7 August 2019

Flutter Entertainment plc - 2019 Interim Results

Growing a more diversified and sustainable business; Guidance in line with market expectations

Flutter Entertainment plc (the "Group") announces interim results for the six months ended 30 June 2019.

	H1 2019 £m	H1 2018 £m	YoY %	Adjusted for tax and regulatory changes[4] YoY %
Group Revenue	1,020	867	+18%	+19%
Underlying[1] EBITDA (pre IFRS 16)[2]	196	217	-10%	+15%
Profit before tax	81	106	-24%	
Earnings per share	97.8p	103.7p	-6%	
Underlying[1] earnings per share	148.0p	173.6p	-15%	
Dividends per share	67p	67p	Flat	

Financial and operational highlights (in constant currency[3]):

- Revenue +18% to £1,020m (+9% on a proforma[5] basis)
  - **Online +8%;** continued growth in Paddy Power's recreational customer base and roll-out of sportsbook country specific pricing for Betfair, partially offset by unexpected international market switch offs
  - **Australia +16%;** strong customer growth with profitability close to flat despite additional taxes
  - **US +148%;** FanDuel continuing to lead the New Jersey market; now live online in Pennsylvania
  - **Retail -4%;** good growth in sports offset by reduction in machine revenue post FOBT staking change
- Underlying[1] EBITDA[2] of £196m
  - £21m reduction on H1 2018 after an incremental £47m in taxes and duties
  - Excluding these taxes and duties, Group underlying[1] EBITDA[2] grew 15%
- Strong balance sheet with net debt of £356m at 30 June 2019 (31 December 2018: £162m)
  - Equivalent to a net debt to EBITDA ratio of 0.8x
- Continuing to prioritise sustainable growth through responsible play
  - Currently trialling the second generation of our Customer Activity Awareness Program (CAAP) model
  - Announcement of a series of voluntary measures on safer gambling with the UK's leading gaming operators

Outlook:

- Guidance in line with market expectations
- Full year 2019 underlying[1] EBITDA for Group (excluding the US) expected to be between £420m and £440m on a pre IFRS 16 basis
- In the US, customer acquisition investment likely to lead to an expected EBITDA loss in 2019 of approximately £55m

Peter Jackson, Chief Executive, commented:

"We have had another productive six months at Flutter Entertainment plc. All divisions are performing strongly on an underlying basis and have responded well to the challenges faced. We are pleased with the progress we are making to build a more diversified and sustainable business.

In Europe, Paddy Power's recreational focus and great marketing execution has helped deliver continued growth in customers. The build out of functionality for Betfair continues to make good progress, with sportsbook country specific pricing launched, along with additional languages and currencies. The requirement to switch off a number of international markets has illustrated how important these initiatives are. We have started to trial the second generation of our responsible gambling model and have been pleased to work with the industry in making a number of commitments to promote responsible gambling, which will improve the sustainability of our industry, even if it impacts sector earnings in the short term.

In Australia, Sportsbet's ongoing delivery of innovative products, appealing marketing and recreational focus has led to excellent performance. Our decision to increase investment ahead of the introduction of point of consumption tax has been vindicated, with Sportsbet's earnings close to flat despite this very significant tax increase.

In the US, our FanDuel brand and product proposition enabled us to take 50% of the sports-betting market in New Jersey in H1. We are delighted with this performance and have been encouraged by the regulatory momentum that has seen 10 states regulate online sports betting since the repeal of PASPA. Cross-sell is an important contributor to our success, with around half our customers in New Jersey coming from our existing daily fantasy business, while strong cross-sales have delivered 15% market share in online casino. We have recently gone live in Pennsylvania, where we are one of the first operators to launch online, and we hope to replicate our success there too.

In summary, I am pleased with what we have achieved in the first half and we are confident we can make further good progress in H2."

Notes:
[1] The "underlying" measures exclude separately disclosed items, that are not part of the usual business activity of the Group, and have been therefore reported as "separately disclosed items" (see note 5 to the financial statements).
[2] EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure. EBITDA throughout this Operating and Financial Review excludes the impact of IFRS 16. See Appendix 5 for a reconciliation to IFRS 16 compliant numbers.
[3] Constant currency ("cc") growth throughout this Operating & Financial Review is calculated by retranslating the non-sterling denominated component of H1 2018 at H1 2019 exchange rates (see Appendix 4).
[4] The impact of tax and regulatory change is calculated by adjusting the prior year comparative to reflect the same regulatory and tax rules that exist in the current period. This includes the impact of changes to Australian point of consumption taxes and product fees, UK machine staking limits, UK online remote gaming duty and Irish betting duty.
[5] The Adjarabet and FanDuel transactions completed on 1 February 2019 and 10 July 2018 respectively. The 'Proforma' results include the Adjarabet and FanDuel fantasy sports businesses as if they had always been part of the Group, incorporating in addition to the reported results, results from pre-acquisition periods in 2018 and 2019.

Analyst briefing:
The Group will host a presentation for institutional investors and analysts this morning at 9:00am (IST/BST) at the London Stock Exchange. The presentation will be webcast live on the Group's corporate website (www.flutter.com) and a conference call facility will also be available. To dial into the conference call, participants should dial 0800 678 1161 or 01296 311 600 from the UK, (01) 242 1074 from Ireland and +44 1296 311 600 from elsewhere. The passcode is 665 826 55.

A presentation replay facility will be available later today on our corporate website: https://www.Flutter.com/investors.

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Business Review

As part of our preliminary results announcement in March, we set out our four-pillar strategy to create shareholder value. These pillars were:

(i) To maximise profitable growth in our core markets;
(ii) To grow Betfair in the rest of the world;
(iii) To attain podium positions in additional regulated markets and;
(iv) To pursue the US opportunity rigorously.

Five months on, we provide an update on each below:

Pillar 1: To maximise profitable growth in core markets

Paddy Power (UK and Ireland)

The Paddy Power brand has maintained the good momentum it enjoyed throughout 2018 following the completion of our European platform integration. The rollout of new product and enhanced generosity has been complemented by improved marketing execution, with the brand's voice continuing to resonate strongly in the UK, in what remains a very competitive market. The brand's focus continues to be on the acquisition and retention of recreational customers in the UK and Ireland and to this end, progress has continued in the first half of 2019, with daily active customer growth of 22% in Q1 and 16% in the pre-World Cup period of Q2.

In addition, Paddy Power is delivering improvements to customers. Continued enhancements in the product have seen our net promoter score increase materially since Q3 2018. We have personalised our gaming product by introducing game recommendations based on individual game play. New sign-ups for Paddy's Rewards Club have more than doubled year on year following the success of the Rhodri Giggs loyalty campaign and expansion into gaming.

Betfair (UK and Ireland)

The Betfair brand has a greater focus on core bettors, where we are looking to leverage a combined exchange, sportsbook and gaming proposition to offer customers an unparalleled betting and gaming experience by more closely aligning the products over time.

To help us do this, we have launched My Betfair Rewards in Ireland, a pricing scheme designed to personalise loyalty and increase customer engagement. Upon qualification, customers can opt for a no frills basic commission rate or opt to pay higher commission but with access to other benefits such as cash back on exchange losses, free spins on gaming or sportsbook free bets. While it is early days since launch, we are pleased with the increase in player engagement that we have seen so far.

In addition, we are expanding how we offer generosity on our exchange, with a significant improvement in our free bet capability. This will enable us to compete more directly with low margin sportsbooks and address an historic weakness in the perception of promotions for the brand. This promotion will appear in net revenue rather than marketing.

Sportsbet (Australia)

The Australian sports betting market continues to be very attractive for the Group, with structural growth in the online fixed odds betting market playing to the strength of Sportsbet. The Sportsbet brand continues to be the most distinctive in the Australian market, scoring highly in customer surveys across metrics such as innovation, fun and ease of use. This has resulted in nearly half of customers using Sportsbet as their main betting account, nearly double our nearest competitor. We believe that this positions Sportsbet very well to deal with the regulatory and tax changes occurring in the Australian market at present.

The first half saw a significant increase in gaming taxes (point of consumption tax, "POC") for Australian online corporate bookmakers, with the increases equating to an incremental charge equivalent to circa 11% of total net revenue for Sportsbet. While such a change impacts all corporate bookmakers, for businesses with less scale than our own the impact is particularly pronounced. It was therefore no surprise that ahead of the change, the market saw significant consolidation in 2018 as competitors tried to achieve greater scale through M&A.

In addition, we continue to observe closely how competitors approach investment in a post-POC environment. While it is still early days, we have been encouraged by signs that operators are behaving rationally in the face of lower customer economic returns. We are seeing signs of reduced costs across search marketing with Google pay per click rates down year-to-date. We have also seen competitors give up the rights to certain media assets, reflecting our belief that there may be less discretionary spend in the market overall.

While POC involves a step-change down in the profit margins for our business, it has not adversely impacted the growth trajectory of our business with Sportsbet delivering good growth in both active customers and revenues in H1.

Retail

The landscape across both UK and Irish retail markets has changed this year with the introduction of new staking limits on machines in the UK from April 1 and a doubling of tax on sports-betting stakes in Ireland from Jan 1. While both changes are impacting the profitability of our estate, the strength of our sports-led estate means we are confident we will continue to grow our share in both markets as less profitable competitors start to re-trench.

Our differentiated approach to pricing and customer service has historically translated into:

- Average EBITDA per shop that was nearly 1.5x greater than our quoted competitors (2018 - £114k)
- Average UK sportsbook stakes per shop 2x greater than our quoted competitors (2018 - £1.9m)

This positions us well to take advantage of competitor flux in both markets. We are starting to see announcements of shop closures from competitors and anticipate that more will follow.

Pillar 2: To grow Betfair in the rest of the World

Investing to grow: We believe that we have a significant opportunity to grow Betfair internationally. The Betfair brand already operates in over 100 international markets, both regulated and unregulated, but its product offering in these markets has scope to be much improved. As such, our development teams are continuing to work on improving the functionality of our international offering to facilitate:

- Country specific pricing
- More languages over time
- More currencies in which customers can transact with us
- More payment methods
- More localised content so that customers in various countries get offered the sports and markets they are most likely to be interested in

This work will take time but we are already starting to see some of the benefits. For example, in H1 we rolled out sportsbook country specific pricing across the business. This enables us to offer different prices in different jurisdictions and provides us with flexibility when it comes to choosing when and where we offer enhanced value. The improved functionality also means that we are able to adapt our pricing in markets where sports-betting taxes are higher and where there is a need for higher over-rounds to cover the additional charges, thus improving the contribution rates in these markets.

In addition, significant back-end development work has taken place to reduce the time required to offer international customers localised content. We estimate that this work will ultimately reduce the length of time it takes us to launch in a new jurisdiction by up to 50%. As more of this functionality gets rolled out, we will look to increase our marketing investment in select international markets with the goal of accelerating growth.

Market switch offs: At our full year results in March, we detailed how the growth of the Betfair betting exchange had been impacted in recent years by a variety of international market switch offs. During 2019, and particularly towards the end of the second quarter, we have seen an increase in the number of grey market switch offs impacting our business. These markets included Switzerland, Serbia, Slovakia and Albania.

While individually these markets represent a small fraction of our total revenues, the combined impact of these market closures will reduce Group revenue by approximately £14m this year, £10m of which will be in the second half. The revenues we generate in grey markets do not typically have gaming taxes or specific marketing budgets associated with them and therefore the contribution margin in these regions tends to be high. We estimate that the EBITDA impact of switch offs will be approximately £11m in 2019, of which £7m will be in the second half.

Pillar 3: Attain podium positions in additional regulated markets

The Group is seeking to attain podium positions in more regulated markets globally and aims to achieve this through a combination of organic and acquisitive growth. In February 2019 the Group acquired a controlling 51% stake in Adjarabet, the number one online operator in Georgia (with a market share of circa 40%).

To date, the business is performing well, in line with our expectations. Since acquisition, Adjarabet has benefited from access to Group capabilities including benefitting from launching proprietary Cayetano gaming content and through leveraging Group marketing assets such as Betfair's partnership with FC Barcelona.

The Group remains on the look-out for further M&A opportunities that meet our strategic and financial objectives.

Pillar 4: Pursue US opportunity rigorously

We outlined at our Capital Markets Day in March how we believe we are well positioned to succeed in the US. Our key assets are:

- An established sports-focused brand with high national awareness
- An extensive and growing national customer base with over 8.5 million registered customers
- Unique cross-sell opportunities across four distinct product verticals
- Substantial scale, resources and operational expertise already established in the US, supported by the Group's global capabilities and financial strength

Our performance since March has continued to highlight how this position translates to success. In New Jersey, FanDuel continues to lead the market, accounting for 50% market share in sports-betting in H1. Our New Jersey casino business is also growing significantly following the launch of sports betting with sportsbook cross-sell elevating our market share in H1 2019 to 15% from 10%-11% in previous years.

We are looking forward to the start of the upcoming NFL season and towards the end of July, we successfully launched our mobile app in Pennsylvania, the first app to be live in the Apple app store. We have seen early success in acquiring new customers there and cross-selling to our circa 400,000 customers in the state.

In March, we outlined a credible path to how the overall US sports betting market can evolve to circa 10 times the size of the New Jersey market, equating to approximately $6bn of gross revenues. Since PASPA was repealed, legislative momentum has been encouraging with a total of 10 states having now passed legislation enabling online sportsbetting. These 10 states represent circa 19% of the US population (circa 6.7 times New Jersey). We see positive signs of momentum in further states and look forward to more progress in 2020.

Responsible gambling

We continue to refine our Customer Activity Awareness Program (CAAP) model and we are currently trialling the second generation of this proprietary algorithm. The updated model increases the number of customer behaviours that are monitored for potential harmful activity from 10 to 114. This monitoring is done on a daily basis and tailored interventions are made immediately. These are significant improvements on our existing model and interventions.

Additionally, in conjunction with four of the UK's leading gaming operators, we are pleased to have been able to announce a series of voluntary measures to promote safer gambling and support for problem gamblers, including:

- A 10 fold increase in the financial support for safer gambling measures over four years, with a focus on treatment, to 1% of Gross Gambling Yield (GGY)
- An increase in the amount of safer gambling messaging in advertising as well as supporting dedicated campaigns
- Use of technology, where possible, to keep advertising away from problem gamblers
- Commitment to sharing data with other operators to protect problem gamblers
- Working closely with a wider group of companies in the sector to increase safer gambling and reduce gambling related harm

The five companies have agreed to report publicly on progress against these commitments. We were encouraged to see the positive response from across the political spectrum to the announcement of these collaborative measures.

Globally, we remain committed to working with a number of different organisations to fund research and support initiatives. These include:

- UK - GAMSTOP, Gamble Aware, YGAM, Senet Group, Association of British Bookmakers and the Remote Gambling Association
- Ireland – Dunlewy Addiction Services
- Australia – Responsible Gambling Australia
- US – National Council on Problem Gambling
- International - Gambling Therapy and multiple local organisations in our international markets

In June we launched a software trial with Gamban, which enables customers who have self-excluded to block all online gambling sites and apps worldwide. This service will be provided free of charge to all of our customers who have chosen to self-exclude on both Paddy Power and Betfair. We will be the first operator to enable our customers to block our websites and apps across as many devices as they wish.

Operating and Financial Review

Group

	H1 2019 £m	H1 2019 £m (pre IFRS 16)	H1 2018 £m	Change	Adjusted for tax and regulatory changes[7] YoY
Sports revenue	794	794	677	+17%	
Gaming revenue	225	225	190	+19%	
Total revenue	**1,020**	**1,020**	**867**	**+18%**	
Cost of sales	(301)	(301)	(210)	+44%	
Gross profit	**719**	**719**	**657**	**+9%**	
Sales and marketing	(214)	(214)	(187)	+15%	
Product and technology	(81)	(84)	(67)	+25%	
Operations	(181)	(197)	(160)	+23%	
Central costs	(26)	(28)	(27)	+5%	
Total operating costs	(503)	(523)	(440)	+19%	
Underlying EBITDA[1,2]	**216**	**196**	**217**	**-10%**	**+15%**
Underlying EBITDA margin %	*21.2%*	*19.2%*	*25.0%*	*-580bps*	
Depreciation and amortisation	(69)	(51)	(43)	+18%	
Underlying[1] operating profit	**147**	**145**	**174**	**-17%**	**+14%**
Underlying net interest expense	(7)		(2)	+323%*	
Separately disclosed items	(59)		(66)	-11% *	
Profit before tax	**81**		**106**	**-24% ***	
Underlying[1] earnings per share	**148.0p**		**173.6p**	**-15%***	
Dividends per share	**67p**		**67p**	**Flat**	
Net (debt) / cash at period end[4]	**£(356)m**		**£148m**		

* Percentage growth shown on a post IFRS 16 basis.

Underlying EBITDA pre IFRS 16 was 10% lower than H1 2018. This included a £47m adverse impact from changes to regulation and taxes. On a like-for-like basis underlying EBITDA was 15% higher.

- Revenue increased by 18% to £1.02bn, benefitting from the FanDuel acquisition in July 2018 and, to a lesser extent, the acquisition of Adjarabet in February 2019. On a proforma[6], constant currency[3] ("cc") basis, revenue grew 9% in the first half, reflecting growth in our existing businesses
- Overall, sports results were broadly in line with our expectations for the half
- On a proforma[6] constant currency[3] basis, cost of sales increased by 35% following the introduction of POC taxes and incremental product fees in Australia, increased remote gaming duty in the UK and increases in betting duty in Ireland
- Total operating costs increased by 19%, or 7% on a proforma[6] constant currency[3] basis, primarily reflecting the investment in the nascent US sport-betting market

Depreciation and amortisation pre IFRS 16 increased by 18%, reflecting ongoing product and platform development in Online and Australia, combined with the investment in the US sportsbook. The increase in net interest expense reflects the gross debt position during the first half and the implementation of IFRS 16. Separately disclosed items relate to the amortisation of acquisition related intangible assets.

The application of IFRS 16 has increased EBITDA by £20m and depreciation and amortisation by £19m. The Group's interest charge has increased by circa £2m in H1 as a result. At a Group level, PBT is therefore reduced by approximately £1m as a result of the new accounting standard.

Online

Pre IFRS 16 adjustments	H1 2019 £m	H1 2018 £m	Change
Sportsbook stakes	**2,682**	**2,735**	**-2%**
Sportsbook net revenue %	*7.7%*	*7.5%*	*+20bps*
Sports revenue	334	335	Flat
Gaming revenue	163	127	+29%
Total revenue	**497**	**462**	**+8%**
Cost of sales	(138)	(109)	+26%
Gross profit	**359**	**353**	**+2%**
Sales and marketing	(128)	(128)	Flat
Product and technology	(50)	(47)	+5%
Operations	(42)	(35)	+18%
Total operating costs	(220)	(211)	+4%
Underlying EBITDA[1,2]	**139**	**142**	**-2%**
Depreciation and amortisation	(22)	(21)	+4%
Underlying[1] operating profit	**118**	**121**	**-3%**

The Online division includes the online brands of Paddy Power, Betfair and Adjarabet, along with a number of B2B partnerships.

Total net revenue in our online division increased by 8% in H1 to £497m. Excluding Adjarabet, revenue increased by 1%. This reflected a 1% decline in Q1 and 4% growth in Q2. In the Q2 period prior to the World Cup, online revenue was up 10%.

Sports revenue was flat year on year, with sportsbook revenue increasing by 1% and exchange and B2B revenues declining by 2%.

In sportsbook, net revenue margin was approximately 20 basis points ahead of our expectations in H1 as customer friendly results in February (racing) and March (football) were more than offset by favourable results in the second quarter, particularly in UK football. Sportsbook revenue for the Q2 period prior to the World Cup grew by 22% year on year. Normalising for sports results, we estimate that our underlying expected margin for the period was 7.5% versus 6.9% last year. This structural increase reflects positive customer bet mix changes, the roll out of sportsbook country specific pricing in international markets and an increase in the size of our recreational customer base. International revenues grew in H1, driven by the launch of sportsbook country specific pricing. This change led to a significant reduction in low value staking activity but as expected, this was more than offset by an improvement in our net revenue margin in these markets. Stripping out World Cup comparatives and the impact of market switch offs, net revenue across Betfair's international sportsbook grew 30%.

Exchange and B2B revenue declined by 2% in the period with an increase of 1% in Q1 offset by a decline of 4% in Q2 due to World Cup comparatives. Exchange and B2B revenues were flat year-on-year in the Q2 period prior to the World Cup.

Gaming revenue was up 29% in H1, or 8% excluding Adjarabet. The Paddy Power brand continues to enjoy good momentum in recreational customer growth which has been a key driver of gaming revenue growth. However, as we noted in our Q1 trading update, the responsible gambling measures we are taking are having an impact on higher value activity across both our UK facing brands and more particularly Betfair. This is partially offsetting good mass market growth. Gaming growth in Q2 was 27% or 3% excluding Adjarabet.

Adjarabet revenues are mainly derived from gaming and we are very pleased with how the business is performing since acquisition with proforma[6] gaming revenue up 25%, in constant currency, on the prior comparative period.

Cost of sales was adversely affected by approximately £10m from the increase in remote gaming duty on UK online gaming, the Irish betting duty increase and other betting tax changes in Italy and Romania. Total operating costs increased by 4% but were flat excluding the impact of the Adjarabet acquisition. Accordingly, underlying EBITDA for the division was down 2% year on year at £139m or up 5% when the tax increases are stripped out.

In H2 we anticipate the revenue and EBITDA impact of market switch offs to be approximately £10m and £7m respectively. Most of this adjustment will come through the exchange. On an annualised basis, this equates to £14m of EBITDA.

As expected, we anticipate marketing investment in H2 will reduce by approximately £10m year-on-year, driven by a World Cup saving compared with the prior period and the treatment of exchange free bets referenced above. In addition, we expect benefits from more efficient marketing across Online to offset the marketing investment we are making in Adjarabet.

Australia[5]

Pre IFRS 16 adjustments	H1 2019 £m	H1 2018 £m	Change £	Change A$
Sportsbook stakes	**2,114**	**1,935**	**+9%**	**+12%**
Sportsbook net revenue %	*9.8%*	*9.4%*	*+40bps*	*+40bps*
Revenue	**207**	**182**	**+14%**	**+16%**
Cost of sales	(83)	(51)	+63%	+67%
Gross profit	**124**	**131**	**-6%**	**-3%**
Sales and marketing	(34)	(40)	-15%	-13%
Product and technology	(11)	(11)	+2%	+4%
Operations	(22)	(21)	+1%	+4%
Total operating costs	(67)	(72)	-8%	-5%
Underlying EBITDA[1,2]	**57**	**59**	**-3%**	**-1%**
Depreciation and amortisation	(10)	(8)	+31%	+35%
Underlying[1] **operating profit**	**47**	**51**	**-8%**	**-6%**

Our Australian division operates under the Sportsbet brand.

Sportsbet delivered a strong first half with great momentum in the business. Net revenue increased by 16% with the blended net revenue margin of 9.8% matching the expected margin in the half.

Underlying EBITDA was close to flat year-on-year despite a £24m headwind from the introduction of POC in the majority of states on January 1 as well as some additional product fee increases. Excluding the additional cost relating to these items, underlying EBITDA would have been up 64% in the period. This was a function of the strong revenue growth as well as ongoing cost discipline.

Operating costs, excluding marketing, increased by 4% year-on-year. Sportsbet's H1 marketing spend was 13% lower, albeit this reflected the additional investment we made in H1 last year ahead of POC as well as some World Cup related spend in the comparative period. We also made improvements to the efficiency of our marketing spend in H1 while there have been some signs that competition for marketing assets has moderated somewhat following the tax increase. Taking all of this into account, we would anticipate that sales and marketing as a percentage of revenues will be similar in H2 to H1.

The strong performance of our business reflects the ongoing benefits we are deriving from our investment in product and brand;

- **Product**: Our same game multis product is proving a hit with Australian customers. 38% of our customers have tried the product during the period.
- **Margin**: Our expected margin grew 30bps on the same period last year with improvement reflecting our ongoing focus on refinement of pricing models and good discipline in managing margin whilst still offering attractive prices.
- **Personalisation**: We are increasing our level of personalisation, particularly when it comes to offering customers value. This shift to more targeted generosity means that we are maintaining good customer engagement levels while avoiding mass market bonusing that is not revenue enhancing.

US[5]

Pre IFRS 16 adjustments	Reported H1 2019 £m	Reported H1 2018 £m	Proforma[6] Basis H1 2019 £m	Proforma[6] Basis H1 2018 £m	Change £	Change US$
Sportsbook stakes	845	-	845	-		
Sportsbook net revenue %	*4.1%*	-	*4.1%*	-		
Sports revenue	140	52	140	94	+49%	+40%
Gaming revenue	20	9	20	9	+116%	+103%
Total revenue	**160**	**61**	**160**	**103**	**+55%**	**+46%**
Cost of sales	(44)	(14)	(44)	(19)	+139%	+124%
Gross Profit	**116**	**47**	**116**	**85**	**+37%**	**+29%**
Sales & marketing	(48)	(15)	(48)	(33)	+45%	+37%
Product & technology	(20)	(6)	(20)	(15)	+36%	+28%
Operations	(45)	(17)	(45)	(27)	+65%	+56%
Total operating costs	**(113)**	**(38)**	**(113)**	**(75)**	**+51%**	**+42%**
Underlying EBITDA[1,2]	**3**	**9**	**3**	**9**	**-73%**	**-75%**
Depreciation and amortisation	(8)	(4)	(8)	(6)	+46%	+37%
Underlying[1] operating (loss)/profit	**(6)**	**5**	**(6)**	**4**	**n/a**	**n/a**

Our US division is comprised of FanDuel, our US sportsbook and daily fantasy businesses; TVG, our leading horseracing TV and wagering network and Betfair Casino, our online casino brand in New Jersey.

Proforma[6] revenue in our US division was 46% higher, reflecting 5% revenue growth in our established sports businesses (daily fantasy and TVG), strong growth in Casino gaming revenue and £35m of sports betting net revenue.

The FanDuel sportsbook is the number one brand in New Jersey with 50% share of H1 market revenues. This success reflects the leadership position we have in product and brand which is continuing to drive strong customer growth.

Betfair Casino revenue increased by 103% year on year, benefitting materially from sportsbetting cross-sell as well as ongoing successful direct customer acquisition.

Underlying EBITDA for the period was £3m with good double-digit contribution growth across our non-sportsbook product verticals. This first half profitability reflects the seasonality of the US business where customer acquisition investment in both fantasy and sportsbook is typically heavily weighted to the second half of the year, with the key NFL season commencing in September.

As per the guidance we provided at our US Capital Markets Day in March, we expect the existing US businesses (horseracing, fantasy and online casino) to generate double digit contribution growth in 2019. The operating cost base for these businesses is now also supporting sports betting, with circa 50% of the ex-marketing operating cost base being shared across all verticals. We continue to expect operating costs (excluding marketing) to be between £145m and £155m in 2019.

Retail

Pre IFRS 16 adjustments	**H1 2019 £m**	**H1 2018 £m**	**Change**
Sportsbook stakes	**907**	**875**	**+4%**
Sportsbook net revenue %	*12.5%*	*12.4%*	*+10bps*
Sports revenue	113	108	+5%
Machine gaming revenue	43	54	-21%
Total revenue	**156**	**162**	**-4%**
Cost of sales	(36)	(36)	Flat
Gross profit	**120**	**126**	**-5%**
Sales and marketing	(3)	(3)	+2%
Product and technology	(3)	(3)	+5%
Operations	(88)	(86)	+3%
Total operating costs	(95)	(92)	+3%
Underlying EBITDA[1,2]	**26**	**34**	**-26%**
Depreciation and amortisation	(10)	(10)	+2%
Underlying[1] **operating profit**	**15**	**24**	**-37%**
Shops at period end	626	629	Flat

The Retail division operates 626 Paddy Power betting shops across the UK and Ireland, the same number as at December 2018.

Revenues from UK shops decreased by 10% and Irish shop revenues increased by 6% in local currency.

Sportsbook revenue grew 5%, driven by a 4% increase in stakes.

Gaming revenue declined 21% in the half with Q2 revenues 44% lower year on year. This followed the introduction of a new £2 staking limit on Fixed Odds Betting Terminals from April 1. Ahead of the change we had forecasted that the impact would be a 33% to 43% decrease in our machine gaming revenue, before any mitigation to other products or the spill-over benefit from competitor shop closures. We have seen an improving trend month by month with current trends within our forecasted range.

The decline in machine gaming revenues and the increase in Irish betting duty have resulted in a 26% decline in underlying EBITDA for the division to £26m.

Regulatory update

UK

On 1 April, the UK Government implemented a new stake limit for UK retail gaming machines of £2. Separately in Online, the rate of remote gaming duty on UK gaming revenues increased from 15% to 21% on 1 April.

Australia

From 1 January 2019, new POC came into effect in Victoria, New South Wales, Western Australia and the Australian Capital Territory. Queensland's new POC came into effect on 1 October 2018. Changes to product fees payable to Racing Queensland also came into effect during the period.

The new taxes and product fee changes are the key drivers behind the 12.2 percentage point increase in cost of sales as a % of net revenue in Australia, from 28.0% in H1 2018 to 40.2% in H1 2019, with the percentage expected to be circa 43% in H2.

Ireland

From 1 January 2019, the betting duty payable by Irish customers on sports betting stakes was increased from 1% to 2% while the duty on betting exchange revenues increased from 15% to 25%. The recent Tax Strategy Group's review of Irish Betting Duty proposes to maintain the rate increase and provide relief to smaller bookmakers by setting a de minimis threshold for payment.

The government is continuing to work towards introducing the Gambling Control Bill. The bill seeks, among other matters, to establish a dedicated regulator for the gambling sector in Ireland. We remain supportive of the bill and its aim to introduce into Irish legislation regulation in line with international best practice.

Other regulated markets

In Italy, the Government introduced a ban on all gambling-related advertising and sports sponsorship in July 2018 and this took effect in July 2019. From 1 January the online tax on sports betting increased from 22% to 24% and from 20% to 25% on online gaming.

In Sweden, the online market regulated with effect from 1 January 2019 with an 18% gambling tax. The Group obtained an operating licence, and Betfair.se has been live throughout the period.

Effective 1 January 2019, Romania introduced a new 2% tax on deposits along with the 16% online revenue tax already payable.

Taxation

The Group's underlying effective tax rate in the period was 16.3% (H1 2018: 14.5%). The full-year 2019 underlying Group ex-US effective tax rate is still expected to be between 12% and 14% (FY 2018: 13.7%).

Capital expenditure

The Group had £55m of capital expenditure in the period (H1 2018: £50m). Approximately 30% of the expenditure related to our US business with the remainder relating to technology projects, product development and capital expenditure in our Online, Retail and Australian businesses. For the full year, we now expect total capital expenditure to be between £120m - £130m.

Foreign Exchange

At current spot rates, the foreign exchange impact on H2 2019 EBITDA versus H2 2018 is a circa £4m headwind.

Outlook

Overall, the Group is continuing to perform well on an underlying basis, in line with our expectations. As a result, we now expect full year underlying[1] Group EBITDA (on a pre IFRS 16 basis), excluding the US, to be between £420m and £440m.

Our US business is entering the key seasonal period for customer acquisition with the start of the NFL season in September. In H2, we will therefore be investing heavily in sportsbook acquisition together with continuing to grow our fantasy player base nationally. Taking this investment into account, we currently expect US underlying EBITDA losses for the year to be approximately £55m (on a pre IFRS16 basis).

We are pleased with the progress achieved in H1 and the underlying growth being delivered in all divisions and look forward to making further progress in H2.

Cash flow and financial position

Pre IFRS 16 adjustments	H1 2019 £m	H1 2018 £m
Underlying EBITDA[1,2]	196	217
Capex	(55)	(50)
Working capital	22	(42)
Corporation tax	(22)	(37)
Underlying free cash flow	**141**	**88**
Cash flow from separately disclosed items	(2)	20
Free cash flow	**139**	**108**
Dividends paid	(104)	(114)
Share buyback	(87)	(87)
Adjarabet acquisition	(102)	-
Interest and other borrowing costs	(3)	(2)
Legacy Greek and German tax	(40)	-
Net proceeds from issue of new shares	-	2
Other	2	-
Net (decrease) / increase in cash	**(194)**	**(93)**
Net cash at start of period	**(162)**	**244**
Foreign currency exchange translation	(1)	(3)
Net (debt) / cash at period end[4]	**(356)**	**148**

As at 30 June 2019, the Group had net debt of £356m, excluding customer balances. Working capital in 2019 was favourably affected by both the timing of some H1 2019 costs paid in 2018 and the unwinding of material prepayments in relation to European marketing assets which were paid in H1 2018. Payment was made to the German and Greek tax authorities relating to two contested legacy tax issues. The Group remains confident in our grounds to appeal both of these cases.

Dividend

The Board has declared an interim dividend of 67p per share (2018: 67p per share), which equates to an expected total interim dividend of £52m (2018: £55m). This will be paid on 9 October 2019 to shareholders on the register at the close of business on 6 September 2019.

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[1] The "underlying" measures exclude separately disclosed items, that are not part of the usual business activity of the Group and have been therefore reported as "separately disclosed items" (see note 5 to the financial statements).

[2] EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure. EBITDA throughout this Operating and Financial Review excludes the impact of IFRS 16. See Appendix 5 for a reconciliation to IFRS 16 compliant numbers. It is defined as profit for the year before depreciation and amortisation, financial income, financial expense and tax expense / credit. The Group uses EBITDA, Underlying EBITDA and Underlying operating profit to comment on its financial performance. These measures are used internally to evaluate performance, to establish strategic goals and to allocate resources. The directors also consider that these are commonly reported and widely used by investors as an indicator of operating performance and ability to incur and service debt, and as a valuation metric. These are non-GAAP financial measures and are not prepared in accordance with IFRS and, as not uniformly defined terms, these may not be comparable with measures used by other companies to the extent they do not follow the same methodology used by the Group. Non-GAAP measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. All of the adjustments shown have been taken from the financial statements.

[3] Constant currency ("cc") growth throughout this Operating & Financial Review is calculated by retranslating the non-sterling denominated component of H1 2018 at H1 2019 exchange rates (see Appendix 4)

[4] Net cash at 30 June 2019 is comprised of gross cash excluding customer balances of £104m and borrowings of £460m. The comparative balance shown as at 30 June 2018 is comprised of gross cash excluding customer balances of £317m and borrowings of £169m (see Appendix 3).

[5] Growth rates in the commentary are in local currency.

[6] The Adjarabet and FanDuel transactions completed on 1 February 2019 and 10 July 2018 respectively. The 'Proforma' results include the Adjarabet and FanDuel fantasy sports businesses as if it had always been part of the Group, incorporating in addition to the reported results, results from pre-acquisition periods in 2018 and 2019.

[7] The impact of tax and regulatory change is calculated by adjusting the prior year comparative to reflect the same regulatory and tax rules that exist in the current period. This includes the impact of changes to Australian point of consumption taxes and product fees, UK machine staking limits, UK online remote gaming duty and Irish betting duty.

Appendix 1: Divisional Key Performance Indicators

Half yearly

£m	Online			Australia				Retail			US				Group			
Pre IFRS 16 adjustments	**H1 2019**	**H1 2018**	**% Change**	**H1 2019**	**H1 2018**	**% Change**	**A$ % Change**	**H1 2019**	**H1 2018**	**% Change**	**H1 2019**	**H1 2018**	**% Change**	**US$ % Change**	**H1 2019**	**H1 2018**	**% Change**	**CC[1]% Change**
Sportsbook stakes	2,682	2,735	-2%	2,114	1,935	+9%	+12%	907	875	+4%	845		n/a	n/a	6,548	5,544	+18%	+19%
Sportsbook net revenue %	*7.7%*	*7.5%*	*+20bps*	*9.8%*	*9.4%*	*+40bps*	*+40bps*	*12.5%*	*12.4%*	*+10bps*	*4.1%*		*n/a*	*n/a*	*8.6%*	*8.9%*	*-30bps*	*-30bps*
Sports revenue	334	335	Flat	207	182	+14%	+16%	113	108	+5%	140	52	+172%	+156%	794	677	+17%	+18%
Gaming revenue	163	127	+29%	-	-	-	-	43	54	-21%	20	9	+116%	+103%	225	190	+19%	+18%
Total revenue	**497**	**462**	**+8%**	**207**	**182**	**+14%**	**+16%**	**156**	**162**	**-4%**	**160**	**61**	**+163%**	**+148%**	**1,020**	**867**	**+18%**	**+18%**
Cost of sales	(138)	(109)	+26%	(83)	(51)	+63%	+67%	(36)	(36)	Flat	(44)	(14)	+225%	+206%	(301)	(210)	+44%	+44%
Gross Profit	**359**	**353**	**+2%**	**124**	**131**	**-6%**	**-3%**	**120**	**126**	**-5%**	**116**	**47**	**+145%**	**+131%**	**719**	**657**	**+9%**	**+9%**
Sales & marketing	(128)	(128)	Flat	(34)	(40)	-15%	-13%	(3)	(3)	+2%	(48)	(15)	+218%	+200%	(214)	(187)	+15%	+15%
Product & technology	(50)	(47)	+5%	(11)	(11)	+2%	+4%	(3)	(3)	+5%	(20)	(6)	+243%	+223%	(84)	(67)	+25%	+26%
Operations	(42)	(35)	+18%	(22)	(21)	+1%	+4%	(88)	(86)	+3%	(45)	(17)	+163%	+147%	(197)	(160)	+23%	+23%
Unallocated central costs															(28)	(27)	+5%	+5%
Operating costs	**(220)**	**(211)**	**+4%**	**(67)**	**(72)**	**-8%**	**-5%**	**(95)**	**(92)**	**+3%**	**(113)**	**(38)**	**+197%**	**+180%**	**(523)**	**(440)**	**+19%**	**+19%**
Underlying EBITDA	**139**	**142**	**-2%**	**57**	**59**	**-3%**	**-1%**	**26**	**34**	**-26%**	**3**	**9**	**-72%**	**-74%**	**196**	**217**	**-10%**	**-10%**
Depreciation & amortisation	(22)	(21)	+4%	(10)	(8)	+31%	+35%	(10)	(10)	+2%	(8)	(4)	+104%	+92%	(51)	(43)	+18%	+18%
Underlying operating profit	**118**	**121**	**-3%**	**47**	**51**	**-8%**	**-6%**	**15**	**24**	**-37%**	**(6)**	**5**	**n/a**	**n/a**	**145**	**174**	**-17%**	**-17%**

[1] Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of H1 2018 at H1 2019 exchange rates (see Appendix 4)

Appendix 2: Divisional Key Performance Indicators

Quarterly, unaudited

£m	Online			Australia				Retail			US				Group			
	Q1 2019	Q1 2018	% Change	Q1 2019	Q1 2018	% Change	A$ % Change	Q1 2019	Q1 2018	% Change	Q1 2019	Q1 2018	% Change	US$ % Change	Q1 2019	Q1 2018	% Change	CC[1]% Change
Sportsbook stakes	1,338	1,277	+5%	1,042	917	+14%	+17%	434	415	+4%	459		n/a	n/a	3,273	2,609	+25%	+27%
Sportsbook net revenue %	*6.6%*	*7.6%*	*-100bps*	*9.2%*	*9.0%*	*+20bps*	*+20bps*	*11.4%*	*12.5%*	*-110bps*	*4.0%*		*n/a*	*n/a*	*7.7%*	*8.9%*	*-120bps*	*-120bps*
Sports revenue	152	161	-6%	96	83	+16%	+20%	50	52	-5%	69	23	+197%	+178%	366	319	+15%	+15%
Gaming revenue	76	58	+31%	-	-	-	-	27	27	+2%	9	5	+96%	+83%	113	90	+26%	+25%
Total revenue	**228**	**219**	**+4%**	**96**	**83**	**+16%**	**+20%**	**77**	**79**	**-2%**	**78**	**28**	**+180%**	**+162%**	**478**	**408**	**+17%**	**+18%**

£m	Online			Australia				Retail			US				Group			
	Q2 2019	Q2 2018	% Change	Q2 2019	Q2 2018	% Change	A$ % Change	Q2 2019	Q2 2018	% Change	Q2 2019	Q2 2018	% Change	US$ % Change	Q2 2019	Q2 2018	% Change	CC[1]% Change
Sportsbook stakes	1,344	1,458	-8%	1,072	1,018	+5%	+8%	473	459	+3%	386		n/a	n/a	3,275	2,935	+12%	+12%
Sportsbook net revenue %	*8.8%*	*7.3%*	*+150bps*	*10.3%*	*9.8%*	*+50bps*	*+50bps*	*13.5%*	*12.2%*	*+130bps*	*4.3%*		*n/a*	*n/a*	*9.5%*	*8.9%*	*+60bps*	*+60bps*
Sports revenue	183	174	+5%	111	99	+12%	+14%	64	56	+14%	71	28	+151%	+137%	429	358	+20%	+20%
Gaming revenue	86	68	+27%	-	-	-	-	15	27	-44%	11	5	+136%	+123%	113	100	+12%	+12%
Total revenue	**269**	**243**	**+11%**	**111**	**99**	**+12%**	**+14%**	**79**	**84**	**-5%**	**82**	**33**	**+149%**	**+135%**	**541**	**458**	**+18%**	**+18%**

[1] Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of Q1 2018 and Q2 2018 at Q1 2019 and Q2 2019 exchange rates, respectively

Appendix 3: Reconciliation of Presented cash flow to Reported statutory cash flow

In the Operating and Financial Review the cash flow has been presented on a net cash, pre-IFRS 16 basis. The difference between this and the reported statutory cash flow is the inclusion of borrowings to determine a net cash position and the use of underlying EBITDA on a pre-IFRS 16 basis, as reconciled in the table below.

£m	Presented cash flow (pre IFRS 16 adjustments)		Adjustment to include borrowings and IFRS 16		Reported cash flow	
	H1 2019	**H1 2018**	**H1 2019**	**H1 2018**	**H1 2019**	**H1 2018**
Underlying EBITDA[1]	196	217	20	-	216	217
Capex[2]	(55)	(50)	-	-	(55)	(50)
Working capital[3]	22	(42)	-	-	22	(42)
Corporation tax	(22)	(37)	-	-	(22)	(37)
Underlying free cash flow	**141**	**88**	**20**	**-**	**161**	**88**
Cash flow from separately disclosed items[4]	(2)	20	-	-	(2)	20
Free cash flow	**139**	**108**	**20**	**-**	**159**	**108**
Dividends paid	(104)	(114)	-	-	(104)	(114)
Share buyback	(87)	(87)	-	-	(87)	(87)
Adjarabet acquisition	(102)	-	-	-	(102)	-
Lease liabilities paid	-	-	(20)	-	(20)	-
Interest and other borrowing costs[5]	(3)	(2)	-	-	(3)	(2)
Legacy Greek and German tax assessments	(40)	-	-	-	(40)	-
Net proceeds from issue of new shares	-	2	-	-	-	2
Other	2	-	-	-	2	-
Net amounts drawn down / (repaid) on borrowings	-	-	174	108	174	108
Net increase / (decrease) in cash	**(194)**	**(93)**	**174**	**108**	**(20)**	**15**
Net cash at start of the period	**(162)**	**244**	**284**	**62**	**124**	**307**
Foreign currency exchange translation	(1)	(3)	1	(1)	-	(5)
Net (debt) / cash at period end	**(356)**	**148**	**460**	**169**	**104**	**317**

[1]Underlying EBITDA (pre IFRS 16) includes the following line items in the statutory cash flow: Profit for the period, separately disclosed items, tax expense before separately disclosed items, financial income before separately disclosed items, financial expense before separately disclosed items and depreciation and amortisation before separately disclosed items. EBITDA throughout this Operating and Financial Review excludes the impact of IFRS 16. See Appendix 5 for a reconciliation to IFRS 16 compliant numbers.

[2] Capex includes purchase of property, plant and equipment, purchase of intangible assets, purchase of businesses net of cash acquired (excluding Adjarabet acquisition shown separately in presented cash flow), capitalised internal development expenditure, payment of contingent deferred consideration and loss on disposal of property, plant and equipment and intangible assets.

[3] Working capital includes increase in trade and other receivables, increase / (decrease) in trade, other payables and provisions, employee equity-settled share based payments expense before separately disclosed items, and foreign currency exchange loss / (gain).

[4] Cash flow from separately disclosed items includes proceeds from the disposal of investment & restructuring and strategic initiative costs paid.

[5] Interest and other borrowing costs includes interest paid, interest received and fees in respect of borrowings facility.

Appendix 4: Reconciliation of growth rates to constant currency growth rates

Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of H1 2018 at H1 2019 exchange rates as per the table below.

£m ***Pre IFRS 16 adjustments***	**H1 2019**	**H1 2018**	**% Change**	**H1 2018 FX impact**	**H1 2018 CC**	**CC% Change**
Sports net revenue	794	677	+17%	(2)	675	+18%
Gaming net revenue	225	190	+19%	-	190	+18%
Total net revenue	**1,020**	**867**	**+18%**	**(1)**	**866**	**+18%**
Cost of sales	(301)	(210)	+44%	1	(209)	+44%
Gross Profit	**719**	**657**	**+9%**	**-**	**657**	**+9%**
Sales & marketing	(214)	(187)	+15%	-	(187)	+15%
Product & technology	(84)	(67)	+25%	-	(67)	+26%
Operations	(197)	(160)	+23%	-	(160)	+23%
Unallocated central costs	(28)	(27)	+5%	-	(27)	+5%
Operating costs	**(523)**	**(440)**	**+19%**	**-**	**(440)**	**+19%**
Underlying EBITDA	**196**	**217**	**-10%**	**-**	**217**	**-10%**
Depreciation & amortisation	(51)	(43)	+18%	-	(43)	+18%
Underlying operating profit	**145**	**174**	**-17%**	**-**	**174**	**-17%**
Revenue by division						
Online	497	462	+8%	-	462	+8%
Australia	207	182	+14%	(4)	178	+16%
Retail	156	162	-4%	-	162	-4%
US	160	61	+163%	+4	65	+148%
Underlying EBITDA by division						
Online	139	142	-2%	1	143	-2%
Australia	57	59	-3%	(2)	57	-1%
Retail	26	34	-26%	-	34	-25%
US	3	9	-72%	1	10	-74%
Unallocated central costs	(28)	(27)	+5%	-	(27)	+5%

Appendix 5: Reconciliation of underlying EBITDA and EBIT to reported statutory EBIT by division

From 1 January 2019, IFRS 16 – Leases replaced IAS 17 – Leases. This means for leases previously classified as operating leases, a right of use asset and associated lease liability will be recognised going forward. The nature of the operating lease expense also changes as IFRS 16 replaces the previous operating lease expense with a depreciation charge on the asset and an interest expense on the liability. As a Group we have adopted the modified retrospective approach by not restating the comparative period. Therefore in the Operating and Financial Review, in order to maintain comparability with the prior period, we have shown underlying EBITDA on a consistent basis with the prior period, i.e. on a pre- IFRS 16 basis with the relevant operating lease expense included within EBITDA. The impact of IFRS 16 on Group profit before tax was immaterial in the period.

£m	**Online**			**Australia**			**Retail**			**US**			**Group**		
	Pre IFRS 16 H1 2019	**IFRS 16 adjust-ment**	**Reported H1 2019**	**Pre IFRS 16 H1 2019**	**IFRS 16 adjust-ment**	**Reported H1 2019**	**Pre IFRS 16 H1 2019**	**IFRS 16 adjust-ment**	**Reported H1 2019**	**Pre IFRS 16 H1 2019**	**IFRS 16 adjust-ment**	**Reported H1 2019**	**Pre IFRS 16 H1 2019**	**IFRS 16 adjust-ment**	**Reported H1 2019**
Total revenue	**497**		**497**	**207**		**207**	**156**		**156**	**160**		**160**	**1,020**		**1,020**
Cost of sales	(138)		(138)	(83)		(83)	(36)		(36)	(44)		(44)	(301)		(301)
Gross Profit	**359**		**359**	**124**		**124**	**120**		**120**	**116**		**116**	**719**		**719**
Operating costs	**(220)**	**3**	**(217)**	**(67)**	**2**	**(65)**	**(95)**	**11**	**(83)**	**(113)**	**2**	**(111)**	**(523)**	**20**	**(503)**
Underlying EBITDA	**139**	**3**	**142**	**57**	**2**	**58**	**26**	**11**	**37**	**3**	**2**	**4**	**196**	**20**	**216**
Depreciation & amortisation	(22)	(2)	(24)	(10)	(2)	(12)	(10)	(11)	(21)	(8)	(2)	(10)	(51)	(19)	(69)
Underlying operating profit	**118**	**-**	**118**	**47**	**-**	**47**	**15**	**1**	**16**	**(6)**	**-**	**(6)**	**145**	**2**	**147**
Underlying net interest expense													(5)	(2)	(7)
Separately disclosed items													(59)	-	(59)
Profit before tax													**82**	**(1)**	**81**

STATEMENT OF DIRECTORS RESPONSIBILITIES
For the six months ended 30 June 2019

The Directors are responsible for preparing this interim management report in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the related Transparency Rules of the Central Bank of Ireland.

In preparing the interim financial information, the directors are required to:

- prepare and present the interim financial information in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland;
- ensure the interim financial information has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

We confirm that to the best of our knowledge:

a) the condensed set of financial statements in the half-yearly financial report of Flutter Entertainment plc ("the Company") for the six months ended 30 June 2019 ("the interim financial information") which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of other comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in equity and related explanatory notes, have been presented and prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

b) the interim financial information presented, as required by the Transparency (Directive 2004/109/EC) Regulations 2007, includes:

   i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements;

   ii) a description of the principal risks and uncertainties for the remaining six months of the financial year;

   ii) related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and

   iv) any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

c) the interim financial information also includes a fair review of the information required by:

   i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules of the London Stock Exchange, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

   ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules of the London Stock Exchange, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could so.

On behalf of the Board of Directors

Peter Jackson	**Jonathan Hill**
Chief Executive Officer	*Chief Financial Officer*

6 August 2019

Understanding and managing our principal risks

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's performance and the factors that mitigate those risks have not significantly changed from those set out on pages 51-53 in the Group's Annual Report and Accounts 2018 (which is available to download at www.flutter.com). The principal risks facing the Group, together with the Group's risk management process in relation to these risks, continue to be monitored, reviewed and re-assessed. A summary of the principal risks and uncertainties that are most relevant to the remainder of the current financial year is included below:

- Regulation and licensing and regulatory compliance – The regulatory, taxation, consumer protection or legislative environment, including interpretations or practices, applicable to the Group's activities in the various markets in which it operates, including those markets where no regulatory framework exists, and the related risks from limitation of business activities or litigation by third parties can make it commercially challenging for us to operate or restrict our ability to grow the business. Breaches of regulations can damage our reputation as well as lead to fines, investigations and affect future growth. We have dedicated internal and external Legal, Compliance and Tax teams with responsibility for advising business units in these matters and through appropriate policies, processes and controls. Our dedicated Regulatory and Compliance teams work with regulators and governments in relation to proportionate and reasonable regulation. As the first line, Management has ultimate accountability for compliance, and training and communication strategies have focused on ensuring appropriate awareness of requirements. A risk-based approach is taken to key areas and there are appropriate second line functions in the business who test the systems for compliance. Management report periodically to the Audit Committee and the Risk Committee on the application of various laws and regulations by the relevant jurisdiction to ensure that they are appropriately understood and managed. The Group's internal and external auditors report the findings of their audit procedures to the Audit Committee on relevant compliance matters.

- Data management and cyber security – The inability to adequately protect customer and other key data and information could result in formal investigations and/or possible litigation resulting in prosecution and damage to our brands. The Group invests significantly in IT security resources and works with a variety of external security specialists to ensure security arrangements and systems are up-to-date with emerging threats. The Group's Information Security team continuously assesses the risks and controls around security and IT operations. We have in place a number of data protection policies in order to protect the privacy rights of individuals in accordance with the relevant data protection legislation, including compliance with the new EU-wide General Data Protection Regulation which came into force in May 2018. The Group's Legal and Compliance teams ensure that the business is aware of, and adheres to, industry best practice standards and relevant laws of data protection and privacy.

- BREXIT - The high degree of uncertainty around the terms of the UK's departure from the EU as a consequence of the BREXIT referendum has resulted in business risk. The potential implications of different BREXIT outcomes continue to be monitored by members of senior management and internal and external advisors. The Board continues to monitor BREXIT-related developments particularly in the event of continued uncertainty and the possibility of a "no deal" BREXIT. Specific impacted areas considered include legislation and regulation, people, data protection and tax. However, we are a global business, geographically and product diversified, and licensed country-by-country. This is a distinct advantage should data protection conditions in one market change.

- Market restrictions – Restrictions on new or existing markets such as advertising bans or material taxation changes can impact growth plans. Potential changes in regulatory environments are monitored on an ongoing basis with a view to managing any changes appropriately and cost efficiently. The Group continues to promote transparent and effective regulations in all markets that create a level playing field. A product prioritisation process ensures any new regulations are complied with in a timely manner.

- Technology infrastructure, systems stability and availability – Our operations are dependent on technology and advanced IT systems and any damage or failure to these could reduce revenue and harm our business reputation. Reduced availability of our products arising from software, infrastructure and system issues could result in a poor customer experience and may have an impact on customer loyalty affecting our ability to grow the business. Further to the completion of the single technology platform, customers are interfaced onto a single platform, which has increased resilience. We continuously invest in a cost-effective technology platform to ensure stability and availability, to eliminate single points of failure and improve performance. Key metrics are in place to monitor key systems and platforms and identify potential emerging issues. There is a formal incident management process for identifying, escalating and resolving issues and a post incident process to ensure similar issues cannot happen again. Robust development and change management processes help reduce the risk of unplanned outages.

- Business continuity planning and disaster recovery – The ability of the Group to recover from severe disruption to our technology systems and business operations is paramount. A significant disruption to one of our data centres or offices can cause reduction in revenue and loss of customers. Delays in restoring services following a major disruption could result in loss of customers and reputational damage. We regularly review our Business Continuity Plans and our IT Disaster Recovery capability and have in place service level agreements with third parties. Where possible, we have fail safe solutions and seek to limit single points of failure. The increase in extreme weather events across the Group's locations have increased the need to better manage this risk but we have in place continuity plans to manage such events and these have been successfully tested.

- Reliance on third parties and key supplier relationships – We rely on third parties across our business. Managing relationships with, and performance by, key suppliers, particularly those supplying software platforms, payment processing and data to support the Group's products is key to the Group's strategic objectives. Where possible, we limit reliance on a single supplier to reduce potential single points of failure. The Group has strong commercial relationships with its key suppliers. Contracts and service level agreements are in place and are regularly reviewed. Proposed new contracts are passed through a procurement process to ensure adequate protection for the Group. The Group monitors the performance of third-party suppliers in order to ensure the efficiency and quality of contract performance.

- Key employees recruitment and retention – Continued success and growth is dependent on the performance of Executive Directors, senior management and other key employees. Retention and recruitment of these individuals is a key component in securing the ability to grow and develop the business. The Group's ability to continue to attract, retain and motivate passionate and highly skilled employees in an intensely competitive environment is key. The Board reviews key positions and reward through the Nomination and Remuneration Committees. The Executive Directors, senior management and other key employees are part of medium or long term incentive plans, which reward performance and loyalty. Our HR function actively manages succession planning and the processes that are in place throughout the business to identify key roles and conduct regular appraisals, succession and talent reviews, engagement surveys as well as career development opportunities. All employees are subject to regular salary reviews, a comprehensive benefit package and are able to join (subject to local jurisdictional requirements) our all-employee save as you earn share scheme, which provides an opportunity for them to participate in the Group's performance.

- Health and safety – A major health and safety incident in our retail betting shops would have a material impact upon employees and could lead to significant reputational damage as well as fines and regulatory action. There are processes in place to manage the risks in our retail betting shops, including health and safety structures, single manning processes and loss prevention and security measures. There are a number of risk assessments conducted in our shops at various stages of their lifecycle. In addition, a formal incident management process and follow up procedures reduce the likelihood of repeat issues.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2019

	Note	**Before separately disclosed items Six months ended 30 June 2019 (unaudited) £m**	**Separately disclosed items (Note 5) Six months ended 30 June 2019 (unaudited) £m**	**Total Six months ended 30 June 2019 (unaudited) £m**	Before separately disclosed items Six months ended 30 June 2018 (unaudited) £m	Separately disclosed items (Note 5) Six months ended 30 June 2018 (unaudited) £m	Total Six months ended 30 June 2018 (unaudited) £m
Continuing operations							
Revenue	4	**1,019.9**	**-**	**1,019.9**	866.7	-	866.7
Cost of sales		**(301.0)**	**-**	**(301.0)**	(209.6)	-	(209.6)
Gross profit		**718.9**	**-**	**718.9**	657.1	-	657.1
Operating costs excluding depreciation, amortisation and impairment		**(503.1)**	**-**	**(503.1)**	(440.4)	(12.5)	(452.9)
EBITDA [1]		**215.8**	**-**	**215.8**	216.7	(12.5)	204.2
Depreciation and amortisation		**(69.3)**	**(58.8)**	**(128.1)**	(42.9)	(44.2)	(87.1)
Impairment		**-**	**-**	**-**	-	(27.2)	(27.2)
Operating profit		**146.5**	**(58.8)**	**87.7**	173.8	(83.9)	89.9
Financial income		**0.4**	**-**	**0.4**	0.9	17.7	18.6
Financial expense		**(7.1)**	**-**	**(7.1)**	(2.5)	-	(2.5)
Profit before tax		**139.8**	**(58.8)**	**81.0**	172.2	(66.2)	106.0
Tax (expense) / credit	6	**(22.8)**	**9.4**	**(13.4)**	(24.9)	6.9	(18.0)
Profit for the period		**117.0**	**(49.4)**	**67.6**	147.3	(59.3)	88.0
Attributable to:							
Equity holders of the Company		**116.3**	**(39.4)**	**76.9**	147.3	(59.3)	88.0
Non-controlling interest		**0.7**	**(10.0)**	**(9.3)**	-	-	-
		117.0	**(49.4)**	**67.6**	147.3	(59.3)	88.0
Earnings per share							
Basic	7			**£0.978**			£1.037
Diluted	7			**£0.975**			£1.033

1 EBITDA is defined as profit for the period before depreciation, amortisation and impairment, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance. Note as a result of the adoption of IFRS 16 Leases from 1 January 2019, under the modified retrospective approach, the rent expense which in 2018 was reflected in operating costs excluding depreciation, amortisation and impairment, is no longer recorded as an expense in 2019 but is replaced by a depreciation charge and finance expense which are recorded after EBITDA. There is no restatement of comparative information. See Note 2 for further detail on the impact of IFRS 16.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 (unaudited) £m**	Six months ended 30 June 2018 (unaudited) £m
Profit for the period		**67.6**	88.0
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange gain on translation of the net assets of foreign currency denominated entities		**2.0**	7.3
Other comprehensive income		**2.0**	7.3
Total comprehensive income for the period		**69.6**	95.3
Attributable to:			
Equity holders of the Company		**78.4**	95.3
Non-controlling interest		**(8.8)**	-
		69.6	95.3

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	**30 June 2019 (unaudited) £m**	31 December 2018 [1] (audited) £m
Assets			
Property, plant and equipment	2	**260.5**	130.4
Intangible assets		**609.8**	578.1
Goodwill	8	**4,146.5**	4,075.3
Deferred tax assets		**12.9**	10.7
Investments		**0.1**	2.4
Other receivables	10	**46.5**	8.9
Total non-current assets		**5,076.3**	4,805.8
Trade and other receivables	10	**77.8**	81.8
Financial assets – restricted cash	11	**152.8**	167.2
Cash and cash equivalents	11	**104.0**	123.7
Total current assets		**334.6**	372.7
Total assets		**5,410.9**	5,178.5
Equity			
Issued share capital and share premium		**425.0**	424.8
Treasury shares		**(40.7)**	(40.7)
Shares held by employee benefit trust		**(8.4)**	(8.6)
Other reserves	16	**94.7**	92.4
Retained earnings		**3,514.7**	3,530.1
Equity attributable to owners of the parent		**3,985.3**	3,998.0
Non-controlling interest		**236.1**	213.3
Total equity		**4,221.4**	4,211.3
Liabilities			
Trade and other payables	12	**486.3**	532.8
Derivative financial liabilities	12	**13.5**	20.1
Provisions		**2.9**	4.3
Current tax payable		**24.6**	20.8
Borrowings	14	**0.5**	0.4
Total current liabilities		**527.8**	578.4
Trade and other payables	12	**123.6**	26.2
Derivative financial liabilities	12	**0.7**	0.9
Provisions		**1.1**	1.3
Deferred tax liabilities		**78.2**	77.4
Borrowings	14	**458.1**	283.0
Total non-current liabilities		**661.7**	388.8
Total liabilities		**1,189.5**	967.2
Total equity and liabilities		**5,410.9**	5,178.5

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2 for further details.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 (unaudited) £m**	Six months ended 30 June 2018 (unaudited) £m
Cash flows from operating activities			
Profit for the period		**67.6**	88.0
Separately disclosed items	5	**49.4**	59.3
Tax expense before separately disclosed items		**22.8**	24.9
Financial income before separately disclosed items		**(0.4)**	(0.9)
Financial expense before separately disclosed items		**7.1**	2.5
Depreciation and amortisation before separately disclosed items		**69.3**	42.9
Employee equity-settled share-based payments expense before separately disclosed items		**12.7**	13.9
Foreign currency exchange loss / (gain)		**0.5**	(0.8)
Loss on disposal of property, plant and equipment and intangible assets		**-**	0.2
Cash from operations before changes in working capital		**229.0**	230.0
Increase in trade and other receivables		**(2.1)**	(52.2)
Increase / (decrease) in trade, other payables and provisions		**11.2**	(2.4)
Cash generated from operations		**238.1**	175.4
Tax paid		**(21.9)**	(37.0)
Net cash from operating activities before restructuring and strategic initiative costs and legacy tax assessments		**216.2**	138.4
Restructuring and strategic initiative costs paid		**(1.8)**	(2.3)
Amounts paid in respect of legacy Greek and German tax assessments		**(39.6)**	-
Net cash from operating activities		**174.8**	136.1
Purchase of property, plant and equipment		**(9.9)**	(10.2)
Purchase of intangible assets		**(18.6)**	(26.2)
Proceeds from disposal of investment		**2.3**	21.9
Purchase of businesses	9	**(102.0)**	(0.9)
Capitalised internal development expenditure		**(24.1)**	(11.8)
Cash acquired from acquisition of Adjarabet	9	**0.2**	-
Payment of contingent deferred consideration	9	**(2.8)**	(1.5)
Interest received		**0.4**	0.8
Net cash used in investing activities		**(154.5)**	(27.9)
Proceeds from the issue of new shares		**0.3**	1.7
Dividends paid	15	**(104.0)**	(114.0)
Payment of lease liabilities		**(20.0)**	-
Net amounts drawn down on borrowings facility		**173.8**	108.1
Interest paid		**(3.4)**	(0.6)
Fees in respect of borrowings facility		**(0.3)**	(1.7)
Purchase of own shares including direct purchase costs	16	**(86.8)**	(86.5)
Net cash used in financing activities		**(40.4)**	(93.0)
Net (decrease) / increase in cash and cash equivalents		**(20.1)**	15.2
Cash and cash equivalents at start of period		**123.7**	306.6
Foreign currency exchange gain / (loss) on cash and cash equivalents		**0.4**	(4.8)
Cash and cash equivalents at end of period	11	**104.0**	317.0

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

	Attributable to equity holders of the Company										
(unaudited)	***Number of ordinary shares in issue millions***	**Issued share capital and share premium £m**	**Foreign exchange translation reserve £m**	**Other reserves £m**	**Treasury shares £m**	**Shares held by employee benefit trust £m**	**Share-based payment reserve £m**	**Retained earnings £m**	**Total equity £m**	**Non-controlling interest £m**	**Total equity £m**
Balance at 1 January 2019	***81.4***	**424.8**	**4.1**	**2.2**	**(40.7)**	**(8.6)**	**86.1**	**3,530.1**	**3,998.0**	**213.3**	**4,211.3**
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	**76.9**	**76.9**	**(9.3)**	**67.6**
Foreign exchange translation	-	-	**1.5**	-	-	-	-	-	**1.5**	**0.5**	**2.0**
Total comprehensive income for the period	-	-	**1.5**	-	-	-	-	**76.9**	**78.4**	**(8.8)**	**69.6**
Transactions with owners of the Company, recognised directly in equity											
Shares issued (Note 16)	***0.1***	**0.3**	-	-	-	-	-	-	**0.3**	-	**0.3**
Business combinations (Note 9)	-	-	-	-	-	-	-	-	-	**31.6**	**31.6**
Own shares acquired by the Group (Note 16)	***(1.4)***	**(0.1)**	-	**0.1**	-	-	-	-	-	-	-
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	**12.7**	-	**12.7**	-	**12.7**
Equity-settled transactions – vestings	-	-	-	-	-	**0.2**	**(0.2)**	-	-	-	-
Tax on share-based payments	-	-	-	-	-	-	-	**(0.1)**	**(0.1)**	-	**(0.1)**
Transfer to retained earnings on exercise of share options	-	-	-	-	-	-	**(11.8)**	**11.8**	-	-	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	**(104.0)**	**(104.0)**	-	**(104.0)**
Total contributions by and distributions to owners of the Company	***(1.3)***	**0.2**	-	**0.1**	-	**0.2**	**0.7**	**(92.3)**	**(91.1)**	**31.6**	**(59.5)**
Balance at 30 June 2019	***80.1***	**425.0**	**5.6**	**2.3**	**(40.7)**	**(8.4)**	**86.8**	**3,514.7**	**3,985.3**	**236.1**	**4,221.4**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to equity holders of the Company								
(unaudited)	***Number of ordinary shares in issue millions***	**Issued share capital and share premium £m**	**Foreign exchange translation reserve £m**	**Other reserves £m**	**Treasury shares £m**	**Shares held by employee benefit trust £m**	**Share-based payment reserve £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 January 2018	***86.5***	**423.0**	**(13.8)**	**15.4**	**(40.7)**	**(15.6)**	**112.9**	**3,914.2**	**4,395.4**
Adoption of IFRS 9	-	-	-	**(13.7)**	-	-	-	**13.7**	-
Opening balance as restated	***86.5***	**423.0**	**(13.8)**	**1.7**	**(40.7)**	**(15.6)**	**112.9**	**3,927.9**	**4,395.4**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	**88.0**	**88.0**
Foreign exchange translation	-	-	**7.3**	-	-	-	-	-	**7.3**
Total comprehensive income for the period	-	-	**7.3**	-	-	-	-	**88.0**	**95.3**
Transactions with owners of the Company, recognised directly in equity									
Shares issued (Note 16)	***0.2***	**1.7**	-	-	-	-	-	-	**1.7**
Own shares acquired by the Group (Note 16)	***(1.0)***	**(0.1)**	-	**0.1**	-	-	-	**(202.0)**	**(202.0)**
Equity-settled transactions – expense recorded in income statement	-	-	-	-	-	-	**13.9**	-	**13.9**
Equity-settled transactions – vestings	-	-	-	-	-	**2.8**	**(2.5)**	**(0.1)**	**0.2**
Tax on share-based payments	-	-	-	-	-	-	-	**(1.2)**	**(1.2)**
Transfer to retained earnings on exercise of share options	-	-	-	-	-	-	**(12.2)**	**12.2**	-
Dividends to shareholders (Note 15)	-	-	-	-	-	-	-	**(114.0)**	**(114.0)**
Total contributions by and distributions to owners of the Company	***(0.8)***	**1.6**	-	**0.1**	-	**2.8**	**(0.8)**	**(305.1)**	**(301.4)**
Balance at 30 June 2018	***85.7***	**424.6**	**(6.5)**	**1.8**	**(40.7)**	**(12.8)**	**112.1**	**3,710.8**	**4,189.3**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Flutter Entertainment plc (the "Company") formerly known as Paddy Power Betfair plc is a company incorporated in the Republic of Ireland. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The condensed consolidated interim financial statements are unaudited but have been reviewed by KPMG, the Group's auditor, whose report is set out on the last page of this document.

The financial information presented herein does not comprise full statutory financial statements and therefore does not include all of the information required for full annual financial statements. Full statutory financial statements for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU together with an unqualified audit report thereon under Section 391 of the Irish Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies in Ireland.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors of Flutter Entertainment plc on 6 August 2019.

2. Basis of preparation and accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the Transparency Rules of the Central Bank of Ireland and with IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim financial statements are prepared on the historical cost basis except for betting transactions (which are recorded as derivative financial instruments), equity securities, contingent deferred consideration and certain share-based payments, all of which are stated at fair value (grant date fair value in the case of equity-settled share-based payments).

The financial information contained in the condensed consolidated interim financial statements has been prepared in accordance with the accounting policies set out in the Group's last annual financial statements in respect of the year ended 31 December 2018, except as set out below.

<u>Amendments to existing standards</u>
The Group has adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019, including IFRIC 23 *Uncertainty over Income Tax Treatments*, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single on-balance sheet accounting model for lessees. As a result, the Group as a lessee has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial recognition is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as reported under IAS 17 and related interpretations. The details of the changes in accounting policies are discussed below.

As a lessee
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the underlying asset. Under IFRS 16, the Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are recorded on the statement of financial position.

However the Group has elected not to recognise the right-of-use assets and lease liabilities for a small amount of leases of low value assets (e.g office equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Basis of preparation and accounting policies (continued)

The carrying amount of right of use assets are as below:

	Property £'m
Balance at 1 January 2019	157.2
Balance at 30 June 2019	139.5

Significant accounting policies

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right of use asset is initially measured at cost and subsequently measured at fair value in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lease that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under IAS 17. The Group leases various licensed betting and other offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The leases have, on average, approximately five years left to run (if the Group was to exercise available break options), with a right of renewal after that date. Lease rentals are typically reviewed every five years to reflect market rental rates or changes in general inflation rates.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate at 1 January 2019. Right of use assets are measured at either:

- their carrying amounts as if IFRS 16 had been applied since the commencement date, discounted using the leases incremental borrowing rate at the date of initial application.
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term and leases for which the underlying asset is of low value
- Applied portfolio level accounting for leases with similar characteristics
- Excluded initial direct costs from measuring the right of use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

As a lessor

The Group has a small number of properties that are sublet. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However when the Group is an intermediate lessor the sub leases are classified with reference to the right of use asset arising from the head lease, not with reference to the underlying asset.

2. Basis of preparation and accounting policies (continued)

Impact on financial statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right of use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019
	£'m
Right of use assets	157.2
Provisions	1.2
Payables	7.6
Lease liabilities	(162.3)
Trade and other receivables including prepayments	(3.7)

When measuring leases liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3%.

	1 January 2019
	£'m
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	182.1
Less payments not to be included within lease liability	(2.5)
Discounted using the incremental borrowing rate at 1 January 2019	(17.3)
Lease liabilities recognised at 1 January 2019	162.3

Impacts for the period

As a result of initially applying IFRS 16 in relation to the leases that were previously classified as operating leases, the Group recognised £139.5m of right of use assets and £145.4m of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised £18.6m of depreciation charges and £2.2m of interest costs from these leases.

3. Judgements and estimates

The preparation of interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements with the exception of those judgements in relation to IFRS 16 which are outlined in further detail in Note 2 in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 31 December 2018 and are detailed below.

Valuation of tax provisions and liabilities and associated receivables

Taxation within the group includes both Income Taxes and Gaming Taxes. Judgement and estimation is required to interpret international tax laws and the way these taxes interact within each jurisdiction, to identify and value provisions in relation to gaming and income taxes as applicable. The liabilities for uncertain tax positions reflected within current tax payable and provisions in the consolidated statement of financial position for the six months ended 30 June 2019 are comprised of a number of individual immaterial uncertain tax positions relating to the risks assessed in various jurisdictions by Management. Uncertainties have been measured using the best estimate of the likely outcome. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax or gaming tax expense in the period in which such a determination is made. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks and the Group believes that the accrual for all tax liabilities at 30 June

3. Judgements and estimates (continued)

2019 is adequate for all uncertain tax positions based on its assessment of the range of factors outlined above. Further information in relation to the judgement relating to the disputed legacy German and Greek tax assessments is outlined in Note 10.

Measurement of the recoverable amounts of cash generating units containing goodwill and indefinite life licences and brands intangible assets
The Group reviews the carrying value of goodwill for impairment annually (or more frequently if there are indications that the value of goodwill may be impaired) by comparing the carrying values of these cash generating units with their recoverable amounts (being the higher of value in use and fair value less costs to sell).

The impairment review is performed on a "value-in-use" basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate. Certain of these estimates and assumptions are subjective in nature.

4. Operating segments

Reportable business segment information
The Group's reportable segments are as follows:
- Online;
- Australia;
- US; and
- Retail.

The reportable segments reflect the way financial information is reviewed by the Group's Chief Operating Decision Maker ("CODM").

The Online segment derives its revenues primarily from sports betting (sportsbook and the exchange sports betting product) and / or gaming (games, casino, bingo and poker) services in all business-to-customer ("B2C") geographies that the Group operates in except the US and Australia, and business-to-business ("B2B") services globally. Online services are delivered primarily through the internet with a small proportion delivered through the public telephony system.

The Australia segment earns its revenues from sports betting services provided to Australian customers using primarily the internet with a small proportion using the public telephony system.

The Retail segment derives its revenues from sports betting and / or gaming machine services delivered through licenced bookmaking shop estates in the UK and Ireland.

The US segment earns its revenues from sports betting, daily fantasy sports and gaming services provided to US customers using primarily the internet with a proportion of US sports betting services also provided through a small number of retail outlets.

Corporate administrative costs (Board, Finance, Legal, Internal Audit, HR, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. These are shown in the reconciliation of reportable segments to Group totals.

The accounting policies in respect of operating segments reporting are the same as those described in the basis of preparation and summary of significant accounting policies set out in the Company's last annual financial statements in respect of the year ended 31 December 2018, except for leases.

The Group does not allocate income tax expense or interest to reportable segments. Treasury management is centralised for the Online, Australia, US and Retail segments.

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

4. Operating segments (continued)

Reportable business segment information for the six months ended 30 June 2019:

	Online £m	**Australia £m**	**Retail £m**	**US £m**	**Corporate £m**	**Total £m**
Revenue from external customers	**497.0**	**206.8**	**156.2**	**159.9**	**-**	**1,019.9**
Cost of sales	**(137.7)**	**(83.1)**	**(35.9)**	**(44.3)**	**-**	**(301.0)**
Gross profit	**359.3**	**123.7**	**120.3**	**115.6**	**-**	**718.9**
Operating costs excluding depreciation and amortisation	**(217.5)**	**(65.2)**	**(83.3)**	**(111.2)**	**(25.9)**	**(503.1)**
EBITDA [1]	**141.8**	**58.5**	**37.0**	**4.4**	**(25.9)**	**215.8**
Depreciation and amortisation	**(24.1)**	**(11.6)**	**(21.1)**	**(10.1)**	**(2.4)**	**(69.3)**
Reportable segment profit / (loss) before separately disclosed items	**117.7**	**46.9**	**15.9**	**(5.7)**	**(28.3)**	**146.5**
Amortisation of acquisition related intangible assets (Note 5)	**(38.5)**	**-**	**-**	**(20.3)**	**-**	**(58.8)**
Operating profit	**79.2**	**46.9**	**15.9**	**(26.0)**	**(28.3)**	**87.7**

Reportable business segment information for the six months ended 30 June 2018:

	Online £m	Australia £m	Retail £m	US £m	Corporate £m	Total £m
Revenue from external customers	461.6	182.1	162.3	60.7	-	866.7
Cost of sales	(108.9)	(51.0)	(36.0)	(13.7)	-	(209.6)
Gross profit	352.7	131.1	126.3	47.0	-	657.1
Operating costs excluding depreciation, amortisation and impairment	(210.8)	(72.4)	(91.9)	(38.0)	(27.3)	(440.4)
EBITDA [1]	141.9	58.7	34.4	9.0	(27.3)	216.7
Depreciation and amortisation	(20.8)	(7.8)	(10.2)	(4.1)	-	(42.9)
Reportable segment profit / (loss) before separately disclosed items	121.1	50.9	24.2	4.9	(27.3)	173.8
Amortisation of acquisition related intangible assets (Note 5)	(42.2)	-	-	(2.0)	-	(44.2)
Impairment of goodwill and intangible assets (Note 5)	-	-	-	(27.2)	-	(27.2)
Reportable segment profit / (loss) after amortisation of acquisition related intangible assets and impairment of goodwill and intangible assets	78.9	50.9	24.2	(24.3)	(27.3)	102.4
Restructuring and strategic initiatives [2] (Note 5)						(12.5)
Operating profit						89.9

1 EBITDA is defined as profit for the period before depreciation, amortisation and impairment, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance. Note as a result of the adoption of IFRS 16 Leases from 1 January 2019, under the modified retrospective approach, the rent expense which in 2018 was reflected in operating costs excluding depreciation, amortisation and impairment, is no longer recorded as an expense in 2019 but is replaced by a depreciation charge and finance expense which are recorded after EBITDA. There is no restatement of comparative information. See Note 2 for further detail on the impact of IFRS 16.

2 The Group does not allocate restructuring and strategic initiative costs to reportable segments.

4. Operating segments (continued)

Reconciliation of reportable segments to Group totals:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Revenue		
Total revenue from reportable segments, being total Group revenue	**1,019.9**	866.7
Profit and loss		
Operating profit	**87.7**	89.9
Unallocated amounts:		
Financial income	**0.4**	18.6
Financial expense	**(7.1)**	(2.5)
Profit before tax	**81.0**	106.0

Disaggregation of revenue under IFRS 15

Group revenue disaggregated by product line for the six months ended 30 June 2019:

	Online £m	**Australia £m**	**Retail £m**	**US £m**	**Total £m**
Sports revenue[1]	**334.2**	**206.8**	**113.4**	**140.0**	**794.4**
Gaming revenue	**162.8**	**-**	**42.8**	**19.9**	**225.5**
Total Group revenue	**497.0**	**206.8**	**156.2**	**159.9**	**1,019.9**

Group revenue disaggregated by product line for the six months ended 30 June 2018:

	Online £m	Australia £m	Retail £m	US £m	Total £m
Sports revenue[1]	335.0	182.1	108.1	51.6	676.8
Gaming revenue	126.6	-	54.2	9.1	189.9
Total Group revenue	461.6	182.1	162.3	60.7	866.7

[1] Sports revenue comprises sportsbook, exchange sports betting, daily fantasy sports and pari-mutuel betting.

Group revenue disaggregated by geographical market for the six months ended 30 June 2019:

	Online £m	**Australia £m**	**Retail £m**	**US £m**	**Total £m**
UK	**334.3**	**-**	**87.2**	**-**	**421.5**
Ireland	**54.7**	**-**	**69.0**	**-**	**123.7**
Australia	**-**	**206.8**	**-**	**-**	**206.8**
US	**-**	**-**	**-**	**159.9**	**159.9**
Rest of World	**108.0**	**-**	**-**	**-**	**108.0**
Total Group revenue	**497.0**	**206.8**	**156.2**	**159.9**	**1,019.9**

Group revenue disaggregated by geographical market for the six months ended 30 June 2018:

	Online £m	Australia £m	Retail £m	US £m	Total £m
UK	329.5	-	96.6	-	426.1
Ireland	53.5	-	65.7	-	119.2
Australia	-	182.1	-	-	182.1
US	-	-	-	60.7	60.7
Rest of World	78.6	-	-	-	78.6
Total Group revenue	461.6	182.1	162.3	60.7	866.7

Seasonality

The Group's sportsbook revenue is driven by a combination of the timing of sporting and other events and the Group's results derived from those events. Gaming and other revenue is not as dependent on the sporting calendar.

5. Separately disclosed items

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Amortisation of acquisition related intangible assets	**(58.8)**	(44.2)
Impairment of goodwill and intangible assets	**-**	(27.2)
Gain on contingent consideration	**-**	10.7
Restructuring and strategic initiatives	**-**	(12.5)
Profit on disposal of investment	**-**	7.0
Operating profit impact of separately disclosed items	**(58.8)**	(66.2)
Tax credit on separately disclosed items	**9.4**	6.9
Total separately disclosed items	**(49.4)**	(59.3)
Attributable to:		
Equity holders of the Company	**(39.4)**	(59.3)
Non-controlling interest	**(10.0)**	-
	(49.4)	(59.3)

Amortisation of acquisition related intangible assets
Non-cash amortisation of £58.8m has been incurred in the period (six months ended 30 June 2018: £44.2m) as a result of intangible assets separately identified under IFRS 3 as a result of the Merger with Betfair in 2016 and the acquisitions of FanDuel Limited in 2018 and Adjarabet in 2019.

Impairment of goodwill and intangible assets
During the six months ended 30 June 2018, non-cash impairments amounting to £27.2m in relation to primarily goodwill and intangible assets associated with our DRAFT business were incurred (see Note 8). There were no such impairments in the six months ended 30 June 2019.

Gain on contingent consideration
The movement in the value of contingent consideration during the six months ended 30 June 2018, relates to the contingent consideration that the Group has deemed is no longer payable arising in respect of the DRAFT acquisition. No such item was incurred in 2019.

Restructuring and strategic initiatives
This relates to incremental, one-off costs incurred during the six months ended 30 June 2018, as a result of significant restructuring and strategic changes made following the appointment of a new CEO, and transaction costs arising during the period from the combination of Betfair US with FanDuel. No such costs were incurred in 2019.

Profit on disposal of investment
In February 2018, the Group disposed of its remaining 31.4% non-controlling interest in LMAX Limited for cash consideration amounting to £21.9m to the existing majority LMAX shareholders generating a profit of £7.0m.

Restructuring and strategic initiatives and replacement share options are included in the condensed consolidated interim income statement within operating costs excluding depreciation, amortisation and impairment. Amortisation of acquisition related intangible assets is included within depreciation and amortisation and impairment of goodwill and intangible assets is included within impairment. The profit on sale of investment and gain on contingent consideration are included within financial income.

6. Tax expense

Tax is accrued for the interim reporting period using management's best estimate of the weighted average tax rate that is expected to be applicable to estimated total annual earnings. This expected annual effective tax rate is applied to the taxable income of the interim period.

The Group's underlying effective tax rate before separately disclosed items for the period was 16.3% (six months ended 30 June 2018: 14.5%), which compares to the standard Irish corporation tax rate of 12.5%. A tax credit on separately disclosed items amounting to £9.4m was accounted for in the period ended 30 June 2019 (six months ended 30 June 2018: £6.9m) (see Note 5).

7. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares has been adjusted for amounts held as Treasury Shares and amounts held by the Flutter Entertainment plc Employee Benefit Trust ("EBT").

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Adjusted EPS is determined by adjusting the profit attributable to ordinary shareholders for the impact of separately disclosed items.

The calculation of basic, diluted and adjusted EPS is as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Numerator in respect of basic and diluted earnings per share (£m):		
Profit attributable to equity holders of the Company	**76.9**	88.0
Numerator in respect of adjusted earnings per share (£m):		
Profit attributable to equity holders of the Company	**76.9**	88.0
Separately disclosed items (Note 5)	**39.4**	59.3
Profit for adjusted earnings per share calculation	**116.3**	147.3
Weighted average number of ordinary shares in issue during the period (in '000s)	**78,635**	84,838
Basic earnings per share	**£0.978**	£1.037
Adjusted basic earnings per share	**£1.480**	£1.736
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the period	**78,635**	84,838
Dilutive effect of share options and awards on issue	**218**	339
Adjusted weighted average number of ordinary shares in issue during the period	**78,853**	85,177
Diluted earnings per share	**£0.975**	£1.033
Adjusted diluted earnings per share	**£1.476**	£1.729

The average market value of the Company's shares of £60.15 (30 June 2018: £78.77) was used to calculate the dilutive effect of share options based on the market value for the period that the options were outstanding.

The number of options excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive is 396,342 (30 June 2018: 354,049).

8. Goodwill

The following cash generating units, being the lowest level of asset for which there are separately identifiable cash flows, have the following carrying amounts of goodwill:

	Online £m	Australia £m	US £m	UK Retail £m	Irish Retail £m	Total £m
Balance at 1 January 2018	3,432.6	44.6	369.5	18.7	19.8	3,885.2
Arising on acquisitions during the year	-	-	191.3	0.2	0.9	192.4
Impairment	-	-	(26.5)	-	-	(26.5)
Foreign currency translation adjustment	0.1	(2.1)	26.2	-	-	24.2
Balance at 31 December 2018	3,432.7	42.5	560.5	18.9	20.7	4,075.3
Arising on acquisitions during the period (Note 9)	**69.1**	**-**	**-**	**-**	**-**	**69.1**
Foreign currency translation adjustment	**(2.8)**	**0.1**	**4.8**	**-**	**-**	**2.1**
Balance at 30 June 2019	**3,499.0**	**42.6**	**565.3**	**18.9**	**20.7**	**4,146.5**

The Group reviews the carrying value of goodwill for impairment annually (or more frequently if there are indications that the value of goodwill may be impaired) by comparing the carrying values of these cash generating units with their recoverable amounts (being the higher of value in use and fair value less costs to sell).

9. Business combinations

Six months ended 30 June 2019

Acquisition of Adjarabet

On 1 February 2019, the Group completed the acquisition of an initial 51% controlling stake in Adjarabet, the market leader in online betting and gaming in the regulated Georgian market. The Group, through agreed option agreements, expects to acquire the remaining 49% after three years.

In 2018, Adjarabet generated revenues (unaudited) of 215m Georgian Lari (GEL) (£64m) and EBITDA (unaudited) of GEL68m (£20m). The initial cash consideration being paid by the Group for the 51% stake is £102m. A mechanism has also been agreed, consisting of call and put options, which enables the Group to acquire the remaining 49% after three years at a valuation equivalent to 7 times 2021 EBITDA. The call/put option consideration can be settled, at the Group's election, in cash or shares.

Since the date of acquisition to 30 June 2019, Adjarabet business has contributed £28.6m of revenue and £8.0m of operating profit.

If the Adjarabet acquisition had occurred on 1 January 2019, then their contribution to revenue and operating profit would have been £33.5m and £8.7m respectively for the period ended 30 June 2019.

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

Included within the intangible assets were £74.4m of separately identifiable intangibles comprising brand and, customer relations acquired as part of the acquisition, with the additional effect of a deferred tax liability of £11.1m thereon. These intangible assets are being amortised over their useful economic lives of up to ten years. Receivables acquired amounted to £1.2m. The book value equated to the fair value as all amounts are expected to be received.

9. Business combinations (continued)

The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) is growth by combining business activities, a strong workforce, leveraging existing products and synergy savings. The goodwill has been allocated to the existing Online CGU and it has been deemed that a separate CGU is not appropriate.

	Provisional fair values as at 1 February 2019 £m
Assets	
Property, plant and equipment	2.6
Intangible assets	75.6
Total non-current assets	78.2
Trade and other receivables	2.7
Financial assets – restricted cash	1.6
Cash and cash equivalents acquired	0.2
Total current assets	4.5
Total assets	82.7
Liabilities	
Trade and other payables	4.8
Customer balances	1.6
Total current liabilities	6.4
Trade and other payables	0.7
Deferred tax liabilities	11.1
Total non-current liabilities	11.8
Total liabilities	18.2
Net assets acquired	**64.5**
Goodwill	69.1
Non-controlling interest measured at the fair value of net assets identified	(31.6)
Consideration	**102.0**
The consideration is analysed as:	
Consideration paid in cash	102.0
Consideration	**102.0**

9. Business combinations (continued)

Six months ended 30 June 2018

Shop property business acquisitions
In 2018, the Group, in the absence of available comparable sites for organic shop openings, acquired a number of licensed bookmaking businesses in Ireland and the UK.

Details of the net assets acquired and the goodwill arising on these acquisitions under IFRS are as follows:

	Fair values 30 June 2018
	£m
Goodwill arising on acquisition – Irish Retail and UK Retail	**1.0**
Consideration	**1.0**
The consideration is analysed as:	
Cash consideration	**0.9**
Deferred and contingent consideration	**0.1**
Consideration	**1.0**

The principal factors contributing to the Irish Retail and UK Retail goodwill balance is the well-established nature of the acquired businesses within the locations in which they operate and the potential synergies, rebranding opportunities and operational efficiencies achievable for the acquired businesses within the group. Information in respect of revenue, operating profit and cash flows for the acquired businesses in respect of the period from acquisition and for the period ended 30 June 2018 has not been presented on the basis of immateriality.

Net cash outflow from purchase of businesses

	Six months ended 30 June 2019	Six months ended 30 June 2018
	£m	£m
Cash consideration – acquisitions in the period	**102.0**	0.9
Cash acquired – acquisitions in the period	**(0.2)**	-
Cash consideration – acquisitions in previous periods	**2.8**	1.5
	104.6	2.4
Analysed for the purposes of the statement of cash flows as:		
Purchase of businesses	**102.0**	0.9
Cash acquired – acquisitions in the period	**(0.2)**	-
Payment of contingent deferred consideration	**2.8**	1.5
	104.6	2.4

10. Trade and other receivables

Non-current assets

	30 June 2019	31 December 2018
	£m	£m
Other receivables		
Prepayments	**5.6**	8.9
Amounts paid in respect of legacy German and Greek tax assessments (Note 1)	**40.9**	-
	46.5	8.9

Current assets

	30 June 2019	31 December 2018
	£m	£m
Trade and other receivables		
Trade receivables	**6.7**	5.1
Other receivables	**8.8**	6.9
Value-added tax and goods and services tax	**2.6**	2.1
Prepayments	**59.7**	67.7
	77.8	81.8

Note 1

On 13 February 2019, the Group provided an update on two separate disputed legacy tax assessments. The first relates to the Betfair Exchange in Germany, which operated there until November 2012, and the second relates to the paddypower.com business in Greece.

The Hessen Fiscal Court provided the Group with its decision relating to the Group's appeal of a 2012 German tax assessment relating to the Betfair Exchange, which operated in Germany until November 2012. The Fiscal Court found against the Group and deemed that a tax liability of approximately €40m (£36m) is payable (including accrued interest). This represents a multiple of the revenues generated by the Exchange during the assessment period.

Separately, the Group was recently issued with a Greek tax assessment for financial years 2012, 2013 and 2014, relating to paddypower.com's Greek interim licence. This assessment concluded that the Group is liable to pay €15.0m in taxes including penalties and interest. This is substantially higher (by multiples) than the total cumulative revenues ever generated by paddypower.com in Greece.

The Group strongly disputes the basis of these assessments, and in line with the legal and tax advice we have received, is confident in our grounds to appeal. We therefore intend to do so. Accordingly, we have not provided for these amounts in our financial statements. Pending the outcome of these appeals, we paid the total Greek liability in 2019 and €30.6m of the German tax liability with the remainder to be paid in the second half of 2019.

11. Financial assets and cash and cash equivalents

	30 June 2019	31 December 2018
	£m	£m
Financial assets – restricted cash	**152.8**	167.2
Cash and cash equivalents	**104.0**	123.7
	256.8	290.9

Included in financial assets – restricted cash at 31 December 2018 are bank deposits which were either (1) restricted at that date, as they represented customer funds balances securing player funds held by the Group or (2) required to be held to guarantee third party letter of credit facilities. These customer funds that are not held in trust are matched by liabilities of equal value.

As at 30 June 2019, £391.1m (31 December 2018: £368.4m) was held in trust in The Sporting Exchange (Clients) Limited on behalf of the Group's customers and is equal to the amounts deposited into customer accounts. Neither cash and cash equivalents or restricted cash include these balances on the basis that they are held on trust for customers and do not belong to and are not at the disposal of the Group.

12. Trade and other payables and derivative financial liabilities

Current liabilities

	30 June 2019	31 December 2018
	£m	£m
Trade and other payables		
Trade payables	**18.0**	21.3
Liability to purchase own shares	**-**	86.8
Lease liabilities	**35.4**	-
Accruals and other payables	**432.9**	424.7
	486.3	532.8
Derivative financial liabilities		
Sports betting open positions	**13.5**	20.1

Non-current liabilities

	30 June 2019	31 December 2018
	£m	£m
Trade and other payables		
Lease liabilities	**110.0**	-
Accruals and other payables	**13.6**	26.2
	123.6	26.2
Derivative financial liabilities		
Sports betting open positions	**0.7**	0.9

The liability to purchase own shares at 31 December 2018 relates to an obligation arising under a buyback agreement for the purchase of the Company's own shares (see Note 16). The share buyback was completed in full in 2019.

Included in non-current accruals and other payables at 30 June 2019 is deferred and contingent consideration of £13.3m (31 December 2018: £17.0m) due to Betfair's historical acquisition of HRTV, a horseracing television network based in the United States. The amount payable at 30 June 2019 amounted to £20.3m (31 December 2018: £21.5m), with £7.0m due within one year (31 December 2018: £4.5m) and £13.3m due after one year from the reporting date (31 December 2018: £17.0m).

13. Financial instruments

Carrying amounts versus fair values

There are no differences between the fair values of financial assets and financial liabilities at 30 June 2019 or 31 December 2018 and their respective carrying amounts in the consolidated statement of financial position. It has been determined for financial instruments carried at amortised cost, that the carrying amount represents a reasonable approximation of fair value.

Financial instruments carried at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation method used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

13. Financial instruments (continued)

	30 June 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Investments	**-**	**-**	**0.1**	**0.1**
Derivative financial liabilities	**-**	**-**	**(14.2)**	**(14.2)**
Non-derivative financial liabilities	**-**	**-**	**(20.5)**	**(20.5)**
Total	**-**	**-**	**(34.7)**	**(34.7)**

	31 December 2018			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Investments	-	-	2.4	2.4
Derivative financial liabilities	-	-	(21.0)	(21.0)
Non-derivative financial liabilities	-	-	(21.8)	(21.8)
Total	-	-	(42.8)	(42.8)

Basis for determining fair values

The following are the significant methods and assumptions used to estimate the fair values of the financial instruments carried at fair value:

Investments (Level 3)

The fair value of investments is based on a discounted cash flow model. The significant unobservable inputs are the future cash flows of the business including a terminal growth rate, the discount rate and also discounts for lack of marketability and lack of control that pertains to the minority stake held by the Group.

Derivative financial liabilities (Level 3)

Derivative financial liabilities comprise sports betting open positions. The fair value of open sports bets at the period end has been calculated using the latest available prices on relevant sporting events.

It is primarily based on expectations as to the results of sporting and other events on which bets are placed. Changes in those expectations and ultimately the actual results when the events occur will result in changes in fair value. There are no reasonably probable changes to assumptions and inputs that would lead to material changes in the fair value methodology although final value will be determined by future sporting results.

Non-derivative financial liabilities (Level 3)

Non-derivative financial liabilities includes contingent consideration. The contingent consideration payable is determined with reference to forecast performance for the acquired businesses during the relevant time periods and the amounts to be paid in such scenarios. The fair value was estimated by assigning probabilities to the potential payout scenarios. The significant unobservable inputs are forecast performance for the acquired businesses.

The fair value of contingent consideration is primarily dependent on forecast performance for the acquired businesses against predetermined targets. An increase and decrease of 10% in forecast performance for the acquired businesses during the relevant time periods would increase and decrease the value of contingent consideration at 30 June 2019 by £0.9m and £0.9m respectively (31 December 2018: £0.9m and £0.9m).

Financial risk management – credit risk of trade and other receivables

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

14. Borrowings

Current liabilities

	30 June 2019	31 December 2018
	£m	£m
Accrued interest on borrowings	**0.5**	0.4

Non-current liabilities

	30 June 2019	31 December 2018
	£m	£m
Revolving credit facility	**210.3**	285.0
Term Loan facility	**250.0**	-
Less: expenses relating to revolving credit and term facilities	**(2.2)**	(2.0)
	458.1	283.0

In 2015, the Group secured a committed revolving credit bank loan facility (“RCF”) of €300m provided by a syndicate of banks which was scheduled to expire in May 2020. In 2018, the RCF was amended to an amount of £450m and was extended to expire in April 2023. In May 2019, the RCF was amended to update the financial covenants and margin grid, as per those outlined below. In May 2019, the Group also secured a term loan facility of £250m provided by a syndicate of banks. The term loan facility is for an initial period of 18 months with an option to extend further by up to 12 months.

At 30 June 2019, £170m and €45m, totalling to £210.3m (31 December 2018: £285m) of the RCF was drawn down.

Borrowings under the RCF and the term loan facility are unsecured but are guaranteed by the Company and certain of its operating subsidiaries. Borrowings under the RCF incur interest at LIBOR (for borrowings denominated in pounds sterling) and EURIBOR (for borrowings denominated in euro) plus a margin of between 1.10% and 2.50%. A commitment fee, equivalent to 35% of the margin, is payable in respect of available but undrawn borrowings. Borrowings under the term loan facility incur interest at LIBOR plus a margin of between 0.60% and 2.40%.

It is the Directors’ opinion that due to the Group’s bank borrowings being subject to floating interest rates and the proven cash generation capability of the Group, there is no significant difference between the book value and fair value of the Group’s borrowings.

Under the terms of the both the RCF and term loan facility, the Group is required to comply with the following financial covenants on a semi-annual basis.

- **Net Leverage Ratio:** Consolidated net borrowings shall not be more than 3.5 times underlying consolidated EBITDA (with acquisition spikes in the event of material acquisitions, to 4.0 times for a period of six months, stepping back to 3.75 times for the subsequent six months, before returning to 3.5 times).
- **Interest Cover Ratio:** Underlying consolidated EBITDA shall not be less than 4.0 times net finance charges.

During the period ended 30 June 2019, all covenants have been complied with.

15. Dividends paid on ordinary shares

	Six months ended 30 June 2019	Six months ended 30 June 2018
	£m	£m
Ordinary shares:		
- final dividend of £1.33 per share for the year ended 31 December 2018 (31 December 2017: £1.35)	**104.0**	114.0

The Directors have proposed an interim dividend of 67.0 pence per share which will be paid on 9 October 2019 to shareholders on the Company’s register of members at the close of business on the record date of 6 September 2019. This dividend, which amounts to approximately £52m, has not been included as a liability at 30 June 2019.

The interim dividend for the period ended 30 June 2018 was 67.0 pence per share, amounting in total to £55.0m.

16. Changes in equity

During the six month period ended 30 June 2019, 132,966 ordinary shares (six months ended 30 June 2018: 174,864) were issued as a result of the exercise of share options, giving rise to a share premium of £0.3m (six months ended 30 June 2018: £1.7m).

The £500m share buyback programme, which commenced on 29 May 2018 completed in February 2019. Under this programme, the Company repurchased for cancellation 6,993,308 ordinary shares for a total consideration of approximately £500m. This consisted of a £200m share buyback programme announced on 29 May 2018 which was completed in August 2018 and in August 2018, the Group commenced a second buyback programme of £300m which was ongoing at 31 December 2018. Overall in 2018 cash payments of £413.7m had been made in respect of the repurchases and a further £1.3m for other transaction related costs were made. Between 31 December 2018 and 6 February 2019 further payments of £86.4m in respect of share purchases and £0.4m for other transaction related costs were made. The nominal value of the shares cancelled during the six months ending 30 June 2019 was £0.1m.

As at 30 June 2019, 1,965,600 ordinary shares were held in treasury (30 June 2018: 1,965,600). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to £40.7m as of 30 June 2019 (30 June 2018: £40.7m).

At 30 June 2019, the Flutter Entertainment plc Employee Benefit Trust (the "EBT") held a further 97,948 (30 June 2018: 154,284 shares) of Flutter Entertainment plc shares in respect of potential future awards relating to the Group's employee share plans, which were acquired at a total cost of £8.4m (30 June 2018: £12.8m). The Group's distributable reserves at 30 June 2019 are further restricted by this cost amount.

As detailed in the condensed consolidated interim statement of changes in equity during the six month period ended 30 June 2019, the movement in the share-based payment reserve and in the shares held by the EBT is due to the equity-settled share-based payments charge and the vesting and exercising of share-based payments awards. A total of 2,124 shares in respect of share-based payments awards and related dividends were vested from the EBT to certain staff during the six months ended 30 June 2019 (six months ended 30 June 2018: 46,689 shares).

The movement in the foreign exchange translation reserve in the six months to 30 June 2019 reflects the strengthening of USD against GBP in the period, partially offset by the weakening of GEL against GBP in the period.

At 30 June 2019, other reserves comprise undenominated capital and a net wealth tax reserve.

17. Contingent liabilities

The Group operates in an uncertain marketplace where many governments are either introducing or contemplating new regulatory or fiscal arrangements.

The Board monitors legal and regulatory developments and their potential impact on the business, however given the lack of a harmonised regulatory environment, the value and timing of any obligations in this regard are subject to a high degree of uncertainty and cannot always be reliably predicted. See Note 10 for details of legacy German and Greek tax assessments.

As mentioned in Note 14, borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

18. Related parties

There were no material transactions with related parties during the six months ended 30 June 2019 or 30 June 2018 or the year ended 31 December 2018.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

19. Events after the reporting date

Dividend

In respect of the current period, the Directors propose that an interim dividend of 67.0 pence per ordinary share of EUR 0.09 each (2018: 67.0 pence per share) be paid to shareholders on 9 October 2019. This dividend has not been included as a liability in these condensed consolidated interim financial statements. The proposed dividend is payable to all shareholders on the register of members on 6 September 2019. The total estimated dividend to be paid amounts to £52m (2018: £55m).

INDEPENDENT REVIEW REPORT TO FLUTTER ENTERTAINMENT PLC

Introduction

We have been engaged by Flutter Entertainment plc ('the Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of other comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in equity and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's ("FRCs") International Standard on Review Engagements ("ISRE") (UK and Ireland) 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*'.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 '*Interim Financial Reporting'* as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007, and the Transparency Rules of the Central Bank of Ireland.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Transparency Directive and the Transparency Rules of the Central Bank of Ireland.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review having regard to the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

Cliona Mullen — 6 August 2019

for and on behalf of KPMG
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