15 August 2019

GVC Holdings PLC

("GVC" or the "Group")

Strong operational momentum, full year outlook ahead of expectations

GVC Holdings PLC (LSE: GVC), the global sports-betting and gaming Group, is pleased to announce its Interim Results for the six months ended 30 June 2019.

Group	**Reported[1]**			**Proforma[2]**				
Six months to 30 June	**2019**	**Pre IFRS16 2019**	**2018**	**2019**	**Pre IFRS16 2019**	**2018**	**Change[10]**	**CC[3]**
	£m	£m	£m	£m	£m	£m	%	%
Net gaming revenue (NGR)	1,810.6	1,810.6	1,125.1	1,810.6	1,810.6	1,717.0	5%	6%
Revenue	1,782.1	1,782.1	1,105.9	1,782.1	1,782.1	1,694.3	5%	6%
Gross profit	1,184.1	1,184.1	763.2	1,184.1	1,184.1	1,163.4	2%	
Underlying EBITDAR[4]	376.8	376.8	265.8	376.8	376.8	406.4	(7%)	
Underlying EBITDA[4]	366.8	323.4	235.0	366.8	323.4	349.5	5%	
Underlying operating profit[5]	260.3	241.9	188.6	260.3	241.9	277.9	(6%)	
Underlying profit before tax[5]	212.1	202.2	162.1					
Profit / (loss) after tax	2.1	(13.0)	113.8					
Diluted EPS (p)	(0.6)	(3.2)	24.9					
Continuing adjusted diluted EPS[6] (p)	31.3	29.9	32.2					
Dividend per share (p)	17.6	17.6	16.0					

Highlights:

- Very strong operational performance:
  - Online proforma[2] NGR +17% (+18% cc[3]) and market share gains in all major territories
  - UK Retail Like-for-Like[7] NGR -10%, ahead of expectations
  - European Retail proforma[2] NGR +7% (+8% cc[3]) with growth in all territories
- Full year EBITDA[4/8] and Operating profit[5/8] now expected to be a further £10m ahead of expectations
- Interim dividend of 17.6p per share (H1 2018: 16.0p), an increase of 10% year-on-year
- Net Debt / EBITDA (pre IFRS 16) leverage full year guidance improved to 2.9x
- Significant Responsible Gambling commitments:
  - Ten-fold increase in contributions to Responsible Gambling causes
  - Voluntary whistle-to-whistle television advertising ban in the UK
  - Withdrawal of all marketing associated with English and Scottish football teams, and donation of existing shirt sponsorships to 'Children with Cancer' charity
- US: New Jersey full online launch on-track for the start of the 2019 NFL season in September
- The Group expects to continue to offer online sports-betting and gaming into Germany in the period through to the new regulatory framework in 2021

Financial highlights (proforma basis[2] pre IFRS 16):

- Proforma Group NGR up 5% at £1,810.6m
- Proforma Group underlying EBITDA[4] down 7% at £323.4m but 11% ahead after adjusting for the estimated impact of the Triennial Review and incremental Online taxes[9]
- Online underlying EBITDA[4] was 22% ahead after adjusting for the estimated impact of incremental taxes[9]
- Excluding net debt arising on IFRS 16 of £350.3m, adjusted net debt at 30 June 2019 was £1,929.3m (2.6x LTM underlying proforma EBITDA[4])

Financial highlights (reported basis[1])

- Reported Group NGR up 61% at £1,810.6m
- Reported Group profit after tax of £2.1m after charging £183.8m (£224.4m pre-tax) of separately disclosed items, of which £184.3m relates to the non-cash amortisation of acquired intangibles
- Continuing adjusted diluted EPS[6] of 31.3p down 3%

Kenneth Alexander (CEO) commented[8]:

"The Group's performance in the first half was extremely pleasing with Group proforma NGR 5% ahead. Online momentum remains very strong with proforma NGR 17% ahead, delivering continued market share gains across all major territories. Our online operating model is proving highly effective, building on the sustainable competitive advantages of our wholly owned technology platform, leading product, cutting-edge marketing, leading brands and local execution, which are all delivered with an unrivalled understanding of the markets in which we operate.

In UK Retail, efficient execution of mitigation plans resulted in a Triennial Review impact that was better than initial expectations, with like-for-like NGR 10% behind last year, prompting a further upgrade to our Triennial Review EBITDA guidance. European Retail proforma NGR was 7% ahead with good growth in all territories. The US JV, Roar Digital, is on track for its full launch in New Jersey in September and, building on the combination of proprietary technology, powerful brands and our marketing expertise, is well-placed to succeed.

The Group made a number of significant Responsible Gambling commitments in the period. We were the first operator to commit to a ten-fold increase in contributions to Responsible Gambling causes, alongside calling for a total ban on sports-betting television advertising in the UK. We donated all our marketing assets held at 42 English and Scottish football clubs, including perimeter hoardings, to GambleAware's 'Bet Regret' safer gambling campaign. We also committed to not sponsoring any English or Scottish football teams, and donated our existing shirt sponsorships of Sunderland AFC and Charlton Athletic to our charity partner, Children with Cancer. These are decisive actions, and we will continue to work on a collaborative basis with other leading operators to enhance player protection across the industry."

Outlook[8]:

The strong trading performance of the Online business means that any potential costs in 2019 associated with the new sports-betting licences in Germany are expected to be fully mitigated. With the outperformance in UK Retail, and Online and European Retail trading in-line with expectations, the Board now expects the Group to deliver full year 2019 EBITDA[8] within a £650m-£670m range.

Notes

(1) 2019 and 2018 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018
(2) The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 Jan 2018. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively)
(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2019 exchange rates
(4) EBITDAR is defined as earnings before interest, tax, depreciation and amortisation, rent and associated costs, share based payments and share of JV income. EBITDA is defined as EBITDAR after charging rent and associated costs. Both EBITDAR and EBITDA are stated pre separately disclosed items
(5) Stated pre separately disclosed items
(6) Adjusted for the impact of separately disclosed items, foreign exchange movements on financial indebtedness and losses/gains on derivative financial instruments (see note 8 in the interim financial statements)
(7) UK Retail numbers are quoted on a LFL basis. During H1 there was an average of 3,432 shops in the estate, compared to an average of 3,563 in the same period last year
(8) References to profit expectations are made on a pre IFRS 16 basis
(9) After rebasing the prior year for the adverse EBITDA impact of incremental taxes (UK RGD, Italian taxes and Australian POCT) of £18.8m, and adjusting the current year for the estimated £45.0m adverse impact of the Triennial Review
(10) Proforma 2019 (including the impact of IFRS 16) change v proforma 2018

Conference call

An analyst call will be held at 9:30am (BST) today. The corresponding presentation will be posted on the Group's website shortly before the call: https://gvc-plc.com/investor-relations/results-centre/

Participants may join the call by dialing one of the following numbers approximately 10 minutes before the start of the call:

UK Toll: +44 3333000804 or UK Toll Free: 08003589473
PIN: 54846844#
URL for international dial in numbers:
http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

There will be a live audio webcast available via the following link:
https://webcasting.buchanan.uk.com/broadcast/5d381ba248a6d52f84f6afc5

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Forward-looking statements

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, results of our operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. These forward-looking statements include all matters that are not historical facts. By their nature, these statements involve risks and uncertainties since future events and circumstances can cause results and developments to differ materially from those anticipated. Any such forward-looking statements reflect knowledge and information available at the date of preparation of this document. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), the Company undertakes no obligation to update or revise any such forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

About GVC Holdings PLC

GVC Holdings PLC is one of the world's largest sports-betting and gaming groups, operating both online and in the retail sector. The Group owns a comprehensive portfolio of established brands; Sports Brands include bwin, Coral, Crystalbet, Eurobet, Ladbrokes, Neds and Sportingbet; Gaming Brands include CasinoClub, Foxy Bingo, Gala, Gioco Digitale, partypoker and PartyCasino. The Group owns proprietary technology across all of its core product verticals and in addition to its B2C operations provides services to a number of third-party customers on a B2B basis. The Group has also entered into a joint-venture with MGM Resorts to capitalise on the sports-betting and gaming opportunity in the US. The Group, incorporated in the Isle of Man, is a constituent of the FTSE 250 index and has licences in more than 20 countries, across five continents.

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

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CHIEF EXECUTIVE'S REVIEW

Overview

The Group made very good progress in the first half of the year, during which its underlying financial performance was strong. The Group continued to make material online market share gains across all major territories driven by a highly effective operating model. The first three months post the implementation of the £2 stakes restrictions on B2 machines in UK Retail has progressed well, and trends are ahead of original expectations resulting in a second upgrade to profit guidance this year. In the US, Roar Digital, our joint-venture with MGM Resorts, remains very well-placed for the US sports-betting opportunity, and is on-track to launch a full online offering in New Jersey ahead of the NFL season in September. The integration of Ladbrokes Coral is progressing well with key platform migrations commencing in the second half of the year. The Group made significant Responsible Gambling commitments during the first half, including a call for a total ban on all sports-betting television advertising in the UK (excluding horse-racing) and the removal of gambling sponsorships of UK football teams and pitch-side advertising hoardings. Working together with the other 'Big 5' operators, the Group also committed to a ten-fold increase in Responsible Gambling contributions in the UK.

On a proforma basis Group NGR was 5% ahead of last year with strong growth in Online NGR, which was 17% ahead, partly offset by the adverse impact of the Triennial Review in UK Retail. Group underlying EBITDAR was 7% behind. On a pre IFRS 16 basis, Group underlying EBITDA was 7% behind, however, after adjusting for the estimated impact of the Triennial Review in UK Retail and incremental Online taxes[9], EBITDA[4] was 11% ahead. Group underlying operating profit, pre IFRS 16, was 13% behind. On a post IFRS16 basis, Group underlying EBITDA was 5% ahead and Group underlying operating profit was 6% behind.

On a reported basis, Group underlying profit before tax was £212.1m and after charging £224.4m of separately disclosed items (£183.8m post tax), profit after tax was £2.1m. The Group will pay an interim dividend of 17.6p, reflecting an increase of 10% compared to last year, and in-line with the new policy of double-digit year-on-year increases. Net debt was £1,929.3m before debt arising on the adoption of IFRS 16, representing a pre IFRS 16 leverage ratio of 2.6x. After absorbing the initial impact of the Triennial Review, the pre IFRS 16 net debt leverage ratio is now expected to increase to 2.9x by the end of the year. This compares to previous guidance of 3.0x, and we continue to expect to reduce leverage by at least 0.5x per annum in subsequent years. The highly cash generative nature of the business supports our commitment to double-digit annual dividend growth, and gives us the financial flexibility to pay down debt, or continue to grow the business through M&A.

Online proforma NGR was 17% ahead of last year, and 18% ahead on a constant currency basis with continued double-digit NGR growth in all major territories. UK NGR was 13% ahead of last year, Germany NGR was up 23% cc, Australia NGR was up 48% cc and up 28% cc when adjusting Neds to proforma basis, Italy NGR was up 15% cc and Brazil NGR was up 52% cc. Sports NGR was 18% ahead and Gaming NGR was 17% ahead. After adjusting for the World Cup, Online NGR was 19% ahead and Sports NGR 22% ahead, with sports wagers 16% ahead.

The online division's performance was materially ahead of the market and is driven by the sustainable competitive advantage of the Group's online operating model. Core to the Group's superior operational execution is the all-product proprietary technology platform that operates across multiple geographies. The platform is flexible, highly scalable, cost efficient and enables us to rapidly deploy changes and enter markets quickly. The Group provides a leading product offering by virtue of both our proprietary sportsbook and a gaming platform that provides the broadest range of gaming content in the market, including a strong pipeline of differentiated in-house content. The Group now operates over 19 well-established brands across its global footprint. The value of these brands is increasingly important as barriers to entry increase in regulated markets. The reinvigoration of our two largest brands, bwin and Ladbrokes, continues to yield impressive results. As demonstrated at our Capital Markets Day in May 2019, we have highly sophisticated marketing capabilities and expertise at our disposal. These marketing assets enable the deployment of market-leading real-time CRM interaction with our customers, and in turn, are delivering very impressive returns on investment. As the UK online businesses and the US JV move onto the GVC technology platform during the second half of the year, the ability to deploy these marketing techniques will increase throughout the Group. We have built a highly experienced and talented management team, retaining the best management through the acquisitions of bwin.party and Ladbrokes Coral. The Group also has many years of experience in the markets in which we operate; we know our markets inside-out which is a critical ingredient to our success. We believe the combination of these key enablers will allow the Group to continue delivering the very strong growth that we have reported during the last 12 months.

UK Retail like-for-like proforma NGR was 10% behind last year as a result of the implementation of the cut in maximum B2 machines stakes to £2 on 1 April 2019. Like-for-like OTC wagers were 4% ahead, reflecting higher than anticipated substitution into sports-betting from displaced B2 spend. Prior to the stakes cut, like-for-like machines trends were positive in Q1, with NGR 4% ahead driven by the new Equinox cabinets that rolled out to 1,700 shops at the start of the year. Post the stakes cut in Q2, like-for-like Machines NGR was 39% behind. These changes are now expected to result in up to 900 shop closures over the next two years, lower than our initial expectations, and resulting in a further EBITDA and Operating profit upgrade of approximately £10m. The transition to a smaller and more sustainable estate has been well planned, and the initial execution of our Triennial mitigation plan has been highly effective. The UK Retail division remains a core part of the Group, driving online growth through the market-leading Grid and Connect multi-channel propositions, and also reinforcing brand recognition through the estate's high street signage.

European Retail proforma NGR was 7% ahead of last year, with OTC wagers 11% ahead despite the World Cup comparative. All territories were in growth with Eurobet Retail NGR 7% ahead, Ladbrokes Belgium NGR 12% ahead and Ladbrokes Republic of Ireland NGR 1% ahead.

Safer Gambling and ESG

As a global leader in sports-betting and gaming, with over 25,000 employees, the Group is taking a leading role on ESG and corporate responsibility issues. The Board level Corporate Social Responsibility Committee, chaired by Non-Executive Director Virginia McDowell, has developed a strategic approach comprising the three principal pillars of; Responsible Employer, Responsible Communities and Safer Gambling.

Throughout the first half of 2019 we set about embedding this approach across the Group's operations. The Diversity and Inclusion (D&I) strategy, now into the second year of a three-year roadmap, has seen the roll-out of 'Horizon', our women-in-leadership programme. In addition, the establishment of a partnership with Stonewall, who have been at the forefront of campaigning for LGBT rights since 1989, will help us create an accepting and inclusive workplace. To promote the well-being of our employees we have introduced a new 'Well-me' programme which focuses on both physical and mental health as part of the Group's comprehensive people plan. On the environmental front, we have set a target to reduce our carbon footprint by 15% and have launched a new recycling scheme across our office and UK Retail estate.

In the area of responsible communities, the Ladbrokes Coral Trust has announced a three-year partnership with Children with Cancer; and we continue to work with SportsAid to back the next generation of UK athletes. Later this year the GVC Community Fund will make the first round of grants from the £2 million fund established last year, while a new Global GVC CSR Foundation will launch in Q3.

Notwithstanding all of these initiatives, perhaps the most important of the three pillars is Safer Gambling. While the vast majority of consumers enjoy our products safely, it is imperative that GVC does everything possible to protect the small minority of players for whom gambling becomes a problem. In January the Group launched 'Changing for the Bettor', a comprehensive package of measures designed to minimise gambling related harm while enhancing our collective understanding of problem gambling behaviours. In developing this package of measures we acknowledged that problem gambling is a complex issue and a multi-faceted approach is required to address it. 'Changing for the Bettor' includes seven key commitments, with substantive initiatives attached to each. These include a five-year, multimillion-pound research project with the Division on Addiction, a Harvard Medical School teaching hospital; the roll-out of a youth-focused education syllabus with GamCare and EPIC Risk Management and the introduction of sophisticated online player protection tools.

To deliver our Responsible Gambling goals, we recognised that both cross-industry collaboration and a substantial increase in investment is required. Accordingly, in April GVC committed to a ten-fold increase in the funding of research, education and treatment of problem gambling to 1% of UK GGR, a move that was matched by our four largest UK peers in July. This joint-commitment will see the five companies cumulatively investing £100m into treatment and research over the next four years, with annual spend reaching £60m by 2023. At the same time, the big five operators also agreed to work together to increase safer gambling messages within advertising and to share player data in order to improve identification of vulnerable customers.

Our collaborative approach through bodies including the Senet Group and the Remote Gaming Association (RGA), also helped to deliver the pre-watershed 'whistle-to-whistle' ban on broadcast advertising around sport in the UK, which came into effect earlier this month. Whilst a welcome start, GVC believes the industry can and should go further. To this end, the Group has unilaterally committed to ending shirt sponsorships and perimeter board advertising at all UK football clubs. To honour this commitment, for the 2019-20 season the Group gifted the shirt sponsorship rights it held for both Sunderland AFC and Charlton Athletic to our partner, Children with Cancer, while marketing assets including perimeter boards that the Group holds at 42 leading English and Scottish clubs have been donated to promote GambleAware's 'Bet Regret' safer gambling campaign.

In order to continuously improve our approach to responsible gambling it is important to acknowledge and address mistakes made in the past. On 31 July 2019 we concluded a regulatory settlement with the UK Gambling Commission in relation to historic failures in the Ladbrokes Coral businesses between 2014-2017, prior to its acquisition by the Group. GVC has since conducted a thorough review and has transformed the process and systems which were at fault to prevent any repetition of these historic failures.

To provide further details on our corporate sustainability performance, we published the Group's second CSR Report in June 2019. Following extensive independent reviews of the Group's ESG policies and practices we are pleased to report that GVC has been admitted to two of the major Environmental, Social and Governance (ESG) indices, the Dow Jones Sustainability Index (DJSI) and FTSE4Good.

Integration

The integration of the Ladbrokes Coral business is progressing very well. The GVC integration model, based on detailed planning and rigorous execution, is again proving highly effective at delivering the integration of a large scale business with minimal disruption to business-as-usual activities. The announcement of an updated agreement with Playtech in January enables earlier migration of the UK online brands from the Playtech platforms onto the GVC technology platform. The migration of these brands has already commenced with the successful transfer of Gala Spins in the second quarter. The remaining migrations, including Ladbrokes, Coral and Gala Bingo, are planned for the second half of this year and into the first half of 2020. The platform migrations are a key enabler to further back office integration, and will result in the delivery of material cost savings earlier than originally guided, reflected in the previously announced £15m upgrade to synergies in 2020. Operating on the GVC technology platform will also further enhance the "develop once, deploy multiple times" principle and unlock major opportunities to share "best-of-both" best practice across the Group. The Group remains on-track to deliver £130m costs synergies by 2022 and £30m of capex synergies by 2021, in-line with guidance.

US Joint-Venture: Roar Digital

In the first half of the year the focus of our US sport-betting and online gaming joint-venture was on establishing an optimal structure to capitalise on the long-term opportunity afforded by the regulating US market. Whilst we anticipate that it will take between three and five years before the majority of states are regulated, we believe the value-creation opportunity is significant. During the half, the JV established a head office in Jersey City, minutes from Manhattan. All senior management roles are in place and hiring is progressing well, with over 100 employees now in position. In the first half of the year the Group was granted licences in Mississippi and Nevada, and Roar Digital received a transactional waiver to conduct business in New Jersey.

The imminent migration of the US online offering to the GVC technology platform will materially enhance the product range and user experience, and will provide access to the powerful marketing tools deployed elsewhere throughout the Group. The JV will fully launch online in New Jersey at the start of the NFL season in September, combined with a ramp-up in marketing during Q4.

Chairman Successor Search

Within the Group's 2018 Annual Report, we disclosed the Board's decision to find a successor to current Chairman, Lee Feldman. The decision will enable GVC to comply with changes to the UK Corporate Governance Code in respect to the recommended maximum tenure of a Chairman, which a significant number of the FTSE350 constituents are also addressing. The Board is committed to a rigorous process, and has carefully considered the key skills and experience that it believes are necessary. Stephen Morana, GVC's Senior Independent Director, is managing the candidate search, supported by Russell Reynolds, the international recruitment firm. The search is progressing well and a number of candidates have been identified. A further update will be given in due course.

Corporate Activity

The Group has a very strong track record of delivering successful M&A, and ‘bolt-on’ acquisitions are a key part of the Group’s growth story. We continue to assess new opportunities in both existing and new markets. We also continually review our existing asset base to ensure an optimal portfolio. In July we announced the disposal of our 50% share in the Sportium JV to our JV partner Cirsa S.A, whilst continuing to provide certain B2B services until 2024, resulting in a net cash consideration of €70m. The disposal enables the simplification of our Spanish facing business, where bwin is a leading online brand.

German Regulation Update

The rules that will govern the new online sports-betting licences in Germany were discussed by Hesse, the state overseeing the regulatory process, in a ‘Q and A’ session with operators on 13 August 2019. Following the session, the Group believes that significant further clarity on both the regulatory details and timings is still required. If clarity is not provided in 2019, the likelihood of delays with the issuance of sports-betting licences in 2020 increases, and heightens the probability of legal challenges impacting the roll-out. There is, therefore, a realistic possibility that the regulatory position is not resolved until 2021, when positive re-regulation of the German online sports-betting and gaming market is expected.

The Group remains confident that it will be able to continue providing online sports-betting and gaming into Germany in the interim period through to 2021. The Group expects:

- Bet-in-play markets, including as a minimum those markets related to the match outcome and goal markets, to be permitted. These markets currently represent c80% of the Group’s bet-in-play revenues in Germany
- To be given dispensation to relax any maximum monthly customer loss or spend limits that may be implemented
- To continue offering online gaming into Germany

The Group then expects the Lander to re-regulate the German market by mid-2021, with regulation to include online gaming. As previously indicated in the Group’s 17 July 2019 post-close trading update, the strong trading performance of the Group means that any potential costs in 2019 associated with the new sports-betting licences are expected to be fully mitigated.

Other Regulation

The Group is a truly global operator with a worldwide geographic footprint, and therefore faces into both regulatory opportunities and headwinds. The Group’s scale, geographic diversification and flexible operating model mean that it can respond rapidly to new regulatory opportunities, while scale, technology and established brands create ever higher barriers to entry in markets where regulatory headwinds exist. Combined with our continued outperformance of the market, the Group’s business model is proving adept at absorbing these regulatory headwinds, while continuing to exploit regulatory opportunities.

Since the decision of the United States Supreme Court to repeal PASPA on 14 May 2018, 10 US states have introduced and implemented sports-betting regulations, namely Nevada, New Jersey, Delaware, West Virginia, Mississippi, Rhode Island, Pennsylvania, New Mexico, Arkansas and New York. Other US states, including Washington, D.C., Illinois, Iowa, Indiana, Montana, New Hampshire, North Carolina and Tennessee, have approved sports-betting laws without yet launching their regulated markets. Tennessee became the first US state to adopt a mobile wagering only regulation. Montana and Indiana are expected to launch their markets in the second half of 2019; some of the other newly regulated states may choose to do the same. Our US JV expects to enter all states where it is commercially viable to do so.

The Brazilian sports-betting market is on course to regulate by the end of 2020 and provides the Group with a major opportunity to build on its existing position in the market.

The Netherlands Regulator announced on 7 August 2019 that it had issued the Group with a fine of €350k relating to bwin’s historic activity in the Dutch market that the Regulator deemed to be in breach of its guidelines. The Regulator has also issued similar fines against several of GVC’s main off-shore competitors in the Netherlands. The Group intends to pay this fine, however firmly disagrees with the basis on which the sanction decision has been taken and reserves its rights to potentially contest the fine in the future. The Group is adhering to the Regulator’s current guidelines and will continue offering its services in the Netherlands in compliance with these guidelines. The Group fully expects to be successful in its application for one of the new online sports-betting and gaming licences that are due to be issued over the course of 2021.

In the UK, Remote Gaming Duty, applicable to online gaming, increased from 15% to 21% on 1 April 2019. The cut in maximum B2 stakes to £2 on LBO machines was also implemented on 1 April 2019. This change is expected to result in up to 900 shop closures. The Group has planned extensively for this transition to a smaller estate with a greater share of the market, and the overall impact in the quarter following implementation was better than initial expectations. In July, the UK Gambling Commission announced its intention to launch a 12 week consultation on the use of credit cards to fund online gambling. Credit cards represent only 6% of deposit value across our UK brands, and any potential restriction on their use is expected to have a minimal impact on revenue.

A point of consumption tax was implemented in the majority of Australian states on 1 January 2019 (having already been implemented in South Australia in 2017 and Queensland in 2018). The blended rate for the Group is 11.5% of gross gaming revenues. Market-leading growth, combined with a disciplined approach to customer bonusing and an increase in market overrounds, will help offset the impact of these changes.

In Italy, restrictions on the promotion of all sports-betting and gaming came into force on 15 July 2019. The legislation does, however, allow for various forms of informative advertising and customer contact. The ability to still advertise, albeit restricted to informative forms, means the expected adverse impact on the market is likely to be less than had been expected under a blanket advertising ban. The Group's portfolio of brands in Italy (Eurobet, bwin, Gioco Digitale) are very well established, and combined with the Eurobet Retail estate, which offers a seamless multi-channel solution, are expected to outgrow the market in the second half.

Taxation Contingencies and Commitments

In the UK, the Group has inherited VAT refund claims made by the legacy Ladbrokes business in relation to VAT paid on certain gaming machines prior to February 2013. The claims are being led by two other operators. The First Tier Tribunal ruled broadly in favour of the other operators' claim in July 2018. During Q2 2019, the UK Upper Tribunal (the second-tier tax court) announced that a hearing will take place in January 2020 in respect of the appeal by the UK tax authorities against those decisions. If the UK tax courts ultimately find in favour of these other operators (and therefore also GVC), the Group expects to receive a refund of approximately £200m. Given the inherent uncertainty surrounding a claim of this nature, no receivable has been recognised as at 30 June 2019.

As disclosed in the 31 December 2018 financial statements, the Group made provision for potential Greek tax liabilities for the years 2010 to 2017, resulting in a charge to the Income Statement of £186.8m within non-trading items. Whilst dialogue continues with the Greek tax authorities, there has not been any change in the position since year end. The Group continues to make payments on account against the 2010/11 assessment and, during the first half, made payments of £39.3m. These payments have been recorded as a receivable on the Balance Sheet with the total receivable now amounting to £80.7m.

Since the acquisition of bwin.party in 2016, the Group has fully provided for, but not fully paid, betting and gaming taxes on Austrian revenues as a result of ongoing litigation over the Austrian authority's right to charge taxes on overseas companies. As at 30 June 2019, the amount accrued by the Group amounts to €75.9m, an increase of €7.4m since the start of the year. The litigation is expected to be resolved during 2020.

Brexit

The UK and Gibraltar are now scheduled to leave the EU on 31 October 2019. Ahead of that date, and in order to meet certain EU regulations, the Group will register part of its online business under a Maltese online gambling licence. Some EU countries also require companies operating online gambling services in those countries to locate their servers within the EU. To meet these requirements, some of the Group's servers were transferred to Dublin in June 2019. The Group's online business will still be headquartered in Gibraltar and the impact on our employees in Gibraltar is minimal.

Current Trading

Current trading for the period 1 July to 11 August 2019 saw continued strong trading momentum with NGR growth in Online and European Retail.

Financial Results and the use of Non-GAAP measures

The reported statutory results for H1 2018 reflect the acquisition of Ladbrokes Coral Group which took place at the close of business on 28 March 2018 and therefore include the results of the Ladbrokes Coral Group from that date.

In order to aid the comparison of year-on-year results, the Directors have deemed it appropriate to provide and analyse proforma results for the combined Group as if it had existed from 1 Jan 2018. Given the changes in capital structure arising from the acquisition of the Ladbrokes Coral Group, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, proforma results have only been provided down to operating profit.

As a result of IFRS 3 requirements to fair value acquired businesses and the introduction of IFRS 16 "Leases", proforma depreciation and amortisation charges for 2018 may not be comparable with those arising post the acquisition of Ladbrokes Coral and the implementation of IFRS 16. Therefore, the Directors believe that the provision of underlying EBITDAR and EBITDA within the proforma and segmental information is appropriate, as it aids the comparability of "underlying" profit whilst the impact of IFRS 3 and IFRS 16 on EBITDA, depreciation and amortisation normalises.

Contribution, which is also presented, represents gross profit less marketing cost and is a key measure used by the Group in assessing the Online business. Like-for-like is a measure used in UK Retail to measure performance of the shops that have been open in both 2018 and 2019. Both are industry-standard measures.

The tables below reconcile reported results to proforma results for H1 2018 and pre and post IFRS 16 for 2019.

2018 H1 results	**Reported underlying results[1]**	**Ladbrokes Coral trading pre acquisition[2]**	**Proforma results (unaudited)**
Net gaming revenue	1,125.1	591.9	1,717.0
Revenue	1,105.9	588.4	1,694.3
Gross profit	763.2	400.2	1,163.4
Contribution	582.0	341.0	923.0
Underlying EBITDAR	265.8	140.6	406.4
Underlying EBITDA	235.0	114.5	349.5
Share based payments	(5.0)	(1.0)	(6.0)
Underlying depreciation & amortisation	(42.1)	(24.0)	(66.1)
Share of JV income	0.7	(0.2)	0.5
Underlying group operating profit	188.6	89.3	277.9

2019 H1 results	**Reported underlying results[1]**	**IFRS 16 impact[3]**	**Pre IFRS 16 underlying results**
Net gaming revenue	1,810.6	-	1,810.6
Revenue	1,782.1	-	1,782.1
Gross profit	1,184.1	-	1,184.1
Contribution	924.9	-	924.9
Underlying EBITDAR	376.8	-	376.8
Underlying EBITDA	366.8	(43.4)	323.4
Share based payments	(5.5)	-	(5.5)
Underlying depreciation & amortisation	(99.9)	25.0	(74.9)
Share of JV income	(1.1)	-	(1.1)
Underlying group operating profit	260.3	(18.4)	241.9

Notes

(1) *Excludes the impact of separately disclosed items*

(2) *Represents the trading results for the Ladbrokes Coral Group plc for the period 1 January 2018 to 28 March 2018 pre separately disclosed items*

(3) *IFRS 16 has also resulted in an additional £8.5m of interest in H1 2019*

BUSINESS REVIEW

The Group operates through five segments; Online, UK Retail, European Retail, Other and Corporate.

Group

	Reported results[1]				Proforma results[2]				
Six months to 30 June	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	CC[3] %
NGR	1,810.6	1,810.6	1,125.1	61%	1,810.6	1,810.6	1,717.0	5%	6%
VAT/GST	(28.5)	(28.5)	(19.2)	(48%)	(28.5)	(28.5)	(22.7)	(26%)	(27%)
Revenue	1,782.1	1,782.1	1,105.9	61%	1,782.1	1,782.1	1,694.3	5%	6%
Gross profit	1,184.1	1,184.1	763.2	55%	1,184.1	1,184.1	1,163.4	2%	
Contribution	924.9	924.9	582.0	59%	924.9	924.9	923.0	0%	
Operating costs	(548.1)	(548.1)	(316.2)	(73%)	(548.1)	(548.1)	(516.6)	(6%)	
Underlying EBITDAR[4]	376.8	376.8	265.8	42%	376.8	376.8	406.4	(7%)	
Rent and associated costs	(10.0)	(53.4)	(30.8)	68%	(10.0)	(53.4)	(56.9)	82%	
Underlying EBITDA[4]	366.8	323.4	235.0	56%	366.8	323.4	349.5	5%	
Share based payments	(5.5)	(5.5)	(5.0)	(10%)	(5.5)	(5.5)	(6.0)	8%	
Underlying depreciation and amortisation	(99.9)	(74.9)	(42.1)	(137%)	(99.9)	(74.9)	(66.1)	(51%)	
Share of JV income	(1.1)	(1.1)	0.7	(257%)	(1.1)	(1.1)	0.5	(320%)	
Underlying operating profit[5]	260.3	241.9	188.6	38%	260.3	241.9	277.9	(6%)	

Reported Results[1]:

Revenue increased by 61% to £1,782.1m, underlying EBITDAR[4] increased by 42% to £376.8m and underlying EBITDA[4] increased by 56% to £366.8m, reflecting both the prior year period only containing three months of trading for the Ladbrokes Coral business post acquisition on 28 March 2018, and the impact of IFRS 16. Underlying operating profit[5] of £260.3m was 38% ahead of last year and operating profit post separately disclosed items of £35.9m was £104.2m behind 2018.

Proforma Results[2]:

Revenue increased by 5% driven by the strong performance in Online and European Retail, partially offset by the decline in machines revenue in UK Retail resulting from the implementation of £2 maximum B2 stakes on 1 April 2019. Contribution of £924.9m was in-line with last year, with a contribution margin of 51.1% in-line with expectations, and 2.7pp lower than last year due to the change in the segmental mix following the £2 B2 stakes restriction in UK Retail, increased gaming taxes in Online and increased marketing in Eurobet Retail ahead of the new advertising restrictions in H2. Operating costs were 6% higher, primarily driven by the prior year acquisitions of Crystalbet and Neds, the in-year phasing of staff bonus costs, whereby bonus costs in the prior year were weighted more towards the second half, and increased Responsible Gambling and KYC costs, partly offset by the delivery of synergies arising from the acquisition of the Ladbrokes Coral Group, resulting in underlying EBITDAR[4] down 7%. Pre IFRS 16 rent and associated costs of £53.4m were £3.5m lower than last year. Pre IFRS 16 underlying EBITDA[4] was 7% behind. After adjusting for the impact of Online tax and duty increases in the UK, Australia and Italy, and the estimated impact of the Triennial Review in UK Retail[8], pre IFRS16 underlying Group EBITDA[4] was 11% ahead. Post IFRS 16 underlying EBITDA[4] was 5% ahead.

Share based payment charges were 8% lower than last year, while pre IFRS16 underlying depreciation and amortisation was 13% higher, primarily due to the impact of the prior year IFRS 3 fair value exercise, and capex costs incurred on both the Ladbrokes Coral merger and the acquisition of the Ladbrokes Coral Group. Post IFRS 16 underlying depreciation and amortisation was 51% higher. Share of JV loss of £1.1m includes a loss of £3.0m from the US JV, Roar Digital, in-line with expectations. Pre IFRS 16 Group underlying operating profit[5] was 13% behind last year, and post IFRS 16 Group underlying operating profit[5] was 6% behind.

Online

Six months to 30 June	Reported results[1]				Proforma results[2]				
	2019 £m	**Pre IFRS16 2019 £m**	2018 £m	Change %	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	CC[3] %
Sports wagers	5,542.7	5,542.7	3,507.2	58%	5,542.7	5,542.7	4,905.6	13%	14%
Sports margin	10.8%	10.8%	10.6%	0.2pp	10.8%	10.8%	10.4%	0.4pp	0.4pp
Sports NGR	462.3	462.3	289.0	60%	462.3	462.3	393.1	18%	19%
Gaming NGR	574.6	574.6	392.1	47%	574.6	574.6	489.7	17%	18%
B2B NGR	8.6	8.6	11.9	(28%)	8.6	8.6	12.6	(32%)	(33%)
Total NGR	1,045.5	1,045.5	693.0	51%	1,045.5	1,045.5	895.4	17%	18%
VAT/GST	(28.5)	(28.5)	(19.2)	(48%)	(28.5)	(28.5)	(22.7)	(26%)	(27%)
Revenue	1,017.0	1,017.0	673.8	51%	1,017.0	1,017.0	872.7	17%	17%
Gross profit	664.3	664.3	467.0	42%	664.3	664.3	597.1	11%	
Contribution	413.8	413.8	290.6	42%	413.8	413.8	364.2	14%	
Contribution margin	*39.6%*	*39.6%*	*41.9%*	*(2.3pp)*	*39.6%*	*39.6%*	*40.7%*	*(1.1pp)*	
Operating costs	(172.0)	(172.0)	(117.5)	(46%)	(172.0)	(172.0)	(147.5)	(17%)	
Underlying EBITDAR[4]	241.8	241.8	173.1	40%	241.8	241.8	216.7	12%	
Rent and associated costs	(0.5)	(6.0)	(4.5)	89%	(0.5)	(6.0)	(5.8)	91%	
Underlying EBITDA[4]	241.3	235.8	168.6	43%	241.3	235.8	210.9	14%	
Share based payments	(2.2)	(2.2)	(1.7)	(29%)	(2.2)	(2.2)	(2.1)	(5%)	
Underlying depreciation and amortisation	(53.9)	(48.9)	(26.7)	(102%)	(53.9)	(48.9)	(38.2)	(41%)	
Share of JV income	0.3	0.3	-	-	0.3	0.3	(0.3)	200%	
Underlying operating profit[5]	185.5	185.0	140.2	32%	185.5	185.0	170.3	9%	

Reported Results[1]:

On a reported basis, revenue of £1,017.0m was 51% ahead of last year, underlying EBITDAR[4] of £241.8m was 40% ahead and underlying EBITDA[4] of £241.3m was 43% ahead, reflecting continued growth in the Online division, the prior year period only containing three months of trading of the Ladbrokes Coral Group post acquisition on 28 March 2018, and the impact of IFRS 16. Underlying operating profit[5] of £185.5m was 32% ahead of 2018, and an operating loss post separately disclosed items of £7.1m was £13.4m lower than last year.

Proforma Results[2]:

Online growth in the first half of the year was very strong with total Online NGR 17% ahead of last year, despite the comparative period containing part of the Football World Cup. Underlying EBITDAR[4] of £241.8m was 12% ahead and pre IFRS 16 underlying EBITDA[4] of £235.8m was 12% ahead. After adjusting for the impact of tax and duty increases in the UK, Australia and Italy[8], pre IFRS 16 underlying EBITDA[4] was 22% ahead. Pre IFRS 16 underlying operating profit[5] of £185.0m was 9% ahead.

Sports NGR was 18% (+19% cc) ahead with sports wagers up 13% (+14% cc) and sports gross win margin 0.4pp ahead at 10.8%. Sports gross win margins were ahead in UK, Germany and Italy and broadly flat in Australia. After adjusting for the Football World Cup[7], Online NGR was 19% ahead, Sports NGR 22% ahead and sports wagers 16% ahead. Gaming NGR was 17% (+18% cc) ahead. The tailwinds to NGR growth provided by the acquisition of Crystalbet in Georgia in April 2018 and Neds in Australia in November 2018 were broadly offset by the headwinds of the prior period containing part of the Football World Cup and the exit from certain territories at the start of 2019.

Growth was strong across all major territories as the Group continues to make material market share gains. In the UK, NGR was 13% ahead. Growth in Ladbrokes.com was particularly impressive as the re-invigoration of the brand continues with the 'The Nation's Favourite' campaign being very well received by customers. The Ladbrokes brand has also benefitted from the deployment of enhanced real-time CRM and improved gaming cross-sell techniques already utilised in Coral.co.uk. Gala brands NGR growth accelerated to +14% in H1 helped by new product releases and further personalisation enhancements. These sustained market share gains mean the Group is now the number 2 online operator in the UK. The Group again demonstrated its ability to effectively navigate regulatory changes with no noticeable impact on revenues from the changes to age-verification implemented during Q2.

Growth remains very strong in Germany, where NGR was 23% ahead on a constant currency basis. The bwin brand has continued to reposition itself to the more 'passionate and authentic' end of the market, helped by effective football-related marketing campaigns. The 'This is Our Game' campaign, aimed at building an emotional connection with authentic football fans, was well received. Through this and previous campaigns, the bwin brand has re-established itself as the leading online sports-betting and gaming brand in Germany, and it is well-placed to adapt to the proposed regulatory changes in 2020.

In Australia, NGR was 48% ahead on a constant currency basis (and 28% cc ahead if the Neds acquisition is adjusted to a proforma basis). The market remains competitive following the implementation of Point of Consumption Tax ('POCT') at the start of the year, but a disciplined marketing and bonusing strategy, and the benefits of 'best-of-both' sharing between Ladbrokes and Neds, continues to drive profitable growth. Market overrounds have increased post the implementation of POCT in the majority of states at the start of the year, also helping part-mitigate the increased costs.

In Italy, combined NGR growth across the three major brands (Eurobet, bwin and Gioco Digitale) was 15% on a constant currency basis, ensuring the business entered the second half, ahead of the proposed advertising restrictions, with very good momentum. The three major Italian brands are now under single management ensuring our strategy in Italy is fully co-ordinated. The GVC gaming platform was integrated into the Eurobet.it online platform providing access to the Group's wide range of leading gaming content.

The Group consolidated its place as the clear number 1 operator in the Brazilian online market with NGR 52% ahead on a constant currency basis in the first half, delivered by a highly effective operating model. Partypoker NGR was 16% (cc) ahead of last year, driven by the continued success of our live events programme, ongoing user experience improvements and geographical expansion into Spain and Sweden. In Georgia, Crystalbet NGR was 49% ahead (on a proforma basis) driven by a vastly superior gaming offering being made available to customers in Q2 last year, new sports feeds providing over 8,000 additional markets daily, and access to Group marketing capabilities.

New sports product development highlights in the first half included a refresh of the Coral sports app, the launch of an improved version of the bwin.com and bwin.es desktop sports platforms and increased bet-in-play markets across all brands. In gaming, Playtech content was launched in Spain, Georgia and Italy, alongside the rollout of Playtech live casino to certain legacy GVC brands.

Online contribution margin was in-line with expectations at 39.6%, 1.1pp lower than last year. The adverse impact of Australian POCT, increases in Italian online taxes announced in December 2018 and the increase in UK Remote Gaming Duty from 15% to 21% on 1 April 2019, combined with a change in mix to more regulated territories, was partially offset by a relative reduction in marketing spend. Marketing as a percentage of NGR was 24.0%, a reduction of 2.0pp from last year. Full year guidance of Online contribution margin of c40% remains unchanged.

Operating costs (before rent) were 17% higher than last year, driven by the acquisitions of Crystalbet and Neds (+7pp), the phasing of staff bonus costs in the prior year (+6pp) and increased Responsible Gambling and 'KYC' costs (+2pp), all of which were partly offset by the delivery of synergies from the from the acquisition of Ladbrokes Coral. In the second half of the year, operating costs are expected to increase by c.1%, resulting in a full-year increase of c.8% including the impact of Crystalbet and Neds.

Pre IFRS 16 rent and associated costs were £6.0m in the first half, compared with £5.8m in the prior year. Post IFRS 16 rent and associated costs were 91% lower than last year.

Pre IFRS 16 underlying depreciation and amortisation of £48.9m was 28% higher than last year primarily due to the impact of the prior year IFRS 3 fair value exercise and integration capex costs incurred on both the Ladbrokes Coral merger and the acquisition of the Ladbrokes Coral Group. Post IFRS 16 underlying depreciation and amortisation of £53.9m was 41% higher than last year.

Outlook:

The migration of the Ladbrokes Coral UK digital businesses onto the GVC technology platform during the second half of the year, and into 2020, will further enhance 'best-of-both' best-practice across the Group. The performance of the online business remains very strong, driven by an operating model that is underpinned by leading proprietary technology and cutting-edge marketing techniques, and the business is well-placed to deliver double-digit NGR growth in the longer term.

UK Retail

	Reported results[1]				**Proforma results[2]**				
Six months to 30 June	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	CC[3] %
OTC wagers	1,591.6	1,591.6	850.6	87%	1,591.6	1,591.6	1,562.9	2%	n/a
OTC margin	17.5%	17.5%	17.5%	0.0pp	17.5%	17.5%	17.9%	(0.4pp)	n/a
Sports NGR/Revenue	275.0	275.0	147.5	86%	275.0	275.0	277.1	(1%)	n/a
Machines NGR/Revenue	311.8	311.8	204.0	53%	311.8	311.8	387.5	(20%)	n/a
Total NGR/Revenue	586.8	586.8	351.5	67%	586.8	586.8	664.6	(12%)	n/a
Gross profit	421.9	421.9	250.4	68%	421.9	421.9	476.9	(12%)	
Contribution	419.0	419.0	249.2	68%	419.0	419.0	474.4	(12%)	
Contribution margin	*71.4%*	*71.4%*	*70.9%*	*0.5pp*	*71.4%*	*71.4%*	*71.4%*	*0.0pp*	
Operating costs	(298.1)	(298.1)	(157.8)	(89%)	(298.1)	(298.1)	(302.0)	1%	
Underlying EBITDAR[4]	120.9	120.9	91.4	32%	120.9	120.9	172.4	(30%)	
Rent and associated costs	(8.9)	(42.6)	(23.9)	63%	(8.9)	(42.6)	(46.6)	81%	
Underlying EBITDA[4]	112.0	78.3	67.5	66%	112.0	78.3	125.8	(11%)	
Share based payments	(0.6)	(0.6)	(0.2)	(200%)	(0.6)	(0.6)	(0.4)	(50%)	
Underlying depreciation and amortisation	(31.8)	(15.1)	(10.7)	(197%)	(31.8)	(15.1)	(18.5)	(72%)	
Share of JV income	-	-	-	-	-	-	-	-	
Underlying operating profit[5]	79.6	62.6	56.6	41%	79.6	62.6	106.9	(26%)	

Reported Results[1]:

On a reported basis, revenue of £586.8m was 67% ahead of last year, underlying EBITDAR[4] of £120.9m was 32% ahead and underlying EBITDA[4] of £112.0m was 66% ahead, reflecting the prior year period only containing three months of trading of the Ladbrokes Coral Group post acquisition on 28 March 2018, and the impact of IFRS 16. Underlying operating profit[5] was £79.6m and £73.7m after charging separately disclosed items.

Proforma Results[2]:

The cut in maximum B2 stakes to £2 following the UK Government's Triennial Review was implemented on 1 April 2019, resulting in a material change to the division's performance in the second quarter. Post the implementation, the performance of the UK Retail business has been stronger than initially anticipated, with our leading sports-betting offering driving higher levels of substitution from displaced B2 spend into OTC and SSBTs. Overall the impact of the Triennial Review is now expected to adversely impact UK Retail EBITDA by £137.5m in 2019, reducing to £120.0m per annum run-rate within 2 years, as shop closures part-mitigate the impact of lost machines revenue. The strong performance in UK Retail means the guided EBITDA impact is now £25m better than the initial guidance, and the Group now expects to close up to 900 shops over the next 2 years, as a direct result of these changes.

Total UK Retail NGR was 12% behind last year and 10% on a like-for-like[6] basis. Underlying EBITDAR[4] of £120.9m was 30% behind and pre IFRS 16 underlying EBITDA[4] of £78.3m was 38% behind. After adjusting for the estimated impact of the Triennial Review[8], pre IFRS 16 underlying EBITDA[4] was 2% behind. Pre IFRS 16 underlying operating profit[5] of £62.6m was 41% behind.

OTC wagers were 2% ahead of last year and on a like-for-like[6] basis were 4% ahead (Q1: flat, Q2: + 8%). OTC wagers benefitted from recycling in Q1, and in Q2 part-substitution of displaced B2 revenue into sports-betting helped drive OTC wagers 8% ahead – a c.13pp improvement on long-term trends. The impact of the World Cup[7] in the prior period was a 1pp headwind to wagering growth in H1 this year.

Like-for-like[6] SSBT wagering was 40% ahead of last year. The Group announced a new deal with BGT at the start of the year that will see the roll-out of next generation cabinets across the estate. This roll-out has commenced and will result in a 30% increase in SSBT density by the end of the year.

OTC gross win margin of 17.5% was 0.4pp behind last year, primarily driven by softer margins in Greyhounds and Irish horse racing. Despite the Grand National being won by Tiger Roll, the shortest priced favourite on record, the result was broadly in-line with expectations. The Cheltenham Festival was marginally behind last year, as a very good last day, which saw unfancied Al Boum Photo win the Gold Cup, helped largely offset results on the Thursday – which was one of the worst horse racing results days on record.

Machines NGR was 20% behind last year and 18% behind on a like-for-like[6] basis (Q1: +4%, Q2: -39%). The roll out of 6,800 next generation Equinox cabinets across 1,700 shops completed in February 2019, and the superior user experience helped drive Q1 NGR 4% ahead. The cut to maximum B2 stakes to £2 was implemented on 1 April 2019 and drove a decline in Machines NGR of 39% in Q2, marginally better than expectations.

Operating costs (before rent) were 1% lower than last year, with the in-year phasing impact of staff bonus costs in the prior year (+3pp), more than offset by the impact of shops closures and the annualisation of synergies delivered from the Ladbrokes and Coral merger.

Pre IFRS 16 rent and associated costs were £42.6m in the first half, compared to £46.6m in the prior year, reflecting the smaller estate size and rent reductions achieved ahead of the Triennial Review (2019 H1 average LBOs: 3,432; 2018: 3,563). Post IFRS 16 rent and associated costs were 81% lower than last year.

Pre IFRS 16 underlying depreciation and amortisation of £15.1m was 18% lower than last year. Post IFRS 16 underlying depreciation and amortisation of £31.8m was 72% higher than last year.

At 30 June 2019, there were a total of 3,274 shops in the estate (2018: 3,562). During the period 203 shops were closed, of which 157 directly resulted from the Triennial Review.

Outlook:

Following the cut in maximum B2 stakes to £2, both retained machines revenue and revenues substituted into OTC and SSBTs were higher than initially anticipated, driven by an effective Triennial Response plan featuring high levels of staff interaction with customers and a range of new products and customer offers. The UK Retail division is highly cash generative, and post Triennial will deliver c.£100m of free cash-flow per annum. This represents a c.14% Return on Invested Capital[9],even before considering the benefits to Online, while the presence of Ladbrokes and Coral shops in most high streets helps reinforce brand recognition online. The Grid and Connect multi-channel offerings are a material competitive advantage, driving online growth through in-shop sign-ups to the Ladbrokes and Coral online offerings, and the subsequent servicing of those customers through the use of a seamless customer wallet. Combined with the investment in machines cabinets, new B3 content, SSBTs and OTC product, the UK Retail business is very well-placed to take market share as the industry transitions to a post-Triennial world.

European Retail

Six months to 30 June	Reported results[1]				Proforma results[2]				
	2019 £m	**Pre IFRS16 2019 £m**	2018 £m	Change %	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	CC[3] %
OTC wagers	832.4	832.4	398.1	109%	832.4	832.4	753.1	11%	11%
OTC margin	17.3%	17.3%	16.8%	0.5pp	17.3%	17.3%	17.8%	(0.5pp)	(0.5pp)
Sports NGR/Revenue	107.1	107.1	51.8	107%	107.1	107.1	103.4	4%	4%
Other OTC NGR/Revenue	35.9	35.9	14.6	146%	35.9	35.9	29.5	22%	22%
Machines NGR/Revenue	1.1	1.1	0.6	83%	1.1	1.1	1.2	(8%)	(6%)
Total NGR/Revenue	144.1	144.1	67.0	115%	144.1	144.1	134.1	7%	8%
Gross profit	72.6	72.6	34.1	113%	72.6	72.6	69.9	4%	
Contribution	68.7	68.7	32.5	111%	68.7	68.7	67.1	2%	
Contribution margin	*47.7%*	*47.7%*	*48.5%*	(0.8pp)	*47.7%*	*47.7%*	*50.0%*	(2.3pp)	
Operating costs	(33.8)	(33.8)	(17.8)	(90%)	(33.8)	(33.8)	(34.0)	1%	
Underlying EBITDAR[4]	34.9	34.9	14.7	137%	34.9	34.9	33.1	5%	
Rent and associated costs	(0.5)	(4.6)	(2.2)	77%	(0.5)	(4.6)	(4.3)	88%	
Underlying EBITDA[4]	34.4	30.3	12.5	175%	34.4	30.3	28.8	19%	
Share based payments	(0.2)	(0.2)	(0.1)	(100%)	(0.2)	(0.2)	(0.1)	(100%)	
Underlying depreciation and amortisation	(13.4)	(10.2)	(4.4)	(205%)	(13.4)	(10.2)	(8.7)	(54%)	
Share of JV income	0.7	0.7	0.3	133%	0.7	0.7	0.2	250%	
Underlying operating profit[5]	21.5	20.6	8.3	159%	21.5	20.6	20.2	6%	

Reported Results[1]:

On a reported basis, revenue of £144.1m was 115% ahead, underlying EBITDAR[4] of £34.9m was 137% ahead and underlying EBITDA[4] of £34.4m was 175% ahead, reflecting the prior year period only containing three months of trading of the Ladbrokes Coral Group post acquisition on 28 March 2019. Underlying operating profit[5] was £21.5m, and £10.2m after charging separately disclosed items.

Proforma Results[2]:

European Retail NGR of £144.1m was 7% ahead of last year (+8% cc) and underlying EBITDAR[4] of £34.9m was 5% ahead. Pre IFRS 16 underlying EBITDA[4] of £30.3m was 5% ahead and pre IFRS 16 underlying operating profit[5] of £20.6m was 2% ahead.

Sports NGR was 4% ahead and OTC wagers were 11% ahead with strong growth in Eurobet Italy football wagers (+11%) despite the World Cup comparative, and the benefit of prior year shop acquisitions in Ladbrokes Belgium (23 shops acquired in H1 last year). OTC sports gross win margin of 17.3% was 0.5pp down primarily driven by football gross win margins in Italy, which were 1.7pp behind last year. Sports NGR was 8% ahead after adjusting for the Football World Cup[7]. Other OTC growth of 22% was primarily due to growth in Virtual in both Eurobet Italy and Ladbrokes Belgium driven by the roll-out of a range of new products.

Contribution margin of 47.7% decreased 2.3pp, driven by a number of factors in Eurobet Retail, including investment in marketing ahead of the adverting restrictions which came into effect on 15 July 2019, increased taxation and a higher mix of franchisee payments relative to the lower OTC gross win margin.

Operating costs (pre rent) were 1% lower with the impact from the enlarged estate in Ladbrokes Belgium offset by continued efficient cost control across all businesses.

Pre IFRS 16 rent and associated costs were £4.6m in the first half, compared to £4.3m in the prior year. Post IFRS 16 rent and associated costs were 88% lower than last year.

Pre IFRS 16 underlying depreciation and amortisation of £10.2m was 17% higher than last year. Post IFRS 16 underlying depreciation and amortisation of £13.4m was 54% higher.

As at 30 June 2019 there were a total of 1,681 outlets/shops: Italy 852 (2018: 836), Belgium shops 316, outlets 374 (2018: shops 320, outlets 307) and Ireland 139 (2018: 139).

Outlook:

In Italy, we envisage clarity on the new advertising restrictions in quarter 3. We will continue to leverage our multi-channel expertise to ensure we continue to grow both our Retail and Online market share. In Belgium, the planned migration to the retail platform used by Eurobet Retail, will enable operational alignment and help drive further growth.

Other

	Reported results[1]				Proforma results[2]				
Six months to 30 June	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	CC[3] %
NGR/Revenue	35.9	35.9	15.3	135%	35.9	35.9	24.6	46%	46%
Gross profit	25.3	25.3	11.7	116%	25.3	25.3	19.5	30%	
Contribution	23.4	23.4	9.7	141%	23.4	23.4	17.3	35%	
Operating costs	(23.3)	(23.3)	(8.5)	(174%)	(23.3)	(23.3)	(15.3)	(52%)	
Underlying EBITDAR[4]	0.1	0.1	1.2	(92%)	0.1	0.1	2.0	(95%)	
Rent and associated costs	(0.1)	(0.2)	-	(100%)	(0.1)	(0.2)	-	(100%)	
Underlying EBITDA[4]	-	(0.1)	1.2	(100%)	-	(0.1)	2.0	(100%)	
Share based payments	-	-	-	-	-	-	-	-	
Underlying depreciation and amortisation	(0.6)	(0.5)	(0.1)	(500%)	(0.6)	(0.5)	(0.3)	(100%)	
Share of JV income	0.9	0.9	0.4	125%	0.9	0.9	0.6	50%	
Underlying operating profit[5]	0.3	0.3	1.5	(80%)	0.3	0.3	2.3	(87%)	

Reported Results[1]:

On a reported basis, NGR of £35.9m was 135% up on the prior period reflecting the prior period only containing three months trading of Ladbrokes Coral post acquisition. Underlying EBITDAR[4] of £0.1m was 92% behind and underlying EBITDA[4] of nil was 100% behind. Underlying operating profit[5] was £0.3m and operating profit after charging separately disclosed items was also £0.3m.

Proforma Results[2]:

The prior year acquisitions of Sigma and Argon, two financials businesses that complement the existing Intertrader business, helped drive a 46% increase in NGR to £35.9m, and a 52% increase in operating costs to £23.3m.

Underlying EBITDAR[4] of £0.1m was £1.9m behind last year, while underlying EBITDA[4] of nil and underlying operating profit[5] of £0.3m were both £2.0m behind.

Corporate

	Reported results[1]				Proforma results[2]				
Six months to 30 June	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	**2019 £m**	**Pre IFRS16 2019 £m**	2018 £m	Change %	CC[3] %
Underlying EBITDAR[4]	(20.9)	(20.9)	(14.6)	(43%)	(20.9)	(20.9)	(17.8)	(17%)	
Rent and associated costs	-	-	(0.2)	100%	-	-	(0.2)	100%	
Underlying EBITDA[4]	(20.9)	(20.9)	(14.8)	(41%)	(20.9)	(20.9)	(18.0)	(16%)	
Share based payments	(2.5)	(2.5)	(3.0)	17%	(2.5)	(2.5)	(3.4)	26%	
Underlying depreciation and amortisation	(0.2)	(0.2)	(0.2)	-	(0.2)	(0.2)	(0.4)	50%	
Share of JV income	(3.0)	(3.0)	-	n/m	(3.0)	(3.0)	-	n/m	
Underlying operating profit[5]	(26.6)	(26.6)	(18.0)	(48%)	(26.6)	(26.6)	(21.8)	(22%)	

Reported Results[1]:

On a reported basis, Corporate costs[4] of £20.9m were 41% higher than last year, and after share based payments, depreciation and amortisation and share of JV losses, was £26.6m, an increase of 48%, reflecting the prior year period only containing costs for three months of Ladbrokes Coral results post acquisition and the loss in the new US JV, Roar Digital. After charging separately disclosed items operating loss of £55.4m was £125.0m behind 2018.

Proforma Results[2]:

Corporate costs[4] of £20.9m were 16% higher than last year with the phasing impact of staff bonus costs in the prior year offsetting the delivery of cost synergies arising from the acquisition of the Ladbrokes Coral Group.

Notes

(1) 2019 and 2018 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018
(2) The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2018. The results of Crystalbet and Neds are included from the dates of acquisition (11 April 2018 and 28 November 2018 respectively)
(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2019 exchange rates
(4) Stated pre separately disclosed items and share based payments
(5) Stated pre separately disclosed items
(6) UK Retail numbers are quoted on a LFL basis. During H1 there was an average of 3,432 shops in the estate, compared to an average of 3,563 in the prior year
(7) World Cup post substitution
(8) After rebasing the prior for the adverse EBITDA impact of incremental taxes (UK RGD, Italian taxes and Australian POCT) of £18.8m, and adjusting the current year for the estimated £45.0m adverse impact of the Triennial Review
(9) Cash return defined as unlevered Cashflow attributable to the UK Retail business as a percentage of the implied valuation at the time of the Ladbrokes Coral Group acquisition after adjusting for the impact of the Triennial Review

CHIEF FINANCIAL OFFICER'S REVIEW

Six months to 30 June	Reported results[1]			Proforma results[2]			
	2019 £m	2018 £m	Change %	**2019 £m**	2018 £m	Change %	Constant currency[3] %
NGR	1,810.6	1,125.1	61%	1,810.6	1,717.0	5%	6%
Revenue	1,782.1	1,105.9	61%	1,782.1	1,694.3	5%	6%
Gross profit	1,184.1	763.2	55%	1,184.1	1,163.4	2%	
Contribution	924.9	582.0	59%	924.9	923.0	0%	
Underlying EBITDAR[4]	376.8	265.8	42%	376.8	406.4	(7%)	
Underlying EBITDA[4]	366.8	235.0	56%	366.8	349.5	5%	
Share based payments	(5.5)	(5.0)	(10%)	(5.5)	(6.0)	8%	
Underlying depreciation and amortisation	(99.9)	(42.1)	(137%)	(99.9)	(66.1)	(51%)	
Share of JV income	(1.1)	0.7	(257%)	(1.1)	0.5	(320%)	
Underlying operating profit[5]	260.3	188.6	38%	260.3	277.9	(6%)	
Net finance costs	(48.2)	(26.5)	(82%)				
Profit before tax pre separately disclosed items	212.1	162.1	31%				
Separately disclosed items:							
Amortisation of acquired intangibles	(184.3)	(126.2)	(46%)				
Other	(40.1)	77.7	(152%)				
(Loss)/Profit before tax	(12.3)	113.6	(111%)				
Tax	14.4	0.2	n/m				
Profit after tax	2.1	113.8	(98%)				

IFRS 16

The new financial reporting standard for leases, IFRS 16, applies to financial periods commencing on or after 1 January 2019. For leases previously classified as operating leases, a right of use asset and lease liability will be recognised going forward. The Group has adopted the modified retrospective approach, meaning that comparative periods are not restated. The Group has elected to use the following practical expedients proposed by the standard:

- The right of use asset for all leases is recognised at an amount equal to the liability plus prepaid lease payments immediately before the date of initial application
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining the discount rate will be the length of the lease
- The use of hindsight when determining the lease term, if the lease contains an option to extend or terminate the lease; and
- On initial application, initial direct costs are excluded from the measurement of the right of use asset

NGR and Revenue

Group reported NGR was 61% ahead and revenue was 61% ahead due the inclusion of only three months of trading of Ladbrokes Coral Group plc post acquisition in the prior year period. Group proforma NGR was 5% ahead and revenue was 5% ahead. Further details are provided in the Business Review section.

Underlying operating profit[5]

Group reported underlying operating profit[5] was £260.3m (2018: £188.6m) with the year-on-year increase a result of underlying growth in Online, only 3 months of trading for the Ladbrokes Coral business being included in the prior year and the impact of IFRS 16 more than offsetting the adverse impact of the £2 B2 machines stakes restriction in UK Retail. Analysis of the Group's performance for the first half is detailed in the Business Review section.

Financing costs

Net finance costs of £48.2m (2018: £26.5m) were £21.7m higher than 2018 reflecting the incremental cost of debt associated with Ladbrokes Coral acquisition, which was only included for the 3 months post acquisition in the prior year, and £8.5m of interest costs associated with IFRS 16, which did not exist in 2018. This was partially offset by £1.8m of year on year savings on net foreign exchange movements on external debt.

Separately disclosed items

Items separately disclosed before tax for the period amount to a £224.4m charge (2018: £48.5m) and relate primarily to the amortisation of acquired intangibles (£184.3m), costs associated with the integration of the GVC and Ladbrokes Coral businesses (£20.0m) and the discount unwind on contingent consideration (£5.6m). The Group also incurred costs associated with the £2 B2 machines stakes restriction in UK Retail (£2.9m), corporate transaction costs (£2.5m) primarily associated with US licensing and £9.1m of costs on onerous contracts, including those associated with shop closures. During the prior year the Group recorded a gain of £142.3m primarily relating to the Contingent Value Right ("CVR"), which was extinguished following the enactment of legislation on the £2 B2 machines stakes restriction, and £48.4m of corporate transaction costs largely related to the acquisition of Ladbrokes Coral. Total separately disclosed items for the period post-tax totalled £183.8m (2018: £28.8m). The table below summarises the items recorded for both 2019 and 2018:

	Separately disclosed items	
	2019	2018
	£m	£m
Amortisation of acquired intangibles	(184.3)	(126.2)
Movement in fair value of contingent consideration	(5.6)	142.3
Corporate transaction costs	(2.5)	(48.4)
Integration costs	(20.0)	(3.4)
Triennial redundancy and associated costs	(2.9)	-
Other including legal and onerous contract provisions	(9.1)	(12.8)
	(224.4)	**(48.5)**

Profit before tax

Profit before tax and before separately disclosed items was £212.1m (2018: £162.1m) reflecting a year-on-year increase of £50.0m, with the underlying growth in the business and the incremental 3 months of Ladbrokes Coral trade consolidated during the current year, more than offsetting the additional interest associated with the acquisition of the Ladbrokes Coral business. After charging separately disclosed items, the Group recorded a pre-tax loss of £12.3m (2018: profit of £113.6m).

Taxation

The tax credit for the period ended 30 June was £14.4m (2018: £0.2m) reflecting a £26.2m charge on underlying trading (2018: £19.5m) and a £40.6m credit on separately disclosed items (2018: £19.7m credit). The underlying tax charge reflects a 12.4% (2018: 12.0%) effective tax rate.

Dividends

An interim dividend of 17.6p per share was declared, an increase of 10% on the prior year.

Cashflow

Six months to 30 June	**2019**	2018
	£m	£m
Underlying EBITDA[4]	366.8	235.0
Underlying working capital	(15.4)	(55.3)
Capital expenditure/Investment in subsidiaries	(77.6)	(69.7)
Finance lease	-	(0.8)
Finance lease (incl. IFRS 16 leases)	(39.3)	-
Interest paid	(36.9)	(6.9)
Interest paid on IFRS 16 leases	(8.5)	-
Corporate taxes	(12.9)	(10.4)
Free Cashflow	**176.2**	**91.9**
Greek tax	(39.3)	(46.6)
Playtech payment	(30.0)	-
Integration costs	(26.4)	(7.7)
Other separately disclosed items	(5.0)	(60.6)
Acquisitions (net of cash acquired)	-	(470.5)
Net movement on debt and associated instruments	4.0	704.8
Equity issue	-	10.8
Dividends paid	(97.6)	(46.2)
Net Cashflow	**(18.1)**	**175.9**
Foreign exchange	(6.5)	(1.3)
Net cash generated	**(24.6)**	**174.6**
Cash and cash equivalents at beginning of period	421.9	270.0
Cash and cash equivalents at the end of period	**397.3**	**444.6**

During the first half, the Group had a net cash outflow of £18.1m (2018: £175.9m inflow). Free cashflow for the period was £176.2m (2018: £91.9m) with underlying EBITDA (post IFRS 16) of £366.8m (2018: £235.0m) offset by investment in capital expenditure of £77.6m (2018: £69.7m), lease payments under IFRS 16 of £39.3m (including those on non-operational shops, 2018: £nil), £36.9m of interest on loans (2018: £6.9m) and £8.5m of interest on IFRS 16 leases (2018: £nil). The Group also paid £12.9m in corporate taxes (2018: £10.4m). During the first half, there was a working capital outflow of £15.4m (2018: £55.3m), primarily driven by the timing of staff bonus payments.

During the period, the Group paid an additional £39.3m of payments on account in relation to the 2010/11 Greek Tax Assessment (2018: £46.6m), in-line with expectations, and a £30.0m (2018: £nil) payment in respect of the marketing services agreement with Playtech. The Group also paid £26.4m (2018: £7.7m) in integration costs, £5.0m (2018: £60.6m) in relation to other separately disclosed items and £7.1m was received on the exchange of certain currency swap arrangements and £3.1m of debt was repaid during the period. The Group also paid £97.6m in dividends during the period including £4.5m to minority interests. During the prior year the Group raised net proceeds on the issuance of debt of £704.8m and reinvested £470.5m in acquisitions. £10.8m was also raised on equity issuance during 2018.

Net debt and liquidity

As at 30 June 2019, net debt was £2,279.6m. Pre adjusting for IFRS 16, net debt was £1,929.3m, representing a net debt to proforma underlying EBITDA ratio of 2.6x.

	Par value £m	Issue costs/ Premium £m	Total £m
Bonds	(500.0)	(28.5)	(528.5)
Term loans	(1,725.3)	29.6	(1,695.7)
Interest accrual	(7.8)	-	(7.8)
	(2,233.1)	**1.1**	**(2,232.0)**
Cash			397.3
Accounting net debt			**(1,834.7)**
Cash held on behalf of customers			(293.6)
Fair value of swaps held against debt instruments			35.3
Short term investments/Deposits held			96.7
Balances held with payment service providers			67.0
Adjusted net debt			**(1,929.3)**
Finance lease liabilities recognised as a result of IFRS 16			(350.3)
IFRS 16 adjusted net debt			**(2,279.6)**

Interim Dividend timetable

15 August 2019	Dividend declared
22 August 2019	Ex-dividend date
23 August 2019	Record date
26 September 2019	Payment

Going Concern

Having assessed the financial forecasts of the business, the principal risks and other matters discussed in connection with the long-term viability statement, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as the Company will generate sufficient cash to meet its ongoing obligations for at least 12 months from the date of signing the financial statements.

Notes

(1) 2019 and 2018 reported results are unaudited and reflect the acquisition of the Ladbrokes Coral Group plc on 28 March 2018
(2) The Group's proforma results are unaudited and presented as if the current Group, post the acquisition of Ladbrokes Coral Group plc, had existed since 1 January 2018. The results of Crystalbet and Neds are included from the date of acquisition (11 April 2018 and 28 November 2018 respectively)
(3) Growth on a constant currency basis is calculated by translating both current and prior year performance at the 2019 exchange rates
(4) Stated pre separately disclosed items and shared based payments
(5) Stated pre separately disclosed items

Principal risks

Key risks are reviewed by the executive directors, other senior executives and the Board of GVC Holdings Plc on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified. The Board has overall responsibility for risk management as an integral part of strategic planning.

The principal risks and uncertainties which could impact the Group are detailed in the Group's Annual Report and Accounts 2018 and are as follows:

Data breach and cyber security

The Group processes sensitive personal customer data (including name, address, age, bank details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in all jurisdictions in which the Group operates. The Group is exposed to the risk that this data could be wrongfully obtained through either a cyber-attack or a breach in data security. This could result in prosecutions including financial penalties and the loss of the goodwill of its customers.

Technology failure

The Group's operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail. In particular, any damage to, or failure of, online systems and servers, electronic point of sale systems and electronic display systems could result in interruptions to financial controls and customer service systems.

Taxes, laws, regulations, licensing and regulatory compliance

Regulatory, legislative and fiscal regimes for betting and gaming in key markets around the world can change, sometimes at short notice. Such changes could benefit or have an adverse effect on the Group and additional costs might be incurred in order to comply with any new laws or regulations in multiple jurisdictions.

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 additional taxes are levied, 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. Group companies may be subject to VAT or similar taxes on transactions, which have previously been treated as exempt.

The multi-location nature of the Group may lead to higher corporate income tax from transfer pricing adjustments.

Increased cost of product

The Group is subject to certain arrangements intended to support industries in which it operates. Examples are the horseracing and the voluntary greyhound racing levies, which respectively support the British horseracing and greyhound racing industries. In addition, the Group enters into contracts for the distribution of television pictures, audio and other data that are broadcast across the various routes to market. A number of these are under negotiation at any one time.

Trading, liability management and pricing

The Group may experience significant losses as a result of a failure to determine accurately the odds in relation to any particular event and/or any failure of its sports risk management processes.

Health and Safety

Failure to meet the requirements of the various domestic and international rules and regulations could expose the company (and individual employees and directors) to material civil/criminal action with the associated financial and reputational consequences.

Synergy delivery/failure to integrate

Challenges or difficulties to realising synergies/operational integration from the Ladbrokes Coral acquisition could potentially result in interruption to business operations, loss of customers and staff and influence the relationship with key suppliers. The failure to achieve the cost synergies would have a material impact on the financial performance of the Group.

Loss of key locations

Whilst the Group operates out of a number of geographical locations, there are a number of key sites which are critical to the day to day operations of the Group, including our offices in Central London, Gibraltar, Vienna, Hyderabad, Australia, Italy, and the Philippines. Disruption in any of these locations could have an impact on operations.

Recruitment and retention of key employees

Our people are our greatest asset. We aim to be an employer of choice for talented and passionate people and we need a high level of competence across the business to meet our objectives and respond to changing market needs.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year, and
- related party transactions in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period; and any material changes in the related party transactions described in the last annual report.

A list of current directors is maintained on the GVC Holdings PLC website www.gvc-plc.com.

On behalf of the Board

K Alexander Chief Executive	R Wood Chief Financial Officer

15 August 2019

INDEPENDENT REVIEW REPORT TO GVC HOLDINGS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Michael Harper
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

15 August 2019

UNAUDITED FINANCIAL STATEMENTS
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

	Notes	2019 Underlying items £m	2019 Separately disclosed items (note 4) £m	2019 Total £m	2018 Underlying items £m	2018 Separately disclosed items (note 4) £m	2018 Total £m
NGR		**1,810.6**	**-**	**1,810.6**	**1,125.1**	**-**	**1,125.1**
VAT/GST		(28.5)	-	(28.5)	(19.2)	-	(19.2)
Revenue		**1,782.1**	**-**	**1,782.1**	**1,105.9**	**-**	**1,105.9**
Cost of sales		(598.0)	-	(598.0)	(342.7)	-	(342.7)
Gross profit		**1,184.1**	**-**	**1,184.1**	**763.2**	**-**	**763.2**
Administrative costs		(922.7)	(224.4)	(1,147.1)	(575.3)	(48.5)	(623.8)
Contribution		**924.9**	**-**	**924.9**	**582.0**	**-**	**582.0**
Administrative costs excluding marketing		(663.5)	(224.4)	(887.9)	(394.1)	(48.5)	(442.6)
Group operating profit/(loss) before share of results from joint ventures and associates		**261.4**	**(224.4)**	**37.0**	**187.9**	**(48.5)**	**139.4**
Share of results from joint venture and associates		(1.1)	-	(1.1)	0.7	-	0.7
Group operating profit/(loss)		**260.3**	**(224.4)**	**35.9**	**188.6**	**(48.5)**	**140.1**
Finance expense	5	(46.7)	-	(46.7)	(22.5)	-	(22.5)
Finance income	5	1.0	-	1.0	0.3	-	0.3
(Loss)/gain arising from financial derivatives	5	(0.9)	-	(0.9)	45.3	-	45.3
Loss arising from foreign exchange on debt instruments	5	(1.6)	-	(1.6)	(49.6)	-	(49.6)
Profit/(loss) before tax		**212.1**	**(224.4)**	**(12.3)**	**162.1**	**(48.5)**	**113.6**
Income tax (expense)/income	6	(26.2)	40.6	14.4	(19.5)	19.7	0.2
Profit/(loss) for the period		**185.9**	**(183.8)**	**2.1**	**142.6**	**(28.8)**	**113.8**
Attributable to:							
Equity holders of the parent		180.4	(183.8)	(3.4)	140.9	(28.8)	112.1
Non-controlling interests		5.5	-	5.5	1.7	-	1.7
Basic earnings per share							
From profit/(loss) for the period(1)	8	31.4p		(0.6)p	32.6p		25.1p
Diluted earnings per share							
From profit/(loss) for the period(1)	8	31.3p		(0.6)p	32.2p		24.9p
Proposed dividends	7			17.6p			16.0p

Memo:

	2019 Underlying items £m	2019 Separately disclosed items £m	2019 Total £m	2018 Underlying items £m	2018 Separately disclosed items £m	2018 Total £m
EBITDAR(2)	376.8	(38.3)	338.5	265.8	77.7	343.5
Rent and associated costs	(10.0)	-	(10.0)	(30.8)	-	(30.8)
EBITDA	366.8	(38.3)	328.5	235.0	77.7	312.7
Share based payments	(5.5)	-	(5.5)	(5.0)	-	(5.0)
Depreciation, amortisation and impairment	(99.9)	(186.1)	(286.0)	(42.1)	(126.2)	(168.3)
Share of results from joint ventures and associates	(1.1)	-	(1.1)	0.7	-	0.7
Group operating profit/(loss)	**260.3**	**(224.4)**	**35.9**	**188.6**	**(48.5)**	**140.1**

1. The calculation of underlying earnings per share has been adjusted for separately disclosed items, and for the removal of foreign exchange volatility arising on financial instruments as it provides a better understanding of the underlying performance of the Group. See note 8 for further details.
2. EBITDAR: Earnings before interest, depreciation, amortisation, and rent and associated costs.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Profit for the period		2.1	113.8
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation (losses)/gains		(8.1)	28.3
Total items that will be reclassified to profit or loss		(8.1)	28.3
Items that will not be re-classified to profit or loss:			
Re-measurement of defined benefit pension scheme(1)	4	(110.0)	8.2
Tax on re-measurement of defined benefit pension scheme	4	38.5	-
Re-measurement of financial assets at fair value through other comprehensive income		-	(0.1)
Total items that will not be reclassified to profit or loss		(71.5)	8.1
Other comprehensive (expense)/income for the period, net of tax		**(79.6)**	**36.4**
Total comprehensive (expense)/income for the period		**(77.5)**	**150.2**
Attributable to:			
- equity holders of the parent		(80.6)	147.5
- non-controlling interests		3.1	2.7

1. A major component of the loss is a result of a buy-in on the Ladbrokes defined benefit pension scheme, see note 4 for further details.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 £m	31 December 2018 £m	30 June 2018 £m
ASSETS				
Non-current assets				
Goodwill		3,327.5	3,332.4	3,279.1
Intangible assets		2,616.0	2,795.6	2,945.5
Property, plant and equipment		437.3	195.6	196.5
Interest in joint venture		16.2	46.1	23.1
Interest in associates and other investments		27.9	26.0	30.5
Other financial assets		8.2	1.5	3.2
Deferred tax assets		98.6	76.5	100.0
Retirement benefit assets		60.3	168.2	189.1
		6,592.0	**6,641.9**	**6,767.0**
Current assets				
Trade and other receivables		429.5	403.0	333.2
Inventory		-	-	1.1
Income and other taxes recoverable		32.3	30.3	30.6
Derivative financial assets	12	35.3	43.3	30.4
Other financial assets		2.1	3.4	-
Short term investments		-	2.6	4.4
Cash and short-term deposits		397.3	421.9	444.6
		896.5	**904.5**	**844.3**
Assets classified as held for sale		**28.1**	-	-
TOTAL ASSETS		**7,516.6**	**7,546.4**	**7,611.3**
LIABILITIES				
Current liabilities				
Trade and other payables		(655.4)	(638.3)	(606.8)
Balances with customers		(293.6)	(312.5)	(213.4)
Lease liabilities		(72.3)	-	(0.4)
Interest bearing loans and borrowings	9	(16.0)	(14.3)	(23.1)
Corporate tax liabilities		(54.8)	(42.5)	(40.4)
Provisions		(154.3)	(160.5)	(35.1)
Other financial liabilities	12	(4.0)	(16.3)	(91.8)
		(1,250.4)	**(1,184.4)**	**(1,011.0)**
Non-current liabilities				
Interest bearing loans and borrowings	9	(2,216.0)	(2,221.1)	(2,191.7)
Lease liabilities		(278.0)	-	-
Deferred tax liabilities		(386.9)	(452.8)	(480.9)
Provisions		(12.1)	(56.6)	(71.8)
Other financial liabilities	12	(129.6)	(143.5)	(117.4)
		(3,022.6)	**(2,874.0)**	**(2,861.8)**
TOTAL LIABILITIES		**(4,273.0)**	**(4,058.4)**	**(3,872.8)**
NET ASSETS		**3,243.6**	**3,488.0**	**3,738.5**
EQUITY				
Issued share capital		4.8	4.8	4.8
Share premium		1,196.5	1,196.5	1,181.1
Merger reserve		2,527.4	2,527.4	2,527.4
Translation reserve		206.9	212.6	195.2
Retained earnings		(728.8)	(491.5)	(206.1)
Equity shareholder's funds		**3,206.8**	**3,449.8**	**3,702.4**
Non-controlling interests		36.8	38.2	36.1
TOTAL SHAREHOLDERS' EQUITY		**3,243.6**	**3,488.0**	**3,738.5**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Merger Reserve	Retained earnings	Foreign currency translation reserve(1)	Attributable to the equity shareholders of the Company	Non-controlling interest	Total shareholders equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2018	**2.3**	**1,170.4**	**34.5**	**(237.2)**	**167.9**	**1,137.9**	**(1.6)**	**1,136.3**
Profit for the period	-	-	-	112.1	-	112.1	1.7	113.8
Other comprehensive income	-	-	-	8.1	27.3	35.4	1.0	36.4
Total comprehensive income	-	-	-	120.2	27.3	147.5	2.7	150.2
Issue of shares on acquisition	2.4	-	2,492.9	-	-	2,495.3	-	2,495.3
Share options exercised	0.1	10.7	-	-	-	10.8	-	10.8
Share-based payments charge	-	-	-	1.7	-	1.7	-	1.7
Acquisition of investment	-	-	-	(44.6)	-	(44.6)	35.0	(9.6)
Equity dividends	-	-	-	(46.2)	-	(46.2)	-	(46.2)
At 30 June 2018	**4.8**	**1,181.1**	**2,527.4**	**(206.1)**	**195.2**	**3,702.4**	**36.1**	**3,738.5**
At 1 January 2019, as previously reported	**4.8**	**1,196.5**	**2,527.4**	**(491.5)**	**212.6**	**3,449.8**	**38.2**	**3,488.0**
Impact of change of accounting policy(2)	-	-	-	(70.7)	-	(70.7)	-	(70.7)
Restated at 1 January 2019	**4.8**	**1,196.5**	**2,527.4**	**(562.2)**	**212.6**	**3,379.1**	**38.2**	**3,417.3**
(Loss)/profit for the period	-	-	-	(3.4)	-	(3.4)	5.5	2.1
Other comprehensive expense	-	-	-	(71.5)	(5.7)	(77.2)	(2.4)	(79.6)
Total comprehensive (expense)/income	-	-	-	(74.9)	(5.7)	(80.6)	3.1	(77.5)
Share-based payments charge	-	-	-	5.2	-	5.2	-	5.2
Equity dividends	-	-	-	(93.1)	-	(93.1)	(4.5)	(97.6)
Non-controlling interests[3]	-	-	-	(3.8)	-	(3.8)	-	(3.8)
At 30 June 2019	**4.8**	**1,196.5**	**2,527.4**	**(728.8)**	**206.9**	**3,206.8**	**36.8**	**3,243.6**

1. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
2. On 1 January 2019 GVC Holdings PLC transitioned to IFRS 16 resulting in an opening adjustment to equity of £70.7m. See note 2(e) for more information.
3. During the period GVC Holdings PLC recognised amounts payable of £3.8m to acquire the remaining share capital of Stadium Technology Group LLC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Cash generated by operations	10	**260.1**	**64.8**
Income taxes paid		(12.9)	(10.4)
Net finance expense paid		(45.4)	(6.9)
Net cash generated from operating activities		**201.8**	**47.5**
Cash flows from investing activities:			
Acquisitions		(2.3)	(665.0)
Cash acquired on acquisition of businesses		-	194.5
Purchase of intangible assets		(57.2)	(38.3)
Purchase of property, plant and equipment		(28.9)	(31.7)
Proceeds from sales of plant, property and equipment including disposal of shops		1.4	-
Additional investment in joint venture		-	(0.7)
Deferred proceeds from disposal of available-for-sale financial assets		-	1.0
Net cash used in investing activities		(87.0)	(540.2)
Cash flows from financing activities:			
Proceeds from issue of ordinary shares		-	10.8
Net proceeds from borrowings		7.1	1,366.5
Finance lease payments		(39.3)	(0.8)
Repayment of borrowings		(3.1)	(661.7)
Equity dividends paid	7	(97.6)	(46.2)
Net cash (utilised)/generated from financing activities		(132.9)	668.6
Net (decrease)/increase in cash and cash equivalents		(18.1)	175.9
Effect of changes in foreign exchange rates		(6.5)	(1.3)
Cash and cash equivalents (inc. overdraft) at beginning of the period		421.9	270.0
Cash and cash equivalents (inc. overdraft) at end of the period		**397.3**	**444.6**

NOTES TO FINANCIAL INFORMATION

1. Corporate information

GVC Holdings PLC ("the Company") is a limited company incorporated and domiciled in the Isle of Man whose shares are publicly traded. The principal activities of the Company and its subsidiaries ("the Group") are described in Note 3.

2. Basis of preparation

(a) The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements.

(b) The Group's annual financial statements for the year ended 31 December 2018 were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) pronouncements as adopted for use in the European Union. The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted for use in the European Union and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

The financial statements are presented in million Pounds Sterling, rounded to one decimal place. They are prepared on the historical cost basis except for the restatement to fair value of certain financial instruments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amounts and fair value less costs to sell.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 other than those listed in 2(e).

The interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 15 August 2019 and is unaudited.

The financial information does not amount to full statutory accounts within the meaning of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of GVC Holdings PLC for the year ended 31 December 2018 which was prepared in accordance with IFRS as adopted by the European Union and was filed with the Registrar of Companies in the Isle of Man. This report is available either on request from the Company's registered office or to download from www.gvc-plc.com. The auditors' report on these accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under the Isle of Man Companies Act 2006.

(c) To assist in understanding the underlying performance, the Group has separately disclosed the following items of pre-tax income and expense:

- profits or losses on disposal, closure or impairment of non-current assets or businesses;
- amortisation of acquired intangibles resulting from IFRS 3 "Business Combinations" fair value exercises;
- corporate transaction costs;
- costs associated with business restructuring;
- changes in the fair value of contingent consideration; and
- the related tax impact effect on these items.

Any other items are considered individually by virtue of their nature or size. The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The items disclosed separately have been included within the appropriate classifications in the consolidated income statement and are detailed in note 4. The directors have also presented Net Gaming Revenue, Contribution, Underlying EBITDAR and Underlying EBITDA as these are measures used frequently within the industry. All of these items are reconciled within the Income Statement.

2. Basis of preparation (continued)

(d) Accounting policies

Depreciation

Depreciation is applied using the straight line method to specific classes of asset to reduce them to their residual value over their estimated useful economic lives.

The estimated useful lives are as follows:

Land and buildings	Lower of 50 years, or estimated useful life of the building, or lease. Indefinite lives are attached to any land held and therefore it is not depreciated
Property, plant and equipment	3 – 5 years
Fixtures, fittings and equipment	3 -10 years as considered appropriate

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. All indefinite lived assets are subject to an annual impairment review from the year of acquisition. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Retail licences	Lower of 15 years, or duration of licence
Software	2-15 years
Capitalised development expenditure	3 -5 years
Trademarks and brand names	10-15 years, or indefinite life
Customer relationships	3-15 years

Impairment

An impairment review is performed for indefinite life assets on at least an annual basis. For all other non-current assets an impairment review is performed where there are indicators of impairment. This requires an estimation of the recoverable amount which is the higher of an asset's fair value less costs to sell and its value in use. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from each cash generating unit and to discount cash flows by a suitable discount rate in order to calculate the present value of those cash flows. Estimating an asset's fair value less costs to sell is determined using future cashflow and profit projections as well as industry observed multiples and publicly observed share prices for similar gambling companies.

Within UK and European Retail the cash generating units are generally an individual LBO and therefore, impairment is first assessed at this level for licences, property, plant and equipment and right of use ("ROU") assets, any impairment arising booked first to licences then to property, plant and equipment and ROU assets.

Pensions and other post-employment benefits

The Group's defined benefit pension plans, the Ladbrokes Pension Plan and the Gala Coral Pension Plan hold assets separately from the Group. The pension cost relating to this plan is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

Actuarial gains or losses are recognised in the consolidated statement of comprehensive income in the period in which they arise.

Any past service cost is recognised immediately. The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets less the value of the defined benefit obligations.

In accounting for the Group's defined benefit pension plans, it is necessary for management to make a number of estimates and assumptions each year. These include the discount rates, inflation rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in other comprehensive income.

Although the Group anticipates that plan surpluses will be utilised during the life of the plans to address member benefits, the Group recognises its pension surplus in full on the basis that it does not consider there to be substantive restrictions on the return of residual plan assets in the event of a winding up of the plans after all member obligations have been met.

The Group's contributions to defined contribution schemes are charged to the consolidated income statement in the period to which the contributions relate.

2. Basis of preparation (continued)

(d) Accounting policies (continued)

Separately Disclosed Items

For a full explanation of what is defined as a separately disclosed item and how they are disclosed, please refer to note 2(c).

(e) Updates to IFRS

A number of amendments to IFRSs became effective for the financial year beginning 1 January 2019 the most significant of which is detailed below:

IFRS16 Leases

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. There has been no restatement of comparative balances.

For leases previously classified as operating leases, a right of use (ROU) asset and associated lease liability has been recognised. As such, the Group no longer records a lease cost associated with those assets in its Income Statement, but instead will record depreciation and interest charges.

In applying the modified retrospective approach, the Group has elected to use the following practical expedients proposed by the standard;

- the ROU assets for all leases were recognised at an amount equal to the lease liability plus prepaid lease payments immediately before the date of initial application;
- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining the discount rate will be the length of the lease;
- the use of hindsight when determining the lease term, if the contract contains an option to extend or terminate the lease; and
- on initial application, initial direct costs are excluded from the measurement of the right of use asset.

Definition of a lease

The Group has applied IFRS 16 only to those contracts that were previously identified as a lease under IAS 17 Leases, any contracts not previously identified as leases have not been reassessed for the purposes of adopting IFRS 16. Accordingly the definition of a lease under IFRS 16 has only been applied to contracts entered into on or after 1 January 2019.

Upon transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the rate implicit in the lease as at 1 January 2019, or at the Group's incremental borrowing rate if this was not ascertainable. The right of use asset for all leases were recognised at an amount equal to the lease liability plus prepaid lease payments immediately before the date of initial application. The ROU assets were then subject to a detailed impairment review to ascertain whether the attributable cash flows supported the additional ROU assets recognised. This resulted in an impairment of £136.7m being recognised at the date of transition, which was a direct consequence of the regulatory changes in 2018 in the UK Retail segment. To the extent that certain property provisions were recognised in respect of rent, as at 31 December 2018, an adjustment has been made to reduce the provision as part of the transition to IFRS 16.

2. Basis of preparation (continued)

(e) Updates to IFRS (continued)

IFRS 16 (continued)

Following the transition to IFRS 16, equity as at 1 January 2019 has been restated as follows:

	1 January 2019 £m
1 January 2019 net assets as previously reported	**3,488.0**
ROU assets recognised[(1)]	396.9
Lease liabilities recognised[(2)]	(379.3)
Prepayment release to right of use assets[(1)]	(17.6)
Provisions released[(3)]	51.7
Impairments recognised[(4)]	(136.7)
De-recognition of sub lease right of use assets [(5)]	(5.0)
Finance lease debtors recognised[(5)]	5.0
Associated deferred tax asset recognised	14.3
1 January 2019 net assets restated	**3,417.3**

[(1)]ROU assets of £396.9m have been recognised as at 1 January 2019 based on the lease liabilities calculated upon transition combined with £17.6m of lease prepayments released from the balance sheet. ROU assets predominantly relate to property leases, for which the majority relate to UK Retail and Belgium Retail, but also head office leases, car leases and other leases deemed to be captured by IFRS 16.

[(2)]Lease liabilities of £379.3m have been recognised as at 1 January 2019. The lease liability has been calculated based on the future cash flows relating to a lease, discounted at the relevant discount rate. For the transition adjustment, the application of a single discount rate has been applied to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining each leases discount rate was the length of the lease.

[(3)]Previously recognised property provisions, in respect of rent, of £51.7m have been released as they are now included in the calculation of the lease liability under IFRS 16. This represents a reduction to those property provisions, as post 1 January 2019, rental costs are no longer included within the Income Statement and therefore can no longer be provided for in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

[(4)]Upon recognition of additional ROU assets, an impairment assessment was performed under the principles of IAS 36 Impairment, as the £2 FOBT stakes restriction introduced by the UK government is expected to result in shop closures. This review resulted in an impairment of £136.7m on newly capitalised ROU assets. This amount was recognised directly in retained earnings upon transition, as at 1 January 2019.

[(5)]Where a sub-lease is entered into, with the Group being the lessor, and which is considered to be a finance lease, part or all of the right of use asset is de-recognised and a finance lease receivable is recognised in relation to the sub lease. As a result the ROU asset is disposed of as the finance lease receivable is recognised.

The net book value of ROU assets included within property, plant and equipment as at 30 June 2019 is £243.7m

2. Basis of preparation (continued)

(e) Updates to IFRS (continued)

IFRS 16 (continued)

A reconciliation of the lease liabilities recognised at 1 January 2019 to the previously reported operating lease commitments at 1 January 2019 can be found below:

	1 January 2019 £m
Operating lease commitment at 31 December 2018 as disclosed	345.3
Effect of discounting at 1 January 2019	(67.6)
Impact of break dates not expected to be exercised	101.6
Lease liabilities recognised at 1 January 2019	**379.3**

The remaining amendments to IFRSs which became effective for the financial year beginning 1 January 2019 have been determined to have no material impact on the financial statements.

The standards and interpretations that are issued, but not effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 3	Amendments to clarify the definition of a business	Effective for annual periods beginning on or after 1 January 2020
IFRS 17	Insurance Contracts	Effective for annual periods beginning on or after 1 January 2021
IAS 1	Amendments regarding the definition of 'material'	Effective for annual periods beginning on or after 1 January 2020
IAS 8	Amendments regarding the definition of 'material'	Effective for annual periods beginning on or after 1 January 2020

3. Segment information

The Group's operating segments are based on the reports reviewed by the Executive management team (who are collectively considered to be the Chief Operating Decision Maker (CODM)) to make strategic decisions, and allocate resources.

IFRS 8 requires segment information to be presented on the same basis as that used by the CODM for assessing performance and allocating resources, and the Group's operating segments are now aggregated into the five reportable segments as detailed below:

- Online: comprises betting and gaming activities from online and mobile operations. Sports Brands include bwin, Coral, Crystalbet, Eurobet, Ladbrokes and Sportingbet; Gaming Brands include CasinoClub, Foxy Bingo, Gala, Gioco Digitale, partypoker and PartyCasino;
- UK Retail: comprises betting activities in the shop estate in Great Britain, Northern Ireland and Jersey;
- European Retail: comprises all retail activities connected with the Republic of Ireland, Belgium, Italy and Spain (JV) shop estates;
- Corporate: includes costs associated with Group functions including Group executive, legal, Group finance, tax and treasury; and
- Other segments: includes activities primarily related to telephone betting, Stadia, Betdaq, Intertrader and on course pitches.

The Executive management team of the new Group have chosen to assess the performance of operating segments based on a measure of net revenue, EBITDAR, EBITDA and operating profit with finance costs and taxation considered for the Group as a whole. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

NOTES TO FINANCIAL INFORMATION (continued)

3. Segment information (continued)

The segment results for the six months ended 30 June 2019 were as follows:

2019	Online £m	UK Retail £m	European Retail £m	All Other Segments £m	Corporate £m	Elimination of internal revenue £m	Total Group £m
NGR	1,045.5	586.8	144.1	35.9	-	(1.7)	1,810.6
VAT/GST	(28.5)	-	-	-	-	-	(28.5)
Revenue	1,017.0	586.8	144.1	35.9	-	(1.7)	1,782.1
Gross Profit	664.3	421.9	72.6	25.3	-	-	1,184.1
Contribution	413.8	419.0	68.7	23.4	-	-	924.9
Operating costs excluding marketing/ rental costs	(172.0)	(298.1)	(33.8)	(23.3)	(20.9)	-	(548.1)
Underlying EBITDAR before separately disclosed items	241.8	120.9	34.9	0.1	(20.9)	-	376.8
Rental costs	(0.5)	(8.9)	(0.5)	(0.1)	-	-	(10.0)
Underlying EBITDA before separately disclosed items	241.3	112.0	34.4	-	(20.9)	-	366.8
Share based payments	(2.2)	(0.6)	(0.2)	-	(2.5)	-	(5.5)
Depreciation and Amortisation	(53.9)	(31.8)	(13.4)	(0.6)	(0.2)	-	(99.9)
Share of joint ventures and associates	0.3	-	0.7	0.9	(3.0)	-	(1.1)
Operating profit/(loss) before separately disclosed items	185.5	79.6	21.5	0.3	(26.6)	-	260.3
Separately disclosed items	(178.4)	(5.9)	(11.3)	-	(28.8)	-	(224.4)
Group operating (loss)/profit	**7.1**	**73.7**	**10.2**	**0.3**	**(55.4)**	**-**	**35.9**
Net finance expenses							(48.2)
Loss before tax							(12.3)
Income tax							14.4
Profit for the period							**2.1**

The segment results for the six months ended 30 June 2018 were as follows:

2018	Online £m	UK Retail £m	European Retail £m	All Other Segments £m	Corporate £m	Elimination of internal revenue £m	Total Group £m
NGR	693.0	351.5	67.0	15.3	-	(1.7)	1,125.1
VAT/GST	(19.2)	-	-	-	-	-	(19.2)
Revenue	673.8	351.5	67.0	15.3	-	(1.7)	1,105.9
Gross Profit	467.0	250.4	34.1	11.7	-	-	763.2
Contribution	290.6	249.2	32.5	9.7	-	-	582.0
Operating costs excluding marketing/ rental costs	(117.5)	(157.8)	(17.8)	(8.5)	(14.6)	-	(316.2)
Underlying EBITDAR before separately disclosed items	173.1	91.4	14.7	1.2	(14.6)	-	265.8
Rental costs	(4.5)	(23.9)	(2.2)	-	(0.2)	-	(30.8)
Underlying EBITDA before separately disclosed items	168.6	67.5	12.5	1.2	(14.8)	-	235.0
Share based payments	(1.7)	(0.2)	(0.1)	-	(3.0)	-	(5.0)
Depreciation and Amortisation	(26.7)	(10.7)	(4.4)	(0.1)	(0.2)	-	(42.1)
Share of joint ventures and associates	-	-	0.3	0.4	-	-	0.7
Operating profit/(loss) before separately disclosed items	140.2	56.6	8.3	1.5	(18.0)	-	188.6
Separately disclosed items	(119.7)	(15.0)	(1.4)	-	87.6	-	(48.5)
Group operating profit	**20.5**	**41.6**	**6.9**	**1.5**	**69.6**	**-**	**140.1**
Net finance expenses							(26.5)
Profit before tax							113.6
Income tax							0.2
Profit for the period							**113.8**

Assets and liabilities information is reported internally in total and not by reportable segment and, accordingly, no information is provided in this note on assets and liabilities split by reportable segment.

Geographical information

Revenue by destination for the Group, is as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
United Kingdom	978.8	542.5
Rest of the World	803.3	563.4
Total	**1,782.1**	**1,105.9**

4. Separately disclosed items

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Amortisation of acquired intangibles (1)	184.3	126.2
Corporate transaction costs (2)	2.5	48.4
Legal and onerous contract costs (3)	9.0	12.8
Integration costs (4)	20.0	3.4
Movement in fair value of contingent consideration (5)	5.6	(142.3)
Triennial redundancy and associated costs(6)	2.9	-
Profit on disposal of assets	(0.3)	-
Other one off items(7)	0.4	-
Total before tax	**224.4**	**48.5**
Exceptional tax credit(8)	(40.6)	(19.7)
Total after tax	**183.8**	**28.8**

1. The Group has incurred £184.3m of amortisation charges on acquired intangible assets primarily arising from the acquisition of the Ladbrokes Coral Group plc and Bwin in previous years (2018: £126.2m).
2. The Group incurred £2.5m of corporate transaction costs primarily in relation to M&A activity and the US licensing process (2018: £48.4m, the majority relating to the acquisition of Ladbrokes Coral Group plc).
3. Legal and onerous contract costs include onerous contracts and associated impairment costs that have arisen as a result of shop closures and other legal costs outside the ordinary course of business.
4. Costs associated with the integration of Ladbrokes Coral Group plc and GVC businesses (2018: £3.4m).
5. The movement in the fair value of contingent consideration primarily due to discount unwind (2018: change in the market value of the CVR between the date of acquisition and 30 June 2018, partially offset by movements in the fair value of the contingent consideration on other M&A activity from prior years).
6. The Group incurred redundancy and associated costs within UK Retail following the introduction of the £2 FOBT stake restriction (2018: £nil).
7. Other one off items include £0.4m of costs in relation to the Ladbrokes Pension Plan buy-in. As a result of the buy-in, the Group also recorded an actuarial loss of £81.3m which has been recognised within the Statement of Comprehensive Income. An associated deferred tax credit of £28.5m has also been recognised in the Statement of Other Comprehensive Income.

The tax credit on separately disclosed items of £40.6m (2018: £19.7million) represents 18.1% (2018: 40.6%) of the separately disclosed items incurred of £224.4m (2018: £48.5m). This is lower than the expected tax credit of 19.0% (2018: 19.0%) as the movement in fair value of contingent consideration, certain corporate transaction costs and elements of integration costs are not deductible for tax purposes.

5. Finance expense and income

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Bank loans and overdrafts	(38.2)	(22.5)
Interest arising on lease liabilities recognised as a result of IFRS 16	(8.5)	-
Finance expense	(46.7)	(22.5)
(Losses)/gains arising on financial derivatives	(0.9)	45.3
Losses arising on foreign exchange on debt instruments	(1.6)	(49.6)
Total finance expense	**(49.2)**	**(26.8)**
Interest receivable	0.9	0.3
Other finance income	0.1	-
Total finance income	**1.0**	**0.3**
Net finance expense	**(48.2)**	**(26.5)**

NOTES TO FINANCIAL INFORMATION (continued)

6. Taxation

The tax credit for the six months ended 30 June 2019 was £14.4m (30 June 2018: credit of £0.2m) of which a credit of £40.6m (30 June 2018: £19.7m) related to separately disclosed items. The effective tax rate before separately disclosed items is 12.4% (six months ended 30 June 2018: 12.0%).

The current period's charge was lower than the UK statutory rate of 19% due to lower effective tax rates on overseas profits.

In the Budget on 16 March 2016, the Chancellor announced that the standard rate of UK Corporation Tax would be reduced from 20% to 17%. The rate reduced from 20% to 19% on 1 April 2017. A further reduction to 17% will take effect from 1 April 2020.

The deferred tax assets and liabilities are measured at the tax rates of the respective territories which are expected to apply to the year in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

7. Dividends

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Final dividend paid to equity holders(1)	93.1	46.2

1. Amounts for total dividends paid of £97.6m included within the Statement of Cash Flows include £4.5m (2018: £nil) of dividends paid to non-controlling interests.

An interim dividend of 17.6 pence per share of £102.4m was declared by the directors at their meeting on 15 August 2019. These financial statements do not reflect this dividend payable. The 2018 final dividend of 16.0 pence per share (£93.1m) was paid in the six months ended 30 June 2019.

8. Earnings per share

Basic earnings per share has been calculated by dividing the loss attributable to shareholders of the Company of £3.4m (30 June 2018: profit of £112.1m) by the weighted average number of shares in issue during the six months of 581.9m (30 June 2018: 446.0m).

The calculation of adjusted earnings per share before; separately identified items, foreign exchange movements on financial indebtedness and gains on derivative financial instruments, is included as it provides a better understanding of the underlying performance of the Group. Separately disclosed items are defined in note 2 and disclosed in note 4.

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
(Loss)/profit attributable to shareholders	**(3.4)**	**112.1**
Loss/(gain) arising from financial instruments	0.9	(45.3)
Loss arising from foreign exchange debt instruments	1.6	49.6
Separately disclosed items after tax (note 4)	183.8	28.8
Adjusted profit attributable to shareholders	**182.9**	**145.2**
Weighted average number of shares (million):		
Shares for basic earnings per share	581.9	446.0
Potentially dilutive share options and contingently issuable shares	2.6	4.9
Shares for diluted earnings per share	584.5	450.9

	Standard earnings per share Six months ended 30 June		Adjusted earnings per share Six months ended 30 June	
Stated in pence	2019	2018	2019	2018
Basic earnings per share				
From (loss)/profit for the period	(0.6)	25.1	31.4	32.6
Diluted earnings per share				
From (loss)/profit for the period	(0.6)	24.9	31.3	32.2

NOTES TO FINANCIAL INFORMATION (continued)

9. Net debt

The components of the Group's net debt are as follows:

	30 June 2019 £m	31 December 2018 £m
Current assets		
Cash and short-term deposits	397.3	421.9
Current liabilities		
Interest bearing loans and borrowings	(16.0)	(14.3)
Non-current liabilities		
Interest bearing loans and borrowings	(2,216.0)	(2,221.1)
Accounting net debt	(1,834.7)	(1,813.5)
Cash held on behalf of customers	(293.6)	(312.5)
Fair value swaps held against debt instruments (derivative financial assets)	35.3	43.3
Balances held with brokers	96.7	93.6
Balances held with payment service providers	67.0	89.9
Short term investments	-	2.6
Adjusted net debt	**(1,929.3)**	**(1,896.6)**
Finance lease liabilities recognised as a result of IFRS 16	(350.3)	-
IFRS16 adjusted net debt	**(2,279.6)**	**(1,896.6)**

10. Note to the statement of cash flows

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Group operating profit	35.9	140.1
Impairment	1.8	-
Depreciation of property, plant and equipment	55.3	16.4
Amortisation of intangible assets	228.9	151.9
Profit on disposal of assets	(0.3)	-
Share-based payments charge	5.5	5.0
Increase in trade and other receivables	(36.0)	(99.4)
Decrease in trade and other payables	(1.7)	(10.1)
Decrease in other financial liabilities	(27.9)	-
Increase in provisions	5.5	3.9
Share of results from joint ventures and associates	1.1	(0.7)
Non-cash movement in fair value of contingent consideration	-	(142.3)
Non-cash pension related items	(2.0)	-
Non-cash separately disclosed items	(6.0)	-
Cash generated by operations	**260.1**	**64.8**

NOTES TO FINANCIAL INFORMATION (continued)

11. Related party transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Equity investment		
- Joint venture [(1)]	0.9	1.2
Sundry expenditures		
- Associates [(2)]	42.3	34.2

(1) *Equity investment in Sportium Apuestas Deportivas SA.*
(2) *Payments in the normal course of business made to Satellite Information Services (Holdings) Limited.*

The following table provides related party outstanding balances.

	30 June 2019 £m	31 December 2018 £m
Loan balances outstanding		
- Joint venture	0.9	1.8
Other receivables/(payables) outstanding		
- Associates	(0.1)	0.2
- Joint venture	-	0.3

12. Financial instruments

Details of the Group's borrowing are set out in note 9.

Fair value of financial instruments

The major component of the Groups derivative financial assets measured at fair value consist of currency swaps held against debt instruments £35.3m (30 June 2018: £30.4m, 31 December 2018: £43.3m). The fair value of Group's other financial assets at 30 June 2019 is not materially different to its original cost.

The major components of the Groups financial liabilities measured at fair value consist of; deferred and contingent consideration £114.6m (30 June 2018: £150.8m, 31 December 2018: £109.2m), Ante post liabilities £16.3m (30 June 2018: £13.8m, 31 December 2018: £12.9m), and financial guarantee contracts £2.7m (30 June 2018: £2.9m, 31 December 2018: £2.7m).

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 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; and
- Level 3: inputs for the asset or liability that are not based on observable market data

There are no reasonably probable changes to assumptions or input that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results.

The Group's financial assets and liabilities that are measured at fair value after initial recognition fall under the 3 levels of the fair value hierarchy as follows:

- Level 1 - £35.3m assets (30 June 2018: £30.4m, 31 December 2018: £43.3m), and £nil liabilities (30 June 2018: £nil, 31 December 2018: £nil).
- Level 2 - £4.5m assets (30 June 2018: £nil, 31 December 2018: £2.6m), and £nil liabilities (30 June 2018: £nil, 31 December 2018: £nil).
- Level 3 - £7.0m assets (30 June 2018: £3.2m, 31 December 2018: £8.3m), and £137.3m liabilities (30 June 2018: £150.8m, 31 December 2018: £174.2m).

There have been no transfers of assets or liabilities recorded at fair value between the levels of the fair value hierarchy.

13. Contingent liabilities

In the UK, the Group has inherited VAT refund claims made by the legacy Ladbrokes business in relation to VAT paid on certain gaming machines prior to February 2013. The claims are being led by two other operators. The First Tier Tribunal ruled broadly in favour of the other operators' claim in July 2018. During Q2 2019, the UK Upper Tribunal (the second-tier tax court) announced that a hearing will take place in January 2020 in respect of the appeal by the UK tax authorities against those decisions. If the UK tax courts ultimately find in favour of these other operators (and therefore also GVC), the Group expects to receive a refund of approximately £200m. Given the inherent uncertainty surrounding a claim of this nature, no receivable has been recognised as at 30 June 2019.

As disclosed in the 31 December 2018 financial statements, the Group made provision for potential Greek tax liabilities for the years 2010 to 2017, resulting in a charge to the Income Statement of £186.8m within non-trading items. Whilst dialogue continues with the Greek tax authorities, there has not been any change in the position since the year end. The Group continues to make payments on account against the 2010/11 assessment and, during the first half, made payments of £39.3m. These payments have been recorded as a receivable on the Balance Sheet with the total receivable now amounting to £80.7m.

Since the acquisition of bwin.party in 2016, the Group has fully provided for, but not fully paid, betting and gaming taxes on Austrian revenues as a result of ongoing litigation over the Austrian authority's right to charge taxes on overseas companies. As at 30 June 2019, the amount accrued by the Group amounts to €75.9m, an increase of €7.4m since the start of the year. The litigation is expected to be resolved during 2020.

14. Subsequent events

On 4th July 2019 the Group repaid £100m of the £275m term loan held at 30 June 2019 reducing the facility to £175m. This repayment was made subsequent to €112m being drawn down from the existing revolving credit facility available to the Group.

On 18 July 2019 the Group announced that it had reached an agreement to dispose of its 50% interest in Sportium Apuestas Deportivas S.A. ("Sportium") as well as continue to provide certain B2B services until 2024 to the joint venture partner Cirsa S.A. The agreed consideration consisted of €70m plus certain net debt adjustments, with the amount relating to B2B services to be deferred. The deal is conditional on regulatory approval. Accordingly the assets associated with Sportium have been included within the balance sheet as assets classified as held for sale.

On 31 July 2019 The Group in the UK announced that it had reached a settlement with The Gambling Commission for £5.9m in relation to historic compliance failings that took place within the Ladbrokes Coral business prior to the acquisition in March 2018. The Group acknowledges with regret that certain legacy systems and processes in place in the Ladbrokes and Coral operations prior to the acquisition did not adequately meet the regulatory requirements in respect to social responsibility and anti-money laundering ("AML") safeguards. Since that period the Group has made significant investment into its AML and safer gambling processes to ensure that the business is fully compliant with its licensing obligations, in order to prevent a repetition of these failings. The agreed settlement of £5.9m has been fully provided for within these financial statements.