

Chief Executive Officer's review

Respect, innovation, progression



We remain confident of strong performance in 2017 driven by both organic growth and the acquisitions made in 2016.

Mor Weizer
Chief Executive Officer

Our results

48%

Revenues from regulated markets
(2015: 47%)

10

Ten new customer wins

33%

Of software revenues from mobile

€296m

Returned to shareholders

Overview: executing on our strategy

I am proud to report that 2016 saw Playtech deliver on its operational and strategic objectives.

The double-digit growth reported in the Gaming division at the half year has continued into the second half including the announcement of new licensees, new content and features for customers and important long-term renewals. The repositioning of our Financials division also produced an encouraging performance in the second half of the year.

Playtech has continued to successfully execute its strategy of acquiring complementary businesses, including enhancing our omni-channel offering and adding further premium content, with the acquisitions of BGT, Quickspin and ECM. In addition, the acquisition of Eyecon post the period end further strengthens Playtech's position and extending its reach into new areas. The acquisition of CFH in November significantly enhanced Playtech's B2B offering in the Financials division.

Our balance sheet strength and continued substantial cash generation enabled us to execute the two cornerstones of our strategy, firstly to continue the programme of strategic acquisitions to further strengthen our market leading position, and secondly to focus on shareholder returns by returning €150 million through a special dividend and launch a €50 million share buyback programme in 2016. This commitment was underlined by the move to a progressive dividend policy to provide shareholders with more certainty and consistency of dividend payments.

Gaming division

Overview

The Gaming division delivered another strong year achieving 21% reported revenue growth at constant currency, with a good contribution from existing and new customers.

Licensees

I am pleased to report that operationally Playtech had a strong 2016 from an operational perspective, achieving one of our key strategic objectives of 'locking-in' future growth for the business.

This year saw the launch of several important customers including Pokerstars, Sun Bingo, Mr Green, Maxbet, Win2day and Victor Chandler with further significant new licensees signed in 2016 including Fortuna and others still to launch. In total, more than ten new licensees launched in the year with a number of relationships already secured and expected to go-lives in 2017.

The strength of Playtech's offering and commitment to its licensees is clearly evidenced by the length of its relationships with its customers. Many important agreements were renewed in 2016 and the beginning of 2017 with nine out of Playtech's top ten licensees now on long-term contracts, including Paddy Power Betfair, William Hill, Rank and Betfred.

While we have been successful in extending relationships into new verticals and new geographies, due to regulatory changes in Europe, Latin America and elsewhere, we are seeing a fundamental change in the type of licensees we do business with. Given our experience of regulated and newly regulated markets, Playtech is seeing an increase in early stage customers in new or emerging regulatory regimes. Over a short period, as the new regulatory framework is being introduced, these operators become amongst the largest and best performing online operators in the new markets.

As most retail gaming operators lack the operational capabilities required to successfully operate an online gaming arm they seek a strong technology partner. In many cases, they often also lack the digital infrastructure to support their retail arm, and through its unique omni-channel solution, Playtech is the obvious choice to provide better CRM, technology, premium products and a best of breed operational skills, expertise and capabilities. Accordingly, Playtech remains focused on regulated and newly regulated jurisdictions.

Our pipeline of new licensees and structured agreements remains strong, driven by newly regulated and soon-to-be-regulated markets. We have relationships with the leading retail gaming operators in every commercially viable jurisdiction and expect the regulatory shift identified several years ago, to continue being the Company's largest growth opportunity.

Customer concentration

As outlined at the half-year results, in future we will be presenting customer concentration on a new basis to more accurately reflect the reality of how we operate.

Historically we have presented our largest licensee as a single customer. However, this licensee is a licensed distributor for many smaller licensees who sit beneath the distributor. The aggregator model is common in Asia and used by different B2B and services providers. Playtech has always used licensed distributors and local companies to establish itself across the region given the importance of understanding the culture and the importance of having the right partner – not just any partner.

This model serves us well as it provides us with access to local gaming specialists who truly understand the culture, the key people and the most relevant potential operators. They ensure that all operators go through a strict due diligence process and that they maintain all relevant permits and licences as well as serve them locally by using local personnel who share the same languages and culture.

Following the reclassification at the half year the revenue from our top five licensees stood at 36% compared to 42% at the 2015 year end. The trend of diversification in our customer base continued from the previous year at all levels, with the top 15 licensees accounting for 66% of revenues, down from 73% at the 2015 year end.

Chief Executive Officer's review continued

Regulated markets

Our focus remains on regulated markets which represent the future of our ever-evolving industry. During the period we continued to strengthen our position and extend our reach in regulated markets by supporting the organic growth of our customers in the UK, Italy, Spain, Denmark and Finland. Additionally, we established our presence in newly regulated markets such as Mexico, Bulgaria and Romania working with existing and new retail gaming companies.

Regulated revenues in the Gaming division grew both in absolute terms and as a percentage of total revenues despite strong growth in soon and yet to be regulated markets and a weaker Sterling. Looking forward to 2017, we will see the percentage of revenues from regulated markets further improve. This will be predominantly driven by the continued growth of our licences in regulated markets, as operators reallocate their marketing budgets and focus on regulated and soon to be regulated markets, and also within Playtech we will see the full-year impact from Sun Bingo, BGT, ECM and Eyecon.

The strong momentum that we experienced in recent years is expected to continue as Playtech benefits from the growth of its customers and signs new licensees in regulated markets. In addition, a significant number of countries are well advanced in their legislation processes across Europe, Latin America and elsewhere while other important markets are considering regulating in the coming future.

Playtech ONE: omni-channel offering

Playtech ONE is the industry's only true integrated omni-channel offering. Playtech ONE allows operators to develop a seamless inclusive approach to channels, products and platforms. A true, commercial omni-channel offering is not just an integrated solution connecting products or games delivered to customers or the same games offered across different channels. Instead, omni-channel is a comprehensive solution that shares the same infrastructure and CRM (through Playtech's IMS) across retail, web and mobile environments, allowing a seamless journey between the different channels, products and platforms as well as cross platform functionality improving the offering to players and creating an eco-system that incentivises the players to remain loyal to the operators. The one CRM and infrastructure provides operators with a single view across all customer activity and allows them to tailor promotions and bonuses across channels and verticals. It also provides operators with the ability to deliver a fully personalised offering and successfully target players through cross-product marketing.

Our proven track record of working with operators in regulated markets demonstrates that there is an overlap in the demographics of retail and online, that traditional retail customers playing online are more valuable; and that the acquisition costs associated with such players are far lower when compared to direct acquisition channels. A number of operators have been pre-occupied in recent years with the digitalisation of retail, concentrating on taking retail online, in reality retail and online form part of one experience and channel for customers. Accordingly, we believe that an omni-channel solution will inevitably be implemented by most retail businesses that have or intend to launch an online gaming arm.

We truly believe that the convergence between retail and online is inevitable due to the combination of two factors – the fact that a large number of retail gaming businesses still operate legacy systems that do not fit players' demand and more than ever understand the importance of digitising their retail infrastructure. In addition, the significant opportunity in the online space capitalising the investments made into the brand that usually comes with better cash conversion due to lower capex and opex investments and better margins.

Mobile

Across all verticals mobile continues to be a key driver of increased player activity with revenues from mobile accounting for 33% of overall software revenues, an increase of 50% on the same period last year.

Importantly Playtech saw an 80% increase in Gaming mobile penetration during the year. With increases across all verticals except for Sports, with the Sports figure affected by the previously disclosed loss of certain Mobenga contracts and the inclusion of BGT in the second half. Unsurprisingly given the maturity of the UK gaming market and the quality of its mobile networks, there still exists a material difference between the UK and the rest of the world, with mobile accounting for 54% of UK software revenues, but only 24% for the rest of the world. This highlights not only how developed the UK market is, but also the significant opportunity in other parts of the world.

Mobile remains an important element of omni-channel and is an integral part of every development cycle for our products alongside retail and web. Accordingly, we have reorganised internally to ensure we streamline the development lifecycle to include a sophisticated mobile solution that includes native apps and not just HTML5 or an HTML5 based solution as most other companies do.

Product

Playtech continues to lead innovation and can deploy unmatched research and development resources, all of which is available to our licensees.

Live casino

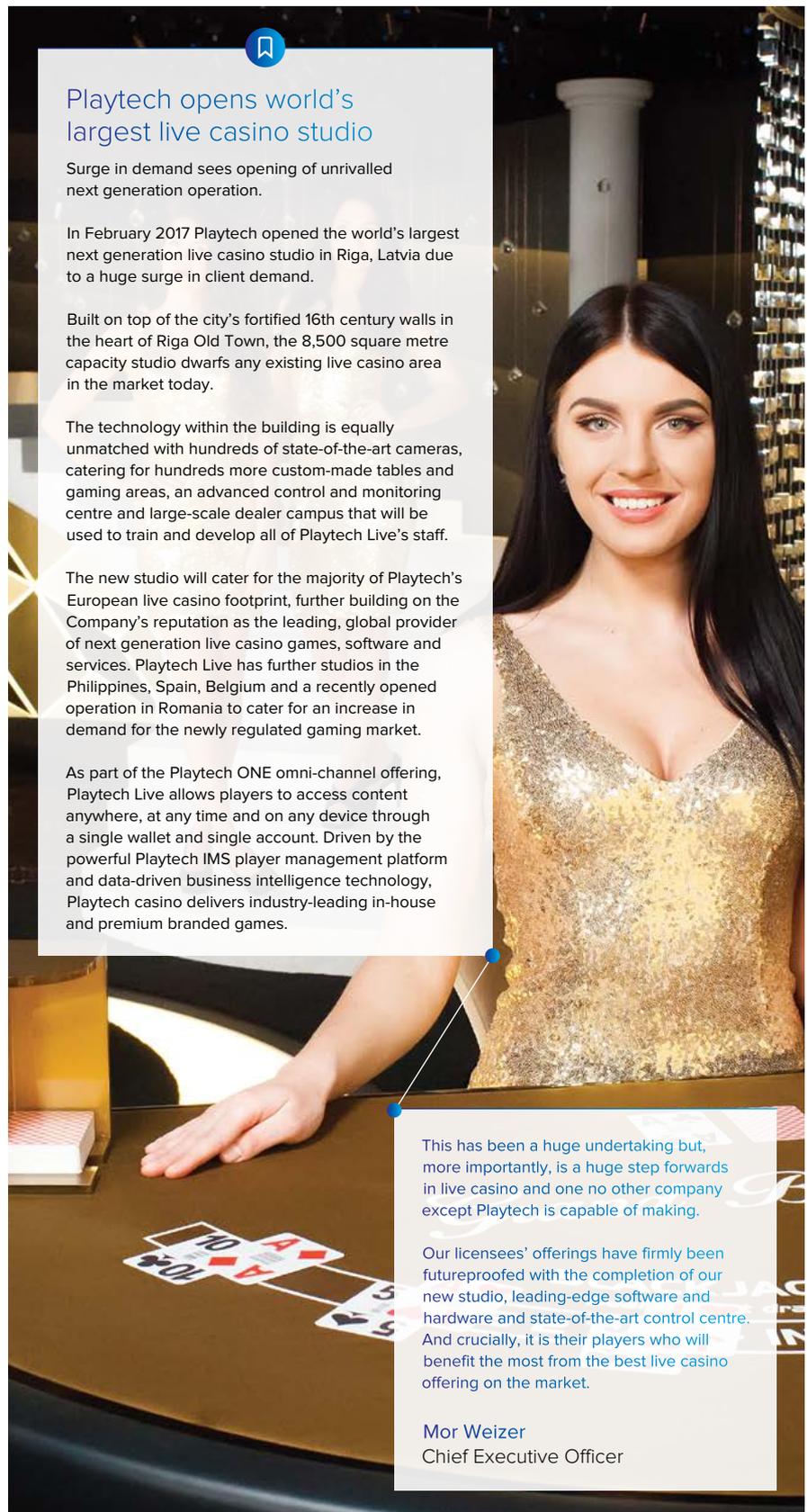
Playtech remains focused on live casino given the strong growth we have seen across all our licensees. We believe positive momentum will continue in 2017 and beyond and have continued to develop our live casino offering. Throughout the year new launches and releases have included innovative concepts, games and features, as well as never-before-seen real native apps that prove to be very successful and appealing to customers. We have also continued to develop our relationships with customers and worked closely to ensure success and accelerated growth in their live casino operations.

In early 2017 Playtech revealed its latest ground-breaking Augmented Reality experience within a spectacular Age of the Gods™ Live environment.

The augmented reality roulette – themed around Playtech's smash-hit suite of Age of the Gods™ games and due to be launched later this year – uses the latest augmented reality technology to significantly heighten the live experience with 3D graphics that can be configured to suit any operator requirements, players experience a range of visuals depending on the outcome of each game round.

The game concept is aimed at not only creating a next generation gaming experience, but also giving Playtech licensees greater flexibility and further opportunities to cross-sell to a new demographic of player who would either have not previously considered or who could potentially re-connect to live casino.

In addition, we also opened two new Live studios in the past few months in Latvia and Romania due to the high levels of customer demand.



Playtech opens world's largest live casino studio

Surge in demand sees opening of unrivalled next generation operation.

In February 2017 Playtech opened the world's largest next generation live casino studio in Riga, Latvia due to a huge surge in client demand.

Built on top of the city's fortified 16th century walls in the heart of Riga Old Town, the 8,500 square metre capacity studio dwarfs any existing live casino area in the market today.

The technology within the building is equally unmatched with hundreds of state-of-the-art cameras, catering for hundreds more custom-made tables and gaming areas, an advanced control and monitoring centre and large-scale dealer campus that will be used to train and develop all of Playtech Live's staff.

The new studio will cater for the majority of Playtech's European live casino footprint, further building on the Company's reputation as the leading, global provider of next generation live casino games, software and services. Playtech Live has further studios in the Philippines, Spain, Belgium and a recently opened operation in Romania to cater for an increase in demand for the newly regulated gaming market.

As part of the Playtech ONE omni-channel offering, Playtech Live allows players to access content anywhere, at any time and on any device through a single wallet and single account. Driven by the powerful Playtech IMS player management platform and data-driven business intelligence technology, Playtech casino delivers industry-leading in-house and premium branded games.

This has been a huge undertaking but, more importantly, is a huge step forwards in live casino and one no other company except Playtech is capable of making.

Our licensees' offerings have firmly been futureproofed with the completion of our new studio, leading-edge software and hardware and state-of-the-art control centre. And crucially, it is their players who will benefit the most from the best live casino offering on the market.

Mor Weizer
Chief Executive Officer

Chief Executive Officer's review continued

Live casino continued

Built on top of the city's fortified 16th century walls in the heart of Riga Old Town in Latvia, the 8,500 square metre capacity studio dwarfs any existing live casino area in the market today. The technology within the building is equally unmatched with hundreds of state-of-the-art cameras, catering for hundreds more custom-made tables and gaming areas, an advanced control and monitoring centre and large-scale dealer campus that will be used to train and develop all of Playtech Live's staff. Every inch of the new operation has been conceptualised, designed and delivered with a future-first approach with all Playtech Live common and Live dedicated licensee areas remodelled to accommodate the latest software and hardware presenting players with the ultimate, never-before-seen gaming experience.

The second studio, a state-of-the-art live casino studio facility in Bucharest, Romania will cater for demand in licensees in the newly regulated Eastern European country.

New content

We launched over 55 new games in the year, including the innovative and exciting Age of the Gods™ suite, a great addition to our own industry leading game intellectual property. This has been a highly successful launch and has been very popular with licensees and is based on an extensive data analysis ahead of the game's development to ensure its appeal to customers.

Playtech's scale also allows it to launch branded content. After the period end, in February 2017 Playtech signed its largest ever, multi-year, exclusive branded games content deal with Warner Bros. Consumer Products, on behalf of DC Entertainment, to license and develop an extensive catalogue of iconic DC-branded film and television properties into leading omni-channel casino games, with the deal being announced at the start of ICE 2017. Drawing from the worlds of such Warner Bros. Pictures titles as Batman v Superman: Dawn of Justice, The Dark Knight Trilogy, Suicide Squad and the Studio's upcoming action adventure Justice League, Playtech, the world's leading gaming content and software, systems and services supplier, will develop a series of omni-channel DC-branded slot, bingo and roulette games, available across multiple channels and devices.

As a result of extensive development during 2016 Playtech launched post period end an industry first new slot game, Tiki Paradise, that rewards customers with unique enhanced experiences, features and bonuses through the use of omni-channel play.

Launched across all channels and devices with Coral throughout its 1,800 shop estate, Tiki Paradise is a true omni-channel game that rewards players as they unlock enhanced features and functionality by playing in-shop, online and on mobile, made possible due to Playtech's cutting-edge platform technology and unified system that enables cross-channel play.

Given the first feedbacks and performance we are confident that omni-channel content will play a key role in the success of our omni-channel approach and will become a necessary and important element of the offering provided by retail and online operators delivering a single coherent user experience across retail, online and mobile. The game is equally beneficial to the licensees as it both increases omni-channel sign ups and incentivises the players to remain loyal to the brand within the ecosystem created between retail and online in the most efficient and responsible way. The launch of Tiki Paradise is the first of a series of new omni-channel games expected to launch in the coming months.

Gaming division performance by vertical

Casino

Casino, Playtech's flagship offering, continues to go from strength to strength, with revenue increasing 23% on a constant currency basis in 2016. Casino contributed €354.6 million to reported revenues in 2016, with mobile revenues seeing a 113% increase in mobile penetration.

This exceptional performance was driven by a mixture of existing and new business, including growth from UK customers such as Ladbrokes, Sky and BGO, with a particularly strong performance from both Live and Asia, where we have added new customers as well as improved our commercial terms.

The casino offering is at times mistakenly regarded as casino games offered on operators' sites under the casino tab while the Playtech casino platform is a lot more. Integrated with the Playtech infrastructure and information management system the Playtech casino platform provides online casino operators with the most advanced and sophisticated feature-rich solution that allows operators to better control their offering.

Playtech's cutting-edge casino platform enables operators to maximise player value by offering a full suite of real-time player incentives and engagement tools. The platform allows for industry standard bonusing, such as deposit match bonuses, together with more sophisticated mechanics, including automated cashback, free-spins, golden chip (for table and card games) and game play bonuses. All these promotional methods can be controlled and configured by the operator, allowing for stringent liability and monetary control. To illustrate the platform's sophistication, gameplay bonuses allow the operator to incentivise players based on the outcome of a specific hand of black jack or spin of a roulette wheel. All promotional types can be triggered by a player event, but Playtech has also developed the ability to automate some of the player journeys by developing business intelligence (BI) algorithms to trigger the qualification of such incentives. Furthermore, players can be targeted with personalised login/logout messages and communications, segmented cross-promotion messages in-game and, 'game adviser,' possibly one of the system's most effective tools. Game adviser is a real-time BI driven recommendation engine that suggests other games the player might be interested in, dependent on many game-specific variables, including volatility, win hit frequency and win distribution.

During the period, we invested heavily into the entire casino platform and focused on its key strength as the largest distributor of games. With its unrivalled knowledge and experience of omni-channel game content, Playtech has built a ground-breaking new games platform that will change the way slot games are built, tested, certified, delivered and distributed. Our revolutionary platform uses a modelling approach instead of a coding approach, resulting in faster development and more cost-effective casino content delivery than ever before.

This unified approach to rapid omni-channel game deployment enables operators seeking differentiation and customisation to integrate bespoke games in record time and under budget.

The new games platform technology is now being rolled out across a number of Playtech's content creation units and, looking ahead, it positions Playtech as not only the world's leading software and platform provider, but also a true pioneer and world leader in games content creation.

Services

Services grew 4% in the full year on a constant currency basis, in line with the growth reported at the half year, reflecting the continued transition from .com to regulated revenue streams strengthened through the white-label offering, resulting in a higher proportion of regulated revenues for this vertical.

The significant efficiencies achieved at the beginning of 2016, changing the operational structure to localised operations in jurisdictions where we service our customers, will result in approximately €9 million of savings on an annualised basis, although investment in the business means that this will not simply drop through to the bottom line given the local investment required.

We are also making significant progress in certain markets such as Mexico and Spain, where we have established a broader relationship as part of structured agreements with local companies. This is an example of the opportunity in an increasing number of regulated jurisdictions and soon to be regulated markets, where well recognised retail brands intend to launch an online gaming arm, seek a strategic partner that can equip them with not only best of breed technology and products but a sophisticated tool box of online operational capabilities they usually lack. The success Playtech enjoyed in previous years and the successful launch of new partners in key markets we believe that the Services division will continue to see strong growth in the coming years and will play a key role in our future success.

Bingo

In line with the trend identified at the interim results, despite high levels of activity at the operator level, Bingo saw a small decline in revenue at constant currency for the full year. This was a result of continuing trend for increased bonusing from operators. As outlined previously this approach is part of an industry wide strategy to utilise bingo as an acquisition channel, cross-selling strategy driving further revenues into other verticals, predominantly casino. We believe this approach will strengthen Playtech's position in the long term as our Playtech ONE omni-channel offering will allow operators to successfully cross-sell across all products and all verticals.

Late in the year, the Company successfully migrated The Sun Bingo to the Playtech platform as part of an initial five-year relationship. While the technical migration was successful, the low quality of the data provided during the migration meant it required additional analysis to ensure that the information is correctly segmented into different types of VIPs to better utilise the customer base. The Sun Bingo brand remains amongst the best and strongest brands in the industry and continues to attract high levels of new players, and Playtech remains committed to ensure the success of The Sun Bingo through the delivery of better products, data analysis and services.

The end of 2016 and the start of 2017 also saw two significant acquisitions which have enhanced our Bingo and omni-channel offering.

ECM is highly regarded within the bingo industry and its extensive range of products is instrumental to the daily operation of retail bingo in the UK and the Republic of Ireland. Its systems provide key facilities for Main Stage Bingo, Cash Bingo, wide area linked gaming operations and front-of-house reporting. A complete customer support facility provides technical and repair services for all current and legacy products.

Eyecon, announced post the period end, is a further example of driving revenue across verticals. The acquisition strengthens Playtech's Bingo distribution network whilst offering industry leading slots content such as the Fluffy Favorites game and others which will all be available to Playtech bingo licensees.



Contributing to society

Playtech employees are sharing their knowledge, skills and expertise as a way of contributing to the long-term success of the communities where we operate. From mentoring to charitable initiatives to equipping more women to enter the technology industry. For instance, during 2016/2017, Playtech in the UK hosted a series of meetup groups on various technical subjects. These forums bring together Playtech employees, industry experts, professionals and customers from different communities in order to share knowledge and insights related to specific technical applications. In addition, the series enables participants to explore how the application of these technologies can improve business performance and team collaboration, while they are also able to explore career development opportunities within Playtech, as well as other sponsors or guest speakers at the events.

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Chief Executive Officer's review continued

Sports

Growth in Sports slowed in the second half of 2016 following the loss of the Mobenga contracts which came into effect at the end of H1. Ultimately performance for the full year increased 2% at constant currency, with the inclusion of BGT for much of H2 offsetting the loss of the contracts.

We believe that our approach to Sports is unique in the industry. Playtech is focusing on delivering an omni-channel sports solution to licensees. As we are seeing across all retail industries the convergence of e-commerce and physical retail is a two-way process. Playtech's omni-channel offering can offer a fully integrated retail, online and mobile solution allowing licensees to offer a seamless customer journey through online and in-store integration. As outlined above this allows retail operators to launch an online gaming arm in newly regulated markets, partnering with Playtech to utilise their retail base and footprint and become the largest and best performing online bookmakers in a relatively short period of time.

Accordingly, following the acquisition of BGT in July 2016, in November we launched the new Playtech BGT Sports division (PBS). The new division brings together Playtech Sports companies BGT, Geneity, Mobenga, Unilogic and Playtech's internal Sports Trading team and contains more than 600 employees. Playtech BGT Sports will provide a 'bricks-to-clicks' fully integrated sports betting technology solution based on Playtech's unique omni-channel platform. With Dr Armin Sagader appointed as CEO of the new division we believe that PBS will continue to revolutionise retail and online businesses alike.

Post the period end, PBS announced that it has signed a three-year agreement with OPAP, the leading Greek betting and lottery operator, for the supply of self-service betting terminals (SSBTs), relevant software and services, as well as the subsequent introduction of an Over-the-Counter (OTC) sports betting solution. Under the agreement, PBS will supply software and services for a combination

of full-sized SSBTs, as well as the recently launched compact SSBTs, with the initial roll-out of machines commencing in 2017 followed by the rollout of an OTC solution in 2018. PBS will provide a fully managed service to OPAP including trading and over 25,000 in-play markets.

Virtual sports

Working with Warner Bros. Studios the virtual sports product began life in the summer of 2015 using the most advanced systems and technology available today. Following almost a year-long process of exhaustive and record-breaking motion capture initiatives at Warner Bros. Studios and 3D design and modelling work at the Playtech Studios, both in the UK, Playtech virtual products using professional sportsmen and women in competition conditions and techniques and technology used in films such as Avatar, Godzilla and James Bond's Quantum of Solace, in order to capture hundreds of hours of movement and footage, the result of which is as close to the real game as anyone has ever achieved with compelling graphics, gameplay and extensive betting opportunities. All Playtech's virtual sports products are future proof and developed with tournament, matches and leagues in mind. Playtech also concentrated heavily on back-end simulation, ensuring real-life football, tennis and basketball was replicated from a gameplay, user experience and an odds and betting perspective.

The first half of 2016 saw the launch of a pioneering virtual product in 2016, including best ever virtual Tennis and a Virtual Sports Football Accumulator or Acca across all platforms, channels and devices. Replicating a real-life football Acca, the Virtual Sports Football Accumulator 'out of the box' product has been rolled out across 100 UK Coral shops with the potential to deploy it across 1,000 outlets in the next 12 months.

Land-based

Land-based increased markedly in 2016, primarily reflecting the revenues from BGT which were included from July 2016 onwards and the organic growth of what was referred to as land-based vertical. As discussed at the interim results in August 2016, it is worth noting that from 2017 onwards, the Land-based vertical will be removed with revenues from this vertical allocated into Casino, Sports, Bingo and Other as appropriate. Removing Land-based reflects the true omni-channel nature of our offering. Revenues from BGT will be included in the Sport vertical going forward. A detailed breakdown of the reallocation is on pages 39 to 40.

Poker

The online Poker market remains challenging with revenues down 17% for the fully year at constant currency. Playtech remains dedicated to the poker product, and we believe poker remains an important part of the full product offering of operators. However, it remains a low margin vertical and accordingly operators focus on investing in cross selling into casino. Notwithstanding, in some markets such as France where only sports betting and poker are allowed, poker remains a very valid product vertical. Playtech also gains from the natural conversion of certain players to the poker product. We also believe that Poker will continue to attract recreational players to the product and is utilising its cross-product expertise to develop new poker experiences such as an Age of the Gods™ themed poker experience.

Financials division

The year was a transformational one for Playtech's Financials division, which today finds itself at an inflection point following the re-positioning of the business and the structural changes in the industry. This necessitated Ron Hoffman to take full-time control of the business as its Chief Executive. Under Ron's leadership we anticipate the Financials division will capitalise on its position and realise the significant opportunities before it.

There has been continuous development in the regulatory landscape across different jurisdictions in the industry, including the UK and Europe. Tighter on-boarding controls have been imposed on brokers; there are now greater restrictions on marketing and promotions; companies are required to provide enhanced AML procedures; and, more recently, new leverage limitations were introduced.

In the face of this more demanding regulatory framework, the 2016 results reflect the full impact of the business transition completed in the first half of the year. Our experience of new regulatory frameworks learned in the Gaming division prompted improvements to our business model, including the cessation of relationships with Introducing Brokers and the decision to move from a salesperson-based approach to automated funnels for customer acquisition.

The second half of the year saw a significant improvement in the performance of the Financials division with a small improvement in revenues, encouraging KPIs and the benefits of cost reductions flowing through.

In the B2C Markets.com business, we have grown active customers by 7%. This reflects an improvement in the attrition rate and an increase in the attractiveness of Markets' platform, following its continued development and addition of further features, such as live trader's trends, more relevant notifications and personalised customer communications relevant to their trading history.

The performance improvement of Markets.com is even more visible in the number of first time depositors, which increased by almost 60% compared to the first half of the year. This reflects a significant growth trajectory, which we anticipate will translate into an increased number of active customers, increased revenues and EBITDA. These will be driven by efficient marketing initiatives through our unique media buying technology and automated customer acquisition funnels.

In November 2016, Playtech announced the acquisition of CFH, a technology company with products including a leading Straight Through Processing (STP) brokerage which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools. The acquisition significantly enhances Playtech's position as it continues to build a B2B offering within its Financials division. CFH's wholly owned subsidiary, CFH Clearing Limited is regulated by the Financial Conduct Authority (FCA) and Playtech received regulatory approval from the FCA as part of the acquisition process.

CFH is uniquely positioned in the market with \$1.5 billion in direct interbank credit lines with tier 1 banks, liquidity providers and prime brokers, including Barclays, Goldman Sachs, UBS, Jefferies and more.

We see significant opportunities following the acquisition, including enabling CFH customers to enjoy a deeper pool of liquidity and an expanded variety of tradable instruments. In addition, we see significant cross-selling opportunities to offer our unique trading platform, CRM and back office systems to a selective range of customers which will fit the relevant profile, increasing our market reach and cater for further stickiness with our customers.

The acquisition completed on 30 November 2016 meaning that €1.8 million of new revenue has been contributed to our consolidated accounts for 2016; and in 2017 CFH's contribution has met expectations, with a healthy pipeline of further customers to be on-boarded.

In summary, 2016 has seen our Financials division establish the foundations needed to capture future growth. We now have an efficient, compliant and competitive business model offering an industry leading B2B and B2C solution. This young industry is experiencing the development of appropriate regulation which will only improve the customer experience and our model is well placed to gain market share as the regulatory framework continues to evolve. As the industry continues to mature and non-compliant companies exit the sector the Financials division's unique B2C and B2B model of will create opportunities to play a potential role in industry consolidation.

M&A

We have been pleased with Group's M&A activity in 2016, having spent €240 million on acquisitions. After the period end, we spent a further initial consideration of £25 million (€29 million) on Eyecon.

Quickspin

In May Playtech announced the acquisition of Quickspin, a fast-growing Swedish games studio that develops and supplies high-quality video slots to operators, both in online real money gambling as well as in the social gaming market.

Headquartered in Stockholm, Quickspin's portfolio currently consists of over 20 games which the company provides to over 40 customers, including many international tier 1 operators. Quickspin generated revenue and Adjusted EBITDA of €6.0 million and €2.1 million respectively in the financial year ending 31 December 2015 and is forecast to grow significantly over the coming years, with a number of new customers recently secured and with a strong pipeline of both new customers and new games.

The acquisition provides Playtech with a proven virtual slot machine games portfolio, strengthening its position as the leading content provider in the industry, as well as providing greater penetration in the Nordic region. In addition to Quickspin's existing customer base, Playtech plans to cascade Quickspin's content through its existing distribution channels across all verticals.

Playtech will pay a maximum consideration of €50 million based on 2017 and 2018 EBITDA levels. The maximum consideration of €50 million comprises an initial payment of €24 million for 100% of the shares of Quickspin on a cash-free/debt-free basis with the remaining maximum consideration of €26 million payable on an earn-out basis by reference to Quickspin's EBITDA in 2017 and 2018.

The founders of the business, Daniel Lindberg (CEO), Joachim Timmermans (CPO) and Mats Westerlund (CCO), who are all industry veterans and highly regarded in the online gambling market, will remain with the business for at least three years from completion.

Chief Executive Officer's review continued

BGT

In July 2016, Playtech announced the strategic acquisition of Best Gaming Technology GmbH (BGT) for €138 million (for 90% of the issued share capital). The consideration was paid from Playtech's existing cash resources.

Headquartered in Vienna, BGT was founded in 2005 and is the leading provider of sports betting software and solutions for gaming and sports betting operators. Its customer base includes some of the most well established bookmakers in the UK and Spain, such as Betfred, Codere, Coral, Ladbrokes, Paddy Power Betfair and William Hill.

BGT's main product is its proprietary software for self-service betting terminals (SSBTs). Its offering combines class-leading technology with a digital terminal that transforms the traditional over-the-counter experience, at times generating more than double the volumes of other SSBT providers. Other products include ePOS and till systems for betting operators and an omni-channel web/mobile betting platform. In addition to supplying many of the most profitable bookmakers in the UK, the acquisition will enable Playtech to achieve greater penetration into the Spanish and Italian markets, with several significant potential new customers in the pipeline.

SSBTs and ePOS systems that digitise retail betting businesses form one of the fastest growing areas for betting companies and one of the most important elements of a true omni-channel offering given the priority and focus provided by the majority of retail operators many of which are bookmakers with sports being their core business. BGT's product portfolio will enhance the Playtech ONE omni-channel offering, which enables players to enjoy a seamless, anywhere-anytime gaming experience across any product, channel and device, all using a single account and wallet.

BGT's business model is based on a revenue share of the gross win margin from each SSBT. At the end of FY2016, BGT provided approximately 27,000 SSBTs with its betting software to licensed operators with this number forecast to increase significantly over the coming years, driven primarily by the roll-out of new SSBTs, compact terminals and tablets as bet entry devices as well as by increased usage of existing SSBTs.

Playtech acquired 90% of the issued share capital of BGT with the remaining 10% retained by Dr. Armin Sageder, BGT's founder and CEO, who will remain with BGT for at least three years from completion. Playtech has a call option to purchase the remaining 10% of BGT at a valuation of 6x BGT's 2019 EBITDA, subject to maximum consideration of €55 million for the 10% holding, with Dr. Sageder having certain put options over his 10% holding at the same valuation. Dr. Sageder may also be entitled to an additional payment of €5 million subject to the achievement of certain operational milestones.

In FY2015, BGT generated revenues of €41.6 million, with all of these revenues coming from regulated markets; and over three quarters of revenues coming from the SSBT software segment. BGT generated Adjusted EBITDA of €12.9 million in FY2015 and €12.5 million of Adjusted EBITDA in the first six months of 2016. In 2015, BGT generated profit before tax of €6.0 million and had gross assets of €35.9 million as at the year end.

Playtech acquired BGT on a forecast 2016 EBITDA multiple of less than 7x, a highly attractive multiple for an asset of this quality, which has a track record of significant growth and which is expected to continue to achieve significant growth going forwards in both revenues and profit, including margin expansion. The acquisition is expected to generate high single-digit earnings accretion for Playtech in the first full year of ownership.

The acquisition of BGT was central to the foundation of Playtech BGT Sports in November this year which combined BGT, Geneity, Mobenga, Unilogic and Playtech's internal Sports Trading team.

ECM

In October 2016 Playtech acquired bingo software and hardware solutions provider ECM Systems (ECM). ECM supplies software and support services to the UK retail bingo market, including major operators Gala Leisure, Mecca Bingo and the leading independent bingo operators.

ECM is highly regarded within the bingo industry and its extensive range of products is instrumental to the daily operation of retail bingo in the UK and the Republic of Ireland. Its systems provide key facilities for Main Stage Bingo, Cash Bingo, wide area linked gaming operations and front-of-house reporting. A complete customer support facility provides technical and repair services for all current and legacy products.

Given the inevitable change across the gaming industry bingo operators had to revamp and digitize their retail offering. Accordingly, the last few years have seen ECM invest in expanding its digital strategy. As a result, ECM is the leading provider and licensor of digital bingo software for a wide range of handheld tablets known as Electronic Bingo Terminals (EBT), and this generates a significant proportion of its revenues. The digitisations of the bingo halls together which is based on the ECM infrastructure and technology will serve Playtech well and will allow it to integrate ECM into Playtech world's largest bingo network and offer a true omni-channel that will not only provide better tools to the bingo hall operators as they use one single set of integrated infrastructure but will also provide a seamless journey and better experience across the different channels.

The acquisition of ECM positions Playtech at the forefront of the retail bingo market in the UK. It also empowers Playtech to provide omni-channel solutions to the bingo operators by connecting their retail and online operations as well as providing a platform to supply Playtech content.

For FY2016, ECM reported revenues of £9.1 million and Adjusted EBITDA of £4.5 million. Playtech has paid approximately £14.9 million for 90% of the issued share capital of ECM. The remaining 10%, which is subject to put and call options capped at £1.1 million, is held by Allen Richardson who will remain as CEO of the business for the next three years.

CFH

November this year saw the Playtech Financials division announce the acquisition of Consolidated Financial Holdings A/S (CFH) for an initial consideration of €39.8 million for 70% of CFH's diluted share capital. The remaining 30% will be subject to put and call options between Playtech and CFH's management team, who are remaining with the business, and which can be exercised in 2019. CFH is a technology company with products including a leading Straight Through Processing (STP) brokerage which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools. CFH's wholly owned subsidiary, CFH Clearing Limited (CFH Clearing) was regulated by the Financial Conduct Authority and as a result of the acquisition Playtech received FCA regulatory approval.

Through its proprietary ClearVision technology, CFH's services to customers include providing liquidity control and customisation capabilities; real time risk management tools; and cloud-based back office.

CFH Clearing is one of the top STP venues in the world with award-winning liquidity services and \$1.5 billion in direct interbank credit lines with tier 1 banks, liquidity providers and prime brokers including Barclays, Goldman Sachs, UBS, Jefferies and BNP Paribas. Through its relationships with liquidity providers and prime brokers, CFH is currently able to offer liquidity on approximately 110 instruments.

CFH's revenue and Adjusted EBITDA generated for the year ended 31 December 2015 was \$19.2 million (€17.6 million) and \$5.7 million (€5.2 million) respectively.

As a result of the acquisition CFH will have access to the Playtech's Financials division's wide range of CFD instruments which CFH will be able to offer on its clearing system over time. Playtech will also allow CFH to offer a deeper pool of liquidity through the addition of intra group liquidity arrangements, enabling more competitive prices and faster execution. Moreover, CFH will benefit from Playtech's leading technological superiority to further develop its offering and improve client experience.

The acquisition of CFH is a major step forward in the development of our financial division B2B offering given the hundreds of brokers CFH has a relationship with, an advanced sophisticated offering and technology, coverage of an enlarged number of instruments as well as the ability to provide an attractive liquidity pool.

Eyecon

Following the period end in February 2017, Playtech announced the acquisition of the entire issued share capital of Eyecon Limited and Eyecon Pty. Ltd (together 'Eyecon'), a specialist supplier of online gaming soft slots and a bingo slots specialist software to a number of bingo networks and other international operators for a maximum total consideration of £50 million.

Eyecon was founded in Brisbane, Australia in 1997 and is a specialist software supplier with a particular focus on bingo audiences with an established games portfolio of over 70 games, including the industry-leading soft gaming slot 'Fluffy Favourites'. Eyecon has also developed its own Remote Gaming Server (RGS) which enables it to distribute its content direct to operators and via distributors, such as the entire 888 bingo network including 888 own bingo brand and Virtue Fusion, Playtech's bingo network which integrated only a selected few games so far with the intention to offer the entire portfolio of Eyecon games across the network for the benefit of its licensees and their customers, who will now have access to the same portfolio of Eyecon games offered elsewhere.

Eyecon currently derives almost all its revenue from the UK market and in line with Playtech's acquisition strategy, almost all of Eyecon's revenues are fully regulated. The addition of Eyecon's content portfolio strengthens Playtech's position as the leading content provider in this key market. In addition, Eyecon's proprietary RGS and distribution network will strengthen the penetration of Playtech's Virtue Fusion offering.

The maximum consideration of £50 million (c.€58 million) comprises an initial payment of £25 million (c.€29 million) on a cash free/debt free basis, representing a multiple of c.8x Eyecon's current run-rate EBITDA. An additional consideration of up to £25 million is payable on an earn-out basis of 6x Eyecon's EBITDA in the period to June 2019 (subject to certain adjustments) less the initial payment.

To assist in retaining the knowledgeable and specialist Eyecon team, its founder Scott Murray, has committed to remain with the business for at least three years.

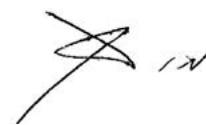
Current trading and outlook

Average daily revenue in the Gaming division for the first 51 days of Q1 2017 was up 27% on Q1 2016 (32% at constant currency) and up 11% on Q4 2016 (10% at constant currency). Excluding acquisitions, average daily revenue in the Gaming division for the first 51 days of Q1 2017 was up 9% on Q1 2016 (12% at constant currency) and up 11% on Q4 2016 (up 10% at constant currency).

The Financials division has performed in line with expectations in 2017 to date. Markets.com KPIs continue to be encouraging against a backdrop of low volatility and CFH continues to perform well with B2B volumes in line with expectations.

Playtech continues to focus on M&A to augment organic growth and its M&A pipeline remains healthy.

Given the progress we have made in 2016, delivering on our strategic objectives, we remain confident of strong performance in 2017 driven by both organic growth and the acquisitions made in 2016.



Mor Weizer
Chief Executive Officer

22 February 2017