9 August 2023

Flutter Entertainment plc - 2023 Interim Results

US business reached profitability inflection point driving Group earnings transformation;
H1 pro forma EBITDA +37%

Flutter Entertainment plc (the "Group") announces interim results for six months ended 30 June 2023.

	Reported[1]			Adjusted[2]			
	H1 2023 £m	H1 2022 £m	YoY %	**H1 2023 £m**	H1 2022 £m	YoY %	CC[3] YoY %
Average monthly players[4] ('000s)				**12,285**	9,635	*+28%*	
Group Revenue	**4,809**	3,388	*+42%*	**4,809**	3,388	*+42%*	*+38%*
Group EBITDA[5]	**765**	434	*+76%*	**823**	476	*+73%*	*+72%*
Group pro forma EBITDA				**823**	596	*+38%*	*+37%*
Profit/ (loss) after tax	**128**	(112)		**420**	177	*+138%*	
Earnings/ (loss) per share (pence)	**73.8p**	(64.7p)		**237.5p**	97.2p	*+144%*	
Net Debt at period end[6]	**(4,634)**	(3,004)					

Pro forma references include Sisal for a full 6-month period in both 2022 and 2023. See appendix 2 for a reconciliation of adjusted pro forma to statutory numbers. Any differences due to rounding.

Operational Highlights:

- **Group:** Delivery of strategic goals drove Flutter's growth engine; strong H1 player momentum with average monthly players ("AMPs") +28%, driven by US growth (+43%) and the addition of Sisal, which has performed strongly since joining the Group (Group pro forma AMPs +18%)
- **US:** Reached profitability inflection point, FanDuel generated $100m (£79m) Adjusted EBITDA in H1 (US division $63m (£49m)). Scale advantage compounding with revenue +63%
  - Consolidating clear #1 position in sportsbook, with 47% market share in Q2[7]
  - Margin benefit over the market expanded to 410bps; new NBA markets further evidence of sustainable product leadership
  - Improved iGaming proposition drove market share gains to 23% in Q2
- **Group ex-US:** Growth through regulatory headwinds with pro forma revenue +8% and EBITDA +4%
  - **UK & Ireland (revenue +13%)**: Product enhancements and efficient generosity underpinning recreational customer growth and driving market share gains in both sports and gaming
  - **Australia (revenue -1%)**: Effective retention of enlarged customer base (AMPs +7%), offset by Covid spend reversion and point of consumption tax changes
  - **International (revenue +8%):** Division at a growth inflection point, *'Consolidate and Invest'*[8] markets driving performance, now comprise 77% of divisional revenue and growing at +19%
- **Sustainability:** Positive Impact Plan progressing well; *Play Well*[9] tool usage, +7 percentage points to 42% with 34% female representation in leadership as we move closer to 2026 goal of 40%
- **US listing**: Working towards a listing in late Q4 2023 or early Q1 2024

Financial Highlights:

- Reported revenue growth of 38% for Group, benefiting from an exceptionally strong US performance and strong momentum in UK&I and International, along with the addition of Sisal in August 2022 (pro forma revenue +24%)
- Group at earnings transformation point with Adjusted EBITDA +72% to £823m (pro forma +37%)
  - US Adjusted EBITDA of £49m ($63m) versus a £132m loss in H1 2022
  - Group ex-US Adjusted EBITDA +24% (pro forma +4%), strong top line momentum and the addition of Sisal, which has performed strongly in H1, partly offset by Australian tax changes
- Reported profit after tax of £128m (H1 2022: Loss of £112m) after £314m charge for amortisation of acquired intangibles
- Adjusted basic earnings per share ("EPS") of 237.5p, 144% higher than H1 2022; Reported EPS of 73.8p from loss of 64.7p in H1 2022 reflected swing to profitability in current period
- Net debt of £4.6bn at 30 June 2023 (31 December 2022 £4.6bn) and pro forma leverage ratio of 3.3 times (31 December 2022 3.9 times)[6]

Outlook:

- H2 has started in line with expectations. Assuming normalised sports results for H2, we anticipate full year Adjusted EBITDA to be broadly in line with market expectations:
  - **US**: Net revenue of between £3.6bn - £3.9bn ($4.5bn - $4.9bn) and Adjusted EBITDA of between £90m - £190m ($120m - $240m)
  - **Group ex-US** Adjusted EBITDA of between £1.44bn - £1.6bn, with strong momentum in the UK&I and International, offset by softer than expected market conditions in Australia

Peter Jackson, Chief Executive, commented:

"The first half of 2023 marks a pivotal moment for the Group, with our US business now at a profitability inflection point, helping transform the earnings profile of the Group and significantly enhance our financial flexibility.

With our divisions and their brands benefitting from the competitive advantages provided by the Flutter Edge, Group performance in the period was very strong, with delivery of our strategic objectives resulting in pro forma EBITDA growth of 37%. Our recreational player base increased to over 12 million monthly players, and importantly, more players than ever interacting with our safer gambling tools, aided by a £45m investment in our Play Well strategy in H1.

The US delivered another exceptional performance. We acquired over two million new players in the period, cemented our leadership position in sports and grew our share in iGaming to 23%. The US business was profitable in the first half with FanDuel generating over $100m in EBITDA. This profit profile provides us with a clear platform to invest materially in the second half, as we strive to continuously improve our customer offering. Our player acquisition strategy has consistently delivered, generating excellent returns on investment, embedding even greater value into our customer base, and increasing our future profitability.

In the UK, we took market share due to ongoing product enhancements, while in International, Sisal continues its strong trajectory since its acquisition in August 2022. This combined momentum helped offset the reduction in Australian profitability, due to more challenging COVID-related comparatives and a changing tax environment.

The second half of the year has started well and we look forward to adding a US listing for Flutter shares later this year or early next year."

Analyst briefing:
The Group will host a questions and answers call for institutional investors and analysts this morning at 9:30am (BST). Ahead of that call, a presentation will be made available on the Group's corporate website (www.flutter.com/investors) from 8:00am. To dial into the conference call, participants need to register here where they will be provided with the dial in details to access the call.

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Business review [2-5]

Flutter is the world's number one sports betting and iGaming operator with access to large and fast-growing market opportunities. The US market is expected to be worth more than $40bn by 2030, while outside of the US, the market is already worth £263bn, growing at a projected 9% CAGR over the next five years[10]. Flutter has an unparalleled portfolio of products, diversified geographic footprint and the benefit of the combined power of the Group, the *Flutter Edge*, which empowers Flutter's brands to win in their respective markets. The *Flutter Edge* encapsulates the Group's distinctive, unique, competitive advantage by providing our brands with access to our talent, technology, product and capital.

This is underpinned by a clear strategy to (i) invest to win in the US, (ii) grow our gold medal positions in our core markets and (iii) build on our network and invest for leadership across international markets. This is achieved in conjunction with our sustainability strategy, our *Positive Impact Plan*.

The Group is at an earnings transformation point, with our US business now profitable following five years of player acquisition investment. Our existing US player base is now of sufficient scale to more than offset the ongoing cost of future player acquisition, which will enable significant future profit growth. The Group ex-US business has consistently delivered revenue growth of 5%-10% and our International "*Consolidate and Invest"*[8] markets provide the platform for continued high levels of future growth.

The execution against our clear and consistent strategy drives the Group's financial growth engine:

- **Sustainable revenue growth**: Expanding the Group's recreational customer base and growing player value through product innovation and generosity efficiency. As noted above, there are significant revenue growth opportunities for both the US and ex-US businesses.
- **Margin benefits**: Increasing the efficiency of our marketing investment and the operating leverage derived from the Group's Flywheel combine to deliver high EBITDA margins. Our rapid US growth will also drive accretion in the Group's profitability margin.
- **Significant cashflow generation:** Profits are converted into cash at a high rate. Low levels of capital intensity due to the scalable nature of our technology platforms, and positive working capital from our expanding business, will in turn drive rapid deleveraging.
- **Disciplined capital allocation**: Significant scope to invest capital at attractive returns across:

  (i) Highly disciplined organic investment: The Group's sophisticated customer acquisition cost (CAC), life time value (LTV) and customer relationship management (CRM) models and algorithms provide a highly disciplined evaluation framework to drive very high returns from our investment in customer growth and retention.

  (ii) Value creative M&A: Clear criteria for acquiring bolt-on, local-hero brands, with podium positions in high growth markets, and complemented in the post acquisition period by the benefits of the *Flutter Edge.* This approach has proved very successful, as demonstrated by the acquisitions of FanDuel, Adjarabet, Junglee, tombola and Sisal. There remains significant further M&A potential to add market leading businesses in regulated markets where the Group does not have a presence.

  (iii) Returns to shareholders: The Group's projected profit growth and significant cash generation will drive rapid deleveraging and provide significant future balance sheet capacity. Capital that cannot be effectively deployed in (i) and (ii) will be returned to shareholders.

The combination of margin benefits, cashflow generation and disciplined capital allocation is expected to drive earnings per share growth and long term value creation.

Driving sustainable growth is central to our long term value creation, and we made further progress during H1 through our *Positive Impact Plan*. Under our *Play Well* pillar we increased safer gambling tool usage year on year across the Group by 7 percentage points to 42%[9] and we stepped up our investment in safer gambling initiatives by 31% to £45m. We continue to strive for increased diversity, equity and inclusion under our *Work Better* pillar with 34% female representation in leadership roles in the first half of the year, well on track to meet our 2026 goal of 40%. Our efforts to *Do More* in our Communities continued to improve lives with almost 460,000 lives improved since launch. We also remain committed to reducing our impact on the environment and climate, and during H1 we used our SBTi baselines established in 2022 to set a Net Zero date of 2035.

H1 2023 review

The Group delivered a strong performance in H1 with pro forma AMP and revenue growth of 18% and 24% respectively, driving pro forma Adjusted EBITDA 37% higher to £823m. Our US business grew revenue by 63% in the half and generated £49m in Adjusted EBITDA. In Group ex-US, pro forma revenue grew 8% driven by strong momentum in our UK and Ireland (revenue +13%) and International (revenue +8%, reported +74%) divisions partly offset by challenging comparatives in Australia (revenue -1%). This resulted in a pro forma Group ex-US Adjusted EBITDA increase of 4% (reported +24%), with top line growth in UK and Ireland (Adjusted EBITDA +24%) and International (Adjusted EBITDA +8%, reported +103%) being partly offset in Australia (Adjusted EBITDA -27%) by point of consumption ("POC") tax changes.

Delivering on our strategy

(i) Invest to win in the US

FanDuel delivered another outstanding performance in the first half. US revenue grew 63% from continued strong momentum in our sportsbook and gaming businesses, along with favourable sports results. This resulted in continued outperformance in the US market with a 47% share in online sports betting for Q2 and 23% share of online iGaming[7].

We have a clear strategy for success in the US to (i) extend our #1 US sportsbook position, (ii) grow our iGaming proposition and (iii) strengthen and leverage the Flywheel. At our Capital Markets Day ("CMD") in November 2022, the FanDuel team outlined how this strategy is driving our market leadership.

The combination of the *Flutter Edge* with the *FanDuel Advantage* of (i) acquiring customers more efficiently (ii) retaining customers for longer and (iii) growing customer value better than competitors is delivering results in sports.

- **Acquiring customers more efficiently**: In H1, FanDuel acquired over two million new players, a new record, and an 18% increase on the volume acquired in the comparable prior year period. This reflected significant acquisition in the 2023 launched states of Ohio and Massachusetts, along with continued strong momentum in more mature states. This has been achieved while keeping the projected payback period on the acquisition investment below 18 months.
- **Retaining customers for longer** by having the best sports product and best customer experience framed around disciplined promotions. In H1, leveraging our proprietary pricing and risk management capabilities, we innovated further on our market leading product by launching a number of new quick duration, simple, NBA player prop markets (e.g. markets based on a player's performance by quarter). During the NBA playoffs, approximately one-third of our players engaged with this new offering. Further innovations are being developed to maintain our product leadership.
- **Growing customer value** by using the *Flutter Edge* to drive a structural margin advantage. FanDuel's expected gross win margin increased by 170 basis points year-on-year driven by higher adoption of our *Same Game Parlay* products and improvements in pricing accuracy. This extended our pricing advantage over the rest of the industry to 410 basis points (i.e. 51% higher), a 60 basis point expansion of our advantage versus 2022[11].

In iGaming, delivery against our strategic priorities resulted in an improved gaming performance. In H1, we have:

- **Grown *FanDuel Casino* as a brand that resonates with iGaming customers:** 38% increase in the number of new casino-first players.
- **Improved the breadth of our product offering:** Launched the *FanDuel Casino* branded live casino in New Jersey along with adding personalised game recommendations to overall game play.
- **Delivered engaging promotional tools:** First in the US market to launch daily jackpots.

The combination of these items drove FanDuel iGaming AMPs 52% higher in H1 and a three percentage point year on year increase in our iGaming market share to 23% in Q2.

Future modelling framework

The uncertain timing, and associated cost, of new state launches add complexity in forecasting short-term revenue and profit growth in our US business. As the US market evolves, we expect the states that have already regulated for sports betting and gaming to drive significant profitability for the Group through a combination of top line growth and operating leverage. Partly offsetting this will be the significant short-term cost incurred in investing in acquiring new players as we launch in additional states.

Existing states: At our CMD, we provided a view on the US addressable market in 2030. We are now providing an estimate of what we think market growth for regulated states could look like in the medium-term. We estimate that for pre-2022 states[12], the market could increase at a compound annual growth rate ("CAGR") of between 15-20% from 2022 to 2025. In the same period, we believe that the combined market CAGR of 2022 and 2023 state launches[12] could be between 60-70% off the 2022 base levels, aided by new state launches in 2023.

If the market achieves these levels of growth, this could potentially reduce our costs as a percentage of revenue, versus H1 2023 levels, in 2024 and 2025 by the following ranges:

Existing states			
As a % of revenue	**2030 Target**	**H1 2023 Actual**	**Potential 2024/25 reduction vs H1 2023**
Cost of sales %	47.5% - 52.5%	50%	Currently within range
Sales and marketing %	~12.5%	27%	~5.5 - 6.5 ppts per annum
Other operating costs %	~10%	20%	~1ppt per annum

Future state launches: New states are materially loss making in the first twelve months of operation before turning contribution positive in months 13-24. For example, Ohio, which accounts for 3.4% of the US population, launched on 1 January 2023 and the loss incurred from the launch to 30 June 2023 was approximately $120m after adjusting for positive sports results in the period. We do not expect to incur significant losses in H2. Currently, we estimate that states representing an additional 4% and 5% of the population will regulate sports betting in 2024 and 2025 respectively. The Ohio template is a good framework for considering the financial profile of these states in the period post launch.

(ii) Grow our gold medal positions in our core markets

UK & Ireland

Strong online momentum continued in our UK & Ireland division during the first half. Our portfolio of market leading brands took significant share across both sports and gaming, with AMPs +10% in H1 and reaching a record 4.1m in Q2. This drove H1 revenue growth of 13% and 24% higher Adjusted EBITDA. Delivering a best-in-class product proposition by leveraging the *Flutter Edge,* underpinned this excellent performance. We increased our emphasis on personalised generosity including disciplined deployment of value enhancing spend. This led to increases in customer acquisition, retention and value.

Our leading *Betbuilder* products are powered by the broadest depth of content, and this helped drive both new customer acquisition up 11%, and strong retention levels, as evidenced by 90% of World Cup sportsbook customers from Q4 2022 still playing with us in H1. Penetration of our *Betbuilder* products also increased, driving structural margin improvements of 150 basis points in H1.

Our accelerated focus on personalised generosity ensures we deliver the right value to customers at the right time, with efficiency improvements driving a 220 basis point reduction in promotional spend as a % of normalised gross gaming revenue[13] in Q2. This was achieved while simultaneously driving record AMP volumes.

Our gaming brands benefited from adding multiple new industry leading games to our portfolio with expanded Live Casino content for *Sky Vegas,* as well as branded online slots content for Paddy Power. Conversion of sports customers to our gaming proposition reached record levels with strong cross-sell rates benefiting from excellent World Cup customer retention and an improved customer journey for Sky Bet customers. We continued to focus on efficient and segmented generosity across our gaming proposition which led to growth in customer value and record AMP volumes, growing 13% in H1.

We also took share across our retail estate with revenue growth of 11% in H1 and EBITDA growth of 44%. This was despite the industry-wide high levels of cost inflation impacting our retail business. Our excellent performance was driven by a leading product offering, with our estate benefiting from investment in our product proposition in H2 2022 as well as a focus on efficient generosity to grow customer value.

Australia

Sportsbet AMPs increased 7% with strong retention of our enlarged player base from the Covid pandemic. Revenue was broadly flat with growth of 3% in Q2 being offset by a 4% decline in Q1, which was more impacted by the challenging Covid comparatives. Adjusted EBITDA declined 27% due to (i) POC tax changes which cost £33m and drove a 540 basis point increase in cost of sales as a percentage of net revenue to 52.8%, (ii) additional marketing spend of £10m to defend our leadership position and (iii) increased other operating costs to expand our product teams to enable more customer facing content and, inflationary cost pressures.

The Australian market is currently undergoing a period of disruption due to POC tax increases and a post-COVID softening of consumer demand, most notably in racing. Sportsbet was a disproportionate beneficiary of the Covid tailwinds, and as such, is also being disproportionally adversely impacted from the unwind. The softer racing market is expected to continue into H2, resulting in lower market growth expectations, which will impact Sportsbet profitability.

However, the sports segment of the market has shown continued growth, with Sportsbet's performance particularly strong helped in part by the evolution of our product, e.g. *Same Game Multi*. Sportsbet has a strong heritage in leveraging its scale and superior product expertise to win in the market. This continued in H1 with expansion of our *Same Game Multi Tracker* product to the NRL and further evolution of social betting product, *Bet With Mates*, by adding player statistics and chat functionality. Sportsbet's significant scale advantage (clear #1 with a 48% market share in FY 2022)[14], and superior product provides us with confidence around the future trajectory of our Australian business as it navigates this period of change.

(iii) Build on our network and invest for leadership across international markets

International

We have built our International division to a growth inflection point. We grew revenue 74% and Adjusted EBITDA by 103% to £284m, reflecting strong growth in our customer base and the addition of Sisal which has performed strongly since joining the Group in August 2022 (pro forma revenue +8%, Adjusted EBITDA +8%).

Our International business is segmented into four market types: (i) *Consolidate* existing #1 positions, (ii) *Invest* for leadership in high growth markets, (iii) *Optimise* returns, and (iv) *Maintain* an existing position. *Consolidate and Invest* markets, which are our fastest growing opportunity, represent 77% of the division's revenue, up five percentage points when compared with the prior year, and represent 71% of the division's contribution. We have built a sustainable foundation which positions us well to capitalise on the future growth in these markets. Revenue from regulated or regulating markets is 97% of Group revenue, with no unregulated market representing more than 0.4% of Group contribution. Our scale and geographic diversification means that we are exceptionally well positioned to navigate industry and regulatory changes across our markets such as the recent proposed tax changes in India[15].

We operate a diversified product portfolio across these markets encompassing leading sports betting, casino and poker products. Access to the *Flutter Edge* powers this product leadership, a key driver of both customer acquisition and retention. With the addition of Sisal we have now also added a market leading lottery product to our portfolio. This has already proved an important route to new markets with a lottery-led regulatory framework such as Turkey, and will also act as a future path to additional lottery-led markets for Flutter going forward.

Performance in H1 was underpinned by the above, driving strong growth across our *Consolidate and Invest* markets. In Italy revenue grew 17% as our gold medal brand, Sisal, delivered excellent online cross-sell via a market leading product. In Georgia a refreshed generosity proposition delivered revenue growth of 10% while increased content and a localised generosity strategy grew revenue by 15% in Spain. Turkey was our second largest market in H1 with growth of 109% through market leading customer experience across online and retail. In India, leveraging Flutter expertise and access to capital, Junglee delivered strong growth with revenue 54% higher.

There is a clear pathway to meaningful further growth with a sizeable International addressable market[10] of £227bn in 2022, of which over £120bn is currently regulated or regulating. Our *Consolidate and Invest* markets are projected to benefit from 44% GDP growth in the next 5 years[16] and our current presence here represented approximately 20% of the total regulated opportunity with a significant untapped, regulated market where Flutter maintains a subscale share. This expansion potential, when combined with International's stable of market-leading brands each empowered by the *Flutter Edge*, presents a significant opportunity to build and buy further podium positions in line with our strategy and embed future value.

Capital structure[6]

The Group had gross debt of £5,321m[17] at 30 June 2023 and a net debt position of £4,634m (31 December 2022: £4,644m), which represents a pro forma leverage ratio of 3.3x (31 December 2022 3.9x). The Group typically generates significant free cash flow, with H1 impacted by seasonality in working capital. This adverse working capital movement is expected to unwind in H2. These positive cash flows and the future profitability profile of the Group, in particular US profit growth, will facilitate rapid de-levering. The Group is committed to running an efficient balance sheet. As the business both rapidly de-levers, and gains an additional US listing, the Group will consider what is an appropriate level of leverage, as well as the best mechanism for returning any excess funds to shareholders.

Other updates

US listing

In H1, Flutter shareholders voted overwhelmingly in favour of Flutter having an additional listing of shares on a US exchange. We are working towards attaining this additional listing in late Q4 2023 or early Q1 2024. This will also provide the potential to pursue, as a second phase, moving our primary listing from the London Stock Exchange to the US, should shareholders deem this appropriate. In connection with the additional listing, we expect to prepare our full year 2023 financials in US GAAP and in US dollars.

FOX Bet

On 31 July, we announced the closure of the sports betting platform FOX Bet. FOX Bet was part of the The Stars Group US ("TSG US") along with the US facing operations of PokerStars. Flutter will retain ownership of PokerStars, while FOX will retain future use of the FOX and FOX Bet brands including FOX Bet Super 6. Approximately half of the losses associated with TSG US will no longer be incurred following FOX Bet's closure.

Current trading/outlook

Trading for the Group in the first 5 weeks to 6 August has been in line with expectations. Assuming normalised sports results for the remainder of the year, the Group anticipates:

- US revenue of between £3.6bn - £3.9bn ($4.5bn - $4.9bn) and Adjusted EBITDA of between £90m - £190m ($120m - $240m). This assumes we launch online in Kentucky ahead of the NFL season and invest in line with more recent state launches.
- Group ex-US Adjusted EBITDA in line with market expectations of between £1.44bn - £1.6bn, with strong momentum in the UK&I and International, offset by softer than expected market conditions in Australia (Australia Adjusted EBITDA now expected in the range £300m - £320m).

The Group also anticipates for 2023:

- Capital expenditure of approximately £500m
- Group Adjusted depreciation and amortisation charge of approximately £495m
- A weighted average cost of debt in H2 of 6.7%, resulting in full year interest charge of approximately £285m
- An effective tax rate of 25-27% for the Group ex-US. This will be partly offset by a US tax credit of £166m on the recognition of a deferred tax asset associated with previously unrecognised US tax losses resulting in a total Group effective tax rate of 6-8%
- One-off cash items in H2 totalling £155m from acquiring an additional interest in Junglee and purchase of Flutter shares for future settlement of US employee incentive schemes

Operating and financial review[1-6]

Group[3]

Unaudited Adjusted	**H1 2023 £m**	H1 2022 £m	Change %	CC Change %
Average monthly players ('000s)	**12,285**	9,635	*+28%*	
Sports revenue	**2,996**	2,118	*+41%*	*+39%*
Gaming revenue	**1,813**	1,270	*+43%*	*+37%*
Total revenue	**4,809**	3,388	*+42%*	*+38%*
Cost of sales	**(2,008)**	(1,353)	*+48%*	*+44%*
Cost of sales as a % of net revenue	***41.7%***	*39.9%*	*+180bps*	*+180bps*
Gross profit	**2,801**	2,036	*+38%*	*+34%*
Sales and marketing	**(930)**	(819)	*+14%*	*+9%*
Contribution	**1,871**	1,216	*+54%*	*+52%*
Other operating costs	**(983)**	(686)	*+43%*	*+40%*
Corporate costs	**(64)**	(55)	*+18%*	*+16%*
Adjusted EBITDA[2,5]	**823**	476	*+73%*	*+72%*
Adjusted EBITDA margin %	***17.1%***	*14.1%*	*+310bps*	*+330bps*
Depreciation and amortisation	**(238)**	(143)	*+67%*	*+63%*
Adjusted operating profit	**585**	334	*+75%*	*+76%*
Net finance expense	**(131)**	(57)	*+131%*	
Adjusted profit before tax	**454**	277	*+64%*	
Taxation	**(34)**	(100)	*-66%*	
Adjusted profit for the period	**420**	177	*+138%*	
Adjusted basic earnings per share	**237.5p**	97.2p	*+144%*	
Net debt[6] at period end	**(4,634)**	(3,004)	*+54%*	

Sisal (acquired August 2022) has been included on a reported basis. Pro forma references within the commentary for a specified period include Sisal as though part of the Group in both 2022 and 2023 for the entire period. A full analysis of the Group's reported performance can be found at pages 19-20.

Flutter grew H1 revenue by 38% (Q1 +46%, Q2: +32%) driven by (i) recreational player momentum across all of our businesses with AMPs up 28% to 12.3m, (ii) further US expansion where revenues increased 63% compared with the prior year and (iii) the benefit of Sisal, acquired in August 2022, which has also delivered strong growth since acquisition and drove Group ex-US revenue +27%. Adjusted EBITDA grew 72% as our US business became profitable in H1 with EBITDA of £49m, and the delivery of growth through regulation in our ex-US business.

Adjusting for the acquisition of Sisal, pro forma Group revenue (+24%) and AMPs growth (+18%) were also strong. Outside of the US, pro forma revenue grew 8% as our UK & Ireland division took market share and our *Consolidate and Invest* markets drove growth in our International division. This more than offset a more challenging environment in Australia as softer market conditions combined with a normalisation of Covid player engagement exceeded the benefit of strong customer retention.

Cost of sales as a percentage of net revenue increased by 180 basis points to 41.7%, primarily driven by an increase in Australian POC taxes and the increased proportion of US revenues, where direct costs are higher.

Sales and marketing costs were 9% higher year on year, driven primarily by increased US spend. As a proportion of revenue, investment reduced by 510 basis points to 19.3% and by 280 basis points on a pro forma basis to £930m primarily reflecting the (i) greater marketing leverage in the US and (ii) lower marketing levels in Sisal than the rest of the Group, as a result of advertising restrictions in the Italian market.

Other operating costs increased 40% or 16% on a pro forma basis reflecting further scaling of our US business as well as continued investment in our talent, technology resources and product innovation in our business outside of the US.

Group Adjusted EBITDA of £823m was up 72%. On a pro forma basis, Adjusted EBITDA was 37% higher reflecting an increase in Group pro forma EBITDA margin from 15.7% to 17.1% driven by the US turning profitable. Group ex-US grew 24% (pro forma +4%), despite previously guided Australian tax changes (£33m) and regulatory changes in International markets (£10m).

Group Adjusted depreciation and amortisation increased, primarily due to growth in our US division. Interest increased £74m to £131m reflecting the acquisition of Sisal and higher debt costs. The increase in interest costs was partly offset by a reduction in the Group's Adjusted tax charge to £34m. This reflects the Group's effective tax rate in the period of 7.6% compared with 36.2% in H1 2022. The Group effective tax rate benefits from the recognition of a deferred tax asset of £92m in respect of US losses which were previously unrecognised. Our Group ex-US effective tax rate was 26% (H1 2022: 22%). The increase compared with the prior year reflects a greater proportion of profits earned in high tax jurisdictions.

Adjusted basic earnings grew 144% to 237.5p driven by the addition of Sisal and strong underlying EBITDA.

Net debt at 30 June 2023 was £4,634m. This was £1.6bn higher than 30 June 2022, due to the acquisition of Sisal, which offset the free cash flow generated by the operating activities of the Group during the year.

A full analysis of the Group's reported performance can be found at pages 19-20.

US[3]

Unaudited Adjusted	H1 2023 £m	H1 2022 £m	Change %	CC Change US$
Average monthly players ('000s)	**3,119**	2,188	*+43%*	
Sportsbook stakes	**15,547**	10,911	*+42%*	*+35%*
Sportsbook net revenue margin	***8.1%***	*6.0%*	*+210bps*	*+210bps*
Sports revenue	**1,371**	770	*+78%*	*+70%*
Gaming revenue	**425**	281	*+52%*	*+44%*
Total revenue	**1,797**	1,051	*+71%*	*+63%*
Cost of sales	**(899)**	(544)	*+65%*	*+57%*
Cost of sales as a % of net revenue	***50.0%***	*51.8%*	*-170bps*	*-180bps*
Gross profit	**897**	507	*+77%*	*+69%*
Sales and marketing	**(484)**	(399)	*+21%*	*+15%*
Contribution	**413**	108	*+282%*	*+284%*
Other operating costs	**(364)**	(240)	*+52%*	*+45%*
Adjusted EBITDA[2,5]	**49**	(132)		
Adjusted EBITDA margin	***2.7%***	*(12.5%)*	*+1,530bps*	*+1,570bps*
Depreciation and amortisation	**(53)**	(31)	*+74%*	*+66%*
Adjusted operating loss	**(4)**	(162)	*+97%*	*+98%*

The US division includes FanDuel, FOX Bet, TVG and PokerStars brands, offering regulated real money and free-to-play sports betting, casino, poker, daily fantasy sports and online racing wagering products to customers across various states in the US and in Canada.

Revenue grew 63% (Q1 +92%; Q2 +41%) to £1.8bn ($2.2bn), and Adjusted EBITDA increased £181m from a loss of £132m in the prior year to a profit of £49m in H1 2023. FanDuel Group represented 98% of US revenue and made an Adjusted EBITDA profit of £79m ($100m), more than offsetting losses coming from the FOX Bet and PokerStars businesses. The increase in FanDuel's profits was driven by:

- Strong top line growth in existing sportsbook and iGaming states
- Significant operating leverage with our Adjusted EBITDA margin improving 15 percentage points year on year to 2.7%

Sports revenue grew 70% (Q1 +116%; Q2 +40%) with sportsbook up 84%, while DFS and TVG (7% of total revenue) declined 7%. The sportsbook performance was due to:

- Delivering excellent growth in existing states with revenue in pre-2022 states 51% higher, aided in part by favourable sports results
- The launch in four additional sportsbook states (Kansas, Maryland, Ohio and Massachusetts)
- Sportsbook net revenue margin 210 basis points higher to 8.1% (Q2 9.5%) as a result of:
    - A structural win margin improvement of 170 basis points driven by our market leading pricing and risk management capabilities and superior product proposition
    - Favourable sports results adding 180 basis points to our margin when compared to unfavourable results in the prior period
    - An increase in customer acquisition related generosity, which generated strong returns

We increased iGaming revenue by 44% (Q1 +43%; Q2 +45%), in line with strong iGaming player growth of 48%. As stated in the business review section, the strong delivery against our iGaming strategic objectives has seen FanDuel Casino take market share.

Cost of sales as a percentage of revenue declined 180 basis points to 50.0% as contribution from New York, where the gaming tax rate is unusually high, becomes a smaller proportion of the US business as new states launch.

Sales and marketing costs grew 15% to £484m, but reduced as a percentage of revenue by 11 percentage points to 26.9%. This is driven by the operating leverage in existing states, where the proportionate levels of marketing spend are lower than new states.

Operating costs increased by 45% reflecting ongoing investment in the business to support the strong revenue growth, and delivery of good operating leverage when compared with revenue growth of 63%.

UK & Ireland[3]

Unaudited Adjusted	UK & Ireland Total			*UK & Ireland Online*			*UK & Ireland Retail*		
	H1 2023 £m	H1 2022 £m	CC Change %	***H1 2023 £m***	*H1 2022 £m*	*CC Change %*	***H1 2023 £m***	*H1 2022 £m*	*CC Change %*
Average monthly players ('000s)				**4,066**	3,704	*+10%*			
Sportsbook stakes	**5,279**	5,185	*+1%*	**4,581**	4,494	*+2%*	**698**	691	*-1%*
Sportsbook net revenue margin	***12.0%***	*10.9%*	*+110bps*	***11.6%***	*10.6%*	*+100bps*	***15.3%***	*13.2%*	*+210bps*
Sports revenue	**709**	630	*+12%*	**602**	538	*+11%*	**106**	92	*+14%*
Gaming revenue	**533**	462	*+15%*	**487**	418	*+16%*	**47**	44	*+6%*
Total revenue	**1,242**	1,092	*+13%*	**1,089**	956	*+14%*	**153**	136	*+11%*
Cost of sales	**(374)**	(335)	*+11%*	**(340)**	(304)	*+11%*	**(34)**	(31)	*+8%*
Cost of sales as a % of net revenue	***30.1%***	*30.7%*	*-60bps*	***31.2%***	*31.8%*	*-60bps*	***22.1%***	*22.8%*	*-70bps*
Gross profit	**868**	757	*+14%*	**749**	652	*+15%*	**119**	105	*+12%*
Sales and marketing	**(206)**	(197)	*+4%*	**(203)**	(194)	*+4%*	**(3)**	(3)	*-5%*
Contribution	**662**	559	*+18%*	**546**	458	*+19%*	**116**	101	*+13%*
Other operating costs	**(266)**	(239)	*+10%*	**(177)**	(155)	*+12%*	**(89)**	(83)	*+6%*
Adjusted EBITDA[2,5]	**396**	321	*+24%*	**369**	303	*+22%*	**27**	18	*+44%*
Adjusted EBITDA margin	***31.9%***	*29.4%*	*+260bps*	***33.9%***	*31.6%*	*+240bps*	***17.7%***	*13.5%*	*+400bps*
Depreciation and amortisation	**(59)**	(63)	*-7%*	**(39)**	(44)	*-10%*	**(20)**	(19)	*+1%*
Adjusted operating profit	**337**	258	*+31%*	**329**	259	*+28%*	**8**	(1)	

The UK & Ireland division operates Paddy Power, Betfair, Sky Betting & Gaming and tombola brands online, as well as retail operations in the UK & Ireland.

We grew our total UK & Ireland revenue by 13% and Adjusted EBITDA by 24% to £396m as our market leading brands took market share across sports, gaming and in both online and retail channels.

UK & Ireland Online

Strong customer acquisition and retention of World Cup customers from Q4 2022 drove AMP growth 10% higher, reaching a record 4.1m customers during Q2. This strong recreational player momentum, together with our ongoing focus on growing customer value drove revenue +14% in H1 (Q1: +17%, Q2 +11%).

We grew sports revenue 11% (Q1 +16%, Q2 +7%). This was driven by (i) an expanding recreational customer base with an increased skew toward lower staking, higher margin products and (ii) acceleration of our generosity strategy to deploy spend more efficiently. Stakes of £4.6bn were 2% higher while we delivered a net revenue margin of 11.6% which was 100 basis points ahead of last year. This primarily reflects structural gains driven by the launch of *Betbuilder* products for SBG in Q1 2022 as well as a reduction in generosity spend. H1 actual margin was 40 basis points ahead of expectations, all arising in Q2, and resulting in an overall sports results' headwind year on year of 60 basis points for H1.

We increased gaming revenue by 16% (Q1 +17%, Q2 +15%). Our gaming brands benefited from strong cross-sell from our enlarged sports customer base as well as new and refreshed content which helped drive direct gaming customer acquisition.

Cost of sales as a percentage of revenue reduced by 60 basis points to 31.2%, reflecting product mix changes.

Sales and marketing increased by 4% but reduced as a percentage of revenue by 160 basis points to 18.7% reflecting marketing efficiencies implemented in H2 2022. Other operating costs were in line year on year as a percentage of revenue at 16.2% despite the high levels of cost inflation which we expect to have a greater impact on pay costs in H2.

Our strong revenue performance and focus on cost efficiency resulted in Online Adjusted EBITDA growth of 22% year on year to £369m.

UK & Ireland Retail

We grew retail revenue 11% (Q1: +15%, Q2 +8%) and Adjusted EBITDA of £27m up 44% during the year. This performance reflects share gains across our estate in both the UK and Ireland. Product investment in H2 2022 and a focus on value enhancing generosity has driven structural margin gains and reductions in promotional spend similar to our online business. This focus on delivering a best-in-class customer proposition and experience has underpinned our outperformance.

Other operating costs increased by 6% year on year, despite higher pay and utility cost inflation, reflecting a disciplined approach to cost mitigation.

At 30 June 2023, we had 607 (30 June 2022: 614) retail outlets with 356 in the UK and 251 in Ireland.

***Australia*[3]**

Unaudited Adjusted	**H1 2023 £m**	**H1 2022 £m**	**Change %**	**CC Change A$**
Average monthly players (‘000s)	**1,066**	993	*+7%*	
Sportsbook stakes	**4,953**	5,209	*-5%*	*-4%*
Sportsbook net revenue margin	***12.1%***	*11.8%*	*+30bps*	*+30bps*
Total revenue	**601**	612	*-2%*	*-1%*
Cost of sales	**(317)**	(290)	*+10%*	*+11%*
Cost of sales as a % of net revenue	***52.8%***	*47.3%*	*+550bps*	*+540bps*
Gross profit	**284**	322	*-12%*	*-11%*
Sales and marketing	**(64)**	(54)	*+20%*	*+23%*
Contribution	**219**	269	*-18%*	*-18%*
Other operating costs	**(61)**	(50)	*+23%*	*+23%*
Adjusted EBITDA[2,5]	**158**	219	*-28%*	*-27%*
Adjusted EBITDA margin	***26.4%***	*35.8%*	*-950bps*	*-950bps*
Depreciation and amortisation	**(16)**	(14)	*+20%*	*+22%*
Adjusted operating profit	**142**	206	*-31%*	*-30%*

The Australian division encompasses Sportsbet, which offers online sports betting in the Australian market.

Sportsbet AMPs were 7% higher following effective retention of our Covid enlarged player base. Revenue declined slightly against challenging comparatives, with Adjusted EBITDA £61m lower at £158m due to increased POC taxes and strategic investments in marketing and product capabilities.

Revenue decline of 1% (Q1 -4%; Q2 +3%) reflected the higher AMPs and positive sports results of 80 basis points versus expectations, mostly in Q2, offset by 7% lower revenue per customer. Lower customer revenue levels were most notable in racing when compared to the Covid-related peaks when options for other discretionary leisure spend were significantly restricted.

Cost of sales as a % of revenue increased 540 basis points to 52.8% from the previously guided impact of POC tax changes in H1 of £33m (annualised £73m) across several Australian states. In H1 2023, the state of Victoria announced it would increase the POC rate to 15% from July 2024, which will add an incremental £27m annualised cost for Sportsbet.

Sales and marketing increased by 23% to defend our leadership position in the market and form key strategic partnerships with a number of local sports and racing organisations.

Other operating costs increased £11m or 23%, from expansion of our product teams to enable more customer facing content and inflationary cost pressures.

***International*[3]**

	Reported				Pro forma			
Unaudited Adjusted	**H1 2023 £m**	H1 2022 £m	Change %	CC Change %	**H1 2023 £m**	H1 2022 £m	Change %	CC Change %
Average monthly players ('000s)	**4,035**	2,750	*+47%*		**4,035**	3,515	*+15%*	
Sportsbook stakes	**1,979**	710	*+179%*	*+167%*	**1,979**	1,722	*+15%*	*+10%*
Sportsbook net revenue margin	***13.6%***	*9.0%*	*+460bps*	*+460bps*	***13.6%***	*12.4%*	*+120bps*	*+120bps*
Sports revenue	**315**	106	*+197%*	*+183%*	**315**	255	*+23%*	*+18%*
Gaming revenue	**854**	527	*+62%*	*+52%*	**854**	780	*+9%*	*+5%*
Total revenue	**1,169**	633	*+85%*	*+74%*	**1,169**	1,035	*+13%*	*+8%*
Cost of sales	**(417)**	(184)	*+127%*	*+114%*	**(417)**	(363)	*+15%*	*+11%*
Cost of sales as a % of net revenue	***35.7%***	*29.1%*	*+660bps*	*+660bps*	***35.7%***	*35.1%*	*+60bps*	*+90bps*
Gross profit	**752**	449	*+67%*	*+58%*	**752**	672	*+12%*	*+7%*
Sales and marketing	**(175)**	(169)	*+3%*	*-2%*	**(175)**	(180)	*-3%*	*-7%*
Contribution	**577**	280	*+106%*	*+93%*	**577**	492	*+17%*	*+12%*
Other operating costs	**(292)**	(158)	*+85%*	*+84%*	**(292)**	(250)	*+17%*	*+15%*
Adjusted EBITDA[2,5]	**284**	122	*+133%*	*+103%*	**284**	242	*+17%*	*+8%*
Adjusted EBITDA margin	***24.3%***	*19.3%*	*+500bps*	*+350bps*	***24.3%***	*23.4%*	*+90bps*	*0bps*
Depreciation and amortisation	**(107)**	(33)	*+226%*	*+207%*	**(107)**	(87)	*+23%*	*+17%*
Adjusted operating profit	**177**	89	*+98%*	*+69%*	**177**	155	*+15%*	*+3%*

The International division includes Sisal, PokerStars, Adjarabet, Betfair and Junglee brands but excludes PokerStars' US business and Betfair UK & Ireland operations. Sisal was acquired in August 2022. Pro forma references within the commentary include Sisal as though part of the division in both 2022 and 2023 for the entire period. A reconciliation of the division's reported and pro forma income statement is included in Appendix 2.

Pro forma

Our *Consolidate and Invest* markets continued to drive a strong performance in our International division, and we grew AMPs 15% and revenue 8% to £1.2bn in H1. We delivered Adjusted EBITDA of £284m which was 8% higher as we continued to invest in our key markets.

We grew revenue in our *Consolidate and Invest* markets by 19% in H1, representing 77% of the total division, up 5 percentage points from H1 2022. In Italy, which was 47% of divisional revenue, Sisal's online business drove 17% growth as a market leading product proposition continued to deliver strong player acquisition and retention, combined with higher multi-product player rates. Turkey was our second largest market in H1, doubling revenues year on year driven by a strong performance across both retail and online. In India we continue to leverage the *Flutter Edge* to drive player momentum, in turn driving revenue 54% higher. *Optimise and Maintain* markets declined 17% in H1 and 9% in Q2, when the final known major regulatory headwinds relating to disruption in Russia and Ukraine were fully lapped.

Cost of sales grew 90 basis points as a percentage of revenue as we continued to drive sustainable growth in our regulated markets which have a greater associated direct cost.

Sales and marketing reduced by 7% and 240 basis points as a percentage of revenue with the benefits of a more targeted approach in our *Optimise and Maintain* markets which was partly offset by increased investment in higher growth opportunities such as Turkey and India. This delivered contribution growth of 12%, with our *Consolidate and Invest* markets which represented 71% of H1 2023 contribution, up 19%.

Other operating costs were 15% higher due to continued investment in product and technology as well as our ongoing expansion in our *Invest* markets with depreciation growth of 17% reflecting this investment.

We grew EBITDA by 8%, while EBITDA margin was in line when compared with the prior year as strong contribution growth in our *Consolidate* markets offset spend to drive our Invest expansion.

Reported

Reported performance includes a six-month contribution from Sisal (revenue: +£516m, EBITDA +£146m) in H1 2023 only.

We grew revenue by 74% reflecting the above, as well as strong growth in our *Consolidate and Invest* markets. Sports represents a higher proportion of Sisal revenue compared with the existing International businesses, driving sports 183% higher while gaming grew 52%.

The addition of Sisal also had the following impacts:

- Cost of sales as a % of net revenue increased by 660 basis points to 35.7% as Sisal is a higher direct cost business, reflecting the largely franchise model operated in the retail estate
- Sales and marketing as a % of net revenue reduced by 11.5 percentage points reflecting lower marketing costs due to advertising restrictions in Italy
- Other operating costs increased by 84%

Separately disclosed items

	H1 2023 £m	H1 2022 £m
Transaction fees and associated costs	**(16)**	(10)
Restructuring and integration initiatives	**(42)**	(32)
EBITDA impact of separately disclosed items	**(58)**	(42)
Amortisation of acquisition related intangible assets	**(314)**	(286)
Operating profit impact of separately disclosed items	**(372)**	(328)
Tax credit on separately disclosed items	**80**	39
Profit/ (loss) after tax impact of separately disclosed items	**(292)**	(289)

Separately disclosed items do not relate to business-as-usual activity of the Group, but are items that are volatile in nature or acquisition related amortisation, and therefore are excluded from Adjusted profits.

Transaction fees and associated costs incurred of £16m related primarily to the proposed listing of Flutter shares in the US.

Restructuring and integration costs primarily relate to technology-driven efficiency projects and Sisal integration costs.

Amortisation of acquisition related intangible assets increased by £28m to £314m reflecting the acquisition of Sisal in August 2022.

The tax credit of £80m primarily relates to the tax effect of the amortisation of acquisition-related intangibles and other SDIs.

Statutory review[1]

Group

Unaudited	H1 2023 £m	H1 2022 £m	Change %
Sports revenue	**2,996**	2,118	+41%
Gaming revenue	**1,813**	1,270	+43%
Total revenue	**4,809**	3,388	+42%
Cost of sales	**(2,008)**	(1,353)	+48%
Cost of sales as a % of net revenue	***41.7%***	*39.9%*	*+180bps*
Gross profit	**2,801**	2,036	+38%
Operating costs	**(2,036)**	(1,602)	+27%
EBITDA	**765**	434	+76%
EBITDA margin %	***15.9%***	*12.8%*	*+310bps*
Amortisation of acquisition related intangibles	**(314)**	(286)	+10%
Depreciation and amortisation	**(238)**	(145)	+64%
Gain on disposal	**—**	2	
Operating profit	**214**	5	+3,865%
Net finance expense	**(131)**	(57)	+131%
Profit/ (loss) before tax	**83**	(51)	
Taxation	**45**	(61)	
Profit/ (loss) after tax	**128**	(112)	
Basic loss per share	**73.8p**	(64.7p)	
Diluted loss per share	**72.8p**	(64.7p)	
Net current liabilities	**(516)**	(416)	
Net assets	**10,153**	10,337	
Net cash from operating activities	**71**	308	-77%

Note: Comparative figures for net current liabilities and net assets are as at 31 December 2022. A full analysis of the Group's adjusted performance can be found at pages 9-17.

Flutter delivered strong revenue growth of 42%, driven by an expanded recreational customer base with AMPs up 28% to 12.3m. This performance was underpinned by further expansion of our US business which generated positive EBITDA for the first time. The Group outside of the US also delivered a strong performance. The acquisition of Sisal in August 2022 contributed to strong organic growth in key International markets and we delivered market share gains within UK & Ireland which more than offset softer market conditions in Australia, coinciding with a normalisation of Covid player engagement when compared with the prior year.

Cost of sales as a percentage of net revenue increased by 180 basis points to 41.7% primarily driven by an increase in Australian POC taxes.

Operating costs increased by 27% driven by continued investment in marketing and product across the Group, particularly in the US, as well as the inclusion of Sisal. Reported EBITDA grew 76%, significantly ahead of revenue growth as the US becomes profitable and we leverage our scale advantage.

Net current liabilities increased from £416m at 31 December 2022 to £516m at 30 June 2023. The main driver of this was a reduction in the value of hedging derivatives as a result of foreign exchange movements. As in previous years, the Group regularly operates in a net current liability position due to the Group's operating model, whereby it receives payments for nearly all revenues in advance, with material cost items paid in arrears.

Net assets of £10.2bn at 30 June 2023 were further reduced versus 31 December 2022 due to the lower carrying amount of intangible assets and goodwill, partially offset by reduced borrowings, with the reduction in each driven by foreign exchange movements.

Net cash flow from operating activities decreased to £71m from £308m due to a reduction in cash and cash equivalents - customer balances and the unwind of the year-end working capital position, partially offset by increased profitability.

A full analysis of the Group's Adjusted performance can be found at pages 9-17.

Cash flow and financial position

Unaudited	**H1 2023 £m**	H1 2022 £m
Adjusted EBITDA	**823**	476
Capex	**(237)**	(156)
Working capital	**(144)**	(41)
Corporation tax	**(138)**	(132)
Lease liabilities paid	**(52)**	(21)
Adjusted free cash flow	**253**	127
Cash flow from separately disclosed items	**(60)**	(39)
Free cash flow	**193**	87
Interest cost	**(116)**	(46)
Other borrowing costs	**(1)**	(2)
Purchase of shares by the Employee Benefit Trust ("EBT")	**(131)**	—
Acquisitions and disposals	**—**	(410)
Cash transferred in acquisitions/ disposals	**—**	15
Other	**(4)**	(3)
Net decrease in cash	**(59)**	(360)
Net debt[6] at start of year	**(4,644)**	(2,647)
Foreign currency exchange translation	**162**	(241)
Change in fair value of hedging derivatives	**(93)**	244
Net debt as at 30 June	**(4,634)**	(3,004)

Note: Prepared on a net cash/debt basis including borrowings, debt related derivatives and cash and cash equivalents - available for corporate use, but excluding cash and cash equivalents – customer balances. A reconciliation to the Group's consolidated statement of cash flows is included in Appendix 4.

Adjusted free cash flow doubled in H1 2023 to £253m and reflected the following:

- Material increase in Adjusted EBITDA from £476m to £823m.
- An increase in capital expenditure of £81m, with £41m relating to the addition of Sisal and the remaining increase reflecting investment in our global tech platforms along with pricing and risk capabilities. Pro forma capital expenditure increased by 15%.
- Net working capital outflow of £144m driven by a reduction in payables relating to the seasonal unwind associated with the quieter summer period, which, in line with the prior year, is expected to reverse in H2.

Cash outflow from separately disclosed items was £60m. This relates to technology-driven efficiency projects, the proposed listing of Flutter shares in the US and Sisal integration costs.

Interest cost rose £70m to £116m mainly due to the debt-funded acquisition of Sisal and higher interest rates.

The Employee Benefit Trust purchased £131m in Flutter shares for future settlement of US employee incentive schemes that were put in place at the time of the original FanDuel acquisition to incentivise value creation in FanDuel.

As at 30 June 2023, the Group had net debt of £4,634m, excluding customer balances, representing a leverage ratio of 3.3x times[6] pro forma Adjusted EBITDA. The Group continues to hedge the impact of currency fluctuations on its leverage ratio through cross currency swap agreements. Changes in the fair value of these hedging derivatives are reflected in net debt.

Notes:
[1] Reported figures represent the IFRS reported statutory numbers. Where amounts have been normalised for separately disclosed items they are noted as Adjusted.

[2] "Adjusted" measures exclude items that are separately disclosed as they are: (i) not part of the usual business activity of the Group (ii) items that are volatile in nature and (iii) purchase price accounting amortisation of acquired intangibles (non-cash). Therefore, they have been reported as "separately disclosed items (SDIs)" (see note 5 to the financial statements).

[3] Growth rates in the commentary are in local or constant currency[18] except reported numbers which are in nominal currency.

[4] Average Monthly Players represent the average number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month in the reporting period. Average Monthly Player numbers now include Junglee players, and comparative figures have been adjusted to show a like for like comparison.

[5] EBITDA is defined as profit for the period before depreciation, amortisation, impairment, gain on disposal, financial income, financial expense and taxation and is a non-GAAP measure. This measure is used internally to evaluate performance, to establish strategic goals and to allocate resources. The directors also consider the measure to be 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. It is a non-GAAP financial measure and is not prepared in accordance with IFRS and, not being a uniformly defined term, it 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.

[6] Net debt is the principal amount of borrowings plus associated accrued interest, minus available cash & cash equivalents plus/minus carrying value of debt related derivatives. Leverage is calculated using pro forma Adjusted EBITDA for the appropriate 12-month period.

[7] Online sportsbook market share is the GGR market share of FanDuel and FOX Bet for H1 2023 in the states in which FanDuel was live based on published gaming regulator reports in those states. During H1 2023 FanDuel was live in 19 states; Arizona (AZ), Colorado (CO), Connecticut (CT), Illinois (IL), Indiana (IN), Iowa (IA), Kansas (KS), Louisiana (LA), Maryland (MD), Massachusetts (MA), Michigan (MI), New Jersey (NJ), New York (NY), Ohio (OH), Pennsylvania (PA), Tennessee (TN), Virginia (VA), West Virginia (WV) and Wyoming (WY). During H1 2023 FOX Bet was live in 4 states; CO, NJ, MI and PA. Market share does not include AZ, CO, IL, OH and VA for June as the data has yet to be released. Online gaming market share is the GGR share in CT, MI, NJ, PA and WV.

[8] *Consolidate* and *Invest* markets in International are Italy, Spain, Georgia, Armenia, Brazil, India, Turkey and Virtual Reality.

[9] Global Play Well goal is measured as the 12-month rolling average % of AMPs who use a safer gambling (Play Well) tool in the specified reporting period. A safer gambling tool is any tool that a customer has used (or Flutter has applied to a customer) in the reporting period that helps to promote safer gambling.

[10] US total addressable market based on internal estimates and excluding Canada (estimated mature total addressable market of $3bn). Total addressable market outside US based on H2GC data and internal estimates. Total addressable regulated market of £120bn based on total addressable market outside US above excluding the UK, Ireland, Australia and various markets that are unregulated or operating under monopoly conditions.

[11] US gross win margin comparison is based on published gaming regulatory reports in US states.

[12] US pre-2022 states include AZ, CO, CT, IL, IN, IA, MI, NJ, PA, TN, VA and WV for sportsbook and CT, MI, NJ, PA and WV for iGaming along with Canada. State launches in 2022 and 2023 includes KS, LA, NY, OH, MA, MD, WY and Kentucky which is expected to launch in September 2023.

[13] Normalised gross gaming revenue refers to gross gaming revenue adjusted to remove the gross impact of sports results in the relevant period being the variance between expected gross revenue margin and actual gross revenue margin.

[14] Australian gross gaming revenue market share for 2022 based on competitor filings and internal estimates.

[15] Indian tax changes refer to proposal to amend tax base for Goods and Services Tax from 28% of gross gaming revenue to deposits which may represent deposits or stakes.

[16] International Monetary Fund (https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD), 2022-2027 for *Consolidate* and *Invest* markets[8].

[17] Includes the gross value of derivatives.

[18] Constant currency ("CC") growth is calculated by retranslating the non-sterling denominated component of 2022 at 2023 exchange rates (see Appendix 3).

Appendix 1: Reconciliation of Adjusted to statutory results

In the operating and financial review the Group's financial performance has been presented on an Adjusted and reported basis. The difference between the Adjusted and reported information relates to the inclusion of separately disclosed items. The impact on the income statement and earnings per share is set out below.

	Adjusted results		**Separately disclosed items[1]**		**Statutory results**	
	H1	**H1**	**H1**	**H1**	**H1**	**H1**
£m unaudited	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Sports revenue	**2,996**	2,118			**2,996**	2,118
Gaming revenue	**1,813**	1,270			**1,813**	1,270
Total revenue	**4,809**	3,388	**—**	—	**4,809**	3,388
Cost of sales	**(2,008)**	(1,353)	**—**	—	**(2,008)**	(1,353)
Cost of sales as a % of net revenue	***41.7%***	*39.9%*			***41.7%***	*39.9%*
Gross profit	**2,801**	2,036	**—**	—	**2,801**	2,036
Sales and marketing	**(930)**	(819)			**(930)**	(819)
Contribution	**1,871**	1,216	**—**	—	**1,871**	1,216
Other operating costs	**(983)**	(686)	**—**	—	**(983)**	(686)
Corporate costs	**(64)**	(55)	**(58)**	(42)	**(122)**	(97)
EBITDA	**823**	476	**(58)**	(42)	**765**	434
EBITDA margin	***17.1%***	*14.1%*			***15.9%***	*12.8%*
Depreciation and amortisation	**(238)**	(143)	**(314)**	(286)	**(552)**	(429)
Operating profit	**585**	334	**(372)**	(328)	**214**	5
Net finance expense	**(131)**	(57)	**—**	—	**(131)**	(57)
Profit/ (loss) before tax	**454**	277	**(372)**	(328)	**83**	(51)
Taxation	**(34)**	(100)	**80**	39	**45**	(61)
Profit/ (loss) for the period	**420**	177	**(292)**	(289)	**128**	(112)
Profit/ (loss) attributable to non controlling interest	**1**	(5)	1	3	**3**	(2)
Profit/ (loss) attributable to equity holders	**422**	172	**(291)**	(286)	**131**	(114)
Weighted average number of shares ('000s)	**177,502**	176,658			**177,502**	176,658
Adjusted basic EPS (pence)	**237.5p**	97.2p			**73.8p**	(64.7p)

[1] See note 5 of the financial statements.

Appendix 2: Reconciliation of pro forma to statutory results

Sisal, acquired in August 2022, has been included in this statement on a reported basis unless stated otherwise. Pro forma measures for the International division have been included in these interim results where they best represent underlying performance.

The difference between the reported and pro forma results is the inclusion separately disclosed items and exclusion of the results of Sisal in the period prior to completion in reported figures, as per the table below.

International

	Adjusted pro forma		**Adjusted results pre-completion**		**Separately disclosed items[1]**		**Statutory reported**	
Unaudited Adjusted	**H1 2023 £m**	H1 2022 £m	**H1 2023 £m**	H1 2022 £m	**H1 2023 £m**	H1 2022 £m	**H1 2023 £m**	H1 2022 £m
Sports revenue	**315**	255	—	(149)			**315**	106
Gaming revenue	**854**	780	—	(253)			**854**	527
Total revenue	**1,169**	1,035	—	(402)	—	—	**1,169**	633
Cost of sales	**(417)**	(363)	—	179			**(417)**	(184)
Cost of sales as a % of net revenue	***35.7%***	*35.1%*					***35.7%***	*29.1%*
Gross profit	**752**	672	—	(223)	—	—	**752**	449
Sales and marketing	**(175)**	(180)	—	10			**(175)**	(169)
Contribution	**577**	492	—	(212)	—	—	**577**	280
Other operating costs	**(292)**	(250)	—	92	—	—	**(292)**	(158)
EBITDA	**284**	242	—	(120)	—	—	**284**	122
EBITDA margin	***24.3%***	*23.4%*					***24.3%***	*19.3%*
Depreciation and amortisation	**(107)**	(87)	—	54	**(171)**	(130)	**(278)**	(163)
Operating profit/(loss)	**177**	155	—	(66)	**(171)**	(130)	**6**	(41)

Adjusted pro forma revenue and EBITDA measures have also been referenced within these interim results. This has been reconciled in the table below.

Group

	Adjusted pro forma		**Adjusted results pre-completion**		**Separately disclosed items[1]**		**Statutory reported**	
Unaudited Adjusted	**H1 2023 £m**	H1 2022 £m	**H1 2023 £m**	H1 2022 £m	**H1 2023 £m**	H1 2022 £m	**H1 2023 £m**	H1 2022 £m
Total revenue	**4,809**	3,790	—	(402)		—	**4,809**	3,388
EBITDA	**823**	596	—	(120)	**(58)**	(42)	**765**	434

[1] See note 5 of the financial statements.

Appendix 3: Reconciliation to constant currency growth rates

Constant currency ("CC") growth is calculated by retranslating non-sterling denominated component of H1 2022 at H1 2023 exchange rates as per the table below.

£m unaudited	**H1 2023**	**H1 2022**	**% Change**	**H1 2022 FX impact**	**H1 2022 CC**	**CC % Change**
Sports revenue	**2,996**	2,118	+41%	39	2,158	+39%
Gaming revenue	**1,813**	1,270	+43%	49	1,319	+37%
Total revenue	**4,809**	3,388	+42%	89	3,477	+38%
Cost of sales	**(2,008)**	(1,353)	+48%	(38)	(1,391)	+44%
Cost of sales as a % of net revenue	***41.7%***	*39.9%*	*+180bps*		*40.0%*	*+180bps*
Gross profit	**2,801**	2,036	+38%	51	2,086	+34%
Sales and marketing	**(930)**	(819)	+14%	(32)	(851)	+9%
Contribution	**1,871**	1,216	+54%	19	1,235	+52%
Other operating costs	**(983)**	(686)	+43%	(15)	(701)	+40%
Corporate costs	**(64)**	(55)	+18%	(1)	(55)	+16%
Adjusted EBITDA	**823**	476	+73%	3	479	+72%
Adjusted EBITDA margin	***17.1%***	*14.1%*	*+310bps*		*13.8%*	*+330bps*
Depreciation and amortisation	**(238)**	(143)	+67%	(4)	(146)	+63%
Adjusted operating profit	**585**	334	+75%	(1)	333	+76%
Revenue by division						
UK & Ireland	**1,242**	1,092	+14%	5	1,096	+13%
Australia	**601**	612	-2%	(6)	606	-1%
International	**1,169**	633	+85%	39	672	+74%
US	**1,797**	1,051	+71%	52	1,102	+63%
Adjusted EBITDA by division						
UK & Ireland	**396**	321	+23%	0	321	+24%
Australia	**158**	219	-28%	(2)	217	-27%
International	**284**	122	+133%	18	140	+103%
US	**49**	(132)	-137%	(11)	(143)	-134%
Corporate costs	**(64)**	(55)	+18%	(1)	(55)	+16%

Appendix 4: Reconciliation of Adjusted cash flow to reported statutory cash flow

In the operating and financial review the cash flow has been presented on a net cash basis. The difference between the net cash basis and the reported cash flow is the inclusion of borrowings, debt related derivatives and cash and cash equivalents - available for corporate use but excluding cash and cash equivalents - customer balances to determine a net cash position.

	Adjusted cash flow		Debt and customer balances adjustments		Statutory cash flow	
£m unaudited	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Adjusted EBITDA[1]	**823**	476			**823**	476
Capex[2]	**(237)**	(156)			**(237)**	(156)
Working capital[3]	**(144)**	(41)			**(144)**	(41)
Corporation tax	**(138)**	(132)			**(138)**	(132)
Lease liabilities paid	**(52)**	(21)			**(52)**	(21)
Adjusted free cash flow	**253**	127	—	—	**253**	127
Cash flow from separately disclosed items[4]	**(60)**	(39)			**(60)**	(39)
Free cash flow	**193**	87	—	—	**193**	87
Interest cost[5]	**(116)**	(46)			**(116)**	(46)
Other borrowing costs[5]	**(1)**	(2)			**(1)**	(2)
Settlement of swaps	**—**	—	170	—	**170**	—
Purchase of shares by the EBT	**(131)**	—			**(131)**	—
Acquisitions and disposals[6]	**—**	(410)			**—**	(410)
Cash acquired in business combinations[6]	**—**	15			**—**	15
Other[7]	**(4)**	(3)			**(4)**	(3)
Movement in cash and cash equivalents - customer balances	**—**	—	(411)	44	**(411)**	44
Net amounts repaid on borrowings[8]	**—**	—	(80)	178	**(80)**	178
Net (decrease)/increase in cash	**(59)**	(360)	(320)	222	**(379)**	(137)
Net (debt)/cash at start of year[9]	**(4,644)**	(2,647)	6,735	4,276	**2,091**	1,629
Foreign currency exchange translation	**162**	(241)	(187)	252	**(24)**	11
Change in fair value of hedging derivatives	**(93)**	244	93	(244)	**—**	—
Net (debt)/cash as at 30 June[9]	**(4,634)**	(3,004)	6,322	4,507	**1,688**	1,503

[1] Adjusted EBITDA includes the following line items in the statutory cash flow: Profit for the period, separately disclosed items, tax expense, financial income, financial expense and depreciation and amortisation.

[2] Capex includes purchase of property, plant and equipment, purchase of intangible assets, capitalised internal development expenditure, lease incentive received and payment of contingent deferred consideration.

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

[4] Cash flow from separately disclosed items relates to transaction fees, along with restructuring and integration costs.

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

[6] The combination of acquisition and disposals of (£410m) and cash acquired in business combinations (£15m) in H1 2022 reconcile to the statutory cash flow amounts for purchase of businesses net of cash acquired (£395m).

[7] Other includes proceeds from the disposal of assets, proceeds from the issue of shares on exercise of employee options, dividends paid to non-controlling interest, lease interest paid and other.

[8] Net amounts repaid on borrowings includes principle repayments on USD First Lien Term Loan B and additional draw downs and repayments on the GBP Revolving Credit Facilities.

[9] Net (debt)/cash comprises principal outstanding balance of borrowings, accrued interest on those borrowings, derivatives held for hedging debt instruments, cash and cash equivalents - available for corporate use and cash and cash equivalents - customer balances.

STATEMENT OF DIRECTORS RESPONSIBILITIES
For the half year ended 30 June 2023

The directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland.

In preparing the condensed set of consolidated financial statements included within the half-yearly financial report, the directors are required to:

- prepare and present the condensed set of consolidated financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and the Transparency Directive and the Transparency Rules of the Central Bank of Ireland;
- ensure the condensed set of consolidated financial statements has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.
- assess the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the condensed set of consolidated financial statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

1) the condensed set of consolidated financial statements included within the half-yearly financial report of Flutter Entertainment PLC for the six months ended 30 June 2023 ("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 the related explanatory notes, have been presented and prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive and Transparency Rules of the Central Bank of Ireland.

2) The interim financial information presented, as required by the Transparency Directive, includes:

    1. an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the condensed set of consolidated financial statements;
    2. a description of the principal risks and uncertainties for the remaining 6 months of the financial year
    3. related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
    4. 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 6 months of the current financial year.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Entity's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Peter Jackson
Chief Executive Officer

Paul Edgecliffe-Johnson
Chief Financial Officer

8 August 2023

Principal risks

The principal risks and uncertainties which are considered to have a material impact on the Group's future performance and strategic objectives are set out on the following pages. The principal risks and uncertainties are consistent with those defined in the Group's Annual Report & Accounts 2022, available at www.flutter.com.

This is not intended to be an exhaustive and extensive analysis of all risks which may affect the Group. Additional risks and uncertainties currently deemed to be less material, or not presently known to Management, may also have an adverse effect on the performance and strategic objectives of the Group.

Changing legal and regulatory landscape	
Why we need to manage this	How we manage and mitigate the risk
The complex and constantly changing regulatory environments in which we operate, in terms of multiple jurisdictions, tax regimes and licensing obligations, can make it commercially challenging for us to operate, or impact our ability to grow at pace.	• We have dedicated internal and external Legal, Regulatory, Compliance and Tax teams covering all regions with responsibility for working with, and advising management on any upcoming regulatory changes, to set appropriate policies, processes and controls to adapt and ensure compliance. • Our regulatory profile continues to improve with an increased proportion of revenues coming from regulated markets and a continuous focus on reducing exposure to higher risk jurisdictions. • For material markets, we engage external counsel to complement our in-house ongoing monitoring activity and to guide and support strategic decision making and planning associated with these markets. • We invest continuously in the flexibility of our in-house technology which is key for entering or remaining in markets, and allowing for adaptability and flexibility of our products as market conditions change. • Flutter and its divisions have dedicated Corporate Affairs teams and hold memberships with associations and industry groups working with regulators and governments to drive proportionate, transparent and reasonable regulation and taxation in the industry.

US growth execution and competition	
Why we need to manage this	How we manage and mitigate the risk
The successful execution of the growth strategy for the US business across its brands and partnerships is critical to our long-term ambitions.	• We continue to establish and maintain strong commercial relationships with our market access partners and strategic media partners to secure access to new markets and maintain growth. • We invest in people, product and brands to acquire further market share and to maintain the agility, scalability and leading market positions. • We continue to develop our in-house technology stack, including our proprietary global betting platform for the provision of sports betting, to continuously improve our offering and meet evolving stakeholder needs. • We have dedicated external advisers, internal expertise and resources to support with the monitoring and assessment of the US competitive landscape to take appropriate actions. • Our dedicated US Legal, Risk and Compliance teams work closely with the business teams to monitor ongoing compliance across multiple jurisdictions to continuously improve our processes and controls to ensure compliance with our federal and state obligations.

Cyber resilience	
Why we need to manage this	How we manage and mitigate the risk
We are dependent on technology to support our products, business activities and customer operations. Cyber maturity and capabilities across our expanding Group vary and may increase the number of potential attack vectors or internal threats, which could lead to financial loss, data breaches, regulatory action and reputational damage.	• We invest significantly in cyber security resources, capabilities and technologies, and work with a variety of external security specialists to ensure security arrangements and systems are appropriate for our evolving threats and continue to follow leading practice. • The Group Chief Information Security Officer works with the Group and divisional information security teams to devise and advance our strategy for cyber security, enhance our control assurance capabilities and governance. • The Flutter cyber security team owns and reports on the Group-wide cyber policy detailing our key cyber topics and control standards, with periodic review and approval, in addition to internal and external annual assessment of security maturity. • Flutter cyber assurance reviews provide ongoing assessment of security controls implemented to protect against key risk topics. • We have defined and rehearsed cross divisional cyber incident management processes to mitigate the impact of Group-wide major cyber incidents.

Third parties and key suppliers	
Why we need to manage this	How we manage and mitigate the risk
Across our divisions and Group, we place reliance upon certain critical suppliers and key third parties in technology, sports associations, marketing, sports content and media which are fundamental to our business and product offerings. The effective management of critical third party relationships, performance and regulatory expectations is key to our strategic objectives.	• Strategic and critical suppliers are subject to regular business and quality reviews to ensure ongoing relationship and performance management. • The Group Procurement and Third Party Assurance functions maintain a Risk Heatmap to monitor strategic and critical suppliers and ensure continuity of critical services. • As part of our procurement processes, we employ dedicated resources supplemented by subject matter expertise within risk, compliance, legal and technology assurance to protect and enhance value, demonstrate our high standards of corporate integrity, and reinforce organisational resilience. • Where possible, we limit reliance on a single supplier to reduce potential single point of failure.

Leadership and talent pipeline	
Why we need to manage this	How we manage and mitigate the risk
To ensure that those in our most critical roles are developed to their full potential, and succession is being built. To ensure we become the natural home for the world's best talent in the skills we deem most critical.	• A common talent framework to develop top senior talent which enables targeted development of individuals and effective succession planning. • We proactively manage executive plans, succession and search, securing candidates with the capability and calibre to lead Flutter as it continues to grow and transform. • As a global company, we need to leverage our diverse talent to win in our local markets, and ensure colleagues bring their whole selves to work. • We provide opportunities for high potential diverse talent to develop and flourish, including through a Board Apprenticeship scheme or co-leading on one of our four Global Advocacy Programmes

International technology transformation	
Why we need to manage this	**How we manage and mitigate the risk**
Challenges to transform, expand and scale our capabilities, given reliance on legacy technologies and variances across entities, which may lead to lower than desired resilience, reliability and product agility.	• Fully restructured CTO leadership team; key new roles have been introduced in the International Technology function, through recruiting externally and leveraging internal talent from other brands and divisions. • Full review of the International division’s technology risk profile with clear plans and structures in place to improve, using a risk-based approach. • Our revised technology strategy has been defined to support significant market growth and expansion. • We continue to invest in resources, software and hardware to address themed strategic initiatives, which address stability, process, people and technology. • Focused support from external advisers, strategic partners and experts to support with technology transformation delivery.

Compliance with existing legal and regulatory landscape	
Why we need to manage this	**How we manage and mitigate the risk**
The interpretation and ongoing compliance with complex and multiple regulatory and legislative requirements applicable to the Group’s activities in the markets in which it operates underpins the sustainability and reputation of our business.	• For the jurisdictions in which we hold a licence, dedicated Divisional Compliance teams work closely with the business teams to monitor ongoing compliance and continuously enhance our processes and controls to ensure compliance with regulatory frameworks and licence requirements. • We have a number of Group-led overarching policies and compliance programmes to govern processes across divisions and thereby ensure compliance with applicable laws and regulations. • Detailed policy and procedures across each division ensure local regulatory requirements are documented, monitored and reviewed periodically. • Annual compliance training is mandatory for all staff, as well as regular, targeted training and awareness sessions. • Divisional and Group management provide periodic legal and regulatory updates through established governance forums at both divisional and Group level Committees.

Technology resilience	
Why we need to manage this	**How we manage and mitigate the risk**
We have a critical dependency on our technology, and on certain material third parties, to maintain the stability and availability of our customer-facing products, as well as the ability to recover in a timely manner from severe disruption with minimal impact on our customers and products.	• We invest in our proprietary technology and resources to improve IT resilience, eliminate single points of failure and drive better performance. • We have established a standard scale to better compare the IT disaster recovery resilience levels in each division and ensure adequate improvement plans are developed and tracked to mitigate any material risks. • We have dedicated resources to develop, enhance and test our disaster recovery capability for our key products across all our brands of the Group. • Key global metrics on critical systems and platforms which are regularly monitored and reported on identify any potential emerging issues on our brands or customer-facing technologies. • We have a defined formal incident management process in place for identifying, escalating and resolving issues and a post-incident process to ensure we continuously improve our proprietary technology stack and incident response processes.

Safer gambling/performance against Play Well strategy	
Why we need to manage this	**How we manage and mitigate the risk**
Safer gambling underpins every element of our strategy. We want to demonstrate consistency and global alignment with our safer gambling strategy to protect our customers who are at risk of the potential negative effects of gambling and ensure we grow our business sustainably.	• Our safer gambling strategy informs everything from how we identify and interact with at-risk customers through to how we communicate to our broad group of stakeholders and how we encourage safer gambling tool usage. • We leverage and share policies, processes and practices across the ever expanding Group to enhance the strategic approach to safer gambling and demonstrate our commitment to ESG. • A leading range of tools are provided on all our brand sites to support customers in managing their spend and play, and we are continually working to improve and enhance our tools and site content to enable us to identify and interact with at-risk customers. • We work closely with leading external third parties to facilitate internal teams to enhance our understanding, and capabilities in relation to identification of problem gambling through the use of artificial intelligence. • We invest significantly in improvements for tackling the problem through donations to research, treatment and education initiatives, as well as through driving collaboration across the industry with other operators, charities and regulatory bodies.

Global talent management	
Why we need to manage this	**How we manage and mitigate the risk**
The people who work within Flutter are key to our the success. Insufficient management and retention of key individuals may impact our ability to deliver on our strategic and operational objectives.	• Our brands across the world are setting the pace when it comes to attracting and retaining the best people, enhanced by local insights, plans and processes. • Our Global People Strategy and plan focuses on five key priorities (e.g. nurturing critical skills) that enable us to build on our scale as a leader, go beyond our industry and gain a reputation as the best company in the world to work for. • We listen to colleagues through surveys and listening groups to ensure the colleague experience we build is engaging and attractive. Our Flutter Workforce Engagement Committee operates to provide oversight of the Group People Strategy and provide a forum for the voice of our colleagues at Board level. • We launched a Global Advocacy Programme, led by our executives, and use data and measurement so that equity and equality remain at the forefront of our decision making. • Operate communities of practice for our most critical skills that brings our collective capability together to achieve shared outcomes with greater connection, collaboration, and open-source innovation, as well as elevate our best talent.

Consolidated Interim Income Statement

For the six months ended 30 June 2023

Unaudited	Note	2023 £m	2022 £m
Revenue	4	**4,808.6**	3,388.2
Cost of sales		**(2,007.6)**	(1,352.6)
Gross profit		**2,801.0**	2,035.6
Operating costs excluding depreciation, amortisation and (loss)/gain on disposal		**(2,035.7)**	(1,601.5)
EBITDA[1]		**765.3**	434.1
Amortisation of acquisition-related intangible assets	5	**(313.9)**	(286.1)
Depreciation and amortisation of other assets		**(237.6)**	(144.6)
(Loss)/gain on disposal		**(0.2)**	1.9
Operating profit		**213.6**	5.3
Financial income	6	**15.2**	0.7
Financial expense	6	**(146.1)**	(57.4)
Profit/(loss) before tax		**82.7**	(51.4)
Tax credit/(expense)		**45.4**	(60.8)
Profit/(loss) for the period		**128.1**	(112.2)
Attributable to:			
Equity holders of the Company		**131.0**	(114.3)
Non-controlling interest		**(2.9)**	2.1
		128.1	(112.2)
Earnings per share			
Basic	8	**£0.738**	(£0.647)
Diluted	8	**£0.728**	(£0.647)

1 EBITDA is defined as profit for the period before depreciation, amortisation, impairment, loss/gain on disposal, financial income, financial expense and tax expense. It is considered by the Directors to be a key measure of the Group's financial performance.

Notes 1 to 20 on pages 38 to 61 form an integral part of these condensed consolidated financial statements.

Consolidated Interim Statement of Other Comprehensive Income

For the six months ended 30 June 2023

Unaudited	Note	2023 £m	2022 £m
Profit/(loss) for the period		**128.1**	(112.2)
Other comprehensive income/(loss):			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges[2]	6	**(141.3)**	269.7
Fair value of cash flow hedges transferred to the income statement[2]	6	**126.2**	(244.2)
Foreign exchange gain/(loss) on net investment hedges, net of tax[1]	6	**19.9**	(41.0)
Foreign exchange (loss)/gain on translation of the net assets of foreign currency denominated entities[2]	6	**(187.3)**	222.4
Debt instruments at FVOCI[2]	6	**0.4**	(2.3)
Other comprehensive (loss)/income		**(182.1)**	204.6
Total comprehensive (loss)/income for the period		**(54.0)**	92.4
Attributable to:			
Equity holders of the Company		**(50.4)**	86.2
Non-controlling interest		**(3.6)**	6.2
Total comprehensive (loss)/income for the period		**(54.0)**	92.4

1 Foreign exchange gain/(loss) on net investment hedges is presented including an income tax charge of £17.6m (six months ended 30 June 2022 : £4.7m) which relates to the tax effect of the Group's hedging activities.

2 There is no tax impact associated with these items

Notes 1 to 20 on pages 38 to 61 form an integral part of these condensed consolidated financial statements.

Consolidated Interim Statement of Financial Position

As at 30 June 2023

	Note	30 June 2023 Unaudited £m	31 December 2022 Audited £m
Assets			
Property, plant and equipment		**659.1**	702.2
Intangible assets		**5,540.7**	5,879.9
Goodwill	9	**10,677.4**	10,860.0
Deferred tax assets		**159.2**	67.2
Non-current tax receivable		**18.9**	13.0
Investments at FVTPL	11	**9.1**	9.2
Derivative financial assets	15	**5.7**	—
Financial assets - restricted cash		**11.9**	13.0
Other receivables	11	**60.9**	38.5
Total non-current assets		**17,142.9**	17,583.0
Trade and other receivables	11	**309.1**	345.0
Derivative financial assets	15	**—**	279.6
Cash and cash equivalents - customer balances		**882.6**	1,293.2
Cash and cash equivalents - available for corporate use		**805.2**	797.9
Current investments at FVOCI - customer deposits		**141.8**	138.0
Current tax receivable		**39.2**	45.5
Total current assets		**2,177.9**	2,899.2
Total assets		**19,320.8**	20,482.2
Equity			
Issued share capital and share premium	16	**488.4**	484.6
Shares held by Employee Benefit Trust	16	**(131.5)**	(0.2)
Cash flow hedge reserve	16	**35.6**	50.7
Other reserves	16	**169.8**	300.2
Retained earnings	16	**9,475.5**	9,373.3
Total equity attributable to equity holders of the Parent		**10,037.8**	10,208.6
Non-controlling interest	16	**115.7**	128.3
Total equity		**10,153.5**	10,336.9
Liabilities			
Trade and other payables	12	**1,444.5**	1,533.1
Customer balances		**951.2**	1,394.6
Derivative financial liabilities	15	**66.4**	144.7
Provisions	13	**41.1**	46.7
Current tax payable		**74.3**	75.4
Lease liability		**83.4**	85.4
Borrowings	14	**33.1**	35.6
Total current liabilities		**2,694.0**	3,315.5
Trade and other payables	12	**60.8**	50.8
Derivative financial liabilities	15	**101.3**	73.7
Provisions	13	**44.4**	67.5
Deferred tax liabilities		**677.7**	760.1
Non-current tax payable		**7.1**	15.0
Lease liability		**299.1**	320.8
Borrowings	14	**5,282.9**	5,541.9
Total non-current liabilities		**6,473.3**	6,829.8
Total liabilities		**9,167.3**	10,145.3
Total equity and liabilities		**19,320.8**	20,482.2

Notes 1 to 20 on pages 38 to 61 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

Peter Jackson
Chief Executive Officer
8 August 2023

Paul Edgecliffe-Johnson
Chief Financial Officer

Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2023

Unaudited	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit/(loss) for the period		**128.1**	(112.2)
Tax expense	7	**(45.4)**	60.8
Financial income	6	**(15.2)**	(0.7)
Financial expense	6	**146.1**	57.4
Amortisation of acquisition related intangible assets	5	**313.9**	286.1
Depreciation and amortisation of other assets		**237.6**	144.6
Loss/(gain) on disposal		**0.2**	(1.9)
Separately disclosed items included within EBITDA	5	**57.8**	42.2
Employee equity-settled share-based payments expense		**71.4**	50.1
Foreign currency exchange gain		**(18.4)**	(16.1)
Cash from operations before changes in working capital		**876.1**	510.3
Increase in trade and other receivables		**(5.2)**	(38.6)
Decrease in trade, other payables and provisions		**(191.8)**	(36.6)
Movement in cash and cash equivalents - customer balances		**(410.6)**	44.1
Cash generated from operating activities		**268.5**	479.2
Taxes paid		**(137.5)**	(131.7)
Cash generated from operations, net of taxes paid		**131.0**	347.5
Transaction fees, restructuring and integration costs paid	5	**(59.6)**	(39.3)
Net cash from operating activities		**71.4**	308.2
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(39.1)**	(26.6)
Purchase of intangible assets		**(64.2)**	(20.8)
Capitalised internal development expenditure		**(133.9)**	(93.1)
Purchase of businesses net of cash acquired	10	**—**	(395.2)
Payment of contingent deferred consideration	10	**—**	(15.3)
Proceeds from disposal of assets		**—**	3.8
Interest received	6	**13.5**	0.7
Other		**0.2**	(0.3)
Net cash used in investing activities		**(223.5)**	(546.8)
Cash flows from financing activities:			
Proceeds from the issue of shares on exercise of employee options	16	**3.8**	3.1
Dividend paid to non-controlling interest	16	**—**	(5.4)
Payment of lease liabilities		**(51.7)**	(20.9)
Payment of lease interest		**(7.6)**	(4.7)
Proceeds from borrowings	14	**501.0**	275.0
Repayment of borrowings	14	**(580.8)**	(96.6)
Interest paid	14	**(129.3)**	(46.8)
Settlement of derivatives	15	**170.2**	—
Financing fees paid in respect of borrowing facilities	14	**(1.3)**	(2.3)
Ordinary shares of the Company acquired by the Employee Benefit Trust		**(131.3)**	—
Net cash (used in)/from financing activities		**(227.0)**	101.4
Net decrease in cash and cash equivalents		**(379.1)**	(137.2)
Cash and cash equivalents at start of period		**2,091.1**	1,629.3
Foreign currency exchange (loss)/gain on cash and cash equivalents		**(24.2)**	10.8
Cash and cash equivalents at end of period		**1,687.8**	1,502.9
Presented on the Statement of Financial Position within:			
Cash and cash equivalents - customer balances		**882.6**	721.7
Cash and cash equivalents - available for corporate use		**805.2**	781.2
		1,687.8	1,502.9

Notes 1 to 20 on pages 38 to 61 form an integral part of these consolidated financial statements.

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2023

Unaudited	*Number of ordinary shares in issue* *m*	Issued share capital and share premium £m	Shares held by Employee Benefit Trust £m	Cash flow hedge reserve £m	Fair value reserve[1] £m	Foreign exchange translation reserve[1] £m	Other reserves[1] £m	Share-based payment reserve[1] £m	Retained earnings £m	Total equity attributable to shareholders of the Company £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2023	*176.1*	484.6	(0.2)	50.7	(4.3)	60.3	2.5	241.7	9,373.3	10,208.6	128.3	10,336.9
Total comprehensive income for the period												
Profit for the period	—	—	—	—	—	—	—	—	131.0	131.0	(2.9)	128.1
Foreign exchange translation including net investment hedges	—	—	—	—	—	(149.1)	—	—	—	(149.1)	(0.7)	(149.8)
Effective portion of changes in fair value of cash flow hedges (Note 6)	—	—	—	(141.3)	—	—	—	—	—	(141.3)	—	(141.3)
Fair value of cash flow hedges transferred to the income statement (Note 6)	—	—	—	126.2	—	—	—	—	—	126.2	—	126.2
Financial assets at FVOCI (Note 6)	—	—	—	—	0.4	—	—	—	—	0.4	—	0.4
Tax on foreign exchange hedging (Note 7)	—	—	—	—	—	(17.6)	—	—	—	(17.6)	—	(17.6)
Total comprehensive income for the period	—	—	—	(15.1)	0.4	(166.7)	—	—	131.0	(50.4)	(3.6)	(54.0)
Transactions with owners of the Company, recognised directly in equity												
Shares issued on exercise of employee share options (Note 16)	*0.5*	3.8	—	—	—	—	—	—	—	3.8	—	3.8
Put/call fair value adjustment (Note 12)	—	—	—	—	—	—	—	—	(12.1)	(12.1)	—	(12.1)
Liability recognised on put option (Note 12)	—	—	—	—	—	—	—	—	(64.9)	(64.9)	(10.4)	(75.3)
Ordinary shares of the Company acquired by the Employee Benefit Trust (Note 16)	—	—	(131.3)	—	—	—	—	—	—	(131.3)	—	(131.3)
Equity-settled transactions – expense recorded in the income statement (Note 16)	—	—	—	—	—	—	—	74.0	—	74.0	—	74.0
Tax on share-based payments (Note 16)	—	—	—	—	—	—	—	—	8.9	8.9	—	8.9
Transfer to retained earnings on exercise of share options and vesting of share awards	—	—	—	—	—	—	—	(39.3)	39.3	—	—	—
Translation of hyperinflationary results	—	—	—	—	—	—	1.2	—	—	1.2	1.4	2.6
Total contributions by and distributions to owners of the Company	*0.5*	3.8	(131.3)	—	—	—	1.2	34.7	(28.8)	(120.4)	(9.0)	(129.4)
Balance at 30 June 2023	*176.6*	488.4	(131.5)	35.6	(3.9)	(106.4)	3.7	276.4	9,475.5	10,037.8	115.7	10,153.5

1 Included in other reserves in the Statement of Financial Position.

Notes 1 to 20 on pages 38 to 61 form an integral part of these consolidated financial statements.

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2022

Unaudited	*Number of ordinary shares in issue* *m*	Issued share capital and share premium £m	Shares held by Employee Benefit Trust £m	Cash flow hedge reserve £m	Fair value reserve[1] £m	Foreign exchange translation reserve[1] £m	Other reserves[1] £m	Share-based payment reserve[1] £m	Retained earnings £m	Total equity attributable to shareholders of the Company £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2022	*175.6*	477.6	(4.0)	22.7	(1.7)	(194.2)	2.5	131.7	9,816.3	10,250.9	37.5	10,288.4
Total comprehensive income / (loss) for the period												
Profit/(loss) for the period	—	—	—	—	—	—	—	—	(114.3)	(114.3)	2.1	(112.2)
Foreign exchange translation including net investment hedges	—	—	—	—	—	182.0	—	—	—	182.0	4.1	186.1
Effective portion of changes in fair value of cash flow hedges	—	—	—	269.7	—	—	—	—	—	269.7	—	269.7
Fair value of cash flow hedges transferred to the income statement	—	—	—	(244.2)	—	—	—	—	—	(244.2)	—	(244.2)
Financial assets at FVOCI	—	—	—	—	(2.3)	—	—	—	—	(2.3)	—	(2.3)
Tax on foreign exchange hedging	—	—	—	—	—	(4.7)	—	—	—	(4.7)	—	(4.7)
Total comprehensive income / (loss) for the period	—	—	—	25.5	(2.3)	177.3	—	—	(114.3)	86.2	6.2	92.4
Transactions with owners of the Company, recognised directly in equity												
Shares issued on exercise of employee share options (Note 16)	*0.2*	3.1	—	—	—	—	—	—	—	3.1	—	3.1
Liability recognised on put option	—	—	—	—	—	—	—	—	(169.8)	(169.8)	(34.2)	(204.0)
Equity-settled transactions – expense recorded in income statement	—	—	—	—	—	—	—	50.1	—	50.1	—	50.1
Tax on share-based payments	—	—	—	—	—	—	—	—	1.0	1.0	—	1.0
Transfer to retained earnings on exercise of share options and vesting of share	—	—	—	—	—	—	—	(11.7)	11.7	—	—	—
Dividend paid to non-controlling interest (Note 16)	—	—	—	—	—	—	—	—	—	—	(5.4)	(5.4)
Total contributions by and distributions to owners of the Company	*0.2*	3.1	—	—	—	—	—	38.4	(157.1)	(115.6)	(39.6)	(155.2)
Balance at 30 June 2022	*175.8*	480.7	(4.0)	48.2	(4.0)	(16.9)	2.5	170.1	9,544.9	10,221.5	4.1	10,225.6

1 Included in other reserves in the Statement of Financial Position.

Notes 1 to 20 on pages 38 to 61 form an integral part of these consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General information

Flutter Entertainment plc (the "Company") is a company incorporated in the Republic of Ireland. The Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). These 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 2022, 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.

These Condensed Consolidated Interim Financial Statements were approved for issue by the Board of Directors of Flutter Entertainment plc on 8 August 2023.

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 derivative financial instruments (which include betting transactions), equity securities, certain financial assets which have been designated as FVOCI, contingent deferred consideration and 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 Condensed Consolidated Interim Financial Statements are presented in pounds sterling and are rounded to the nearest £0.1 million.

Going concern

The Group reported EBITDA of £765.3m (six months ended 30 June 2022: £434.1m) and a profit after tax of £128.1m for the six months ended 30 June 2023 (six months ended 30 June 2022: a loss of £112.2m). This includes £551.5m of depreciation and amortisation charged against profit in the period (six months ended 30 June 2022: £430.7m). The net cash generated from operating activities during the period ended 30 June 2023 was £71.4m (six months ended 30 June 2022: £308.2m). The balance sheet at 30 June 2023 reported a net current liability position of £516.1m (31 December 2022: £416.3m). During the six months ended 30 June 2023, the Group is in compliance with all covenants related to its lending arrangements.

The Directors have considered the available financial resources which include, at 30 June 2023, £1,687.8m (31 December 2022: £2,091.1m) of cash and cash equivalents and a £749m Revolving Credit Facility with undrawn capacity of £738m. Whilst there are certain loan repayments due within the next 12 months of £33.1m, the Group's lending facilities primarily fall due in 2025 and 2026 as set out in more detail in Note 14. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. See 'Principal Risks and Uncertainties' in this report for more detail.

The Group's forecasts to the next 12 months indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its banking covenants as outlined in Note 14 for at least a period of 12 months from the date of the approval of these condensed consolidated financial statements. 12 months from the date of the approval of these condensed consolidated financial statements was selected as the going concern period as it represents the period in which the Group has prepared detailed forecasts for a proportion of the period and it also reduces the degree of judgement and estimation uncertainty involved in both the forecasts and the downside scenarios.

Various downside scenarios over and above those already included in the base case model on the potential impact of further reductions to cash flows due to reduced customer discretionary income, changes in the legal, regulatory and licencing landscape and the Group's cyber and IT resilience have been considered in respect of these forecasts. The impact of these items involves significant judgement and estimation uncertainty.

In the event that it was necessary to draw down additional debt funding, the Directors have a reasonable expectation that this could be achieved within the confines of its existing debt facilities and financial covenant requirements.

Having given regard to the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and therefore they continue to operate the going concern basis in its financial statements.

Accounting policies

The financial information contained in these 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 2022 except as set out below.

2. Basis of preparation and accounting policies *(continued)*

Turkey has met the requirements to be designated as a hyper-inflationary economy under IAS 29 'Financial Reporting in Hyper-Inflationary Economies' and that the Group's financial reporting relating to Turkey during the period ending 30 June 2023 will be in accordance with IAS 29. Under IAS 29, Turkish Lira results and non-monetary asset and liability balances are revalued to present value equivalent local currency amounts (adjusted based on an inflation index) before translation to euros at reporting-date exchange rates.

3. Judgements and estimates

The preparation of interim financial statements in conformity with IFRS 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.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

In preparing these condensed Consolidated Financial Statements, the significant judgements 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 2022 and are detailed below:

Valuation of tax assets and liabilities

Whilst we maintain good communication with key tax authorities, given the global nature of our business and the complex international tax landscape, there remain areas of tax uncertainty and therefore there is a level of uncertainty with regards to the measurement of our tax assets and liabilities. 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.

Where uncertain tax treatments exist, the Group assesses whether it is probable that a tax authority will accept the uncertain tax treatment applied or proposed to be applied in its tax filings. The Group assesses each uncertain tax treatment as to whether it should be considered independently or whether some tax treatments should be considered collectively based on what the Group believes provides a better estimate of the resolution of the uncertainty. The Group considers whether it is probable that the relevant authority will accept each uncertain tax treatment, or group of uncertain tax treatments, assuming that the taxation authority will have full knowledge of all relevant information when doing so.

The key areas of judgement are in relation to intercompany transactions, including internally generated intangible asset transfers, and the recognition of deferred tax, particularly in respect to the US segment.

Recognition of deferred tax assets requires consideration of the value of those assets and the likelihood that those assets will be utilised in the foreseeable future. The recognition relies on the availability of sound and relatively detailed forecast information regarding the future performance of the business which has the legal right to utilise the deferred tax assets. The Group performed its assessment of the recovery of deferred tax assets at 30 June 2023, taking into account the Group's actual and historic performance, the impact of tax legislation enacted at the reporting date and the detailed financial forecasts and budgets for the business covering the periods over which the assets are expected to be utilised. During the six months ended 30 June 2023, the Group has recognised a deferred tax asset of £92m in respect of US losses and other temporary timing differences as a result of taxable profits being forecast during the period and beyond, its confidence in its forecasts over the remainder of 2023 and the strong forecasted profits in 2024.

New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax assets and liabilities; such changes to tax assets and liabilities will impact the income tax 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 position for all tax assets and liabilities at 30 June 2023 is adequate based on its assessment of the range of factors outlined above but given the inherent uncertainty, it is possible that resolution of tax uncertainties may differ from the amounts provided for.

Estimates

Determining the fair value of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The following discussion sets forth key sources of estimation uncertainty at the end of the reporting period that management believes have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of the recoverable amounts of cash generating units containing goodwill, indefinite life licences and 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.

3. Judgements and estimates *(continued)*

The Group has reviewed the performance in the first half of 2023 in the UK&I Online, Retail, International, Australia and US CGUs and based on this and in conjunction with the headroom that existed at 31 December 2022 is satisfied that no impairment has arisen during the six months ended 30 June 2023.

4. Operating segments

Reportable business segment information

The Group's four reportable segments are:

- UK & Ireland;
- Australia;
- International; and
- US.

UK & Ireland

The UK & Ireland ("UK&I") segment is comprised of the operations of Sky Betting & Gaming, Paddy Power, Betfair and from January 2022, tombola (see Note 10). Revenues are earned primarily from sports betting (sportsbook and the exchange sports betting product) and gaming services (games, casino, bingo and poker). Services are provided primarily via the internet but also through licensed bookmaking shop estates.

Australia

The Australia segment is comprised of the operations of the Sportsbet brand and earns its revenues from sports betting services provided to Australian customers primarily online.

International

The International segment is comprised of PokerStars, Betfair International, Adjarabet, Junglee Games and from August 2022, Sisal. The International segment earns most of its revenues from poker, casino, rummy, lottery and sports betting through various brands. Services are provided primarily via the internet but also through licensed retail outlets mainly in Italy following the acquisition of Sisal.

US

The US segment is comprised of the FanDuel, TVG, FOX Bet and PokerStars brands' and earns its revenues from sports betting, daily fantasy sports and gaming services (casino and poker) provided to customers, using primarily the internet, with a proportion of US sports betting services also provided through a small number of retail outlets.

Corporate

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 2022.

The Group does not allocate income tax expense or financing income and expenses to reportable segments. Treasury management is centralised for the UK&I, Australia, International and US 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.

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.

4. Operating segments *(continued)*

Reportable business segment information for the six months ended 30 June 2023:

	UK&I £m	Australia £m	International £m	US £m	Corporate £m	Total £m
Revenue from external customers	**1,242.1**	**600.9**	**1,169.0**	**1,796.6**	**—**	**4,808.6**
Cost of sales	**(374.0)**	**(317.2)**	**(417.3)**	**(899.1)**	**—**	**(2,007.6)**
Gross profit	**868.1**	**283.7**	**751.7**	**897.5**	**—**	**2,801.0**
Operating costs excluding depreciation and amortisation before separately disclosed items	**(472.3)**	**(125.3)**	**(467.3)**	**(848.5)**	**(64.5)**	**(1,977.9)**
Adjusted EBITDA[1] before separately disclosed items	**395.8**	**158.4**	**284.4**	**49.0**	**(64.5)**	**823.1**
Depreciation and amortisation before separately disclosed items	**(58.8)**	**(16.5)**	**(106.9)**	**(53.1)**	**(2.3)**	**(237.6)**
Loss on disposal	**(0.2)**	**—**	**—**	**—**	**—**	**(0.2)**
Reportable segment profit/(loss) before separately disclosed items	**336.8**	**141.9**	**177.5**	**(4.1)**	**(66.8)**	**585.3**
Amortisation of acquisition-related intangible assets (Note 5)	**(124.6)**	**(9.3)**	**(171.3)**	**(8.7)**	**—**	**(313.9)**
Reportable segment profit/(loss) after amortisation of acquisition-related intangibles	**212.2**	**132.6**	**6.2**	**(12.8)**	**(66.8)**	**271.4**
Transaction fees and associated costs[2]						**(16.0)**
Restructuring and integration costs[2]						**(41.8)**
Operating profit						**213.6**
Financial income						**15.2**
Financial expense						**(146.1)**
Profit before tax						**82.7**

4. Operating segments *(continued)*

Reportable business segment information for the six months ended 30 June 2022:

	UK&I £m	Australia £m	International £m	US £m	Corporate £m	Total £m
Revenue from external customers	1,091.8	612.1	633.6	1,050.7	—	3,388.2
Cost of sales	(335.0)	(289.7)	(184.0)	(543.9)	—	(1,352.6)
Gross profit	756.8	322.4	449.6	506.8	—	2,035.6
Operating costs excluding depreciation and amortisation before separately disclosed items	(436.3)	(103.1)	(327.1)	(638.6)	(54.2)	(1,559.3)
Adjusted EBITDA[1]	320.5	219.3	122.5	(131.8)	(54.2)	476.3
Depreciation and amortisation before separately disclosed items	(63.4)	(13.7)	(32.8)	(31.8)	(2.9)	(144.6)
Profit on disposal	0.2	—	—	1.2	0.5	1.9
Reportable segment profit/(loss) before separately disclosed items	257.3	205.6	89.7	(162.4)	(56.6)	333.6
Amortisation of acquisition-related intangible assets (Note 5)	(135.7)	(11.4)	(130.1)	(8.9)	—	(286.1)
Reportable segment profit/(loss) after amortisation of acquisition-related intangibles	121.6	194.2	(40.4)	(171.3)	(56.6)	47.5
Transaction fees and associated costs[2]						(9.9)
Restructuring and integration costs[2]						(32.3)
Operating profit						5.3
Financial income						0.7
Financial expense						(57.4)
Loss before tax						(51.4)

1 Adjusted EBITDA which is a non-GAAP measure in the above segment note is defined as profit for the six months before separately disclosed items, depreciation, amortisation, impairment, (loss) / gain on disposal, 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.

2 The Group does not allocate transaction fees and restructuring and integration costs to reportable segments.

Reconciliation of reportable segment pre Separately disclosed items information to Group totals:

	2023			2022		
	Before separately disclosed items £m	**Separately disclosed items £m**	**Total £m**	Before separately disclosed items £m	Separately disclosed items £m	Total £m
Gross profit	**2,801.0**	**—**	**2,801.0**	2,035.6	—	2,035.6
Operating costs excluding depreciation, amortisation and (loss)/gain on disposal	**(1,977.9)**	**(57.8)**	**(2,035.7)**	(1,559.3)	(42.2)	(1,601.5)
EBITDA[1]	**823.1**	**(57.8)**	**765.3**	476.3	(42.2)	434.1
Depreciation and amortisation	**(237.6)**	**(313.9)**	**(551.5)**	(144.6)	(286.1)	(430.7)
(Loss) /gain on disposal	**(0.2)**	**—**	**(0.2)**	1.9	—	1.9
Operating profit	**585.3**	**(371.7)**	**213.6**	333.6	(328.3)	5.3
Net finance costs	**(130.9)**	**—**	**(130.9)**	(56.7)	—	(56.7)
Profit / (loss) before tax	**454.4**	**(371.7)**	**82.7**	276.9	(328.3)	(51.4)
Tax credit/(expense)	**(34.3)**	**79.7**	**45.4**	(100.3)	39.5	(60.8)
Profit / (loss) for the period	**420.1**	**(292.0)**	**128.1**	176.6	(288.8)	(112.2)

1 EBITDA is defined as profit for the six months before depreciation, amortisation, impairment, (loss)/gain on disposal, 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.

See Note 5 for further detail on separately disclosed items.

4. Operating segments *(continued)*

Disaggregation of revenue under IFRS 15:

Group revenue disaggregated by product line for the six months ended 30 June 2023:

	UK&I £m	Australia £m	International £m	US £m	Total £m
Sports revenue[1]	**708.7**	**600.9**	**315.4**	**1,371.1**	**2,996.1**
Gaming revenue[2]	**533.4**	**—**	**853.6**	**425.5**	**1,812.5**
Total Group revenue	**1,242.1**	**600.9**	**1,169.0**	**1,796.6**	**4,808.6**

Group revenue disaggregated by product line for the six months ended 30 June 2022:

	UK&I £m	Australia £m	International £m	US £m	Total £m
Sports revenue[1]	629.7	612.1	106.4	770.1	2,118.3
Gaming revenue[2]	462.1	—	527.2	280.6	1,269.9
Total Group revenue	1,091.8	612.1	633.6	1,050.7	3,388.2

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

2 Gaming revenue includes Games, Poker, Casino, Lottery, Rummy and Bingo.

Geographical information

Group revenue disaggregated by geographical market for the six months ended 30 June 2023:

	UK&I £m	Australia £m	International £m	US £m	Total £m
US	**—**	**—**	**—**	**1,761.5**	**1,761.5**
UK	**1,085.7**	**—**	**28.3**	**—**	**1,114.0**
Australia	**—**	**600.9**	**—**	**—**	**600.9**
Rest of World[1]	**1.9**	**—**	**403.5**	**35.1**	**440.5**
EU (excl. Italy and Ireland)[2]	**10.7**	**—**	**183.3**	**—**	**194.0**
Italy	**18.2**	**—**	**551.2**	**—**	**569.4**
Ireland	**125.6**	**—**	**2.7**	**—**	**128.3**
Total Group revenue	**1,242.1**	**600.9**	**1,169.0**	**1,796.6**	**4,808.6**

1 The Rest of World category includes multiple countries, that individually represent less than 2% of total Group revenue.

2 The EU (excl. Italy and Ireland) category includes multiple countries, that individually represent less than 2% of total Group revenue.

Group revenue disaggregated by geographical market for the six months ended 30 June 2022:

	UK&I £m	Australia £m	International £m	US £m	Total £m
US	—	—	—	1,054.4	1,054.4
UK	952.5	—	31.5	—	984.0
Australia	—	612.1	—	—	612.1
Rest of World[1]	1.6	—	318.5	(3.7)	316.4
EU (excl. Italy and Ireland)[2]	9.1	—	185.0	—	194.1
Italy	12.9	—	96.1	—	109.0
Ireland	115.7	—	2.5	—	118.2
Total Group revenue	1,091.8	612.1	633.6	1,050.7	3,388.2

1 The Rest of World category includes multiple countries that individually represent less than 2% of total Group revenue.

2 The EU (excl. Italy and Ireland) category includes multiple countries that individually represent less than 4% of total Group revenue.

Revenues are attributable to geographical location on the basis of the customers location.

5. Separately disclosed items

The separately disclosed items noted in Note 4 are comprised as follows:

	2023	2022
	£m	£m
Transaction fees and associated costs	**(16.0)**	(9.9)
Restructuring and integration costs	**(41.8)**	(32.3)
EBITDA impact of separately disclosed items	**(57.8)**	(42.2)
Amortisation of acquisition-related intangible assets	**(313.9)**	(286.1)
Loss before tax impact of separately disclosed items	**(371.7)**	(328.3)
Tax credit on separately disclosed items	**79.7**	39.5
Total separately disclosed items	**(292.0)**	(288.8)
Attributable to:		
Equity holders of the Company	**(290.6)**	(286.0)
Non-controlling interest	**(1.4)**	(2.8)
	(292.0)	(288.8)

Amortisation of acquisition-related intangible assets

Amortisation of £313.9m has been incurred in the period (six months ended 30 June 2022: £286.1m) as a result of intangible assets separately identified under IFRS 3 as a result of the merger with Betfair in 2016, the acquisitions of FanDuel Limited in 2018 and Adjarabet in 2019, the Combination with TSG in 2020, the acquisitions of Junglee and Singular in 2021 and the acquisitions of tombola and Sisal in 2022.

Transaction fees and associated costs

During the six months ended 30 June 2023, £16.0m (six months ended 30 June 2022: £9.9m) of costs were incurred relating mainly to the proposed US listing. The costs were included as separately disclosed items as they have not been incurred in the ordinary course of business.

Restructuring and integration costs

During the six months ended 30 June 2023 costs of £41.8m (six months ended 30 June 2022: £32.3m) relating to incremental, one-off costs, were incurred by the Group mainly as a result of technology-driven efficiency projects and Sisal integration costs.

Presentation within the Consolidated Income Statement

Transaction fees and associated costs and restructuring and integration costs are included in the Consolidated Income Statement within operating costs excluding depreciation, amortisation, and loss/(gain) on disposal.

Tax credit on separately disclosed items

The tax credit of £79.7m (six months ended 30 June 2022: £39.5m) has arisen primarily on the tax effect of acquisition related intangible amortisation of £54.6m and the tax effect of other separately identified items of £25.1m.

6. Financial income and expense

Recognised in profit or loss

	2023 £m	2022 £m
Financial income:		
Foreign exchange gain on financing instruments associated with financing activities	**0.6**	—
Movement in fair value of investment	**0.1**	—
On financial assets at amortised cost:		
Interest income	**14.5**	0.7
Total	**15.2**	0.7
Financial expense:		
Foreign exchange loss on financing instruments associated with financing activities	**—**	0.2
On financial liabilities at amortised cost:		
Interest on borrowings, bank guarantees and bank facilities	**128.0**	43.2
Interest on lease liabilities	**7.6**	4.7
Other interest	**10.5**	9.3
Total	**146.1**	57.4

Recognised in other comprehensive income/(loss):

	2023 £m	2022 £m
Recognised in other comprehensive income/(loss):		
Effective portion of changes in fair value of cash flow hedges	**(141.3)**	269.7
Fair value of cash flow hedges transferred to income statement	**126.2**	(244.2)
Net change in fair value of cash flow hedge reserve	**(15.1)**	25.5
Debt instruments at FVOCI	**0.4**	(2.3)
Foreign exchange gain/(loss) on net investment hedges, net of tax	**19.9**	(41.0)
Foreign exchange (loss)/gain on translation of the net assets of foreign currency denominated entities	**(187.3)**	222.4
Total	**(182.1)**	204.6

A gain of £1.1m was recorded in financial income/expense in the income statement in respect of ineffective cash flow hedges in the six months ended 30 June 2023 (six months ended 30 June 2022: charge of £1.0m).

7. 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 which may be adjusted for any significant non-recurring events. This expected annual effective tax rate is applied to the taxable income of the interim period.

The Group's adjusted effective tax rate before separately disclosed items for the period was 7.6% (six months ended 30 June 2022: 36.2%), which compares to the standard Irish tax rate of 12.5%. %. This is primarily driven by the changing mix of taxable earnings across geographies and the recognition of a full deferred tax asset for the tax losses and other temporary differences of the US as at year-end. This deferred tax asset has been recognised on the basis that its US business has significant positive evidence that it will make profits in the future against which the losses and other temporary differences can be used. This has been reflected in calculating the expected annual effective tax rate and will be apportioned between the interim periods. A tax credit on separately disclosed items amounting to £79.7m was recorded during the six months ended 30 June 2023 (six months ended 30 June 2022: credit of £39.5m) (see Note 5).

The future effective tax rate of the Group will be affected by the ongoing geographic mix of profits in accordance with the OECD guidelines in relation to Base Erosion and Profit Shifting. On 15 December 2022, European Union (EU) Member States unanimously adopted the Minimum Tax Directive via written procedure ensuring a global minimum level of taxation (set at 15%) for multinational enterprise groups. GLoBE Model rules were released in March 2022 and broadly EU Member States have until 31 December 2023 to transpose the Directive into national legislation with the rules to be applicable for fiscal years starting on or after 31 December 2023.

7. Tax expense *(continued)*

None of the countries in which the Group operates has enacted or substantively enacted Pillar Two Model Rules as part of their national laws as of 30 June 2023. Whilst consultation on a number of areas remains ongoing, we will continue to monitor developments closely and we expect this to lead to an increase in tax from 2024 onwards.

8. 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 Paddy Power Betfair 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:

	2023	2022
Numerator in respect of basic and diluted earnings per share (£m):		
Profit/(loss) attributable to equity holders of the Company	**131.0**	(114.3)
Numerator in respect of adjusted earnings per share (£m):		
Profit/(loss) attributable to equity holders of the Company	**131.0**	(114.3)
Separately disclosed items (Note 5)	**290.6**	286.0
Profit for adjusted earnings per share calculation	**421.6**	171.7
Weighted average number of ordinary shares in issue during the period (in '000s)[1]	**177,502**	176,658
Basic earnings per share	**£0.738**	(£0.647)
Adjusted basic earnings per share	**£2.375**	£0.972
Adjustments to derive denominator in respect of diluted earnings per share (in '000s):		
Weighted average number of ordinary shares in issue during the period	**177,502**	176,658
Dilutive effect of share options and awards on issue	**2,372**	—
Adjusted weighted average number of ordinary shares in issue during the period[1]	**179,874**	176,658
Diluted earnings per share	**£0.728**	(£0.647)
Adjusted diluted earnings per share	**£2.344**	£0.972

1 Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive. The number of options excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive is 180,097 (2022: 2,187,856).

The average market value of the Company's shares of £143.83 (30 June 2022: £94.53) was used to calculate the dilutive effect of share options based on the market value for the period that the options were outstanding.

9. Goodwill

Goodwill acquired through business combination activity has been allocated to CGUs that are expected to benefit from synergies in that combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes, and are not larger than the operating segments determined in accordance with IFRS 8. A total of 16 (2022: 16) CGUs have been identified and these are grouped together for goodwill impairment purposes as per the below. Any indefinite life intangible assets attributed to one of the 16 CGUs (2022: 16) is tested for impairment at the CGU level.

	Number of cash generating units		Goodwill	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
UK&I Online	**4**	4	**5,984.5**	5,984.7
UK Retail	**1**	1	**18.9**	18.9
Irish Retail	**1**	1	**20.7**	20.7
International	**6**	6	**3,576.1**	3,696.3
Australia	**1**	1	**471.2**	505.1
US	**3**	3	**606.0**	634.3
Total Group	**16**	**16**	**10,677.4**	10,860.0

	UK&I Online	UK Retail	Irish Retail	International	Australia	US	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	5,766.9	18.9	20.7	2,490.3	482.4	567.6	9,346.8
Arising on acquisitions during the year (Note 10)	217.2	—	—	1,021.9	—	—	1,239.1
Foreign currency translation adjustment	0.6	—	—	184.1	22.7	66.7	274.1
Balance at 1 January 2023	**5,984.7**	**18.9**	**20.7**	**3,696.3**	**505.1**	**634.3**	**10,860.0**
Adjustments to provisional purchase price accounting (Note 10)	**—**	**—**	**—**	**(26.3)**	**—**	**—**	**(26.3)**
Foreign currency translation adjustment	**(0.2)**	**—**	**—**	**(93.9)**	**(33.9)**	**(28.3)**	**(156.3)**
Balance at 30 June 2023	**5,984.5**	**18.9**	**20.7**	**3,576.1**	**471.2**	**606.0**	**10,677.4**

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 CGUs with their recoverable amounts (being the higher of value in use and fair value less costs to sell).

The Group has reviewed the performance in the first half of 2023 in the UK&I Online, Retail, International, Australia and US CGUs and based on this and in conjunction with the headroom that existed at 31 December 2022 is satisfied that no impairment has arisen during the six months ended 30 June 2023.

10. Business combinations

***Six months ended* 30 June 2023**

There have been no acquisitions during the period.

Finalisation of Sisal acquisition accounting

On 4 August 2022, the Group completed the acquisition of 100% of Sisal, Italy's leading retail and online gaming operator with operations also in Turkey (of which it has a controlling 49% interest) and Morocco. The purchase comprised of a cash payment of £1,674.8m (€2,002m). As at 31 December 2022, the acquisition accounting for this acquisition was provisional. During the six months ended 30 June 2023, the Group finalised the acquisition accounting for Sisal which resulted in the following adjustments to the provisional amounts recognised.

	Provisional Fair values as at 4 August 2022 £m	Adjustments to provisional acquisition accounting 4 August 2022 £m	Final Fair values as at 4 August 2022 £m
Assets			
Property, plant and equipment	156.0	9.5	165.5
Trade and other receivables	9.7	—	9.7
Deferred tax assets	16.2	(2.5)	13.7
Intangible assets	1,057.8	—	1,057.8
Total non-current assets	**1,239.7**	**7.0**	**1,246.7**
Trade and other receivables	67.3	3.9	71.2
Cash and cash equivalents - available for corporate use	89.9	—	89.9
Cash and cash equivalents - customer balances	304.2	—	304.2
Total current assets	**461.4**	**3.9**	**465.3**
Total assets	**1,701.1**	**10.9**	**1,712.0**
Liabilities			
Trade and other payables	195.6	—	195.6
Customer balances	304.2	—	304.2
Lease liability	16.7	—	16.7
Total current liabilities	**516.5**	**—**	**516.5**
Trade and other payables	24.0	—	24.0
Lease liability	45.2	—	45.2
Provisions	39.8	(15.4)	24.4
Deferred tax liability	291.1	—	291.1
Total non-current liabilities	**400.1**	**(15.4)**	**384.7**
Total liabilities	**916.6**	**(15.4)**	**901.2**
Net assets acquired	**784.5**	**26.3**	**810.8**
Goodwill	**1,015.8**	**(26.3)**	**989.5**
Non-controlling interest measured at the fair value of net assets identified	(125.5)	—	(125.5)
Consideration	**1,674.8**	**—**	**1,674.8**

These adjustments arose as a result of new information that was obtained relating to conditions that existed at the acquisition date primarily related to provisions and the fair value finalisation of property, plant and equipment acquired which increased the net assets acquired by £26.3m and reduced goodwill by £26.3m.

10. Business combinations *(continued)*

Six months ended 30 June 2022

Acquisition of tombola

On 10 January 2022, the Group completed the acquisition of a 100% stake in tombola, the UK market's leading online bingo operator. tombola is a successful bingo-led gaming company with an emphasis on providing a low staking bingo proposition to a highly engaged customer base. The purchase comprised of a cash payment of £409.9m. Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair values as at 10 January 2022 £m
Assets	
Property, plant and equipment	11.4
Intangible assets	245.0
Total non-current assets	**256.4**
Trade and other receivables	12.6
Cash and cash equivalents - available for corporate use	14.7
Total current assets	**27.3**
Total assets	**283.7**
Liabilities	
Trade and other payables	29.7
Total current liabilities	**29.7**
Deferred tax liabilities	61.3
Total non-current liabilities	**61.3**
Total liabilities	**91.0**
Net assets acquired	**192.7**
Goodwill	217.2
Consideration	**409.9**
The consideration is analysed as:	
Consideration satisfied by cash	409.9
Consideration	**409.9**

Included within the intangible assets were £245.0m of separately identifiable intangibles comprising brand, customer relations and technology acquired as part of the acquisition, with the additional effect of a deferred tax liability of £61.3m thereon. These intangible assets are being amortised over their useful economic lives of up to 20 years. The book value equated to the fair value on the remaining assets as all amounts are expected to be received.

The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) are the expansion of the Group's position in online bingo and the sharing of product capabilities, expertise and technology across the UK&I Online division. The goodwill has been allocated to the existing UK&I Online CGU.

10. Business combinations *(continued)*

Cash (outflows) / inflows from business combinations:

	30 June 2023	30 June 2022
	£m	£m
Cash consideration paid for acquisitions in the period	—	(409.9)
Cash and cash equivalents - available for corporate use acquired from acquisitions in the period	—	14.7
Cash consideration – acquisitions in previous periods	—	(15.3)

As presented in the statement of cash flows:		
Purchase of businesses net of cash acquired	—	(395.2)
Payment of contingent deferred consideration	—	(15.3)

During 2022, the Group settled in cash, deferred consideration liabilities of £15.3m in relation to Betfair's historical acquisition of HRTV, a horseracing television network based in the US. No further payments are due in respect of this acquisition.

11. Investments and trade and other receivables

Non-current assets

	30 June 2023	31 December 2022
	£m	£m
Investments – FVTPL	**9.1**	9.2

Investments relate to a small number of individually immaterial equity investments in various companies.

	30 June 2023	31 December 2022
	£m	£m
Other receivables		
Other receivables	**45.8**	21.4
Prepayments	**10.4**	12.6
Deferred financing costs (see Note 14)	**4.7**	4.5
Total	**60.9**	38.5

Other receivables

Other receivables are comprised primarily of tax advances, deposits for licences and property as well as VAT and other refunds due.

Deferred financing costs on Revolving Credit Facility

In May 2020, the Group entered into a new Revolving Credit Facility agreement as part of its financing agreements. The Group incurred £5.3m of initial transaction costs and fees relating to the Revolving Credit Facility with an additional £3.7m capitalised following the increase of the facility in September 2022, which have been capitalised and included within non-current receivables. The balance at 30 June 2023, net of accretion, was £4.7m (2022: £4.5m). These fees are charged as financial expenses over the term of Revolving Credit Facility agreement. As at 30 June 2023, nothing was drawn under the Revolving Credit Facility (31 December 2022: £63.0m).

Current assets

	30 June 2023	31 December 2022
	£m	£m
Trade and other receivables		
Trade receivables	**44.3**	95.4
Other receivables	**51.8**	73.4
Value-added tax and goods and services tax	**30.9**	7.5
Prepayments	**182.1**	168.7
Total	**309.1**	345.0

12. Trade and other payables

Current liabilities

	30 June 2023 £m	31 December 2022 £m
Trade and other payables		
Trade payables	**196.0**	204.4
PAYE and social security	**32.8**	36.8
Value-added tax, goods and services tax, betting duties, data rights, and product and racefield fees	**287.1**	352.9
Employee benefits	**158.2**	181.4
Deferred consideration - business combinations	**75.0**	—
Accruals and other liabilities	**695.4**	757.6
Total	**1,444.5**	1,533.1

Non-current liabilities

	30 June 2023 £m	31 December 2022 £m
Trade and other payables		
Employee benefits	**5.8**	6.2
Contingent deferred consideration - business combinations	**15.5**	17.8
Put/call liability for acquisition	**24.3**	12.3
Accruals and other payables	**15.2**	14.5
Total	**60.8**	50.8

Deferred consideration – business combinations

In July 2023, the Group completed the acquisition of a further 32.5% outstanding shares of Junglee for a cash payment of £75m. This liability has been recorded as a current liability as at 30 June 2023. This acquisition brings the Group's holding in Junglee to 84.8% up from the previous controlling interest of 52.3%.

As outlined in previous financial statements, as part of the acquisition of Junglee in 2021, a mechanism was agreed, consisting of call and put options, that could see its ownership in the business further increase in 2025. The call/put option consideration can be settled, at the Group's election, in cash or shares. As a consequence of both the put and call options being only exercisable at fair value being the future EBITDA and revenue multiple which are considered to be two key inputs into valuing the option, it was determined that the fair value was not material and was close to nominal value.

Contingent deferred consideration – business combinations

The Group's contingent deferred consideration liability at 30 June 2023 amounted to £15.5m (31 December 2022: £17.8m) relates to the acquisition of Singular in 2021.

Put/call liability

As part of the acquisition of Sachiko in 2022, the Group has put in place arrangements, consisting of call and put options, that could result in it acquiring the 5% of Junglee held by the former shareholders of Sachiko in 2027 and 2032 based on the future Revenue and EBITDA performance of Junglee. As the Group cannot avoid settling the options in cash, a liability of £24.3m has been recorded at 30 June 2023 (31 December 2022: £12.3m) driven by the remeasurement of the present value of the amount payable upon exercise of the option.

Amounts held in Trust

As at 30 June 2023, £352.4m (31 December 2022: £366.2m) 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.

13. Provisions

Provisions balances at 30 June 2023 and 31 December 2022 and movements during the six months ended 30 June 2023 are outlined below:

	Employee benefits (long service leave)	Onerous contracts	Gaming tax	Other legal	Other	Total
	£m	£m	£m	£m	£m	£m
Balance at 31 December 2022	**4.0**	**9.4**	**22.6**	**70.0**	**8.2**	**114.2**
Additional provisions recognised	**0.7**	**0.8**	**2.4**	**5.2**	**0.8**	**9.9**
Amounts used during the year	**(0.3)**	**(3.5)**	**(2.0)**	**(3.7)**	**(5.5)**	**(15.0)**
Purchase price accounting adjustment (see Note 10)	**—**	**—**	**—**	**(15.4)**	**—**	**(15.4)**
Unused amounts reversed	**(0.1)**	**—**	**1.0**	**(6.3)**	**—**	**(5.4)**
Foreign currency translation	**(0.2)**	**(0.3)**	**(0.6)**	**(1.7)**	**—**	**(2.8)**
Balance at 30 June 2023	**4.1**	**6.4**	**23.4**	**48.1**	**3.5**	**85.5**
Presented in:						
Balance at 31 December 2022:						
Current	2.9	4.8	18.3	14.5	6.2	46.7
Non-current	1.1	4.6	4.3	55.5	2.0	67.5
Total	4.0	9.4	22.6	70.0	8.2	114.2
Balance at 30 June 2023:						
Current	**3.0**	**2.5**	**16.9**	**17.2**	**1.5**	**41.1**
Non-current	**1.1**	**3.9**	**6.5**	**30.9**	**2.0**	**44.4**
Total	**4.1**	**6.4**	**23.4**	**48.1**	**3.5**	**85.5**

Employee benefits (long service leave)

The timing and amount of long service leave cash outflows are primarily dependent on when staff employed at the reporting date avail of their entitlement to leave and their expected salaries at that time. As of 30 June 2023 and 31 December 2022, it was expected that cash outflows would occur primarily within the following five years.

Onerous contracts

The onerous contracts provision at 30 June 2023 relates to various marketing and minimum guarantee contracts where the cost of fulfilling these contracts exceeds the expected economic benefits to be received from them.

Gaming tax

These are gaming tax provisions relating to amounts provided for taxes in certain jurisdictions where the interpretation of tax legislation is uncertain. When the Group disagrees with the application of unclear tax legislation, for example when it is applied retrospectively and / or results in a one-off disproportionate tax equivalent to many times the profit derived by the Group from its historic activities in that jurisdiction, the Group continues to challenge these interpretations.

Whilst the maximum potential obligation for all ongoing cases could be greater than the recognised provision, and the outcomes may not be known for some time, a liability has been recorded for the Directors' best estimate of the cash outflows that will ultimately be required in respect of each claim. Management has not provided a sensitivity for this provision as the range is not considered to be material.

Other legal

Other legal provisions generally consist of payments for various future legal settlements where, based on all available information, management believes it is probable that there will be a future outflow.

These provisions comprise a number of different legal cases, the majority of which are immaterial. The most significant relates to the foreign payments contingent liabilities outlined in more detail in Note 18. Further disclosure in respect of these provisions has not been provided as such information would be expected to be prejudicial to the Group's position in such matters.

Whilst the maximum potential obligation for all ongoing cases could be greater than the recognised provision, and the outcomes may not be known for some time, a liability has been recorded for the Directors' best estimate of the cash outflows that will ultimately be required in respect of each claim. Management has not provided a sensitivity for this provision as the range is not considered to be material.

Other

Other provisions primarily comprise a number of different regulatory provisions.

14. Borrowings

The following is a summary of borrowings, including accrued interest, outstanding as at 30 June 2023 and 31 December 2022:

	30 June 2023			31 December 2022	
	Contractual interest rate[1]	**Principal outstanding balance in currency of borrowing**	**Carrying amount (including accrued interest)**[2]	Principal outstanding balance in currency of borrowing	Carrying amount (including accrued interest)
	%	**Local currency (m)**	**£m**	Local currency (m)	£m
GBP First Lien Term Loan A 2025	**6.23**	**£1,017.9**	**1,013.2**	£1,017.9	1,012.0
EUR First Lien Term Loan A 2026	**5.96**	**€549.5**	**472.7**	€549.5	486.9
USD First Lien Term Loan A 2026	**7.08**	**$200.0**	**157.9**	$200.0	165.3
USD First Lien Term Loan B 2026	**2.76**	**$2,887.0**	**2,261.0**	$2,901.7	2,375.7
USD First Lien Term Loan B 2028	**6.67**	**$1,240.6**	**979.6**	$1,246.9	1,030.5
EUR First Lien Term Loan B 2026	**5.52**	**€507.2**	**431.6**	€507.2	443.9
GBP Revolving Credit Facility 2025	**6.23**	**£—**	**—**	£63.0	63.2
Total borrowings			**5,316.0**		5,577.5
Presented in:					
Current portion			**33.1**		35.6
Non-current portion			**5,282.9**		5,541.9
Total borrowings			**5,316.0**		5,577.5

1 The rates include the impact of the contractual Swap Agreements (as defined below).

2 The carrying amounts at 30 June 2023 include accrued interest of £nil (31 December 2022: £1.1m) presented within the current portion of borrowings above.

During the six months ended 30 June 2023, the Group incurred the following interest on its then outstanding borrowings:

	Effective interest rate[1]	**Interest accretion**	**Interest** [2]	**Total Interest** [2]
	%	**£m**	**£m**	**£m**
GBP First Lien Term Loan A 2025	6.70	1.5	29.2	30.7
EUR First Lien Term Loan A 2026	6.20	—	12.9	12.9
USD First Lien Term Loan A 2026	7.30	—	6.3	6.3
USD First Lien Term Loan B 2026	3.10	2.8	27.8	30.6
USD First Lien Term Loan B 2028	6.90	—	39.1	39.1
EUR First Lien Term Loan B 2026	6.10	0.7	11.4	12.1
GBP Revolving Credit Facility 2025	6.20	—	1.3	1.3
Total		**5.0**	**128.0**	**133.0**

1 The effective interest rate calculation includes the impact of the Swap Agreements (as defined below).

2 Interest shown includes the impact of the Swap Agreements and is the cash cost. In addition to the amount included above, the Group incurred £2.0m of interest expense relating to commitment, utilisation, and fronting fees associated with its Revolving Credit Facility.

The Group's change in borrowings during the six months ended 30 June 2023 was as follows:

	Balance at 1 Jan 2023	**New debt**	**Principal payments**	**Interest accretion**[1]	**FX translation**	**Balance at 30 June 2023**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
GBP First Lien Term Loan A 2025	1,011.7	—	—	1.5	—	1,013.2
EUR First Lien Term Loan A 2026	486.8	—	—	—	(14.1)	472.7
USD First Lien Term Loan A 2026	165.2	—	—	—	(7.3)	157.9
USD First Lien Term Loan B 2026	2,375.3	—	(11.8)	2.8	(105.3)	2,261.0
USD First Lien Term Loan B 2028	1,030.3	—	(5.0)	—	(45.7)	979.6
EUR First Lien Term Loan B 2026	444.1	—	—	0.7	(13.2)	431.6
GBP Revolving Credit Facility 2025	63.0	501.0	(564.0)	—	—	—
Total	5,576.4	501.0	(580.8)	5.0	(185.6)	5,316.0
Accrued interest	1.1					—
Total borrowings	**5,577.5**					**5,316.0**

1 Interest accretion represents interest expense calculated at the effective interest rate less interest expense calculated at the contractual interest rate and is recorded in financial expenses in the consolidated income statement.

14. Borrowings *(continued)*

Revolving Credit Facility and First Lien Term Loans

Each of the Group's facilities are discussed below.

TLA Agreement - GBP First Lien Term Loan A

In May 2020, certain members of the Group entered into a Term Loan A and Revolving Credit Facility Agreement (the "TLA Agreement") comprising a term loan and revolving credit facility totalling £1.4bn. In December 2021, an additional lender was added to the facility increasing the overall TLA Agreement by £100m bringing the total to £1.5bn. From this £100m, the Group received £68m cash drawings from the TLA with the remaining £32m becoming available as incremental Revolving Credit Facility. In 2022, we entered into the Third Amendment of the TLA Agreement which enabled the drawdown of €549.5m and $200.0m during the year. The TLA Agreement described above now provides a term loan facility in an aggregate amount of:

- £1,017.9m (2022: £1,017.9m) priced at SONIA plus 0.0326% CSA plus a margin of 1.75% (the "GBP First Lien Term Loan A"), with a maturity date of 5 May 2025 and a SONIA floor of 0%;
- €549.5m (2022: €549.5m) priced at 1M EURIBOR plus 2.75% and a EURIBOR floor of 0% (the "EUR First Lien Term Loan A") with a maturity date of 31 July 2026; and
- $200.0m (2022: $200.0m) priced at Daily Compound SOFR plus 0.2616% CSA plus a margin of 2.75% (the "USD First Lien Term Loan A") with a maturity date of 31 July 2026.

There is no amortisation on the GBP, EUR and USD First Lien Term Loan A and the principals are due at maturity. The Group incurred £11.9m of initial transaction costs and fees on drawdown which have been capitalised against the principal of the debt in 2020 and are recorded as financial expense over the term of the debt using the effective interest rate method.

TLA Agreement – Revolving Credit Facility

The TLA Agreement described above provides a multi-currency revolving credit facility in an aggregate amount of £748.8m (2022: £748.8m) (the "Revolving Credit Facility"). Maturing on 5 May 2025, the Revolving Credit Facility includes a margin of 1.75% over SONIA for borrowings with a 0% interest rate floor as well as a utilisation fee ranging from 0.1% to 0.4% based on the proportion of drawings to the total commitment. The commitment fee on the Revolving Credit Facility is 35% of the margin and is payable in respect of available but undrawn borrowings. The Revolving Credit Facility is available for general corporate purposes including the refinancing of existing borrowings. During the period ending 30 June 2023 the Group drew down £501.0m of this facility and repaid £564.0m leaving an outstanding principal amount of £0m (2022: £63.0m). The Group has an undrawn capacity of £738m (2022: £675m) on the Revolving Credit Facility with £11m (2022: £11m) of capacity reserved for the issuance of Group guarantees as of 30 June 2023.

The terms of the TLA Agreement limit the Group's ability to, among other things: (i) incur additional debt (ii) grant additional liens on their assets and equity (iii) distribute equity interests and/or distribute any assets to third parties (iv) make certain loans or investments (including acquisitions) (v) consolidate, merge, sell or otherwise dispose of all or substantially all assets (vi) pay dividends on or make distributions in respect of capital stock or make restricted payments, and (vii) modify the terms of certain debt or organisational documents, in each case subject to certain permitted exceptions. The TLA Agreement requires, subject to a testing threshold, that the Company comply on a bi-annual basis with a maximum net total leverage ratio of 5.1 to 1.0. During the six months ended 30 June 2023, the Group is in compliance with all covenants related to its First Lien Term Loan A.

First Lien Term Loan B's

The Group's First Lien Term Loan B has three separate tranches outstanding as follows:

- USD first lien term loan with an outstanding principal balance of $2,887.0m (2022: $2,901.7m) priced at 3M SOFR plus CSA plus 2.25% (2022: 2.25%) (the "USD First Lien Term Loan B") with a maturity date of 21 July 2026, and a SOFR floor, as applicable, of 0%;
- USD first lien term loan with an outstanding principal balance of $1,240.6m (2022: $1,246.9m) priced at 3M Term SOFR plus CSA plus 3.25% (2022: 3.25%) margin with a 0.5% SOFR floor (the "the USD First Lien Term Loan B 2") with a maturity date of 22 July 2028; and
- EURO first lien term loan with an outstanding principal balance of €507.2m (2022: €507.2m) priced at EURIBOR plus 2.5% (2022: 2.5%) (the "EUR First Lien Term Loan B") with a maturity date of 21 July 2026 and EURIBOR floor, as applicable, of 0%.

The two USD First Lien Term Loan B tranches requires scheduled quarterly principal payments in amounts equal to 0.25% of the combined initial aggregate principal amount of the USD First Lien Term Loan B of $4,188m (2022: $4,188m), with the balance due at maturity of each tranche. There is no amortisation on the EUR First Lien Term Loan B and the principal is due at maturity.

14. Borrowings *(continued)*

The three tranches of First Lien Term Loan B are governed by the "Syndicated Facility Agreement". The Syndicated Facility Agreement limits Stars Group Holdings B.V. and Flutter Financing B.V, as borrowers, and its subsidiaries' ability to, among other things, (i) incur additional debt (ii) grant additional liens on their assets and equity (iii) distribute equity interests and/or distribute any assets to third parties (iv) make certain loans or investments (including acquisitions), (v) consolidate, merge, sell or otherwise dispose of all or substantially all assets (vi) pay dividends on or make distributions in respect of capital stock or make restricted payments (vii) enter into certain transactions with affiliates (viii) change lines of business and (ix) modify the terms of certain debt or organisational documents, in each case subject to certain permitted exceptions. The agreement also provides for customary mandatory prepayments, including a customary excess cash flow sweep if certain conditions are met. During the six months ended 30 June 2023, the Group is in compliance with all covenants related to its First Lien Term Loan B's.

Reconciliation to Statement of Cash Flows:

Reconciliation of movements in borrowings to the Statement of Cash Flows:

	2023 £m	2022 £m
Financing activities:		
Proceeds from borrowings	**501.0**	275.0
Repayment of borrowings	**(580.8)**	(96.6)
Interest paid	**(129.3)**	(46.8)

15. Derivatives

Derivatives and hedge accounting

The Group uses derivative financial instruments for risk management and risk mitigation purposes. As such, any change in cash flows associated with derivative instruments are expected to be offset by changes in cash flows related to the hedged item. The Group's derivatives are discussed below.

Swap agreements

The Group has executed cross-currency and interest rate swaps to better match the currency mix of the Group's EBITDA and risk profile. On 7 June 2023 the Group terminated a portion of the existing USD First Lien Term Loan B cross-currency interest rate swaps due for maturity in July 2023 as part of a restructuring of the Group's hedging arrangements receiving cash of £170.2m on termination. In combination with the already existing hedging arrangements, the Group entered new cross-currency interest rate swap agreements and new interest rate swap agreements to align to the risk management strategy.

In combination, these hedging instruments comprise of:

(i) USD-EUR amortising cross-currency interest rate swap agreements (the "EUR Cross-Currency Interest Rate Swaps") with an outstanding notional amount of €859m (£739m) (31 December 2022: €2,009m (£1,780m)), which fix the USD to EUR exchange rate at 1.025 (2022: 1.127) and fix the euro interest payments at an average interest rate of 5.51% (31 December 2022: 2.92%) on portions of the USD First Lien Term Loan B's 2026 and 2028;

(ii) USD-GBP amortising cross-currency interest rate swap agreements (the "GBP Cross-Currency Interest Rate Swaps") with a remaining notional amount of £739m (31 December 2022: £1,689m), which fix the USD to GBP exchange rate at 1.167 (2022: 1.234) and fix the GBP interest payments at an average interest rate of 7.54% (31 December 2022: 5.63%) on portions of the USD First Lien Term Loan B's 2026 and 2028, and entire USD First Lien Term Loan A 2026; and

(iii) Interest rate swap agreements with a notional amount of $1,100m (£946m) (2022: nil) that fix the USD interest payments at an average interest rate of 4.48%. (31 December 2022: nil) on a portion of the USD First Lien Term Loan B 2026.

The swaps outlined above are in hedging relationships with and have a profile that amortises in line with the USD First Lien Term Loan B's. The swaps mature in September 2024 and June 2025.

Sports betting open positions

Amounts received from customers on sportsbook events that have not occurred by the balance sheet date are derivative financial instruments and have been recognised by the Group on initial recognition as financial liabilities at fair value through profit or loss.

The fair value of open sports bets at 30 June 2023 and 31 December 2022 has been calculated using the latest available prices on relevant sporting events. The carrying amount of the liabilities is not significantly different from the amount that the Group is expected to pay out at maturity of the financial instruments. Sports bets are non-interest bearing. There is no interest rate or credit risk associated with open sports bets.

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.

15. Derivatives *(continued)*

The following table summarises the fair value of derivatives as at 30 June 2023 and 31 December 2022:

	30 June 2023		31 December 2022	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Derivatives held for hedging				
Derivatives designated as cash flow hedges:				
Cross-currency interest rate swaps - current	**—**	**—**	275.1	—
Cross-currency interest rate swaps - non-current	**—**	**(95.7)**	—	(61.0)
Interest rate swaps - non-current	**5.7**	**—**	—	—
Total derivatives designated as cash flow hedges	**5.7**	**(95.7)**	275.1	(61.0)
Derivatives designated as net investment hedges:				
Cross-currency interest rate swaps - current	**—**	**—**	4.5	(37.1)
Cross-currency interest rate swaps - non-current	**—**	**(4.9)**	—	(12.2)
Total derivatives designated as net investment hedges	**—**	**(4.9)**	4.5	(49.3)
Total derivatives held for hedging	**5.7**	**(100.6)**	279.6	(110.3)
Derivatives held for risk management and other purposes not designated as hedges				
Sports betting open positions - current	**—**	**(66.4)**	—	(107.6)
Sports betting open positions - non-current	**—**	**(0.7)**	—	(0.5)
Total derivatives held for risk management and other purposes not designated as hedges	**—**	**(67.1)**	—	(108.1)

16. Share capital and reserves

Share capital

The total authorised share capital of the Company comprises 300,000,000 ordinary shares of €0.09 each (2022: 300,000,000 ordinary shares of €0.09 each). All issued share capital is fully paid. The holders of ordinary shares are entitled to vote at general meetings of the Company on a one vote per share held basis. Ordinary shareholders are also entitled to receive dividends as may be declared by the Company from time to time.

Transactions during the six months ended 30 June 2023:

- A total of 463,516 ordinary shares were issued as a result of the exercise of employee share options, giving rise to share capital and share premium of £3.8m;

Transactions during the six months ended 30 June 2022:

- A total of 192,342 ordinary shares were issued as a result of the exercise of employee share options, giving rise to share capital and share premium of £3.1m;

Equity reserves at 30 June 2023 and at 31 December 2022 include the following classes of reserves:

Shares held by Employee Benefit Trust

At 30 June 2023, the Paddy Power Betfair plc Employee Benefit Trust ("EBT") held 826,796 (31 December 2022: 1,396) of the Company's own shares, which were acquired at a total cumulative cost of £131.5m (31 December 2022: £0.2m) in respect of potential future awards relating to the Group's employee share plans. The Company's distributable reserves at 30 June 2023 are restricted by this cost amount. 825,400 shares were purchased at a cost of £131.3m during the six months ended 30 June 2023 (31 December 2022: 23,775 shares at a cost of £2.8m). During the six months ended 30 June 2023, no shares were transferred from the EBT to the beneficiaries of the EBT (year ended 31 December 2022: 55,537 shares with an original cost of £6.6m).

Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred at that date.

Fair value reserve

The fair value reserve represents the fair value movement in Current Investments at FVOCI - customer deposits.

16. Share capital and reserves *(continued)*

Foreign exchange translation reserve

The foreign exchange translation reserve at 30 June 2023 amounted to a debit balance of £106.4m (31 December 2022: credit balance of £60.3m) and arose from the retranslation of the Group's net investment in primarily EUR and USD functional currency companies. The movement in the foreign exchange translation reserve for the six months ended 30 June 2023, reflects mainly the strengthening of EUR and USD against GBP in the period.

Other reserves

Other reserves comprise undenominated capital. Undenominated capital at 30 June 2023 of £3.7m (31 December 2022 £2.5m) relates to the nominal value of shares in the Company acquired by the Company of £2.3m (31 December 2022: £2.3m) and subsequently cancelled, the impact of Hyperinflation of £1.2m and an amount of £0.2m (31 December 2022: £0.2m) which arose on the redenomination of the ordinary share capital of the Company at the time of conversion from Irish pounds to Euro.

Share-based payment reserve

During the six months ended 30 June 2023, an amount of £74.0m was expensed in the Consolidated Income Statement with respect to share based payments (six months ended 30 June 2022: £50.1m) and an amount of £39.3m (six months ended 30 June 2022: £11.7m) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings.

An amount of £5.6m of deferred tax relating primarily to the Group's share-based payments was credited to retained earnings in the six months ended 30 June 2023 (six months ended 30 June 2022: credit of £0.8m). An amount of £3.3m of current tax relating to the Group's share-based payments was credited to retained earnings in six months ended 30 June 2023 (six months ended 30 June 2022: £0.2m).

Non-controlling interest

No dividends were paid to a non-controlling interest during the six months ended 30 June 2023. During the six months ended 30 June 2022 the Group paid dividends totalling £5.4m to the non-controlling interest in Adjarabet.

As outlined in more detail in Note 12, as a result of the exercise of the option in respect of the Junglee non-controlling interest and the agreement to settle in cash in July 2023, an amount of £10.4m was recorded in non-controlling interest with the remaining amount of £64.9m booked to retained earnings.

17. Fair values

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.

	30 June 2023			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Current investments at FVOCI - customer deposits	**123.7**	**18.1**	**—**	**141.8**
Investments - FVTPL	**—**	**—**	**9.1**	**9.1**
Derivatives	**—**	**5.6**	**—**	**5.6**
Total financial assets	**123.7**	**23.7**	**9.1**	**156.5**
Derivative financial liabilities	**—**	**100.6**	**67.1**	**167.7**
Non-derivative financial liabilities	**75.0**	**—**	**39.8**	**114.8**
Total financial liabilities	**75.0**	**100.6**	**106.9**	**282.5**

17. Fair values *(continued)*

	31 December 2022			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Current investments at FVOCI - customer deposits	126.2	11.8	—	138.0
Investments - FVTPL	—	—	9.2	9.2
Derivatives	—	279.6	—	279.6
Total financial assets	126.2	291.4	9.2	426.8
Derivative financial liabilities	—	110.4	108.1	218.5
Non-derivative financial liabilities	—	—	30.1	30.1
Total financial liabilities	**—**	110.4	138.2	248.6

As part of its periodic review of fair values, the Group recognises transfers, if any, between levels of the fair value hierarchy at the end of the reporting period during which the transfer occurred. There were no transfers between levels of the fair value hierarchy during the periods ended 30 June 2023 or 31 December 2022.

Valuation of Level 2 financial instruments

Borrowings

The Group has determined that the principal value of the GBP, EUR and USD First Lien Term Loan A (as defined above) approximates its fair value. The Group estimates the fair value of its First Lien Term Loan B by using a composite price derived from observable market data for a basket of similar instruments which approximates fair value.

Current investments (Bonds) - FVOCI - customer deposits

The Group has determined that the carrying value of the bonds approximates their fair value which is determined by using observable quoted prices or observable input parameters derived from comparable bonds/markets. Although the Group has determined that a number of the bonds fall within Level 1 of the fair value hierarchy, there are a class of bonds which have been classified as Level 2 due to the existence of relatively inactive trading markets for those bonds.

Derivative financial instruments

Swap agreements

The Group uses derivative financial instruments to manage its interest rate and foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis of the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, such as yield curves, spot and forward FX rates.

To comply with the provisions of IFRS 13*, Fair Value Measurement*, the Group incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the applicable counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Group has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilise Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. At both 30 June 2023 and 31 December 2022, the Group assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions, determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Group determined that its valuations of its derivatives in their entirety are classified in Level 2 of the fair value hierarchy.

Level 3 fair values

Derivatives (Level 3)

Some of the Group's financial assets and liabilities are classified as Level 3 of the fair value hierarchy because the respective fair value determinations use inputs that are not based on observable market data. As at 30 June 2023, the valuation techniques and key inputs used by the Group for each Level 3 asset or liability were as follows:

Sports betting open positions (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. Changes in the fair value of the unsettled bets are recorded in revenue in the consolidated income statement.

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.

17. Fair values *(continued)*

Non-derivative financial instruments (Level 3)

Investments

The Group valued its equity investments in private companies with reference to earnings measures from similar businesses in the same or similar industry and adjusts for any significant changes in the earnings multiple and the valuation. A reasonable change in assumptions would not have a material impact on fair value. Changes in the fair value of equity in private companies are recorded in financial income or financial expense in the consolidated income statement.

Contingent deferred consideration (Level 3)

Non-derivative financial liabilities include contingent consideration. The contingent consideration payable is primarily 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 in excess of a predetermined base target. An increase and decrease of 10% in the excess over the predetermined base target during the relevant time periods would increase and decrease the value of contingent consideration at 30 June 2023 by £1.5m and £1.5m respectively (31 December 2022: £1.1m and £2.0m).

FOX Corporation

As announced on 2 October 2019, in order to achieve economic alignment of Flutter's and TSG's strategic third party relationships across their respective US businesses, concurrent with the Combination with TSG, the Group entered into an arrangement with FOX, pursuant to which FSG Services, a wholly-owned subsidiary of FOX, had an option to acquire an 18.6% equity interest in FanDuel Group at its fair market value in July 2021. Under the terms of the agreement an arbitration mechanism was put in place in the event of a disagreement between the two parties relating to the option.

In April 2021, FOX filed an arbitration claim against the Group with respect to its option to acquire an 18.6% equity interest in FanDuel seeking the same price that the Group paid for the acquisition of 37.2% of FanDuel from Fastball Holdings LLC in December 2020, based on an $11.2 billion valuation for FanDuel. In the Group's opinion this valuation would be materially favourable for FOX compared to the fair market valuation as of July 2021.

On 7 November 2022, the Group announced the outcome of the arbitration. The arbitration tribunal has determined that the price payable for the option is based on FanDuel's fair market value as of 3 December 2020, the date on which Flutter announced the acquisition of Fastball's 37.2% stake in FanDuel. The tribunal has determined the fair market value of FanDuel as of December 2020 amounts to $20bn. This contrasts with an implied $11.2bn valuation for FanDuel when Flutter acquired the stake from Fastball.

FOX has a ten-year period from December 2020 within which to exercise the Option, should it wish to do so, subject to an annual compounding carrying value adjustment of 5%. Cash payment is required at the time of exercise and the option can only be exercised in full. Exercise of the option requires FOX to be licensed and should FOX not exercise within this timeframe, the option shall lapse.

As of 30 June 2023 the option price is c$4.2bn made up of the $3.7bn exercise price for 18.6% of FanDuel plus the 5% annual carrying value adjustment.

The fair market value of the option as at 30 June 2023 is required to reflect the value that a market participant would have paid for such an option, with the option exercise price, reflecting the conditions that would have existed at 30 June 2023. Given the market assessment of comparable US assets, it is management's view that there has been no increase in the market value of FanDuel since the valuation date of the option, and therefore it is determined that the value of the option is out of the money for FOX and the derivative has close to nominal value at 30 June 2023.

Non-controlling interest agreements

<u>Boyd</u>

A mechanism has been agreed with Boyd who hold a non-controlling interest in FanDuel Group, consisting of call and put options, which enables the Group to acquire the remaining 5% at prevailing market valuations in 2028. The call/put option consideration can be settled, at the Group's election, in cash or shares. As a consequence of both the put and call options being only exercisable at fair value based on the market value of FanDuel at the date of exercise of the options, it was determined that the fair value was not material and was close to nominal value.

As announced on 2 October 2019, in order to achieve economic alignment of Flutter's and TSG's strategic third-party relationships across their respective US businesses, the Group entered into arrangements conditional on completion of the Combination with Boyd pursuant to which Boyd would receive a total payment of 1.5% of the increase in FoxBet's market value between completion of the Combination and July 2023 (subject to a carrying value adjustment). Any payment due to Boyd in respect of this is not expected to be significant.

17. Fair values *(continued)*

On 22 October 2021, FanDuel Group Parent LLC ("FanDuel") and Boyd Interactive Holdings LLC ("Boyd") entered into an arrangement where Boyd contributed 91,828 Investor Units equivalent to 0.5% of FanDuel's total Investor Units in exchange for 91,828 warrants to acquire Investor Units of FanDuel. The aggregate exercise price of the warrants is $1.00 and are exercisable at any time within the next 10 years. If the warrants remain outstanding after 10 years, they will be automatically converted into the number of Investor Units for which such warrants are exercisable. As this transaction involves the exchange of one form of fixed equity instrument for another fixed instrument with a non-controlling interest for no additional consideration, no further accounting is required.

<u>Junglee</u>
As part of the acquisition of Junglee, the Group has put in place arrangements, consisting of call and put options, that could see its ownership in the business increase in 2025. The call/put option consideration can be settled, at the Group's election, in cash or shares. As a consequence of both the put and call options being only exercisable at fair value being the future EBITDA and revenue multiple which are considered to be two key inputs into valuing the option, it was determined that the fair value was not material and was close to nominal value.

During 2023, options were exercised enabling the Group to purchase a portion of the non-controlling shareholders shares, and the Group entered into an arrangement with the non-controlling shareholders to acquire a further 32.5% for a cash payment of $97.4m (£75m) in line with the terms of the original agreement.

<u>Sachiko</u>
As part of the acquisition of Sachiko (see Note 12), the Group has put in place arrangements, consisting of call and put options, that could result in it acquiring the 5% of Junglee held by the former shareholders of Sachiko in 2028 and 2032 for an amount based on the future Revenue and EBITDA performance of Junglee. As the Group cannot avoid settling the put/call options in cash, a liability of £24.3m has been recorded at 30 June 2023 (31 December 2022:£12.3m). An increase and decrease of 10% in the forecasted target during the relevant time periods would increase and decrease the value of the option at 30 June 2023 by £2.4m and £2.4m respectively.

18. Commitments and contingencies

Guarantees
The Group has uncommitted working capital overdraft facilities of £16.2m (31 December 2022: £16.2m) with Allied Irish Banks p.l.c. These facilities are secured by a Letter of Guarantee from Flutter Entertainment plc.

The Group has bank guarantees: (i) in favour of certain gaming regulatory authorities to guarantee the payment of player funds, player prizes, and certain taxes and fees due by a number of Group companies; and (ii) in respect of certain third-party rental and other property commitments, merchant facilities and third party letter of credit facilities. The maximum amount of the guarantees at 30 June 2023 was £257.0m (31 December 2022: £246.7m). No claims had been made against the guarantees as of 30 June 2023 (31 December 2022: £Nil). The guarantees are secured by counter indemnities from Flutter Entertainment plc and certain of its subsidiary companies. The value of cash deposits over which the guaranteeing banks hold security was £22.6m at 30 June 2023 (31 December 2022: £22.6m).

As mentioned in Note 14, borrowings under the TLA Agreement and Syndicated Facility Agreement are guaranteed by the Company and certain of its operating subsidiaries.

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.

Prior to the combination with TSG in 2020, the Board of TSG became aware of the possibility of improper foreign payments by TSG or its subsidiaries in certain jurisdictions outside of Canada and the United States relating to its historical B2B business (which was never profitable and effectively ceased operations in 2014). When this matter arose, TSG contacted the relevant authorities in the United States and Canada with respect to these matters and, following the Combination, the Group continues to co-operate with the United States and Canada governmental authorities in respect of all inquiries. Based on its review to date, the Board of Flutter has not identified issues that it believes would have a significant adverse effect on the Group's financial position or business operations.

The Group has seen a number of player claims in Austria and Germany for reimbursement of historic gaming losses. We have provided our remote services in Austria and Germany (outside of Schleswig-Holstein) from Maltese entities on the basis of multi-jurisdictional Maltese licences and EU law, however the Austrian Courts and some German Courts consider our services are contrary to their respective local laws.

18. Commitments and contingencies *(continued)*

The Group strongly disputes the basis of these claims and any related judgements. The prospect of any player claims or judgements being successfully enforced in Malta against our Maltese licensed entities is unlikely as to allow the enforcement of these claims against a legitimately licensed entity is contrary to Maltese local law and public policy. It is not possible at this stage ,however, to provide a reasonable estimate of the contingent liability as the matter is still at an early stage and unlikely to be fully resolved in the short term.

19. Related parties

There were no material transactions with related parties during the six months ended 30 June 2023 or the six months ended 30 June 2022.

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

20. Events after the reporting date

Acquisition of 32.5% shares of Junglee Games

In July 2023, as outlined in more detail in Note 12, the Group made a cash payment of $97.4m (£75m) in respect of the acquisition of a further 32.5% outstanding shares of Junglee Games. This acquisition brings the Group's holding in Junglee Games to 84.8% up from the previous controlling interest of 52.3%. This liability has been recorded as a current liability as at 30 June 2023.

FOX Bet

On 31 July 2023, we announced the closure of the sports betting platform FOX Bet. FOX Bet was part of the The Stars Group US along with the US facing operations of PokerStars. Flutter will retain ownership of PokerStars, while FOX will retain future use of the FOX Bet brand (including Super 6).

Independent Review Report to Flutter Entertainment PLC ("the Entity")

Conclusion

We have been engaged by the Entity to review the Entity's condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2023 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, a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as adopted by the EU and the Transparency (Directive 2004/109/EC) Regulations 2007 ("Transparency Directive"), and the Central Bank (Investment Market Conduct) Rules 2019 ("Transparency Rules of the Central Bank of Ireland).

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (Ireland) 2410") issued for use in Ireland. 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 consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Entity to cease to continue as a going concern, and the above conclusions are not a guarantee that the Entity will continue in operation.

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.

The directors are responsible for preparing the condensed set of consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

As disclosed in note 1, the annual financial statements of the Entity for the year ended 31 December 2022 are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In preparing the condensed set of consolidated financial statements, the directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Our responsibility

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

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

This report is made solely to the Entity in accordance with the terms of our engagement to assist the Entity 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 Entity 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 Entity for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
1 Stokes place
St. Stephen's Green
Dublin 2

8 August 2023