

Playtech plc

("Playtech," or the "Company," or the "Group")

Results for the year ended 31 December 2018

**Strategic and operational progress in regulated markets together
with significant improvement in balance sheet efficiency**

Reallocation of distributions to shareholders with €40m share buyback

Playtech (LSE: PTEC) today announces its results for the year ended 31 December 2018, together with a trading update for the period to 18 February 2019.

Financial summary

	FY 2018	FY 2017	Change (reported)	Change (const. currency) ³
Revenue	€1,240.4m	€807.1m	54%	55%
Adjusted EBITDA ¹	€343.0m	€322.1m	7%	7%
Adjusted Net Profit ²	€256.2m	€231.4m	11%	6%
Reported Net Profit ²	€123.8m	€248.1m	-50%	-50%
Adjusted diluted EPS	72.9 €c	66.8 €c	20%	16%
Total dividend per share ⁴	24.1 €c	36.0 €c	-33%	NA

Group financial highlights

- Evolving financial profile; improved quality of earnings
 - B2B regulated Gaming revenue growth of 12% at constant currency
 - Proportion of regulated revenue increased to above 80% in FY 2018; 54% in FY 2017
- Completion of Snaitech acquisition; consolidated from 5 June; 100% owned from 3 August
 - Leading brand, delivers a cornerstone presence in Europe's largest regulated market
 - Very strong H2 2018 operational performance; synergy targets reaffirmed
- Adjusted EBITDA growth of 7% at constant currency as Snaitech acquisition offsets Asia decline
- Excluding acquisitions, B2B Gaming cost from operations reduced by €17m in 2018
 - Combined with revenue growth led to significant margin expansion in B2B non-Asia
 - B2B non-Asia gaming margin expected to increase to over 30% in medium term
- Net cash from operations up 26% at €387m

Balance sheet

- Significant progress on balance sheet efficiency
 - Net debt / EBITDA of 1.5x at 31 December 2018
 - €530m bond raised, first public credit rating (Ba2/BB)
 - Sale of holdings in GVC & Plus500 realised €447m in cash
 - €200m RCF repaid, new undrawn €272m facility
- Reallocation of distributions to shareholders and launch of share buyback programme
 - In order to maximise efficiency of shareholder returns, and following shareholder feedback, the Group is to reallocate part of its payout into share repurchases
 - Shareholder distributions will be balanced between dividends and share repurchases
 - It is the Board's intention that the overall level of capital returned to shareholders will continue to be progressive, in line with medium term earnings
 - Share buyback programme approved by Board up to an initial amount of €40m via an irrevocable, non-discretionary arrangement with its corporate brokers, Goodbody and UBS
 - Final dividend declared of 12.0 €c per share

Strategic update

- Playtech will continue to deliver best in class technology to existing licensees
- Significant R&D investment in recent years has furthered our leading technology allowing current and prospective licensees faster and cheaper time to market
- Playtech will continue to focus on growing its relationship with existing clients by expanding into new geographies and/or additional products
- Going forward we will increasingly focus on high margin structured agreements where market dynamics allow

Operational highlights

- B2B Gaming Division
 - Growth in regulated B2B Gaming revenue of 12% at constant currency
 - Playtech BGT Sports continues strong performance
 - 14% growth in revenue at constant currency
 - New wins in key markets
 - Buzz Bingo UK omni-channel deal; signed in H1 2018, live in H2 2018
 - Polish National Lottery Totalizator signed for Casino in H1 2018, live in H2 2018
 - PBS signed SAS in Portugal and Sportium in Columbia
 - Existing Fortuna relationship expanded to further countries and products
 - Sweden regulated on 1 January 2019 – Playtech customers launched in market on Day 1
 - Agreement with Swiss Casinos to launch in recently regulated Switzerland
 - Pipeline strong across key geographies
 - Applied for license in New Jersey; opportunities across the US
- B2C Gaming Division
 - Snaitech consolidated from 5 June 2018
 - Snaitech FY 2018 (12 months) adjusted EBITDA growth of 14% driven by 27% growth in online revenues
 - Sun Bingo 44% revenue growth at constant currency
 - Amended Sun Bingo contract extended for up to 15 years; joint commercial collaboration with no further minimum guarantees from mid-2021; contract expected to be P&L profitable in 2019
- TradeTech Group
 - 9% revenue growth to €92.9m and 9% Adjusted EBITDA growth to €29.5m
 - Mixed performance across 2018 with strong H1 and tougher conditions across the industry in H2

Current trading

- Regulated B2B Gaming revenue for the first 49 days of 2019 was up 7% on the same period in 2018 at constant currency and excluding acquisitions and one-offs
- Non-regulated B2B Gaming revenue for the first 49 days of 2019 was down 26% on the same period in 2018 at constant currency and excluding acquisitions
- Snaitech has had a strong start to 2019 with the underlying business trends in line with our expectations albeit impacted by the recent negative legislative headwinds
- TradeTech has started 2019 in line with management expectations

Outlook

- Playtech expects 2019 Adjusted EBITDA in range of €390 to €415m
- Guidance reflects following assumptions:
 - c. €20m positive impact from IFRS 16 adopted as of 1 January 2019
 - Sun Bingo to have positive EBITDA contribution in 2019 (from loss making in 2018)
 - assumption that Asia remains stable at approximately €150m annual revenue run rate

Alan Jackson, Chairman of Playtech, commented:

“In the face of changing market dynamics Playtech achieved significant strategic and operational progress in 2018 delivering a markedly improved financial profile. The Group achieved new licensee wins in key regulated markets, the UK, Europe and Latin America. The combination of progress in regulated markets and headwinds in unregulated activity saw regulated Group revenue increase to over 80%.

“The acquisition of Snaitech and the ongoing strong performance of this business has delivered geographical diversification of the Group’s revenue profile, but more importantly delivered a leading presence in the largest, and one of the fastest growing gambling markets in Europe.

“Following shareholder engagement, I am pleased to announce our new progressive shareholder return policy. The strength of the balance sheet and cash flows allow the Board to demonstrate its confidence in the future growth of the business through both a share buyback programme and a final recommended dividend.”

– Ends –

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¹ Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, finance costs on acquisitions, deferred tax on acquisitions, unrealised changes in fair value of equity investments recognised in the period income statement, non-cash accrued bond interest and additional various non-cash charges. The Directors believe that the adjusted profit, which includes realised fair value changes recognised in the income statement in the period on equity investments disposed of in the period, represents more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 4.

² Attributable to the owners

³ Constant currency numbers exclude the exchange rate impact on the results by using previous period relevant exchange rate and exclude the total cost/income of exchange rate differences recognised in the period

⁴ Reduction in final dividend reflects rebalancing of shareholder distribution between dividend and buyback

Presentation and live webcast

A presentation for analysts and investors will be held today at 9.00 am in the offices of UBS, 5 Broadgate, London, EC2M 2QS.

The presentation will be webcast live and on demand at the following website:

<https://www.investis-live.com/playtech/5c405c19cad1ac0c0068a12e/owmr>

The presentation will also be accessible via a live conference call or video link:

Dial-in no for UK: 020 3936 2999
Dial-in for all other locations: +44 20 3936 2999
Conference password: 525495

There will also be a replay available for one week:

Dial-in no for UK: 020 3936 3001

Dial-in no for US: 1 845 709 8569

Dial-in no for all other locations: + 44 20 3936 3001

Conference reference number: 401407

Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect Playtech's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, Playtech undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

About Playtech

Founded in 1999 and premium listed on the Main Market of the London Stock Exchange, Playtech is a technology leader in the gambling and financial trading industries.

Playtech is the gambling industry's leading technology company delivering business intelligence driven gambling software, services, content and platform technology across the industry's most popular product verticals, including, casino, live casino, sports betting, virtual sports, bingo and poker. It is the pioneer of omni-channel gambling technology through its integrated platform technology, Playtech ONE. Playtech ONE delivers data driven marketing expertise, single wallet functionality, CRM and responsible gambling solutions across one single platform across product verticals and across retail and online.

Playtech partners with and invests in the leading brands in regulated and newly regulated markets to deliver its data driven gambling technology across the retail and online value chain. Playtech provides its technology on a B2B basis to the industry's leading retail and online operators, land-based casino groups and government sponsored entities such as lotteries. As of June 2018, through the acquisition of Snaitech, Playtech directly owns and operates a leading sports betting and gaming brand in online and retail in Italy, Snai.

Playtech's Financials Division, named TradeTech Group, is a technology leader in the CFD and financial trading industry and operates both on a B2C and B2B basis.

Playtech has in total c.5,800 employees across 17 countries and is headquartered in the Isle of Man.

Chairman's statement

This has been an extremely important year in the growth and development of Playtech. The year has produced many challenges for Playtech and the industries we operate in, making our achievements this year all the more critical to our longer-term success. Playtech has continued to improve its quality of earnings, has delivered strategic progress in fast growing markets, has an improved financial profile and continued to develop its corporate governance through the evolution of the Board. This progress lays the foundations for long term, sustainable growth and shareholder value in 2019 and beyond.

Notwithstanding challenges to the market in Asia and regulatory headwinds in the UK and Italy, Playtech reported a 54% increase in Group revenue and a 7% increase in Group Adjusted EBITDA. The landmark acquisition of Snaitech, completed in June 2018, delivered the Board's strategic objective to improve the quality and diversification of Group revenue, whilst delivering exposure to high growth end markets and was a key part of achieving this growth. The sustained move from unregulated to regulated revenue has delivered an improved investment profile for the Group with more than 80% of Group revenue now derived from regulated activity.

Revenue in regulated B2B markets grew by 12% at constant currency in 2018. Operational progress in new and existing regulated markets is a testament to Playtech's strength in regulation and compliance in the gambling industry, as well as its commercial capabilities. During 2018 Playtech further strengthened its position in the UK, launching a new omni-channel brand to the market and launched in the European growth markets of Poland and Switzerland. Playtech also partnered with leading retail brands to deliver their first online casino offerings as well as working with existing licensees in Sweden following new regulation. In Latin America, Playtech continued to execute on its strategic advantage in the region by signing a new agreement with Sportium Colombia to provide its sportsbook technology across the retail and online environments. This progress lays the foundations for future growth in the core B2B Playtech business.

An important part of the Group's improved profile in 2018 has been our progress in delivering a more efficient balance sheet. Following the realisation of value from the sales of the GVC and Plus500 stakes, in October the Company completed the issuance of its first public rated corporate bond, raising €530 million to refinance the Snaitech acquisition, achieving interest cost savings and greater flexibility and efficiency for the Group's balance sheet.

The progress on balance sheet efficiency and sustained fiscal control coupled with the Group's continued high levels of cash generation has allowed the Board to introduce greater balance and flexibility into its shareholder return policy by transitioning to a balance of dividends and share buy backs. Following shareholder engagement the Board believes it is in the interest of all shareholders to reallocate part of our capital returns into share buybacks. Following the adoption of the policy the Board has approved an initial share buyback programme of up to €40 million and a final dividend of 12.0 €c per share.

Central to Playtech's progress and growth has been a track record of open and constructive dialogue with its shareholders and 2018 has seen the Board continue high levels of engagement to continue important progress on Corporate Governance. To meet the changing demands of the Company the Board has also evolved significantly in that time and has played an important role in shepherding the Company through its rapid change.

As part of this ongoing progress it was announced in July 2018 that Susan Ball would join the Board and Chair the Audit Committee. Susan brings experience of the European online gambling space having previously been on the board of Kambi Group plc and before that having served as CFO of Unibet Group plc. Further to the appointment of Susan, in August 2018 former Sportech PLC CEO Ian Penrose joined the Board and has taken over as Chair of the Remuneration Committee, a role in which he has

conducted high levels of shareholder engagement. Ian brings deep sector experience having led a strategic repositioning and business turn around at Sportech PLC.

Susan's and Ian's appointments represent two important steps forward for the Board in 2018 and the Board is continuing to look to add high quality non-executives in 2019 to match the Company's needs, with the support of a professional search firm.

Looking ahead into 2019, Playtech is able to present ever greater opportunities to all stakeholders, providing a platform for further progress in 2019 and beyond.

Chief Executive Officer's review

Strategy update

Playtech has conducted a thorough review of its position in the industry over the last six months.

It is clear that Playtech has achieved significant growth in recent years, thereby extending our scale. The company believes it has an unparalleled set of assets within the industry. Playtech has delivered this by balancing operating in regulated and unregulated markets, using the cash generated from the higher margin unregulated business to extend its lead by investing in its technology and through M&A, while also returning significant amounts to shareholders.

Playtech and the industry as a whole has been in transition. As further jurisdictions regulate, operators and suppliers have had to adjust to higher taxation and greater oversight and legislation. In addition, the increase in the number of regulated territories, has also led to more competition across the industry. Playtech believes that a balance between regulated and unregulated markets is still needed as unregulated markets remain high margin and highly cash generative. Playtech believes it is essential to have a cornerstone presence in three or more regulated jurisdictions to diversify its risks, particularly from a regulatory perspective. Playtech has achieved this diversification through the strength of its B2B business in the UK, its unique position in Italy with Snaitech and through the success of its agreement with Caliente in Latin America.

Looking at the entirety of the group, Playtech has a four-pronged business:

- Core B2B
- Core B2C
- Asia
- TradeTech

Core B2B: While Playtech's B2B business has a very strong set of assets, the company must also adjust to the evolving industry landscape. In particular the company believes that a significant portion of its addressable market is untapped.

The core strategy of Playtech's B2B gaming business is to focus on higher margin regulated opportunities with Sports, Casino and Live Casino being of greatest importance. Playtech will continue to support existing licensees with better tools and new technologies to provide them with greater flexibility in running their businesses.

Playtech intends to focus on higher margin opportunities going forward, which includes new customers in both existing regulated markets and newly regulated markets, through structured agreements and wherever market dynamics allow.

Playtech will also focus on unchartered territories going forward. It estimates that there are over 1,000 sites globally today that do not take a single Playtech game. The group has invested significantly in R&D in recent years to enhance its leading technology, allowing a faster and cheaper time to market for its licensees. This investment, and resulting benefit, will be essential for tapping into these unchartered markets.

Core B2C: Playtech's core B2C business comprises primarily of Snaitech in Italy but also its Sun Bingo operation, its Casual gaming business and the HPYBET B2C sport business in Germany and Austria. Playtech will continue to focus on selected B2C opportunities globally, while maintaining a strong focus on Snaitech and its business in Italy.

Asia: Playtech's B2B gaming business in Asia is different and isolated from the rest of the company. It operates a different business model whereby it provides only content to the market. As an unregulated business it is also higher margin and more highly cash generative compared to other parts of the Group. The cash generated from this business will continue to be used to cement its position in regulated markets as well as returns to shareholders.

Tradetech: Playtech continues to believe that TradeTech is a highly attractive asset. It is a growth business that contributes to the overall EBITDA of the group. However, the Group recognizes it is less understood by many of our investors, who are more focused on the gaming part of the business. In addition, it has a different business model to other CFD firms, as TradeTech operates as both a B2B and B2C business.

Regulated markets & future markets

In 2018 regulated revenue increased to 78% of total gaming revenue. The increase in regulated revenue is a result of the continued progress the Company has made on the strategic goals outlined above as well as the acquisition of Snaitech in 2018. Playtech continues to lead the way in regulated markets and actively promotes regulation in future and emerging markets. Regulated markets in Europe, Latin America and the US are key to our continued growth. The company is focused on raising industry standards and enabling a fairer, safer and more sustainable sector, where Playtech's regulated markets focused capabilities have an advantage. The company intends to increase its scale and distribution in these markets by signing new licensees.

Europe:

The UK is another key market for Playtech, where the strength of Playtech ONE provides it with a strategic advantage and a cornerstone presence. The Company's extended agreement with Gala Leisure, to launch a new omni-channel gaming brand across bingo and casino, confirms Playtech's market-leading position as the technology partner of choice in the UK. Playtech has become a strategic partner to Gala Leisure and launched a full omni-channel solution in 2018, including best of breed retail products fully integrated with industry leading digital content and solutions.

Regulated markets in Europe represent significant growth opportunities. For example, Playtech launched in the Swedish market on 1 January 2019 and was one of the first technology companies to launch industry leading brands following the regulatory changes which came into effect at the start of 2019. Playtech is partnering with leading betting platforms to bring its industry-leading products to Sweden. In addition, Playtech's Swedish specialist content studio Quickspin launched 30 of its most popular titles on the first day of regulation on 1 January 2019.

Playtech's leadership position in Europe was further reinforced in H2 2018 with the launch of its shared liquidity poker network in France and Spain. Partnering with Betclix and Unibet in France, and Bet365, Betfair, Casino Barcelona and Sportium in Spain, Playtech's network has become the first B2B poker network across the two territories, which represent major regulated poker markets. The network significantly boosts marketing and revenue potential for operators across France and Spain, through larger-scale cross-territory network partnerships and promotions. It will also significantly expand on the offering for players in both markets, with greater guaranteed prize pools and an increased array of cash game tables. This marks the introduction of the first B2B Poker network since the industry-wide shared liquidity agreement across France, Spain, Italy and Portugal last year and highlights Playtech's continued strength in regulated markets.

The landmark acquisition of Snaitech, completed in June, provided the company with a cornerstone strategic presence in one of Europe's fastest growing and largest regulated gambling markets. By using its proven omni-channel technology and industry-leading regulated market software, Playtech believes there is a significant opportunity to leverage the strength of the Snai brand in Italy, growing its digital

presence and driving cross-sell between retail and online in a fragmented and underdeveloped online market.

Playtech secured new agreements in key markets with strategically important licensees in Poland and Portugal. In Poland, Playtech was selected by Totalizator Sportowy, the Polish National Lottery provider, to launch its first online Casino offering. In Portugal the Sports division won a landmark agreement to power the country's leading operator SAS's new online sportsbook, with Casino to follow in 2019.

Latin America:

Latin America remains a key growth territory for online gaming. Mexico is now one of Playtech's top five regulated markets by player jurisdiction (since FY 2017). This is following the growth of licensee Caliente, which during 2018 extended its relationship with Playtech by integrating the Playtech BGT Sports sportsbook into its existing Playtech Casino offering. Also, in the region, and again driven by progress in Sports, Playtech launched an integrated sportsbook across retail and online environments for Sportium.

Looking forward, we continue to see positive momentum in the region and are optimistic about opportunities, particularly in Brazil, Argentina and Peru. In 2018, Brazil took an important step towards regulating online gambling and sports betting. Meanwhile in Argentina, Buenos Aires has recently legalised online sports gambling and lottery and Peru is also exploring proposals to regulate online sports betting and casino games. The strength of Playtech's operations in Latin America positions the company well, with these potential markets representing significant opportunities in the future.

US:

Playtech has applied for a license in the State of New Jersey and is actively considering licensing opportunities and forming strategic alliances across the country. Playtech has strategic optionality within its technology stack in order to go into joint ventures, partnerships and B2B deals with land-based casino groups, media groups and existing international clients.

Asia

Competition in China increased in 2018 from new market entrants, resulting in downgrades to expectations announced to the market in July. Activity in Malaysia, highlighted as a headwind due to a change in market conditions, continues to be significantly lower than its previous highs.

In Asia, Playtech functions out of a base in the Philippines and is licensed as a B2B service provider under the Philippine regulator, PAGCOR. Playtech works directly with large global B2C operators that it works with in other jurisdictions, but the vast majority of activity in Asia is conducted through Playtech's third-party distributor in order to access the fragmented market.

The increase in competition in China has resulted in a highly competitive pricing environment. Playtech has taken the decision not to seek to compete on pricing and instead has focused on underlining the premium position of its offering in the region. Increased competition in the region is likely to remain, and accordingly Playtech has taken several actions to secure its position in the market.

These actions include appointing a new Managing Director for Asia who has responsibility for Playtech's operations in the region, including managing relationships with operators and distributors. The company has also launched multiple new games, focusing on branded content and has increased the support given to its partners in the region to enable them to offer progressive jackpots, another key Playtech strength. In addition to this, Playtech has participated in promotions and provided incentive schemes to sub licensees to support their efforts in promoting Playtech content.

Playtech continues to monitor developments in Asia closely and, at its current run rate, still sees commercial benefits to operating in the region. While operating at a lower run rate than before, Playtech's Asia business remains high margin and highly cash generative. This cash will continue to be used to execute our strategy in regulated markets as well as for returns to shareholders.

Playtech's IMS platform

Playtech's Information Management Service (IMS) platform is one of the industry's most powerful player management systems, driving the industry's pioneering omni-channel technology. Playtech is committed to continuing to expand the data driven capabilities of Playtech's IMS to retain its position as the leading technology provider in the gambling industry.

The first half of 2018 saw Playtech introduce 'Smart Limits' to the data driven services within the Playtech BI (Business Intelligence) tools available on its platform. The industry standard in gaming is to have rigid predetermined game value limits. Playtech's BI has introduced a system that derives the optimal limits for the specific player, on a specific game, from multiple data parameters and inputs, including player history, current balance and bonuses active. This is a further innovation in Playtech's ability to deliver a fully bespoke customer journey, across channels and product verticals driven by the powerful data captured across the Playtech ONE eco-system.

In 2018 Playtech also launched its new player engagement platform as the next phase of IMS development. The new engagement platform will allow B2C brands to respond to user data in real-time with cross vertical in-game live messaging across multiple offline channels. This project was completed in conjunction with the new UK Competition and Markets Authority requirements around bonus communication and continues Playtech's commitment to deliver technology in line with, and ahead of, regulation.

Responsible gambling

Regulators across Europe, including the UK, Italy, Spain and Denmark, continue to strengthen consumer protection and safer gambling regulations. Playtech welcomes sensible policies designed to support the long-term success of the sector whilst also creating a safer, fairer and more responsible industry. Playtech is well positioned to help licensees navigate the continually evolving regulatory landscape around responsible gambling in online and retail markets.

Playtech also continues to strengthen its responsible gambling technology offerings. Following the integration of BetBuddy to IMS in the first half of 2018, the solution is now being deployed to its first licensees, including Buzz Bingo. The combination of BetBuddy's applied artificial intelligence to assess risk while working seamlessly with Engagement 360's real-time player messaging, will allow operators to implement personalised messaging that empowers consumers to make safer choices. In addition, new Responsible Gambling features in Playtech's Portal and Marketplace platforms, aimed at increasing both licensee and player education and awareness of Playtech's casino content, are due to be trialed in 2019.

Playtech continues to engage constructively with regulators and stakeholders on a wide range of policy topics. The company is also collaborating with licensees, academics, charities and industry bodies to help raise and shape industry standards, share best practices and explore how technology can help address some of the most pressing challenges facing the industry.

Gaming Division performance

Gaming B2B

Casino

Revenues from the Casino vertical fell 22% to €320.1 million in 2018, driven by the changing dynamics of the Asian casino market in the period and the tough like-for-like comparatives with FY 2017.

Excluding Asia, Casino revenues enjoyed strong momentum, growing 9% in 2018 on a like-for-like basis at constant currency. This was partly driven by contribution from new Casino agreements with Casino Barcelona in Spain and Veikkaus in Finland. In addition, Pokerstars, alongside a successful launch of Playtech's Live Dealer product, significantly increased its Playtech content portfolio in 2018. Other major contributors which saw growth in 2018 were Bet365, Paddy Power Betfair, Betfred and Caliente.

Operational momentum continued in 2018 in the Casino vertical including the Sporting Legends progressive jackpot suite rolled out across the Frankie Dettori, Ronnie O'Sullivan and Football Stars games, designed to foster sportsbook cross-sell during the football World Cup. New content launches, and specifically integrated content across product vertical, such as World Cup specific material, are important evidence of the constant innovation of products required to deliver a more engaging and relevant offer to regulated markets.

Further progress, driven by innovation, was evident through GPAS (Playtech's Gaming Platform as a Service). GPAS has been developed with the aim of continuing to evolve the way that gaming content is designed and created, ultimately extending the use of Playtech's technology across the industry and increasing the scale and reach of Playtech's platform. GPAS technology and its proprietary math engine allows third parties (operators, content providers and developers) to use a simple drag and drop user interface to build high quality HTML5 games or submit their own existing content for distribution across Playtech's global network on any channel. GPAS technology is developed using Playtech ONE's omni-channel approach and can be seamlessly developed for retail and online. Historically, converting popular online games into retail games was expensive and inefficient and involved two sets of technology and two sets of developers. Therefore, those using Playtech's innovative GPAS technology have an advantage in retail-driven, regulated markets.

In 2018 Playtech fully implemented the unification of its eight content studios onto its agile development platform. Playtech is shifting the studios towards leveraging new tailored jackpots, a new game suite, in-game innovations and a greater focus on platform features that will benefit licensees. A new game suite to be launched in 2019, Kingdom's Rise, will showcase these features. Licensees should see improved retention rates and improved customer experience while lowering bonus costs.

Playtech completed the integration of 35 brands on to the Playtech Open Platform (POP) in 2018, enabling access to a huge selection of third-party games on any channel or platform, of which there were 16 specific third-party integrations. New linkages are now rapidly achieved, freeing up more resource for 2019. In addition to the POP and third-party integrations, Playtech is now also able to offer its partners access to the IMS bonusing and engagement tools.

The new Playtech Marketplace was launched in H2 2018 and, by year end, over 30 brands had launched. 2019 will see Marketplace become the new industry standard of content aggregation with a roadmap that leverages Playtech's BI system to deliver snackable insights to content and marketing teams. Marketplace removes much of the guesswork with new and existing operators when they look to target player clusters for acquisition, retention and player values, even down to a country specific level.

Live Casino

Playtech has continued driving product innovation in Live Casino, following the migration to its new Live Casino facility in Riga in 2017, by launching new concepts, games and features. Driven by the powerful Playtech IMS player management platform and data-driven business intelligence technology, Playtech Live Casino is fully integrated into the Playtech platform and Casino offering. The period saw Ladbrokes

Coral launch a dedicated sports area for the World Cup with an integrated bet slip. This was in addition to seasonal experiences such as around Cheltenham roulette and Chinese New Year.

The move to the new facility has continued to drive an increase in new Live Casino licensees and the number of dedicated tables. For example, in the period, Playtech launched new additional dedicated tables with Sisal, Sports Interaction, Mansion and Casino.com. Moreover, 2018 saw Betfred partner with Playtech Live to deliver a bespoke dedicated area for roulette and blackjack.

Playtech achieved an extensive array of new product deliveries, innovative customer engagement tools, and successful promotional activity, all of which was complemented by the surge in new customer areas and table propositions.

Playtech's Live product portfolio grew throughout the course of 2018 with Spin a Win and Live Trivia, which both have received a positive response from customers. Live Trivia is the first online gaming Trivia product enabling customers a free to play experience, where their general knowledge is tested as they look to win a variety of prizes. Omni channel is a key aspect of Playtech's overall strategy, and in 2018 Live casino delivered a "Live from" experience allowing customers the ability to play Roulette from a land-based casino. In addition, key products such as Roulette, Blackjack and Baccarat all saw extensive UX overhauls providing a more immersive feel in line with Playtech's approach in leading UX solutions.

Playtech BGT Sports (PBS)

Since the creation of PBS, Playtech still expects sports to be one of the fastest growing verticals in the coming years. In line with these expectations, sports saw the largest increase in revenue across all B2B Gaming verticals with a 12% increase in revenue to €98.0 million in 2018, and a 13% increase at constant currency.

PBS continues to develop new pioneering content and technology to drive incremental revenue for its licensees as well as drive innovation in the sports betting vertical. Following the integration of PBS with the Playtech IMS platform, PBS can offer an omni-channel sports product across retail and online that is unique to the industry. 'Track my SSBT Bet' and 'Cash out' functionality is now available across all operators globally, either through integration with the operators' own app or through the PBS 'Bet Tracker' product.

PBS's most important product development in 2018 was 'MatchAcca', which enables users to combine multiple markets within the same event to create an accumulator bet with one specific price, subsequently encouraging higher margin betting. PBS launched MatchAcca across retail and digital sportsbook in 2018, ahead of the FIFA World Cup.

PBS also developed Tap2Bet, which enables customers to stake bets quickly and easily with their debit cards by tapping their card on the terminal, as well as Bet Recommender, an intelligent recommendation engine using advanced AI algorithms, which suggests relevant content to customers on the Terminal. Recommendations are based on the behavior of other customers in comparable selections similar to Amazon's recommendation feature.

2018 saw a number of operators launch within both retail and online. In the first half of 2018 PBS delivered a landmark agreement to supply Sociedade de Apostas Sociais (SAS), Portugal's largest gaming and betting operator, with its new sportsbook offering and IMS platform. SAS's major shareholder is Santa Casa da Misericórdia de Lisboa, Portugal's national lottery provider. The PBS online sportsbook went live with SAS in June 2018 following an accelerated project to go live ahead of the FIFA World Cup 2018. In its first month of trading SAS acquired 20,000 new registered first-time depositors. Also, in Europe, PBS continued the roll-out started in Spain with Codere Andalusia and now has more than 1,000 terminals in the region.

In the key target market of Latin America, PBS continued to develop its strategic position and signed an agreement to supply an integrated retail and digital sportsbook to Sportium Colombia through the provision of self-service betting terminals (SSBTs), over the counter (OTC) services and online sportsbook. The PBS offering has been approved by the Colombian regulator as fully compliant. Colombia first announced its plan to regulate online gambling in 2016 with the first licenses issued in 2017. Playtech also deepened its relationship with its key licensee Caliente in Mexico. Playtech has worked with Caliente since 2014 in online casino and, since the integration of PBS, has rolled out its digital sportsbook in 2017 and in 2018 integrated retail SSBTs into the offering with the first SSBTs placed in Caliente casinos.

Key contract extensions were also secured during the year. PBS extended its agreement to supply Paddy Power Retail with the software for its suite of self-service betting terminals. PBS also extended its agreement to supply Ladbrokes Coral with the software for its suite of self-service betting terminals throughout Great Britain and Northern Ireland, the Republic of Ireland, and Belgium until the end of 2020. This will cover over 12,000 terminals as well as exciting new content and features. In addition, PBS also signed a new Sportsbook contract with Codere until October 2022, which includes all jurisdictions (Spain, Mexico, Colombia and Panama), currently 8,500 bet entry points (BEPs) worldwide (7,622 SSBTs and 864 Tills).

Services

The company's strategy to focus on regulated markets, shifting away from unregulated markets, has been the most pronounced in the Services revenue line. In 2018 Services revenue declined 9% at constant currency.

Progress in regulated Services revenue was seen in the period with a strong increase in new business, with a focus on regulated activity in Spain, Mexico, Colombia and Portugal. Regulated Services revenue also saw an increase from increased Live services.

Bingo

Bingo had a solid 2018 performance as new variants and features drove sales, while operators were more tactical with bonusing and promotions. The Bingo vertical remains a key customer acquisition channel at an operator level. Playtech's Bingo offering allows licensees to provide seamless cross-sell and movement between channels and verticals, but more importantly integrated Casino content.

In 2018 the Bingo division released 'Age of the Gods Bingo' for the network, tying in the successful Playtech brand. For its top tier operators, Playtech also developed six exclusive Bingo variants. To supplement these new Bingo variants three new Bingo features were also introduced including 'Flip N Win' which gives paying players the chance of getting free tickets. Product development also extended to side games, with 4 new network slot titles including Age of the Gods branded games and 11 operator exclusive side games launched over the year. In 2018 Bingo also started to shift to an agile development methodology which will reduce delivery cycles going forward.

Buzz Bingo launched at the end of September 2018 and has been outperforming expectations. Playtech expects further growth on Buzz Bingo as the project to integrate the retail ECM wallet into the IMS wallet is completed, and Buzz Bingo use its dedicated Bingo development allocation to replicate its retail Bingo features on its online site.

Migration to HTML5 from Flash is now nearly complete and is expected to be completed by the middle of the year. In addition, with the Italian PBAD3 regulations finalised, considerable effort has been directed into updating the Bingo platform to support these regulations. The concluding elements of the work were finalised at the start of 2019, putting us in a position to re-launch Italian Bingo at the start of February.

Poker

Poker is an important part of the complete Playtech ONE product offering and grew 2% at constant currency in 2018. Regulated markets show the strongest growth for Poker, coinciding with the launch of EU liquidity sharing, and the product is well-positioned to maximise the potential of any future regulatory changes. Playtech will continue to invest in the product as the online poker market demonstrates an increasing market opportunity.

Other

Other revenues grew 5% at constant currency in 2018. The majority of revenue under the 'Other' reporting line is derived from Playtech's retail Casino software (IGS), the land-based Casino management system.

B2C Gaming

Snaitech

In 2018 Playtech completed the acquisition of leading Italian gambling operator, Snaitech. The acquisition created a fully-integrated gaming company across retail and online and provides Playtech with a cornerstone presence in one of its key target markets. Playtech will utilise its omni-channel technology stack to capture the online growth opportunity in one of the largest gambling markets in the world where online market penetration remains low at approximately 8% of Gross Gaming Revenue in 2019.

The Snaitech acquisition has delivered a significant increase to Playtech's scale and distribution capabilities in a high growth regulated market. Snaitech's results are included in Playtech's consolidated financial statements from 5 June 2018, the date of completion of the acquisition.

Regulation in the gambling industry remains one of the key market dynamics shaping the development and growth of the industry. Playtech has significant experience of driving growth in the highly regulated UK market, and Snaitech has considerable understanding and experience of working with the regulator in Italy. Management believes that the combination of the Playtech and Snaitech businesses can realise shareholder value and execute on the significant opportunity for online growth in the current market dynamics.

This expertise is especially important given recent regulatory developments in Italy. In 2018, the government in Italy approved an advertising ban for all forms of gambling which will be fully active in July 2019. Part of the rationale for the acquisition of Snaitech was the strength of its retail network and resonance of the Snai brand. Management believe that the ban on advertising will facilitate market consolidation in the fragmented online market, with companies with a retail brand and presence set to benefit and gain online market share. As well as the advertising ban, there has been various increases in taxation on gambling activities in Italy. These are estimated to negatively impact Snaitech EBITDA in 2019 by approximately €30 million (including impact of 2018 Dignity Decree as well as 2019 budget law) before mitigation.

In 2018 Snaitech's total revenues grew 1.0% to €894.6 million. The growth in revenue was predominantly driven by 27% growth in online, partially offset by a decline in gaming machines revenue of 3%. Playtech consolidated €511.9 million of revenue and €93 million of EBITDA from Snaitech's 2018 performance.

White-label: Sun Bingo update

Revenue from Sun Bingo in 2018 increased significantly, growing by 43% (44% on a constant currency basis) compared to 2017. The strong revenue growth was driven by the continued focus on targeted and data driven marketing.

Playtech has agreed a multi-year extension with News UK to operate Sun Bingo, one of the UK's largest and most popular bingo sites. The collaboration with News UK was originally established in 2015, but under the new contract has been expanded to include new product verticals and has also been extended for a period of up to 15 years.

These new terms will help to enhance the Sun Bingo customer offer, while delivering greater value to both Playtech and News UK over the long term. It also follows strong performance from the operation across the past year, driven by the continued focus on targeted and data-driven marketing.

TradeTech Group – Playtech's financial division

TradeTech Group continued to deliver positive financial results which reflects the continued improvement and progress made in the business in 2018. TradeTech delivered organic growth, new business and successfully integrated acquisitions during the year, laying the foundations for future growth in the years to come.

The division reported continued growth on reported results and on a proforma basis with revenues and adjusted EBITDA increasing by 15% and 21% respectively, compared to 2017 and by 4% and 12% respectively, on a proforma basis including the comparable ACM performance in 2017. These positive headline results reflect an improvement in EBITDA margin from 32% in 2017 to 33% in 2018, as incremental revenues allow for higher margins as the business continues to grow.

TradeTech Group B2B results

Revenue from B2B activity increased by 17% during the period. This was driven by 20% growth in the liquidity offering which increased to \$27.9 million in 2018, and 118% growth on our execution and risk management offering to \$24.8 million compared to previous year, (including a full year benefit from the acquisition of ACM assets completed October 2017).

Strong momentum in the TradeTech B2B business continued in 2018, with a total volume of \$2 trillion, compared to \$1.3 trillion in 2017. This is supported by a significant pipeline of new customers to each of the sub segments of our B2B business, establishing strong foundations for the future growth of B2B activity.

TradeTech management believe these results reflect the successful execution of its strategy to become the provider of choice to brokers in the financial trading industry. The combination of the Group's liquidity offering, execution and risk management offering, and its frontend and backend technology, enables it to deliver an end to end solution for brokers.

TRADETECH 360 solution

TradeTech believes its superior technology and services in its B2B segment give it a strategic advantage in the early stage and underdeveloped financial trading industry. To increase the profile and recognition of its B2B technology suite, Management has branded it as 'TradeTech 360', representing the most comprehensive B2B management system and data driven business intelligence tools – the equivalent of Playtech's IMS platform in the Gaming division.

Tradetech 360 enables brokers to efficiently operate a complex multi-brand, multi-license, multi-channel, and multi-risk model across the globe. The Group has a strong pipeline of brokers looking to improve their business operationally by migrating to TradeTech's systems and infrastructure and the company believes this will become a significant growth factor of the B2B proposition.

Markets.com performance

The TradeTech Group B2C brand, Markets.com, enjoyed continued revenue growth in 2018 of 12% in a period where the implementation of the European Securities and Markets Authority's (ESMA) new rules and regulations came into effect in August 2018.

As reported at the interim results, Management decided to take a prudent approach to marketing spend in 2018 on new customer acquisition, taking the view that the incoming regulation may potentially impact the economic metrics across the market. This resulted in slower growth in the number of new customers in 2018, with total new customers of 15.1 thousand compared to 27 thousand in 2017. Importantly, the Group was able to produce increased interactions and trading activity with its existing customer base, resulting in a 60% increase in existing customer activity, which is the result of continued investment into the product and service improvement.

In addition, while it's still too early to properly evaluate the long-term impact of ESMA's new measures, given the continued healthy revenue generation post ESMA's implementation Management commenced a gradual increase on marketing spend and new customers numbers are now returning to a growth trajectory.

TradeTech continues to grow outside of the EU, with approximately 18% of active customers coming from our non-EU licenses and the Group expects this number to continue to grow as TradeTech continues to diversify its revenue base.

Chief Financial Officer's review

Presentation of results

The Directors believe that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, additional consideration payable for put/call options, one-off employee related costs, finance costs and contingent consideration movement on acquisitions, unrealised changes in fair value of equity investments recognised in the period, deferred tax on acquisitions, non-cash accrued interest and additional various non-cash charges.

The Directors believe therefore that Adjusted EBITDA and Adjusted Net Profit, which include realised fair value changes on equity instruments disposed of in the period, more accurately represent the trading performance of the business. As a result, Adjusted EBITDA and Adjusted Net Profit are the key performance metrics used by the Board when assessing the Group's financial performance. A full reconciliation between the actual and adjusted results is provided in Note 4 of the financial statements below.

Given the fluctuations in exchange rates in the period, the underlying results are presented in respect of the above adjustments after excluding acquisitions and on a constant currency basis, to best represent the trading performance and results of the Group.

Overview

Total reported revenue increased by 54% and Adjusted EBITDA increased by 7%. Adjusted Net Profit increased by 11%. On a constant currency basis, revenue increased by 55%, Adjusted EBITDA increased by 8% and Adjusted Net Profit increased by 6%.

Playtech completed the acquisition of 70.6% of Snaitech on 5 June 2018 and subsequently acquired the remainder of company, with Snaitech becoming a wholly-owned subsidiary within the Group on 3 August 2018. Snaitech's balance sheet and income statement are included in Playtech's results from 5 June 2018.

Playtech made significant progress on balance sheet efficiency during 2018. Playtech started 2018 with €584.0 million in gross cash and, after adjusting for cash held on behalf of client funds, progressive jackpots and security deposits, Playtech had Adjusted Gross cash of €386.8 million¹. Playtech started 2018 with the €200 million drawn credit facility and €276.5 million carrying value of its convertible bond as debt. During 2018, Playtech took a bridge loan of €412 million to finance the acquisition of Snaitech and sold its equity investments in GVC and Plus500 for €447 million. In October 2018, Playtech raised €530 million senior secured notes maturing in 2023, which represented the company's first public debt offering, securing a public rating on its debt in the process. Playtech used the proceeds of the notes, along with the proceeds from the sales of its stakes in GVC/Ladbrokes and Plus500, towards repaying the €412 million bridge loan and refinancing Snaitech's existing €570 million senior secured notes.

Playtech continues to be highly cash generative, with net cash from operations up 26% to €387.1 million compared to €306.7 million in 2017. The net cash from operations represents a 89% conversion from Adjusted EBITDA after excluding cash movements which are not reflected in Adjusted EBITDA, such as movements in jackpot liabilities, customer security deposits, changes in client equity and professional fees on acquisitions and financing.

Revenue

¹ Following the completion of the acquisition of Alpha, and transition of the customers from ACM to TradeTech Alpha, certain trading balances and client money protections were transferred in January 2018. As a result, additional client funds are recognised in H1-18 which, at FY-17, were eligible counterparty balances (within accounts payable) and not subject to client money rules.

Total revenue increased by 54% to €1,240.4 million (2017: €807.1 million) and by 55% on a constant currency basis, with underlying revenue, after excluding acquisitions at constant currency, decreasing by 12%.

	2018 €m	2017 €m	Change	Constant Currency Change
Casino	320.1	412.8	-22%	-21%
Sport	98.0	87.5	12%	13%
Services	84.6	94.4	-10%	-9%
Bingo	26.3	26.2	1%	2%
Poker	9.6	9.5	1%	2%
Other	27.4	26.4	4%	5%
Gaming B2B	566.0	656.7	-14%	-13%
Snai	511.9	-	100%	100%
Sun Bingo	33.7	23.6	43%	44%
Casual & Other B2C	47.6	46.6	2%	3%
Gaming B2C	593.2	70.3	744%	745%
ICE (Intercompany eliminations)*	-11.7	-4.8	-	-
Gaming division	1,147.5	722.2	59%	60%
Financials division	92.9	84.9	9%	13%
Total revenue	1,240.4	807.1	54%	55%

*To reflect the underlying activity of the gaming B2B division, B2B revenues include the software and services charges generated from the relevant B2C activity, which is then eliminated to show the consolidated gaming division revenues.

Gaming B2B

Casino revenue decreased by 22% in 2018 and by 21% on a constant currency basis. This fall was due to a 41% decrease in revenues from Asia versus 2017. The decrease in Asia was partially offset by a 12% increase in regulated revenues, which represented 43% of total casino revenues in 2018. Mobile casino revenue continued to increase, growing 12% year-on-year in 2018.

Sport revenue increased by 12% in 2018 and by 13% on a constant currency basis. The increase was driven by a 10% increase in retail sports revenues which came from the OPAP agreement. Additionally, revenues generated in Mexico, Belgium and the UK contributed to the growth in sport.

Services revenue decreased by 10% on a reported basis and by 9% on a constant currency basis. The decrease is mainly due to revenues generated in .com markets. Conversely, revenues from regulated markets grew by 12%, driven by a 14% increase in live services revenues and a 46% increase in revenues from the structured agreements with Caliente and Marca.

Bingo revenue was up 1% on a reported basis and 2% on a constant currency basis, mainly due to a 14% increase in retail bingo and a marginal increase in online bingo.

Poker reported revenue increased by 1% versus 2017 and by 2% on a constant currency basis. This increase was driven by 9% growth in regulated markets, with regulated revenues reflecting 68% of total poker revenues in 2018, compared to 63% in 2017.

Other revenue grew by 4% mainly due to an increase in revenues from the IGS casino management system and revenues from Beehive. Underlying revenue, excluding acquisitions and on a constant currency basis, grew by 1% compared to 2017.

Gaming B2C:

Snaitech

On 5 June 2018 Playtech completed the acquisition of 70.6% of Snaitech, meaning the company became a subsidiary of the Playtech group and it has been consolidated from this date. Playtech also acquired 10.8% of Snaitech's issued share capital through market purchases and as of 30 June 2018, Playtech held 81.4% of the issued share capital of Snaitech. On 26 July Playtech completed the acquisition of an additional 15.1% of Snaitech's shares through a mandatory tender offer and additional purchase of shares in the market. On 3 August 2018 Playtech completed the acquisition of 100% of Snaitech and delisted the company from the Borsa Italiana.

Snaitech revenues for the whole of 2018 increased by 1.0% to €894.6 million, driven by an increase in wagers from online betting and online games. Total online revenues increased by 27.4% and retail betting revenues by 2.4%, driven largely by a higher volume of wagers including a positive contribution from the 2018 World Cup and partially offset by higher payouts. These increases were offset by a 2.5% decrease in gaming machine revenues driven by the PREU (Italian tax) increase and partially offset by a reduction in video lottery terminal (VLT) payouts.

Sun Bingo

Sun Bingo revenue increased significantly by 43% and by 44% on a constant currency basis. The increase demonstrates the continued focus on targeted and data-driven marketing. Further details on the amended contract with News UK are included below.

Casual & Other B2C

Revenue from Casual & Other B2C increased by 2% and decreased by 42% excluding acquisitions. The increase is driven by retail sport white label arrangements, whilst offset slightly by a decrease in Casual revenue following an expected decline in the 'Narcos' game as marketing efforts focused on new Casual games.

Casual and B2C saw adjusted EBITDA fall from a loss of €2.6 million to a loss of €12 million due to investment in HPYBET, our B2C Sports offering in Germany and Austria, and a loss in Casual as revenue from the Narcos game slowed and investment went into new titles.

TradeTech Group

TradeTech's revenue increased by 9% in 2018, or 13% on a constant currency basis. The increase was driven by increased B2B volume, together with a full-year inclusion of the Alpha business, which was consolidated from 1 October 2017.

Adjusted EBITDA & Adjusted EBITDA margin

	2018 €m	2017 €m
EBITDA	287.8	277.1
Employee stock option expenses	13.7	15.1
Professional expenses on acquisitions	27.1	2.4
One off employee related costs	-	5.0
Gain/ (Loss) on sale of shares	(0.9)	0.7
Impairment of investments	8.0	14.9
Amendment to deferred consideration	1.7	-
Provision for other receivables	5.6	-
Additional consideration payable for Put/Call options	(2.4)	5.3
Cost of business reorganisation	2.4	1.1
Adjusted EBITDA	343.0	322.1

Adjusted EBITDA margin	27.7%	39.9%
Adjusted EBITDA on a constant currency basis	346.3	322.1
Adjusted EBITDA margin on a constant currency basis	27.7%	39.9%
EBITDA related to acquisitions at constant currency	(92.7)	(0.0)
Underlying Adjusted EBITDA	255.6	322.1
Underlying Adjusted EBITDA margin	20.6%	39.9%

Snaitech, which was consolidated from 5 June 2018, contributed €93.0 million to the Group's 2018 adjusted EBITDA. The underlying adjusted EBITDA decreased by 21% compared to 2017, predominantly due to the fall in revenues from Asia.

Cost of operations

	2018	2017	Change
	€m	€m	
Research and development	80.5	87.4	-8%
Operations	150.8	157.2	-4%
Administrative	62.1	68.0	-9%
Sales and marketing	20.0	17.6	14%
Total B2B Gaming	313.4	330.2²	-6%
Snai	418.9	-	100%
Sun Bingo	53.8	52.4	3%
Casual & Other B2C	59.5	49.3	21%
B2C Gaming	532.2	101.7	424%
ICE (Intercompany eliminations)	-11.7	-4.8	
Gaming division	833.9	427.0	95%
Financials division	63.5	58.0	9%
Total Group	897.4	485.0	85%

Gaming B2B

Research and development ("R&D") cost include, among others, employee related costs, dedicated teams direct expenses and proportional office cost. Expensed R&D costs decreased in 2018 by 8% to €80.5 million due to an increase in capitalised development costs, as a result of extensive investment in Playtech's platform, innovation and the Playtech One solution in Sport. Capitalised development costs were 37% of total Gaming B2B R&D costs in the period, compared to 33% in the comparable period. Gross R&D costs were down by 2% in 2018, compared to 2017, mainly due to a decrease in outsourced development costs, dedicated teams cost, a decrease in office and rent costs of 14%, while employee related costs were up by only 0.6%, an increase mainly due to new acquisitions.

The Operations cost line includes employee related costs and their direct expenses, operational marketing cost, hosting, license fees paid to third parties, branded content, terminal hardware cost & maintenance, feeds, chat moderators and proportional office cost. Operations costs decreased by 4% from to €150.8 million in 2018. The main decrease in the operational cost is due to lower employee related cost, less chat moderator cost, following optimization, lower license fees paid to third parties and lower hardware costs.

Administrative cost decreased by 9% mainly due to decrease in employee related cost, doubtful debt and office costs, set off by an increase in compliance costs.

Sales and marketing cost mainly include employee related cost, their direct expenses, marketing and exhibition costs. Sales and marketing cost increased by 14% to €20.0 million. The increase is mainly due to employee related cost and an increase in exhibition costs.

² The comparative figures of 2017 were adjusted following a reclassification, reflecting a more correct presentation of the Research and development and Operations costs.

Gaming B2C

Snaitech

Snaitech operating costs for the whole of 2018 increased marginally by 0.6%. The increase was largely due to higher marketing costs related to the football World Cup, whilst mitigated slightly by a decrease in employee costs.

Sun Bingo

Despite an increase in revenue driven costs, linked to an increase in revenues, total costs were marginally higher by 3% over 2017, mainly due to lower employee related costs.

The loss from Sun Bingo in 2018 decreased by 30% to €20.1 million (2017: €28.8 million)³.

An amendment to our contract with News UK to run Sun Bingo has been agreed and extended for a period of up to 15 years. Minimum guarantee cash payments will continue until mid-2021 under terms of original contract. From a P&L perspective the minimum guarantee payments will be spread over life of the extended contract. The new extended contract is a joint commercial collaboration with no further minimum guarantees from mid-2021. From 2019 onwards, Sun Bingo contract should no longer be loss making from a P&L perspective.

Casual and other B2C

Casual & Other B2C costs increased largely due to acquisitions. Excluding acquisitions, operational costs in Casual & Other B2C Gaming decreased by 14% in line with the decrease in revenues, as these costs were largely revenue-driven.

TradeTech Group

TradeTech's cost of operations increased by 9% in 2018, in line with the increase in revenue. The increase was driven by increased direct costs from volume and revenue improvements, together with an increase in costs related to the Alpha business.

Depreciation and amortisation

Depreciation increased in 2018 by 61% to €42.7 million, mainly due to the acquisition of Snaitech. Excluding acquisitions, depreciation increased by 22%.

Amortisation expense, excluding amortisation of intangibles on acquisitions, increased significantly by 73% to €62.2 million, largely due to the acquisition of Snaitech. Excluding the amortisation within acquisitions, amortisation increased by 17%, in line with the increase in capitalised development costs.

Finance costs and income

Following the acquisition of Snaitech and the refinancing of the Snaitech bonds, adjusted finance costs increased by 68% to €40.4 million. The increase was driven by a €29.5 million rise in interest expenses, which was offset by a €15.1 million fall in exchange rate differences. Adjusted finance income increased by 92%, driven by increased dividends from the equity investments in Plus500 of €28.1 million (2017: €11.4 million) and Ladbrokes of €5.9 million (2017: €5.0 million).

Tax

³ The cost includes intercompany B2B software charges

The Group's underlying effective tax rate of 10% is impacted by the geographic mix of profits and reflects a combination of higher headline rates of tax in the various jurisdictions in which the Group operates when compared with the Isle of Man standard rate of corporation tax of 0%. The Group's reported tax rate for the year is materially impacted by overseas provisions in respect of prior years tax. These adjustments relate to the tax effect of the settlement of open enquiries with the Israeli tax authorities.

The adjusted tax charge in 2018 was €35.1 million (2017: €21.9 million). The increase is mainly due to acquired companies registered for taxation in higher tax jurisdictions as well as profits being recognised in higher taxing territories increasing Playtech's effective tax rate and an increase in withholding taxes due to higher dividend income.

Cash taxes are lower than P&L taxes mainly due to tax loss carryforwards available in Italy following the acquisition of Snaitech.

Israel Tax Agreement

Following a civil tax audit, Playtech reached an agreement with the Israeli tax authorities on 31 December 2018. The civil tax audit covered the 10 fiscal years from 2008 to 2017 (inclusive). As a result of the audit, the Israeli tax authorities made transfer pricing adjustments in relation to certain functions performed by the Playtech group in Israel during this period. The agreement covers the full period from 2008 to 2017, and the Playtech group will pay additional tax of approximately €28 million. No penalties were imposed as a result of the audit; and the agreement covers the entirety of the Playtech group's activity in Israel.

This additional tax charge has been included as an exceptional item in 2018. The cash payment related the settlement was made in January 2019.

Adjusted profit and Adjusted EPS

	2018 €m	2017 €m
Profit for the year- attributable to owners of parent	123.8	248.1
Amortisation & impairment of intangibles on acquisitions	47.9	58.8
Employee stock option expenses	13.7	15.1
Professional expenses on acquisitions	27.1	2.4
Cost of business reorganisation	2.4	1.1
Finance costs on acquisitions	8.5	-
Gain on early repayment of the bond loans	(8.4)	-
Tax for previous years	28.4	5.2
(Gain) / loss on sale of shares	(0.9)	0.7
Impairment of investments	8.0	15.4
Additional consideration	1.7	-
Provision for other receivables	5.6	-
Fair value change of equity instruments	1.7	-
Non-cash accrued bond interest	10.7	10.2
Fair value change for Put/Call options	(2.4)	5.3
Deferred tax on acquisition	(9.9)	(4.6)
Movement in deferred and contingent consideration	(1.9)	(126.4)
Adjusted profit for the year - attributable to owners of the parent	256.2	231.4
Adjusted basic EPS (in Euro cents)	81.3	73.6
Adjusted diluted EPS (in Euro cents)	72.9	66.8
Constant currency impact	9.6	19.7
Adjusted profit for the year attributable to owners of parent on constant currency	265.8	251.1
Adjusted Net Profit on constant currency related to acquisitions	(31.9)	(20.4)

Underlying adjusted profit for the year - attributable to owners of the parent	224.3	230.7
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Adjusted diluted EPS increased by 9% and the underlying Adjusted diluted EPS on a constant currency basis excluding acquisitions increase by 8% compared to 2017. Adjusted diluted EPS is calculated using a weighted average number of shares in issue during 2018 of 317.3 million.

Cashflow

Playtech continues to be highly cash generative and once again delivered strong operating cash flows of €381.1 million; €289.5 million after excluding Snaitech.

Cash conversion

	Excluding Snai		
	2018 €m	2018 €m	2017 €m
Adjusted EBITDA	343.0	247.0	322.1
Net cash provided by operating activities	387.1	289.5	306.7
Cash conversion	113%	117%	95%
Increase in Progressive, operators' jackpots, security deposits	(4.2)	(5.1)	(15.9)
Increase in Client deposits and Client equity	(70.1)	(67.6)	(32.1)
Dividends payable	(4.3)	(4.3)	(0.7)
Professional expenses on acquisitions	27.1	21.7	2.4
Finance costs on acquisitions	8.5	8.5	-
Adjusted net cash provided by operating activities	344.2	242.7	260.4
Adjusted Cash conversion	89%	84%	85%

Excluding Snaitech, operating cash conversion from Adjusted EBITDA is in line with the 2017 conversion rate after adjusting for jackpots, security deposits and client equity, payable dividend and professional and finance costs on acquisitions. Adjusting the above cash fluctuations is essential in order to truly reflect the quality of revenue and cash collection. This is because the timing of cash inflows and outflows for jackpots, security deposits, client equity and payable dividend only impacts the reported operating cashflow and not EBITDA, while professional expenses and finance costs relating to acquisitions are excluded from adjusted EBITDA but impact operating cashflow.

Net cash from investing activities totaled €49.2 million in the period, of which €487.6 million (2017: €62.9 million) relates to acquisitions. €412.8 million of this was spent on the acquisition of Snaitech, which was netted off against €161.1 million of the cash acquired and €481.2 million of proceeds from the sale of, and dividends received from, the equity investments in Ladbrokes-Coral/GVC and Plus500. Cash outflows used for financing activities totaled €393.6 million which included a €580.6 million repayment relating to Snaitech bonds, repayment of the €200 million of drawn revolving credit facility and €22.1 million of interest paid. This was netted off by the €523.4 million of net proceeds from issuing the 5-year senior secured fixed rate notes. Dividend paid in 2018 totaled €113.3 million (2017: €104.7 million).

Balance sheet and financing

Cash

As at 31 December 2018, cash and cash equivalents amounted to €622.2 million (2017: €584.0 million). Cash net of client funds, progressive jackpot and security deposits amounted to €312.7 million (2017: €386.8 million).

Sale of equity investments in GVC / Plus500

During the first half of 2018 Playtech sold its holdings in GVC/Ladbrokes-Coral for proceeds of €254 million. The carrying value of this investment was €261.9 million and the sale resulted in a €7.9 million loss on sale of investment. Playtech also received €5.9 million in dividends prior to divesting its stake.

The Group sold its holdings in Plus500 during the second half of 2018 for proceeds of €193 million. The sale resulted in a gain of €73.6 million. Playtech also received €28.1 million in dividends prior to divesting its stake.

The company generated a combined total of €447.2 million from the sales of GVC/Ladbrokes and Plus500 in 2018 as well as a further €34 million in dividends.

As of 31 December 2018, the equity investment balance is €1.4 million (2017: €381.3 million).

Bond financing

In October 2018 the Group raised €530 million 5-year senior secured fixed rate notes (3.75% coupon, maturity 2023). Own cash resources, proceeds from the issued notes and the proceeds from the equity investment sales, were used to fully repay the €200 million drawn revolving credit facility and consequently cancel the bridge facility used to acquire Snaitech for a total of €412 million, and fully repay the bond loans held by Snaitech.

In addition, the Group has successfully increased its revolving credit facility to a total of €272 million, which remains undrawn to date. The facility is for a term of 3 years with a one-year extension option.

Contingent consideration

Contingent consideration and redemption liability increased to €6.5 million and comprise the following:

Acquisition	Contingent consideration and redemption liability as of 31.12.18	Maximum payable earnout	Payment date
ACM Group	€73.7 million	€126.7 million	€2.4 million Q1 2019 €71.3 million Q1 2020
Playtech BGT Sports Ltd	€25.7 million	€100.0 million	€25.7 million Q2 2020
Consolidated Financial Holdings	€21.8 million	€63.9 million	Q2 2019
Destres	€10.1 million	€15.0 million	Q2 2021
Quickspin AB	€14.6 million	€14.6 million	Q1 2019
ECM Systems Holdings Ltd	€0.8 million	€0.8 million	Q1 2020
Bet Buddy	€2.2 million	€2.2 million	€0.8 million Q4 2019 €1.4 million Q4 2020
GenWeb	€2.3 million	€2.3 million	Q4 2019
Eyecon Limited	€1.3 million	€27.8 million	€1.3 million Q2 2021
Other	€6.3 million	€9.6 million	
Total	€158.8 million	€362.9 million	

Share buyback and dividend

In order to maximise the efficiency of shareholder returns the Board has adopted a new policy to reallocate part of its payout ratio into share repurchases. Under the revised policy, future returns will be balanced between dividends and share buybacks. It is the Board's intention that the overall level of capital returned to shareholders will continue to be progressive, in line with medium term earnings.

Following adoption of the revised policy, the Board has approved an initial share repurchase programme of €40 million and a final dividend declared of 12.0 €c per share. For shareholders wishing to receive their dividends in Sterling, the last date for currency elections is 10 May 2019.

Dividend timetable:

Ex-dividend date:	Thursday 2 May 2019
Record date for dividend:	Friday 3 May 2019
Currency election date:	Friday 10 May 2019
Payment date:	Friday 31 May 2019

Share buyback programme

Playtech has entered into irrevocable, non-discretionary arrangements with Goodbody Stockbrokers UC ("Goodbody") and UBS Limited to repurchase shares on its behalf of up to €40 million. The share repurchase programme will commence tomorrow (22 February 2019), subject to market conditions, and it is intended that ordinary shares will be repurchased on the London Stock Exchange. The purpose of the share repurchase programme is to reduce the Company's share capital and ordinary shares purchased by Playtech will be cancelled.

Goodbody will undertake the initial tranche of share repurchases, up to a total consideration of €20 million. Following completion of this tranche, UBS Limited will undertake the second tranche of up to a further €20 million.

Goodbody and UBS will make their trading decisions in relation to Playtech's ordinary shares independently of, and uninfluenced by, Playtech. The share buyback programme will be conducted in accordance with Playtech's general authority to repurchase ordinary shares as approved by shareholders at its 2018 annual general meeting held on 16 May 2018, the parameters prescribed by the Market Abuse Regulation 596/2014/EU and the applicable laws and regulations of the London Stock Exchange.

Details of any ordinary shares repurchased will be announced by Playtech via a Regulatory Information Service following any repurchase.

Playtech confirms that it currently has no unpublished inside information relevant to the share buyback programme.

Principal risks and uncertainties

Risks relating to both the Gaming division and Financials division

- **Regulation – Licensing requirements**
Playtech holds several licences for its activities from regulators. The review and/or loss of all or any of these licences may adversely impact on the operations, revenues and/or reputation of the Group.
- **Regulation – Local Technical Regulatory Requirements**
Local regulators have their own specific requirements, which often vary on a country to country basis. In addition, new requirements may be imposed. For example, a requirement to locate significant technical infrastructure within the relevant territory or to establish and maintain real-time data interfaces with the regulator. Such conditions present operational challenges and may prohibit the ability of licensees to offer the full range of the Group's products.
- **Regulation – Data Protection**
The requirements of the new EU General Data Protection Regulations (GDPR) will come into force in May 2018. The regulation is mandatory and all organisations that hold or process personal data must comply with these regulations.
- **Regulatory – Preventing Financial Crime**
Policymakers in the EU and at national levels have taken steps to strengthen financial crime legislation covering Anti-Money Laundering (AML), prevention of facilitation of tax evasion and Anti-Bribery and Corruption (ABC). Non-compliance could result in investigations, prosecutions, loss of licences and/or an adverse reputational impact.
- **Taxation – Changes to tax rules**
Given the dynamic nature of tax rules, guidance and tax authority practice, the business is exposed to continuously evolving rules and practices governing the taxation of e-commerce activity in various jurisdictions. Such taxes may include corporate income tax, withholding taxes and indirect taxes. As such, it is imperative to ensure compliance with all relevant tax regulations and requirements in each jurisdiction that Playtech operates.
- **Mergers and Acquisitions (both Gaming and Financials)**
Playtech has made a number of acquisitions in the past. Such acquisitions may not deliver the expected synergies and/or benefits and may diminish shareholder value if not integrated effectively or the opportunity executed successfully.
- **Key Employees (both Gaming and Financials)**
The Group's future success depends in large part on the continued service of a broad leadership team including Executive Directors, senior managers and key personnel. The development and retention of these employees, along with the attraction and integration of new talent, cannot be guaranteed.
- **Cyber Crime and IT Security (both Gaming and Financials)**
System downtime or a security breach, whether through cyber and distributed denial of service (DDoS) attacks or technology failure, could significantly affect the services offered to our licensees.
- **Business Continuity Planning (both Gaming and Financials)**
Loss of revenue, reputational damage or breach of regulatory requirements may occur as a result of a business or location disruptive event.
- **Global Diversification**
As Playtech plc continues to operate across multiple locations, servicing our clients in many markets across the globe. These operations bring with them significant opportunities for growth, however, as is well understood, globally diverse operations carry risk particularly as markets change.

Additional risks relating to the Gaming division

- **Regulation – Responsible Gambling**

Regulators, industry, charities and the public at large continue to challenge the gaming and betting sector to make gambling and gaming products safer, fairer and crime free. In addition, licensing requirements are regularly updated to ensure that companies in the sector provide a safe environment for consumers.

Additional risks relating to the Financials division

- **Market exposure**

The fair value of financial assets and financial liabilities could adversely fluctuate due to movements in market prices of foreign exchange rates, commodity prices, equity and index prices.

- **Regulatory – Capital Adequacy**

The requirement to maintain adequate regulatory capital may affect the Group's ability to conduct its business and may reduce profitability.

Directors' responsibility statement

We confirm to the best of our knowledge;

- The Group and Company financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

A list of current directors is maintained on Playtech's website, www.playtech.com

By order of the Board,

Mor Weizer
Chief Executive Officer
20 February 2019

Andrew Smith
Chief Financial Officer
20 February 2019

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Actual €'000	2018 Adjusted *€'000	Actual €'000	2017 Adjusted *€'000
Revenue	5	1,240,443	1,240,443	807,120	807,120
Distribution costs before depreciation and amortisation		(796,494)	(791,480)	(412,943)	(405,651)
Administrative expenses before depreciation and amortisation		(156,105)	(105,914)	(117,088)	(79,373)
EBITDA		287,844	343,049	277,089	322,096
Depreciation, amortisation and impairment		(152,845)	(104,909)	(121,376)	(62,577)
Finance income	8a	46,610	36,374	145,307	18,927
Finance cost	8b	(59,549)	(40,371)	(34,207)	(23,973)
Share of profit from joint ventures	14a	180	180	464	464
Share of loss from associates	14b	(2,771)	(2,771)	(662)	(662)
Unrealised fair value changes on equity investments	15	(1,738)	-	-	-
Realised fair value changes on equity investments disposed	15	65,691	65,691	-	-
Profit before taxation		183,422	297,243	266,615	254,275
Tax expenses	9	(53,643)	(35,094)	(17,505)	(21,856)
Profit for the year		129,779	262,149	249,110	232,419
Other comprehensive income for the year:					
<i>Items that may be classified to profit or loss:</i>					
Equity instruments – net change in fair value	15	-	-	157,809	157,809
Exchange gains/(losses) arising on translation of foreign operations		19,348	19,348	(50,766)	(50,766)
<i>Total items that may be classified to profit or loss</i>		19,348	19,348	107,043	107,043
<i>Items that will not be classified to profit or loss:</i>					
Gain re-measurement of employee termination indemnities		56	56	-	-
<i>Total items that will not be classified to profit or loss</i>		56	56	-	-
Total comprehensive income for the year		149,183	281,553	356,153	339,462
Profit for the year attributable to:					
Owners of the parent		123,809	256,179	248,140	231,449
Non-controlling interest		5,970	5,970	970	970
		129,779	262,149	249,110	232,419
Total comprehensive income attributable to:					
Owners of the parent		144,412	276,782	356,914	340,223
Non-controlling interest		4,771	4,771	(761)	(761)
		149,183	281,553	356,153	339,462
Earnings per share for profit attributable to the owners of the parent during the year:					
Basic (cents)	10	39.3	81.3	78.9	73.6
Diluted (cents)	10	38.4	72.9	74.6	66.8

* Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, finance costs on acquisitions, deferred tax on acquisitions, unrealised changes in fair value of equity investments recognised in the period, non-cash accrued bond interest and additional various non-cash charges. The directors believe that the adjusted profit, which includes realised fair value changes recognised in the income statement in the period on equity investments disposed of in the period, represents more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 6.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Additional paid in capital €'000	Equity investment reserve €'000	Reserve for re- measure- ment of employee terminati- on indemniti- es €'000	Retained earnings €'000	Employee benefit trust €'000	Convertible bond option reserve €'000	Put/Call options reserve €'000	Foreign exchange reserve €'000	Total attributable to equity holders of parent €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2018	627,764	103,217	-	649,537	(21,644)	45,392	(31,293)	(28,700)	1,344,273	14,179	1,358,452
Changes in equity for the year											
Total comprehensive income for the year	-	-	56	123,809	-	-	-	20,547	144,412	4,771	149,183
Transfer on adoption of IFRS 9	-	(103,217)	-	103,217	-	-	-	-	-	-	-
Dividend paid	-	-	-	(113,288)	-	-	-	-	(113,288)	-	(113,288)
Exercise of options	-	-	-	(4,246)	3,781	-	-	-	(465)	-	(465)
Employee stock option scheme	-	-	-	13,533	-	-	-	-	13,533	191	13,724
Purchase of non-controlling interest	-	-	-	(46,229)	-	-	473	-	(45,756)	(41,176)	(86,932)
Non-controlling interest acquired on business combination	-	-	-	-	-	-	-	-	-	29,832	29,832
Balance at 31 December 2018	627,764	-	56	726,333	(17,863)	45,392	(30,820)	(8,153)	1,342,709	7,797	1,350,506
Balance at 1 January 2017	627,764	(51,057)	-	498,864	(25,417)	45,392	(34,341)	16,800	1,078,005	21,714	1,099,719
Changes in equity for the year											
Total comprehensive income for the year	-	154,274	-	248,140	-	-	-	(45,500)	356,914	(761)	356,153
Dividend paid	-	-	-	(104,656)	-	-	-	-	(104,656)	-	(104,656)
Exercise of options	-	-	-	(3,411)	3,773	-	-	-	362	15	377
Employee stock option scheme	-	-	-	14,948	-	-	-	-	14,948	146	15,094
Acquisition of minority interest	-	-	-	(4,348)	-	-	3,300	-	(1,048)	(7,052)	(8,100)
Non-controlling interest acquired on business combination	-	-	-	-	-	-	(252)	-	(252)	117	(135)
Balance at 31 December 2017	627,764	103,217	-	649,537	(21,644)	45,392	(31,293)	(28,700)	1,344,273	14,179	1,358,452

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	2018 €'000	2017 €'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	410,088	80,016
Intangible assets	13	1,644,133	1,051,232
Investments in equity accounted associates & joint ventures	14	29,641	37,216
Equity investments	15	1,400	381,346
Other non-current assets	16	15,942	19,993
		2,101,204	1,569,803
CURRENT ASSETS			
Trade receivables	17	209,854	107,165
Other receivables	18	160,473	93,322
Cash and cash equivalents	19	622,197	583,957
		992,524	784,444
TOTAL ASSETS		3,093,728	2,354,247
EQUITY			
Additional paid in capital	20	627,764	627,764
Equity investment reserve		-	103,217
Reserve for re-measurement of employee termination indemnities		56	-
Employee Benefit Trust	20	(17,863)	(21,644)
Convertible bonds option reserve	22	45,392	45,392
Put/Call options reserve		(30,820)	(31,293)
Foreign exchange reserve		(8,153)	(28,700)
Retained earnings		726,333	649,537
Equity attributable to equity holders of the parent		1,342,709	1,344,273
Non-controlling interest		7,797	14,179
TOTAL EQUITY		1,350,506	1,358,452
NON CURRENT LIABILITIES			
Loans and borrowings	21	206	-
Bonds	22	523,706	276,464
Deferred revenues		3,742	2,457
Deferred tax liability	26	73,392	31,283
Contingent consideration and redemption liability	24	110,523	137,080
Other payables	27	14,081	474
		725,650	447,758
CURRENT LIABILITIES			
Loans and borrowings	21	489	200,000
Convertible bond	22	287,149	-
Trade payables	25	73,585	61,969
Progressive operators' jackpots and security deposits		88,601	62,675
Client deposits		116,656	71,628
Client funds		104,200	37,074
Corporate, gaming and other taxes payable	28	144,905	18,421
Deferred revenues		3,875	5,414
Contingent consideration and redemption liability	24	48,316	20,592
Provisions for risks and charges	23	12,095	-
Other payables	27	137,701	70,264
		1,017,572	548,037
TOTAL EQUITY AND LIABILITIES		3,093,728	2,354,247

The financial information was approved by the Board and authorised for issue on 20 February 2019.

Mor Weizer

Andrew Smith

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 €'000	2017 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		129,779	249,110
Adjustments to reconcile net income to net cash provided by operating activities (see below)		285,643	69,418
Income taxes paid		(28,290)	(11,876)
Net cash provided by operating activities		387,132	306,652
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and deposits repaid/(advanced)		9,055	(5,064)
Acquisition of property, plant and equipment	12	(54,980)	(34,692)
Return on investment in joint ventures and associates	14a	1,027	1,400
Acquisition of intangible assets	13	(5,161)	(3,060)
Acquisition of subsidiaries		(362,753)	(48,276)
Cash of subsidiaries on acquisition		161,129	1,962
Capitalised development costs	13	(58,297)	(50,683)
Investment in equity-accounted associates	14b,14c	(1,830)	(8,067)
Proceeds from the sale of equity-accounted associates		3,969	-
Acquisition of equity investments	15	(37,890)	-
Proceeds from the sale of equity investments	15	447,194	-
Proceeds from sale of property, plant and equipment		788	64
Return on equity investments	8a	33,927	17,078
Acquisition of non-controlling interest	20	(86,932)	(10,827)
Net cash from / (used in) investing activities		49,246	(140,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the holders of the parent		(113,288)	(104,656)
Interest paid on bonds and bank borrowing		(22,137)	(3,401)
Exercise of options		(465)	377
Issue of bond loans, net of issue costs and repayment of bridge loans	22	523,417	-
Repayment of bond loans	22	(580,605)	-
Repayment of loans and borrowings		(200,481)	-
Net cash used in financing activities		(393,559)	(107,680)
INCREASE IN CASH AND CASH EQUIVALENTS		42,819	58,807
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		583,957	544,843
Exchange losses on cash and cash equivalents		(4,579)	(19,693)
CASH AND CASH EQUIVALENTS AT END OF YEAR		622,197	583,957

	2018 €'000	2017 €'000
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income and expenses not affecting operating cash flows:		
Depreciation	42,688	26,544
Amortisation	110,178	86,987
Impairment of intangible assets	-	7,845
Disposal of intangible asset	-	2,838
Share of profit from joint ventures	(180)	(464)
Share of loss from associates	2,771	662
Interest on bond loans	28,152	-
Non- cash transaction (see below)	(74,938)	725
Impairment of investment in associates and other non-current assets	10,990	14,887

Changes in fair value of equity investments	1,738	467
Non-cash accrued bond interest	10,685	10,234
Income tax expense	53,643	17,505
Employee stock option plan expenses	13,724	15,094
Movement in contingent consideration and redemption liability	(7,443)	(126,379)
Return on equity investments	(33,927)	(17,078)
Exchange losses on cash and cash equivalents	4,579	19,693
Other	72	721
Changes in operating assets and liabilities:		
Increase in trade receivables	(7,739)	(33,084)
Decrease/(increase) in other receivables	14,447	(13,608)
Increase in trade payables	18,217	33,637
Increase in progressive, operators jackpot, security deposits	4,186	15,916
Increase in client funds and deposits	70,083	6,343
Increase in other payables	26,374	62
Decrease in provisions for risks and charges	(1,183)	-
Decrease in deferred revenues	(1,447)	(129)
	285,643	69,418

Acquisition of subsidiary

	Note	2018 €'000	2017 €'000
Acquisitions in the year			
A. Acquisition of Seabrize Marketing Limited	29a	20,000	-
B. Acquisition of Rarestone Gaming PTY Ltd	29b	3,435	-
C. Acquisition of Destres GmbH	29c	15,358	-
D. Acquisition of Snaitech SpA	28d	291,175	-
E. Acquisition of Piazza Hosting S.R.L.	29e	6,500	-
F. Other acquisitions	29f	13,122	-
Acquisitions in previous years			
A. Acquisition of Eyecon Limited	30a	-	27,735
B. Acquisition of ACM Group	30b	1,673	4,233
C. Acquisition of Playtech BGT Sports Limited		-	2,001
D. Acquisition of Consolidated Financial Holdings AS		-	336
E. Acquisition of ECM Systems Holdings Ltd		-	3,077
F. Other acquisitions		11,490	10,894
		362,753	48,276

Cash of subsidiaries on acquisition

	Note	2018 €'000	2017 €'000
Acquisitions in the year			
A. Acquisition of Seabrize Marketing Limited	29a	173	-
B. Acquisition of Rarestone Gaming PTY Ltd	29b	62	-
C. Acquisition of Destres GmbH	29c	2,538	-
D. Acquisition of Snaitech SpA	28d	154,947	-
E. Acquisition of Piazza Hosting S.R.L.	29e	395	-
F. Other acquisitions	29f	3,014	-
Acquisitions in previous years			
A. Acquisition of Eyecon Limited	30a	-	575
B. Acquisition of ACM Group	30b	-	-
C. Other acquisitions	29a	-	1,387
		161,129	1,962

Non-cash transaction

	Note	2018 €'000	2017 €'000
Profit on disposal of equity-accounted associates		(897)	(725)
Profit on disposal of equity investments	15	(65,691)	-
Gain on early repayment of bond	22	(8,350)	-
		(74,938)	(725)

NOTE 1 – GENERAL

A. Playtech plc (the 'Company') is a company domiciled in the Isle of Man.

Playtech and its subsidiaries ('the Group') develop unified software platforms for the online and land based gambling industry, targeting online and land based operators. Playtech's gaming applications – online casino, poker and other P2P games, bingo, mobile, live gaming, land-based kiosk networks, land based terminal and fixed-odds games – are fully inter-compatible and can be freely incorporated as stand-alone applications, accessed and funded by the operators' players through the same user account and managed by the operator by means of a single, powerful management interface. Since June 2018, through the acquisition of Snaitech, Playtech directly owns and operates the leading sports betting and gaming brand in online and retail in Italy, Snai.

The Group's financial trading division, has four primary business models, being:

- B2C retail Contracts for difference ("CFD"), through www.markets.com where the group acts as the execution venue and the market-maker on a variety of instruments which fall under the general categories of Foreign exchanges, Commodities, Equities and indices;
- B2B clearing and execution services for other retail brokers and professional clients, through CFH, where the group acts as a matched-principal liquidity provider and straight through processes ("STPs") the trades to prime brokers and clearing houses such as BNP, Jeffries, UBS, Citi etc;
- B2B clearing and execution for other retail brokers, where the group acts as the execution venue and market-maker; and
- B2B technology and risk management services, where the group provides platform, CRM, reporting and risk-management technology to the retail broker market.

Where the Group acts as the execution venue, or provides execution services, these activities are undertaken in entities regulated by the UK's Financial Conduct Authority ("FCA"), the Australian Securities & Investments Commission ("ASIC"), the Cyprus Securities and Exchange Commission ("CySEC"), the British Virgin Islands' Financial Services Commission ("FSC"), and the South African Financial Sector Conduct Authority ("FSCA").

Basis of preparation

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. Despite the net current liability position at the year end and the potential repayment of the convertible bond in November 2019; the Group's corporate planning processes include completion of a strategic review, preparation of a three-year business plan and a rolling re-forecast of current year business performance and prospects. During the year, additional business plans and financial projections were prepared to specifically consider the acquisition of Snaitech and issuance of a long term debt issuance, and its impact on the Group's future performance and funding requirements. The Group has also obtained a 3-year revolving credit facility in 2018 of €272m. The Directors continuously assessing the long-term viability of the Playtech group as part of their ongoing

monitoring of the company. Refer to going concern, viability, responsibilities and disclosure in the Directors report.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2018 or 31 December 2017. The Annual Report and financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 20 February 2019 along with this preliminary announcement. The auditor's report on the statutory accounts for both the year ended 31 December 2018 and 31 December 2017 was unqualified.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the financial information, on a consistent basis, are:

Accounting principles

This financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2018.

New standards, interpretations and amendments effective from 1 January 2018

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 9 – Financial instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement, and has had a significant effect on the Group in the following areas:

Equity investments classified as available for sale financial assets under IAS 39 Financial Instruments: Recognition and Measurement have been classified as being at Fair Value through Profit and Loss, unless an irrevocable election is made on the equity investment under IFRS 9. All fair value gains in respect of those assets are recognised in the statement of comprehensive income and accumulated in retained earnings. Any balance in the equity investment reserve relating to investments now treated as Fair Value Through Profit or Loss (FVTPL) on transition have been moved to retained earnings. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. The Group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, both of these changes have been processed at the date of initial application (i.e. 1 January 2018), and presented in the statement of changes in equity. The change to an expected credit losses model as required under IFRS 9 has had an immaterial impact on the group.

As allowed by the transitional rules in IFRS 9, prior year financial statements have not been restated and, in any event, no material changes in the numbers recognized were required. The adoption of IFRS 9 has though resulted in presentational changes as described above.

On the date of initial application, 1 January 2018, the financial instruments of the group were as follows, with any reclassifications noted:

	Measurement Category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original €'000	New €'000	Difference €'000
Non-current financial assets					
Equity securities	Available for Sale	FVTPL	381,346	381,346	-
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	107,165	107,165	-
Other receivables	Amortised cost	Amortised cost	93,322	93,322	-
Cash and cash equivalents	Amortised cost	Amortised cost	583,957	583,957	-
Non-current liabilities					
Bonds	Amortised cost	Amortised cost	276,638	276,638	-
Contingent consideration and redemption liability	FVTPL	FVTPL	137,080	137,080	-
Current liabilities					
Loans and borrowings	Amortised cost	Amortised cost	200,000	200,000	-
Contingent consideration and redemption liability	FVTPL	FVTPL	20,592	20,592	-

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Due to the nature of the revenue of the Group and the low number of fixed revenue contracts in existence, the transition to IFRS 15, net of tax, on retained earnings as at 1 January 2018 is not material. Hence, the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its statement of profit or loss and OCI for the year then ended is also not material. IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams.

For the description of the principal revenue streams and their respective accounting treatments, refer below. For more detailed information about reportable segments, see Notes 4 and 5.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019)

IFRS 16 replaces IAS 17, *Leases* and its related interpretations. The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which

the lessee has to recognize a right-of-use asset and a lease liability in its financial statements. Nonetheless, IFRS 16 includes two exceptions to the general model whereby a lessee may elect to not apply the requirements for recognizing a right-of-use asset and a liability with respect to short-term leases of up to one year and/or leases where the underlying asset has a low value.

IFRS 16 is applicable for annual periods as of January 1, 2019, with the possibility of early adoption. IFRS 16 includes various alternative transitional provisions, so that companies can choose between the full retrospective application or recognizing a cumulative effect, which means application (with the possibility of certain practical expedients) as from the mandatory effective date with an adjustment to the balance of retained earnings at that date ("the modified approach").

Method of application and expected effects

The Group plans to adopt IFRS 16 as from January 1, 2019 using the modified approach, with an adjustment to the balance of retained earnings as at January 1, 2019.

The Group has elected the following expedients:

- (1) Not separating non-lease components from lease components and instead accounting for all the lease components and related non-lease components as a single lease component.
- (2) Relying on a previous assessment of whether an arrangement contains a lease in accordance with current guidance with respect to agreements that exist at the date of initial application.
- (3) Relying on a previous assessment of whether a contract is onerous in accordance with IAS 37 at the transition date, as an alternative to assessing impairment of right-of-use assets.
- (4) Excluding initial direct costs from measurement of the asset at the transition date.
- (5) Using hindsight when determining the lease term, meaning data presently available that may not have been available at the original date of entering into the agreement.

Expected effects:

- The Board still considering if it will measure the right of use assets under the modified approach as if the new standard had always been applied from the beginning of the lease (using the incremental borrowing rate of the lessee at the date of initial application), or at an amount equal to the lease liability, as possible under the transitional provisions of IFRS 16 on a lease-by-lease basis. Accordingly, application of the standard may result in an adjustment of retained earnings at the date of initial application.
- These changes are expected to result in an increase in the balance of right-of-use assets at the date of initial application in the range of €111.2-121.9 million and an increase in the balance of the lease liability at the date of initial application in the range of €119.6-121.9 million (depending on the approach chosen). As a result, these changes are expected to result in a decrease up to €8.3 million in equity at the date of initial application.
- Accordingly, depreciation and amortization expenses will be recognized in subsequent periods in respect of the right-of-use asset, and the need for recognizing impairment of the right-of-use asset will be examined in accordance with IAS 36. Furthermore, financing expenses will be recognized in respect of the lease liability. Therefore, as from the date of initial application and in subsequent periods, depreciation expenses and financing expenses will be recognized instead of lease expenses relating to assets leased under an operating lease, which were presented as part of the general and administrative expenses item in the income statement. In addition, the nominal discount rates used for measuring the lease liability are in the range of 2.7% to 8%. This range is affected by differences in the length of the lease term, differences between the various groups of assets and so forth.
- The impact on the EBITDA as a result of the implementation of IFRS 16 is expected to be a growth of around €25 million. Additionally, the expected effect of the standard's application on the consolidated statement of comprehensive income in the year ended 31 December 2019, regardless any future modifications of the lease term, and with regard only to existing lease contracts, is a decrease in the range of €1.2-3.2 million in the Group's net profit.
- The Group expects a change in principal financial ratios such as: an increase in the leverage ratio, a decrease in the interest coverage ratio and a decrease in the current ratio.

Basis of consolidation

Where the company has control over an investee it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial information presents the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Foreign currency

The financial information of the gaming division, which includes the Company and some of its subsidiaries is prepared in Euros (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the gaming division. Transactions and balances in foreign currencies are converted into Euros in accordance with the principles set forth by IAS 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted into the presentation currency of Euros as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the balance sheet date;
- Income and expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange used to convert the related balance sheet items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognised in the consolidated statement of comprehensive income.

The financial information of the financial division is prepared in US Dollars (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the financial division. The transactions and balances are converted into the presentation currency of Euros as follows:

- Assets and liabilities – at the rate of exchange applicable at the balance sheet date;
- Income and expense items – at average exchange rates applicable at the period of recognition of those items;
- Equity- at historic rate.

Exchange gains and losses from the aforementioned conversion are recognised in the foreign exchange reserve.

Revenue recognition

The majority of the Group's revenue is derived from selling services with revenue recognized at a point in time when services have been delivered to the customer.

Type of Service	Nature, timing of satisfaction of performance obligations and significant payment terms
Royalty Income	Royalty income relating to licensed technology and the provision of certain services provided via various distribution channels (online, mobile or land-based interfaces). Royalty income is based on the underlying gaming revenue earned by our licensees and is recognised in the accounting periods in which the gaming transactions occur.

	Royalty income invoices are billed and paid on a monthly basis.
Trading income	Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.
Fixed-fee income	Other revenue includes revenue derived from the provision of certain services and licensed technology for which charges are based on a fixed-fee and stepped according to the usage of the service/technology in each accounting period. Income is recognised over the period of service once the obligations under the contracts have passed. Where amounts are billed and obligations not met, revenue is deferred. Amounts are mostly billed and paid on a monthly basis.
Cost based revenue	Cost Based revenue is the total revenue charged to the licensee based on the actual costs incurred from production and an additional percentage charged on top as a profit. Cost based revenue invoices are recognised in line with the cost and paid on a monthly basis.
B2C revenue	<p>-Revenues from concessions related to the gaming machines are recognised less the flat-rate gaming tax and winnings paid out.</p> <p>– Revenue from the gaming machines are recognised less the winnings, jackpots and flat-rate gaming tax but inclusive of compensation payable to managers and operators, as well as the concession fees payable to the ADM.</p> <p>– Revenue from Online gaming (games of skill/casino/bingo) are recognised less the winnings, jackpots and flat-rate gaming tax but inclusive of the cost of the platform and concession fees.</p> <p>- The wagers related to the acceptance of fixed quota and reference bets (or bets for which the Group bears a risk deriving from winnings) are recognised net of costs for the single tax, the ex ASSI withholding, winnings and refunds paid to bettors.</p> <p>– The revenues from accepting totalisator bets, on the other hand, are recognised on the basis of the percentage of the premium established by the agreement for the year in which the bets are placed.</p> <p>– Revenues and costs related to bets are recognised at the time of the event for which the bet is accepted.</p>

Based on the services provided by the Group, excluding certain rebates provided to customers in the financial division, no return, refund and other similar obligations exist. Moreover, no warranties and related obligations exist.

Distribution costs

Distribution costs represent the direct costs of the function of providing services to customers, costs of the development function, advertising costs and indirect taxes.

Share-based payments

Certain employees participate in the Group's share option plans which commenced with effect from 1 December 2005. The fair value of the equity settled options granted is charged to the consolidated statement of comprehensive income on a straight line basis over the vesting period and the credit is taken to equity, based on the Group's estimate of shares that will eventually vest. Fair value is determined by the Black-Scholes and Binomial valuation model. The share options plan does not have any performance conditions other than continued service. Where equity settled share options are settled in cash at the group's discretion the debit is taken to equity.

The Group has also granted awards to be distributed from the Group's Employee Benefit Trust. The fair value of these awards is based on the market price at the date of the grant, some of the grants have performance conditions.

Income taxes and deferred taxation

Provision for income taxes is calculated in accordance with the tax legislations and applicable tax rates in force at the balance sheet date in the countries in which the Group companies are tax registered and for Group branches based on place where the branch is established.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Dividends

Dividends are recognized when they become legally payable. In case of interim dividends to equity shareholders, this is when declared by the Directors. In case of final dividend, this is when approved by the shareholders at the AGM.

Property, plant and equipment

Property, plant and equipment are initially recognized at cost. Carrying amounts are reviewed on each balance sheet date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

		%
Computers and gaming machines		20-33
Office furniture and equipment		7-33
Freehold and leasehold buildings and improvements	3-20, or over the length of the lease	
Motor vehicles		15

Land is not depreciated.

Subsequent expenditures are included in the asset carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

Put/Call options

Where a put/call option is entered into over the non-controlling interest the ownership risks and rewards of the shares relating to the option are analysed to determine whether the equity is attributable to the non-controlling interest or the parent. The non-controlling interest is recognised if the risks and rewards of ownership of those shares remain with them.

A financial liability is recorded to reflect the option. All subsequent changes to the liability (other than the cash settlement) are recognised in profit or loss.

Where the significant risks and rewards of ownership remain with the non-controlling interest the non-controlling interest continues to be recognised and is allocated its share of profits and losses.

Where the significant risks and rewards of ownership reside with the controlling interest, the financial liability recognised offsets the non-controlling interest.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recognised at cost less, if any, provision for impairment.

Intangible assets

Externally acquired intangible assets

Externally acquired intangible assets are recognized at cost and subsequently amortised on a straight line basis over their useful economic lives. Intangible assets are recognized on business combinations if they are separable from the acquired entity or give rise to other contractual legal rights. The amounts described to such intangible are arrived at by using appropriate valuation techniques.

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits,
- expenditure on the project can be measured reliably

Amortisation is calculated at annual rates estimated to write off the costs of the assets over their expected useful lives and is charged to operating expenses from the point the asset is brought into use. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

	%
Domain names	Nil
Internally generated capitalised development costs	20-33
Technology IP	13-33
Customer lists	In line with projected cash flows or 7-20

Affiliate contracts
Patents and licenses

5-12.5
10-33 or over the period of the license

Management believes that the useful life of the domain names and certain trading licenses is indefinite. These assets are reviewed for impairment annually.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, and liabilities assumed and equity instruments issued plus the amount of non-controlling interest in the acquire plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire. Contingent consideration, is included in the cost as its acquisition date fair value and, in case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognized immediately as an expense.

Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to annual impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to establish the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows, its cash generating units ("CGU"). Goodwill is allocated on initial recognition to each of the Group's cash generating units that are expected to benefit from a business combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent they reverse gains previously recognised in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Associates and structured agreements

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate or structured agreements, as appropriate. Associates are initially recognised in the consolidated balance sheet at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

Joint ventures – where the group has rights to only the net assets of the joint arrangement; or
Joint operations – where the group has rights to both the assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in Associates (i.e. using the equity method – refer above).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measure at fair value, gains and losses will either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognitions to account for the equity investment at fair value through other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are

expenses in profit or loss. Changes in the fair value of financial assets at FVTPL are recognised in the statement of comprehensive.

Financially assets measured at amortised cost arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 365 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Other receivables consist of amounts generally arising from transactions outside the usual operating activities of the group such as the proceeds from disposal of investment. Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts

(iv) Impairment

For trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Accounting policies applied until 31 December 2017

The Group has applied IFRS9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classified its financial assets in the following categories:

- Loans and receivable
- Available for sale financial assets

Loans and receivables (until 31 December 2017)

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's receivables comprise trade and other receivables, cash and cash equivalents, and loans to customers in the balance sheet.

Trade receivables which principally represent amounts due from licensees are carried at original invoice value less an estimate made for bad and doubtful debts based on a review of all outstanding amounts at the year-end. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Bad debts are written off when identified.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Where cash is on deposit with maturity dates greater than three months, it is disclosed within other receivables.

Loans to customers are in respect of formal loan agreements entered into between the Group and its customers, which are carried at original advanced value less provision for impairment (or fair value on

inception, if different). They are classified between current and non-current assets in accordance with the contractual repayment terms of each loan agreement.

Available-for-sale financial assets (until 31 December 2017)

Non-derivative financial assets classified as available-for-sale comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value generally recognised in other comprehensive income and accumulated in the available for sale reserve. In accordance with IAS 39, a significant or prolonged decline in the fair value of an available-for-sale financial asset is recognised in the consolidated statement of comprehensive income.

Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve. On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the consolidated statement of comprehensive income.

Financial liabilities

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Several of the Group's licensees participate in progressive jackpot games. Each time a progressive jackpot game is played, a preset amount is added to a cumulative jackpot for that specific game. The accrual for the jackpot at the consolidated balance sheet date is included in progressive jackpot and other operator's jackpot liabilities.

The Group's liability in connection with client funds includes customer deposits offset by the fair value of open positions, the movement on which is recognised through profit or loss. Such open positions are classified as short term financial derivatives in the balance sheet. Where customer's trading positions are hedged, or partly hedged, for risk management purposes, the fair value of those open hedge positions are carried at fair market value in trade receivables or trade payables (depending on whether the positions are in or out of the money) and classified as short term financial derivatives in the balance sheet.

Liability components of convertible loan notes are measured as described further below.

Loans and bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated balance sheet. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Fair value measurement hierarchy

IFRS 7 and IFRS 13 requires certain disclosure which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 30). The fair value hierarchy has the following levels:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. – derived from prices) (Level 2); and
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels. The Group measures its equity investments at fair value – refer to Note 15 for more detailed information in respect of the fair value measurement.

Share capital

Ordinary shares are classified as equity and are stated at the proceeds received net of direct issue costs.

Employee Benefit Trust

Consideration paid/received for the purchase/sale of shares subsequently put in the Employee Benefit Trust is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "Employee Benefit Trust reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

Convertible bond

The proceeds received on issue of the Group's convertible bond are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond, where the option meets the definition of an equity instrument. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible bond option reserve" within shareholders' equity.

Long term liabilities

Long term liabilities are those liabilities that are due for repayment or settlement in more than twelve months from balance sheet date.

Provisions

Provisions, which are liabilities of uncertain timing or amount, are recognised when the Group has a present obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Non-controlling interests

Non-controlling interest is recognised at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Adjusted results

The directors believe that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain non-cash and one-off items including the below.

Management regularly uses the adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Furthermore, compensation of the executives is based in part on the performance of the business based on these adjusted measures.

Accordingly, these are the key performance metrics used by the Board when assessing the Group's financial performance. Such exclusions include:

- Material non-cash items, e.g. amortisation of intangibles on acquisition, change in fair value of equity investments in the income statement and Employee Share Option Plan expenses. Management regularly monitors the operating cash conversion to adjusted EBITDA. These items are excluded to better analyse the underlying cash transactions of the business.
- Material one-off items, e.g. gain on sale of investment in associates, professional services cost related to acquisitions and other exceptional projects. In the last few years the Group has

acquired new businesses on a regular basis, however, the costs incurred due to these acquisitions are not considered to be an ongoing trading cost and usually cannot be changed or influenced by management.

Underlying adjusted results excludes the following items in order to present a more accurate 'like for like' comparison over the comparable period:

- The impact of acquisitions made in the period or in the comparable period; and
- Specific material agreements, adjustments to previous years or currency fluctuations affecting the results in the period and the comparable period.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. A full reconciliation of adjustments is included in note 6.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's earnings and financial position are detailed below.

Judgments

▪ **Structured agreements**

For all arrangements structured in separate vehicles the Group must assess the substance of the arrangement in determining whether it meets the definition to be classified as an associate or joint venture. Factors the Group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its arrangements structured through separate vehicles give it significant influence but not joint control rights to the net assets and are therefore classified as associates.

▪ **Provision for loss from onerous contracts**

Management considers the requirement for a creation of a provision from a loss-making contract by forecasting the cash flow outcomes in the remain period of the contract. The assessment of the cash flow outcomes includes the probability of future changes in commercial terms and the steps taking to mitigate the issues encountered with the contract.

▪ **Revenue from contracts with customers**

As part of gambling activities may be physically located in casinos or in public venues (e.g., bingo) and others may be played online. In some cases, wagers may be handled through bookmakers or be sold through retail outlets (e.g., scratch cards or lottery tickets). Depending on the fact pattern, players might place a wager against the operator (the house), against other players, or both. In some jurisdictions, the operation of gambling activities is subject to a number of regulations and sometimes these regulations prescribe a percentage of all amounts wagered that must be awarded as prizes to winners. However, in other jurisdictions, the regulations do not prescribe a fixed percentage that must be awarded to winner(s) and in such situations, the percentage could be left to the operator's discretion or predefined as game rules, which are known to the players in advance. Therefore, the presentation of revenue depends on the nature of the gambling activity. When the gambling contract or instrument meets the definition of a derivative, it is accounted for as a financial instrument in accordance with IFRS 9 *Financial Instruments: Recognition and Measurement*. When the gambling contract or instrument does not meet the definition of a derivative, the operator assesses whether it acts as a principal or an

agent. When the operator acts as an agent, only the net amount is presented as revenue (net of win and taxes). If it is deemed that the operator is acting as a principal, revenue is recognised gross at the amount collected from players, with prizes awarded to winners classified as an expense. Even if the operator receives the cash flows net, an entity that is deemed to be the principal presents revenue on a gross basis.

- **Internally generated intangible assets**

Expenditure on internally developed products is capitalized based on the below:

- adequate resources are available to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits,
- expenditure on the project can be measured reliably

Upon consideration of these factors, the Group capitalize these expenditure under intangible assets.

- **Income taxes**

The Group is subject to corporate income tax in jurisdictions in which its companies are incorporated and registered. Judgment is required to interpret international tax laws relating to ecommerce in order to identify and value provisions in relation to corporate income taxes. The principal risks relating to the Group's tax liabilities, and the sustainability of the underlying effective tax rate, arise from domestic and international tax laws and practices in the e-commerce environment continuing to evolve, including the corporate tax rates in jurisdictions where the Group has significant assets or people presence. The Group is basing its tax provisions on current (and enacted but not yet implemented) tax rules and practices, together with advice received from professional advisers, and believes that its accruals for tax liabilities are adequate for all open enquiry years based on its assessment of many factors including past experience and interpretations of tax law. The Group constantly monitors changes in legislation and update its accruals accordingly. More details are included in Note 9.

- **Regulatory**

The Group's subsidiaries, Safecap Investments Limited, Magnasale Trading Limited, CFH Clearing Limited, TradeTech Alpha Limited, TradeTech Markets (Australia) Pty Limited, TradeTech Markets (BVI) Limited, and TradeTech Markets (South Africa) Pty Limited are regulated by the Financial Conduct Authority, Australian Securities & Investments Commission, Cyprus Securities and Exchange Commission, the Financial Services Commission, or the Financial Sector Conduct Authority. The regulatory environment is regularly changing and imposes significant demands of the resources of the subsidiaries. As the subsidiaries' activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The increasing complexity of the Group's operations require training and recruitment be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

In addition to the above, the regulated subsidiaries manage their capital resources on the basis of capital adequacy requirements as prescribed by each of the regulators, together with their own assessments of other business risks and sensitivities which may impact the business. Capital adequacy requirements are monitored on a real-time basis, including a 'buffer' which is deemed sufficient by management to ensure that capital requirements are not breached at any time.

Estimates and assumptions

- **Impairment of goodwill and other intangibles**

The Group is required to test, on an annual basis, whether goodwill, intangible assets not yet in use and indefinite life assets have suffered any impairment. The Group is required to test other intangibles if events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Such estimates are based on management's experience of the business, but actual outcomes may vary. More details including carrying values are included in Note 13.

- **Deferred tax assets**

Deferred tax assets are recognized with respect to the tax losses carryovers and other significant temporary differences, to the extent that there is likely to be sufficient future taxable income against which such losses and temporary differences may be deducted in future periods. Directors are required

to make significant discretionary evaluation to determine the amount of deferred tax assets that may be recognised. The directors need to estimate the probable temporary effect and the amount of the future taxable income, as well as the planning strategy for future taxes. More details included in Note 26.

▪ **Determination of fair value of intangible and tangible assets acquired on business combinations**

The fair value of the intangible assets acquired is based on the discounted cash flows expected to be derived from the use of the asset. Further information in relation to the determination of fair value of intangible assets acquired is given in Notes 29 and 30. The fair value of the tangible assets acquired on business combinations was determined through the methods of value in use and market value as determined by an external, independent property valuer. Further information in relation to the determination of fair value of tangible assets acquired is given in Note 29D.

▪ **Determination of the fair value of contingent consideration and redemption liability**

The fair value of contingent consideration and redemption liability is based on the probability of expected cash flow outcomes and the assessment of present values using appropriate discount rates. Recognition of put/call options over non-controlling interest is based on consideration of the ownership risks and rewards of the shares relating to the option to determine whether the equity is attributable to the non-controlling interest or the parent. The fair value is based on the probability of expected cashflow outcomes based on management's best estimates and discount rates applied. Further information in relation to the determination of the fair value of contingent consideration is given in Notes 23, 29 and 30.

▪ **Impairment of financial assets**

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group's exposure to various risks associated with the financial instruments is discussed in note 33. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned in Note 33.

▪ **Provision for risks and charges and potential liabilities**

The Group ascertains a liability in the presence of legal disputes or lawsuits underway when it believes it is probable that a financial outlay will take place and when the amount of the losses which derive there from can be reasonably estimated. The Group is subject to lawsuits regarding complex legal problems, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary depending on future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its legal advisors and experts on legal and tax-related matters.

NOTE 4 – SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

The operating segments identified are:

- Gaming B2B: including Casino, Services, Sport, Bingo, Poker and Other
- Gaming B2C: Snaitech, Sun Bingo and Casual & Other B2C
- Financial: including B2C and B2B CFD

The Group-wide profit measures are adjusted EBITDA and adjusted net profit (see Note 6). Management believes the adjusted profit measures represent more closely the underlying trading performance of the business. No other differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

In 2017 following the growth in the business to customer ("B2C") segment and due to the fundamental difference in its margin profiles, the Group has changed the internal and external reporting and split out from the gaming segment the B2C element.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual products within the gaming segments, as allocation would be arbitrary.

Geographical analysis of non-current assets

The Group's information about its non-current assets by location of the domicile are detailed below:

	2018 €'000	2017 €'000
Italy	900,837	-
Isle of Man	539,944	805,288
Austria	176,621	147,877
Luxemburg	-	117,366
UK	109,179	107,435
Cyprus	83,067	74,477
Sweden	70,157	76,452
British Virgin Islands	65,558	63,609
Denmark	42,738	43,004
Alderney	33,343	35,878
Gibraltar	33,413	25,295
Malta	21,043	20,537
Latvia	15,491	17,254
Rest of World	9,813	35,331
	2,101,204	1,569,803

Year ended 31 December 2018

	Casino €'000	Services €'000	Sport €'000	Bingo €'000	Poker €'000	Other €'000	Total B2B €'000	Snai €'000	Sun Bingo €'000	Casual and other B2C €'000	Total B2C €'000	Intercom pany €'000	Total Gaming €'000	Total financi al €'000	Consolidated €'000
Total revenue	320,080	84,587	98,051	26,359	9,555	27,390	566,022	511,907	33,713	47,594	593,214	(11,729)	1,147,507	92,936	1,240,443
Adjusted EBITDA							252,645				60,945		313,590	29,459	343,049
Adjusted net profit							136,490				2,280		138,770	117,409	256,179
Total assets							1,106,104				1,197,026		2,303,130	790,598	3,093,728
Total liabilities							1,096,605				323,116		1,419,721	323,411	1,743,132

Year ended 31 December 2017

	Casino €'000	Service s €'000	Sport €'000	Bingo €'000	Poker €'000	Other €'000	Total B2B €'000	Snai €'000	Sun Bingo €'000	Casual and other B2C €'000	Total B2C €'000	Intercom pany €'000	Total Gaming €'000	Total financial €'000	Consolidated €'000
Total revenue	412,811	94,381	87,467	26,180	9,475	26,408	656,722	-	23,648	46,638	70,285	(4,817)	722,190	84,930	807,120
Adjusted EBITDA							321,686				(26,606)		295,080	27,016	322,096
Adjusted net profit							234,772				(25,895)		208,877	22,572	231,449
Total assets							1,523,525				21,809		1,545,334	808,913	2,354,247
Total liabilities							739,139				6,436		745,575	250,190	995,795

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NOTE 5 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has disaggregated revenue into various categories in the following table which is intended to:

- Depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- Enable users to understand the relationship with revenue segment information provided in the segmental information note.

Set out below is the disaggregation of the Group's revenue:

Geographical analysis of revenues by jurisdiction of license

Primary Geographic Markets	B2B €'000	B2C €'000	Financial €'000	Intercompany €'000	Total €'000
Italy	23,366	519,117	3,686	(6,447)	539,722
UK	175,589	44,208	40,870	(3,581)	257,086
Philippines	170,062	-	1	-	170,063
Malta	30,812	-	220	-	31,032
Gibraltar	24,252	-	186	-	24,438
Mexico	23,204	-	663	-	23,867
Spain	21,652	555	1,398	(56)	23,549
Greece	13,427	-	1,076	-	14,503
Germany	1,329	11,769	2,621	(1,237)	14,482
Finland	12,827	-	141	-	12,968
Belgium	7,853	-	3	-	7,856
Austria	4,856	2,259	361	(408)	7,068
Seychelles	-	-	6,974	-	6,974
Ireland	6,312	-	446	-	6,758
Norway	5,849	-	752	-	6,601
Rest of World	44,632	15,306	33,538	-	93,476
	566,022	593,214	92,936	(11,729)	1,240,443

Product type	B2B €'000	B2C €'000	Financial €'000	Intercompany €'000	Total €'000
Casino	320,080	-	-	(4,875)	315,205
Services	84,587	-	-	(3,116)	81,471
Sport	98,051	-	-	(2,410)	95,641
Bingo	26,359	-	-	(884)	25,475
Poker	9,555	-	-	(346)	9,209
Other	27,390	-	-	(98)	27,292
SNAI	-	511,907	-	-	511,907
Sun Bingo	-	33,713	-	-	33,713
Casual and Other B2C	-	47,594	-	-	47,594
Financial	-	-	92,936	-	92,936
	566,022	593,214	92,936	(11,729)	1,240,443

Timing of transfer of services	B2B €'000	B2C €'000	Financial €'000	Intercompany €'000	Total €'000
Point in time (at point of transaction)	486,132	583,971	92,695	(11,181)	1,151,617
Over time	79,890	9,243	241	(548)	88,826
	566,022	593,214	92,936	(11,729)	1,240,443

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 2. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

The vast majority of the Group's B2B contracts are for the delivery of services within the next 12 months.

In 2018, there were one licensees (2017: Two licensees) who individually accounted for more than 10% of the total gaming revenue and the total revenue of the Group. Aggregate revenue from these licensees total €137.7 million (2017: €280.6 million).

NOTE 6 – ADJUSTED ITEMS

The following tables give a full reconciliation between adjusted and actual results:

	2018 €'000	2017 €'000
Revenue	1,240,443	807,120
Constant currency impact	11,228	-
Revenue on constant currency basis	1,251,671	807,120
Revenue related to acquisitions on a constant currency basis	(547,587)	(9,640)

Underlying revenue	704,084	797,480
Distribution costs before depreciation and amortisation	796,494	412,943
Employee stock option expenses	(5,014)	(7,292)
Adjusted distribution costs before depreciation and amortisation	791,480	405,651
Administrative expenses before depreciation and amortisation	156,105	117,088
Employee stock option expenses	(8,710)	(7,802)
Professional fees on acquisitions	(27,102)	(2,387)
One off employee related costs	-	(5,001)
Additional consideration payable for put/call options	2,391	(5,345)
Cost of business reorganization	(2,396)	(1,101)
Decline in the fair value of equity investments	-	(467)
Impairment of investment in equity-accounted associates	(8,001)	(14,887)
Gain/(loss) from the disposal of equity-accounted associates	897	(725)
Amendment to deferred consideration	(1,705)	-
Provision for other receivables	(5,565)	-
Total adjusted items	(50,191)	(37,715)
Adjusted administrative expenses before depreciation and amortisation	105,914	79,373
Depreciation – distribution costs	36,690	19,129
Depreciation – administrative costs	5,977	7,415
Amortisation – distribution costs	110,178	86,987
Impairment	-	7,845
Total depreciation and amortization	152,845	121,376
Amortisation of intangibles on acquisitions – distribution costs	(47,936)	(50,954)
Impairment	-	(7,845)
Adjusted depreciation and amortisation	104,909	62,577
EBITDA	287,844	277,090
Employee stock option expenses	13,724	15,094
Professional expenses on acquisitions	27,102	2,387
One off employee related costs	-	5,001
Additional consideration payable for put/call options	(2,391)	5,345
Cost of business reorganization	2,396	1,101
Decline in the fair value of equity investments	-	467
Impairment of investment in equity-accounted associates	8,001	14,887
Gain/(loss) from the disposal of equity-accounted associates	(897)	725
Amendment to deferred consideration	1,705	-
Provision for other receivables	5,565	-
Adjusted EBITDA	343,049	322,096
Constant currency impact	3,208	-
Adjusted EBITDA on constant currency basis	346,257	322,096
EBITDA related to acquisitions on constant currency basis	(90,703)	-
Underlying adjusted EBITDA	255,554	322,096
Profit for the year- attributable to owners of parent	123,809	248,140
Amortisation of intangibles on acquisitions	47,936	50,954
Impairments related to acquisitions	-	7,845
Gain/(loss) from the disposal of equity-accounted associates	(897)	725
Impairment of investment in associate and other non-current assets	8,001	14,887
Employee stock option expenses	13,724	15,094
Professional expenses on acquisitions	27,102	2,387
Additional consideration payable for put/call options	(2,391)	5,345
Cost of business reorganisation	2,396	1,101
Non-cash accrued bond interest	10,685	10,234

Decline in fair value of equity investments	-	467
One off employee related costs	-	5,241
Deferred tax on acquisition	(9,861)	(4,592)
Movement in deferred and contingent consideration	(1,887)	(126,379)
Finance costs on acquisitions	8,494	-
Fair value change of equity investments	1,738	-
Tax relating to prior years (refer to note 9)	28,410	-
Gain on the early repayment of the bond	(8,350)	-
Amendment to deferred consideration	1,705	-
Provision for other receivables	5,565	-
Adjusted profit for the year - attributable to owners of the parent	256,179	231,449
Constant currency impact	9,650	-
Adjusted profit for the year - attributable to owners of the parent on constant currency basis	265,829	231,449
Adjusted net profit related to acquisitions on constant currency basis	(32,700)	18,808
Underlying adjusted profit for the year - attributable to owners of the parent	233,129	250,257

NOTE 7 – EBITDA

EBITDA is stated after charging:

	2018 €'000	2017 €'000
Directors compensation		
Short-term benefits of directors	2,899	2,532
Share-based benefits of directors	1,320	1,436
Bonuses to executive directors	717	2,280
	4,936	6,248
Auditor's remuneration		
Group audit and parent company (BDO)	572	509
Audit of subsidiaries (BDO)	634	508
Audit of subsidiaries (non-BDO)	758	209
Total Audit fees	1,964	1,226
Non-audit services provided by parent company auditor and its international member firms		
Corporate finance services related to acquisitions	2,264	271
Other non-audit services	407	116
Tax advisory services	192	96
Total Non-audit fees	2,863	483
Development costs (net of capitalised development costs of €58.3 million (2017: €50.7 million))	87,290	85,191

NOTE 8 – FINANCING INCOME AND COSTS

	2018 €'000	2017 €'000
A. Finance income		
Interest received	2,446	1,850
Dividends received from equity investments	33,927	17,078
Movement in contingent consideration	1,887	126,379
Gain on early repayment of bond loans (Note 22)	8,350	-
	<u>46,610</u>	<u>145,307</u>
B. Finance cost		
Exchange differences	(4,579)	(19,693)
Non cash accrued bond interest	(10,685)	(10,234)
Nominal interest expenses on convertible bonds	(1,485)	(1,485)
Interest on bond loans – Snai bond	(14,873)	-
Interest on bond loans – Bond	(4,645)	-
Interest on bank loans	(4,102)	(1,857)
Bank facility fees	(13,642)	-
Bank charges and interest paid	(5,538)	(938)
	<u>(59,549)</u>	<u>(34,207)</u>
Net financing (cost)/income	(12,939)	111,100

NOTE 9 – TAXATION

	2018 €'000	2017 €'000
Current income tax		
Income tax on profits of subsidiary operations	29,938	21,856
Deferred tax (Note 26)	(4,705)	(4,592)
Tax for prior years	28,410	241
Total tax charge	<u>53,643</u>	<u>17,505</u>

The tax charge for the year can be reconciled to accounting profit as follows:

	2018 €'000	2017 €'000
Profit before taxation	183,031	266,615
Tax at effective rate in Isle of Man	-	-
Income tax on profits of subsidiary operations	29,938	21,856
Deferred tax	(4,705)	(4,592)
Tax for prior years	28,410	241
Total tax charge	<u>53,643</u>	<u>17,505</u>

The Group's policy is to manage, control and operate Group companies only in the countries in which they are registered. The international tax laws and practices in the e-commerce environment continue to evolve in many jurisdictions where the Group has significant assets or people presence. The Group's international presence means that it is possible that the amount of tax that will eventually become payable may differ from the amount provided in the financial statements.

The Group's underlying effective adjusted tax rate of 10% is impacted by the geographic mix of profits and reflects a combination of higher headline rates of tax in the various jurisdictions in which the Group operates when compared with the Isle of Man standard rate of corporation tax of 0%. The Group's underlying effective tax rate for the year includes adjustments in respect of prior years for overseas tax of €28.4 million which relates to the settlement of open enquiries with tax authorities.

The deferred tax is due to the reversal of temporary differences arising on the identification of the intangible assets acquired in the current and prior years. Refer to Note 26 for more detailed information in respect of deferred taxes.

NOTE 10 – EARNINGS PER SHARE

Earnings per share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit after tax is as follows:

	Actual €'000	2018 Adjusted €'000	Actual €'000	2017 Adjusted €'000
Profit for the year attributable to owners of the parent	123,809	256,179	248,140	231,449
Add interest on convertible bond	12,170	1,485	11,719	1,485
Earnings used in diluted EPS	135,979	257,664	259,859	232,934
Basic (cents)	39.3	81.3	78.9	73.6
Diluted (cents)	38.4	72.9	74.6	66.8

	Actual Number	2018 Adjusted Number	Actual Number	2017 Adjusted Number
<i>Denominator – basic</i>				
Weighted average number of equity shares	315,066,252	315,066,252	314,504,413	314,504,413
<i>Denominator – diluted</i>				
Weighted average number of equity shares	315,066,252	315,066,252	314,504,413	314,504,413
Weighted average number of option shares	3,420,264	3,420,264	418,290	418,290
Weighted average number of convertible bonds	35,194,994	35,194,994	33,543,403	33,543,403
Weighted average number of shares	353,681,510	353,681,510	348,466,106	348,466,106

NOTE 11 – EMPLOYEE BENEFITS

Total staff costs comprise the following:

	2018 €'000	2017 €'000
Salaries and personnel-related costs	289,035	264,555
Employee stock option costs	13,724	15,094
	302,759	279,649
Average number of personnel:		
<i>Distribution</i>	4,741	4,586
<i>General and administration</i>	562	458
	5,303	5,044

The Group has the following employee share option plans (“ESOP”) for the granting of non-transferable options to certain employees:

- Playtech 2005 Share Option Plan (“the Plan”) and Israeli plans, options granted under the plans vest on the first day on which they become exercisable which is typically between one to four years after grant date.

- GTS 2010 Company Share Option Plan ("CSOP"), options granted under the plan vest on the first day on which they become exercisable which is three years after grant date.
- Long Term Incentive Plan 2012 ("LTIP"), awards (options, conditional awards or a forfeitable share award) granted under the plan vest on the first day on which they become exercisable which is typically between eighteen to thirty six months after grant date.

The overall term of the ESOP is ten years. These options are settled in equity once exercised. Option prices are denominated in GBP.

During 2012, the Group amended some of the rules of the equity based Plan. The amendments allow the Group, at the employees consent, to settle fully vested and exercisable options for cash instead of issuing shares.

The Group granted 2,985,462 and 1,615,579 nil cost awards in 2018 and 2017 respectively at fair value per share of £5.35 in 2018 and between £9.625 and £10.06 in 2017.

At 31 December 2018, options under these schemes were outstanding over:

	2018 Number	2017 Number
Shares vested between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	-	19,735
Shares vested between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	18,000	18,000
Shares vested between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	30,500	30,500
Shares vested on 10 March 2014 at an exercise price of £3.5225 per share	25,700	26,500
Shares vested on 1 March 2018 at nil cost	102,844	146,919
Shares vested between 1 September 2016 and 1 March 2018 at nil cost	159,158	276,825
Shares will vest on 1 March 2019 at nil cost	246,728	246,728
Shares will vest between 1 September 2017 and 1 March 2019 at nil cost	319,742	429,817
Shares will vest on 21 December 2019 at nil cost	86,205	110,183
Shares will vest between 1 October 2017 and 1 April 2019 at nil cost	29,562	324,494
Shares will vest on 1 March 2020 at nil cost	1,115,570	1,228,877
Shares will vest On 1 September 2019 at nil cost	16,703	-
Shares will vest On 1 March 2021 at nil cost	2,867,209	-
	5,017,921	2,858,578

Total number of shares exercisable as of 31 December 2018 is 458,156 (2017: 278,982).

The following table illustrates the number and weighted average exercise prices of shares options for the ESOP.

	2018 Number of options	2017 Number of options	2018 Weighted average exercise price	2017 Weighted average exercise price
Outstanding at the beginning of the year	2,858,578	1,836,137	£0.13	£0.38
Granted	2,985,462	1,615,579	Nil	Nil
Forfeited	(351,166)	(113,339)	£0.08	Nil
Exercised	(474,953)	(479,799)	£0.09	£0.67

Outstanding at the end of the year	5,017,921	2,858,578	£0.06	£0.13
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Included in the number options exercised during the year are 14,387 options (2017: 29,689) where a cash alternative was received.

The weighted average share price at the date of exercise of options was £6.912 (2017: £8.601).

Share options outstanding at the end of the year have the following exercise prices:

Expiry date	Exercise price	2018 Number	2017 Number
28 November 2018	£3.2	-	19,735
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	48,500	48,500
10 March 2021	£3.5225	25,700	26,500
21 December 2025	Nil	262,002	423,744
Between 21 December 2026 and 31 December 2026	Nil	652,675	786,728
Between 1 March 2027 and 28 June 2027	Nil	1,126,440	1,553,371
23 July 2028	Nil	2,902,604	-
		5,017,921	2,858,578

Tradetech ESOP

In addition, the Group has the following employee share option plans ("ESOP") for the granting of non-transferable options to certain employees:

- TradeFX 2009 Global Share Option Plan ("the First Plan"), options granted under the first plan vest on the first day on which they become exercisable which is typically between one to four years after grant date.
- Long Term Incentive Plan 2012 ("LTIP"), awards (options, conditional awards or forfeitable share award) granted under the plan vest on the first day on which they become exercisable which is typically between eighteen to thirty six months after grant date.
- Tradetech Performance Share Plan 2017 ("the Second Plan"), options granted under the second plan vest three years after grant date, according to performance targets in the years 2017 and 2018.

The overall term of the ESOP is ten years. These options are settled in equity once exercised. Option prices are either denominated in USD, depending on the option grant terms.

Total number of share options exercisable as of 31 December 2018 is 7,500 (2017: 100,416).

	2018 Number	2017 Number
Shares vested between 1 June 2011 and 31 December 2017 at an exercise price of \$4 per share	-	750
Shares vested between 1 November 2013 and 31 December 2017 at an exercise price of \$12 per share	-	4,475
Shares vested between 1 December 2015 and 31 December 2017 at an exercise price of \$70 per share	4,250	95,191
Shares vested between 1 January 2018 and 31 December 2018 at an exercise price of \$70 per share	3,250	-
	7,500	100,416
Shares vesting between 1 January 2018 and 1 September 2020 at an exercise price of \$70 per share	5,500	53,495

Shares will vest between June 2020 November 2020 at nil cost	7,898	7,898
	13,398	61,393
	20,898	161,809

The following table illustrates the number and weighted average exercise prices of shares options for the ESOP:

	2018	2017	2018	2017
	Number of options	Number of options	Weighted average exercise price	Weighted average exercise price
Outstanding at the beginning of the year	161,809	160,061	\$ 66.64	\$ 60.7
Granted through the year	-	7,898	-	\$ 70
Forfeited	(133,436)	(5,600)	\$70.00	\$ 36.75
Exercised	(7,475)	(550)	\$ 11.2	\$ 9.17
Outstanding at the end of the year	20,898	161,809	\$ 43.54	\$ 66.64

Included in the number of options exercised during the year is 6,100 (2017: 550) where a cash alternative was received. The weighted average share price at the date of exercise of options was \$9.67.

Share options outstanding at the end of the year have the following exercise prices:

	2018 Number	2017 Number
Share options to be expired between 1 June 2020 and 1 August 2022 at an exercise price of \$4 per share	-	750
Share options to be expired between 1 September 2022 and 1 November 2023 at an exercise price of \$12 per share	-	4,475
Share options to be expired between 1 December 2024 and 10 March 2025 at an exercise price of \$70 per share	13,000	148,686
Share options to be expired between June 2027 and November 2027 at nil cost	7,898	7,898
	20,898	161,809

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	Computers	Gaming machines	Office furniture, equipment and motor vehicles	Freehold and leasehold buildings and improvements	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2017	83,982	15,224	12,672	32,038	143,916
Additions	15,009	11,816	2,717	5,150	34,692
Acquired through business combinations	101	1	44	-	146
Disposals	(1,610)	-	(415)	(1,785)	(3,810)
Foreign exchange Movements	(175)	(5)	(74)	(2)	(256)
At 31 December 2017	97,307	27,036	14,944	35,401	174,688

Accumulated depreciation

At 1 January 2017	55,864	2,787	5,409	6,963	71,023
Charge	14,842	5,835	2,764	3,103	26,544
Disposals	(1,490)	66	(251)	(1,351)	(3,026)
Foreign exchange Movements	90	3	36	2	131
At 31 December 2017	69,306	8,691	7,958	8,717	94,672

Net Book Value

At 31 December 2017	28,001	18,345	6,986	26,684	80,016
At 31 December 2016	28,118	12,437	7,263	25,075	72,893

	Computers	Gaming machines	Office furniture and equipment	Buildings and leasehold buildings and improvements	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2018	97,307	27,036	14,944	35,401	174,688
Additions	17,469	24,103	5,674	7,734	54,980
Acquired through business combinations	771	21,539	7,647	288,633	318,590
Disposals	(9,371)	(9,315)	(2,187)	(1,767)	(22,640)
Reclassifications	-	-	(838)	838	-
Foreign exchange movements	46	2	23	1	72
At 31 December 2018	106,222	63,365	25,263	330,840	525,690
Accumulated depreciation					
At 1 January 2018	69,306	8,691	7,958	8,717	94,672
Charge	17,415	15,163	4,348	5,762	42,688
Disposals	(9,320)	(9,290)	(1,914)	(1,277)	(21,801)
Reclassifications	-	-	(427)	427	-
Foreign exchange movements	31	1	11	-	43
At 31 December 2018	77,432	14,565	9,976	13,629	115,602
Net Book Value					
At 31 December 2018	28,790	48,800	15,287	317,211	410,088

NOTE 13 – INTANGIBLE ASSETS

	Patents, domain names and license	Technology IP	Development costs	Customer list & Affiliates	Goodwill	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
As of 1 January 2017	79,123	93,983	158,733	391,756	620,257	1,343,852
Additions	1,601	-	50,683	1,460	-	53,744
Disposals	(2,838)	-	(2,349)	(28)	-	(5,215)
Assets acquired on business combinations	1,289	9,389	3,336	15,623	98,940	128,577
Assets acquired on business combinations in prior year	-	-	-	-	2,017	2,017

Impairment of intangible asset	-	-	-	-	(7,845)	(7,845)
Foreign exchange Movements	(4,595)	(2,619)	(2,137)	(12,216)	(33,793)	(55,360)
As of 31 December 2017	74,580	100,753	208,266	396,595	679,576	1,459,770

Accumulated amortisation

As of 1 January 2017	20,439	26,093	87,657	195,028	-	329,217
Provision	7,909	16,101	27,976	35,001	-	86,987
Disposals	-	-	(2,349)	(28)	-	(2,377)
Foreign exchange Movements	(627)	(779)	(822)	(3,061)	-	(5,289)
As of 31 December 2017	27,721	41,415	112,462	226,940	-	408,538

Net Book Value

As of 31 December 2017	46,859	59,338	95,804	169,655	679,576	1,051,232
As of 31 December 2016	58,684	67,890	71,076	196,728	620,257	1,014,635

	Patents, domain names & License €'000	Technology IP €'000	Development costs €'000	Customer list & Affiliates €'000	Goodwill €'000	Total €'000
Cost						
As of 1 January 2018	74,580	100,753	208,266	396,595	679,576	1,459,770
Additions	5,161	-	58,297	-	-	63,458
Disposals	-	-	-	-	-	-
Write offs	-	-	(2,850)	-	-	(2,850)
Assets acquired on business combinations	117,960	4,593	-	230,520	268,121	621,194
Foreign exchange movements	1,435	880	977	4,510	13,413	21,215
As of 31 December 2018	199,136	106,226	264,690	631,625	961,110	2,162,787
Accumulated amortisation						
As of 1 January 2018	27,721	41,415	112,462	226,940	-	408,538
Provision	14,010	15,865	36,906	43,397	-	110,178
Disposals	-	-	-	-	-	-
Write offs	-	-	(2,850)	-	-	(2,850)
Foreign exchange Movements	313	396	479	1,600	-	2,788
As of 31 December 2018	42,044	57,676	146,997	271,937	-	518,654
Net Book Value						
As of 31 December 2018	157,092	48,550	117,693	359,688	961,110	1,644,133

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to fifteen (2017: thirteen) cash generating units ("CGU").

Management determines which of those CGU's are significant in relation to the total carrying value of goodwill as follows:

- Carrying value exceeds 10% of total goodwill; or
- Significant acquisitions during the year; or
- Significant contingent consideration exists at the balance sheet date.

Based on the above criteria in respect of the goodwill, management has concluded that the following are significant:

- Markets, with a carrying value of \$265.3 million, €232.0 million (2017: \$265.3 million, €221.5 million)
- Services, with a carrying value of €110.1 million (2017: €95.2 million);
- Sport, with a carrying value of €132.5 million (2017: €132.5 million);
- Casino product, with a carrying value of €51.7 million (2017: €81.8 million);
- Tradetech Alpha, with a carrying value of €65.6 million (2017: €63.5 million);
- Sports B2C, with carrying amount of €28.1 million (2017: €0.1 million);
- Snaitech, with carrying amount of €211 million (2017: Nil);

The recoverable amounts of all the CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering one year period to 31 December 2019 in addition to 2-5 years forecasts. Beyond this period, management has applied an annual growth rate of between 5% and 10% based on the underlying economic environment in which the CGU operates. Management has applied discount rates to the cash flow projections between 10.24% and 21.48% (2017: between 10.53% and 24.53%).

No impairment of goodwill has been recognized during the year (2017: €7.8 million).

Markets CGU represents the group's individually most significant goodwill balance. The recoverable amount of the Markets CGU has been determined using cashflow forecasts that include annual revenue growth rates of between 0% and 22% over the 2-5 year forecast period. The recoverable amount would equal the carrying amount of the CGU if the annual revenue growth rate was lower by 6% or the discount rate applied was higher by 1.6%. In the prior year there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write down in the Markets CGU.

Sports B2C CGU is new as a significant CGU for the group. The recoverable amount of the Sports B2C CGU has been determined using cashflow forecasts that include annual revenue growth rates of between 10% and 50% over the 2-5 year forecast period. The recoverable amount would equal the carrying amount of the CGU if the annual revenue growth rate was lower by 13% or the discount rate applied was higher by 1%.

In respect of the Tradetech Alpha CGU no impairment has been identified from the impairment review performed. Management do not consider it necessary to disclose any further sensitivity information as no reasonably possible change in any of the key assumptions would result in an impairment write down in the carrying value. Further to this any impairment would result in a reduction of the carrying value of contingent consideration.

Management has also reviewed the key assumptions and forecasts for the customer lists, brands and affiliates, applying the above same key assumptions. The results of the reviews indicated there was no impairment of the intangible assets at 31 December 2018.

NOTE 14 – INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES & JOINT VENTURES

	2018 €'000	2017 €'000
A. Investment in joint ventures	408	1,255
Investment in equity accounted associates:		
B. Investment in associates	12,448	19,306

C. Investment in structured agreements	16,785	16,655
	29,641	37,216

A. Investment in joint ventures

Movements in the carrying value of the investment during the year are as follows:

	€'000
Investment in joint venture at 1 January 2018	1,255
Share of profit in joint venture	180
Return of investment	(1,027)
Investment in joint venture at 31 December 2018	408

B. Investment in associates

Investment in BGO

In August 2014, the Group acquired 33.33% of the shares of BGO Limited, a company incorporated in Alderney, for a total consideration of £10 million (€12.5 million). In 2015 the Group invested additional £0.7 million (€0.9 million).

The purpose of this investment is to further enhance BGO gaming applications on the Group's platform and to enable BGO to further invest in its successful brands and grow into international markets. At the reporting date the Group's NBV of investment in BGO totals €7.6 million (2017: €7.9 million).

Aggregated amounts relating to BGO Limited are as follows:

	2018 €'000	2017 €'000
Total non-current assets	-	-
Total current assets	16,711	16,905
Total non-current liabilities	(42)	(41)
Total current liabilities	(3,339)	(3,380)
Revenues	33,520	39,401
Profit/(loss) and total comprehensive income	(836)	3,128

Other individually immaterial investments

During the year the Group invested €1.7 million consideration in investment not controlled by the Group (2017: €7.3 million consideration to non-controlling investments acquired in previous years). At the reporting date the Group's NBV of the other investments totals €4.8 million (2017: €11.9 million).

Total associates:

	€'000
Investment in associates at 1 January 2018	19,306
Share of loss	(2,771)
Investment in associates in the year	1,700
Investment in associates acquired through business combination	1,908
Disposals of equity accounted associates during the year	(3,072)
Impairment of equity accounted associates	(4,623)
Investment in associates at 31 December 2018	12,448

C. Investment in structured agreements

During the year the Group invested additional €0.1 million in an existing agreement (2017: additional €0.7 million in an existing agreement). During the year the Group impaired €Nil of structured agreements (2017: €7.5 million).

Movement in structured agreements:

	€'000
Investment in structured agreements at 1 January 2018	16,655
Additional investment in structured agreements in the year	130
Investment in structured agreements at 31 December 2018	16,785

NOTE 15 – EQUITY INVESTMENTS

Investments previously held as available for sale investments under IAS 39 have been reclassified to equity investments held at fair value through profit and loss (FVTPL) on transition to IFRS 9 on 1 January 2018.

	2018 €'000	2017 €'000
Investment in equity investments at 1 January	381,346	230,278
Additions during the period	37,890	-
Reclassification on acquisition of Snaitech	(37,890)	-
Proceeds from the disposal during the period	(447,194)	-
Unrealised fair value change recognised in the equity	-	157,809
Realised fair value changes on disposal recognised in the statement of comprehensive income	65,691	-
Unrealised fair value changes on disposal recognised in the statement of comprehensive income	(1,738)	(467)
Translation gain	3,295	(6,274)
Investment in equity investments at 31 December	1,400	381,346

As part of the takeover of Ladbroke's Coral plc ("Ladbroke's") by GVC Holdings plc ("GVC"), the Group exchange its shares in Ladbroke's for €205million of GVC shares and cash consideration of €32million. The Group subsequently sold these GVC shares for net proceeds of €254 million. In addition, the Group sold the shares in Plus500 Limited for net proceeds of €193 million.

As a result of these transactions, during the year, the Group realised a gain on disposal of €65.7million being the net of the fair value movements from 1 January 2018 to the date of disposal.

Additions during the period relate to purchase of shares in Snaitech prior taking the control on 5 June. Upon taking control, these shares formed part of the cost of investment (see note 29d).

	2018 €'000	2017 €'000
Equity investments include the following:		
Quoted:		
Equity securities- UK	-	378,210
Equity securities- Asia	1,400	3,136
	1,400	381,346

The fair value of quoted investments is based on published market prices (level one).

The maximum exposure of the equity investments to credit risk at the reporting date is the carrying value of the financial assets classified as equity investments.

NOTE 16 – OTHER NON-CURRENT ASSETS

	2018	2017
	€'000	€'000
Loan to affiliate	-	2,208
Rent and car lease deposits	3,155	3,779
Guarantee for gaming licenses	2,713	2,000
Deferred tax	1,794	2,775
Other	8,280	9,231
	<u>15,942</u>	<u>19,993</u>

NOTE 17 – TRADE RECEIVABLES

	2018	2017
	€'000	€'000
Trade receivables	255,527	103,683
Less: provision for impairment of trade receivables (Note 33b)	(52,950)	(1,430)
Trade receivables - net	<u>202,577</u>	<u>102,253</u>
Related parties (Note 31)	7,277	4,912
	<u>209,854</u>	<u>107,165</u>

NOTE 18 – OTHER RECEIVABLES

	2018	2017
	€'000	€'000
Prepaid expenses	25,029	18,857
VAT and other taxes	19,533	11,326
Advances to suppliers	1,275	158
Proceeds from disposal of investment	33,390	39,426
Related parties (Note 31)	4,000	6,524
Security deposits for regulators	35,365	-
Other receivables	41,881	17,031
	<u>160,473</u>	<u>93,322</u>

During the year the Group provided for receivables totalling €6.4 million, which were included in related party receivables.

NOTE 19 – CASH AND CASH EQUIVALENTS

	2018	2017
	€'000	€'000
Cash at bank	586,878	558,527
Cash at brokers	26,860	17,771
Deposits	8,459	7,659
	<u>622,197</u>	<u>583,957</u>

The Group held cash balances which include monies held on behalf of operators in respect of operators' jackpot games and poker and casino operations and client funds with respect to B2C, CFD and client deposits in respect of liquidity and clearing activity.

	2018	2017
	€'000	€'000
Funds attributed to jackpots	63,714	46,870
Security deposits	24,887	15,805
Client deposits	116,656	71,628
Client funds	104,200	37,074
	<u>309,457</u>	<u>171,377</u>

NOTE 20 – SHAREHOLDERS' EQUITY

A. Share Capital

Share capital is comprised of no par value shares as follows:

	2018 Number of Shares	2017 Number of Shares
Authorised*	N/A	N/A
Issued and paid up	317,344,603	317,344,603

* The Group has no authorised share capital but is authorised under its memorandum and article of association to issue up to 1,000,000,000 shares of no par value.

B. Employee Benefit Trust

In 2014 the Group established an Employee Benefit Trust by acquiring 5,517,241 shares for a total consideration of €48.5 million. During the year 459,983 shares (2017: 450,110) were issued as a settlement for employee share option exercises with a cost of €3.8 million (2017: €3.8 million), and as of 31 December 2018, a balance of 2,125,580 (2017: 2,585,563) shares remains in the trust with a cost of €17.9 million (2017: €21.6 million).

C. Share options exercised

During the year 482,428 (2017: 479,799) share options were exercised. The Group cash-settled 14,387 share options during the year (2017: 29,689).

D. Distribution of Dividend

In June 2018, the Group distributed €75,845,360 as a final dividend for the year ended 31 December 2017 (23.9 € cents per share).

In October 2018, the Group distributed €38,398,697 as an interim dividend in respect of the period ended 30 June 2018 (12.1 € cents per share). A number of shareholders waived their rights to receive dividends amounting to €956,327.

E. Reserves

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed for share capital in excess of nominal value)
Equity investment reserve	Changes in fair value of equity investments (up to 31 December 2017)
Employee Benefit Trust	Cost of own shares held in treasury by the trust
Put/Call options reserve	Fair value of put options as part of business acquisition
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations
Convertible bond option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

F. Non controlling interest

The Group acquired additional interest in a number of subsidiaries in 2018; Tradetech Markets Limited, ECM Holdings Limited, Sunfox Games GmbH and Snaitech S.P.A. The total carrying amount of the subsidiaries net assets in the Group's consolidated financial statements on the date of acquisition was €52.2 million.

2018
€'000

Carrying amount of Non-controlling interest acquired	41,176
Consideration paid to Non-controlling interest	86,932
Decrease in equity attributable to owners of the Company	45,756

The decrease in equity attributable to owners of the Company comprised of €45.8million decreased in retained earnings.

NOTE 21 – LOANS AND BORROWINGS

The main credit facility of the Group is revolving credit facility up to €272.0 million available until April 2021 with option for extension for one year. Interest payable on the loan is based on a margin on Euro Libor rates. As at the reporting date the credit facility drawn amounting to €Nil (2017: €200.0 million). During the year, the Group entered into a Bridge facility up to €1,040.0 and withdrew €412.4 million relating to acquisition of Snaitech S.p.A. This facility was subsequently refinanced by the Bond (see Note 22) and the facility was cancelled.

NOTE 22 – BONDS

	Convertible bonds €'000	Snai bond €'000	Bond €'000	Total €'000
As of 1 January 2018	276,464	-	-	276,464
On business combinations	-	588,955	-	588,955
Issue of bond	-	-	523,417	523,417
Repayment of bond	-	(580,605)	-	(580,605)
Notional interest expenses on convertible bonds	10,685	-	289	10,974
Gain on early repayment of bond	-	(8,350)	-	(8,350)
As at 31 December 2018	287,149	-	523,706	810,855

Convertible bonds

On 12 November 2014 the Group issued €297.0 million of senior, unsecured convertible bonds due November 2019 and convertible into fully paid Ordinary Shares of Playtech plc (the "Bonds"). The net proceeds of issuing the Bonds, after deducting commissions and other direct costs of issue, totaled €291.1 million.

The Bonds were issued at par and will be redeemed (if not converted before) on 19 November 2019 at their principal amount. The Bonds bear interest at 0.5% per annum, payable annually in arrears on 19 November.

Bondholders are entitled to convert each €100,000 principal amount into one fully paid preference share being allotted at a price equal to the Paid-Up Value. The bondholders are entitled to receive such number of ordinary shares as is determined by dividing the aggregate Paid-Up Value of the preference shares by the conversion price in effect on the relevant conversion date. The initial conversion price of €10.1325 per Ordinary Share, is subject to adjustment in respect of (i) any dividend or distribution by the Company, (ii) a change of control and (iii) customary anti-dilution adjustments for, inter alia, share consolidations, share splits and rights issues.

Each Preference Share will, following its issue, be immediately delivered to Playtech plc in consideration for which Playtech plc will deliver to the converting Bondholder fully paid ordinary shares of no par value in the capital of Playtech plc in respect of the Preference Shares.

Upon conversion, Bondholders are entitled to receive Ordinary Shares at the conversion price of €8.8542 per Ordinary Share, subject to adjustment in respect of (i) any dividend or distribution by the Company, (ii) a change of control and (iii) customary anti-dilution adjustments for, inter alia, share consolidations, share splits and rights issues.

The fair value of the liability component, included in current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without conversion option of 4%.

The fair value of the liability component of the bond at 31 December 2018 was €289.2 million (2017: €342.4 million), based on readily available quoted prices.

The amortised cost of the liability component of the Bonds (including accrued interest) at 31 December 2018 amounted to €287.1 million (2017: €276.6 million), which was calculated using cash flow projections discounted at 4%.

The fair value at inception of the equity component of the bonds at 31 December 2018 was €45.4 million (2017: €45.4 million).

Interest expense is calculated by applying the effective interest rate of 4.4% to the liability component.

Bond - Snai bond

Through the acquisition of Snaitech, the Group obtained bond loans. This debt was recognised at acquisition at the fair value based on the market prices of the loan notes. The bonds were issued on 7 November 2016, with a fixed rate tranche of €320 million (6.375% coupon, maturity 2021) and a floating rate tranche of €250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021). Following the acquisition by Playtech, the change of control clause within the bonds required the issuer to offer a repayment opportunity. The early redemption procedure applied in accordance with the “change of control offer” and these bonds were fully repaid by Playtech. Total amount paid was €581 million which gave rise to a gain on the equity redemption of €8.4 million which has been recognised in statement of comprehensive income under finance income.

Bond

On 12 October 2018, the Group issued €530 million of senior secured notes ('Notes'). The net proceeds of issuing the Notes after deducting commissions and other direct costs of issue totaled €523.4m. Commissions and other direct costs of issue have been offset against the principal balance and will be amortized over the period of the bond.

The issue price of Notes is 100% of their principal amount. The Notes bear interest from 12 October 2018 at the rate of 3.750% per annum payable semiannually in arrears on 12 April and 12 October in each year commencing on 12 April 2019.

The fair value of the liability component of the bond at 31 December 2018 was €516 million.

NOTE 23 – PROVISIONS FOR RISKS AND CHARGES

	Other provisions €'000	Provisions for tax disputes, litigations, contractual risks €'000	Total provisions €'000
As of 1 January 2018	-	-	-
On acquisitions	1,917	11,339	13,256
Charged to the statement of comprehensive income	309	1,530	1,839
Utilised / realized in the year	(773)	(2,227)	(3,000)
31 December 2018	1,453	10,642	12,095
Due within one year of less	1,453	10,642	12,095
Due after more than one year	-	-	-
	1,453	10,642	12,095

Provision for tax disputes, litigations, contractual risks

The Group is subject to proceedings regarding complex legal matters, which are subject to a differing degree of uncertainty (also due to a complex legislative framework), including the facts and the

circumstances inherent to each case, the jurisdiction and the different laws applicable. Given the uncertainties inherent to these problems, it is difficult to predict with certainty the outlay which will derive from these disputes and it is therefore possible that the value of the provisions for legal proceedings and disputes may vary further to future developments in the proceedings underway. The Group monitors the status of the disputes underway and consults with its advisors and experts on legal and tax-related matters.

NOTE 24 –CONTINGENT CONSIDERATION AND REDEMPTION LIABILITIES

	2018 €'000	2017 €'000
Non-Current contingent consideration consists:		
Acquisition of ACM Group (Note 30b)	71,344	66,791
Acquisition of Quickspin AB	-	14,670
Acquisition of Eyecon Limited (Note 30a)	1,355	1,315
Acquisition of Rarestone Gaming PTY Ltd (Note 29b)	2,188	-
Acquisition of Destres GmbH (note 29c)	10,085	-
Other acquisitions (Note 29f)	3,789	4,518
	88,761	87,294
Non-Current redemption liability consists:		
Acquisition of Consolidated Financial Holdings A/S	-	22,398
Acquisition of Playtech BGT Sports Limited	20,742	25,934
Acquisition of ECM Systems Holdings Limited	839	1,190
Other acquisitions	181	264
	21,762	49,786
Total Non-Current contingent consideration and redemption liability	110,523	137,080
Current contingent consideration consists:		
Acquisition of ACM Group (Note 30b)	2,403	4,601
Acquisition of Quickspin AB	14,536	9,440
Acquisition of Playtech BGT Sports Limited	5,000	4,958
Acquisition of Rarestone Gaming PTY Ltd (note 29b)	2,932	-
Other acquisitions	1,599	1,593
	26,470	20,592
Current redemption liability consists:		
Acquisition of Consolidated Financial Holdings A/S	21,846	-
	21,846	-
Total Current contingent consideration and redemption liability	48,316	20,592

The maximum contingent consideration and redemption liability payable is as follows:

	2018 €'000
Acquisition of ACM Group	126,706
Acquisition of Quickspin AB	14,637
Acquisition of Eyecon Limited	27,825
Acquisition of Rarestone Gaming PTY Ltd	8,476

Acquisition of Destres GmbH	15,000
Acquisition of Playtech BGT Sports	100,000
Acquisition of Consolidated Financial Holdings A/S	63,890
Other acquisitions	6,434
	362,968

NOTE 25 – TRADE PAYABLES

	2018	2017
	€'000	€'000
Suppliers	63,829	30,554
Fair value of open B2B financial trading positions	-	25,739
Customer liabilities	9,127	5,091
Other	629	585
	73,585	61,969

NOTE 26 – DEFERRED TAX LIABILITY

The deferred tax liability is due to temporary differences on the acquisition of certain businesses. The movement on the deferred tax liability is as shown below:

	2018	2017
	€'000	€'000
At the beginning of the year	31,283	40,443
Arising on the acquisitions during the year (Note 29)	47,278	781
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income	(5,553)	(4,592)
Reversal of deferred tax upon sale of intangible asset recognised in the consolidated statement of comprehensive income	-	(3,824)
Foreign exchange movements	384	(1,525)
At the end of the year	73,392	31,283
Split to:		
Deferred tax liability on acquisitions	103,534	31,283
Deferred tax asset	(30,142)	-
	73,392	31,283

Deferred tax assets and tax were offset only when there was a legal enforceable right to set off, according to IAS 12. On 31 December 2018, the Directors recognised deferred tax assets arising from temporary differences and tax losses carryforward. The recognition is based on the business plan projections of future positive results.

NOTE 27 – OTHER PAYABLES

	2018	2017
	€'000	€'000
<i>Non current liabilities</i>		
Payroll and related expenses	6,671	-
Non current guarantee deposits	1,585	-
Other	5,825	474
	14,081	474
<i>Current liabilities</i>		
Payroll and related expenses	62,403	41,322
Accrued expenses	46,686	17,923
Related parties (Note 31)	76	402
VAT payable	11,976	6,292
Other payables	16,560	4,325

137,701	70,264
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NOTE 28 – CORPORATE, GAMING AND OTHER TAXES PAYABLE

	2018 €'000	2017 €'000
Income tax payable	39,751	18,254
Gambling tax	105,154	167
	144,905	18,421

NOTE 29 – ACQUISITIONS DURING THE YEAR

A. Acquisition of Seabrize Marketing Limited (ex. Easydock Investments Limited)

On 1 March 2018, the Group acquired 100% of the shares of Seabrize Marketing Limited (“Seabrize”), a provider of marketing services to online gaming operators.

The Group paid total cash consideration of €12.0 million and maximum additional consideration capped at €10.0 million in cash will be payable in 2019 if the performance of the business in the period from acquisition date until 31 December 2018 meets or exceeds Group’s expectations. During November 2018, the contingent consideration was settled at €8.0 million which also accorded to managements best estimate of the amount payable at acquisition.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Intangible assets	10,520
Trade and other receivables	707
Cash and cash equivalent	173
Trade payables and other payables	(798)
Net identified assets	10,602
Goodwill	8,987
Fair value of consideration	19,589
	€'000
Cash consideration	12,000
Contingent consideration paid	8,000
Finance cost arising on discounting of contingent consideration	(411)
Fair value of consideration	19,589
Cash purchased	173
Net cash payable	19,416

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Customer relationships	10,520	6.67%

The main factor leading to the recognition of goodwill with respect to Seabrize acquisition is customer relationships that does not meet either the contractual-legal or the separable criterion of the accounting standards and, therefore, would not be recognised as a separate intangible asset from the goodwill and cost synergies. The acquisition forms part of the Services CGU and in accordance with IAS36, the Group will regularly monitor the carrying value of its interest in Seabrize.

The key assumptions used by management to determine the value in use of the Customer relationships within Seabrize are as follows:

- The MPEEM income approach.
- The discount rate assumed is equivalent to the WACC for the Customer relationship.
- No growth rate and attrition rates was assumed

Management has not disclosed Seabrize contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2018 been disclosed, because the amounts are not material.

B. Acquisition of Rarestone Gaming PTY Ltd (ex. Studio 88 Pty Ltd)

On 26 March 2018, the Group acquired 100% of the shares of Rarestone Gaming PTY Ltd("S88") which creates content and online games.

The Group paid total cash consideration of €3.4 million (US\$ 4.2 million) and maximum additional consideration capped at €7.3 million (US\$9.0 million) in cash will be payable in 2019, 2020 and 2021 based on launch date of the games and royalty income from the subject games

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Property, plant and equipment	15
Intangible assets	3,623
Cash and cash equivalent	62
Deferred tax liability	(593)
Trade payables and other payables	(1,660)
Net identified assets	1,447
Goodwill	6,978
Fair value of consideration	8,425
	€'000
Cash consideration	3,435
Non-current contingent consideration	2,435
Current contingent consideration	3,003
Finance cost arising on discounting of contingent consideration	(448)
Fair value of consideration	8,425
Cash purchased	62
Net cash payable	8,363

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
IP Technology	3,623	16.7

The main factor leading to the recognition of goodwill is the future games to be developed by the R&D team, assembled work force with vast experience and strong records and cost synergies. The acquisition forms part of the Casino CGU and in accordance with IAS36, the Group will regularly monitor the carrying value of its interest in S88.

The key assumptions used by management to determine the value in use of the IP Technology within S88 are as follows:

- The MPEEM income approach.
- The discount rate assumed is equivalent to the WACC for the IP Technology.

Management has not disclosed S88 contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2018 been disclosed, because the amounts are not material.

C. Acquisition of Destres GmbH

On 1 April 2018, the Group acquired 100% of the shares of Destres GmbH ("Destres") which operates betting shops in Austria.

The Group paid total cash consideration of €15.4 million and maximum additional consideration capped at €25 million in cash will be payable based on a multiple of the 2020 Adjusted EBITDA.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Property, plant and equipment	1,502
Intangible assets	173
Trade and other receivables	646
Cash and cash equivalent	2,538
Loans and borrowings	(280)
Deferred tax liability	(43)
Trade payables and other payables	(1,520)
Tax liabilities	(248)
Net identified assets	2,768
Goodwill	25,925
Fair value of consideration	28,693
	€'000
Cash consideration	15,358
Current contingent consideration	15,000
Finance cost arising on discounting of contingent consideration	(1,665)
Fair value of consideration	28,693
Cash purchased	2,538
Net cash payable	26,155

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Betting licences	173	14

The main factor leading to the recognition of goodwill is high synergies, existing customer base and further strategic aspects. The business will form a new CGU in the B2C segment of the Group and in accordance with IAS36, the Group will regularly monitor the carrying value of its interest in Destres.

Management has not disclosed Destres contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2018 been disclosed, because the amounts are not material.

D. Acquisition of Snaitech SpA

On 5 June 2018, the Group acquired 70.6% of the shares of Snaitech S.p.A. ("Snaitech"), the leading operator on the Italian retail betting market and one of the main players on the gaming machines market. Up to 5 June 2018, the Group had also separately acquired approximately 9% of Snaitech's issued share capital through market purchases. On the 26th of July, the Group has completed the acquisitions of an additional 15.1% of Snaitech's shares through a mandatory tender offer and additional purchase of shares in the market. On 3rd of August, the Group has completed the acquisition of 100% of Snaitech and delisted the company from the Borsa Italia.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration in respect of the acquisition date of 5 June and goodwill, are as follows:

	Fair value on acquisition €'000
Property, plant equipment	316,499
Intangible assets	336,000
Investment in equity accounted associates & joint venture	1,908
Other non-current assets	4,658
Total non-current assets	<u>659,065</u>
Trade receivables (net of provisions of €50 million)	94,834
Other receivables	86,306
Cash and cash equivalent	154,947
Total current assets	<u>336,087</u>
Loans and borrowings	(493)
Bond loan	(588,955)
Deferred tax liability	(46,642)
Other non-current liabilities	(10,242)
Total non-current liabilities	<u>(646,332)</u>
Loans and borrowings	(483)
Trade payables	(17,609)
Progressive operators' jackpots, security deposits	(21,742)
Client funds	(15,308)
Tax liabilities	(94,673)
Deferred revenues	(1,192)
Contingent consideration	(1,230)
Provisions	(13,278)
Other payables	(35,422)
Total current liabilities	<u>(200,937)</u>
Non-controlling interest	(29,832)
Net identified assets	<u>118,051</u>
Goodwill	<u>211,014</u>
Fair value of consideration	<u>329,065</u>
	€'000
Cash consideration	291,175
Fair value of equity holding previously held	37,890
Fair value of consideration	<u>329,065</u>
Cash purchased	<u>154,947</u>
Net cash payable	<u>174,118</u>

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
Concession rights	116,000	11%
Customer Relationship - Gaming Machines	43,000	11%
Customer Relationship - Retail Betting	163,000	11%
Customer Relationship - Online	14,000	25%
Property, plant and equipment	187,000	3%

The main factor leading to the recognition of goodwill is goodwill is the assembled work force which has vast experience and strong records, as well as other future revenue and cost synergies. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in Snaitech.

The fair value of the property, plant and equipment acquired was determined by an external, independent property valuer having appropriate professional qualification and recent experience in the location and nature of the property being valued. The methodologies used to determine the fair value were value in use for San Siro Racetrack and market value for the remaining properties.

The key assumptions used by management to determine the value in use of the Concession within Snaitech are as follows:

- The Greenfield method.
- The discount rate assumed is equivalent to the WACC for the Concession.
- The growth rates and attrition rates were based on market analysis.
- The valuation is based on the management's projections that the license will be renewed.

The key assumptions used by management to determine the value in use of the Customer relationships within Snaitech are as follows:

- The Excess Earnings method.
- The discount rate assumed is equivalent to the WACC for the Customer relationship.
- The growth rates and attrition rates were based on market analysis.

A non-controlling interest was recognised based on the non-controlling proportionate share in the recognised amounts of the net assets of Snaitech. This has subsequently been acquired in full at the fair value of €83.7 million resulting in a transfer of €52.8 million to retained earnings.

For seven month since the acquisition, Snaitech contributed revenue of €511.9 million and a profit of €62.7 million to the Group's results. If the acquisition had occurred on 1 January 2018, management estimates that the consolidated revenue would have been €894.8 million and the consolidated profit for the year would have been €21.8 million. In determining these amounts, management has assumed that the fair value adjustments determined provisionally, that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2018. Acquisition related costs include in the statement of comprehensive income within administrative expenses total €13.9 million.

E. Acquisition of Piazza Hosting Services S.R.L.

On 30 November 2018, the Group acquired 100% of the shares of Piazza Hosting Services S.R.L. ("Piazza") which provides hosting services..

The Group paid total cash consideration of €6.5 million.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Property, plant and equipment	553

Other non current assets	238
Trade and other receivables	411
Cash and cash equivalent	395
Tax liability	(8)
Trade payables and other payables	(1,031)
Net identified assets	558
Goodwill	5,942
Fair value of consideration	6,500
	€'000
Cash consideration	
Fair value of consideration	6,500
Cash purchased	395
Net cash payable	6,105

The main factor leading to the recognition of goodwill is the saving in future payments regarding hosting services and exclusivity and hardware in provision of the hosting services. The acquisition forms part of the Services CGU and in accordance with IAS36, the Group will regularly monitor the carrying value of its interest in Piazza.

Management has not disclosed Piazza contribution to the Group profit since the acquisition nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2018 been disclosed, because the amounts are not material.

F. Other acquisitions

During the period, the Group acquired 100% of the shares of various companies. The Group paid total cash consideration of €13.1 million and additional consideration will be payable based on 2019 and 2021 EBITDA multiple. Also, the Group signed an Asset Purchase Agreement to which the Group acquired 100% of the business for a total consideration of €7.3 million.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Net identified assets	3,073
Goodwill	10,264
Total fair value of consideration	13,337
	€'000
Cash consideration	13,122
Non-current contingent consideration	250
Finance cost arising on discounting of contingent consideration	(35)
Fair value of consideration	13,337
Cash purchased	3,014
Net cash payable	10,323

The main factor leading to the recognition of goodwill is assembled workforce, with vast experience and strong record and other future revenue and cost synergies. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in these acquisitions.

Management has not disclosed other acquisitions contribution to the Group profit since these acquisitions nor has the impact the acquisition would have had on the Group's revenue and profits if it had occurred on 1 January 2018 been disclosed, because the amounts are not material.

NOTE 30 – ACQUISITIONS IN PREVIOUS YEAR

A. Acquisition of Eyecon Limited

On 7 February 2017, the Group acquired 100% of the shares of Eyecon Limited and Eyecon PTY (together “Eyecon”), an Australian supplier of online gaming slots software.

The Group paid total cash consideration of €27.7 million (GBP 23.7 million) and additional consideration capped at €29.0 million (GBP 25.0 million) in cash will be payable based on an EBITDA multiple less initial consideration paid, and is payable in 2020. Post period end the earnout agreement with Eyecon Limited was extended to end of June 2021, with a minimum consideration of €5 million payable and no change to the maximum earnout.

B. Acquisition of ACM Group Assets

On 1 October 2017, the Group acquired technology, intellectual property and certain customer assets (together “the assets”) from ACM Group Limited to enhance its financial division’s B2B offering to deliver a bespoke risk management and trading solution to B2B customers.

The Group paid total consideration of €4.2 million (\$5.0 million) and additional consideration capped at €122.7 million (\$145.0 million) in cash will be payable based on 2017, 2018 and 2019 EBITDA multiple and is payable annually over the time. During 2018, the Group paid €1.7 million based on the 2017 EBITDA.

C. Other acquisitions

During the prior period, the Group acquired the shares of various companies for a total consideration of €14.4 million. One of these subsidiaries was acquired in steps additional 45% acquired in the year previous consideration of €0.8 million paid to acquire the previously recognized 35% interest in associate. A fair value movement was required on conversion to a subsidiary of €0.1 million.

NOTE 31 – RELATED PARTIES AND SHAREHOLDERS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party’s making of financial or operational decisions, or if both parties are controlled by the same third party. Also, a party is considered to be related if a member of the key management personnel has the ability to control the other party.

On 23 November 2018, Brickington Trading Limited (“Brickington”) decreased its holding to 0% (31 December 2017: 6.3%) of Playtech plc shares and the relationship agreement terminated. From this date Brickington no longer meets the definition of a related party. Accordingly, the following companies are not accounted as related parties from the same date:

Skywind Holdings Limited (“Skywind”), SafeCharge Limited, Crossrider Technologies Ltd (“Crossrider”), Royalfield Limited, Selfmade Holdings, Glispa GmbH (“Glispa”), Anise Development Limited and Anise Residential Limited (together “Anise”).

The transaction amounts with the abovementioned companies reflects the period ended 27 June 2017, when they ceased to be related parties.

Mr Teddy Sagi, the ultimate beneficiary of Brickington, provided advisory services to the Group for a total annual consideration of €1. The agreement terminated on 23 November 2018.

The joint ventures and the structured agreements are associates of the Group by virtue of the Group’s significant influence over those arrangements.

The following transactions arose with related parties:

	2018 €'000	2017 €'000
Revenue including revenue from associates		
Skywind	-	720
Structured agreements and associates	29,453	21,294
Share of profit in joint venture	180	464
Share of loss in associates	(1,987)	(662)
Operating expenses		
SafeCharge Limited	-	3,612
Crossrider	-	1,314
Structured agreements	1,221	9
Anise	-	518
Skywind, net of capitalised cost	-	334
Glispa GmbH	-	165
Interest income		
Structured agreements and associates	225	85

The following are the year-end balances:

Structured agreements and associates	11,104	11,246
Associates and joint ventures	173	190
Total current related party receivables	11,277	11,436
Structured agreements	76	402
Total related party payables	76	402

The details of key management compensation (being the remuneration of the directors) are set out in Note 7.

NOTE 32 – SUBSIDIARIES

Details of the Group's principal subsidiaries as at the end of the year are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Software Limited	Isle of Man	100%	Main trading company of the Group, owns the intellectual property rights and licenses the software to customers.
OU Playtech (Estonia)	Estonia	100%	Designs, develops and manufactures online software
Techplay Marketing Limited	Israel	100%	Marketing and advertising
Video B Holding Limited	British Virgin Islands	100%	Trading company for the Videobet software, owns the intellectual property rights of Videobet and licenses it to customers.
OU Videobet	Estonia	100%	Develops software for fixed odds betting terminals and casino machines (as opposed to online software)

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Playtech Bulgaria	Bulgaria	100%	Designs, develops and manufactures online software Management
PTVB Management Limited	Isle of Man	100%	
Evermore Trading Limited	British Virgin Islands	100%	Holding company
Playtech Services (Cyprus) Limited	Cyprus	100%	Activates the ipoker Network in regulated markets. Owns the intellectual property of GTS, Ash and Geneity businesses
VB (Video) Cyprus Limited	Cyprus	100%	Trading company for the Videobet product to Romanian companies
Techplay S.A. Software Limited	Israel	100%	Develops online software
Technology Trading IOM Limited	Isle of Man	100%	Owns the intellectual property rights of Virtue Fusion business
Gaming Technology Solutions Limited	UK	100%	Holding company of VS Gaming and VS Technology
Virtue Fusion (Alderney) Limited	Alderney	100%	Online bingo and casino software provider
Virtue Fusion CM Limited	UK	100%	Chat moderation services provider to end users of VF licensees
Playtech Software (Alderney) Limited	Alderney	100%	To hold the company's Alderney Gaming license
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land based businesses
VF 2011 Limited	Alderney	100%	Holds license in Alderney for online gaming and Bingo B2C operations
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group
PT Turnkey EU Services Limited	Cyprus	100%	Turnkey services for EU online gaming operators
PT Entertanimiento Online EAD	Bulgaria	100%	Poker & Bingo network for Spain
PT Marketing Services Limited	British Virgin Islands	100%	Marketing services to online gaming operators
PT Operational Services Limited	British Virgin Islands	100%	Operational & hosting services to online gaming operators
Tech Hosting Limited	Alderney	100%	Alderney Hosting services
Paragon International Customer Care Limited	British Virgin Island & branch office in the Philippines	100%	English Customer support, chat, fraud, finance, dedicated employees services to parent company
CSMS Limited	Bulgaria	100%	Consulting and online technical support, data mining processing and advertising services to parent company
TCSP Limited	Serbia	100%	Operational services for Serbia
S-Tech Limited	British Virgin Islands & branch office in the Philippines	100%	Live games services to Asia
PT Advisory Services Limited	British Virgin Islands	100%	Holds PT Processing Advisory Ltd

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
PT Processing Advisory Limited	British Virgin Islands	100%	Advisory services for processing & cashier to online gaming operators
PT Processing EU Advisory Limited	Cyprus	100%	Advisory services for processing & cashier for EU online gaming operators
PT Network Management Limited	British Virgin Islands	100%	Manages the ipoker network
Playtech Mobile (Cyprus) Limited	Cyprus	100%	Holds the IP of Mobenga AB
Playtech Holding Sweden AB Limited	Sweden	100%	Holding company of Mobenga AB
Mobenga AB Limited	Sweden	100%	Mobile sportsbook betting platform developer
Geneity Limited	UK	100%	Develops Sportsbook and Lottery software
Factime Limited	Cyprus	100%	Holding company of Juego
Juego Online EAD	Bulgaria	100%	Gaming operator. Holds a license in Spain.
PlayLot Limited	British Virgin Islands	100%	Distributing lottery software
PokerStrategy Ltd.	Gibraltar	100%	Operates poker community business
Videobet Interactive Sweden AB	Sweden	100%	Trading company for the Aristocrat Lotteries VLT's
V.B. Video (Italia) S.r.l.	Italy	100%	Trading company for the Aristocrat Lotteries VLT's
PT Entertainment Services LTD	Antigua	100%	Holding gaming license in the UK
Tradetech Markets Limited	Isle of Man	98.62%	Owns the intellectual property rights and marketing and technology contracts of the financial division
Safecap Limited	Cyprus	98.62%	Primary trading company of the Financial division. Licensed investment firm and regulated by Cysec
TradeFXIL limited	Israel	98.62%	Financial division sales, client retention, R&D and marketing
ICCS BG	Bulgaria	98.62%	Financial division back office customer support
Magnasale Limited	Cyprus	98.62%	Financial division. Licensed and regulated investment firm
Stronglogic Services Limited	Cyprus	98.62%	Maintains the financial division marketing function for EU operations
Yoyo Games Limited	UK	100%	Casual game development technology
Quickspin AB	Sweden	100%	Owns video slots intellectual property
Best Gaming Technology GmbH	Austria	100%	Owns sports betting intellectual property solutions and primary trading company for sports betting
ECM Systems Ltd	UK	93.33%	Owns bingo software intellectual property and bingo hardware

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Consolidated Financial Holdings AS	Denmark	75.86%	Owns the intellectual property which provides brokerage services, liquidity and risk management tool
CFH Clearing Limited	UK	75.86%	Primary trading company of CFH Group
Eyecon Limited	Alderney	100%	Develops and provides online gaming slots
Tradetech Alpha Limited	Isle of Man	100%	Regulated FCA broker providing trading, risk management and liquidity solutions
Seabrize Marketing Limited	BVI	100%	Marketing services
Rarestone Gaming PTY Ltd	Australia	100%	Development company
Destres GmbH	Austria	100%	Operating shops in Austria
Snaitech SPA GmbH	Italy	100%	Italian retail betting market and gaming machine market
Piazza Hosting Services S.R.L	Italy	100%	Hosting services

NOTE 33 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash, equity investments, trade receivables, loan receivables, bank borrowings, accounts payable and accrued expenses. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are credit risk and market price risk, which include interest rate risk, currency risk and equity price risk. The risk management policies employed by the Group to manage these risks are discussed below.

A. Market risk

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Group's income or the value of its holding in financial instruments.

Exposure to market risk

In the financial trading division, the Group has exposure to market risk to the extent that it has open positions. The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each reporting date is therefore not considered representative of the market risk exposure faced by the Group over the year.

The Group's exposure to market risk is mainly determined by the clients' open position. The most significant market risk faced by the Group on the CFD products it offers changes in line with market changes and the volume of clients' transactions.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest changes. The management monitors interest rate fluctuations on a continuous basis and acts accordingly.

Where the Group has generated a significant amount of cash, it will invest in higher earning interest deposit accounts. These deposit accounts are short term and the Group is not unduly exposed to market interest rate fluctuations.

B. Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances.

The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets.

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of at least A- as defined by Standard & Poors. While the majority of money is held in line with the above policy, a small amount is held at various institutions with no rating. The Group also holds small deposits in Cypriot and Spanish financial institutions, as required by the respective gaming regulators that have a rating below A-. The Group holds approximately 13% of its funds (2017: 3%) in financial institutions below A- rate and 2% in payment methods with no rating (2017:8%).

	Total	Financial institutions with A- and above rating	Financial institutions below A- rating and no rating
	€'000	€'000	€'000
At 31 December 2018	622,197	527,698	94,499
At 31 December 2017	583,957	520,147	63,810

Trade and other receivables are carried on the balance sheet net of provisions estimated by the Directors based on prior year experience and an evaluation of prevailing economic circumstances.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 90 days month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. On that basis, no loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined other than the provision for bad debts for trade receivables.

Tradetech has no credit risk to clients since all accounts have an automatic margin call, which relates to a guaranteed stop such that the client's maximum loss is covered by the deposit. The Group has risk management and monitoring processes for clients' accounts and this is achieved via margin calling and close-out process.

The ageing of trade receivables that are past due but not impaired can be analysed as follows:

	Total	Not past due	1-2 months overdue	More than 2 months past due
	€'000	€'000	€'000	€'000
At 31 December 2018	209,854	52,394	26,997	130,463
At 31 December 2017	107,165	82,517	16,075	8,573

The above balances relate to customers with no default history and management estimate full recoverability given the provision below.

A provision for doubtful debtors is included within trade receivables that can be reconciled as follows:

	2018	2017
	€'000	€'000
Provision at the beginning of the year	1,430	1,132
Charged to income statement	4,764	565
Provision acquired through business combination	50,126	-
Utilised	(3,370)	(267)
Provision at end of year	52,950	1,430

Related party receivables included in Note 17 are not past due.

C. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk arises because the Group has operations located in various parts of the world. However, the functional currency of those operations is the same as the Group's primary functional currency (Euro) and the Group is not substantially exposed to fluctuations in exchange rates in respect of assets held overseas.

Foreign exchange risk also arises when Group operations are entered into, and when the Group holds cash balances, in currencies denominated in a currency other than the functional currency.

	In EUR	In USD	In GBP	In other currencies	Total
	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents	289,398	242,714	63,520	26,565	622,197
Client funds	(108,922)	(199,940)	-	-	(308,862)
Cash and cash equivalents less client funds	180,476	42,774	63,520	26,565	313,335

The Group's cash balances are mostly denominated in EUR and USD. Despite the fact that the Group has large amounts in USD, those balances are hedged by the fact that these balances are client's money.

The Group's policy is not to enter into any currency hedging transactions.

D. Equity price risk

The Group's balance sheet is exposed to market risk by way of holding some investments in other companies on a short term basis (Note 14). Variations in market value over the life of these investments will have an immaterial impact on the balance sheet and the statement of comprehensive income.

E. Capital disclosures

The Group seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Group's capital is provided by equity and debt funding. The Group manages its capital structure through cash flow from operations, returns to shareholders primarily in the form of dividends and the raising or repayment of debt.

F. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the financial charges on its debt instruments.

At the end of 2018 the company has met the financial covenants of the RCF which are:

- Leverage: Net Debt/Adjusted EBITDA 3:1
- Interest cover: Interest/Adjusted EBITDA 5:1

Financial division liquidity risk

Positions can be closed at any time by clients and can also be closed by the Group, in accordance with the Group's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Group. When client positions are closed, any corresponding positions relating to the hedged position (if applicable) are closed with brokers.

Liquidity risk arises if the Group encounters difficulty in meeting obligations which arise following profitable positions being closed by clients. This risk is managed through the Group holding client funds in separately segregated accounts whereby cash is transferred to or from the segregated accounts on a daily basis to ensure that no material mismatch arises between the aggregate of client deposits and the fair value of open positions, and segregated cash. Through this risk management process, the Group considers liquidity risk to be low.

	2018 €'000	2017 €'000
Client deposits	138,418	43,741
Open positions	(34,218)	(6,667)
Client funds	104,200	37,074

CFH trades on a matched principal basis and financial instruments are used to hedge all client positions. The management of market risk in respect of matching of derivatives is through automated tools, together with active monitoring and management by senior personnel under the supervision of its directors. CFH's liquidity obligations are monitored daily and it is adequately capitalised with a steady revenue stream to meet its day to day obligations. CFH client deposits balance as at 31 December 2018 was €116.6 million (2017: €71.6 million).

The following are the contractual maturities (representing undiscounted contractual cash flows) of the Group's financial liabilities:

	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
2018				
Trade payables	73,585	73,585	-	-
Progressive and other operators' jackpots	88,601	88,601	-	-
Client deposits	116,656	116,656	-	-
Client funds	104,200	104,200	-	-
Contingent consideration and redemption liability	158,839	48,316	98,097	12,426
Other payables	151,781	151,781	14,080	-
Loans and borrowings	695	489	206	-
Bonds	810,855	287,149	-	523,706
Provisions	12,095	12,095	-	-
2017				
Trade payables	61,969	61,969	-	-
Progressive and other operators' jackpots	62,675	62,675	-	-
Client deposits	71,628	71,628	-	-

	Total €'000	Within 1 year €'000	1-2 years €'000	2-5 years €'000
Client funds	37,074	37,074	-	-
Contingent consideration and redemption liability	157,672	42,990	114,682	-
Other payables	70,544	70,544	-	-
Loans and borrowings	200,000	200,000	-	-
Bonds	276,638	-	276,638	-

G. Total financial assets and liabilities

The fair value together with the carrying amount of the financial assets and liabilities shown in the balance sheet are as follows:

	2018 €'000	2018 €'000	2017 €'000	2017 €'000
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalent	622,197	622,197	583,957	583,957
Equity investments	1,400	1,400	381,346	381,346
Other assets	286,502	386,502	198,848	198,848
Deferred and contingent consideration and redemption liability	158,839	158,839	157,672	157,672
Bonds	810,806	810,855	342,000	276,638
Loans and borrowings	695	695	200,000	200,000
Other liabilities	225,367	225,367	164,369	164,369

Equity investments are measured at fair value using level 1. Refer to Note 15 for further detail. These are the Group's only financial assets and liabilities which are measured at fair value.

NOTE 34 – CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Non-cash items			
	At 1 January 2017 €'000	Financing cash flows €'000	Acquisition of subsidiary (note 29) €'000	At 31 December 2017 €'000
Loans and borrowings (Note 21)	200,000	-	-	200,000
Convertible bonds (Note 22)	266,230	1,485	-	276,638
Contingent consideration (Note 24)	174,290	2,312	77,674	107,886
Redemption liabilities (Note 24)	34,837	(3,300)	-	49,786
Total liabilities	675,357	497	77,674	634,140

	Non-cash items			
	At 1 January 2018	Financing cash flows	Acquisition of subsidiary (note 29)	At 31 December 2018

	€'000	€'000	€'000	€'000	€'000
Loans and borrowings (Note 21)	200,000	(200,481)	1,176	-	695
Convertible bond (Note 22)	276,464	(1,485)	-	12,710	287,649
Snai bond (Note 22)	-	(580,605)	588,955	(8,350)	-
Bond (Note 22)	-	523,417	-	289	523,706
Contingent consideration (Note 24)	107,886	-	-	55,655	163,541
Redemption liabilities (Note 24)	49,786	-	-	(1,470)	48,316
Total liabilities	634,136	(259,154)	590,131	58,834	1,023,947

NOTE 35 – CONTINGENT LIABILITIES

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal, tax and regulatory developments and their potential impact on the Group. Further details in respect of the relevant judgments and estimates are included in note 3.

The Group is involved in proceedings before civil and administrative courts, and other legal actions related to the regular course of business. On the basis of the information currently available, and taking into account existing provisions for risks (as disclosed in Note 23), the Group considers that such proceedings and actions will not result in any material adverse effects upon the Financial Statements.

Management is not aware of any other contingencies that may have a significant impact on the financial position of the Group.

NOTE 36 – OPERATING LEASE COMMITMENT

The Group has a variety of leased properties. The terms of property leases vary from country to country, although they tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses. Total operating lease cost before capitalization in the year was €14.8 million (2017: €17.9 million).

The total future value of minimum lease payments is due as follows:

	2018 €'000	2017 €'000
Not later than one year	27,347	15,564
Later than one year and not later than five years	56,365	38,606
Later than five years	76,565	9,185
	160,277	63,355

NOTE 37 – EVENTS AFTER THE REPORTING DATE

On 28 January 2019, the Group acquired 100% of Areascom SpA for a total consideration of €15.5 million. Areascom is an Italian betting operator which directly manages 24 betting shops which are located in Tuscany. The principal reason for the acquisition is to develop the directly managed retail network as part of the ongoing vertical integration strategy. As at the date of the authorization of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

Playtech has agreed a multi-year extension with News UK to operate Sun Bingo, one of the UK's largest and most popular bingo sites. The collaboration with News UK was originally established in 2015, but under the new contract has been expanded to include new product verticals and has also been extended for a period of up to 15 years.