €0.05 per share (2016: earnings of €0.13 per share). Diluted loss per share was €0.05 per share (2016: earnings of €0.12 per share).

## 15. DISCONTINUED ACIIVITIES AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

### 15.2 Other assets and liabilities classified as held for sale

The Group had classified and transferred its Kalixa business, a fully integrated digital payments company, as held for sale as at 31 March 2016 after its acquisition as part of the bwin.party group. The Group completed the sale of the majority of the Kalixa business on 31 May 2017. It realised initial consideration of €29.0m in the year together with deferred consideration of €2.6m which was received in the second half of the year after paying down certain balances owing between the business groups. As a result of fees and other trading movements, an impairment charge of €1.1m was recorded prior to the disposal of the business.

The remaining Kalixa business was disposed of on 1 August 2017, realising consideration of €0.9m. An impairment charge of €0.5m was recorded prior to disposal to reflect the net realisable value.

During the prior year the Group disposed of its joint venture investment in Conspo, a provider of sports content, which had also previously been classified as held for sale.

No further assets are considered as held for sale as at the year end.

## 16. TRADE AND OTHER PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Other trade payables | **25.8** | 40.4 |
| Accruals | **68.7** | 46.4 |
| Contingent consideration (note 16.1) | **9.6** | - |
| Share option liability | **1.6** | 7.1 |
| **Current liabilities** | **105.7** | 93.9 |
| | | |
| Contingent consideration (note 16.1) | **10.9** | 4.4 |
| **Non-current liabilities** | **10.9** | 4.4 |

### 16.1 Contingent consideration

Contingent consideration relates to amounts payable for the Zatrix acquisitions (see note 28) and also for previous acquisitions by bwin.party and is measured at fair value. The non-discounted book values of these amount to €10.0m (2016: €nil) payable within one year and €14.6m (2016: €5.8m) payable after more than one year.

## 17. LOANS AND BORROWINGS

### 17.1 Interest bearing loan

On 4 September 2015, the Group entered into an agreement with Cerberus Business Finance LLC for a loan of up to €400m, in order to part-fund the acquisition of bwin.party. The Cerberus loan was repaid in January 2017 and an alternate bridge financing facility of €250m provided by Nomura International plc was drawn down. All associated fees were charged to the income statement at this time including the remaining value of the early repayment option on the Cerberus loan of €22.5m.

This bridging loan was then replaced with a long term institutional loan in March 2017 comprising of a €320m Senior Secured Term and Revolving Facility, composed of a €250m term loan (maturity 6 years) and a €70m revolving credit facility (maturity 5 years). Subsequent to this, the Group refinanced the applicable interest rate from EURIBOR + 3.25% to EURIBOR + 2.75% whilst extending the Term Loan by an extra €50m in a non-substantial modification to the loan. The €70m credit facility was not drawn down during the year.

*IAS 39 Financial Instruments: Recognition and Measurement*, states that all financial liabilities should initially be measured at their fair value and subsequently measured at amortised cost using the effective interest rate method. The effective interest has been calculated using the internal rate of return on the cash outflows across the period of the loan.

**17. LOANS AND BORROWINGS** (continued)
**17.1 Interest bearing loan** (continued)

| | Principal €m | Interest and fees €m | Early Repayment option €m | Total €m |
|---|---|---|---|---|
| **Loan balance at 1 January 2016** | 20.0 | (0.2) | - | 19.8 |
| Loan drawdown | 380.0 | - | - | 380.0 |
| Arising on business combinations | 39.4 | - | - | 39.4 |
| Revaluation of loan balances | (0.4) | - | - | (0.4) |
| Loan repayment | (52.5) | - | - | (52.5) |
| Arrangement fees and loan services fees paid in the prior year | - | (7.6) | - | (7.6) |
| Arrangement fees and loan services fees paid in the current year | - | (7.9) | - | (7.9) |
| Fair value of embedded derivatives | - | - | 7.4 | 7.4 |
| Interest charged | - | 46.0 | - | 46.0 |
| Interest instalments paid | - | (39.7) | - | (39.7) |
| Amortisation of loan fees | - | 23.3 | - | 23.3 |
| Unwinding of early repayment option | - | - | (4.3) | (4.3) |
| **Loan balance at 31 December 2016** | 386.5 | 13.9 | 3.1 | **403.5** |
| Loan drawdown | 550.0 | - | - | **550.0** |
| Arrangement fees and loan services fees paid | - | (15.9) | - | **(15.9)** |
| Loan repayment | (636.5) | - | - | **(636.5)** |
| Interest charged | - | 14.2 | - | **14.2** |
| Interest instalments paid | - | (27.2) | - | **(27.2)** |
| Amortisation of loan fees | - | 10.4 | - | **10.4** |
| Unwinding of early repayment option | - | - | (3.1) | **(3.1)** |
| **Loan balance at 31 December 2017** | **300.0** | **(4.6)** | **-** | **295.4** |

| | |
|---|---|
| Split between the following as at 31 December 2016: | |
| **Current liabilities** | 403.5 |
| **Non-current liabilities** | - |
| Split between the following as at 31 December 2017: | |
| **Current liabilities** | **0.2** |
| **Non-current liabilities** | **295.2** |

The debit interest and fees balance of €4.6m (2016: credit balance of €13.9m) includes a debit of loan fees outstanding of €5.5m (2016: credit balance of €7.6m) netted against accrued loan interest of €0.9m (2016: €6.3m).

**18. OTHER TAXATION PAYABLE**

| | **2017 €m** | 2016 €m |
|---|---|---|
| Betting taxes | **63.3** | 42.1 |
| VAT payable | **4.6** | 4.3 |
| Other taxes | **3.4** | 0.8 |
| | **71.3** | 47.2 |

**19. COMMITMENTS UNDER OPERATING LEASES**
**19.1 Operating Leases**
The Group leases various offices under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payments under non-cancellable leases are as follows:

| | **2017 €m** | 2016 €m |
|---|---|---|
| No later than one year | **7.2** | 5.9 |
| Later than one year and no later than five years | **22.7** | 16.5 |
| More than five years | **1.9** | 4.3 |
| | **31.8** | 26.7 |

## 20. PROVISIONS

Provisions relate to onerous contracts and leases, where the future economic benefits are less than the costs to be incurred, and legal provisions recognised at fair value as part of the bwin.party acquisition. Further details on the largest legal provision are set out below in note 20.1.

| Current | Provisions for litigation €m | Other provisions €m | Total €m |
|---|---|---|---|
| At 1 January 2016 | - | - | - |
| Acquired through business combination | - | 7.7 | 7.7 |
| Utilised during the year | - | (7.1) | (7.1) |
| Transfer from non-current to current | - | 0.6 | 0.6 |
| **At 31 December 2016** | - | 1.2 | 1.2 |
| Created during the year | **-** | **-** | **-** |
| Utilised during the year | **-** | **(1.2)** | **(1.2)** |
| Transfer from non-current to current | **-** | **1.2** | **1.2** |
| **At 31 December 2017** | **-** | **1.2** | **1.2** |
| **Non-current** | | | |
| At 1 January 2016 | - | - | - |
| Acquired through business combination | 3.7 | 3.8 | 7.5 |
| Utilised during the year | - | - | - |
| Transfer from non-current to current | - | (0.6) | (0.6) |
| **At 31 December 2016** | 3.7 | 3.2 | 6.9 |
| Created during the year | **-** | **-** | **-** |
| Utilised during the year | **-** | **-** | **-** |
| Transfer from non-current to current | **-** | **(1.2)** | **(1.2)** |
| **At 31 December 2017** | **3.7** | **2.0** | **5.7** |

### 20.1 Provisions for litigation

On 16 October 2014, the Portuguese Supreme Court confirmed a ruling of the Oporto Court of First Instance of September 2011 against Liga Portuguesa de Futebol Profissional ('Liga') and certain bwin.party entities. In June 2012, the Portuguese Casino Association initiated enforcement proceedings against the Liga and bwin.party, requesting the payment of pecuniary sanctions in the total amount of €6.4 million for the alleged violation of the first instance court judgment during the period between 24 September 2011 and 31 January 2012. The Liga and bwin.party remain firmly of the view that such enforcement action is without merit. The legal process is still ongoing.

Due to the inherent uncertainty in legal proceedings, on acquisition of bwin.party in February 2016 the Group recognised a fair value provision for the legal case of €3.2 million on a fair value basis together with a further provision of €0.5m for other unrelated legal cases.

### 20.2 Other provisions

Other provisions include other uncertainties around potential infrastructure, marketing or taxation costs where the Directors feel that there is a material but uncertain risk of outflows to the business. These have been measured based on the estimated probability of such outflows occurring in the near future.

## 21. DEFERRED TAX

| | Total €m |
|---|---|
| As at 1 January 2016 | - |
| Acquired in business combination | (79.6) |
| Deferred tax credit | 11.8 |
| Transfer to liabilities held for sale | 3.8 |
| Foreign exchange and other movements | (1.6) |
| **As at 31 December 2016** | (65.6) |
| Acquired in business combination (see note 28) | **(2.4)** |
| Deferred tax credit | **15.0** |
| Foreign exchange and other movements | **0.8** |
| **As at 31 December 2017** | **(52.2)** |

Deferred tax liabilities relate primarily to temporary differences arising from fair value adjustments of acquired intangibles and also the repatriation of profits from foreign jurisdictions.

## 22. SHARE CAPITAL

On 1 February 2016 the Group acquired 100% of the share capital of bwin.party digital entertainment plc ("bwin.party"), an online gaming company traded on the Main Market of the London Stock Exchange and listed on the Official List (Premium Segment), for total consideration of €1,508.2m. Under the terms of the acquisition, each bwin.party shareholder received 25p plus 0.231 new GVC shares for each bwin.party share. The total bwin.party shareholding was 843.5 million shares; accordingly, the Group issued 194.8m new shares to bwin.party shareholders. Post the acquisition, additional shares were issued to bwin.party option-holders who had not exercised their options before the date of the acquisition but did so subsequently and the value of these was included in the total consideration.

On the same date as the acquisition of bwin.party, the Group issued additional shares at a price of 422p. The additional share capital consisted of 28.0m Placing shares, including the subscription by Directors of shares under the terms of the LTIP, and 7.6m Subscription shares. The cash consideration for these shares was £150.0m, less costs incurred of £4.9m (€6.4m), which were treated as a deduction from share premium. During 2017 10.5m new shares (2016: 1.6m) were issued to satisfy share options issuances.

The authorised and issued share capital is:

| | **2017 €m** | 2016 €m |
|---|---|---|
| **Authorised** | | |
| Ordinary shares of €0.01 each | | |
| At 31 December – 350,000,000 shares (2016: 350,000,000 shares) | **3.5** | 3.5 |
| **Issued, Called Up and Fully Paid** | | |
| At 31 December – 303,726,475 shares (2016: 293,268,229 shares) | **3.0** | 2.9 |

The issued share capital history is shown below:

| | **2017** | 2016 |
|---|---|---|
| Balance at 1 January | **293,268,229** | 61,276,480 |
| Issue of shares at acquisition | **-** | 194,841,498 |
| Issue of shares via placing | **-** | 27,978,812 |
| Issue of shares via subscription | **-** | 7,566,212 |
| Other share issues | **10,458,246** | 1,605,227 |
| Balance at 31 December | **303,726,475** | 293,268,229 |

## 23. DIVIDENDS

The dividend history for 2017 is shown below.

| **Date declared** | **Date paid** | **Per share €c** | **Per share £p** | **Shares in issue (m)** | **Amount €m** | **Amount £m** |
|---|---|---|---|---|---|---|
| 15 December 2016 | 14 February 2017 | 14.9 | 12.5 | 293.5 | 43.8 | 37.5 |
| 23 March 2017 | 12 May 2017 | 15.1 | 13.1 | 296.6 | 45.0 | 38.1 |
| 14 September 2017 | 19 October 2017 | 16.5 | 14.6 | 301.0 | 49.8 | 44.7 |
| | | | | | 138.6 | 120.3 |

In addition to the dividends paid in 2017, the Group has also paid €2.4m of dividend credit payments accruing on share options on awards not yet vested. As a result of the acquisition of bwin.party and the combination of debt covenants and the intended restructuring of the Group, the Directors did not pay any dividends in 2016.

The Group has announced a full year dividend of 17.5 €c per share, payable in May 2018.

## 24. SHARE OPTION SCHEMES

The following options to purchase €0.01 ordinary shares in the Company were granted, exercised, forfeited or existing at the year-end:

| Date of Grant | Exercise Price | Existing at 1 January 2017 | Granted in the year | Cancelled or forfeited in the year | Exercised in the year | Existing at 31 December 2017 | Exercisable at 31 December 2017 | Vesting criteria |
|---|---|---|---|---|---|---|---|---|
| 02 Jun 2014 | 1p | 75,000 | - | - | (75,000) | - | - | Note a |
| 02 Feb 2016 | 422p | 10,264,420 | - | (2,932,691) | (4,399,038) | 2,932,691 | 1,955,127 | Note b |
| 02 Feb 2016 | 467p | 3,421,473 | - | - | (1,955,128) | 1,466,345 | 977,557 | Note c |
| 02 Feb 2016 | 422p | 200,000 | - | - | (142,857) | 57,143 | 28,572 | Note d |
| 16 Dec 2016 | 422p | 8,658,334 | - | (600,000) | (3,032,210) | 5,026,124 | 2,717,791 | Note e |
| 30 Mar 2017 | 422p | - | 750,000 | - | (75,000) | 675,000 | 324,998 | Note e |
| 30 Mar 2017 | 1p | - | 699,835 | - | (699,835) | - | - | Note f |
| 28 Dec 2017 | 0p | - | 563,627 | - | - | 563,627 | - | Note g |
| **Total schemes** | | **22,619,227** | **2,013,462** | **(3,532,691)** | **(10,379,068)** | **10,720,930** | **6,004,045** | |

The existing share options at 31 December 2017 are held by the following employees and consultants:

| **Option price** | **422p** | **467p** | **422p** | **422p** | **0p** | |
|---|---|---|---|---|---|---|
| **Grant date** | **02-Feb-16** | **02-Feb-16** | **16-Dec-16** | **30-Mar-17** | **28-Dec-17** | **Total** |
| Kenneth Alexander | 2,932,691 | - | - | - | 242,587 | 3,175,278 |
| Paul Miles | - | - | - | 350,000 | 94,339 | 444,339 |
| Lee Feldman (note c) | - | 1,466,345 | - | - | - | 1,466,345 |
| Norbert Teufelberger (note d) | 57,143 | - | - | - | - | 57,143 |
| Employees | - | - | 4,500,567 | 325,000 | 197,869 | 5,023,436 |
| Consultants | - | - | 525,557 | - | 28,832 | 554,389 |
| | **2,989,834** | **1,466,345** | **5,026,124** | **675,000** | **563,627** | **10,720,930** |

**Note a:** 2010 LTIP Scheme - These equity settled options were granted to certain Directors and employees. The awards vested and become exercisable on the share price being equal to or exceeding £6.00 per share for a continuous period of 90 calendar days at any time from the date of grant. The awards have been treated as vesting over a 3 year period.

**Note b:** 2016 LTIP Scheme - These equity settled awards were issued on completion of the acquisition of bwin.party. The options vest and became exercisable, subject to the satisfaction of a performance condition, over 30 months, with one ninth vesting six months after the date of grant and a further ninth vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026. The performance condition is comparator total shareholder return ("TSR") of the Group against the FTSE 250. Each ninth of the shares will have its TSR condition reviewed from the date of grant until the relevant testing date. To the extent the TSR is not met at that time, it is tested again the following quarter and, if necessary, at the end of the 30 month vesting period. In order to vest, the TSR of the Group must rank at median or above against the FTSE 250.

**Note c:** 2016 LTIP Scheme - These equity settled awards were issued on the same basis as the awards in Note b but at a higher exercise price which represents the market value of the shares as at the date the scheme became effective. In order to compensate Lee Feldman for the higher exercise price, the Company agreed to pay him a cash bonus of £2.0 million over the 30 month vesting period of the option, but only upon option vesting and satisfaction of the performance condition described above, and he has to reinvest 50% of this in GVC shares.

**Note d:** 2016 LTIP Scheme - These awards were issued on completion of the acquisition of bwin.party. The equity settled options, which are not subject to a performance condition, vest and become exercisable over 24 months, with one seventh vesting six months after the date of grant and a further seventh vesting at each subsequent quarter. The options lapse, if not exercised, on 2 February 2026.

**Note e:** 2016 MIP Scheme - These equity settled awards were issued on the same basis as the awards in Note b.

**Note f:** 2016 ASBP Scheme - These cash settled awards in accordance with the Group's annual share bonus plan 2016.

**Note g:** 2017 LTIP Scheme - These equity settled awards were awarded to certain Directors and employees and vest over a three year period from the date of grant. The number of awards to vest are conditional on both cumulative Earnings Per Share ("EPS") exceeding 180 euro cents and TSR performance conditions being met which are split with equal weighting.

## 24. SHARE OPTION SCHEMES (continued)

The total charge to share-based payments within the consolidated income statement in respect of these options in 2017 was €17.7 million (2016: €31.0 million) of which €16.7 million related to equity settled options (2016: €23.9 million) and €1.0 million to cash settled options (2016: €7.1 million).

### 24.1 Weighted Average Exercise Price of Options

The number and weighted average exercise prices of share options is as follows:

| | **Weighted average exercise price 31 December 2017** | **Number of options 31 December 2017** | Weighted average exercise price 31 December 2016 | Number of options 31 December 2016 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **416p** | **22,619,227** | 11p | 3,481,947 |
| Granted during the year | **158p** | **2,013,462** | 422p | 26,621,148 |
| Exercised during the year | **399p** | **(10,379,068)** | 126p | (1,123,613) |
| Cancelled or forfeited in the year | **422p** | **(3,532,691)** | 422p | (6,360,255) |
| Forfeited in the year | **-** | **-** | - | - |
| Outstanding at the end of the year | **416p** | **10,720,930** | 416p | 22,619,227 |
| Exercisable at the end of the year | | **6,004,045** | | 5,236,844 |

The options outstanding at 31 December 2017 have a weighted average contractual life of 7.84 years (31 December 2016: 9.1 years).

### 24.2 Valuation of Options

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The Group engaged third party valuation specialists to provide a fair value for the options.

For the 2016 LTIP scheme, the expected volatilities have been calculated using historical prices for companies that were constituents of the FTSE 250 at the grant date. These options accrue dividend credits and the yield is assumed to be nil for 2016 and 10% thereafter. As the schemes vest on a staggered basis over a period of up to 30 months, the volatilities have been calculated over each relevant time period. The fair value of each phase of the options has been calculated separately, shown as a range in the table below, and the cost of each phase is allocated across the vesting period for that phase.

The 2017 LTIP plan was valued using both a Black Scholes valuation model and Monte-Carlo valuation for the cumulative EPS and TSR conditions respectively.

Fair value of share options and assumptions:

| Date of grant | Share price at date of grant* (in £) | Exercise price (in £) | Expected volatility | Exercise multiple | Expected dividend yield | Risk free rate%** | Fair value at measurement date (in £) |
|---|---|---|---|---|---|---|---|
| 02 Feb 16 – equity settled 30 months | 4.67 | 4.22 | 22%-30% | n/a | n/a | n/a | 0.32-0.47 |
| 02 Feb 16 – equity settled 30 months | 4.67 | 4.67 | 22%-30% | n/a | n/a | n/a | 0.22-0.28 |
| 02 Feb 16 – equity settled 24 months | 4.67 | 4.22 | n/a | n/a | n/a | n/a | 0.32-0.47 |
| 16 Dec 16 – equity settled 30 months | 6.48 | 4.22 | 30%-28% | n/a | n/a | n/a | 1.43-1.94 |
| 30 Mar 17 – equity settled 30 months | 7.28 | 4.22 | 30%-28% | n/a | n/a | n/a | 1.88-2.39 |
| 28 Dec 17 – equity settled 36 months | 9.34 | - | 26.6% | n/a | n/a | 0.43% | 7.393-9.335 |

** This is the bid price, not the mid-market price, at market close, as sourced from Bloomberg.*
*** The measurement of the risk-free rate was based on rate of UK sovereign debt prevalent at each grant date over the expected term of the option*

### 24.3 Cash settled options

At 31 December 2017 the liability for cash settled options was €1.6m (2017: €7.1 million). The movement in the year arises from the charge of cash settled options of €1.0m (2016: €7.1m) and the settlement of schemes relating to the 2016 LTIP and ASBP schemes of €6.5m (2016: €11.9m).

## 25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial instruments as at 31 December 2017 comprise cash and cash equivalents together with loan borrowings. The main purpose of these financial instruments is to finance the Group's operations and fund acquisitions and shareholder dividends. The Group has other financial instruments which mainly comprise receivables and payables, which arise directly from its operations but also from its acquisition activity. The Group does not typically use derivative financial instruments, other than foreign exchange contracts, to hedge its exposure to foreign exchange or interest rate risks arising from operational, financing and investment activities. During 2017, the Group did not hold or issue derivative financial instruments for trading purposes.

### 25.1 Market Risk

Market risk arises from the Group's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows on its long-term debt finance and cash investments through the use of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). Exposure to market risk arises in the normal course of the Group's business.

### 25.2 Foreign Exchange Risk

Foreign exchange risk arises from transactions, recognised assets and liabilities and net investments in foreign operations. The Group's general operating policy is that all material transaction and currency liability exposures are economically and fully hedged using foreign exchange contracts and/or by holding cash in the relevant currency.

Following the drawdown of the Cerberus loan in February 2016, the Group held a large position in GBP to meet working capital requirements. This resulted in a foreign exchange loss following the devaluation of Sterling during 2016. This amount was subsequently used in 2017 to hedge against significant GBP liabilities which arose including the dividend paid in February 2017 and repayment of the Cerberus loan. The Group uses foreign exchange contracts to hedge its currency risk but as at 31 December 2017 there were no open foreign exchange contracts.

The Group is exposed to currency movements in the Euro, arising out of changes in the fair value of financial instruments which are held in non-Euro currencies. No individual non-Euro currency position is considered material for the Group.

25.2.1 Foreign exchange risk sensitivity

The majority of the Group's financial assets and liabilities are denominated in Euros. Holding the majority of its assets in Euros minimises the Group's exposure to currency translation risk. In the prior year the Group held a significant holding of financial assets in GBP but this exposure was reduced during 2017 as the Group utilised part of its GBP cash balances in refinancing its long term loan and also to pay the dividend declared in December.

| **At 31 December 2017** | **Euro €m** | **GBP €m** | **Other €m** | **Total €m** |
|---|---|---|---|---|
| **Non-current assets** | **1,540.0** | **8.8** | **5.4** | **1,554.2** |
| Receivables and prepayments | **43.2** | **21.9** | **50.5** | **115.6** |
| Tax reclaimable | **-** | **1.0** | **0.8** | **1.8** |
| Short term investments | **4.0** | **1.0** | **-** | **5.0** |
| Cash and cash equivalents | **236.3** | **28.9** | **38.6** | **303.8** |
| **Total current assets** | **283.5** | **52.8** | **89.9** | **426.2** |
| Trade and other payables | **(57.2)** | **(31.5)** | **(17.0)** | **(105.7)** |
| Balances with customers | **(50.4)** | **(19.5)** | **(47.5)** | **(117.4)** |
| Progressive prize pools | **(7.7)** | **(3.0)** | **(7.3)** | **(18.0)** |
| Loans and borrowings | **(0.2)** | **-** | **-** | **(0.2)** |
| Provisions | **(0.8)** | **-** | **(0.4)** | **(1.2)** |
| Taxation payable | **(11.7)** | **-** | **(0.1)** | **(11.8)** |
| Other taxation liabilities | **(71.3)** | **-** | **-** | **(71.3)** |
| **Total current liabilities** | **(199.3)** | **(54.0)** | **(72.3)** | **(325.6)** |
| **Net current assets/(liabilities)** | **84.2** | **(1.2)** | **17.6** | **100.6** |
| Trade and other payables | **(7.0)** | **-** | **(3.9)** | **(10.9)** |
| Derivative financial liabilities | **-** | **(12.0)** | **-** | **(12.0)** |
| Loans and borrowings | **(295.2)** | **-** | **-** | **(295.2)** |
| Provisions | **(5.1)** | **-** | **(0.6)** | **(5.7)** |
| Deferred tax | **(52.2)** | **-** | **-** | **(52.2)** |
| **Total non-current liabilities** | **(359.5)** | **(12.0)** | **(4.5)** | **(376.0)** |
| **Total assets less total liabilities** | **1,264.7** | **(4.4)** | **18.5** | **1,278.8** |

## 25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)
### 25.2 Foreign Exchange Risk (continued)
25.2.1 Foreign exchange risk sensitivity (continued)

| At 31 December 2016 | Euro €m | GBP €m | Other €m | Total €m |
|---|---|---|---|---|
| **Non-current assets** | 1,607.0 | 22.5 | 8.2 | 1,637.7 |
| Receivables and prepayments | 57.6 | 24.1 | 23.5 | 105.2 |
| Derivative financial assets | 26.2 | - | - | 26.2 |
| Tax reclaimable | 6.7 | - | - | 6.7 |
| Short term investments | 5.4 | - | - | 5.4 |
| Cash and cash equivalents | 164.0 | 171.7 | 19.1 | 354.8 |
| Assets held for sale | 36.2 | 8.1 | 15.4 | 59.7 |
| **Total current assets** | 296.1 | 203.9 | 58.0 | 558.0 |
| Trade and other payables | (37.6) | (42.2) | (14.1) | (93.9) |
| Balances with customers | (74.2) | (15.7) | (44.9) | (134.8) |
| Loans and borrowings | (403.5) | - | - | (403.5) |
| Provisions | (0.7) | - | (0.5) | (1.2) |
| Taxation payable | (15.5) | (0.6) | (2.1) | (18.2) |
| Other taxation liabilities | (45.2) | (2.0) | 0.0 | (47.2) |
| Liabilities held for sale | (7.9) | (6.5) | (8.3) | (22.7) |
| **Total current liabilities** | (584.6) | (67.0) | (69.9) | (721.5) |
| **Net current (liabilities) assets** | (288.5) | 136.9 | (11.9) | (163.5) |
| Trade and other payables | - | - | (4.4) | (4.4) |
| Provisions | (6.3) | - | (0.6) | (6.9) |
| Deferred tax | (65.5) | (0.1) | - | (65.6) |
| **Total non-current liabilities** | (71.8) | (0.1) | (5.0) | (76.9) |
| **Total assets less total liabilities** | **1,246.7** | **159.3** | **(8.7)** | **1,397.3** |

### 25.3 Interest Rate Risk
The Group earns interest from bank deposits. During the year, the Group held cash on deposits with a range of maturities of less than three months. On 4 September 2015, the Group entered into an agreement with Cerberus Business Finance LLC for a loan of up to €400m, in order to part-fund the proposed acquisition of bwin.party. At 31 December 2016, the Group had €386.5m of committed and drawn-down borrowing facilities under this loan arrangement, including €13.5m repaid during the year. The interest on these loans was based on EURIBOR with a floor of 1%, plus a margin of 11.5%. This facility was repaid on 31 January 2017 and new financing was taken out with Nomura Plc with an interest rate of 3.25% + EURIBOR. This facility was later repaid in March 2017 and replaced with a six year institutional Term Loan with an interest rate of 3.25% + EURIBOR and a five year €70m revolving credit facility with an interest rate of 2.75% + EURIBOR.

Management do not consider the impact of possible interest rate movements based on current market conditions to be material to the net result for the year or the equity position at the year end.

### 25.4 Credit Risk
The Group seldom has any significant concentrations of credit risk, with exposure spread over a large number of customers. The Group grants credit facilities to its customers and the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The Group has material exposure to credit risk through amounts owed by payment processors (third party collection agencies) of €54.1m (2016: €60.0m) and cash and cash equivalent balances held with banking institutions of €308.8m (2016: €372.4m). There is an inherent concentration of risk with PSPs, most of which are not investment grade banks, in that the majority derive most of their income from the online gaming sector. To this end, where practicable and economic, the Group seeks to substitute non-investment grade PSPs with investment grade, or, at least, better quality PSPs. The Group considers the general credit risk associated with these balances to be low, having assessed the credit ratings and financial strength of the counter-parties involved. Nevertheless the Group maintains a general provision against the recovery of these processing entities.

In 2016, for one particular processor the Group considered that a specific provision was necessary due to concerns about the recoverability of that specific debt and accordingly a specific impairment of €4.2m was recorded in the year ended 31 December 2016. No further significant receivable amounts were past due date at 31 December 2017 (2016: €nil).

**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

**25.5 Liquidity and capital Risk**

Liquidity risk arises from the Group's management of its working capital as well as the finance charges and principal repayments on its debt instruments. In essence, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Management monitors liquidity to ensure that sufficient liquid resources are available to the Group. The Group's principal financial assets are cash, bank deposits, loans and trade and other receivables.

In common with many internet companies that have few physical assets, the Group has no policy as to the level of equity capital and reserves other than to address statutory requirements. The primary capital risk to the Group is the level of debt relative to the Group's net income.

At 31 December 2017, the Group had cash and cash equivalents and short term investments of €308.8m (2016: €372.4m). At the end of 2016 current assets were significantly lower than current liabilities, this predominantly related to the Cerberus loan which was refinanced to a longer term facility in 2017. Accordingly, the liquidity risk for the Group is now judged to be low.

**25.5.1** Maturity analysis

All financial liabilities within the Group's balance sheet are due within one year except for certain contingent consideration of €19.6m which falls due based on certain events. Management's best estimates are that these will fall due after more than one year but before five years.

**25.5.2** Net debt

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Loans and borrowings | **300.0** | 386.5 |
| Client liabilities | **117.4** | 112.0 |
| Gross debt | **417.4** | 498.5 |
| Cash and cash equivalents | **(303.8)** | (367.0) |
| Short term investments | **(5.0)** | (5.4) |
| **Net debt** | **108.6** | 126.1 |
| Balances with payment processors | **(54.1)** | (60.0) |
| **Net debt adjusted for payment processors** | **54.5** | 66.1 |

## 25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 25.6 Fair Values

The carrying amounts of the financial assets and liabilities, including deferred consideration in the Statement of Financial Position at 31 December 2017 and 2016 for the Group and Company are a reasonable approximation of their fair values.

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:
• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
• Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2017 and 31 December 2016:

| At 31 December 2017 | **Level 1 €m** | **Level 2 €m** | **Level 3 €m** | **Total €m** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Available for sale financial assets | **-** | **2.8** | **0.5** | **3.3** |
| Deferred consideration | **-** | **-** | **0.9** | **0.9** |
| Contingent consideration | **-** | **0.6** | **3.9** | **4.5** |
| | **-** | **3.4** | **5.3** | **8.7** |
| **Financial liabilities** | | | | |
| Contingent consideration | **-** | **-** | **(20.5)** | **(20.5)** |
| Derivative financial liabilities | **-** | **-** | **(12.0)** | **(12.0)** |
| | **-** | **-** | **(32.5)** | **(32.5)** |

| At 31 December 2016 | **Level 1 €m** | **Level 2 €m** | **Level 3 €m** | **Total €m** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Available for sale financial assets | - | 2.2 | 0.4 | 2.6 |
| Deferred consideration | - | - | 1.8 | 1.8 |
| Contingent consideration | - | 0.6 | 4.0 | 4.6 |
| Derivative financial assets | - | - | 26.2 | 26.2 |
| | - | 2.8 | 32.4 | 35.2 |
| **Financial liabilities** | | | | |
| Contingent consideration | - | - | (4.4) | (4.4) |
| | - | - | (4.4) | (4.4) |

There were no transfers between levels in 2017 or 2016.

*Measure of fair value of financial instruments:*
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques for the derivative financial assets and liabilities are described in further detail in note 12 above. The valuation technique for the available for sale asset and the contingent and deferred consideration assets and liabilities were discounted cash flow forecasts using the weighted average cost of capital and expected cash flows.

**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

**25.7 Summary of Financial Assets and Liabilities by Category**

The carrying amounts of the Group's financial assets and liabilities recognised at the reporting date are categorised as follows:

| | **2017 €m** | 2016 €m |
|---|---|---|
| **Non-current assets:** | | |
| Available for sale financial assets | **3.3** | 2.6 |
| Financial assets measured at fair value through profit or loss: | | |
| - Deferred and contingent consideration | **1.9** | 4.9 |
| Non-current assets | **5.2** | 7.5 |
| **Current assets:** | | |
| Financial assets measured as loans and receivables: | | |
| - Trade and other receivables | **96.8** | 108.0 |
| - Short term investments | **5.0** | 9.9 |
| - Cash and cash equivalents | **303.8** | 367.0 |
| Financial assets measured at fair value through profit or loss: | | |
| - Deferred and contingent consideration | **2.5** | 1.5 |
| - Derivative financial assets | **-** | 26.2 |
| Current assets | **408.1** | 512.6 |
| **Current liabilities:** | | |
| Financial liabilities measured at amortised cost: | | |
| - Trade and other payables | **(96.1)** | (114.0) |
| - Loans and borrowings | **(0.2)** | (403.5) |
| Financial liabilities measured at fair value through profit or loss: | | |
| - Contingent consideration | **(9.6)** | - |
| Current liabilities | **(105.7)** | (517.5) |
| **Non-current liabilities:** | | |
| Financial liabilities measured at amortised cost: | | |
| - Loans and borrowings | **(295.2)** | - |
| Financial liabilities measured at fair value through profit or loss: | | |
| - Contingent consideration | **(10.9)** | (4.4) |
| - Derivative financial liabilities | **(12.0)** | - |
| Non-current liabilities | **(318.1)** | (4.4) |

## 26 RELATED PARTIES

### 26.1 Identity of Related Parties

The Group has a related party relationship with its subsidiaries and with its Directors and executive officers.

### 26.2 Transactions with Directors and Key Management Personnel

Karl Diacono is the Chief Executive Officer of Fenlex Corporate Services Limited, a corporate service provider incorporated in Malta. During the year ended 31 December 2017, Fenlex received €0.1 from the Group in relation to Company Secretarial and other matters arising in Malta (2016: €0.1m).

Peter Isola is a partner at Isolas, a law firm in Gibraltar which charged legal expenses of €0.1m to the Group (2016: €0.2m).

Lee Feldman received dividends during the year of €0.4m (2016: €nil) in respect of his beneficial interest in the ordinary share capital of the Group. Lee Feldman is the Managing Partner of Twin Lakes Capital, a private equity firm based in New York. During the year ended 31 December 2017, Twin Lakes Capital received €0.1m (2016: €0.1m) in relation to office services.

Kenneth Alexander received dividends during the year of €0.7m (2016: €nil). The wife of Kenneth Alexander received dividends during the year of €0.1m (2016: €nil) in respect of her interest in the ordinary share capital of the Group.

Norbert Teufelberger received dividends of €1.1m during the year (2016: €nil).

The Group purchased certain customer services of €2.4m (2016: €2.5m) from an associate, with amounts owed at 31 December 2017 of €0.2m (2016: €0.2m).

### 26.3 Transactions with Directors and Key Management Personnel

Details of the remuneration of key management are detailed below:

| | **2017** | 2016 |
|---|---|---|
| | **€m** | €m |
| Short term employee benefits (Directors) | **12.5** | 7.3 |
| Short term employee benefits (Key Management) | **1.6** | 2.6 |
| Share based payments | **34.5** | 25.5 |
| | **48.6** | 35.4 |

## 27. CONTINGENT LIABILITIES

### 27.1 Historical taxes in Greece

Along with multiple other online gaming operators, one of the Group's subsidiaries operating under a Greek interim gaming licence received a tax audit assessment from the Greek Audit Centre for Large Enterprises in respect of 2010 and 2011 (the "Assessment"). During this period the business was owned by Sportingbet plc, prior to its acquisition by GVC in 2013. The total amount of the Assessment is €186.77m, substantially higher by multiples of the total Greek revenues generated by the subsidiary during the relevant periods.

Legal and tax advice has been received from the Group's Greek professional advisers and this sets out that the Group's subsidiary has strong grounds to appeal the Assessment and in 2018 it has filed an appeal. In the interim, to enable the Group's subsidiary to continue to trade normally, it has entered into a payment scheme with the relevant authority whereby funds are paid to that authority and held on account of approximately €7.8m a month for 24 months. The Board strongly disputes the basis of the Assessment calculation, believing the assessed quantum to be widely exaggerated and is confident in the grounds of appeal. The Directors do not feel that it is probable that a liability will arise.

### 27.2 East Pioneer Corporation Guarantee

On 21 November 2011 the Group entered into a service agreement and guarantee relating to the acquisition by East Pioneer Corporation B.V. ('EPC') from Sportingbet Plc of Superbahis, a Turkish language website. The maximum contingent liability under this agreement at inception was €171m. Prior to the disposal of the Turkish facing business the Directors considered this to have a fair value of €nil (2016: €nil). Following the sale of the Turkish facing business any contingent liability was extinguished.

## 28. BUSINESS COMBINATIONS

It is part of the core strategy for the Group to improve the quality and mix of the Group's earnings through acquisitions, especially where these increase the markets in which the Group trades and where there are opportunities for high levels of cash generation through synergies.

### 28.1 Acquisition of Cozy Games

On 9 August 2017, the Group acquired 100% of the share capital of the group of companies comprising Cozy Games. Cozy Games specialises in the development and delivery of various games, including bingo, classic and video slots, table games, scratch cards and network jackpots.

The terms of the acquisition included an upfront payment of £26.2m together with a capital injection of up to £0.8m to increase the property, plant and equipment base of the Cozy Games group.

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below:

| | Fair value €m |
|---|---|
| **Assets** | |
| Intangible assets | **23.4** |
| Property, plant and equipment | **0.2** |
| Trade and other receivables | **1.0** |
| Cash | **7.7** |
| Total assets | **32.3** |
| **Liabilities** | |
| Trade and other payables | **(7.5)** |
| Client liabilities and progressive prize pools | **(0.3)** |
| Taxation (including gaming tax) | **(0.3)** |
| Deferred tax | **(2.0)** |
| Total liabilities | **(10.1)** |
| **Net assets** | **22.2** |
| Fair value of consideration paid | **30.1** |
| Goodwill recognised | **7.9** |
| **Business combination costs** | **0.3** |

The fair value of trade and other receivables was €1.0m and included trade receivables and payment processor balances with a fair value of €0.8m. Intangible assets acquired include the brands, a technology platform and the customer base. The goodwill consists of assembled workforce, future growth and business reputation.

In the year ended 31 December 2016, Cozy Games reported revenue of €14.3m and loss before tax of €3.6m. If the Acquisition had occurred at the beginning of the year, the continuing revenues of the combined entity in the 12 months to 31 December 2017 would have been €907.3m and the loss before tax would have been €23.1m.

Following the acquisition, GVC has already achieved synergistic savings through integration and restructuring of personnel and operations.

**28.2 Acquisition of Zatrix**

In October 2017 the Group acquired the majority of the trade and assets of a business engaged in the promotion of various online betting and gaming websites in Greece. Consideration is a combination of initial upfront payments of €14.4m and contingent consideration dependent on performance of up to €20m payable over three years.

The fair value of the assets and liabilities recognised at the date of acquisition is set out in the table below:

| | **Fair value €m** |
|---|---|
| **Assets and liabilities** | |
| Intangible assets | **4.6** |
| Deferred tax | **(0.4)** |
| **Net assets** | **4.2** |
| | |
| Fair value of consideration paid | **31.2** |
| Goodwill recognised | **27.0** |
| | |
| **Business combination costs** | **0.1** |

The Intangible asset acquired was a brand operating in the Greek market. The goodwill consists of future growth and business reputation.

Following the acquisition, GVC expects to achieve synergistic benefits in 2018.

**29. NON-CONTROLLING INTERESTS**

Non-controlling interests includes a 10% holding in bwin.party entertainment (NJ) LLC, a company incorporated in the United States. The loss attributable to the non-controlling interest was €0.2m (2016: 0.3m).

The balance of retained earnings attributable to non-controlling interests is disclosed in the table below:

| | **Total €m** |
|---|---|
| As at January 2016 | - |
| Acquired through business combination | (1.2) |
| Loss attributable to non-controlling interests | (0.3) |
| As at 31 December 2016 | (1.5) |
| Loss attributable to non-controlling interests | (0.2) |
| Foreign exchange movements | (0.1) |
| **As at 31 December 2017** | **(1.8)** |

## 30. SUBSEQUENT EVENTS

### 30.1 Ladbrokes Coral Offer

On 22 December 2017 the Boards of GVC and Ladbrokes Coral Group plc ("Ladbrokes Coral") announced that they had reached agreement on the terms of a recommended offer by GVC to acquire the entire issued and to be issued ordinary share capital of Ladbrokes Coral (the "Offer"), which is to be effected by means of a Court-sanctioned scheme of arrangement of Ladbrokes Coral under Part 26 of the Companies Act.

Under the terms of the Offer, Ladbrokes Coral shareholders are entitled to 32.7p in cash and 0.141 ordinary GVC shares for each Ladbrokes Coral share, and a potential further value of up to 42.8p structured as a contingent value right.

The Boards believe that a transaction has the potential to create material shareholder value and that there is a compelling strategic rationale for the Offer. The enlarged group would be an online-led globally positioned betting and gaming business that would benefit from a multi-brand, multi-channel strategy applied across some of the strongest brands in the sector. The enlarged group would be geographically diversified with a large portfolio of businesses across both regulated and developing markets, with the scale and resources to address the dynamics of a rapidly changing global industry. The transaction would also enhance the enlarged group's position in a number of the world's largest regulated online gaming markets, including the UK, Italy and Australia, and would significantly increase GVC's current share of revenues from locally regulated/taxed markets to more than 90 per cent. The enlarged group would have strong growth prospects with momentum in its online businesses, potential for material synergies including the use of leading proprietary technology, and the opportunity to select the best of both people and operations.

GVC published a prospectus in respect of the offer on 9 February 2018 and Ladbrokes Coral published its scheme document on 9 February 2018. On 8 March 2018 all resolutions were duly passed in favour of the proposed acquisition by GVC shareholders. Completion of the transaction is also subject to certain regulatory approvals. Subject to these various approvals being forthcoming, it is anticipated the transaction will complete at the end of March/early April 2018.

### 30.2 Mars LLC ("Crystalbet") Acquisition

On 5 March the Group announced the acquisition of 51% of the shareholding of an online gaming business trading in Georgia for €41.3m with an agreement to purchase the outstanding 49% of the business for further consideration of up to €150m in 2021. The business acquired is a leading online gaming operator offering sports betting, casino games, poker and peer-to-peer games. Whilst accounting for the acquisition has not been completed, intangible assets acquired are expected to include the technology platform, customer lists and the gaming brands as well as goodwill. Completion is not subject to regulatory approval and is expected to occur by the end of March 2018.