**2 March 2021**

**Flutter Entertainment plc - 2020 Preliminary Results**

**Transformational year for Group; Earnings ahead of expectations**

Flutter Entertainment plc (the "Group") announces preliminary results for year ended 31 December 2020.

| | Reported[1] | | | Pro forma[2] | | | |
|---|---|---|---|---|---|---|---|
| | 2020 £m | 2019 £m | YoY % | 2020 £m | 2019 £m | YoY % | CC[3] YoY % |
| Group revenue[4] | 4,398 | 2,140 | +106% | 5,264 | 4,144 | +27% | *+28%* |
| Adjusted[5] Group EBITDA[6] excluding US | 1,037 | 462 | +125% | 1,401 | 1,170 | +20% | *+23%* |
| Adjusted Group EBITDA | 889 | 425 | +109% | 1,231 | 1,089 | +13% | *+16%* |
| Profit before tax | 1 | 136 | -99% | | | | |
| Earnings per share[7] | 29.3p | 180.2p | -84% | | | | |
| Adjusted earnings per share | 402.7p | 298.4p | +35% | 496.6p | 415.7p | +19% | |
| Net debt at year end[8] | 2,814 | 265 | | | | | |

**Operational highlights**

- Transformational year for Group
  - Unparalleled scale and diversification achieved following merger with The Stars Group, Inc ("TSG")
  - Accelerated buy-out of minority shareholders in FanDuel at compelling valuation
  - Reinforced balance sheet to support investment and growth
- Excellent momentum with 19% growth in recreational players[9] across Group
  - Acceleration of channel shift from retail to online and increased share of entertainment spend
- Further investment in safer gambling initiatives to ensure sustainable growth
  - Enhanced predictive technology; increase in safer gambling tool usage by customers
  - Advocating a customer driven approach to affordability
- Merger integration progressing well
  - Australian integration complete, PokerStars strategy in place and core momentum maintained
  - Annualised cost synergies now expected to be £170m, up from £140m previously
- US online leadership maintained with 40% sports betting and 20% gaming market shares in Q4[10]
  - Total addressable market in 2025 now expected to exceed £14bn ($20bn)
  - 2020 contribution of £70m ($91m) from sportsbook and gaming customers acquired in 2018 and 2019, demonstrating substantial US earnings power
  - Record breaking Super Bowl LV; over 350,000 sportsbook and gaming customers acquired, exceeding entire 2019 customer acquisition in 1 week; strong start in both Michigan and Virginia

**Financials** *[1,2,3,5,6,11]*

- Growth in reported revenue and reported adjusted EBITDA reflects addition of TSG from May 2020
- Reported profit of £1m after deduction of £432m in non-cash acquisition accounting adjustments
- Pro forma revenue and EBITDA increased primarily due to customer growth and positive sports results
- Pro forma online revenue of £5,035m, 34% higher than 2019, constituting 96% of total Group revenue

- Pro forma increase in cash of £817m in 2020 after SDIs and interest and before equity placings
- Leverage ratio of 2.3 times, materially reduced from 3.2 times at time of merger

**Current trading/Outlook**

- Strong momentum in 2021 with growth in player volumes across all divisions
- Favourable sports results relative to expectations, particularly in UK and Ireland
- Group revenue +36% year on year in the first 7 weeks of the year (to Feb 21)
- Covid restrictions impacting retail business in UK and Ireland with estimated monthly EBITDA loss of £9m for each month that both UK and Irish retail estates remain shut
- Proposed German tax change would reduce contribution by £15m- £25m in 2021 if introduced from 1 July

**Peter Jackson, Chief Executive, commented:**

*"2020 was an historic year for the Group as we completed our merger with TSG, commenced the integration of our two businesses and increased our ownership of FanDuel in the US, whilst at the same time navigating the challenges presented by the Covid-19 pandemic.*

*Safer gambling is critical to building a sustainable global business and we are determined to lead the industry in implementing the highest standards of customer protection across our markets. This includes the UK, where we welcome the Government's review of gambling legislation and support the delivery of a balanced framework that will protect vulnerable customers while allowing the many who enjoy a bet to continue to do so safely.*

*We delivered a very strong financial performance in 2020, benefiting from our scale and diversification. We continue to grow our recreational player base across all key regions, in Q4 alone the Group had over 7.6m monthly online players. Nowhere has our growth been more evident than in the US where we have consolidated our #1 position in this crucial market, with customer economics that continue to exceed our expectations, finishing the year as the first US online operator to reach over $1.1bn in gross gaming revenue.*

*During this exceptionally testing time, we have focused on safeguarding the welfare of colleagues and contributed more to the communities in which we operate. I would like to take this opportunity to thank all my colleagues for their ongoing commitment and resilience as we face these challenging times together. While the global outlook remains uncertain, our momentum remains strong and we look forward to the future with confidence."*

*Notes:*

*[1] Reported represents the IFRS reported statutory numbers. Where amounts in the table have been normalised for SDIs they are labelled as Adjusted.*

*[2] Flutter's combination with TSG completed on 5 May 2020. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019). See Appendix 4 for a reconciliation of pro forma results to statutory results.*

*[3] Constant currency ("cc") growth is calculated by retranslating the non-sterling denominated component of FY 2019 at FY 2020 exchange rates (see Appendix 5). Growth rates in the commentary are in local or constant currency except reported numbers which are in nominal currency.*

*[4] Revenue excludes SDIs which relate to a £15.9m refund of VAT from the HMRC, based on the historic incorrect application of VAT to UK gaming machines.*

*[5] The "Adjusted" measures exclude separately disclosed items that are not part of the usual business activity of the Group and have therefore been reported as "separately disclosed items (SDIs)" (see note 6 to the financial statements).*

*[6] EBITDA is profit before interest, tax, depreciation and amortisation expenses and is a non-GAAP measure.*

*[7] The 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.*

*[8]Net debt at 31 December 2020 is the principal amount of borrowings plus associated accrued interest, minus cash & cash equivalents plus/minus carrying value of debt related derivatives. This is comprised of the principal amount of borrowings plus associated accrued interest of £3,231m plus debt related derivatives of £186m less gross cash excluding customer balances of £603m 31 December 2020 (see Appendix 6).*

*[9] Monthly Players are the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average number of monthly players are taken to derive the measure per reporting period.*

*[10] Online sportsbook market share is the GGR market share of FanDuel and FOX Bet for Q4 in the states in which FanDuel was live based on published gaming regulator reports in those states. During Q4 FanDuel was live in 8 states; Colorado (CO), Illinois (IL), Indiana (IN), Iowa (IA), New Jersey (NJ), Pennsylvania (PA), Tennessee (TN) and West Virginia (WV). During Q4 FOX Bet was live in 3 states; CO, NJ and PA. Online gaming market share reflects the combined NJ and PA market share of the FanDuel, FOX Bet, PokerStars and Betfair brands during Q4.*

*[11]The leverage ratio is calculated using pro forma Adjusted EBITDA for the 12-month period to 31 December 2020.*

**Analyst briefing:**

The Group will host a questions and answers call for institutional investors and analysts this morning at 9:30am (GMT). Ahead of that call, a presentation will be available on the Group's corporate website (www.flutter.com) from 8am. 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.

A presentation replay facility will also be available at 8am on our corporate website: https://www.Flutter.com/investors.

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## Business Review [1,2,3,4]

2020 was a transformational year for Flutter as we attained unparalleled scale and diversification following the completion of the TSG merger. We increased our exposure to the fast-growing US market by accelerating our buy-out of the minority shareholders in FanDuel at a compelling valuation and we ensured our balance sheet is well capitalised, positioning the Group well for future investment opportunities.

Protecting both our colleagues and customers through Covid, as well as supporting our communities, were key priorities throughout the year. We mobilised quickly in March to support the well-being of our employees, without availing of government support schemes, and we enhanced our safer gambling measures in response to lockdowns and the evolving preferences of our customers.

Safeguarding business momentum was a key priority as we commenced our integration work with TSG and we achieved this with a 19% increase in monthly players[5] and revenue growth of 28%. This growth reflected excellent operational performance as well as two key structural tailwinds benefitting our sector, namely the migration of traditional retail spend to online and a shift in leisure spending patterns towards more home-based activities.

Within our online business we benefitted from enhanced product and geographic diversification, something that was particularly evident following the widespread cancellation of sports during the second quarter, when we saw commensurate growth in our gaming and poker franchises. As sports resumed, we saw strong levels of engagement across our sports betting businesses, with customer growth of 32% in Q4 as we exited 2020.

Overall the Group delivered an excellent financial performance. On a pro forma basis revenue grew by 28% to £5.3bn. Adjusted EBITDA increased by 16% to £1.2bn as profitability in our core online businesses helped to fund the marketing and platform investments we are making in our US and International divisions.

**Flutter Group strategy**

The TSG merger and the minority buy-out of FanDuel have significantly accelerated progress against our four-pillar strategy:

*Pillar 1 – To maximise profitable growth in our core markets (UK & Ireland, Australia)*

*Pillar 2 – To grow our business in the rest of the world*

*Pillar 3 – To attain podium positions in international regulated markets*

*Pillar 4 – To grow our leadership position in the US*

In our core markets, we have significantly expanded the scale of our operations and identified a clear path to running the combined businesses more efficiently. The recreational nature of our brands in these markets positions us well to capitalise on regulatory developments in the future.

The strategy within our International division to attain global scale and diversification was greatly accelerated by the merger, adding new podium positions and many more top ten markets. Given this significant expansion, we have now sharpened our investment focus within PokerStars, identified key target markets and tailored plans for our brands and product. We set out the core elements of this plan below.

Having attained a leadership position in the US, our strategy now is to continue to grow it through further investment and leveraging the strong set of assets that we have.

Ultimately, we believe that the online gaming sector is similar to other large digital markets, whereby the largest player achieves superior economics through operational leverage, creating a virtuous circle for future investment in product, marketing and generosity which in turn drives further growth.

**Integration**

Against the challenging backdrop of Covid, a key objective in 2020 was to maintain momentum across the Group, both before and after our merger with TSG. This included protecting the pipeline of innovative new products within our divisions and continuing to prioritise growth in the business over near-term cost synergies. Whilst maintaining performance, we have nevertheless made significant integration progress since our merger in May and have reorganised the Group into a new four divisional structure which we will report against from Q1 2021.

While our primary focus will continue to be delivery of this growth-oriented strategy, we also see material opportunities to drive cost efficiency across the Group. Following additional work, we have increased our estimate of annualised cost synergies from £140m to £170m. The additional savings mainly come from Australia following our decision to move rapidly to a single brand. Further detail on synergy guidance is provided in the operating and financial review.

**Safer gambling**

During 2020 we continued to prioritise safer gambling initiatives across the Group. We improved our operational capabilities, expanded our safer gambling teams and stepped up investment in technology. We upgraded the predictive models we use in UK & Ireland, Australia and PokerStars to monitor and track more customer behaviours while in the US, we enhanced our cross-product safer gambling capabilities through the migration of our customers onto our proprietary account and wallet. Education is key and in tandem with ensuring our safer gambling teams have the resources required to make our customers aware of the safer gambling tools available to them, we also committed to spend 20% of our UK TV and radio marketing budget on safer gambling messaging.

Through these initiatives we have significantly improved our ability to effectively identify and interact with customers who may be at risk. For example, we more than doubled the number of customers we checked in with via a safer gambling interaction in the UK, Ireland and Australia in 2020. In PPB 33% of those customers then went on to use a safer gambling tool. In SBG approximately 40% of revenue came from customers who have a deposit limit in place. This ensures our continued focus on growing a sustainable and recreational customer base.

Effective regulation is key to ensuring sustainability and we intend to be at the forefront of change. For example in Ireland, we recently introduced a credit card ban, a whistle to whistle advertising ban and increased our funding to improve customer protections in that market. In the UK, the Gambling Act Review has commenced, and we are actively engaging with all key stakeholders during the consultation period. Ian Proctor, Executive Chairman of Flutter UK & Ireland, has been instrumental in coordinating a major project to review our safer gambling initiatives. We have allocated substantial internal resources to providing robust and transparent responses to the request for evidence where we are advocating a customer specific and proportionate approach to affordability. We remain hopeful that a regulatory framework will be put in place that will better protect customers while recognising people's freedom to spend their disposable income as they choose.

**UK & Ireland**

In the UK and Ireland, our three brands will 'complement and compete'. We are sharing the best of our technology and insights across brands while allowing for differentiated marketing approaches. The 2020 performance of Paddy Power and Sky Betting and Gaming, where average monthly customers grew 36% and 12% in H2 respectively, clearly demonstrated how two recreational brands can compete effectively side-by-side while Betfair's unique offering continues to appeal to more value conscious customers.

The migration of retail customers to online is playing to our strengths. The mass market appeal of our brands, coupled with the quality of our product offering, is seeing us capture a higher share of migrated spend. We estimate that during H2, of regular UK high street bettors that migrated online, over 40% chose one of our brands as their main online account. This despite the fact that our brands only account for 5% of betting shops in the UK.

During 2020, we estimate that our share of total online revenue in the UK [6] was approximately 28%, with a 42% share of sports and a 19% share of gaming (2019 total share: 27%). We are encouraged by the increased engagement we are seeing amongst recreational customers in particular; we estimate that over 55% of all online sports bettors engaged with our brands during Q4. This was up eight percentage points on the comparable period in 2019 and illustrates why we believe we are well positioned ahead of prospective regulatory change.

**Australia**

The Australian online market enjoyed similar structural changes to the UK and Irish markets during 2020. With retail closed for prolonged periods and racing continuing behind closed doors, average monthly players increased by 26% across our business. We estimate that our share of the online market[6] increased from 43% in 2019 to 46% in 2020.

This strong performance was delivered while completing the integration of Sportsbet and BetEasy. We made the decision to move to a single brand quickly and completed the brand migration ahead of the 2020 Spring Carnival. The migration of BetEasy customers across to the Sportsbet platform was seamless with players accounting for more than 90% of BetEasy revenues in the 12 months pre-migration going on to bet with Sportsbet. To support the migration, we provided incremental product improvements on the Sportsbet platform, such as tokenised generosity to ensure continuity of key product features already enjoyed by BetEasy customers. By doing so, we reduced the risk of customer attrition, while also enhancing the product offering to Sportsbet customers.

**International**

In International (comprising PokerStars, Betfair International and Adjarabet), we have established a new leadership team that combines the experience of senior members of PPB with the considerable gaming expertise of the TSG team. We outlined at our interim results that we would be implementing changes in order to align compliance standards and markets with Flutter policies and in addition, a new strategy has been developed that places multi-year investment across product, technology and marketing at the heart of our plans to grow the business. The key aspects of the strategy are as follows:

- **Brand strategy:** As the PokerStars brand has the largest customer base and strongest brand awareness within our international markets, it will be our lead brand. We will continue to promote Betfair in select markets such as Italy, Spain, Romania and Latin America where it enjoys strong consideration amongst sports bettors.
- **Technology:** This will include addressing some legacy technology challenges facing the business to create flexible, stable and modern platforms for future growth.
- **Reassert PokerStars' leadership in poker:** While PokerStars remains the global leader in poker, its share of the online poker market has reduced in recent years. While desktop is, and will remain, an important channel for many online poker players, improving the customer experience on mobile is also essential. We launched a new PokerStars app in Q3, replacing the existing app originally developed in 2011. We have also significantly increased marketing and customer generosity to promote the brand and product.

- **Invest in direct casino acquisition:** PokerStars has one of the best casino offerings in the market with over 1,500 titles, of which 100 are proprietary to Flutter. In 2020 alone, we launched over 500 new titles on the platform. PokerStars has traditionally relied on cross-sell from poker to grow the casino business. In H2, we commenced direct casino investment and while it is early days, we saw the number of customers acquired directly to casino treble in 2020.
- **Create simple, intuitive cross-sell capabilities:** Multi-product customers deliver better unit economics than single product players. In the near-term, our focus will continue to be on poker and casino cross-sell with increasing emphasis on sports once product improvements have been delivered during 2022.
- **Pursue bolt-on opportunities in new growth markets.** We will look to add to our portfolio of International businesses. The success of Adjarabet has highlighted the benefits of acquiring local brand leaders to which we can bring additional expertise. One recent example is our investment in Junglee Games, a fast-growing online rummy and daily fantasy sports (DFS) operator in India. We acquired an initial 50.1% stake in January 2021 for £48m and we look forward to helping it to grow further in the coming years. Put and call options have been put in place that will enable us to acquire 100% of the business in 2025.

**US**

In the US we have continued to make huge progress. Following our recent launches in Michigan and Virginia, the FanDuel sportsbook is now live online in 10 states, reaching almost a quarter of the US population. Through very strong execution, we have reinforced our leadership position, delivering Q4 market shares of 40% in online sports betting and 20% in iGaming[7].

As we assess the US opportunity, we now expect the addressable market to exceed our previous estimates while the profitability we are now seeing from early customer cohorts is reinforcing our positive view with respect to the long-term potential for our business.

**Total addressable market ("TAM"):** We now expect the TAM for our US brands to exceed £14bn ($20bn) in 2025, a material upgrade to our previous estimate, primarily due to:

- An increase in our estimated value of sportsbook and gaming driven by the spending patterns we are seeing in the early states in which we have gone live (e.g. New Jersey, Pennsylvania and Michigan)
- An increase in the number of states that we expect to regulate sports betting and gaming; we now expect online sports betting to be available to 65% of the US adult population by 2025 while gaming is expected to be accessible to 16% (previously 50% and 11% respectively)

Not all states will have reached their mature value by 2025 and so we expect the value of the market to continue to grow thereafter.

**Customer economics:** In the US, our 2020 EBITDA loss of £170m reflected our ongoing investment in customer acquisition in both new and existing states. This headline investment however masked the strong underlying sportsbook and gaming contribution generated from customers acquired in 2018 and 2019 in New Jersey, Pennsylvania, West Virginia and Indiana:

- Contribution from these early cohorts was £70m ($91m) in 2020. Contribution is the revenue we report after deducting cost of sales and marketing costs and is before accounting for fixed costs which can be spread over the expanding number of states as they launch. This positive contribution was driven by our proven ability to retain customers due to our superior product offering. On average, retention rates in the US after 12 months have been 1.8 times those of our UK brands.

- This positive contribution more than funded our ongoing investment in customer acquisition in these states where we continued to grow strongly, more than doubling our customer base during the year. The advantage our DFS platform gives us in acquiring customers efficiently at scale persists.
- Excluding 2020 state launches, combined contribution from all customers in NJ, PA, WV and IN was positive during the year with £39m ($51m) generated in New Jersey (versus previous guidance of £31m ($40m)).

This positive contribution, combined with the profitability of our TVG racing and FanDuel daily fantasy sports businesses (both of which continue to perform well), is providing us with an ongoing source of funding to invest in our US expansion.

**Operational update:** In 2020 we made further progress in increasing the reliability and scalability of our US technology platforms. We moved FanDuel on to our own proprietary account and wallet, making player cross-sell journeys smoother and thereby improving our customer acquisition funnel. We also began to migrate our sports betting platform across to the Group's Global Betting Platform on a state by state basis, with two states now live, giving FanDuel access to a wider range of Flutter platform features. We expect to complete this migration by the start of the next NFL season.

FanDuel continues to lead the market when it comes to product. We have the widest breadth of betting markets available in the US. Our experienced global in-house trading team of over 650 people continues to innovate, helping us deliver higher margin product advantages such as Same Game Parlay™ and engaging customer experiences such as our *"Spread the Love"* campaigns, both of which have proven to be very popular with customers.

We are also continuing to refine our state launch "playbook" as we expand into new states. As an example, even before we went live in Michigan and Virginia in January 2021, we had a significant number of registered sportsbook and gaming customers. During Super Bowl LV week, we acquired over 350,000 new sportsbook and gaming customers, exceeding our customer acquisition for all of 2019. Our 2021 customer acquisition year to date is already close to 90% of that achieved in all of 2020. This leaves us with a business today of unparalleled scale, with a market leading online sportsbook and gaming market share[7] of 31% and revenue of more than 1.4 times our nearest competitor. Our US revenues currently exceed our next two nearest competitors combined.

Finally, the early acquisition of FanDuel minorities in December, at a significant discount to fair market value, has simplified our US business. In consultation with our media partner Fox, we are now better placed to assess the optimal structure for our US operations going forward.

**Capital structure and balance sheet update[8]**

The Group's capital structure has evolved significantly during the period. The main drivers of change were:

- Debt re-financing in March, with well-priced facilities totalling £1.4bn secured
- Combination with TSG in May increasing the Group's leverage to 3.2 times
- Equity placing of £0.8bn in May to provide strategic flexibility for additional investment opportunities
- Accelerated acquisition of Fastball's 37.2% stake in FanDuel for £3.3bn in December, of which 87% was financed via equity (including a £1.1bn placing)

The net result was that the Group concluded 2020 with net debt of £2.8bn, equating to pro forma leverage of 2.3 times, materially down from 3.2 times at the time of merger completion. The Group remains committed to its medium-term leverage target of 1-2 times and once achieved, the Board will review its dividend policy.

**Kentucky legal proceedings**

On 17 December 2020, the Kentucky Supreme Court reinstated a 2015 £621m ($870m) trial court judgment against TSG with compounding interest of 12% per annum. As previously disclosed, the gross gaming revenues that TSG generated in Kentucky during the relevant period were approximately £13m ($18m). Flutter has since petitioned the Kentucky Supreme Court for a rehearing. Flutter is confident that any amount it ultimately becomes liable to pay will be a limited proportion of the reinstated judgement. Further detail is available at note 15 to the financial statements.

## Operating and Financial Review[1-15]

### Group

| | Reported | | | Pro forma | | | |
|---|---|---|---|---|---|---|---|
| | FY 2020 £m | FY 2019 £m | Change % | FY 2020 £m | FY 2019 £m | Change % | CC Change % |
| Sports revenue | 2,725 | 1,667 | +64% | 3,000 | 2,400 | +25% | +25% |
| Gaming revenue | 1,673 | 473 | +253% | 2,264 | 1,743 | +30% | +32% |
| **Total revenue** | **4,398[10]** | **2,140** | **+106%** | **5,264** | **4,144** | **+27%** | **+28%** |
| Cost of sales | (1,539) | (650) | +137% | (1,782) | (1,198) | +49% | +49% |
| *Cost of sales as a % of net revenue* | *35.0%* | *30.4%* | *+460bps* | *33.8%* | *28.9%* | *+490bps* | *+480bps* |
| **Gross profit** | **2,859** | **1,490** | **+92%** | **3,483** | **2,946** | **+18%** | **+20%** |
| Sales and marketing | (991) | (465) | +113% | (1,130) | (840) | +34% | +36% |
| **Contribution** | **1,868** | **1,025** | **+82%** | **2,353** | **2,105** | **+12%** | **+13%** |
| Other operating costs | (884) | (544) | +62% | (997) | (880) | +13% | +13% |
| Corporate costs | (95) | (55) | +73% | (125) | (137) | -9% | -9% |
| **Adjusted EBITDA[1,2]** | **889** | **425** | **+109%** | **1,231** | **1,089** | **+13%** | **+16%** |
| *Adjusted EBITDA margin %* | *20.2%* | *19.9%* | *+30bps* | *23.4%* | *26.3%* | *-290bps* | *-240bps* |
| Depreciation and amortisation | (213) | (145) | +47% | (241) | (220) | +10% | +10% |
| **Adjusted[1] operating profit** | **676** | **281** | **+141%** | **990** | **869** | **+14%** | **+18%** |
| Adjusted net interest expense | (110) | (14) | +673% | | | | |
| Separately disclosed items | (565) | (131) | +332% | | | | |
| **Profit before tax** | **1** | **136** | **-99%** | | | | |
| **Adjusted[1] earnings per share** | **402.7p** | **298.4p** | **+35%** | **496.6p** | **415.7p** | **+19%** | |
| **Basic earnings per share** | **29.3p** | **180.2p** | **-84%** | | | | |
| **Dividends per share** | **0.0p** | **200p** | | | | | |
| **Net debt at period end** | **2,814** | **265** | | | | | |

*Note: Flutter's combination with TSG completed on 5 May 2020. Reported 2020 numbers reflect a full 12-month contribution from Flutter and a 241-day contribution from TSG. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019.*

### Reported

Revenue grew by 106% in 2020 to £4,398m reflecting the combination with TSG on 5 May 2020. Adjusted EBITDA grew by 109% to £889m.

Profit before tax was £1m (2019: £136m) after separately disclosed items ('SDIs') totalling £565m (2019: £131m). The growth in SDIs was primarily driven by an increase in the amortisation of acquired intangibles from £113m to £432m associated with the combination with TSG and deal costs associated with the TSG merger and the initial delivery of synergies. Adjusted net interest expense reflects the significant increase in debt from the point of the combination with TSG.

Basic earnings per share were 29.3 pence primarily due to non-cash merger related accounting. No dividend is proposed for 2020 (2019: 200 pence per share).

### Proforma[3]

Total revenue increased 28% to £5,264m with Adjusted EBITDA increasing by 16% to £1,231m. Performance was strong throughout 2020 with revenue growth of 22% in H1, accelerating to 34% in H2. Within the revenue mix, sports and gaming grew 25% and 32% respectively.

Performance in sports reflected a year of two halves with growth of 8% in H1 and 40% in H2. The first half was adversely impacted by Covid-related sports cancellations and temporary closures of retail. This was particularly pronounced during the second quarter.

Sportsbook staking declined 13% in H1 with growth in Australia and the US partially offsetting declines in UK and Ireland. Sports revenue still grew 8% in H1 as net revenue margins increased 280bps year on year. This increase reflected a material benefit from bookmaker friendly sports results in all divisions as well as an uplift from changing customer preferences which saw players wager more on higher margin sports and bet types.

During H2 the return of global sports, a condensed sporting calendar and the launch of 3 new US states all contributed to 40% sports revenue growth. Stakes grew 45% year on year driven by the continued migration of customers from retail to online as access to retail betting across Ireland, the UK and Australia was adversely affected by Covid. Net revenue margins remained flat year on year in the second half, with the benefit of favourable sports results and structural margin improvements in the Group ex-US offsetting increased promotional investment in US customer acquisition.

Combined gaming revenue increased by 32% in 2020; 40% in H1 and 25% in H2. The excellent growth reflected a substantial influx of recreational customers, in particular during the first global lockdown. Poker and casino both benefitted from this customer growth.

Cost of sales as a percentage of revenue increased by 480 basis points due to the higher proportion of revenues generated in Australia and the US during the year, where taxes, product fees and markets access costs lead to a higher cost of sales.

Other operating costs increased 13% year on year primarily reflecting our expanded presence in the US and increased investment in PokerStars during the second half of the year. Corporate costs reduced by 9% due to merger related synergies.

Adjusted EBITDA grew 16% with strong operating leverage in SBG and Australia helping to fund marketing and platform investment in PokerStars and the US.

As we flagged at the time of the merger announcement, there are certain costs (such as share based payments and recurring professional/legal fees) that TSG historically treated as SDIs, but Flutter considers "business as usual" operating costs. Flutter now treats all of these costs as operating costs. Had Flutter's accounting treatment been applied to TSG's 2019 reported earnings, TSG's full year EBITDA would have been £663m versus its previously reported figure of £724m, a reduction of £61m. A full reconciliation of previously reported financials to presented pro forma financials can be found in Appendix 3.

The pro forma effective tax rate for the Group was 13.2% in 2020 (2019: 10.4%) primarily driven by the geographic mix of profits during the year and the increase in US losses not recognised for deferred tax purposes. Excluding the US, the pro forma effective tax rate was 10.4% in 2020.

Adjusted earnings per share increased by 19% to 496.6p in 2020 reflecting the strong performance of the Group.

**PPB**

| Pro forma | PPB Total FY 2020 £m | PPB Total FY 2019 £m | PPB Total Change % | *PPB Online FY 2020 £m* | *PPB Online FY 2019 £m* | *PPB Online Change %* | *PPB Retail FY 2020 £m* | *PPB Retail FY 2019 £m* | *PPB Retail Change %* |
|---|---|---|---|---|---|---|---|---|---|
| **Sportsbook stakes** | **5,847** | **6,983** | **-16%** | ***4,848*** | ***5,189*** | ***-7%*** | ***998*** | ***1,793*** | ***-44%*** |
| *Sportsbook net revenue margin* | *10.5%* | *9.3%* | *+120bps* | *9.7%* | *8.1%* | *+160bps* | *14.3%* | *12.8%* | *+150bps* |
| Sports revenue | 813 | 896 | -9% | *670* | *667* | *+1%* | *143* | *230* | *-38%* |
| Gaming revenue | 481 | 427 | +13% | *424* | *344* | *+23%* | *57* | *82* | *-30%* |
| **Total revenue** | **1,294** | **1,323** | **-2%** | ***1,094*** | ***1,011*** | ***+8%*** | ***200*** | ***312*** | ***-36%*** |
| Cost of sales | (382) | (355) | +8% | *(339)* | *(285)* | *+19%* | *(44)* | *(70)* | *-38%* |
| *Cost of sales as a % of net revenue* | *29.5%* | *26.8%* | *+270bps* | *30.9%* | *28.2%* | *+280bps* | *21.8%* | *22.4%* | *-60bps* |
| **Gross profit** | **912** | **968** | **-6%** | ***756*** | ***726*** | ***+4%*** | ***156*** | ***242*** | ***-35%*** |
| Sales and marketing | (287) | (248) | +16% | *(281)* | *(241)* | *+16%* | *(6)* | *(7)* | *-11%* |
| **Contribution** | **625** | **720** | **-13%** | ***475*** | ***485*** | ***-2%*** | ***150*** | ***235*** | ***-36%*** |
| Other operating costs | (354) | (330) | +7% | *(206)* | *(172)* | *+20%* | *(148)* | *(159)* | *-7%* |
| **Adjusted EBITDA**[1,2] | **271** | **390** | **-31%** | ***269*** | ***314*** | ***-14%*** | ***2*** | ***76*** | ***-98%*** |
| *Adjusted EBITDA margin* | *20.9%* | *29.5%* | *-850bps* | *24.6%* | *31.0%* | *-640bps* | *0.9%* | *24.5%* | *-2,360bps* |
| Depreciation and amortisation | (94) | (93) | +1% | *(52)* | *(50)* | *+4%* | *(43)* | *(43)* | *-1%* |
| **Adjusted**[1] **operating profit** | **176** | **297** | **-41%** | ***217*** | ***263*** | ***-18%*** | ***(41)*** | ***33*** | ***-223%*** |

| **PPB Online** | **Q1** | **Q2** | **Q3** | **Q4** | **FY20** |
|---|---|---|---|---|---|
| Average monthly players '000s | 1,358 | 1,107 | 1,457 | 1,719 | 1,410 |
| Average monthly players[5] YoY% | +1% | -25% | +22% | +34% | +6% |

*PPB operates Paddy Power, Betfair and Adjarabet brands online, as well as retail operations in the UK and Ireland.*

Adjusted EBITDA for PPB declined 31% in 2020 to £271m. The Covid pandemic resulted in shop closures for much of 2020 while PPB online was negatively impacted by the cancellation of sports. This was most pronounced on the betting exchange where we offered 18% fewer markets than during 2019.

**PPB Online**

Revenue increased by 8% to £1,094m, driven by 6% growth in average monthly players to 1.4m. A revenue decline of 8% in H1 was more than offset by 24% growth in H2, benefitting from excellent growth in average monthly players through the second half of the year.

Total sports revenue (sportsbook and exchange) grew 1%. Sportsbook revenue increased 12%. While sportsbook staking was down 7% (declining 32% in H1 with growth of 20% in H2), net revenue margins increased 160 basis points year on year to 9.7%. Favourable sports results drove most of this uplift, accounting for approximately 140 basis points of the increase. Exchange and B2B revenue declined by 19% in 2020, but in H2 the exchange grew 3% as the sporting calendar normalised and US election markets generated good levels of customer interest.

Gaming revenue grew 23%, with quarterly growth rates improving sequentially as the year progressed (Q1: +9%, Q4: +29%). This improvement reflected continued investment in new customer propositions such as '*Paddy's Wonder Wheel*' and '*Betfair's Prize Pinball*', both of which proved popular with customers.

Cost of sales as a percentage of revenue increased by 280 basis points to 30.9% in 2020. The strong performance of gaming, which attracts higher direct costs, an additional quarter of higher remote gaming duty rate (introduced April 1 2019) and extra online costs to support a shortfall in racing funding all contributed to this increase.

Sales and marketing grew 16% with incremental spend upon the return of sports in H2 and investment to support the launch of our improved gaming product, resulting in strong customer growth. The increase in other operating costs of 20% also reflected the investment in this improved product, combined with further expansion of our safer gambling programmes.

**PPB Retail**

Adjusted EBITDA was £2m in 2020 (2019: £76m). This reflected the disruption across our retail estates due to Covid restrictions, with our shops closed on average for 38% of 2020. This led to a 36% decline in revenue. In the period post-March when shops were open, underlying performance was reasonably strong notwithstanding the disrupted nature of trading and social distancing measures in place.

Revenue declined 28% in our UK estate, where our shops were closed 36% of the year. In Ireland revenue declined 46%, with shops closed 40% of the time. The better performance in the UK can be attributed to competitor shop closures, more favourable sports results and a strong performance from gaming when available.

Operating costs declined 7% in 2020. We paid, and continue to pay, our staff when shops are closed, without availing of any government support schemes to do so.

While retail has been highly disrupted in 2020, we continue to see a great opportunity for our well-invested estate within the portfolio of Group assets.

**SBG**[9]

| Pro forma | FY 2020 £m | FY 2019 £m | Change % |
|---|---|---|---|
| **Sportsbook stakes** | **4,173** | **4,578** | **-9%** |
| *Sportsbook net revenue margin* | *13.6%* | *9.1%* | *+450bps* |
| Sports revenue | 590 | 442 | +34% |
| Gaming revenue | 385 | 295 | +31% |
| **Total revenue** | **975** | **736** | **+32%** |
| Cost of sales | (278) | (203) | +37% |
| *Cost of sales as a % of net revenue* | *28.5%* | *27.6%* | *+90bps* |
| **Gross profit** | **697** | **533** | **+31%** |
| Sales and marketing | (160) | (156) | +3% |
| **Contribution** | **537** | **377** | **+43%** |
| Other operating costs | (146) | (124) | +18% |
| **Adjusted EBITDA**[1,2] | **391** | **253** | **+55%** |
| *Adjusted EBITDA margin* | *40.1%* | *34.4%* | *+570bps* |
| Depreciation and amortisation | (28) | (22) | +28% |
| **Adjusted**[1] **operating profit** | **364** | **232** | **+57%** |

| **SBG** | **Q1** | **Q2** | **Q3** | **Q4** | **FY 20** |
|---|---|---|---|---|---|
| Average monthly players '000s | 1,621 | 1,297 | 1,574 | 1,766 | 1,564 |
| Average monthly players[5] YoY% | +4% | -17% | +12% | +12% | +3% |

*SBG includes SkyBet sportsbook and Sky Gaming's various casino brands. It also includes Oddschecker*

SBG grew Adjusted EBITDA by 55% to £391m driven by a combination of 32% revenue growth and cost control, particularly in marketing, where costs only increased 3%.

Sports revenue advanced 34% with a 450 basis point increase in net revenue margin to 13.6%. The increased margin reflected two factors:

- Favourable sports results with the actual margin 330 basis points higher than expected across both football and racing; and
- An increase in Sky Bet's expected margin of 120 basis points, with horse racing the main driver due to the change in mix of racing during Q2 cancellations and ongoing refinement of our pricing strategy.

Full year sportsbook stakes declined 9% with H1 staking 30% lower year on year, with a subsequent 13% increase in H2. The irregular sporting calendar and sustained period of favourable sports results both influenced half yearly staking trends. We believe that H2 growth is more reflective of the underlying trend in the business, with record levels of customer engagement since the start of the 2020/2021 football season.

Sales and marketing costs increased 3% during 2020 to £160m, with marketing spend decreasing as a percentage of net revenue by around 500 basis points to 16.4%. This reflected the fact that revenues were boosted by positive sports results and the cancellation of some marketing spend during sports' hiatus in H1.

While other operating costs increased 18% as we invested to support the expansion of the business, we benefitted from material operating leverage on revenue growth of 32%. The efficiencies in marketing and other operating costs has resulted in Adjusted EBITDA margin of 40.1% for 2020, a 570 basis point improvement on 2019.

**Australia[4,9]**

| Pro forma | FY 2020 £m | FY 2019 £m | Change £ | CC Change A$ |
|---|---|---|---|---|
| **Sportsbook stakes** | **9,713** | **6,751** | **+44%** | **+46%** |
| *Sportsbook net revenue margin* | *11.1%* | *10.1%* | *+100bps* | *+100bps* |
| **Revenue** | **1,075** | **681** | **+58%** | **+59%** |
| Cost of sales | (520) | (299) | +74% | +76% |
| *Cost of sales as a % of net revenue* | *48.4%* | *43.9%* | *+450bps* | *+450bps* |
| **Gross profit** | **555** | **382** | **+45%** | **+47%** |
| Sales and marketing | (129) | (124) | +4% | +5% |
| **Contribution** | **426** | **258** | **+65%** | **+66%** |
| Other operating costs | (108) | (96) | +12% | +14% |
| **Adjusted EBITDA[1,2]** | **318** | **161** | **+97%** | **+98%** |
| *Adjusted EBITDA margin* | *29.6%* | *23.7%* | *+590bps* | *+570bps* |
| Depreciation and amortisation | (30) | (30) | +1% | +2% |
| **Adjusted[1] operating profit** | **288** | **131** | **+119%** | **+119%** |

| **Australia** | **Q1** | **Q2** | **Q3** | **Q4** | **FY 20** |
|---|---|---|---|---|---|
| Average monthly players '000s | 581 | 611 | 876 | 1,109 | 794 |
| Average monthly players[5] YoY% | +9% | -2% | +39% | +53% | +26% |

*Australia encompassed Sportsbet and BetEasy online brands, migrating to a single brand, Sportsbet, in September 2020.*

Revenue grew 59% in 2020 to £1,075m with excellent operating leverage resulting in Adjusted EBITDA growth of 98%.

Strong top line growth was driven by the addition of over 675,000 new players as Sportsbet benefited from a significant channel shift of retail customers to online. Momentum in customer growth accelerated as the year progressed. A condensed calendar of marquee sporting events such as the Spring Racing Carnival and State of Origin series saw average monthly players grow by 46% in H2 to more than 1.1m by Q4.

Staking increased by 46% to £9.7bn despite net revenue margins increasing 100 basis points year on year with several factors driving this growth:

- Generosity increased by 150 basis points, helping to stimulate acquisition and staking growth, particularly in H2 when staking was up 71% compared to the prior year
- Favourable results added 80 basis points to net revenue margin
- The temporary increase in racing's share of revenue led to a structural margin benefit
- Customers continued to move towards higher margin products such as "Same Game Multis" with over 50% of Australian customers placing a bet of this type during 2020

Cost of sales as a percentage of revenue increased 450 basis points, driven by a higher proportion of revenues coming from racing (which incur higher product fees) as well as the impact of an increase in tax and product fee rates in 2020.

Sales and marketing increased by £10m reflecting additional investment in customer retention, partly offset by synergies of £5m as we moved to a single brand ahead of the Spring Carnival. Other operating costs increased by 14%, reflecting ongoing investment in our technology platforms to increase capacity, with Sportsbet processing double the volume of bets in 2020 compared with 2019. Operating cost synergies were delivered towards the end of 2020 and had limited impact on the 2020 cost base.

Adjusted EBITDA almost doubled to £318m, reflecting excellent momentum and operating leverage.

## PokerStars[4,9]

| *Pro forma* | FY 2020 £m | FY 2019 £m | Change % | CC Change % |
|---|---|---|---|---|
| **Sportsbook stakes** | **748** | **755** | **-1%** | **+1%** |
| *Sportsbook net revenue margin* | *8.5%* | *7.5%* | *+100bps* | *+100bps* |
| Sports revenue | 64 | 57 | +12% | +13% |
| Gaming revenue | 1,161 | 961 | +21% | +24% |
| **Total revenue** | **1,225** | **1,018** | **+20%** | **+23%** |
| Cost of sales | (282) | (217) | +30% | +29% |
| *Cost of sales as a % of net revenue* | *23.0%* | *21.3%* | *+170bps* | *+100bps* |
| **Gross profit** | **943** | **801** | **+18%** | **+22%** |
| Sales and marketing | (206) | (144) | +43% | +46% |
| **Contribution** | **737** | **657** | **+12%** | **+16%** |
| Other operating costs | (191) | (154) | +24% | +21% |
| **Adjusted EBITDA[1,2]** | **545** | **503** | **+8%** | **+15%** |
| *Adjusted EBITDA margin* | *44.5%* | *49.4%* | *-490bps* | *-340bps* |
| Depreciation and amortisation | (47) | (42) | +13% | +14% |
| **Adjusted[1] operating profit** | **498** | **461** | **+8%** | **+15%** |

| **PokerStars** | **Q1** | **Q2** | **Q3** | **Q4** | **FY 20** |
|---|---|---|---|---|---|
| Average monthly players '000s | 1,469 | 1,981 | 1,501 | 1,558 | 1,627 |
| Average monthly players[5] YoY% | +5% | +57% | +25% | +26% | +28% |

*PokerStars includes PokerStars, PokerStars Casino, PokerStars Sports and Full Tilt brands which collectively offer online poker, casino and sports betting products. Excludes PokerStars US business.*

PokerStars grew revenue by 23% to £1,225m in 2020 with EBITDA growth of 15% to £545m. This performance was driven by 28% growth in average monthly players. Player engagement with the brand initially increased in Q2 following the introduction of lockdown restrictions in many jurisdictions and was supplemented by our increased investment in customer retention and marketing in H2. For example, in H2 promotional generosity as a percentage of gross revenue increased to 28%, double the rate in 2019.

Gaming revenue increased by 24% year on year, with casino and poker growing 37% and 17% respectively:

- In H1, gaming revenue grew 43% (Poker +38%, Casino +51%) driven by elevated player volumes as customers sought alternative forms of home entertainment during Covid restrictions
- During H2, underlying customer activity on Poker was encouraging, as we increased player generosity and marketing spend, driving greater customer engagement. Around 30% of players acquired / reactivated in Q2 continued to play in Q4. Net revenue declined 6% in H2 as a result of the compliance measures taken to improve the sustainability of the business.
- Casino continued its strong performance with revenue up 24% in H2, benefitting from cross-sell and direct casino customer volumes. The quality of the PokerStars casino proposition and increased investment in generosity has resulted in strong month on month customer retention rates.

Sports revenue increased by 13% to £64m, benefitting from favourable sports results across the year. Cost of sales as a percentage of revenue grew one percentage point to 23.0% due to the higher direct costs associated with casino games which accounted for a larger proportion of revenue in 2020.

Sales and marketing costs increased 46% to £206m, with H2 marking a significant step-change in investment behind the brand to address historic underinvestment. H2 marketing spend was £43m higher than H1 and £55m above H2 2019. This investment supported the new ‘I’m in’ brand campaign and the direct acquisition of casino customers.

Other operating costs increased 21% as we commenced the programme to improve PokerStars technology and operating capabilities. This multi-year investment includes additional technology resources, with headcount exiting 2020 20% higher than the start of the year, and technology infrastructure improvements to address the foundational capabilities required to stabilise the business.

## US[4,9]

| Pro forma | FY 2020 £m | FY 2019 £m | Change £ | CC Change US$ |
|---|---|---|---|---|
| **Sportsbook stakes** | **4,411** | **2,396** | **+84%** | **+86%** |
| *Sportsbook net revenue margin* | *4.6%* | *4.3%* | *+30bps* | *+30bps* |
| Sports revenue | 458 | 325 | +41% | +42% |
| Gaming revenue | 237 | 61 | +288% | +292% |
| **Total revenue** | **695** | **386** | **+80%** | **+81%** |
| Cost of sales | (319) | (124) | +157% | +160% |
| *Cost of sales as a % of net revenue* | *46.0%* | *32.2%* | *+1,380bps* | *+1,390bps* |
| **Gross profit** | **376** | **262** | **+43%** | **+44%** |
| Sales and marketing | (348) | (168) | +107% | +110% |
| **Contribution** | **28** | **94** | **-70%** | **-71%** |
| Other operating costs | (198) | (175) | +13% | +14% |
| **Adjusted EBITDA[1,2]** | **(170)** | **(82)** | **+108%** | **+115%** |
| *Adjusted EBITDA margin* | *-24.4%* | *-21.1%* | *-330bps* | *-380bps* |
| Depreciation and amortisation | (37) | (29) | +28% | +30% |
| **Adjusted[1] operating profit** | **(207)** | **(110)** | **+87%** | **+92%** |

| US | Q1 | Q2 | Q3 | Q4 | FY20 |
|---|---|---|---|---|---|
| Average monthly players '000s | 765 | 455 | 1,176 | 1,490 | 972 |
| Average monthly players[5] YoY% | +57% | +18% | +111% | +55% | +62% |

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

Revenue grew by 81% to £695m reflecting the diversified product portfolio offered in the US, as well as additional state openings. During the year we launched the FanDuel online sportsbook in 4 additional states (Colorado, Illinois, Iowa and Tennessee) and online gaming in Pennsylvania in January. FOX Bet also added Colorado.

Sports revenue increased by 42% reflecting sportsbook growth of 101% and combined daily fantasy sports and racing growth of 15%. The profile of revenue growth for each product varied significantly quarter to quarter due to sports cancellations. The increased prominence of US horse racing led our TVG business to generate record customer volumes during the year with average monthly players growing 60% over 2019. Conversely daily fantasy was materially impacted by the reduced number of sports events during the year.

Sportsbook staking grew 86%, with the return of sport and new state launches driving growth in H2 of 124% year on year. Net revenue margin increased by 30 basis points reflecting structural increases arising from risk and trading improvements and a greater demand for higher margin products such as parlays as well as bookmaker friendly results. These margin benefits helped to offset the significant level of investment we made in generosity during the year as we continued to focus on new customer acquisition in both new and existing states.

Gaming revenue grew 292% to £237m with the launch in Pennsylvania in January augmented by a shift in wallet share from sports to poker and casino in H1 as the sporting calendar was disrupted. Launch of the FanDuel proprietary account and wallet in July boosted cross-sell performance in H2 through an improved customer journey. The launch of live casino in November in Pennsylvania has also proven popular with customers.

Cost of sales increased as a percentage of revenue by 1,390 basis points due to the increase in the proportion of revenue generated by our higher cost of sales sportsbook and gaming businesses.

Marketing more than doubled to £348m, increasing as a percentage of revenue to 50%. This reflects three factors: (i) new state launches, (ii) the continued strong customer acquisition in existing states and (iii) additional investment to re-engage customers following the return of sport.

Other operating costs increased 14% year on year but reduced as a percentage of revenue as we leverage our scale to increase efficiency. The increase of £22m was primarily driven by investment in our technology and teams to support the migration to our proprietary platforms as well as new state launches.

The US business generated an EBITDA loss of £170m, in line with previous guidance.

**Synergies**

We now expect our combination with TSG to yield £170m in annualised cost synergies for the Group versus guidance of £140m upon announcement of the transaction. The additional savings arise primarily from the move to a single brand in Australia. The synergy figure is net of re-investments in certain parts of the business. For example, we have reallocated certain technology teams from duplicate systems work to support PokerStars technology improvements and Group functions required strengthening to support a Group of our scale.

| *£m* | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
|---|---|---|---|---|
| **Synergy by year** | **25** | **90** | **140** | **170** |

In addition to the above cost synergies, we also expect to achieve £20m in Capex synergies annually. This saving will be achieved by leveraging Flutter's proprietary Global Betting Platform for the provision of sports betting across the Group and lower infrastructure costs in Australia.

We have also taken steps to realise finance cost synergies through refinancing the Group debt. This has already seen the weighted average cash cost of our debt decrease to 4.18% in December from 4.90% on a pro forma basis in March 2020. The step down in the make-whole costs in July 2021 for the $1bn Senior Unsecured Notes is an opportunity to refinance and reduce our debt cost further. Additionally, the TLB is currently priced above the level we would expect for a credit of the quality of Flutter and we will look to refinance this debt, considering prevailing credit market conditions and our expectations around our credit rating.

### Cash flow and financial position

| *Pro forma* | **FY 2020 £m** |
|---|---|
| **Adjusted EBITDA** | **1,231** |
| Capex | (252) |
| Working capital | 310 |
| Corporation tax | (93) |
| **Adjusted free cash flow** | **1,197** |
| Cash flow from separately disclosed items (SDI) | (120) |
| **Free cash flow** | **1,077** |
| Interest cost | (177) |
| Other borrowing costs | (24) |
| Settlement of swaps | (36) |
| Lease liabilities paid and other | (23) |
| **Net increase in cash before equity raises & FanDuel consideration** | **817** |
| Proceeds from equity raises | 1,921 |
| Acquisition of further interest in FanDuel | (1,546) |
| **Net increase in cash** | **1,192** |
| **Net debt at start of year** | **(3,827)** |
| Foreign currency exchange translation | (20) |
| Change in fair value of hedging derivatives | (159) |
| **Net debt at 31 December 2020** | **(2,814)** |

The net increase in cash of £1,192m during the period primarily relates to strong free cash flow of £1,077m.

Capital expenditure of £252m, reflects the on-going investment in Group-wide product and technology development, as well as expansion into the US.

Working capital continues to be positively affected by enhanced scale and the strong financial performance of the Group, particularly in Q4. Creditors have increased significantly, principally in relation to direct costs where point of consumption taxes and product fees are generally paid one quarter after revenue is generated. The overall working capital benefit in 2020 is expected to partially unwind in 2021.

Cash flow from SDIs principally relates to deal fees and integration costs in relation to the combination with TSG.

Interest costs were £48m lower than 2019 on a pro forma basis from the repayment of debt following the Group's equity raise in May and the reduction in weighted average cost of debt following agreement of more favourable financing terms post completion.

As discussed earlier, the Group's financial structure has evolved significantly during 2020. The increase in debt following the combination with TSG was partly offset by an equity raise of £0.8bn in May. A further equity raise in December of £1.1bn was used to partly fund the additional interest acquired in FanDuel.

The Group has cross currency swap agreements in place as part of its strategy to hedge the impact of currency fluctuations on its leverage ratio. Changes in the fair value of these hedging derivatives are reflected in net debt.

As at 31 December 2020, the Group had net debt of £2,814m, excluding customer balances, representing a leverage ratio of 2.3 times.

**Separately disclosed items**

| | FY 2020 £m | FY 2019 £m |
|---|---|---|
| Amortisation of acquisition related intangible assets | (432) | (113) |
| Acquisition fees and associated costs | (33) | (18) |
| Restructuring and integration costs | (96) | - |
| Impairment | (23) | - |
| VAT refund | 11 | - |
| **Operating profit impact of separately disclosed items** | **(573)** | **(131)** |
| Financial Income | 79 | - |
| Financial Expense | (71) | - |
| **Profit before tax impact of separately disclosed items** | **(565)** | **(131)** |
| Tax credit on separately disclosed items | 58 | 19 |
| **Total separately disclosed items** | **(507)** | **(112)** |

Separately disclosed items do not relate to business as usual activity of the Group and therefore are excluded from adjusted profits.

During 2020 the primary driver of these costs was the combination with TSG.

The uplift in amortisation of intangibles to £432m was due to the 2020 combination with TSG, with ongoing amortisation related to the acquisition of Betfair in 2016, the combination of the Group's US assets with FanDuel in 2018 and the 2019 acquisition of Adjarabet.

The Group also incurred transaction fees and associated costs of £33m in connection with the TSG combination and the acquisition of the Group's additional 37.2% stake in FanDuel in December 2020. This does not include any professional fees incurred by TSG prior to the date of the combination.

Restructuring and integration costs primarily relate to the delivery of integration and synergies associated with the TSG combination.

During the year, the Group recognised impairments of £23m relating to certain property assets, retail licenses and capitalised development expenditure incurred by the TSG business.

The Group received a VAT refund in respect of a historical VAT overpayment in relation to retail gaming machines in the UK.

Financial income and expense items reflect gains and/or losses in respect of the Group's debt financing, principally related to embedded derivatives, accelerated accretion on debt repayments and foreign exchange. The expense line also includes additional contingent consideration payable for HRTV, now part of TVG of £22m.

For further details in relation to separately disclosed items, see note 6 of the financial statements.

**Current trading/Outlook**

2021 has seen a continuation of the strong momentum enjoyed by the Group. Growth in player volumes remains encouraging across all divisions, while sports results have also been favourable relative to expectations, particularly in the UK and Ireland. These factors have resulted in an increase in Group revenue of 36% in the first 7 weeks of the year (to Feb 21) versus the comparable period in 2020.

Covid restrictions continue to impact our retail business in the UK and Ireland. The latest Government guidelines suggest that our UK shops may re-open in mid-April while it looks like it could be May at the earliest before we are able to reopen our Irish shops. For each month that our UK estate is shut, we anticipate an EBITDA loss of £5m while in Ireland, the monthly loss is expected to be £4m.

In Germany, there are proposals to introduce a 5.3% turnover tax on online poker and slots from July 1st this year. While the tax is yet to be ratified, if it does come into force we believe it would effectively make the German online gaming market commercially unviable for regulated operators, with the taxes being equivalent to significantly greater than 100% of gross revenue. The financial impact of such a change would depend on how it is implemented and what, if anything, we could to do to mitigate the charge, but our initial estimate is that the contribution impact could be between £15m and £25m in 2021 if it comes into effect on July 1.

Overall, we are very pleased with the momentum in our business as we continue to build our recreational player base globally and look forward to the future with confidence.

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[1] *The "Adjusted" measures exclude separately disclosed items, that are not part of the usual business activity of the Group and have been therefore reported as "separately disclosed items" (see note 6 to the financial statements).*

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

[3] *Flutter's combination with TSG completed on 5 May 2020. The pro forma numbers presented show the Group's financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019 (completion date: 1 Feb 2019). See Appendix 4 for a reconciliation of pro forma results to statutory results.*

[4] *Growth rates in the commentary are in local or constant currency[12] except reported numbers which are in nominal currency.*

[5] *Monthly Players are the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average number of monthly players are taken to derive the measure per reporting period.*

[6] *Total market share of Flutter brands in UK and Australia based on internal estimates.*

[7] *Online sportsbook market share is the GGR market share of FanDuel and FOX Bet for Q4 in the states in which FanDuel was live using published gaming regulator reports in those states. During Q4 FanDuel was live in 8 states; Colorado (CO), Indiana (IN), Iowa (IA), Illinois (IL), New Jersey (NJ), Pennsylvania (PA), Tennessee (TN) and West Virginia (WV). During Q4 FOX Bet was live in 3 states; Colorado (CO), New Jersey (NJ) and Pennsylvania (PA). Online gaming market share reflects the combined NJ and PA market share of the FanDuel, FOX Bet, PokerStars and Betfair brands during Q4. Total online share refers to our share of both sportsbook and gaming markets combined as defined above.*

[8] *The leverage ratio is calculated using pro forma Adjusted EBITDA for the 12-month period to 31 December 2020.*

[9] *A full reconciliation of previously reported financials to presented pro forma financials can be found in Appendix 3.*

[10] *Reported revenue and cost of sales exclude SDIs which relate to a £15.9m refund of VAT from the HMRC, based on the historic incorrect application of VAT to UK gaming machines.*

[11] *Reported represents the IFRS reported statutory numbers. Where amounts have been normalised for SDIs they are labelled as Adjusted.*

[12] *Constant currency ("cc") growth throughout the Business Review and Operating & Financial Review is calculated by retranslating the non-sterling denominated component of FY 2019 at FY 2020 exchange rates (see Appendix 5).*

[13] *The 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.*

*[14] Net debt at 31 December 2020 is the principal amount of borrowings plus associated accrued interest, minus cash & cash equivalents plus/minus carrying value of debt related derivatives. This comprised of the principal amount of borrowings plus associated accrued interest of £3,231m plus debt related derivatives of £186m less gross cash of £603m at 31 December 2020 (see Appendix 6).*
*[15] Differences due to rounding unless otherwise stated.*

## Appendix 1: Divisional Key Performance Indicators FY20

| | Pro forma basis[1] | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £m | PPB[3] | | | SBG | | | PokerStars | | | | Australia | | | | US | | | | Group | | | |
| | FY 2020 | FY 2019 | % Change | FY 2020 | FY 2019 | % Change | FY 2020 | FY 2019 | % Change | CC[2] % Change | FY 2020 | FY 2019 | % Change | A$ % Change | FY 2020 | FY 2019 | % Change | US$ % Change | FY 2020 | FY 2019 | % Change | CC[2] % Change |
| Sportsbook stakes | 5,847 | 6,983 | -16% | 4,173 | 4,578 | -9% | 748 | 755 | -1% | +1% | 9,713 | 6,751 | +44% | +46% | 4,411 | 2,396 | +84% | +86% | 24,892 | 21,463 | +16% | +17% |
| *Sportsbook net revenue margin* | *10.5%* | *9.3%* | *+120bps* | *13.6%* | *9.1%* | *+450bps* | *8.5%* | *7.5%* | *+100bps* | *+100bps* | *11.1%* | *10.1%* | *+100bps* | *+100bps* | *4.6%* | *4.3%* | *+30bps* | *+30bps* | *10.1%* | *8.9%* | *+120bps* | *+120bps* |
| Sports revenue | 813 | 896 | -9% | 590 | 442 | +34% | 64 | 57 | +12% | +13% | 1075 | 681 | +58% | +59% | 458 | 325 | +41% | +42% | 3,000 | 2,400 | +25% | +25% |
| Gaming revenue | 481 | 427 | +13% | 385 | 295 | +31% | 1161 | 961 | +21% | +24% | - | - | - | - | 237 | 61 | +288% | +292% | 2,264 | 1,743 | +30% | +32% |
| **Total revenue** | **1294** | **1323** | **-2%** | **975** | **736** | **+32%** | **1225** | **1018** | **+20%** | **+23%** | **1075** | **681** | **+58%** | **+59%** | **695** | **386** | **+80%** | **+81%** | **5,264** | **4,144** | **+27%** | **+28%** |
| Cost of sales | (382) | (355) | +8% | (278) | (203) | +37% | (282) | (217) | +30% | +29% | (520) | (299) | +74% | +76% | (319) | (124) | +157% | +160% | (1,782) | (1,198) | +49% | +49% |
| *Cost of sales as % of net revenue* | *29.5%* | *26.8%* | *+270bps* | *28.5%* | *27.6%* | *+90bps* | *23.0%* | *21.3%* | *+170bps* | *+100bps* | *48.4%* | *43.9%* | *+450bps* | *+450bps* | *46.0%* | *32.2%* | *+1380bps* | *+1390bps* | *33.8%* | *28.9%* | *+490bps* | *+480bps* |
| **Gross Profit** | **912** | **968** | **-6%** | **697** | **533** | **+31%** | **943** | **801** | **+18%** | **+22%** | **555** | **382** | **+45%** | **+47%** | **376** | **262** | **+43%** | **+44%** | **3,483** | **2,946** | **+18%** | **+20%** |
| Sales & marketing | (287) | (248) | +16% | (160) | (156) | +3% | (206) | (144) | +43% | +46% | (129) | (124) | +4% | +5% | (348) | (168) | +107% | +110% | (1,130) | (840) | +34% | +36% |
| **Contribution** | **625** | **720** | **-13%** | **537** | **377** | **+43%** | **737** | **657** | **+12%** | **+16%** | **426** | **258** | **+65%** | **+66%** | **28** | **94** | **-70%** | **-71%** | **2,353** | **2,105** | **+12%** | **+13%** |
| Other Operating Costs | (354) | (330) | +7% | (146) | (124) | +18% | (191) | (154) | +24% | +21% | (108) | (96) | +12% | +14% | (198) | (175) | +13% | +14% | (997) | (880) | +13% | +13% |
| Corporate costs | | | | | | | | | | | | | | | | | | | (125) | (137) | -9% | -9% |
| **Adjusted EBITDA** | **271** | **390** | **-31%** | **391** | **253** | **+55%** | **545** | **503** | **+8%** | **+15%** | **318** | **161** | **+97%** | **+98%** | **(170)** | **(82)** | **+108%** | **+115%** | **1,231** | **1,089** | **+13%** | **+16%** |
| *Adjusted EBITDA margin* | *20.9%* | *29.5%* | *-850bps* | *40.1%* | *34.4%* | *+570bps* | *44.5%* | *49.4%* | *-490bps* | *-340bps* | *29.6%* | *23.7%* | *+590bps* | *+570bps* | *-24.4%* | *-21.1%* | *-330bps* | *-380bps* | *23.4%* | *26.3%* | *-290bps* | *-240bps* |
| Depreciation & amortisation | (94) | (93) | +1% | (28) | (22) | +28% | (47) | (42) | +13% | +14% | (30) | (30) | +1% | +2% | (37) | (29) | +28% | +30% | (241) | (220) | +10% | +10% |
| **Adjusted operating profit / (loss)** | **176** | **297** | **-41%** | **364** | **232** | **+57%** | **498** | **461** | **+8%** | **+15%** | **288** | **131** | **+119%** | **+119%** | **(207)** | **(110)** | **+87%** | **+92%** | **990** | **869** | **+14%** | **+18%** |

[1] Flutter's combination with TSG completed on May 5 2020. The pro forma numbers presented show Group financials with TSG included for a full 12-month period in both 2019 and 2020. The pro forma numbers include a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019).

[2] Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of FY 2019 at FY 2020 exchange rates (see Appendix 5)

[3] For split of PPB between Online and Retail, please see the KPIs section of our investor relations website.

**Appendix 2: Divisional Key Performance Indicators FY20 – Average Monthly Players**

Monthly Players are the total number of players who have placed and/or wagered a stake and/or contributed to rake or tournament fees during the month. The average number of monthly players are taken to derive the measure per reporting period.

| | Pro forma basis[1] | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Average Monthly Players (in thousands)** | **PPB** | | | **SBG** | | | **PokerStars** | | | **Australia** | | | **US** | | | **Group** | | |
| | **2020** | **2019** | **% Change** | **2020** | **2019** | **% Change** | **2020** | **2019** | **% Change** | **2020** | **2019** | **% Change** | **2020** | **2019** | **% Change** | **2020** | **2019** | **% Change** |
| **Full Year** | 1,410 | 1,327 | +6% | 1,564 | 1,525 | +3% | 1,627 | 1,275 | +28% | 794 | 629 | +26% | 972 | 598 | +62% | 6,367 | 5,354 | +19% |
| **H1** | 1,232 | 1,411 | -13% | 1,459 | 1,557 | -6% | 1,725 | 1,328 | +30% | 596 | 580 | +3% | 610 | 437 | +40% | 5,622 | 5,314 | +6% |
| **H2** | 1,588 | 1,243 | +28% | 1,670 | 1,493 | +12% | 1,530 | 1,221 | +25% | 992 | 678 | +46% | 1,333 | 760 | +75% | 7,113 | 5,395 | +32% |
| **Q1** | 1,358 | 1,350 | +1% | 1,621 | 1,560 | +4% | 1,469 | 1,396 | +5% | 581 | 535 | +9% | 765 | 488 | +57% | 5,793 | 5,327 | +9% |
| **Q2** | 1,107 | 1,472 | -25% | 1,297 | 1,554 | -17% | 1,981 | 1,261 | +57% | 611 | 626 | -2% | 455 | 387 | +18% | 5,451 | 5,301 | +3% |
| **Q3** | 1,457 | 1,198 | +22% | 1,574 | 1,409 | +12% | 1,501 | 1,204 | +25% | 876 | 632 | +39% | 1,176 | 557 | +111% | 6,584 | 5,001 | +32% |
| **Q4** | 1,719 | 1,287 | +34% | 1,766 | 1,577 | +12% | 1,558 | 1,239 | +26% | 1,109 | 724 | +53% | 1,490 | 962 | +55% | 7,642 | 5,788 | +32% |

[1]Flutter's combination with TSG completed on May 5 2020. The pro forma monthly player data presented show Group players with TSG included for a full 12-month period in both 2019 and 2020. The pro forma data includes a 12-month contribution from Adjarabet in 2019 (completion date: Feb 1 2019).

## Appendix 3: Reconciliation of previously reported TSG results to Flutter pro forma results

*Financial Year 2019, unaudited*

| | FY 2019 | TSG Reported (US$m) | Adjustments (US$m) 1 | 2 | 3 | Per Flutter policies (US$m) | Legacy TSG pro forma (£m) | | Legacy Flutter pro forma* (£m) | Total Flutter pro forma (£m) |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Total revenue** | | | | | | | | **1,323** | **1,323** |
| | Cost of sales | | | | | | | | (355) | (355) |
| | **Gross profit** | | | | | | N/A | **PPB*** | **968** | **968** |
| | Total operating costs | | | | | | | | (578) | (578) |
| | **Adjusted EBITDA** | | | | | | | | **390** | **390** |
| | **Total revenue** | **947** | **-** | **(8)** | **-** | **939** | **736** | | | **736** |
| | Cost of sales | (292) | - | 32 | - | (260) | (203) | | | (203) |
| **UK** | **Gross profit** | **655** | **-** | **24** | **-** | **679** | **533** | **SBG** | N/A | **533** |
| | Total operating costs | (330) | - | (24) | (2) | (357) | (280) | | | (280) |
| | **Adjusted EBITDA** | **325** | **-** | **-** | **(2)** | **322** | **253** | | | **253** |
| | **Total revenue** | **1,312** | **(12)** | **-** | **-** | **1,300** | **1,018** | | | **1,018** |
| | Cost of sales | (297) | 12 | 7 | - | (278) | (217) | | | (217) |
| **INTERNATIONAL** | **Gross profit** | **1,015** | **(0)** | **7** | **-** | **1,022** | **801** | **POKERSTARS** | N/A | **801** |
| | Total operating costs | (410) | 37 | (7) | (0) | (382) | (298) | | | (298) |
| | **Adjusted EBITDA** | **605** | **37** | **-** | **(0)** | **641** | **503** | | | **503** |
| | **Total revenue** | **274** | **-** | **25** | **-** | **300** | **235** | | **446** | **681** |
| | Cost of sales | (104) | - | (45) | - | (150) | (117) | | (182) | (299) |
| **AUSTRALIA** | **Gross profit** | **170** | **-** | **(20)** | **-** | **150** | **118** | **AUSTRALIA** | **264** | **382** |
| | Total operating costs | (126) | - | 20 | (1) | (107) | (84) | | (137) | (221) |
| | **Adjusted EBITDA** | **44** | **-** | **-** | **(1)** | **43** | **34** | | **127** | **161** |
| | **Total revenue** | | **12** | **-** | **-** | **12** | **10** | | **376** | **386** |
| | Cost of sales | | (12) | 2 | - | (11) | (8) | | (116) | (124) |
| **US** | **Gross profit** | **N/A** | **0** | **2** | **-** | **2** | **1** | **US** | **261** | **262** |
| | Total operating costs | | (38) | (2) | (19) | (59) | (47) | | (297) | (343) |
| | **Adjusted EBITDA** | | **(38)** | **-** | **(19)** | **(57)** | **(45)** | | **(36)** | **(82)** |
| | **Total revenue** | **(5)** | **-** | **5** | **-** | **-** | **-** | | **-** | **-** |
| | Cost of sales | - | - | - | - | - | - | | - | - |
| **CORPORATE** | **Gross profit** | **(5)** | **-** | **5** | **-** | **-** | **-** | **CORPORATE COSTS** | **-** | **-** |
| | Total operating costs | (48) | 2 | (5) | (55) | (106) | (82) | | (55) | (137) |
| | **Adjusted EBITDA** | **(53)** | **2** | **-** | **(55)** | **(106)** | **(82)** | | **(55)** | **(137)** |
| | **Total revenue** | **2,528** | **-** | **23** | **-** | **2,551** | **1,999** | | **2,145** | **4,144** |
| | Cost of sales | (693) | - | (5) | - | (698) | (546) | | (652) | (1,198) |
| **GROUP** | **Gross profit** | **1,835** | **-** | **18** | **-** | **1,854** | **1,453** | **GROUP** | **1,493** | **2,946** |
| | Total operating costs | (914) | - | (18) | (77) | (1,010) | (790) | | (1,067) | (1,857) |
| | **Adjusted EBITDA** | **921** | **-** | **-** | **(77)** | **844** | **663** | | **426** | **1,089** |

**Adjustments:**

1. **TSG US financials:** These were previously reported within TSG International and 'Corporate', they have now moved to Flutter's US division. This increases the profitability of International and increases the loss in the US. The net EBITDA impact of this change is nil.
2. **Accounting treatment adjustments:** reclassifications with nil net impact on Adjusted EBITDA at a Group level.
   Revenue recognition: The most material change here is in Australia where TSG reported revenue excluding Goods and Services Tax ("GST"). Flutter includes GST within revenue with a corresponding deduction in the cost of sales line.
   UK Intercompany transactions: Certain costs and revenues that had been removed at a consolidated Group level, via the corporate cost centre, are now consolidated within SBG per Flutter policies. Separately TSG previously recorded an 'Other income' line in each of its divisions, which has been reallocated to sports or gaming as appropriate. This is not visible in the table above.
   Expense allocation: Reallocation of expenses between cost of sales and operating expenses, principally relating to treatment of affiliates, licensing, streaming, and other costs.
3. **Accounting treatment adjustments – separately disclosed items:**
   Applying Flutter accounting policies in relation to separately disclosed items results in certain items previously added back to Adjusted EBITDA within TSG now being reported as ongoing expenses. These include share-based payments, non-recurring professional/legal fees and certain other costs. The application of Flutter policy to TSG 2019 reported earnings would have been -$77m at the EBITDA line in FY20.

* Note PPB 2019 results are pro forma for Adjarabet, acquired in February 2019 as well as combining the legacy PPB Online and Retail divisions.

**Appendix 4: Reconciliation of pro forma results to Statutory results**

The merger of Flutter and TSG completed on 5 May 2020, with the merger accounted for as an acquisition of TSG by Flutter on that date. The Statutory results reflect this accounting treatment. Pro forma results for the Group are prepared as if Flutter and TSG had always been merged and are included in these Preliminary Results, as they best represent the Group's underlying performance. The 2019 pro forma numbers also include a 12-month contribution from Adjarabet in 2019, completed on 1st Feb 2019. The difference between the Statutory and Pro forma results is inclusion of the results of TSG and Adjarabet in the period prior to completion as per the table below. Adjusted EBITDA and revenue are reconciled by division below to Note 5 of the financial statements.

| | **Pro forma results** | | **TSG & Adjarabet results pre-merger completion*** | | **Statutory results (Adjusted)** | |
|---|---|---|---|---|---|---|
| **£m** | **FY 2020** | **FY 2019** | **FY 2020** | **FY 2019** | **FY 2020** | **FY 2019** |
| Sports revenue | 3,000 | 2,400 | 275 | 734 | 2,725 | 1,667 |
| Gaming revenue | 2,264 | 1,743 | 592 | 1,270 | 1,673 | 473 |
| **Total revenue** | **5,264** | **4,144** | **866** | **2,004** | **4,398** | **2,140** |
| Cost of sales | (1,782) | (1,198) | (243) | (548) | (1,539) | (650) |
| *Cost of sales as a % of net revenue* | *33.8%* | *28.9%* | *28.0%* | *27.3%* | *35.0%* | *30.4%* |
| **Gross profit** | **3,483** | **2,946** | **624** | **1,456** | **2,859** | **1,490** |
| Sales and marketing | (1,130) | (840) | (139) | (375) | (991) | (465) |
| **Contribution** | **2,353** | **2,105** | **484** | **1,081** | **1,868** | **1,025** |
| Other operating costs | (997) | (880) | (113) | (335) | (884) | (544) |
| Corporate costs | (125) | (137) | (29) | (82) | (95) | (55) |
| **Adjusted EBITDA[1,2]** | **1,231** | **1,089** | **342** | **663** | **889** | **425** |
| *Adjusted EBITDA margin* | *23.4%* | *26.3%* | *39.5%* | *33.1%* | *20.2%* | *19.9%* |
| Depreciation and amortisation | (241) | (220) | (28) | (75) | (213) | (145) |
| **Adjusted[1] operating profit** | **990** | **869** | **314** | **588** | **676** | **281** |
| **Revenue by division** | | | | | | |
| PPB | 1,294 | 1,323 | - | 5 | 1,294 | 1,318 |
| SBG | 975 | 736 | 290 | 736 | 685 | - |
| PokerStars | 1,225 | 1,018 | 468 | 1,018 | 757 | - |
| Australia | 1,075 | 681 | 87 | 235 | 989 | 446 |
| US | 695 | 386 | 22 | 10 | 673 | 376 |
| **Adjusted EBITDA by division** | | | | | | |
| PPB | 271 | 390 | - | 1 | 271 | 389 |
| SBG | 391 | 253 | 117 | 253 | 274 | - |
| PokerStars | 545 | 503 | 264 | 503 | 281 | - |
| Australia | 318 | 161 | 11 | 34 | 307 | 127 |
| US | (170) | (82) | (22) | (45) | (148) | (36) |
| Corporate costs | (125) | (137) | (29) | (82) | (95) | (55) |

* Note the adjustments to reflect the exclusion of TSG results prior to the merger also include any transactions that are now deemed to be intercompany as a result of the merger.

**Appendix 5: Reconciliation of pro forma growth rates to pro forma constant currency growth rates**

Constant currency ("cc") growth is calculated by retranslating non-sterling denominated component of FY 2019 at FY 2020 exchange rates as per the table below.

| **£m, pro forma** | **FY 2020** | **FY 2019** | **% Change** | **FY 2019 FX impact** | **FY 2019 CC** | **CC % Change** |
|---|---|---|---|---|---|---|
| Sports revenue | 3,000 | 2,400 | +25% | (6) | 2,394 | +25% |
| Gaming revenue | 2,264 | 1,743 | +30% | (33) | 1,710 | +32% |
| **Total revenue** | **5,264** | **4,144** | **+27%** | **(39)** | **4,105** | **+28%** |
| Cost of sales | (1,782) | (1,198) | +49% | 4 | (1,194) | +49% |
| *Cost of sales as a % of net revenue* | *33.8%* | *28.9%* | *+490bps* | - | *29.1%* | *+480bps* |
| **Gross profit** | **3,483** | **2,946** | **+18%** | **(35)** | **2,911** | **+20%** |
| Sales and marketing | (1,130) | (840) | +34% | 8 | (833) | +36% |
| **Contribution** | **2,353** | **2,105** | **+12%** | **(28)** | **2,078** | **+13%** |
| Other operating costs | (997) | (880) | +13% | (2) | (881) | +13% |
| Corporate costs | (125) | (137) | -9% | | (137) | -9% |
| **Adjusted EBITDA** | **1,231** | **1,089** | **+13%** | **(29)** | **1,060** | **+16%** |
| *Adjusted EBITDA margin* | *23.4%* | *26.3%* | *-290bps* | - | *25.8%* | *-240bps* |
| Depreciation and amortisation | (241) | (220) | +10% | 1 | (219) | +10% |
| **Adjusted operating profit** | **990** | **869** | **+14%** | **(28)** | **840** | **+18%** |
| **Revenue by division** | | | | | | |
| PPB | 1,294 | 1,323 | -2% | (5) | 1,318 | -2% |
| SBG | 975 | 736 | +32% | - | 736 | +32% |
| PokerStars | 1,225 | 1,018 | +20% | (26) | 992 | +23% |
| Australia | 1,075 | 681 | +58% | (6) | 674 | +59% |
| US | 695 | 386 | +80% | (3) | 383 | +81% |
| **Adjusted EBITDA by division** | | | | | | |
| PPB | 271 | 390 | -31% | (4) | 386 | -30% |
| SBG | 391 | 253 | +55% | - | 253 | +55% |
| PokerStars | 545 | 503 | +8% | (28) | 475 | +15% |
| Australia | 318 | 161 | +97% | (0) | 161 | +98% |
| US | (170) | (82) | +108% | 3 | (79) | +115% |
| Corporate costs | (125) | (137) | -9% | - | (137) | -9% |

**Appendix 6: Reconciliation of Pro forma cash flow to Reported statutory cash flow**

In the Operating and Financial Review the cash flow has been presented on a pro forma net cash basis. The merger of Flutter and TSG completed on 5 May 2020, with the merger accounted for as an acquisition of TSG by Flutter on that date. The Statutory cash flow reflects this treatment while the pro forma cash flow is prepared as if Flutter and TSG had always been merged. The difference between the net cash basis and the reported cash flow is the inclusion of borrowings to determine a net cash position.

| £m | Pro forma cash flow FY 2020 | TSG results pre-merger completion* FY 2020 | Adjustment to include borrowings | Statutory cash flow FY 2020 |
|---|---|---|---|---|
| **Adjusted EBITDA** | **1,231** | **342** | | **889** |
| Capex | (252) | (33) | | (219) |
| Working capital | 310 | (8) | | 318 |
| Corporation tax | (93) | (3) | | (89) |
| **Adjusted free cash flow** | **1,197** | **298** | | **899** |
| Cash flow from separately disclosed items (SDI) | (120) | - | | (120) |
| **Free cash flow** | **1,077** | **298** | | **779** |
| Interest cost | (177) | (64) | | (113) |
| Other borrowing costs | (24) | - | | (24) |
| Settlement of swaps | (36) | - | | (36) |
| Lease liabilities paid and other | (23) | 1 | | (24) |
| **Net increase in cash before equity raises & FanDuel consideration** | **817** | **235** | | **582** |
| Proceeds from equity raises | 1,921 | - | | 1,921 |
| Acquisition of further interest in FanDuel | (1,546) | - | | (1,546) |
| Net amounts drawn down / (repaid) on borrowings | - | - | (923) | (923) |
| Cash acquired in TSG | - | - | 445 | 445 |
| **Net increase / (decrease) in cash** | **1,192** | **235** | **(478)** | **479** |
| **Net (debt)/cash at start of year** | **(3,827)** | **(3,563)** | **372** | **108** |
| Foreign currency exchange translation | (20) | - | 37 | (17) |
| Change in fair value of hedging derivatives | (159) | - | 159 | - |
| **Net debt at 31 December 2020** | **(2,814)** | **(3,328)** | **89** | **603** |

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

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

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

[4] Cash flow from separately disclosed items relates to costs incurred as a result of the Combination with TSG net of the historic VAT refund in respect of an historic claim in relation to retail gaming machines in the UK.

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

[6] Lease liabilities paid and other includes payment of lease liabilities and lease interest, proceeds from the issue of shares on exercise of employee options, dividends paid to non-controlling interest, release of cash from restricted cash and proceeds from the disposal of assets.

[7] Net amounts repaid on borrowings includes proceeds from GBP First Lien Term Loan A, net amounts drawn down on previous GBP revolving credit facility, repayment of USD and EUR First Lien Term Loan B and old GBP Term Loan facility and amounts repaid on overdraft facility

[8] Net debt comprises principal outstanding balance of borrowings, accrued interest on those borrowings, cash and cash equivalents and derivatives held for hedging debt instruments.

**CONDENSED CONSOLIDATED INCOME STATEMENT**
**Year ended 31 December 2020**

| | Note | Before separately disclosed items 2020 £m | Separately disclosed items (Note 6) 2020 £m | Total 2020 £m | Before separately disclosed items 2019 £m | Separately disclosed items (Note 6) 2019 £m | Total 2019 £m |
|---|---|---|---|---|---|---|---|
| ***Continuing operations*** | | | | | | | |
| **Revenue** | 5 | **4,398.0** | **15.9** | **4,413.9** | 2,140.0 | - | 2,140.0 |
| Cost of sales | 5 | **(1,539.0)** | **(2.7)** | **(1,541.7)** | (650.2) | - | (650.2) |
| **Gross profit** | | **2,859.0** | **13.2** | **2,872.2** | 1,489.8 | - | 1,489.8 |
| Operating costs excluding depreciation, amortisation and impairment | 5 | **(1,969.8)** | **(130.8)** | **(2,100.6)** | (1,064.4) | (17.6) | (1,082.0) |
| **EBITDA** [1] | | **889.2** | **(117.6)** | **771.6** | 425.4 | (17.6) | 407.8 |
| Depreciation and amortisation | 5 | **(213.2)** | **(432.3)** | **(645.5)** | (144.8) | (113.1) | (257.9) |
| Impairment | 5 | **-** | **(22.6)** | **(22.6)** | - | - | - |
| **Operating profit** | | **676.0** | **(572.5)** | **103.5** | 280.6 | (130.7) | 149.9 |
| Financial income | 7 | **1.4** | **78.5** | **79.9** | 1.0 | - | 1.0 |
| Financial expense | 7 | **(111.2)** | **(71.1)** | **(182.3)** | (15.2) | - | (15.2) |
| **Profit/ (loss) before tax** | | **566.2** | **(565.1)** | **1.1** | 266.4 | (130.7) | 135.7 |
| Tax (expense) / credit | 8 | **(94.2)** | **58.4** | **(35.8)** | (42.4) | 18.6 | (23.8) |
| **Profit/ (loss) for the year** | | **472.0** | **(506.7)** | **(34.7)** | 224.0 | (112.1) | 111.9 |
| **Attributable to:** | | | | | | | |
| Equity holders of the Company | | **521.7** | **(483.8)** | **37.9** | 238.4 | (94.4) | 144.0 |
| Non-controlling interest | | **(49.7)** | **(22.9)** | **(72.6)** | (14.4) | (17.7) | (32.1) |
| | | **472.0** | **(506.7)** | **(34.7)** | 224.0 | (112.1) | 111.9 |
| **Earnings per share** | | | | | | | *Restated*[2] (Note 9) |
| Basic | 9 | | | **£0.293** | | | **£1.802** |
| Diluted | 9 | | | **£0.285** | | | **£1.793** |

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

2 The 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**
**Year ended 31 December 2020**

| | 2020 £m | 2019 £m |
|---|---|---|
| **(Loss)/ profit for the year** | **(34.7)** | 111.9 |
| **Other comprehensive (loss)/ income** | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | |
| Effective portion of changes in fair value of cash flow hedges | **(280.4)** | 2.6 |
| Fair value of foreign exchange cash flow hedges transferred to income statement | **267.8** | (0.3) |
| Foreign exchange gain/ (loss) on translation of the net assets of foreign currency denominated entities, net of tax[1] | **61.5** | (33.1) |
| Financial assets at FVOCI | **(0.4)** | - |
| **Other comprehensive income/ (loss)** | **48.5** | (30.8) |
| **Total comprehensive income for the year** | **13.8** | 81.1 |
| **Attributable to:** | | |
| Equity holders of the Company | **93.8** | 120.7 |
| Non-controlling interest | **(80.0)** | (39.6) |
| | **13.8** | 81.1 |

[1] Foreign exchange gain on translation of the net assets of foreign currency denominated entities is presented net of an income tax charge of £5.1m which relates to the tax effect on foreign exchange activities with respect to the Group's hedging activities. A corresponding tax credit of £5.1m in relation to the same is recognised in the Consolidated Income Statement such that there is no overall impact on the Consolidated Statement of Financial Position.

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 31 December 2020**

| | Note | **31 December 2020 £m** | 31 December 2019 £m |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | **361.9** | 298.2 |
| Intangible assets | | **5,527.8** | 558.5 |
| Goodwill | 10 | **9,516.7** | 4,120.3 |
| Deferred tax assets | | **7.4** | 11.9 |
| Non-current tax receivable | | **15.3** | - |
| Derivative financial assets | 17 | **16.9** | - |
| Investments | 12 | **3.0** | 0.1 |
| Other receivables | 12 | **75.2** | 50.4 |
| Financial assets – restricted cash | 13 | **6.9** | - |
| **Total non-current assets** | | **15,531.1** | 5,039.4 |
| Trade and other receivables | 12 | **139.5** | 64.6 |
| Current tax receivable | | **47.5** | - |
| Financial assets – restricted cash | 13 | **587.9** | 189.1 |
| Current investments – customer deposits | 13 | **82.8** | - |
| Cash and cash equivalents | 13 | **603.4** | 108.1 |
| **Total current assets** | | **1,461.1** | 361.8 |
| **Total assets** | | **16,992.2** | 5,401.2 |
| **Equity** | | | |
| Issued share capital and share premium | | **2,481.7** | 428.3 |
| Merger reserve | | **7,982.9** | - |
| Treasury shares | 18 | **(40.7)** | (40.7) |
| Shares held by employee benefit trust | 18 | **(5.8)** | (6.1) |
| Cash flow hedge reserve | | **(10.3)** | 2.3 |
| Other reserves | | **152.3** | 61.4 |
| Retained earnings | | **405.0** | 3,539.5 |
| **Equity attributable to owners of the parent** | | **10,965.1** | 3,984.7 |
| Non-controlling interest | 18 | **30.8** | 204.9 |
| **Total equity** | | **10,995.9** | 4,189.6 |
| **Liabilities** | | | |
| Trade and other payables | 14 | **1,033.0** | 369.6 |
| Customer balances | | **643.4** | 179.2 |
| Derivative financial liabilities | 17 | **150.9** | 20.4 |
| Provisions | 15 | **14.3** | 2.9 |
| Current tax payable | | **41.0** | 20.0 |
| Lease liabilities | | **48.3** | 38.4 |
| Borrowings | 16 | **50.8** | 255.0 |
| **Total current liabilities** | | **1,981.7** | 885.5 |
| Trade and other payables | 14 | **14.6** | 11.5 |
| Derivative financial liabilities | 17 | **102.3** | 0.7 |
| Provisions | 15 | **145.0** | 1.1 |
| Deferred tax liabilities | | **500.9** | 65.0 |
| Non-current tax payable | | **18.0** | - |
| Lease liabilities | | **145.7** | 132.1 |
| Borrowings | 16 | **3,088.1** | 115.7 |
| **Total non-current liabilities** | | **4,014.6** | 326.1 |
| **Total liabilities** | | **5,996.3** | 1,211.6 |
| **Total equity and liabilities** | | **16,992.2** | 5,401.2 |

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

On behalf of the Board

**Peter Jackson** *Chief Executive Officer*

**Jonathan Hill** *Chief Financial Officer*

1 March 2021

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**Year ended 31 December 2020**

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss / (profit) for the year | | **(34.7)** | 111.9 |
| Separately disclosed items | 6 | **506.7** | 112.1 |
| Tax expense before separately disclosed items | | **94.2** | 42.4 |
| Financial income before separately disclosed items | 7 | **(1.4)** | (1.0) |
| Financial expense before separately disclosed items | 7 | **111.2** | 15.2 |
| Depreciation and amortisation before separately disclosed items | 5 | **213.2** | 144.6 |
| Employee equity-settled share-based payments expense before separately disclosed items | | **52.1** | 17.1 |
| Foreign currency exchange (gain)/ loss | | **(31.6)** | 1.5 |
| (Gain)/ loss on disposal of property, plant and equipment and intangible assets | | **(0.2)** | 0.2 |
| **Cash from operations before changes in working capital** | | **909.5** | 444.0 |
| Decrease in trade and other receivables | | **18.1** | 13.1 |
| Increase in trade, other payables and provisions | | **280.1** | 56.1 |
| **Cash generated from operations** | | **1,207.7** | 513.2 |
| Tax paid | | **(89.4)** | (41.3) |
| **Net cash from operating activities before acquisition fees, restructuring costs and legacy tax assessments** | | **1,118.3** | 471.9 |
| Acquisition fees, restructuring and integration costs paid, net of VAT refund received | | **(119.9)** | (12.9) |
| Amounts paid in respect of legacy Greek and German tax assessments | | **-** | (39.6) |
| **Net cash from operating activities** | | **998.4** | 419.4 |
| Purchase of property, plant and equipment | | **(59.3)** | (44.0) |
| Purchase of intangible assets | | **(53.2)** | (33.7) |
| Capitalised internal development expenditure | | **(99.6)** | (53.1) |
| Proceeds from disposal of assets | | **12.5** | - |
| Proceeds from disposal of investment | | **-** | 2.3 |
| Purchase of businesses | 11 | **-** | (102.0) |
| Cash acquired from acquisitions | 11 | **445.2** | 0.2 |
| Payment of contingent deferred consideration | 11 | **(7.2)** | (4.8) |
| Interest received | | **1.3** | 0.9 |
| Change in restricted cash | 13 | **(4.8)** | - |
| **Net cash from / (used in) investing activities** | | **234.9** | (234.2) |
| Proceeds from the issue of shares in respect of equity placement (net of issuance costs) | 18 | **1,920.8** | - |
| Proceeds from the issue of new shares on exercise of employee stock options | 18 | **34.3** | 3.6 |
| Acquisition of further interest in subsidiary | 11 | **(1,546.0)** | - |
| Dividends paid to Non-controlling interest | 18 | **(15.2)** | - |
| Dividends paid | 19 | **-** | (156.2) |
| Payment of lease liabilities | | **(45.7)** | (36.4) |
| Payment of lease interest | | **(5.7)** | (5.0) |
| Proceeds from GBP First Lien Term Loan A and previous GBP Term Loan | 16 | **950.0** | 250.0 |
| Net amounts drawn down on Previous GBP Revolving Credit Facility | 16 | **(117.2)** | (167.2) |
| Repayment of USD and EUR First Lien Term Loan B and old GBP Term Loan Facility | 16 | **(1,751.0)** | - |
| Amounts repaid on overdraft facility | 16 | **(5.0)** | - |
| Interest paid | | **(114.1)** | (7.1) |
| Settlement of derivatives | 17 | **(35.6)** | - |
| Financing fees in respect of borrowing facilities | | **(24.4)** | (0.8) |
| Purchase of own shares including direct purchase costs | | **-** | (86.8) |
| **Net cash used in financing activities** | | **(754.8)** | (205.9) |
| **Net increase / (decrease) in cash and cash equivalents** | | **478.5** | (20.7) |
| **Cash and cash equivalents at start of year** | | **108.1** | 123.7 |
| **Foreign currency exchange gain on cash and cash equivalents** | | **16.8** | 0.1 |
| **Net Cash and cash equivalents at end of year** | 13 | **603.4** | 103.1 |
| **Bank Overdraft** | | **-** | 5.0 |
| **Cash and cash equivalents at end of year** | 13 | **603.4** | 108.1 |

Non-cash transactions during the year included an all share Combination with The Stars Group Inc (See Note 11).

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**Year ended 31 December 2020**

| | *Number of ordinary shares in issue millions #* | Issued share capital and share premium £m | Merger reserve £m | Foreign exchange translation reserve £m | Cash flow hedge reserve £m | Financial assets at FVOCI £m | Other reserves £m | Treasury shares £m | Shares held by employee benefit trust £m | Share-based payment reserve £m | Retained earnings £m | Total Equity attributable to shareholders of the Company £m | Non-controlling interest £m | Total Equity £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | ***80.3*** | **428.3** | **-** | **(21.5)** | **2.3** | **-** | **2.3** | **(40.7)** | **(6.1)** | **80.6** | **3,539.5** | **3,984.7** | **204.9** | **4,189.6** |
| **Total comprehensive income for the year:** | | | | | | | | | | | | | | |
| Profit/ (loss) for the year | - | - | - | - | - | - | - | - | - | - | **37.9** | **37.9** | **(72.6)** | **(34.7)** |
| Foreign exchange translation (Note 7) | - | - | - | **74.0** | - | - | - | - | - | - | - | **74.0** | **(7.4)** | **66.6** |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | - | **(280.4)** | - | - | - | - | - | - | **(280.4)** | - | **(280.4)** |
| Fair value of cash flow hedges transferred to the income statement | - | - | - | - | **267.8** | - | - | - | - | - | - | **267.8** | - | **267.8** |
| Financial assets at FVOCI | - | - | - | - | - | **(0.4)** | - | - | - | - | - | **(0.4)** | - | **(0.4)** |
| Current taxes | - | - | - | **(5.1)** | - | - | -- | - | - | - | - | **(5.1)** | - | **(5.1)** |
| Total comprehensive income/ (loss) | - | - | - | **68.9** | **(12.6)** | **(0.4)** | - | - | - | - | **37.9** | **93.8** | **(80.0)** | **13.8** |
| **Transactions with owners of the Company, recognised directly in equity:** | | | | | | | | | | | | | | |
| Shares issued on equity placement (net of issuance costs) (Note 18) | ***16.1*** | **1,933.2** | - | - | - | - | - | - | - | - | **(12.4)** | **1,920.8** | - | **1,920.8** |
| Shares issued as consideration for the combination with TSG (Note 18) | ***65.3*** | **5.1** | **6,189.5** | - | - | - | - | - | - | - | - | **6,194.6** | - | **6,194.6** |
| Acquisition of non-controlling interest in TSG Australia (Note 18) | ***0.8*** | **79.7** | - | - | - | - | - | - | - | - | - | **79.7** | - | **79.7** |
| Present value of FanDuel put liability with Fastball up to termination of option | - | - | - | - | - | - | **(846.0)** | - | - | - | - | **(846.0)** | - | **(846.0)** |
| Unwind of put option on option termination | - | - | - | - | - | - | **846.0** | - | - | - | - | **846.0** | - | **846.0** |
| Acquisition of non-controlling interest in FanDuel Group (Note 18) | ***11.7*** | **1.0** | **1,793.4** | **2.2** | - | - | - | - | - | - | **(3,263.7)** | **(1,467.1)** | **(78.9)** | **(1,546.0)** |
| Deal fees on acquisition of FanDuel | - | - | - | - | - | - | - | - | - | - | **(9.3)** | **(9.3)** | - | **(9.3)** |
| Shares issued on exercise of share options | ***1.5*** | **34.3** | - | - | - | - | - | - | - | - | - | **34.3** | - | **34.3** |
| Exercise of share options (Note 18) | - | - | - | - | - | - | - | - | - | **(107.7)** | **107.7** | - | - | - |
| Equity-settled transactions – expense in income statement | - | - | - | - | - | - | - | - | - | **70.2** | - | **70.2** | - | **70.2** |
| Equity-settled transactions – vesting | - | - | - | - | - | - | - | - | **0.3** | **(0.3)** | - | - | - | - |
| Tax on share-based payments | - | - | - | - | - | - | - | - | - | - | **5.4** | **5.4** | - | **5.4** |
| Dividend paid to non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | - | **(15.2)** | **(15.2)** |
| Dividends to shareholders (Note 19) | ***1.3*** | **0.1** | - | - | - | - | - | - | - | - | **(0.1)** | - | - | - |
| Issue of replacement options (Note 11) | - | - | - | - | - | - | - | - | - | **58.0** | - | **58.0** | - | **58.0** |
| Total contributions by and distributions to owners of the Company | ***96.7*** | **2,053.4** | **7,982.9** | **2.2** | - | - | - | - | **0.3** | **20.2** | **(3,172.4)** | **6,886.6** | **(94.1)** | **6,792.5** |
| **Balance at 31 December 2020** | ***177.0*** | **2,481.7** | **7,982.9** | **49.6** | **(10.3)** | **(0.4)** | **2.3** | **(40.7)** | **(5.8)** | **100.8** | **405.0** | **10,965.1** | **30.8** | **10,995.9** |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2019

| | *Number of ordinary shares in issue millions #* | Issued share capital and share premium £m | Foreign exchange translation reserve £m | Cash flow hedge reserve £m | Other reserves £m | Treasury shares £m | Shares held by employee benefit trust £m | Share-based payment reserve £m | Retained earnings £m | Total Equity attributable to shareholders of the Company £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | *81.4* | 424.8 | 4.1 | - | 2.2 | (40.7) | (8.6) | 86.1 | 3,530.1 | 3,998.0 | 213.3 | 4,211.3 |
| Total comprehensive income for the year: | | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | 144.0 | 144.0 | (32.1) | 111.9 |
| Foreign exchange translation (Note 7) | - | - | (25.6) | - | - | - | - | - | - | (25.6) | (7.5) | (33.1) |
| Net change in fair value of cash flow hedge reserve | - | - | - | 2.3 | - | - | - | - | - | 2.3 | - | 2.3 |
| Total comprehensive income/ (loss) | - | - | (25.6) | 2.3 | | - | - | - | 144.0 | 120.7 | (39.6) | 81.1 |
| Transactions with owners of the Company, recognised directly in equity: | | | | | | | | | | | | |
| Shares issued | *0.3* | 3.6 | - | - | - | - | - | - | - | 3.6 | - | 3.6 |
| Business combinations | - | - | - | - | - | - | - | - | - | - | 31.2 | 31.2 |
| Own shares acquired by the Group | *(1.4)* | (0.1) | - | - | 0.1 | - | - | - | - | - | - | - |
| Equity-settled transactions – expense recorded in income statement | - | - | - | - | - | - | - | 17.1 | - | 17.1 | - | 17.1 |
| Equity-settled transactions – vesting | - | - | - | - | - | - | 2.5 | (2.3) | (0.2) | - | - | - |
| Tax on share-based payments | - | - | - | - | - | - | - | - | 1.5 | 1.5 | - | 1.5 |
| Transfer to retained earnings on exercise of share options (Note 18) | - | - | - | - | - | - | - | (20.3) | 20.3 | - | - | - |
| Dividends to shareholders (Note 19) | - | - | - | - | - | - | - | - | (156.2) | (156.2) | - | (156.2) |
| Total contributions by and distributions to owners of the Company | *(1.1)* | 3.5 | - | - | 0.1 | - | 2.5 | (5.5) | (134.6) | (134.0) | 31.2 | (102.8) |
| **Balance at 31 December 2019** | *80.3* | 428.3 | (21.5) | 2.3 | 2.3 | (40.7) | (6.1) | 80.6 | 3,539.5 | 3,984.7 | 204.9 | 4,189.6 |

Notes 1 to 22 form an integral part of these condensed consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

Flutter Entertainment plc (the "Company") and its subsidiaries (together referred to as the "Group") is a global sports betting and gaming group, whose headquarters are in Dublin, Ireland. Following a combination with The Stars Group ("TSG") the Group operated during 2020 across five divisions; (i) PPB which included both the PPB online and retail product offerings, under the Paddy Power, Betfair and Adjarabet brands; (ii) PokerStars which included online poker, gaming and betting product offerings under the Pokerstars, BetStars and Full Tilt brands; (iii) Sky Betting and Gaming which included betting and gaming product offering (iv) Australia, consisting of Sportsbet, the market leader in the fast-growing Australian online betting market; and (v) the US, consisting of FanDuel, FOX Bet, TVG and Betfair online Casino.

During the year, the Company completed an all share Combination with TSG (the "Combination") through an acquisition of all of the issued and outstanding share capital of TSG by the Company. TSG is a provider of technology- based product offering in the global gaming and interactive entertainment industries, with millions of registered customers globally and a leader in online and mobile betting, poker and gaming-related offerings. TSG owns or licenses gaming and related consumer businesses and brands, including PokerStars, PokerStars Casino, BetStars, Full Tilt, FOX Bet, Sky Bet, Sky Vegas, Sky Casino, Sky Bingo, Sky Poker and Oddscheckers. The results of TSG prior to completion of the Combination are not included in these consolidated financial statements. See Note 11 for further information on the Combination.

On 30 December 2020, the Group completed the acquisition of an additional 37.2% of its 57.8% owned subsidiary FanDuel, bringing the Group's holding in FanDuel to 95%. FanDuel's results and financial position had been previously consolidated into the Group. See Note 11 for further detail.

The Company is a public limited company incorporated and domiciled in the Republic of Ireland and has its primary listing on the London Stock Exchange under the symbol FLTR and a secondary listing on the Irish Stock Exchange under the symbol FLTR.IR.

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 2020, prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") together with an unqualified audit report thereon under Section 391 of the Companies Act 2014, will be annexed to the annual return and filed with the Registrar of Companies.

The consolidated financial statements of the Group for the year ended 31 December 2020 comprise the financial statements of the Company and its subsidiary undertakings and were approved for issue by the Board of Directors on 1 March 2021.

### 2. Recent accounting pronouncements

#### Adoption of new accounting standards

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform; and
- Amendment to IFRS 16: Covid-19 Related Rent Concessions.

The Group applied Amendments to IFRS 3: Definition of a Business to business combinations whose acquisition dates are after 1 January 2020 in assessing whether it had acquired a business or a group of assets. See also Note 11 Business combinations, for details on the Groups acquisitions during the year.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss accumulated in the cash flow hedging reserve that existed at 1 January 2020.

The adoption of the remaining new standards and interpretations did not have a significant impact on the Group's consolidated financial statements.

**2. Recent accounting pronouncements (continued)**

**Adopted IFRS not yet applied**

The following IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the Group's consolidated financial statements, other than IBOR reform which is disclosed in more detail below:

- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021);
- Amendments to IAS 37: Onerous contracts - Cost of Fulfilling a Contract (Effective date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (effective 1 January 2022);
- Amendment to IFRS 1, IFRS 9 and IAS 41: Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022);
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022);
- Amendments to IAS 1: Classification of Liabilities as Current or Non -current (effective 1 January 2023);
- IFRS 17 *Insurance Contracts* (effective date 1 January 2023); and
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be confirmed)

**IBOR Reform**

In July 2017, the Financial Conduct Authority ("FCA"), which regulates LIBOR, announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organised the Alternative Reference Rates Committee ("ARRC"), which identified the Secured Overnight Financing Rate as its preferred alternative rate for USD-LIBOR in derivatives and other financial contracts. Other benchmark rates including GBP-LIBOR and the EURIBOR are also impacted by this reform. The European Central Bank has identified the Euro Short Term Rate as its preferred alternative rate for EURIBOR in derivatives and other financial contracts. The GBP-LIBOR benchmark rate is expected to be replaced by SONIA at the end of 2021.

The Group is monitoring, evaluating and preparing for the implications of adopting the IBOR reform, which encompasses changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. It currently anticipates that the areas of greatest change will be amendments to the contractual terms of its IBOR borrowing facilities and IBOR indexed interest rate swaps for risk free rates (RFRs) and updating hedge accounting designations.

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 in order to provide relief in respect of the potential impacts to hedge accounting following the uncertainties arising from the impact of the Interbank offered rate ("IBOR") reform on the timing and amount of designated future cash flows. The amendments provide exceptions to the requirements of hedge accounting during this period of uncertainty with the impact being that existing and new hedge accounting designations will be unaffected by the above noted uncertainties. The Company has adopted the IASB amendments beginning 1 January 2020. Adopting these amendments allowed the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms. The relief provided by the amendments in the application hedge accounting are applied by the Group to the Swap Agreements (as defined below). For all other derivative instruments held by the Group, it does not apply hedge accounting.

In August 2020, the IASB issued Phase 2 relief of IBOR reform 'Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16'. The amendments provide a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities to require the effective interest rate to be adjusted and reliefs from discontinuing hedge relationships. The Phase 2 Amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Given that none of the derivatives (hedging instruments) or loans (hedged items) of the Group have been amended for IBOR reform during the period, the Group will not be early adopting the Phase 2 Amendments.

The Group is not able to predict when USD-LIBOR or EURIBOR will cease to be available or when there will be sufficient liquidity in the alternative markets. Any changes adopted by the FCA or other governing bodies in the method used for determining USD-LIBOR, GBP-LIBOR and EURIBOR may result in a sudden or prolonged increase or decrease in reported USD-LIBOR, GBP-LIBOR and EURIBOR. If that were to occur, the Group's interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if USD-LIBOR, GBP-LIBOR and EURIBOR were to remain available in their current form.

The Group's GBP First Lien Term Loan A is indexed to GBP-LIBOR, its USD First Lien Term Loan B, and certain of its cross-currency interest rate swaps are indexed to USD-LIBOR, and its EUR First Lien Term Loan B is indexed to EURIBOR. See

## 2. Recent accounting pronouncements (continued)

Notes 16 and 17 for details of the borrowings and hedging derivatives notional amounts. The Group is monitoring and evaluating the related risks, which include interest payments on its borrowings, and amounts received on certain of its cross-currency interest rate swaps. These risks arise in connection with transitioning contracts to an alternative rate, including any resulting value transfer that may occur. The fair value of the financial instruments tied to USD-LIBOR, GBP-LIBOR and EURIBOR could also be impacted if USD-LIBOR, GBP-LIBOR and EURIBOR are limited or discontinued. Additional risk exists as the method of transitioning to an alternative reference rate may be challenging and requires agreement with the respective counterparty about how to make the transition.

If the Group's contracts are not transitioned to alternative reference rates and USD-LIBOR, GBP-LIBOR and EURIBOR are discontinued, the impact on our indexed financial instruments is likely to vary by contract. If USD-LIBOR, GBP-LIBOR and EURIBOR are discontinued or if the methods of calculating USD-LIBOR, GBP-LIBOR and EURIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

In October 2020, ISDA published its LIBOR Fallbacks Supplement and IBOR Fallbacks Protocol enabling market participants to incorporate standard fallback transition provisions to RFRs into their derivative trades. The Group is still in consultation as to whether it will adhere to the protocol. In December 2020, regulators signalled that they may extend LIBOR transition for certain USD LIBOR legacy contracts another 18 months from the end of 2021 to the middle of 2023. This could extend the time needed for the Group to transition its existing derivatives and loans to RFRs.

The Group will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

## 3. Basis of preparation and summary of significant accounting policies

The condensed consolidated financial statements are prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Republic of Ireland's Financial Regulator. The condensed consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments (which includes 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 share-based payments). The consolidated financial statements are presented in pounds sterling and are rounded to the nearest 0.1 million.

Further to IAS Regulation (EC1606/2002, 'Accounting standards adopted for use in the EU'), EU law requires that the annual consolidated financial statements of the Group be prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"). These consolidated financial statements have been prepared on the basis of IFRS adopted by the EU and effective for accounting periods ending on or after 1 January 2020.

The Group has introduced new accounting policies or expanded existing policies as a result of the Combination. These policies do not impact the Group's reported revenue, operating profit, or amounts reported in the statement of financial position in 2019.

The accounting policies applied in the preparation of these consolidated financial statements have been applied consistently during the year and prior year, except as noted above and in Note 2 'Recent accounting pronouncements'.

### Going concern

The Group reported a loss after tax of £34.7m for the year. This includes a significant amount of non-cash related charges against profit. The net cash generated from operating activities during the year was £998.4m. The balance sheet at 31 December 2020 reported a net current liability position of £520.6m. The Directors have considered the available financial resources which, at 31 December 2020, included £603.4m of cash and cash equivalents and a £450m Revolving Credit Facility with undrawn capacity of £377m (see Note 16). Whilst there are certain loan repayments due within the next 12 months of £50.8m, the Group's lending facilities primarily fall due in 2025 and 2026 as set out in more detail in Note 16. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

**3. Basis of preparation and summary of significant accounting policies (continued)**

The Group's forecasts for 2021 and beyond indicate that it will, have significant financial resources, continue to settle its debts as they fall due and operate well within its banking covenants as outlined in Note 16 for at least a period of 12 months from the date of these financial statements. Various downside scenarios over and above those already included in the base case model on the potential impact of further reductions to cashflows due to ongoing litigation in the State of Kentucky (see Note 15), and enhanced regulation have also been considered in respect of these forecasts. In the event that it were 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 consolidated financial statements, and therefore they continue to adopt the going concern basis of accounting in preparation of its consolidated financial statements.

**Basis of consolidation**

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings based on accounts made up to the end of the financial year. A subsidiary is an entity controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation except to the extent that unrealised losses provide evidence of impairment.

**4. Judgements and estimates**

The preparation of Annual 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 the course of preparing these Consolidated Financial Statements, the significant judgements in applying the Group's accounting policies and the key sources of estimation uncertainty are detailed below:

*Kentucky proceedings*

Prior to the Combination, the Commonwealth of Kentucky filed legal proceedings in 2010 - 2011 against various operators including certain companies that later became subsidiaries of The Stars Group ("TSG"). The suit sought recovery of alleged losses incurred by Kentucky residents playing real-money poker on the PokerStars platform during a period between 2006 and 2011. The gross gaming revenues that TSG generated in Kentucky on the PokerStars platform during the relevant period were approximately US$18m. In 2015, a Kentucky trial court judge entered judgment against two TSG Isle of Man subsidiaries, Stars Interactive Holdings (IOM) Ltd ("SIHL") and Rational Entertainment Enterprises Ltd ("REEL") and awarded damages to the Commonwealth of Kentucky of approximately US$870m plus post judgment interest. In 2018, this ruling was vacated in its entirety by the Kentucky Court of Appeals.

On 17 December 2020, the Kentucky Supreme Court reinstated the full 2015 award of damages, including post judgment interest, against SIHL and REEL. A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and the Group is awaiting a decision. Together with its legal advisers, Flutter strongly disputes the basis of this judgment and is currently reviewing its position. Flutter is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgment. No liability was previously recognised by either TSG or Flutter prior to this judgment.

Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m (£73m) as part of TSG combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgments about future events.

**4. Judgements and estimates (continued)**

*Contingent liabilities*
The Group reviews its legal proceedings following developments in the same at each balance sheet date, considering, among other things: the nature of the litigation, claim or assessment; the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought; the progress of the case (including progress after the date of the consolidated financial statements but before those statements are issued); the opinions or views of legal counsel and other advisors; experience of similar cases; and any decision of the Group's Management as to how it will respond to the litigation, claim or assessment. The Group assesses the probability of an outflow of resources to settle the alleged obligation as well as if the outflow can be reliably measured. If these conditions are not met, no provision will be recorded, and the relevant facts will be disclosed as a contingent liability. See Note 20 - Commitments and Contingencies for further detail.

*FOX equity option*
As part of the Combination, the Group acquired the following agreement in relation to TSG's US business.

On 8 May 2019, TSG and FOX Sports ("FOX Sports"), a unit of Fox Corporation, announced plans to launch FOX Bet, the first-of-its kind national media and sports wagering partnership in the United States and entered into a commercial agreement of up to 25 years. As part of the transaction, FOX Sports will receive certain brand license, integration and affiliate fees. In addition, during the term of the commercial agreement, TSG has agreed to a minimum annual advertising commitment on certain FOX media assets. Prior to the tenth anniversary of the commercial agreement, and subject to certain conditions and applicable gaming regulatory approvals, FOX Sports has the right to acquire up to a 50% equity stake in TSG's U.S. business. In accordance with IFRS 2, Share-based payment based on the judgment of management, this right granted to FOX Sports is considered a contingently cash-settled share-based payment because FOX Sports, subject to receiving regulatory approvals and meeting certain other conditions, has discretion to exercise the right. During the year ended 31 December 2020, the Group recorded £6.6m to sales and marketing expense in relation to the commercial agreement and at 31 December 2020 the total fair value liability due was £4.0m.

Management has made certain judgments in the recognition and measurement of liabilities in relation to this commercial agreement and associated right of FOX Sports to acquire equity, including its judgement as to the probable method of settlement. The right has been valued using a discounted cash flow model and as it represents a contingent cash-settled share-based payment, will be recorded at fair value at each reporting period.

**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.

*Acquisition accounting and value of acquired assets and liabilities*
The acquisition method of accounting is used to account for all business combinations. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Judgement and estimation are required in particular in the identification and valuation of separable intangible assets, future cashflows, appropriate discount rates and determining appropriate useful economic lives for these assets. The discount rates used ranged from 8.45% to 12.25% for the various segments and the terminal growth rates were between 1.75% and 2.75%. If the purchase consideration exceeds the fair value of the net assets acquired, then the difference is recognised as goodwill.

The Group has one year from the acquisition date to re-measure the fair values of the acquired assets and liabilities and the resulting goodwill if new information is obtained relating to conditions that existed at the acquisition date. Acquisition related costs are expensed as incurred. The business combinations entered into during the year are disclosed in Note 11.

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

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

**4. Judgements and estimates (continued)**

these estimates and assumptions are subjective in nature.

The retail cash generating units ("CGUs") were impacted significantly due to the temporary suspension of the activities of shops for a period leading to shorter term impacts such as social distancing as well as longer term uncertainty in respect of customer behaviours.

For the Group's various Online CGUs which generate income from sportsbook, the impact of COVID-19 has not been as significant due to greater substitution possibilities and they also benefit from the ongoing retail to online migration. While no impairments have arisen in the Group's Online CGUs during the year ended 31 December 2020, there is economic uncertainty in the global economy due to the ongoing COVID-19 global pandemic and this could be a potential future risk.

*Valuation of tax provisions and liabilities and associated receivables*

Taxation within the Group includes both Income Taxes and Gaming Taxes. Judgement and estimation are required to interpret international tax laws and the way these taxes interact within each jurisdiction, to identify and value provisions in relation to gaming and income taxes as applicable. The liabilities for uncertain tax positions reflected within current tax payable and provisions in the Consolidated Statement of Financial Position are comprised of a number of individually immaterial uncertain tax positions relating to the risks assessed in various jurisdictions by Management. Uncertainties have been measured using the best estimate of the likely outcome. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax or gaming tax expense in the period in which such a determination is made. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks and the Group believes that the accrual for all tax liabilities at 31 December 2020 is adequate and the tax receivables are recoverable for all uncertain tax positions based on its assessment of the range of factors outlined above. Further information in relation to the judgement relating to the disputed legacy German and Greek tax assessments is outlined in Note 12.

*Valuation of Embedded Derivative on Senior Notes*

The Senior Notes (as defined in Note 16) include certain embedded features allowing the Group to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. These features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 2.77% as at 31 December 2020 (5 May 2020 - 5.1%), in determining the fair value of the Embedded Derivative. The implied credit spread represents Management's estimate of the Group's creditworthiness as implied by the market value of the Senior Notes. During the year ended 31 December 2020 a gain of £78.5m was recorded through financial income in relation to the re-measurement of this Embedded Derivative.

**5. Operating segments**

**Reportable business segment information**
Subsequent to the Combination, the Group's reportable segments during 2020 were as follows:

- PPB;
- PokerStars;
- Sky Betting and Gaming;
- Australia; and
- US

These reportable segments reflect the way financial information was reviewed by the Group's Chief Operating Decision Maker (the Board of Directors, "CODM") subsequent to the Combination during 2020. The Group has restated the operating segment information for the year ended 31 December 2019 accordingly.

As a result of internal restructuring and integration initiatives, the Group expects to move into a four segment operating model in 2021:

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

The previous reportable segments of PPB Online and PPB Retail have been aggregated in the PPB segment due to the similar products, markets and regulatory environment that both segments operate in.

The PPB segment derives its revenues primarily from sports betting (sportsbook and the exchange sports betting product) and gaming (games, casino, bingo and poker) services for the Paddy Power and Betfair brands and some business-to-business ("B2B") services globally. Services are delivered through the internet and through licensed bookmaking shop estates in the UK and Ireland with a small proportion delivered through the public telephony system.

The PokerStars segment derives its revenues primarily from poker, gaming and sports betting for the PokerStars, BetStars, Full Tilt and their related brands mainly via the internet.

The Sky Betting and Gaming segment derives its revenues primarily from sportsbook and gaming (games, casino, bingo and poker) for Sky Bet and its related brands via the internet as well as from Oddschecker, the UK's leading odds comparison website.

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

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

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

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.

**5. Operating segments (continued)**

Reportable business segment information for the year ended 31 December 2020:

| | PPB £m | PokerStars £m | Sky Betting and Gaming £m | Australia £m | US £m | Corporate £m | Total £m |
|---|---|---|---|---|---|---|---|
| Revenue from external customers before VAT refund | **1,293.9** | **757.0** | **685.4** | **988.8** | **672.9** | **-** | **4,398.0** |
| Cost of sales | **(382.2)** | **(186.2)** | **(199.7)** | **(468.7)** | **(302.2)** | **-** | **(1,539.0)** |
| Gross profit | **911.7** | **570.8** | **485.7** | **520.1** | **370.7** | **-** | **2,859.0** |
| Operating costs excluding depreciation and amortisation | **(640.9)** | **(289.7)** | **(211.8)** | **(213.2)** | **(519.0)** | **(95.2)** | **(1,969.8)** |
| Adjusted EBITDA [1] | **270.8** | **281.1** | **273.9** | **306.9** | **(148.3)** | **(95.2)** | **889.2** |
| Depreciation and amortisation | **(94.4)** | **(31.6)** | **(19.5)** | **(28.2)** | **(34.8)** | **(4.7)** | **(213.2)** |
| Adjusted reportable segment profit / (loss) before separately disclosed items | **176.4** | **249.5** | **254.4** | **278.7** | **(183.1)** | **(99.9)** | **676.0** |
| Amortisation of acquisition related intangible assets (Note 6) | **(51.2)** | **(206.2)** | **(127.5)** | **(18.7)** | **(28.7)** | **-** | **(432.3)** |
| Impairment | **(12.1)** | **(4.4)** | **-** | **(2.0)** | **-** | **(4.1)** | **(22.6)** |
| VAT refund (Note 6) | **11.2** | **-** | **-** | **-** | **-** | **-** | **11.2** |
| Reportable segment profit / (loss) after amortisation of acquisition related intangibles, impairment and VAT refund | **124.3** | **38.9** | **126.9** | **258.0** | **(211.8)** | **(104.0)** | **232.3** |
| Acquisition fees & associated costs[2] | | | | | | | **(32.7)** |
| Restructuring and integration costs[2] | | | | | | | **(96.1)** |
| Operating profit | | | | | | | **103.5** |

Reportable business segment information for the year ended 31 December 2019:

| | PPB £m | PokerStars £m | Sky Betting and Gaming £m | Australia £m | US £m | Corporate £m | Total £m |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | 1,317.9 | - | - | 445.8 | 376.3 | - | 2,140.0 |
| Cost of sales | (352.9) | - | - | (181.5) | (115.8) | - | (650.2) |
| Gross profit | 965.0 | - | - | 264.3 | 260.5 | - | 1,489.8 |
| Operating costs excluding depreciation and amortisation | (575.9) | - | - | (136.8) | (296.7) | (55.0) | (1,064.4) |
| Adjusted EBITDA[1] | 389.1 | - | - | 127.5 | (36.2) | (55.0) | 425.4 |
| Depreciation and amortisation | (92.9) | - | - | (23.8) | (23.8) | (4.3) | (144.8) |
| Adjusted Reportable segment profit/ (loss) before separately disclosed items | 296.2 | - | - | 103.7 | (60.0) | (59.3) | 280.6 |
| Amortisation of acquisition related intangible assets (Note 6) | (77.2) | - | - | - | (35.9) | - | (113.1) |
| Reportable segment profit/ (loss) after amortisation of acquisition related intangibles | 219.0 | - | - | 103.7 | (95.9) | (59.3) | 167.5 |
| Acquisition fees and associated costs | | | | | | | (17.6) |
| Operating profit | | | | | | | 149.9 |

[1] Adjusted EBITDA which is a non-GAAP measure in the above segment note is defined as profit for the period before separately disclosed items, depreciation, amortisation and impairment, financial income, financial expense and tax expense / credit. It is considered by the Directors to be a key measure of the Group's financial performance.

[2] The Group does not allocate acquisition fees and restructuring and integration costs to reportable segments.

**5. Operating segments (continued)**

**Reconciliation of reportable segments to Group totals:**

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| **Revenue** | | |
| Total revenue from reportable segments, being total Group revenue before VAT refund | **4,398.0** | 2,140.0 |
| VAT refund | **15.9** | - |
| Total revenue from reportable segments, being total Group revenue | **4,413.9** | 2,140.0 |
| **Profit and loss** | | |
| Operating profit | **103.5** | 149.9 |
| *Unallocated amounts:* | | |
| Financial income | **79.9** | 1.0 |
| Financial expense | **(182.3)** | (15.2) |
| Profit before tax | **1.1** | 135.7 |

**Disaggregation of revenue under IFRS 15**

Group revenue after the VAT refund (see Note 6) disaggregated by product line for the year ended 31 December 2020:

| | **PPB** | **PokerStars** | **Sky Betting and Gaming** | **Australia** | **US** | **Total** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Sports revenue[1] | **812.8** | **45.5** | **421.3** | **988.8** | **457.0** | **2,725.4** |
| Gaming revenue[2] | **497.0** | **711.5** | **264.1** | **-** | **215.9** | **1,688.5** |
| Total Group revenue | **1,309.8** | **757.0** | **685.4** | **988.8** | **672.9** | **4,413.9** |

Group revenue disaggregated by product line for the year ended 31 December 2019:

| | PPB | PokerStars | Sky Betting and Gaming | Australia | US | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Sports revenue[1] | 895.9 | - | - | 445.8 | 325.0 | 1,666.7 |
| Gaming revenue[2] | 422.0 | - | - | - | 51.3 | 473.3 |
| Total Group revenue | 1,317.9 | - | - | 445.8 | 376.3 | 2,140.0 |

[1] Sports revenue comprises sportsbook, exchange sports betting, daily fantasy sports and pari-mutuel betting.
[2] Gaming revenue includes Games, Poker, Casino and Bingo and in PPB includes the VAT refund (see Note 6).

### 5. Operating segments (continued)

Group revenues after the VAT refund (see Note 6) disaggregated by geographical segment for the year ended 31 December 2020:

| | PPB<br>£m | PokerStars<br>£m | Sky Betting and Gaming<br>£m | Australia<br>£m | US<br>£m | Total<br>£m |
|---|---|---|---|---|---|---|
| UK | **873.4** | **60.2** | **678.0** | **-** | **-** | **1,611.6** |
| Australia | **-** | **-** | **-** | **988.8** | **-** | **988.8** |
| US | **-** | **-** | **-** | **-** | **672.9** | **672.9** |
| Ireland | **202.5** | **7.4** | **7.4** | **-** | **-** | **217.3** |
| Rest of World | **233.9** | **689.4** | **-** | **-** | **-** | **923.3** |
| Total Group revenue | **1,309.8** | **757.0** | **685.4** | **988.8** | **672.9** | **4,413.9** |

Group revenues disaggregated by geographical segment for the year ended 31 December 2019:

| | PPB<br>£m | PokerStars<br>£m | Sky Betting and Gaming<br>£m | Australia<br>£m | US<br>£m | Total<br>£m |
|---|---|---|---|---|---|---|
| UK | 844.7 | - | - | - | - | 844.7 |
| Australia | - | - | - | 445.8 | - | 445.8 |
| US | - | - | - | - | 376.3 | 376.3 |
| Ireland | 236.6 | - | - | - | - | 236.6 |
| Rest of World | 236.6 | - | - | - | - | 236.6 |
| Total Group revenue | 1,317.9 | - | - | 445.8 | 376.3 | 2,140.0 |

Revenues are attributed to geographical location on the basis of the customer's location.

Non-current assets (property, plant and equipment, intangible assets and goodwill) by geographical segment are as follows:

| | 31 December 2020<br>£m | 31 December 2019<br>£m |
|---|---|---|
| UK | **8,882.6** | 3,720.7 |
| Ireland | **154.9** | 157.3 |
| Australia | **696.4** | 108.9 |
| US | **856.1** | 805.0 |
| Rest of World[1] | **4,816.4** | 185.1 |
| Total | **15,406.4** | 4,977.0 |

[1] Relates mainly to goodwill and fair value adjustments on acquisition intangibles relating to the PokerStars segment.

## 6. Separately disclosed items

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Amortisation of acquisition related intangible assets | **(432.3)** | (113.1) |
| Acquisition fees and associated costs | **(32.7)** | (17.6) |
| Restructuring and integration costs | **(96.1)** | - |
| Impairment | **(22.6)** | - |
| VAT refund | **11.2** | - |
| **Operating profit impact of separately disclosed items** | **(572.5)** | (130.7) |
| Financial Income | **78.5** | - |
| Financial Expense | **(71.1)** | - |
| **Profit before tax impact of separately disclosed items** | **(565.1)** | (130.7) |
| Tax credit on separately disclosed items | **58.4** | 18.6 |
| **Total separately disclosed items** | **(506.7)** | (112.1) |
| **Attributable to:** | | |
| Equity holders of the Company | **(483.8)** | (94.4) |
| Non-controlling interest | **(22.9)** | (17.7) |
| | **(506.7)** | (112.1) |

**Amortisation of acquisition related intangible assets**
Non-cash amortisation of £432.3m has been incurred in the period (2019: £113.1m) 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 and the Combination with TSG in 2020.

**Acquisition fees and associated costs**
Acquisition fees and associated costs of £32.7m relate to costs incurred in the period primarily as a result of the Combination. This does not include any professional fees incurred by TSG prior to the Combination.

**Restructuring and integration costs**
This relates to incremental, one-off costs of £96.1m which were incurred during the year ended 31 December 2020, as a result of significant restructuring and integration initiatives due to the Combination with TSG. No such costs were incurred in 2019. Restructuring and integration costs include share-based payments costs of £18.1m.

**Impairment**
During the year, the Group recognised impairments of £22.6m. £12.1m of this relates to the impairment of Northern Ireland retail indefinite life licences. The remaining £10.5m is mainly as a result of various restructuring and integration decisions resulting from the TSG Combination with £4.4m relating to capitalised development expenditure and £6.1m relating to various property assets.

**VAT refund**
In May 2020, HMRC confirmed it would not appeal the ruling of the Upper Tier Tribunal in the cases of Rank Group Plc and Done Brothers (Cash Betting) Ltd (trading as Betfred) that VAT was incorrectly applied to revenues earned from certain gaming machines prior to 2013. The Group submitted protective claims for the period and requested repayment from HMRC. In December 2020, the Group received the refund from the HMRC and it has recognised income, net of the associated third party costs incurred as a result of the refund. The refund of VAT due from HMRC of £15.9m has been booked as revenue with associated third-party costs of £2.7m and £2.0m recorded in cost of sales and operating expenses respectively.

**Financial Income**
As detailed in Note 7, this comprises the gain of £78.5m on the remeasurement of the Embedded Derivative.

**Financial expense**
As detailed in Note 7, this comprises the loss of £22.2m on the remeasurement of the HRTV contingent consideration (see Note 14), a loss of £31.0m relating to accelerated debt repayments, foreign exchange loss of £12.9m on financial instruments associated with financing activities and £5.0m relating to non-recurring financing related fees not eligible for capitalisation.

Acquisition fees and associated costs and restructuring and integration costs are included in the Consolidated Income Statement within operating costs excluding depreciation, amortisation and impairment. Amortisation of acquisition related intangible assets is included within depreciation and amortisation.

## 7. Financial income and expense

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| **Recognised in profit or loss:** | | |
| Financial income: | | |
| Gain on remeasurement of embedded derivative (Note 6) | **78.5** | - |
| | | |
| *On financial assets at amortised cost* | | |
| Interest income | **1.4** | 1.0 |
| Total | **79.9** | 1.0 |
| | | |
| Financial expense: | | |
| Change in fair value of contingent consideration (Note 6) | **22.2** | - |
| Foreign exchange loss on financing instruments associated with financing activities[1] (Note 6) | **12.9** | - |
| Financing related fees not eligible for capitalisation (Note 6) | **5.0** | - |
| Accelerated accretion on debt repayments (Note 6 and Note 16) | **31.0** | - |
| Movement in the fair value of investments | **1.5** | - |
| *On financial liabilities at amortised cost* | | |
| Interest on borrowings, bank guarantees and bank facilities | **95.6** | 8.0 |
| Interest on lease liabilities | **5.7** | 5.0 |
| Other interest | **8.4** | 2.2 |
| Total | **182.3** | 15.2 |

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| **Recognised in other comprehensive income / (loss)**: | | |
| Effective portion of changes in fair value of cash flow hedges | **(280.4)** | 2.6 |
| Fair value of cash flow hedges transferred to income statement | **267.8** | (0.3) |
| Net change in fair value of cash flow hedge reserve | **(12.6)** | 2.3 |
| Foreign exchange gain / (loss) on translation of the net assets of foreign currency denominated entities | **66.6** | (33.1) |
| Financial assets at FVOCI | **(0.4)** | - |
| Total | **53.6** | (30.8) |

[1]A gain of £0.2m was recorded in the income statement in respect of ineffective cash flow hedges in 2020 (2019: £nil).

## 8. Tax expense

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| **Recognised in profit or loss:** | | |
| Current tax charge | **82.6** | 47.7 |
| Prior year over provision | **(1.8)** | (2.5) |
| Total current tax | **80.8** | 45.2 |
| Deferred tax credit | **(45.8)** | (20.5) |
| Prior year under/(over) provision | **0.8** | (0.9) |
| Decrease in net deferred tax liability | **(45.0)** | (21.4) |
| Total tax expense in income statement | **35.8** | 23.8 |

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Profit before tax | **1.1** | 135.7 |
| Tax on Group profit before tax at the standard Irish corporation tax rate of 12.5% | **0.1** | 17.0 |
| Depreciation on non-qualifying property, plant and equipment | **(4.7)** | 0.9 |
| Effect of different statutory tax rates in overseas jurisdictions | **2.1** | (2.8) |
| Non-deductible expenses | **5.9** | 4.1 |
| Non-taxable income | **(7.3)** | (2.5) |
| Effect of changes in statutory tax rates | **1.2** | (0.1) |
| Movement on deferred tax balances not recognised | **39.5** | 10.5 |
| Over provision in prior year | **(1.0)** | (3.3) |
| Total tax expense | **35.8** | 23.8 |

Total tax expense for 2020 includes a credit for separately disclosed items amounting to £58.4m (2019: £18.6m) (see Note 6).

**Tax rates**

The Group’s consolidated effective tax rate on profits including separately disclosed items for 2020 is 3,254.5% (2019: 17.5%). The separately disclosed items impacting the consolidated tax rate include the unwind of deferred tax liabilities recognised in respect of acquisition related intangibles.

The Group’s adjusted effective tax rate of 16.6% (2019: 15.9%) is materially impacted by the geographic mix of profits and reflects a combination of higher and lower headline rates of tax in the various jurisdictions in which the Group operates when compared with the Irish standard rate of corporation tax of 12.5%.

The Group's adjusted effective tax rate is also materially impacted by the movement on deferred tax balances which remain unrecognised due to the doubt over the future recoverability of those assets, as well as the effect of expenses which are not deductible for tax purposes.

The future effective tax rate of the Group is principally affected by the ongoing geographic mix of profits in accordance with the OECD guidelines in relation to Base Erosion and Profit Shifting.

## 9. 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 year. The weighted average number of shares has been adjusted for amounts held as Treasury Shares and amounts held by the Group's 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:

| | **2020** | Restated[1] 2019 |
|---|---|---|
| *Numerator in respect of basic and diluted earnings per share (£m):* | | |
| Profit attributable to equity holders of the Company | **37.9** | 144.0 |
| | | |
| *Numerator in respect of adjusted earnings per share (£m):* | | |
| Profit attributable to equity holders of the Company | **37.9** | 144.0 |
| Separately disclosed items (Note 6) | **483.8** | 94.4 |
| Profit for adjusted earnings per share calculation | **521.7** | 238.4 |
| | | |
| Weighted average number of ordinary shares in issue during the year (in 000's) | **129,558** | 79,901 |
| | | |
| **Basic earnings per share** | **£0.293** | £1.802 |
| **Adjusted basic earnings per share** | **£4.027** | £2.984 |
| | | |
| *Adjustments to derive denominator in respect of diluted earnings per share (in 000's):* | | |
| Weighted average number of ordinary shares in issue during the year | **129,558** | 79,901 |
| Dilutive effect of share options and awards on issue | **3,291** | 426 |
| Adjusted weighted average number of ordinary shares in issue during the year[1] | **132,849** | 80,327 |
| | | |
| **Diluted earnings per share** | **£0.285** | £1.793 |
| **Adjusted diluted earnings per share** | **£3.927** | £2.968 |

[1] The 2019 earnings per share figures have been restated to incorporate the 1,312,260 new Flutter ordinary shares that were issued in May 2020 as payment of the 2019 final dividend. The weighted average number of shares in issue during the period was adjusted to include these bonus shares as if they were issued 1 January 2019.

The average market value of the Company's shares of £108.80 (2019: £68.25) was used to calculate the dilutive effect of share options based on the market value for the period that the options were outstanding.

The number of options excluded from the diluted weighted average number of ordinary shares calculation due to their effect being anti-dilutive is 345,673 (2019: 464,380).

## 10. Goodwill

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

| | PPB Online £m | UK Retail £m | Irish Retail £m | PokerStars £m | Sky Betting and Gaming £m | Australia £m | US £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2019 | 3,432.7 | 18.9 | 20.7 | - | - | 42.5 | 560.5 | 4,075.3 |
| Arising on acquisitions during the year (Note 11) | 69.6 | - | - | - | - | - | - | 69.6 |
| Foreign currency translation adjustment | (5.9) | - | - | - | - | (1.4) | (17.3) | (24.6) |
| Balance at 31 December 2019 | **3,496.4** | **18.9** | **20.7** | **-** | - | **41.1** | **543.2** | **4,120.3** |
| Arising on acquisitions during the year (Note 11) | **-** | **-** | **-** | **2,025.1** | **2,848.7** | **423.2** | **40.6** | **5,337.6** |
| Foreign currency translation adjustment | **(9.3)** | **-** | **-** | **45.5** | **-** | **43.4** | **(20.8)** | **58.8** |
| Balance at 31 December 2020 | **3,487.1** | **18.9** | **20.7** | **2,070.6** | **2,848.7** | **507.7** | **563.0** | **9,516.7** |

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 impact of COVID-19 on the performance of the Group and its individual business units was incorporated into the underlying assumptions used in the annual impairment assessment.

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

The PPB Online segment goodwill amount arose from the acquisition of CT Networks Limited ("Cayetano"), a games developer based in the Isle of Man and Bulgaria, in 2011, the acquisition of the Betfair online business (excluding operations in the US) acquired as part of the all-share merger with Betfair Group plc in 2016 and on 1 February 2019, the acquisition of an initial 51% controlling stake in Adjarabet, the market leader in online betting and gaming in the regulated Georgian market (see Note 11).

Goodwill in UK Retail arose from the acquisition of two London bookmaking businesses in 2004, the acquisition of a retail bookmaking company in Northern Ireland in 2008 and the acquisition of a number of retail bookmaking shop properties since 2010.

Goodwill in Irish Retail arose from the amalgamation of three bookmaking businesses to form Paddy Power plc in 1988 and the acquisition of a number of retail bookmaking shop properties since 2007.

The PokerStars and Sky Betting and Gaming goodwill amount arose from the combination with TSG in 2020 as part of the all-share merger (see Note 11).

The Australia segment goodwill amount arose from the acquisition of an initial 51% interest in Sportsbet Pty Limited ("Sportsbet"), the subsequent acquisition of International All Sports Limited ("IAS") by Sportsbet, both in 2009, and goodwill arising from BetEasy through the 2020 combination with TSG. (see Note 11)

The US segment goodwill amount arose from the acquisition of the US business acquired as part of the all-share merger with Betfair Group plc in 2016, the acquisition of FanDuel Limited a market leading operator in the daily fantasy sports market in the United States, in 2018 and goodwill arising on FoxBet through the combination with TSG in 2020 (see Note 11).

**Impairment tests for cash generating units containing goodwill and indefinite life intangible assets**
In accordance with accounting requirements, the Group performs an annual test for impairment of its cash generating units. The most recent test was performed at 31 December 2020. Based on the reviews as described above, with the exception of a £12.1m impairment in 2020 of the Northern Ireland retail indefinite life licences described in more detail in Note 6, USD35.3m (£26.5m) in 2018 of the US DFS business acquired in 2017 and the IAS brand impairment of AUD6.9m initially provided for in 2011, no impairment has arisen.

## 11. Business combinations

***Year ended 31 December 2020***

**Combination with The Stars Group Inc.**

On 5 May 2020, Flutter completed an all share Combination with The Stars Group Inc. (the "Combination") resulting in existing Flutter shareholders owning 54.64% and TSG shareholders owning 45.36% of Flutter (the "Company", together with its subsidiaries, the "Group"), on a fully diluted basis (excluding any out of the money options). Post-Combination, the Company is the Ultimate Parent of TSG.

Under the terms of the Combination, holders of TSG shares received 0.2253 ordinary shares with nominal value of €0.09 each in the Company ("ordinary shares") in exchange for each outstanding TSG share (the "Exchange Ratio"). Accordingly, the Company issued a total of 65,316,588 ordinary shares in exchange for 289,909,400 shares in TSG. The fair value of the ordinary shares issued was £94.84 per share at this date.

In addition: (i) each TSG Option outstanding at 5 May 2020, under the TSG Share Plans will be exchanged for an option to purchase such number of New Flutter Shares calculated in accordance with the Exchange Ratio; and (ii) each TSG restricted share unit ("RSU"), TSG performance share unit ("PSU") and TSG deferred share unit ("DSU") outstanding at the Effective Time under the TSG Equity Plan will be amended so as to substitute for the TSG Shares, subject to such equity awards, a number of Flutter Shares calculated in accordance with the Exchange Ratio but subject to any adjustment required to that award by the TSG Equity Plan or grant documentation as a result of the Plan of Arrangement.

TSG is a global leader in the online and mobile gaming and interactive entertainment industries, entertaining millions of customers across its online real- and play-money poker, gaming and betting product offerings. TSG offers these products directly or indirectly under several ultimately owned or licensed gaming and related consumer businesses and brands, including, among others, PokerStars, PokerStars Casino, BetStars, Full Tilt, FOX Bet, BetEasy, Sky Bet, Sky Vegas, Sky Casino, Sky Bingo, Sky Poker, and Oddschecker, as well as live poker tour and events brands, including the PokerStars Players No Limit Hold'em Championship, European Poker Tour and Asia Pacific Poker Tour. TSG is one of the world's most licensed online gaming operators with its subsidiaries collectively holding licenses or approvals in 22 jurisdictions throughout the world, including in Europe, Australia and the Americas.

The main drivers for the Combination were to accelerate delivery against each of the components of Flutter's four pillar strategy; create a highly diversified business from a geographic, product and brand perspective with an enhanced global platform; deliver significant value for shareholders through the realisation of material cost synergies; reinforce a robust financial profile which will facilitate strategic flexibility as well as generate sustainable long-term shareholder returns; and maintain a leading role in the promotion of responsible gambling through an enlarged global footprint.

Since the date of combination to 31 December 2020, TSG has contributed £1,625m of revenue and £461m of operating profit before separately disclosed items to the results of the consolidated Group.

If the TSG combination had occurred on 1 January 2020, then their contribution to revenue and operating profit before separately disclosed items would have been £2,491m and £775m respectively for the year ended 31 December 2020. Combination costs in respect of this transaction are disclosed within acquisition fees and associated costs in Note 6.

Included within the intangible assets were £5,316.4m of separately identifiable intangibles comprising brands, customer relations and technology acquired as part of the combination, with the additional effect of a deferred tax liability of £527m thereon. These intangible assets are being amortised over their useful economic lives of up to 20 years. Receivables acquired amounted to £114.6m. The book value equated to the fair value as all amounts are expected to be received. See Note 15 for further detail on the Kentucky provision recognised as part of the fair value acquisition accounting. The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) is growth by combining business activities, a strong workforce, leveraging existing products and synergy savings of the merged operations. The goodwill associated with the PokerStars and Sky Betting and Gaming businesses has been allocated to separate CGUs.

The goodwill associated with the Australia and US businesses has been allocated to the respective existing Australia and US CGUs and it has been deemed that separate CGUs are not appropriate.

**11. Business combinations (continued)**

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

| | Fair values as at 5 May 2020 £m |
|---|---|
| **Assets** | |
| Property, plant and equipment | 105.5 |
| Intangible assets | 5,316.4 |
| Deferred tax asset | 8.3 |
| Non-current tax receivable | 19.1 |
| Derivative financial assets | 79.2 |
| Investments | 4.0 |
| Other receivables | 26.2 |
| Financial assets – restricted cash | 8.9 |
| **Total non-current assets** | 5,567.6 |
| Trade and other receivables | 88.4 |
| Current tax receivable | 28.7 |
| Financial assets – restricted cash | 292.4 |
| Current investments – customer deposits | 89.7 |
| Cash and cash equivalents | 445.2 |
| **Total current assets** | 944.4 |
| **Total assets** | 6,512.0 |
| **Liabilities** | |
| Trade and other payables | 498.8 |
| Customer balances | 376.7 |
| Derivative financial liabilities | 10.0 |
| Provisions | 1.4 |
| Current tax payable | 15.1 |
| Lease liabilities | 16.4 |
| Borrowings | 59.7 |
| **Total current liabilities** | 978.1 |
| Trade and other payables | 3.1 |
| Derivative financial liabilities | 56.9 |
| Provisions | 149.1 |
| Non-current tax payable | 22.3 |
| Deferred tax liabilities | 487.5 |
| Lease liabilities | 26.1 |
| Borrowings | 3,873.9 |
| **Total non-current liabilities** | 4,618.9 |
| **Total liabilities** | 5,597.0 |
| **Net assets acquired** | **915.0** |
| **Goodwill** | **5,337.6** |
| **Consideration** | **6,252.6** |

| | |
|---|---|
| **Consideration satisfied by:** | |
| Issue of 65,316,588 Flutter Entertainment plc ordinary shares | 6,194.6 |
| Issue of replacement share options and awards | 58.0 |
| **Consideration** | **6,252.6** |

The acquisition accounting remains provisional for one year from the acquisition date and may change if new information is obtained relating to conditions that existed at the acquisition date.

**11. Business combinations (continued)**

**Acquisition of additional shares of TSG Australia Pty Ltd**
On 13 May 2020, the Group exercised its option to acquire the remaining 20% of the outstanding share capital of TSG Australia Pty Ltd (TSG Australia), bringing the Group's holding in TSG Australia to 100%, up from the previous 80%. The acquisition was satisfied by the issuance of 819,230 new ordinary shares of the Company, settling a liability of A$151.4m (£79.7m)

**Acquisition of additional shares of FanDuel**
On 30 December 2020, the Group acquired an additional 37.2% of the outstanding shares of FanDuel in exchange for £3.340bn, satisfied by a cash payment of $2.088bn (£1.546bn) and the issuance of 11,747,205 new ordinary shares of the Company (£1,794.4m). The acquisition brings the Group's holding in FanDuel to 95%, up from the previous controlling interest of 57.8%. As FanDuel's results and financial position had been previously consolidated into the Group, the excess of the purchase price over the carrying value of the non-controlling interest acquired was recognised directly within equity in retained earnings. The initial goodwill and non-controlling interest were recorded initially using the proportionate interest method and a transfer from non-controlling interest to retained earnings and foreign currency translation reserve has been made.

As outlined previously, as a result of the acquisition of FanDuel Limited in 2018, call and put options were put in place for the Group to acquire a further 37.2% of FanDuel at prevailing market valuations three and five years after the July 2018 acquisition. The Group had the discretion as to whether these options are settled by the issuance of Flutter Entertainment plc shares or via cash. These options terminated on the acquisition of 37.2% additional FanDuel shares on 30 December 2020.

The put and call agreement stated that the number of shares to be issued as consideration for the settlement of the put/call could not exceed 10% of the Flutter Entertainment plc shares in issue with any excess paid in cash. Due to the growth in value of FanDuel to 30 December 2020, this resulted in the Group recognising a liability of £846m which was derecognised on 30 December 2020 as part of the above acquisition.

**FOX/ Fastball & Boyd agreements**
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 FOX (TSG's US media partner for FOX Bet), Fastball and Boyd (together Flutter's co-shareholders in FanDuel Group) pursuant to which:

- FSG Services, a wholly-owned subsidiary of FOX Sports will have the right to acquire an approximate 18.5% equity interest in FanDuel Group at the market value in July 2021 (structured as a 10-year option from 2021, subject to a carrying value adjustment). As a result of the exercise limitation of the option derivative, which is only exercisable at fair value, it was determined that the fair value was not material and was close to nominal value; and

- Fastball and Boyd would receive a total payment of the 12.5% of the increase in FOX Bet's market value between completion of the Combination and the exercise of Flutter's option to acquire Fastball's remaining equity interest in July 2023 (also subject to a carrying value adjustment). Following the acquisition by the Group of Fastball's entire non-controlling interest on 30 December, they no longer have any rights to this potential payment. Discussions are currently ongoing with the relevant parties in respect of the future operating model for the FOX Bet business and any payment due to Boyd in respect of this is not expected to be significant.

***Year ended 31 December 2019***

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

The initial cash consideration being paid by the Group for the 51% stake was £102m. A mechanism has also been agreed, consisting of call and put options, which enables the Group to acquire the remaining 49% after three years at a valuation equivalent to 7 times the 2021 EBITDA. 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 earnings 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.

**11. Business combinations (continued)**

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

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

| | **Fair values as at 1 February 2019 £m** |
|---|---|
| **Assets** | |
| Property, plant and equipment | 2.6 |
| Intangible assets | 75.6 |
| **Total non-current assets** | 78.2 |
| Trade and other receivables | 2.7 |
| Financial assets – restricted cash | 1.6 |
| Cash and cash equivalents acquired | 0.2 |
| **Total current assets** | 4.5 |
| **Total assets** | 82.7 |
| **Liabilities** | |
| Trade and other payables | 5.7 |
| Customer balances | 1.6 |
| **Total current liabilities** | 7.3 |
| Trade and other payables | 0.7 |
| Deferred tax liabilities | 11.1 |
| **Total non-current liabilities** | 11.8 |
| **Total liabilities** | 19.1 |
| **Net assets acquired** | **63.6** |
| Goodwill | 69.6 |
| Non-controlling interest measured at the fair value of net assets identified | (31.2) |
| **Consideration** | **102.0** |
| **The consideration is analysed as:** | |
| Consideration satisfied by cash | 102.0 |
| **Consideration** | **102.0** |

## 11. Business combinations (continued)

### Net cash outflow/(inflow) from purchase of businesses

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£m** | £m |
| Cash consideration – acquisitions in the year | **-** | 102.0 |
| Cash acquired – acquisitions in the year | **(445.2)** | (0.2) |
| Cash consideration – acquisitions in previous years | **7.2** | 4.8 |
| Total | **(438.0)** | 106.6 |
| **Analysed for the purposes of the statement of cash flows as:** | | |
| Purchase of businesses | **-** | 102.0 |
| Cash acquired from acquisitions | **(445.2)** | (0.2) |
| Payment of contingent deferred consideration | **7.2** | 4.8 |
| Total | **(438.0)** | 106.6 |

During the year the Group settled in cash deferred consideration liabilities of £7.2m in relation to Betfair's historical acquisition of HRTV, a horseracing television network based in the US.

Also as noted above, the Group settled a liability of A$151.4m (£79.7m) with respect to its option to acquire the remaining 20% of the outstanding share capital of TSG Australia Pty Ltd (TSG Australia) through the issuance of share capital of the Company.

## 12. Investments and trade and other receivables

### Non-current assets

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£m** | £m |
| Investments - FVTPL | **3.0** | 0.1 |

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

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£m** | £m |
| **Other receivables** | | |
| Other receivables | **13.0** | 2.6 |
| Prepayments | **16.7** | 9.0 |
| Deferred financing costs on Revolving Credit Facility | **4.6** | - |
| Amounts paid in respect of legacy German and Greek tax assessments | **40.9** | 38.8 |
| | **75.2** | 50.4 |

**Other receivables**
Other receivables are comprised primarily of deposits for licences and property.

**Deferred financing costs on Revolving Credit Facility**
During the year, the Group entered into a new Revolving credit facility agreement as part of its new financing agreements. The Group incurred £5.3m of transaction costs and fees relating to the revolving credit facility, which have been capitalised and included within non-current receivables, net of accretion, on the consolidated statement of financial position. As at 31 December 2020, no loan amounts were drawn under the Revolving Credit Facility. See also Note 16.

## 12. Investments and trade and other receivables (continued)

**Amounts paid in respect of legacy German and Greek tax assessments**

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

The Hessen Fiscal Court provided the Group with its decision relating to the Group's appeal of a 2012 German tax assessment relating to the Betfair Exchange, which operated in Germany until November 2012. The Fiscal Court found against the Group and deemed that a tax liability of approximately €40m (£36m) is payable (including accrued interest of €9.4m). This represents a multiple of the revenues generated by the Exchange during the assessment period.

Separately, the Group was issued with a Greek tax assessment for financial years 2012, 2013 and 2014, relating to paddypower.com's Greek interim licence. This assessment concluded that the Group is liable to pay €15.0m (£13.5m) in taxes including penalties and interest. This is substantially higher (by multiples) than the total cumulative revenues ever generated by paddypower.com in Greece. There is potential that the periods after 2014 could also be subject to further challenge by the Greek tax authorities.

The Group strongly disputes the basis of these assessments, and in line with the legal and tax advice it received, is confident in its grounds to successfully appeal them. The appeals process is ongoing in both cases. Accordingly, the Group does not consider these amounts to represent liabilities for the Group and no provision has been made for amounts assessed or potential further assessments. This involves a series of judgements about future events and ultimately the court judgements and therefore the directors may need to re-assess the accounting treatment as matters develop further. Pending the outcome of these appeals, in 2019 the Group paid the total Greek tax assessment (including the penalties and interest) of €15.0m and the €30.6m German tax assessment principal, with the late payment interest to be paid when assessed.

**Current assets**

| | **31 December 2020 £m** | 31 December 2019 £m |
|---|---|---|
| Trade receivables | **11.9** | 8.5 |
| Other receivables | **28.5** | 8.4 |
| Value-added tax and goods and services tax | **2.2** | 1.9 |
| Prepayments | **96.9** | 45.8 |
| Total | **139.5** | 64.6 |

Trade and other receivables are non-interest bearing.

## 13. Current investments, Financial assets – restricted cash and Cash and cash equivalents

| | **31 December 2020 £m** | 31 December 2019 £m |
|---|---|---|
| **Non-current:** | | |
| Financial assets – restricted cash | **6.9** | - |
| **Current:** | | |
| Investments – customer deposits | **82.8** | - |
| Financial assets – restricted cash | **587.9** | 189.1 |
| Cash and cash equivalents | **603.4** | 108.1 |
| Total | **1,281.0** | 297.2 |

**Financial assets**
Financial assets – restricted cash included:

- customer funds balances securing player funds held by the Group. These customer funds are matched by liabilities of equal value.
- amounts required to be held as to guarantee third party letter of credit facilities, and
- cash held as collateral for the Kentucky proceedings (see also Note 15).

The effective interest rate on bank deposits at 31 December 2020 was 0.1% (2019: 0.6%); these deposits have an average original maturity date of 1 day (2019: 1 day). The bank deposits also have an average maturity date of 1 day from 31 December 2020 (2019: 1 day). The Directors believe that all short-term bank deposits can be withdrawn without significant penalty.

**Investments – customer deposits**
Investments relate to customer deposits, and are held in accounts segregated from investments held for operational purposes. Investments held in relation to customer deposits are liquid investments in short duration corporate and government bonds and are classified as current assets consistent with the current classification of customer deposits to which the investments relate. Management's investment strategy for the portfolio results in the majority of the bonds being held to maturity. Bonds are classified as FVOCI.

Current Investments, financial assets – restricted cash, customer deposits and cash and cash equivalents are analysed by currency as follows:

| | **31 December 2020 £m** | 31 December 2019 £m |
|---|---|---|
| GBP | **289.9** | 12.9 |
| EUR | **283.8** | 38.2 |
| AUD | **158.0** | 65.1 |
| USD | **506.5** | 154.0 |
| Other | **42.8** | 27.0 |
| Total | **1,281.0** | 297.2 |

As at 31 December 2020, £379.3m (31 December 2019: £318.2m) 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.

## 14. Trade and other payables

**Current liabilities**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£m** | £m |
| **Trade and other payables** | | |
| Trade payables | **79.7** | 25.3 |
| PAYE and social security | **14.8** | 9.7 |
| Value-added tax and goods and services tax | **10.7** | 3.0 |
| Betting duty, data rights, and product and racefield fees | **208.0** | 60.1 |
| Employee benefits | **136.4** | 52.3 |
| Contingent deferred consideration – business combinations | **25.3** | 7.4 |
| Accruals and other liabilities | **558.1** | 211.8 |
| Total | **1,033.0** | 369.6 |

**Non-current liabilities**

| | **31 December 2020** | 31 December 2019 |
|---|---|---|
| | **£m** | £m |
| **Trade and other payables** | | |
| Employee benefits | **1.1** | 0.5 |
| Contingent deferred consideration – business combinations | **12.8** | 11.0 |
| Accruals and other liabilities | **0.7** | - |
| Total | **14.6** | 11.5 |

**Contingent deferred consideration – business combinations**

The Group’s deferred consideration liabilities amounted to £38.1m at 31 December 2020 (2019 – £18.4m) and relate to the following:

- contingent and deferred consideration of £33.2m due to Betfair’s historical acquisition of HRTV, a horseracing television network based in the United States, with £20.6m due within the next 12 months and £12.6m due after one year from the reporting date;
- deferred consideration of £4.6m in respect of Diamond Game Enterprises, assumed as part of the combination with TSG; and
- deferred consideration of £0.3m in respect of other investments assumed as part of the combination with TSG.

## 15. Provisions

Provisions balances at 31 December and movements throughout the year are outlined below:

| | Employee benefits (Long service leave) £m | Onerous contracts £m | Gaming tax £m | Kentucky £m | Other legal £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | 1.5 | 1.3 | 2.6 | - | - | 0.2 | 5.6 |
| Transfer to IFRS 16 lease liability | - | (1.3) | - | - | - | - | (1.3) |
| Additional provisions recognised | 0.4 | - | - | - | - | 0.1 | 0.5 |
| Amounts used during the year | (0.2) | - | (0.6) | - | - | - | (0.8) |
| **Balance at 31 December 2019** | **1.7** | **-** | **2.0** | **-** | **-** | **0.3** | **4.0** |
| Acquired on business combination | **1.1** | **5.0** | **7.2** | **80.4** | **56.8** | **-** | **150.5** |
| Additional provisions recognised | **1.1** | **10.5** | **1.3** | **-** | **-** | **0.2** | **13.1** |
| Amounts used during the year | **(0.8)** | **-** | **(0.4)** | **-** | **-** | **-** | **(1.2)** |
| Foreign currency translation | **(0.1)** | **0.5** | **0.4** | **(7.1)** | **(0.8)** | **-** | **(7.1)** |
| **Balance at 31 December 2020** | **3.0** | **16.0** | **10.5** | **73.3** | **56.0** | **0.5** | **159.3** |
| | | | | | | | |
| Current portion 31 December 2019 | 0.9 | - | 2.0 | - | - | - | 2.9 |
| Non-current portion 31 December 2019 | 0.8 | - | - | - | - | 0.3 | 1.1 |
| **Current portion 31 December 2020** | **1.6** | **9.9** | **2.7** | **-** | **-** | **0.1** | **14.3** |
| **Non-current portion 31 December 2020** | **1.4** | **6.1** | **7.8** | **73.3** | **56.0** | **0.4** | **145.0** |

**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 31 December 2020, it was expected that cash outflows would occur primarily within the following five years (2019: within the following five years).

**Onerous contracts**

The onerous contracts provision at 31 December 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**

Separate to the amounts highlighted in Note 12, there are other 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 have not provided a sensitivity for this provision as the range is not considered to be material. Management note this is a key estimate, however it is not a key judgement that will have a material impact in the coming year.

**Kentucky proceedings**

Prior to the Combination, the Commonwealth of Kentucky filed legal proceedings in 2010 - 2011 against various operators including certain companies that later became subsidiaries of The Stars Group ("TSG"). The suit sought recovery of alleged losses incurred by Kentucky residents playing real-money poker on the PokerStars platform during a period between 2006 and 2011. The gross gaming revenues that TSG generated in Kentucky on the PokerStars platform during the relevant period were approximately US$18m. In 2015, a Kentucky trial court judge entered judgment against two TSG Isle of Man subsidiaries, Stars Interactive Holdings (IOM) Ltd ("SIHL") and Rational Entertainment Enterprises Ltd ("REEL") and awarded damages to the Commonwealth of Kentucky of approximately US$870m plus post judgment interest. In 2018, this ruling was vacated in its entirety by the Kentucky Court of Appeals.

On 17 December 2020, the Kentucky Supreme Court reinstated the full 2015 award of damages, including post judgment interest, against SIHL and REEL. A rehearing petition was filed before the Kentucky Supreme Court on 6 January 2021 and the Group is awaiting a decision. Together with its legal advisers, Flutter strongly disputes the basis of this judgment and is currently reviewing its position. Flutter is confident that any amount it is ultimately liable to pay will be a limited

**15. Provisions (continued)**

proportion of the reinstated judgment. No liability was previously recognised by either TSG or Flutter prior to this judgment.

Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m (£73m) as part of TSG combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgments about future events.

**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. 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.

## 16. Borrowings

The following is a summary of borrowings, including accrued interest, outstanding as at 31 December 2020 and 31 December 2019:

| | **Contractual interest rate %** | **31 December 2020 Principal outstanding balance in currency of borrowing Local currency m** | **31 December 2020 Carrying amount (including accrued interest) £m[1]** | 31 December 2019 Principal outstanding balance in currency of borrowing Local currency m | 31 December 2019 Carrying amount (including accrued interest) £m[1] |
|---|---|---|---|---|---|
| GBP First Lien Term Loan A | 1.84 and 1.93 | £950.0 | 940.4 | - | - |
| USD First Lien Term Loan B | 3.72 | $1,456.3 | 1,042.9 | - | - |
| EUR First Lien Term Loan B | 3.75 | €507.2 | 449.1 | - | - |
| Senior Notes[2] | 7.00 | $1,000.0 | 706.5 | - | - |
| Previous GBP Term Loan | 1.51 | - | - | £250.0 | 249.7 |
| Previous GBP RCF – GBP | 1.80 and 1.81 | - | - | £79.0 | 78.1 |
| Previous GBP RCF – Euro | 0.63 and 0.65 | - | - | €45.0 | 37.9 |
| Overdraft facility | 0.50 | - | - | £5.0 | 5.0 |
| **Total borrowings** | | | **3,138.9** | | **370.7** |
| Current portion | | | 50.8 | | 255.0 |
| Non-current portion | | | 3,088.1 | | 115.7 |

[1] The carrying amounts include accrued interest as at 31 December 2020 and 31 December 2019 of £24.6m and £0.5m, respectively and is included within the current portion of borrowings above.

[2] The carrying amount includes an asset of £98.0m relating to the embedded derivative on the Senior Notes. See below in this note for further detail.

**16. Borrowings (continued)**

During the year ended 31 December 2020, the Group incurred the following interest on its then outstanding borrowings:

| | Effective interest rate[1] % | Interest[2] £m | Interest accretion[3] £m | Total interest £m |
|---|---|---|---|---|
| GBP First Lien Term Loan A | 2.03 | 10.6 | 1.4 | 12.0 |
| USD First Lien Term Loan B | 4.48 | 40.7 | 30.9 | 71.6 |
| EUR First Lien Term Loan B | 4.19 | 12.8 | 4.0 | 16.8 |
| Senior Notes | 5.70 | 35.4 | (4.8) | 30.6 |
| Previous GBP Term Loan | 1.63 | 1.4 | 0.5 | 1.9 |
| Previous GBP RCF – GBP | 2.36 | 0.7 | 1.1 | 1.8 |
| Previous GBP RCF – Euro | 0.81 | 0.1 | 0.5 | 0.6 |
| | | **101.7** | **33.6** | **135.3** |

[1] The effective interest rate calculation excludes the impact of the accelerated interest accretion expense due to prepayments as well as the impact of the Swap Agreements (as defined below).

[2] In addition to the amount included above, the Group incurred £3.0m of interest expense relating to commitment, utilisation, and fronting fees associated with its Revolving Credit Facility and its Previous GBP RCF.

[3] Interest accretion for the year ended 31 December 2020 includes £31.0m included within financial expenses in respect of prepayments of the Group's First Lien Term Loans B and its Previous GBP Term Loan and previous GBP RCF.

The Group's change in borrowings from 31 December 2019 to 31 December 2020 was as follows:

| | Opening balance £m | New debt £m | Principal payments £m | Adjustments to amortised costs[1] £m | Interest accretion[2] £m | Gain on embedded derivative £m | FX translation £m | Closing balance £m |
|---|---|---|---|---|---|---|---|---|
| GBP First Lien Term Loan A | - | 950.0 | - | (11.9) | 1.4 | - | - | 939.5 |
| USD First Lien Term Loan B | - | 2,329.5 | (1,193.1) | (6.0) | 30.9 | - | (118.4) | 1,042.9 |
| EUR First Lien Term Loan B | - | 738.2 | (307.9) | (1.9) | 4.0 | - | 16.7 | 449.1 |
| Senior Notes | - | 834.9 | - | - | (4.8) | (78.5) | (68.8) | 682.8 |
| Previous GBP Term Loan | 249.5 | - | (250.0) | - | 0.5 | - | - | - |
| Previous GBP RCF – GBP and Euro | 115.7 | 130.0 | (247.2) | - | 1.6 | - | (0.1) | - |
| Overdraft | 5.0 | - | (5.0) | - | - | - | - | - |
| **Total** | **370.2** | **4,982.6** | **(2,003.2)** | **(19.8)** | **33.6** | **(78.5)** | **(170.6)** | **3,114.3** |
| Accrued interest | **0.5** | | | | | | | **24.6** |
| **Total borrowings** | **370.7** | | | | | | | **3,138.9** |
| **Included in:** | | | | | | | | |
| Current liabilities | **255.0** | | | | | | | **50.8** |
| Non-current liabilities | **115.7** | | | | | | | **3,088.1** |
| **Total Borrowings** | **370.7** | | | | | | | **3,138.9** |

[1] Adjustments to amortised costs include transactions costs and fees incurred and capitalised in respect of the TLA Agreement and the amendment to the Syndicated Facility Agreement.
[2] 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. Interest accretion for the year ended 31 December 2020 includes £31.0m included within financial expenses in respect of prepayments of the Group's First Lien Term Loans B and its Previous GBP Term Loan and Previous GBP RCF.

**16. Borrowings (continued)**

As at 31 December 2020, the contractual principal repayments of the Group's outstanding borrowings, excluding accrued interest, amount to the following:

| | <1 year £m | 1-2 years £m | 2-3 years £m | 3-4 years £m | 4-5 years £m | >5 years £m |
|---|---|---|---|---|---|---|
| GBP First Lien Term Loan A | - | - | - | - | 950.0 | - |
| USD First Lien Term Loan B | 26.2 | 26.2 | 26.2 | 26.2 | 963.0 | - |
| EUR First Lien Term Loan B | - | - | - | - | 455.2 | - |
| Senior Notes | - | - | - | - | - | 733.3 |
| Total | **26.2** | **26.2** | **26.2** | **26.2** | **2,368.2** | **733.3** |

**Revolving Credit Facility, First Lien Term Loans and Senior Notes**

On 11 March 2020, the Group, along with its subsidiaries PPB Financing Unlimited Company and PPB Treasury Unlimited Company as borrowers, entered into a Term Loan A and Revolving Credit Facility Agreement (the "TLA Agreement"), contingent on the completion of TSG Combination. The TLA Agreement comprised a term loan and revolving credit facility totalling £1.3 billion. On 5 May 2020, the Group completed the TSG Combination, assumed TSG's existing indebtedness with an acquisition date fair value of approximately £3,934m and terminated its then-existing revolving credit facility under which there were no drawings. In addition, on 5 May 2020, an Incremental Facility Agreement was signed to increase borrowing capacity under the TLA agreement by £100m to £1.4 billion, with all terms and conditions consistent with the TLA Agreement. The Group also borrowed £950m under the GBP First Lien Term Loan A in two tranches: £525m on 5 May 2020 and an additional £425m on 11 June 2020. Each of the Group's facilities are discussed below. During the twelve months ended 31 December 2020, the Group complied with all covenants related to its borrowings under all facilities.

***TLA Agreement - GBP First Lien Term Loan A***

The TLA Agreement and subsequent Incremental Facility Agreement described above provide a term loan facility in an aggregate amount of £950m priced at GBP-LIBOR plus 1.75% (the "GBP First Lien Term Loan A"), with a maturity date of 5 May 2025 and a GBP-LIBOR floor of 0%. There is no amortisation on the GBP First Lien Term Loan A and the principal is due at maturity. The Group incurred £11.9m of transaction costs and fees which have been capitalised against the principal of the debt and will be recorded as financial expense over the term of the debt using the effective interest rate method.

***TLA Agreement – Revolving Credit Facility***

The TLA Agreement and subsequent Incremental Facility Agreement described above provide a multi-currency revolving loan facility in an aggregate amount of £450 million (the "Revolving Credit Facility"). Maturing on 5 May 2025, the Revolving Credit Facility includes a margin of 1.75% 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. The Group incurred £5.3m of transaction costs and fees which have been capitalised and will be recorded as financial expense over the life of the facility using the straight-line method. These capitalised costs have been included within non-current receivables on the consolidated statement of financial position.

As at 31 December 2020 no loan amounts were drawn under the Revolving Credit Facility. The Group had £73m of letters of credit issued but undrawn against the Revolving Credit Facility as of 31 December 2020 leaving undrawn capacity of £377m.

**16. Borrowings (continued)**

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.

Borrowings under the TLA Agreement are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. 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.

***First Lien Term Loan B's***

On 5 May 2020 the Group completed its Combination with TSG and assumed its existing indebtedness which included a USD term loan with an outstanding principal balance of US$2.96 billion priced at LIBOR plus 3.50% (the "USD First Lien Term Loan B") and a EUR first lien term loan with an outstanding principal balance of €850 million priced at EURIBOR plus 3.75% (the "EUR First Lien Term Loan B" and, together with the USD First Lien Term Loan, the "First Lien Term Loans B"), each with a maturity date of 10 July 2025 and a LIBOR and EURIBOR floor, as applicable, of 0%. The USD First Lien Term Loan requires scheduled quarterly principal payments in amounts equal to 0.25% of the initial aggregate principal amount of the USD First Lien Term Loan B of US$3,575m, with the balance due at maturity. There is no amortisation on the EUR First Lien Term Loan B and the principal is due at maturity.

On 15 June 2020, pursuant to the terms of an amendment agreement in respect of the syndicated facility agreement that governs the First Lien Term Loan B's (the "Syndicated Facility Agreement"), certain amendments were incorporated to the Syndicated Facility Agreement so that (i) the covenants and restrictions therein bind the combined Flutter and TSG allowing it to operate and integrate as such; and (ii) the reporting obligations under the Syndicated Facility Agreement are synchronised with reporting of the consolidated financial results of the Group to other of the Group's stakeholders. The Group has also entered into a guarantee agreement in respect of the obligations under the Syndicated Facility Agreement. As part of this amendment, the Group made prepayments of US$1.2 billion on its USD First Lien Term Loan B and €343m on its EUR First Lien Term Loan A, each including accrued interest to the date of repayment, using proceeds from the GBP First Lien Term Loan A, the first Equity Placing and available cash on hand. The Group made a cash payment of £2.8m to the lenders as a result of this amendment. The amendment was treated as a non-substantial modification under IFRS 9, *Financial instruments* and as a result £6.7m of transaction costs and fees were capitalised and will be recorded as financial expense over the term of the debt using the effective interest rate method. In addition, accelerated interest accretion of £23.5m was recorded in respect of the prepayments noted above to reflect the new carrying amount of the financial liability by discounting the cashflows under the renegotiated loan term using the original EIR. On 31 October 2020, the Group also made a prepayment of US$288.5m on its USD First Lien Term Loan B including accrued interest to the date of repayment. Interest accretion of £5.6m was recorded in respect of this prepayment.

The Syndicated Facility Agreement limits Stars Group Holdings B.V., as borrower, 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.

***Senior Notes***

Also assumed in connection with TSG Combination, are the 7.00% Senior Notes due 2026 (the "Senior Notes") which were issued by Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "Issuers"), on 10 July 2018 at par in an aggregate principal amount of US$1 billion. The Senior Notes mature on 15 July 2026. Interest on the Senior Notes is payable semi-annually on 15 January and 15 July of each year. In connection with but prior to TSG Combination, on 1 May 2020, the Issuers obtained the consent of the requisite number of holders of the Senior Notes to amend certain provisions of the indenture governing the Senior Notes (the "Senior Notes Amendment") such that once effective (i) the covenants and restrictions therein bind the entire combined Group consisting of TSG and Flutter allowing it to operate as such; and (ii) the Stars Group Holdings B.V.'s reporting obligations under the indenture are synchronised with reporting of the

## 16. Borrowings (continued)

Combined Group's consolidated financial results to other Combined Group stakeholders. The Group made a payment of £1.8m to the holders of the Senior Notes that consented to the Senior Notes Amendment and incurred other transaction costs and fees of £3.2m. These amounts were recorded as a financial expense in the consolidated income statement.

Prior to 15 July 2021, the Issuers may redeem some or all of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date, plus an applicable ''make-whole'' premium. On or after 15 July 2021, the Issuers may redeem some or all of the Senior Notes at declining redemption prices as set forth in the Indenture that governs the Senior Notes. This redemption option represents an embedded derivative that required bifurcation from the carrying value of the Senior Notes upon their recognition on 5 May 2020. The fair value of the redemption option as at 5 May 2020 and 31 December 2020 was £25.8m and £98.0m, respectively. See Note 17.

The Senior Notes are guaranteed by each of the Group's subsidiaries that guarantee the GBP First Lien Term Loan A, the Revolving Credit Facility and the First Lien Term Loans B. The Senior Notes are the Issuers' senior unsecured obligations and rank *pari-passu* to all of the Issuers' existing and future senior unsecured indebtedness. The Senior Notes include, among other terms and conditions, limitations on the Group's ability to (i) create, incur or allow certain liens; (ii) create, assume, incur or guarantee additional indebtedness of certain of the Group's subsidiaries; and (iii) consolidate or merge with, or convey, transfer or lease all or substantially all of the Group's and their subsidiaries' assets, to another person.

### Previous GBP term loan and previous GBP revolving credit facility

In 2015, the Group secured a committed revolving credit bank loan facility (the "Previous GBP RCF") of €300m provided by a syndicate of banks which was scheduled to expire in May 2020. In 2018, the Previous GBP RCF was amended to an amount of £450m and was extended to expire in April 2023. In May 2019, the Group also secured a term loan facility of £250m provided by a syndicate of banks (the "Previous GBP Term Loan"). The term loan facility was for an initial period of 18 months with an option to extend further by up to 12 months. At 31 December 2019, £79m and €45m of the Previous GBP RCF was drawn down and £250m of the Previous GBP Term Loan was drawn down totalling to £367.3m. On 5 May 2020, the Group repaid and extinguished the Previous GBP RCF and the Previous GBP Term Loan using the proceeds of the GBP First Lien Term Loan. As a result of the extinguishment, unamortised transaction costs of £1.9m were recognised as an interest accretion expense included within financial expense in the consolidated income statement.

Borrowings under the Previous GBP RCF and the Previous GBP Term Loan were unsecured but were guaranteed by the Group and certain of its operating subsidiaries. Borrowings under the Previous GBP RCF incurred interest at GBP-LIBOR plus a margin of between 1.10% and 2.50%. A commitment fee, equivalent to 35% of the margin, was payable in respect of available but undrawn borrowings. Borrowings under the Previous GBP Term Loan incurred interest at LIBOR plus a margin of between 0.60% and 2.40%.

### Reconciliation to the statement of cash flows

Reconciliation of movements in borrowings to the statement of cash flows:

| | **2020**<br>**£m** |
|---|---|
| Financing activities: | |
| Proceeds from GBP First Lien Term Loan A and Previous GBP Term Loan | **950.0** |
| Amounts borrowed on Previous GBP Revolving Credit Facility | **130.0** |
| Amounts repaid on Previous GBP Revolving Credit Facility | **(247.2)** |
| Repayment of USD and EUR First Lien Term Loan B and old GBP Term Loan Facility | **(1,751.0)** |
| Amounts repaid on overdraft facility | **(5.0)** |
| Interest paid | **(114.1)** |

## 17. Derivatives

**Derivatives and Hedge Accounting**

The Group uses derivative financial instruments for risk management and mitigation purposes. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the hedged position. On 5 May 2020 the Group completed TSG Combination and assumed the existing hedging instruments held by TSG. Further, as part of managing the Group's exposure to foreign exchange risk, the Group entered into cross currency swap agreements in respect of the Senior Notes. The Group's derivatives are discussed below.

*Swap agreements*

On 5 May 2020 the Group completed TSG Combination and assumed the existing hedging instruments held by TSG consisting of (i) USD-EUR amortising cross-currency interest rate swap agreements (the "EUR Cross-Currency Interest Rate Swaps") with a remaining notional amount of €1.96 billion, which fix the USD to EUR exchange rate at 1.167 and fix the Euro interest payments at an average interest rate of 3.6%, (ii) EUR-GBP amortising cross-currency interest rate swap agreements (the "GBP Cross-Currency Interest Rate Swaps") with a remaining notional amount of £983m, which fix the EUR to GBP exchange rate at 0.889 and fix the GBP interest payments at an average interest rate of 5.4%, and (iii) an amortising USD interest rate swap agreement (the "Interest Rate Swap") with a remaining notional amount of USD $600m and swaps the USD three-month LIBOR to a fixed interest rate of 2.82%. The EUR Cross-Currency Interest Rate Swaps and GBP Cross-Currency Interest Rate Swaps are in a hedging relationship with and have a profile that amortises in line with the USD First Lien Term Loan B and are set to mature in July 2023.

On 7 May 2020, a subsidiary of the Group entered into USD-EUR cross-currency interest rate swap agreements (the "Cross-Currency Swaps - Notes" and, collectively with the EUR Cross-Currency Interest Rate Swaps, the GBP Cross-Currency Interest Rate Swaps, and the Interest Rate Swap, the "Swap Agreements") with a total notional amount of €927.1m, which fix the USD to EUR exchange rate at 1.079 and fix the Euro interest payments at an average interest rate of 6.16%. The cross-currency interest rate swaps are in a hedging relationship with and have an interest payment profile aligned with the Senior Notes and are set to mature on 15 July 2021.

Subsequent to TSG Combination, to align the Swap Agreements with the changes to the structure of the Group's borrowings (see Note 16), the Group (i) terminated the Interest Rate Swap resulting in a cash payment of £27.8m, (ii) terminated a notional amount of €447m of the USD-EUR Cross-Currency Interest Rate Swaps resulting in a cash receipt of £0.2m as well as (iii) terminated a notional amount of US$287.6m of the USD-GBP Cross-Currency Interest Rate Swaps reflecting the amount of USD debt repaid. The settlement was made on a gross basis with a net cash outflow of £7.5m.

*Embedded derivatives*

See Note 16 for a discussion of the features embedded in the Senior Notes that the Group bifurcated as it determined that the features represented a derivative to be classified and recorded at fair value through profit or loss.

The fair value of the redemption option included within the Senior Notes as at 5 May 2020 and 31 December 2020 was an asset of £25.8m and £98.0m, respectively. The fair value of this embedded derivative was determined using an interest rate option pricing valuation model. The key assumptions include the implied credit spread of 5.1% at 5 May 2020 and 2.77% at 31 December 2020. This embedded derivative is categorised as Level 3 within the fair value hierarchy.

The Group did not account for the embedded derivative as a qualifying hedge under IAS 39.

**17. Derivatives (continued)**

*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 designated by the Group on initial recognition as financial liabilities at fair value through profit or loss.

The fair value of open sports bets at the year end 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.

The following table summarises the fair value of derivatives as at 31 December 2020 and 31 December 2019:

| | **31 December 2020** | | 31 December 2019 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **£m** | **£m** | £m | £m |
| **Derivatives held for hedging** | | | | |
| **Derivatives designated as cash flow hedges** | | | | |
| Cross currency swaps - current | **-** | **86.6** | - | - |
| Cross currency interest rate swaps – non-current | **-** | **101.8** | - | - |
| **Total derivatives designated as cash flow hedges** | **-** | **188.4** | - | - |
| **Derivatives designated as net investment hedges** | | | | |
| Cross currency swaps – current | **-** | **14.8** | | |
| Cross currency interest rate swaps - current | **16.9** | **-** | - | - |
| **Total derivatives designated as net investment hedges** | **16.9** | **14.8** | - | - |
| **Total derivatives held for hedging** | **16.9** | **203.2** | - | - |
| **Derivatives held for risk management and other purposes not designated as hedges** | | | | |
| Sports betting open positions- current | **-** | **49.5** | - | 20.4 |
| Sports betting open positions – non-current | **-** | **0.5** | - | 0.7 |
| **Total derivatives held for risk management and other purposes not designated as hedges** | **-** | **50.0** | - | 21.1 |
| **Derivatives included within Borrowings** | | | | |
| Embedded derivatives | **98.0** | **-** | - | - |

**Hedge Accounting**

*Cash flow hedge accounting*

In accordance with the Group's risk management strategy, the Group acquired and entered into, as applicable, the Swap Agreements to mitigate the risk of fluctuation of coupon and principal cash flows due to changes in foreign currency rates and interest rates related to the USD First Lien Term Loan B and the Senior Notes.

**17. Derivatives (continued)**

The Group assesses hedge effectiveness by comparing the changes in fair value of a hypothetical derivative reflecting the terms of the debt instrument issued due to movements in the applicable foreign currency exchange rate and benchmark interest rate with the changes in fair value of the cross-currency interest rate swaps and cross-currency swaps used to hedge the exposure, as applicable. The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Group has identified and to the extent possible mitigated the following possible sources of ineffectiveness in its cash flow hedge relationships:

- the use of derivatives as a protection against currency and interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties;
- difference in timing of settlement of the hedging instrument and hedged item; and
- designation of off-market hedging instruments.

Certain of the EUR Cross-Currency Interest Rate Swaps in combination with the GBP Cross-Currency Interest Rate Swaps are designated in cash flow hedge relationships to hedge the foreign exchange risk and interest rate risk on the USD First Lien Term Loan B bearing a minimum floating interest rate of 3.5% (USD three month LIBOR plus a 3.5% margin, with a LIBOR floor of 0%). The remaining EUR Cross-Currency Interest Rate Swaps have been split for hedge accounting purposes with a portion of the exposure designated in a cash flow hedge relationship and the remaining exposure designated in a net investment hedge relationship. The Cross-Currency Swaps are designated in cash flow hedge relationships to hedge the foreign exchange risk on the Senior Notes.

As at 31 December 2020, £5.7m of accumulated other comprehensive income is included in the cash flow hedging reserve (see Note 18) related to de-designated cash flow hedges and is reclassified to the consolidated income statement as the hedged cash flows impact income/(loss).

*Net investment hedge accounting*

In accordance with the Group's risk management strategy, the Group designates certain cross-currency interest rate swap contracts in net investment hedging relationships to mitigate the risk of changes in foreign currency rates with respect to the translation of assets and liabilities of subsidiaries with foreign functional currencies.

The Group assesses hedge effectiveness by comparing the changes in fair value of the net assets designated, due to movements in the foreign currency rate with the changes in fair value of the hedging instruments used to hedge the exposure. The Group uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The only source of ineffectiveness is the effect of the counterparty and the Group's own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hypothetical derivative.

The Group has also designated the carrying amount of the EUR First Lien Term Loan as a hedge of the spot foreign exchange risk of its net investment in its EUR functional subsidiaries. The Group assesses hedge effectiveness using the forward rate method by comparing the currency and the carrying amount of the EUR First Lien Term Loan B with the currency and the net assets of its EUR functional subsidiaries.

As at 31 December 2020, £11.5m of accumulated other comprehensive loss is included in the foreign exchange translation reserve (see Note 18) related to de-designated net investment hedges and is reclassified to the consolidated income statement upon disposal of the net investment in the applicable foreign subsidiaries.

## 18. Share capital and reserves

### Share capital

The total authorised share capital of the Company comprises 300,000,000 ordinary shares of €0.09 each (2019: 150,000,000 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.

The movement in issued share capital during the year ended 31 December 2020 was as follows:

- in May 2020, 1,312,260 new ordinary shares were issued as consideration for the 2019 final dividend as outlined in Note 19;
- on 5 May 2020, the Company issued a total of 65,316,588 ordinary shares in exchange for 289,909,400 shares of TSG in respect of the all share Combination with TSG resulting in Flutter Entertainment plc shareholders owning 54.64% and the TSG shareholders owning 45.36% of Flutter, on a fully diluted basis (excluding any out of the money options). Under the terms of the Combination, holders of TSG shares received 0.2253 ordinary shares with nominal value of €0.09 each in the Company ("ordinary shares") in exchange for each outstanding TSG share (the "Exchange Ratio"). Post Combination, the Company is the ultimate parent of The Stars Group Inc. This gave rise to a Merger Reserve under Section 72 of the Companies Act 2014 of £6,189.5m (see also Note 11);
- on 13 May 2020, 819,230 new Flutter ordinary shares were issued as consideration for the acquisition of the remaining 20% interest of TSG Australia Pty Ltd by Flutter. The value of shares issued amounted to AUD$151.4m (£79.7m) (see also Note 11);
- on 29 May 2020, the Company issued 8,045,995 new ordinary shares at a price of 10,100 pence per share in respect of an equity placement announced on 28 May 2020, raising gross proceeds of £812.6m giving rise to share capital of £0.7m and a share premium of £811.9m. The proceeds raised net of issuance costs amounted to £806.3m with the issuance costs of £6.3m recognised in retained earnings. The Placing Shares represent approximately 5.5% of the Company's issued share capital immediately prior to the Placing (excluding treasury shares). The Placing Price represents a discount of approximately 4.7% to the closing price on 28 May 2020;
- on 4 December 2020, the Company issued a total of 8,004,503 ordinary shares at a price of 14,000 pence per share in respect of an equity placement announced on 3 December 2020, raising proceeds of £1,120.6m giving rise to share capital of £0.7m and a share premium of £1,119.9m. The proceeds raised net of issuance costs amounted to £1,114.6m with the issuance costs of £6.1m recognised in retained earnings. The Placing Shares represent approximately 5.2% of the Company's issued share capital immediately prior to the Placing (excluding treasury shares). The Placing Price represents a discount of approximately 2.1% to the closing price on 3 December 2020;
- on 30 December 2020, 11,747,205 new Flutter ordinary shares were issued as partial consideration for the acquisition of an additional 37.2% of the outstanding share of FanDuel, bringing the Group's holding in FanDuel to 95%, up from the previous controlling interest of 57.8%. The value of shares issued amounted to £1.0m in share capital and gives rise to £1,793.4m of a Merger Reserve under Section 72 of the Companies Act 2014 (see also Note 11); and
- during the year a total of 1,492,430 ordinary shares (2019: 279,096 ordinary shares) were issued as a result of the exercise of employee share options giving rise to share capital and share premium of £34.3m (2019: £3.6m).

**18. Share capital and reserves (continued)**

**Equity Reserves**

Equity reserves include the following classes of reserves:

***Merger reserve***
The Merger Reserve under Section 72 of the Companies Act 2014 of £7,982.9m represents the premium over the par value of shares issued as consideration for the Combination with TSG and as partial consideration for the acquisition of a further 37.2% of FanDuel Group.

***Treasury shares***
A total of 1,965,600 ordinary shares were held in treasury as of 31 December 2020 (2019: 1,965,600). All rights (including voting rights and the right to receive dividends) in the shares held in treasury are suspended until such time as the shares are reissued. The Group's distributable reserves are restricted by the value of the treasury shares, which amounted to £40.7m as of 31 December 2020 (2019: £40.7m). The cost of treasury shares held by the Company at 31 December 2020 was £4.2m (2019: £4.2m), with a further £36.5m of shares being held by the Company's subsidiaries (2019: £36.5m).

***Employee benefit trust***
At 31 December 2020, the Paddy Power Betfair plc Employee Benefit Trust ("EBT") held 67,320 (2019: 70,397) of the Company's own shares, which were acquired at a total cost of £5.8m (2019: £6.1m), in respect of potential future awards relating to the Group's employee share plans. The Company's distributable reserves at 31 December 2020 are restricted by this cost amount. In 2020, 3,077 shares with an original cost of £0.3m (2019: 29,344 shares with an original cost of £2.5m) were transferred from the EBT to the beneficiaries of the EBT.

***Foreign exchange translation reserve***
The foreign exchange translation reserve at 31 December 2020 had a credit balance of £49.6m (2019: debit balance of £21.5m) and arose from the retranslation of the Group's net investment in EUR, AUD, USD and GEL functional currency entities. The movement in the foreign exchange translation reserve for the year ending 31 December 2020 reflects mainly strengthening of AUD and EUR against GBP in the year. As a result of the acquisition of a further 37.2% of FanDuel Group shares in December 2020, £2.2m of foreign currency translation was transferred from Non-controlling interest to foreign exchange translation reserve.

***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.

***Share-based payments reserve***
In 2020, an amount of £107.7m (2019: £20.3m) in respect of share options exercised during the year was transferred from the share-based payment reserve to retained earnings. An amount of £1.0m of deferred tax relating primarily to the Group's share-based payments was charged to retained earnings in 2020 (2019: credit of £1.1m). An amount of £6.4m of current tax relating to the Group's share-based payments was credited to retained earnings in 2020 (2019: £0.4m).

***Other reserves***
Other reserves comprise undenominated capital. Undenominated capital at 31 December 2020 of £2.3m (2019: £2.3m) relates to the nominal value of shares in the Company acquired by the Company of £2.1m (2019: £2.1m) and subsequently cancelled and an amount of £0.2m (2019: £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.

***Non-controlling interest***
During the year, the Group paid dividends totalling £15.2m to the Non-controlling interest in Adjarabet. Also, as result of the acquisition of a further 37.2% of FanDuel Group shares in December 2020, £76.7m and £2.2m were transferred from Non-controlling interest to retained earnings and foreign exchange translation reserve, respectively.

## 19. Dividends paid on ordinary shares

Due to the impact of COVID-19, the Board paid the 2019 final dividend in May 2020 through the issuance of ordinary shares rather than by cash. This resulted in the Group issuing 1,312,260 Flutter ordinary shares of €0.09 each.

The 2018 final dividend of £104.0m and the 2019 interim dividend of £52.2m was settled in cash.

Given the impact of the current disruption caused by COVID-19 and the ambition for the Combined Group to de-lever, the Board considers it prudent to suspend the dividend for the current financial year ending 31 December 2020. The Board is committed to reviewing dividend policy once the Group returns to its medium-term leverage target of 1-2x.

## 20. Commitments, contingencies and Kentucky proceedings

*Guarantees*

The Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group. The Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Group has uncommitted working capital overdraft facilities of £16.6m (2019: £19.3m) 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: (1) 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 (2) 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 31 December 2020 was £74.8m (2019: £12.5m). No claims had been made against the guarantees as of 31 December 2020 (2019: £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 £12.9m at 31 December 2020 (2019: £2.6m).

As mentioned in Note 16, borrowings under the TLA Agreement, Syndicated Facility Agreement and Senior Notes are guaranteed by the Company and certain of its operating subsidiaries.

*Contingent liabilitie*s

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

The Board monitors legal and regulatory developments and their potential impact on the business, however given the lack of a harmonised regulatory environment, the value and timing of any obligations in this regard are subject to a high degree of uncertainty and cannot always be reliably predicted. See Note 12 for details of legacy German and Greek tax assessments.

Prior to the Combination, 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, Flutter continues to cooperate with the United States and Canada governmental authorities in respect of all inquiries relating to such payments. Based on its review of these matters 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.

**20. Commitments, contingencies and Kentucky proceedings (continued)**

*Kentucky proceedings*

As disclosed in Note 15, on 17 December 2020, the Kentucky Supreme Court judgement reinstated the 2015 award of damages against TSG for US$870m with compounding interest of 12% per annum.

Together with its legal advisers Flutter is currently reviewing its position and strongly disputes the basis of this judgement and is confident that any amount it is ultimately liable to pay will be a limited proportion of the reinstated judgement. No liability was previously recognised by either TSG or Flutter prior to this judgement.

Based on the opinion and views of legal counsel and advisers as to the likely payout outcomes, the Group has recognised a provision of US$100m as part of TSG Combination fair value acquisition accounting in respect of this litigation, which reflects the value of the supersedes bond in place since February 2016. This assessment relies on estimates and assumptions and involves a series of judgements about future events.

*Capital commitments*

Capital expenditure contracted for at the statement of financial position date but not yet incurred was as follows:

| | **31 December 2020** **£m** | 31 December 2019 £m |
|---|---|---|
| Property, plant and equipment | **14.3** | 0.4 |
| Intangible assets | **1.0** | 0.7 |
| Total | **15.3** | 1.1 |

**21. Related parties**

There were no transactions with related parties during the years ended 31 December 2020 and 2019 that materially impacted the financial position or performance of the Group

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

**22. Events after the reporting date**

**Acquisition of Junglee Games**

In January 2021, the Group completed the acquisition of an initial 50.1% stake in Junglee Games (‘Junglee’), an Indian online rummy operator, for US$66.2m (£48m).

Junglee is a top 3 player in the legal Indian online rummy market. Based on its December 2020 run-rate, Junglee would generate annualised gross revenue of circa £50m in a full year. The Group sees good potential to further develop Junglee’s product offering, including its recently launched daily fantasy sports product, leveraging the Group’s capabilities in this area. The Group has put in place arrangements that could see its ownership in the business increase to 100% in 2025.

The acquisition-date fair value accounting had not been completed as at 1 March 2021.