UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

or

x **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019
Commission File Number 001-37403

The Stars Group Inc.
(Exact name of Registrant as specified in its charter)

Ontario	7370	98-0555397
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

200 Bay Street, South Tower, Suite 3205
Toronto, Ontario, Canada
M5J 2J3
+1 (437) 371-5742
(Address and telephone number of Registrant's principal executive offices)

Stars Group Services USA Corporation
DCOTA Office Center
1855 Griffin Road, Suite C450
Dania Beach, FL 33004
+1 (437) 371-5742
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	TSG	The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

For annual reports, indicate by check mark the information filed with this Form:

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by this annual report.

The Registrant had 288,564,432 Common Shares outstanding as at December 31, 2019

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes x No o

Indicate by check mark whether the Registrant is an emerging growth company, as defined in Rule 12b-2 of the Exchange Act. Emerging Growth Company o

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. o

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Cautionary Statement Regarding Forward-Looking Statements

Certain information and statements in this Annual Report on Form 40-F and the exhibits attached hereto (this "Annual Report") of The Stars Group Inc. (the "Registrant") may constitute forward-looking information and statements (collectively, "forward-looking statements") within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable securities laws. Forward-looking statements are subject to risks, uncertainties and contingencies that could cause actual results to differ materially from those expressed or implied. Investors are cautioned not to put undue reliance on forward-looking statements. Applicable risks and uncertainties include, but are not limited to, those identified under the heading "Risk Factors and Uncertainties" in the Registrant's Annual Information Form for the year ended December 31, 2019 (the "2019 AIF") and "Risk Factors and Uncertainties" and "Non-IFRS Measures, Key Metrics and Other Data" in the Registrant's Management's Discussion & Analysis for the year ended December 31, 2019 (the "2019 MD&A"), attached as Exhibits 99.1 and 99.3 to this Annual Report, respectively, and in other filings that the Registrant has made and may make with applicable securities authorities in the future. Additionally, the safe harbor provided in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended, applies to forward looking information provided pursuant to "Off Balance Sheet Arrangements and Related Party Transactions" and "Tabular Disclosure of Contractual Obligations" in this Annual Report. Please also see "Caution Regarding Forward-Looking Statements" in each of the 2019 AIF and 2019 MD&A. Each forward-looking statement speaks only as of the date hereof, and the Registrant undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Disclosure Controls and Procedures

The disclosure provided under the headings "Disclosure Controls and Procedures and Internal Control Over Financial Reporting—Disclosure Controls and Procedures" and "—Limitations on Effectiveness of DC&P and ICFR" included in the 2019 MD&A is incorporated by reference herein.

Management's Annual Report on Internal Control Over Financial Reporting

The disclosure provided under the headings "Disclosure Controls and Procedures and Internal Control Over Financial Reporting—Management's Annual Report on Internal Control Over Financial Reporting", "—Changes to Internal Control Over Financial Reporting" and "—Limitations on Effectiveness of DC&P and ICFR" included in the 2019 MD&A is incorporated by reference herein.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Registrant's internal control over financial reporting has been audited by its independent external auditor, Deloitte LLP, London, United Kingdom ("Deloitte"), the registered public accounting firm that also audited the Registrant's audited consolidated financial statements for the year ended December 31, 2019, attached as Exhibit 99.2 to this Annual Report (the "2019 Financial Statements"). Deloitte's attestation report on the Registrant's internal control over financial reporting as of December 31, 2019 is included in the 2019 Financial Statements and is incorporated by reference herein.

Changes in Internal Control over Financial Reporting

The disclosure provided under the heading "Disclosure Controls and Procedures and Internal Control Over Financial Reporting—Changes to Internal Control Over Financial Reporting" included in the 2019 MD&A is incorporated by reference herein.

Identification of the Audit Committee and Audit Committee Financial Expert

The disclosure regarding the Registrant's audit committee and audit committee financial expert provided under the heading "Directors and Officers—Audit Committee" included in the 2019 AIF is incorporated by reference herein.

Code of Ethics

The Registrant has adopted a "code of ethics" (as defined in paragraph (9) of General Instruction B to Form 40-F), known as its Code of Business Conduct (the "Code"), that applies to all directors, officers and employees, including its principal executive officer, principal financial and accounting officer, controller and persons performing similar functions, and has posted a copy of the same to its website at www.starsgroup.com. See also the 2019 AIF under the heading "Directors and Officers—Ethical Business Conduct".

To the extent the Registrant is required by paragraph (9) of General Instruction B to Form 40-F to disclose any amendments to or waivers of the Code, it may do so by providing the applicable information on its website at www.starsgroup.com within five business days following the date of the amendment or waiver, as permitted by the notes to paragraph (9) of General Instruction B to Form 40-F.

Principal Accountant Fees and Services

The disclosure regarding audit, audit-related, tax and all other fees billed to the Registrant in each of the last two fiscal years by the Registrant's principal accountant and certain audit committee pre-approval policies and procedures provided under the headings "Directors and Officers—External Auditor Service Fees" and "Directors and Officers—Audit Committee—Pre-approval Policies and Procedures", respectively, included in the 2019 AIF are incorporated by reference herein.

Off Balance Sheet Arrangements and Related Party Transactions

The disclosure provided under the heading "Off Balance Sheet Arrangements and Related Party Transactions" included in the 2019 MD&A is incorporated by reference herein.

Tabular Disclosure of Contractual Obligations

The tabular and certain other disclosure regarding the Registrant's contractual obligations as of December 31, 2019 provided under the heading "Liquidity and Capital Resources—Contractual Obligations" included in the 2019 MD&A is incorporated by reference herein. For a discussion of the Registrant's other contractual obligations, see the 2019 MD&A.

Corporate Governance Practices

The Registrant believes that its corporate governance practices are consistent in all material respects with the applicable requirements of the corporate governance guidelines established by the Canadian Securities Administrators, the applicable corporate governance rules of the Toronto Stock Exchange and the NASDAQ Stock Market LLC (the "NASDAQ Rules") and the applicable rules and regulations of the SEC. Disclosure of the NASDAQ Rules that the Registrant does not follow and a brief statement of the home country practices it follows in lieu of such NASDAQ Rules, in each case as permitted thereunder, are available on the Registrant's website at www.starsgroup.com.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

A Form F-X signed by the Registrant and its agent for service of process was previously filed with the SEC on May 26, 2015, and amended on January 20, 2017, August 11, 2017 and December 21, 2018, in connection with the Registrant's registration statement on Form 40-F with respect to its Common Shares.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: February 27, 2020

THE STARS GROUP INC.

By:	/s/ Brian Kyle
Name:	Brian Kyle
Title:	Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Annual Information Form for the year ended December 31, 2019
99.2	Audited Consolidated Financial Statements for the year ended December 31, 2019
99.3	Management’s Discussion & Analysis for the year ended December 31, 2019
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002
99.6	Certification of Chief Executive Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
99.8	Consent of Deloitte LLP, London, United Kingdom
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Exhibit 99.1

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED
December 31, 2019

February 27, 2020

TABLE OF CONTENTS

EXPLANATORY NOTES

The information contained in this annual information form is as of December 31, 2019 unless otherwise indicated, and unless the context otherwise requires, references to "The Stars Group", the "Corporation", "it", "its" or similar expressions refer to The Stars Group Inc. and its consolidated subsidiaries, or any of them. This annual information form should be read in conjunction with the information contained in The Stars Group's audited consolidated financial statements and related notes for the year ended December 31, 2019 (the "2019 Annual Financial Statements") and the Management's Discussion and Analysis thereon (the "2019 Annual MD&A").

All references in this annual information form to "dollars", "US$" and "$" are to U.S. dollars, "CDN$" are to Canadian dollars, "€" are to Euros, "£" are to British pound sterling and "AUD" or "AUD$" are to Australian dollars. The Corporation has certain proprietary or contractual rights to certain company names, product names, trade names and trademarks used in this annual information form that are important to its business, including *The Stars Group*, *PokerStars*, *Sky Bet*, *BetEasy*, *FOX Bet* and those brands listed under the heading "Business of the Corporation–Overview". The Corporation has omitted the registered trademark (®) and trademark (™) symbols and any other related symbols for such trademarks and all related trademarks, including those related to specific products or services, when used in this annual information form. All other names and trademarks are the property of their respective owners. For the purposes of this annual information form, unless context requires otherwise or otherwise defined, all references in this annual information form to "gaming" include all online gaming (e.g., poker, casino and bingo) and betting. As at the date of this annual information form, the Corporation has four major lines of operations: real-money online poker, real-money online betting (sometimes referred to herein as sportsbook or sports betting), real-money online casino and, where applicable, bingo (sometimes referred to collectively as casino and/or gaming), and other gaming-related revenues, including revenues from social and play-money gaming, live poker events, branded poker rooms, *Oddschecker* and other nominal sources of revenue.

Unless otherwise indicated, information contained in this annual information form concerning The Stars Group's industry and the markets in which it operates, including its perceived trends and market position, opportunity and size, is based on information from various sources, on The Stars Group's and its management's assumptions and on its knowledge of the markets for its products and services. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. The Stars Group has not independently verified any third-party information and cannot assure you of its accuracy or information. While The Stars Group believes the industry and market information included in this annual information form is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of The Stars Group's future performance and that of the industry in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the caption "Risk Factors and Uncertainties" in this annual information form. These and other factors could cause results to differ materially from those expressed in the estimates made by third parties and by The Stars Group.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This annual information form contains certain forward-looking information and statements (collectively, "forward-looking statements") within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable securities laws, including statements relating to certain expectations, projections, growth plans, new or improved product introductions, market expansion efforts, and other information related to The Stars Group's business strategy and future plans. Forward-looking statements can, but may not always, be identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "would", "should", "believe", "objective", "ongoing", "imply", "assumes", "goal", "likely" and similar references to future periods or the negatives of these words and expressions and by the fact that these statements do not relate strictly to historical or current matters. These forward-looking statements are based on management's current expectations and are subject to a number of risks, uncertainties and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect The Stars Group and its customers and industries. Although The Stars Group and management believe that the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements.

Actual results and developments are likely to differ, and may differ materially, from those anticipated by The Stars Group and expressed or implied by the forward-looking statements contained in this annual information form. Such statements are based on a number of assumptions and risks which may prove to be incorrect, including assumptions about:

- the Corporation's ability to secure, maintain and comply with all required licenses, permits, approvals and certifications to offer and market its product offerings in the jurisdictions where the Corporation is currently doing business or intends to do business;
- the anticipated regulation or prohibition of online gaming or activities related to or necessary for the operation and offering of online gaming in various jurisdictions;

- the overall business and economic conditions;
- the expected taxes to be imposed on the Corporation's revenue streams, including but not limited to, gaming duty and value-added taxes ("VAT") on gaming revenue;
- the competitive environment;
- the potential financial opportunity of the Corporation's addressable markets;
- the potential financial opportunity of contracts signed by the Corporation with third parties;
- the protection of the Corporation's current and future intellectual property rights;
- the risks associated with advancements in technology, including artificial intelligence, and the risks associated with technology infrastructure, cyber security and cyber attacks;
- the Corporation's ability to recruit and retain the services of its key technical, sales, marketing and management personnel;
- the Corporation's ability to develop commercially viable product offerings as a result of its research and development ("R&D") activities;
- the Corporation's ability to obtain additional financing on reasonable terms or at all;
- the Corporation's ability to integrate acquisitions and generate synergies;
- the anticipated outcome of litigation, proceedings or investigations involving the Corporation;
- the impact of new laws and regulations in Canada, the United States, the United Kingdom, Australia or any other jurisdiction where the Corporation is currently doing business or intends to do business, particularly those related to online gaming or that could impact the ability to provide online gaming products and services; and
- the risks associated with the Combination (as defined below), completion thereof and the Corporation's rights, obligations and duties under the Arrangement Agreement (as defined below).

The assumptions above are not intended to represent a complete list of assumptions that could affect The Stars Group, and there can be no assurance that forward-looking statements will prove to be accurate as many factors could cause The Stars Group's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressly or impliedly expected or estimated in such statements, including the factors discussed under "Risk Factors and Uncertainties". Shareholders and investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Although The Stars Group cautions that the foregoing list of risk factors, as well as those risk factors presented under the heading "Risk Factors and Uncertainties" and elsewhere in this annual information form and in the 2019 Annual MD&A, including under the headings "Caution Regarding Forward-Looking Statements", "Non-IFRS Measures, Key Metrics and Other Data" and "Risk Factors and Uncertainties" therein, are not exhaustive, shareholders and investors should carefully consider them and the uncertainties they represent and the risks they entail. The forward-looking statements contained in this annual information form are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this annual information form describe The Stars Group's expectations as of February 27, 2020 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements for any reason, except as required by applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Jurisdiction of Incorporation

The Stars Group Inc. is a corporation governed by the *Business Corporations Act* (Ontario) (the "OBCA"). It was originally incorporated under Part IA of the *Companies Act* (Québec) on January 30, 2004 under the name 9138-5666 Québec Inc., changed its name to Gametronix Systems Inc. on May 14, 2007, Amaya Gaming Group Inc. on November 2, 2007, Amaya Inc. on November 28, 2014 and The Stars Group Inc. on August 1, 2017, when it filed its current articles of continuance and was continued under the OBCA. Since its incorporation, the Corporation has amended its articles on numerous occasions, including to change its name as noted above, and on (i) May 14, 2007 to subdivide its Class A shares, (ii) May 11, 2010 to (A) create an unlimited number of common shares (the "Common Shares") and an unlimited number of preferred shares, (B) re-designate Class A shares as Common Shares on the basis of 1.7756 Common Shares for each Class A share, (C) re-designate Class G shares as Common Shares on the basis of 100 Common Shares for each Class G share, and (D) eliminate all classes of shares except for Common Shares, (iii) July 30, 2014 to replace the then current class of authorized preferred shares with a new class of non-voting convertible preferred shares, called Class A Convertible Preferred Shares (the "Preferred Shares"), none of which are outstanding as of the date hereof, and (iv) November 28, 2014 to add certain provisions affecting the Common Shares to facilitate the Corporation's compliance with applicable gaming regulations.

The Corporation's head and registered office address is 200 Bay Street, South Tower, Suite 3205, Toronto, Ontario M5J 2J3, Canada, and the Corporation's telephone number is +1 (437) 371-5742. The Corporation's website address is www.starsgroup.com. The information contained on, or that can be accessed through, the Corporation's website is neither part of nor incorporated by reference into this annual information form. The Corporation has included its website address in this annual information form solely as an inactive textual reference.

Intercorporate Relationships

The activities of The Stars Group are conducted either directly or through its subsidiaries. The table below lists the principal subsidiaries of The Stars Group as at December 31, 2019, as well as their jurisdiction of organization. Each of the principal subsidiaries is wholly owned, directly or indirectly, by The Stars Group.

Name	**Jurisdiction Where Organized**
Stars Group Holdings Cooperative U.A.[1]	Netherlands
Stars Group Holdings B.V.	Netherlands
Stars Interactive Holdings (IOM) Limited	Isle of Man
Worldwide Independent Trust Limited	Isle of Man
Rational Entertainment Enterprises Limited	Isle of Man
Stars Interactive Limited	Isle of Man
RG Cash Plus Limited	Isle of Man
Rational Gaming Europe Limited	Malta
REEL Italy Limited	Malta
Hestview Limited	England and Wales
Bonne Terre Limited	Alderney
BetEasy Pty Limited	Australia

(1) The majority of assets held by this entity consist of a 100% equity ownership interest in Stars Group Holdings B.V.

The Stars Group has other subsidiaries, but the assets and revenues of such subsidiaries individually did not exceed 10%, and in the aggregate did not exceed 20%, of The Stars Group's consolidated assets or consolidated revenues as at and for the year ended December 31, 2019.

BUSINESS OF THE CORPORATION

Overview

The Stars Group 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. The Stars Group's primary business and source of revenue is its online gaming and betting business. This currently consists of the operations of Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "Stars Interactive Group"), which it acquired in August 2014, the operations of Cyan Blue Topco Limited and its subsidiaries and affiliates (collectively, "Sky Betting & Gaming" or "SBG"), which it acquired in July 2018 (the "SBG Acquisition"), and the operations of TSG Australia Pty Ltd and its subsidiaries and affiliates (collectively, "BetEasy"), which it acquired an 80% equity interest in between February 2018 and April 2018, and announced in December 2019 that it has agreed to acquire the remaining 20% interest (BetEasy acquired what was formally the William Hill Australia business in April 2018) (collectively, the "Australian Acquisitions" and together with the SBG Acquisition, the "Acquisitions"). Stars Interactive Group is headquartered in the Isle of Man and Malta and operates globally; SBG is headquartered in and primarily operates in the United Kingdom; and BetEasy is headquartered in and primarily operates in Australia.

Through these businesses, The Stars Group owns and operates gaming and related interactive entertainment businesses, such as online real-money betting (also sometimes known as sportsbook), casino and poker and play-money poker, casino and sports prediction games, which are delivered through mobile, including iOS and Android, web and desktop applications. The Stars Group offers these products and others 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*. The Stars Group 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 Stars Group's vision is to become the world's favorite iGaming destination and its mission is to provide its customers with winning moments.

The Stars Group has a customer-centric focus, which extends into its rewards and loyalty programs and initiatives. Understanding how to reward loyal customers and creating appropriate product offerings is critical to ensure a healthy product ecosystem. The Stars

Group has made, and may continue to make, changes to its pricing and incentives to ensure that they align with its objectives to reward customers for loyalty and behavior that is positive to the overall customer experience and the particular product's ecosystem. Examples of The Stars Group's innovative approach to player loyalty and rewards can be found across its offerings with the Stars Rewards program, Sky Bet Club and My Rewards in its international, United Kingdom and Australian business segments, respectively, which reward players with personalized promotions to enhance the player experience.

The Stars Group's growth and innovation plans in its online gaming and betting business are supported by its technology strategy. Management believes that The Stars Group's proprietary technology is highly scalable, customizable and resilient, and employs a variety of security and data integrity practices. Most elements of The Stars Group's betting and gaming technology are proprietary and controlled in-house, with selected use of third-party technology providers for certain elements. The Stars Group's robust and scalable proprietary technological ecosystem, such as its player account management system and suite of software products, allows it to operate in dozens of countries around the world, supporting approximately 30 languages and five currencies. Since inception, The Stars Group has invested significantly in its technology infrastructure to provide what it believes is a positive and enjoyable experience for its customers. This investment is focused on providing appealing product offerings to its customers, both in terms of the quality of the offerings and the user experience, and also with respect to data security and integrity across its offerings. The Stars Group dedicates nearly all its R&D investments to its online gaming business, which seeks to provide broad market applications for product offerings derived from its technology base, and it expects to continue investing significantly in R&D in an effort to constantly improve customer experience and engagement. To support its strong reputation for security and integrity, The Stars Group employs what it believes to be appropriate practices and systems with respect to various aspects of its technology infrastructure, including information and payment security, game integrity, customer fund protection, marketing and promotion, customer support, responsible gaming, loyalty programs, rebates and rewards (i.e., incentives).

Flutter Combination

On October 2, 2019, The Stars Group and Flutter Entertainment plc ("Flutter") entered into an arrangement agreement (the "Arrangement Agreement") providing for an all-share combination to be implemented through an acquisition of The Stars Group by Flutter pursuant to a plan of arrangement under the OBCA (the "Combination"). Under the terms of the Combination, shareholders of The Stars Group would be entitled to receive 0.2253 ordinary shares of Flutter in exchange for each Common Share. Immediately following completion of the Combination, shareholders of Flutter would own approximately 54.64 percent and shareholders of The Stars Group would own approximately 45.36 percent of the share capital of the combined business (based on the fully diluted share capital of each of Flutter and The Stars Group, in each case excluding any out-of-the-money options as at October 2, 2019).

Completion of the Combination is currently expected to occur during the second or third quarter of 2020. The Combination is conditional upon, among other things, certain approvals by each of Flutter's and The Stars Group's shareholders, Ontario court approval of the plan of arrangement, certain approvals from the United Kingdom Financial Conduct Authority, London Stock Exchange and Euronext Dublin, and relevant merger control, foreign investment and gaming related approvals.

As previously disclosed, in addition to Mr. Gadhia, The Stars Group's current Executive Chairman, and Mr. Ashkenazi, The Stars Group's current Chief Executive Officer, The Stars Group is entitled under the arrangement agreement to nominate three additional non-executive directors to serve on the combined group's board of directors post-completion of the combination. Accordingly, The Stars Group has nominated Messrs. Alfred F. Hurley Jr. and David Lazzarato and Ms. Mary Turner to also serve as directors on the combined group's board of directors.

Online Betting

The Stars Group is a global leader in the online betting market, providing its betting offerings through *Sky Bet*, *BetStars*, and *BetEasy* and, most recently in certain states in the United States, *FOX Bet*. Online betting is available to these customers in a seamless fashion, including, where applicable, through a single wallet and customer account.

The Stars Group initially launched limited online betting during 2015 and later introduced its *BetStars* brand in December 2015. In 2018, The Stars Group significantly expanded its online betting offerings through the Acquisitions to include *Sky Bet*, a leading online betting brand focused primarily on the UK, the world's largest locally regulated online gambling market, and *BetEasy*, also a leading online betting brand focused primarily on Australia, the world's second largest locally regulated online gambling market. In May 2019, The Stars Group entered into a first-of-its kind national media and sports wagering partnership in the United States with FOX Sports ("FOX Sports"), a unit of FOX Corporation (Nasdaq: FOXA, FOX) ("FOX"). In 2019, betting became The Stars Group's largest product vertical, amounting to 34.4% of revenue. The Stars Group believes that its real and play-money betting offerings will attract new customers, through both cross-selling *PokerStars* customers to its betting brands, and directly through external marketing.

Through its betting brands, as applicable, The Stars Group offers a range of betting options such as pre-match and in-play odds across dozens of sports, including soccer, horseracing, football, tennis, basketball, golf, rugby and greyhound racing, as well as specialty offerings such as eSports, poker, politics, and TV and film. Its offerings also feature a range of in-play betting options (where permitted) and exclusive offers and promotions. Certain of The Stars Group's offerings include accumulator bets, or parlays, which are particularly popular as customers can add together multiple different outcomes to increase the potential winnings for a given wager. For example, *Sky Bet* features *RequestABet*, a particularly popular type of accumulator that it pioneered where customers request their own combination of items, often within the same game. To expand its offering in the future, The Stars Group intends to introduce innovative new betting products on its platforms to distinguish its brands from competitors. The Stars Group is also currently developing a proprietary global sportsbook and trading platform to consolidate what it believes to be the most popular, relevant or useful betting capabilities and features from *Sky Bet*, *BetStars* and *BetEasy*. The Stars Group believes that this global sportsbook and trading platform will enable it to deliver faster product innovation, as well as leverage economies of scale in the business.

In addition to enhanced product features, a broader range of betting options and improved functionality, The Stars Group intends to continue to expand into certain additional jurisdictions, including the United States, where in 2018 it launched its first sportsbook in New Jersey under the *BetStars* brand and then further launched its sportsbook offerings in New Jersey and Pennsylvania in 2019 under the *FOX Bet* brand. The Stars Group also intends to continue focusing on increasing its cross-sell to poker players and developing sportsbook as a strong customer acquisition channel by, among other things, improving the localization of its offering in certain European markets, improving the user experience, closing product gaps, enhancing its mobile applications, increasing marketing initiatives and utilizing unique promotional programs.

Sky Bet

SBG’s betting brand, *Sky Bet*, is one of the UK’s largest online betting operators. It offers a full range of pre-match and in-play odds in a wide range of markets, including soccer, horseracing, greyhound racing, golf, cricket, tennis, rugby, politics and TV and film. *Sky Bet* focuses on low-spending entertainment. *Sky Bet* features some of the UK’s most popular free-to-play sports games such as *Soccer Saturday Super 6*, where users predict the score of six selected soccer matches for a chance to win up to £1 million, *Sky Sports Fantasy Football*, and *ITV Pick 7*. Through free-to-play games, its sponsorship of the English Football League and close links to *Sky Sports*, The Stars Group believes that *Sky Bet* has a leading position in the UK betting market. With a single wallet across the *Sky Bet* and other SBG brands, The Stars Group is able to use large data set computational analysis and data science (“big data”) and personalized offers to keep customers engaged across product verticals. In Germany, The Stars Group operates *Sky Sports 6erpack* in partnership with Sky Deutschland, a free-to-play game that is similar to *Soccer Saturday Super 6.*

BetEasy

BetEasy is based and primarily operates in Australia, the world’s second largest locally regulated online gambling market. As a leader in online and mobile wagering in Australia, BetEasy offers its customers a wide range of betting options across thoroughbred, greyhound and harness racing as well as sporting competitions, including the Australian Football League, National Rugby League and overseas competitions such as the National Basketball Association and English Premier League. It offers customers what management believes to be innovative and exciting promotions, which are increasingly being personalized to meet individual customers’ needs, and is the only corporate bookmarker to provide its customers with access to the popular Sky Racing channels.

The BetEasy platform is proprietary, cloud-based, reliable and highly scalable, which BetEasy believes is a competitive advantage over other online gaming operators in the Australian market. Its mobile-first strategy offers customers an easy-to-use, engaging and exciting betting experience on its mobile app.

The current *BetEasy* brand was launched in August 2018 following BetEasy’s acquisition of William Hill Australia. Shortly after that acquisition, BetEasy successfully migrated the customers of William Hill Australia onto its platform. BetEasy is the official wagering partner of the Australian Football League, premier wagering partner of thoroughbred broadcaster Racing.com and is a founding member of Responsible Wagering Australia, which advocates for enhanced consumer protection and sporting integrity outcomes in the Australian wagering industry. On May 30, 2019, BetEasy entered into a partnership with streaming service Kayo Sports to become its exclusive wagering partner. This partnership will enable BetEasy to, among other things, integrate its wagering offerings into the Kayo Sports platform and deliver innovative content, statistics and promotional integrations that deepen engagement and enhance the wagering and viewing experience for Australian customers. In Australia, The Stars Group, in partnership with Racing.com, operates *Pick7*, a free-to-play game where users predict the winning horse in each of the seven nominated races for a chance to win up to AUD$100,000.

FOX Bet

FOX Bet is an online and mobile sports betting product developed through a first-of-its kind national media and sports wagering partnership in the United States between The Stars Group and FOX Sports. The *FOX Bet* online and mobile sportsbook, which is currently available in New Jersey and Pennsylvania, brings sports fans closer to the games they love by integrating regulated real-money sports wagering on a wide range of sporting events with interactive and content rich programming, including expert commentary and insights from some of the nation’s most celebrated sports commentators and analysts.

The Stars Group currently operates its FOX Bet real-money wagering products and PokerStars-branded real-money poker and casino products in New Jersey and Pennsylvania and has made strong progress since launching FOX Bet in New Jersey and Pennsylvania in 2019 in both active customers and revenue on a month-to-month basis, with approximately 65,000 combined active customers in the fourth quarter of 2019.

The Stars Group and FOX Sports also launched *FOX Sports Super 6* in September 2019, a nationwide (excluding Washington) free-to-play game in the United States that awards cash prizes to players who correctly predict the outcome of sports games. *FOX Sports Super 6* quickly became one of the most popular sports apps and was downloaded more than 1.3 million times in 2019 since its launch, with over 500,000 average weekly customers playing in the fourth quarter of 2019.

BetStars

The Stars Group introduced its *BetStars* brand in December 2015. This emerging offering has seen strong revenue growth since its introduction and focuses primarily on certain markets within the European Union. *BetStars* is a multilingual and multicurrency offering, supporting nine languages and four different currencies. It offers customers access to a full range of pre-match and in-play odds on a wide range of markets. *BetStars* offers odds on both traditional betting sports such as soccer, tennis, horse racing and certain U.S. sports, as well as less traditional betting sports that are increasing in popularity throughout Europe such as handball, volleyball, futsal and e-sports. In 2020, The Stars Group plans to further enhance the global appeal of the *PokerStars* brand by, among other things, launching the PokerStars Sports brand, leveraging the operational capabilities of the Sky Bet business.

Online Poker

The Stars Group is a global leader in online poker. While The Stars Group operates distinct poker brands, such as *PokerStars*, *Full Tilt* and *Sky Poker*, the vast majority of its poker customers currently play on the same *PokerStars* platform. This means that a player using the *Full Tilt* client could be playing against a player using the *PokerStars* client. This improves liquidity and the range of games available, thus benefiting players, as well as having financial and strategic benefits for The Stars Group by increasing the scalability of its business model and allowing it to focus R&D and operational resources primarily on its *PokerStars* platform, which includes its *Full Tilt* brand.

The Stars Group's large poker customer base gives it unique customer insights (e.g., gameplay and feedback), which when combined with its scalable proprietary technology platform, guides the creation of new and innovative content, features, games and game variants. For example, since 2012 The Stars Group has launched the highly popular *Zoom* and *Spin & Go* offerings, and its variants *Spin & Go Max* and *Spin & Go Flash*, as well as *Knockout Poker*, *PokerStars VR*, *Tempest*, *Fusion*, *6+Hold'em*, *6 Card Omaha* and numerous other variants of traditional poker games. The Stars Group also works on developing new features such as all-in cashouts, mobile applications and real-time promotions. The Stars Group continues to focus on developing new and innovative poker products and variants to attract new audiences. It believes that such innovation helps to attract new customers (including those who may not have previously considered playing real-money poker games, such as play-money or social players and the video gaming community), reactivate inactive players with exciting new games, and continuously engage and retain existing active customers. In addition, over the years, The Stars Group has and continues to introduce certain improvements in the poker ecosystem to benefit and attract high-value, net-depositing customers and reduce incentives for high-volume, net-withdrawing customers. These changes, among others, have the effect of balancing the poker ecosystem and broadening the appeal of The Stars Group's poker offerings by creating more winning moments for its customers.

The Stars Group is currently pursuing growth opportunities in poker in existing and new markets, including through the innovation of new product features and enhancements, geographic expansion, improvements to the poker ecosystem and new and innovative brand marketing campaigns.

PokerStars

PokerStars is The Stars Group's flagship poker brand. Launched in 2001, The Stars Group believes that PokerStars is the world's largest online and mobile poker site and together with its related brands (including *Full Tilt*) it has millions of registered customers globally. *PokerStars*' online poker product offerings are currently varied among buy-in and limit amounts and types, as well as among numerous poker game variants (e.g., Texas Hold-'Em, Omaha, Stud, Draw and mixed games). The wide variety of game types and stake sizes is supported by its leading liquidity and provides what management believes is a superior offering to its customers, allowing them to play their preferred game type at their preferred staking level. *PokerStars* also offers play-money and social poker, which are designed to create social interaction, engagement and competition, and allow customers to learn to play poker without the need to spend money.

The Stars Group believes that *PokerStars* is home to some of the largest online poker events and the biggest weekly tournaments, both in terms of dollar amount and number of players, and has greater player liquidity and offers more daily tournaments than any other online poker site. *PokerStars* has set many records, including the largest number of players in an online poker tournament, the largest prize pool awarded for a series of online tournaments and the largest ever single online tournament prize. *PokerStars*' mobile applications are currently among the most popular real-money poker applications on the iOS and Android platforms according to App Annie and Apple's App Store and based on the number of downloads and overall customer ratings.

Other Online Poker Brands

The Stars Group also offers online poker through other brands such as *Full Tilt* and *Sky Poker*. *Full Tilt* launched in 2004 and quickly became a popular poker website for delivering what the Corporation believes was innovative and realistic online poker game play, which was based on input from some of the world's most well-known poker players. The Stars Group migrated *Full Tilt* onto the *PokerStars* platform in May 2016. Similar to *PokerStars*, under the *Full Tilt* brand customers can play both ring games, including traditional games and its fast-fold variants, such as *Zoom*, and tournament-style games, including scheduled multi-table games and sit and go variants, such as *Jackpot Sit & Go*. *Sky Poker* is one of the UK's leading online poker rooms, with a mobile-friendly interface that enables an enriched experience that includes chat, tournaments and poker in contemporary formats that are played in pounds sterling. In the future, The Stars Group plans to integrate *Sky Poker* within the *PokerStars* ecosystem, which would deliver a much wider range of games with significantly enhanced liquidity to the SBG customer base.

Online Casino and Gaming

The Stars Group is a leading global online casino and gaming operator, with distinct brands such as *PokerStars Casino*, *Sky Vegas*, *Sky Casino* and *Sky Bingo*, providing entertainment to its customers through slots, casino and bingo products. As a global leader, The Stars Group is able to offer a broad portfolio of popular and innovative gaming content developed both in-house and sourced from third-party suppliers with the range and quality of content available as well as an increasing use of personalized offers benefiting its customers.

The Stars Group believes there are significant opportunities for further growth and diversification of revenues in the online casino and gaming vertical, including through direct customer acquisition, leveraging its brand awareness and cross-selling its new and existing product offerings to its customer base. The Stars Group continues to improve its online casino and gaming product offerings, expand the range of game content and enter into new markets. It also continues to invest in product enhancements, improving the user experience and personalization of its websites and mobile applications. These improvements are accompanied by external marketing campaigns for certain of The Stars Group's brands to drive direct customer acquisition, improve cross-sell to existing customers, and expand the geographic reach of its offerings. In addition, The Stars Group currently intends to expand upon and explore other growth opportunities, including expanding upon its current social gaming offering and pursuing other interactive entertainment opportunities.

Casino and Gaming Brands

In January 2014, The Stars Group first began offering a variety of online play-money table and casino games through its *Full Tilt* brand, including a range of blackjack and roulette variations, online slots and live dealer games. In November 2014, The Stars Group introduced play- and real-money online casino games under the *PokerStars* brand to players in eligible markets, and in 2016 it introduced the *PokerStars Casino* brand, with its own standalone mobile application. *PokerStars Casino* currently offers a full suite of casino table games, blackjack, roulette, live dealer games and slot machines. Beginning in 2017, *PokerStars Casino* started production of in-house slot games, and it has and intends to continue to invest in this in-house production. These in-house slot games are owned by The Stars Group and therefore are not subject to third-party revenue share obligations and other similar costs. A number of internal and external content studios are now producing bespoke exclusive slot games content for *PokerStars Casino*, which are integrated via The Stars Group's Games Developer Kit ("GDK"), a tool set and application programming interface. Core Gaming, SBG's wholly owned content development house now delivers games to PokerStars Casino via GDK. In 2019, PokerStars Casino launched more than 400 new slot games from leading studios, broadening the range of top-tier content available to its customers, and supplementing this with proprietary and exclusive games.

Through organic growth and acquisitions, The Stars Group has grown quickly to become one of the leading online casino operators. The main driver of this growth to date has been cross-selling to its existing poker and betting customer bases, with single wallets and easy access to casino games, which are integrated within the interfaces.

Sky Vegas is a leading casino brand in the UK. The Stars Group believes that exclusive content and effective promotions underpin *Sky Vegas*' appeal, with 37 new exclusive games launched during 2019. *Sky Casino*, which primarily focuses on casino table games, has grown rapidly since its launch in August 2014. *Sky Casino* features what management believes to be a cutting-edge player interface, featuring a modern and stylish live dealer studio and a high-performance casino. *Sky Bingo* is one of the leading UK-facing online bingo operators, aiming to provide the exciting and social feel of bingo including a chat function and competitions. Customers of these products have a seamless experience through an integrated account and wallet, and a single sign-on between its different mobile apps, including across its gaming, betting and poker offerings.

The Stars Group also offers play-money and social casino through its desktop client and mobile applications, including through *PokerStars*, *Jackpot Poker by PokerStars*, *Casino Rush by PokerStars* and *PokerStars Play*, which are available on various online, mobile, social and television platforms and applications, such as Facebook, Apple's iOS and Apple TV, Google's Android and Amazon's Kindle. Play-money and social casino involves playing casino games for virtual currency through free websites, social networks, or other mobile or television applications. These offerings help drive brand awareness, promote the enjoyment of such games, and provide The Stars Group with additional customer data and insight, which it can then use to refine the user experience to further enhance players' enjoyment.

Other Gaming-Related, Affiliate and Media Offerings

The Stars Group offers other gaming-related offerings such as *Oddschecker*, the UK's leading odds comparison website. Established in 1999, *Oddschecker* provides its customers with easy access to some of the best odds in the market, as well as tips and other information. *Oddschecker* operates websites in the UK, Italy, Australia, Spain and the United States.

Oddschecker provides new customer leads, brand exposure and returning traffic to its betting operator partners, including the majority of the leading betting operators in the UK, and offers users information, news and odds to help with betting and allows those users to place bets directly with certain of its betting operator partners via the *Oddschecker* products (including web, mobile web and app). *Oddschecker* also has a B2B product, "*Oddschecker Connect*", which allows betting partners to display their odds within third parties' content (display includes single odds or odds comparison).

Revenue Model

The Stars Group's revenue model for its core product offerings is primarily based on two offerings, real-money games and play-money games. Nearly all of The Stars Group's revenues during the year-ended December 31, 2019 were, and it expects its revenues to continue to be, generated by its real-money online gaming offerings. For the year ended December 31, 2019, The Stars Group's consolidated revenues were generated fairly evenly among its real-money betting, online poker and gaming (casino and bingo) offerings. These revenues were derived entirely by The Stars Group's subsidiaries and affiliates based outside of Canada and predominantly from customers based in the European Union and Australia. For additional information regarding The Stars Group's revenues, see the 2019 Annual Financial Statements and the 2019 Annual MD&A.

The Stars Group's revenues can be influenced by numerous factors, many of which it is unable to predict or are outside of its control, including the impact of seasonality and sporting results, as described below under "—Seasonality and Other Factors Impacting the Business" and the other risks and uncertainties set forth in this annual information form under the heading "Risk Factors and Uncertainties—Risks Related to the Business".

Real-Money Games

The Stars Group's current core real-money online gaming offerings are betting, poker and gaming (casino and bingo), each with its own revenue model.

Betting: Betting involves customers wagering on certain sporting and non-sporting events, also referred to as turnover or stakes. Like casino offerings, customers "play", or bet, against the house, thus The Stars Group is exposed to risk with respect to these bets. The Stars Group attempts to set odds such that there is built-in theoretical margin into each set of odds and each market. Over the long term this usually delivers a fairly stable betting win margin, but given the variance and unpredictability in sporting results, this can be volatile in the short term. These amounts are reduced by applicable VAT in certain jurisdictions and offsets to arrive at revenue.

In addition to the above-noted revenues, revenues from real-money games also includes revenue earned on the processing of real-money deposits and cash outs in specific currencies, which is sometimes referred to as conversion margins.

Offsets for each line of operation are the portion of gross revenue that The Stars Group allocates to rebates, incentives and promotions, which it awards as a result of game play or at its discretion through loyalty programs, free plays, sign-up bonuses, discounts, rebates, other rewards and incentives, and tournament overlays. Offsets are generally used to acquire new customers and retain and reactivate existing customers.

Poker: Poker is a peer-to-peer game where individuals play against other individuals, not against the "house". In contrast to other types of house-banked gaming, such as slots, blackjack or sportsbook, where individuals play against the operator, poker operators are generally not exposed to the risks of game play or the outcome of the game. As a peer-to-peer game, liquidity, or the number or volume of players with an operator, is critical to the success of the game, with a greater number of players supporting a wider range and greater volume of games and larger tournaments, increasing the quality of the offering to the consumer. As a result, larger scalable poker operations will benefit from superior liquidity in their systems, which in turn improves their offering to customers, creating a positive feedback loop effect.

Typically, poker game operators generate revenue by charging a fee from ring games (i.e., games for cash on a hand-by-hand basis), known as "rake", or by charging entry fees for tournaments (i.e., where players play against each other for tournament chips with prize money distributed to the last remaining competitors), or variations thereof. The Stars Group collects the rake up to a capped amount in ring games and a tournament entry fee for scheduled tournaments and sit and go tournaments, and does not generally have any of its own capital at risk (with an exception being the Spin & Go product where the tournament prize pool is a randomly determined multiple of the buy-in and certain multi-table tournaments with guaranteed prize pools or overlays). These amounts are then reduced by applicable VAT in certain jurisdictions and offsets (as described below) to arrive at revenue.

Gaming: Online gaming offerings typically include the full suite of games available in land-based casinos, such as blackjack, roulette and slot machines, as well as bingo. For these offerings, The Stars Group functions similarly to land-based casinos, generating revenue through hold, or gross winnings, as players play against the house, and then these amounts are reduced by applicable VAT in certain jurisdictions and offsets to arrive at revenue. In online gaming, The Stars Group believes there is typically lower volatility from the statistical norm versus land-based casinos as there is generally a larger number of bets placed at small denominations.

Play-Money Games

Play-money gaming involves players receiving virtual currency for free or paying a fee to receive additional virtual currency, which can be used to play certain gaming offerings. Play-money gaming is permitted in various jurisdictions that may not otherwise permit real-money gaming, including most of the states in the United States. In addition to the sale of virtual currency, in the future, The Stars Group may also generate revenue from advertising through its play-money gaming offering. The Stars Group's current play-money game offering primarily consists of poker, including on PokerStars.net and FullTilt.net and through the social gaming brands *PokerStars Play*, *Jackpot Poker by PokerStars* and *Casino Rush by PokerStars*. In these circumstances, there are no cash prizes or other prizes for monetary value, and in most cases, all the player fees are passed to The Stars Group as revenue, unless the games are played through social platforms, in which case the platform operator retains a certain percentage for distributing the offering. The Stars Group's play-money games may be played through the desktop client interface or through online, television and mobile platforms, including on social gaming platforms. The revenue for play-money is the sum of fees paid by customers (net of any percentage of the same retained by the particular platform operators), less applicable VAT in certain jurisdictions and certain promotional costs. The Stars Group includes such revenue in its "other" revenues.

Other Sources of Revenue

As described below, The Stars Group sponsors certain live poker tours and events, uses its industry expertise to provide consultancy and support services to the casinos that operate the events, and has marketing arrangements for branded poker rooms at various locations around the world. The Stars Group generates revenue from these sponsorships and marketing arrangements, which it includes in "other" revenue.

The Stars Group also derives revenues from certain of its other gaming-related offerings such as its other media and affiliate businesses and certain retail sports betting services in the United States, with revenue generated primarily through affiliate commissions, service agreements, revenue share arrangements and advertising income, as applicable.

Business Strategy of the Corporation

The Stars Group focuses on creating long-term shareholder value by building upon its existing key strengths, including enhancing its portfolio of products and services and expanding into new markets, which in return it expects will deliver sustainable, profitable long-term growth. The Stars Group places great emphasis on the customer and its goal is to become the world's favorite online gaming destination, which it believes it can achieve by creating positive, winning moments and experiences, and providing fun and engaging interactions with its products and services.

To do this, management seeks certain ongoing, principal strategic initiatives, including:

- **Strengthening, Expanding and Diversifying its Offerings**
    - The Stars Group is well diversified by vertical with revenues fairly evenly split among online betting (the world's largest and fastest growing online gaming segment), online casino and online poker.
    - **Betting**-The Stars Group's exposure to betting is primarily through its high-quality, mobile-led online products such as *Sky Bet, BetEasy, BetStars* and *FOX Bet*, each with robust technology platforms and rich customer data sources. During 2019, betting became the largest product vertical for The Stars Group by revenue (34.4%), with leading positions across many of the most attractive end markets, positioning The Stars Group to take advantage of further growth potential in online betting. The continuing growth of betting as a low-cost customer acquisition channel will complement The Stars Group's poker business and enable more effective cross-sell to gaming and poker.
    - **Poker**-The Stars Group will continue to focus on its core poker offerings, which historically have been its primary customer acquisition channel and in which The Stars Group believes it currently has a competitive advantage, with scale benefits and network effects. The Stars Group is significantly larger than its nearest publicly-listed competitor in terms of poker revenues and intends to maintain its leadership position while continuing to improve, expand and innovate its poker product offerings and expand its geographic reach. The Stars Group intends to achieve these objectives through the continued rollout and introduction of new and innovative poker offerings, poker-oriented innovative marketing campaigns, continued improvements

in the poker ecosystem to benefit and attract high-value, net-depositing customers as well as launching in certain new markets as and when local regulation allows.

- **Casino**-The Stars Group intends to continue to develop, improve and expand its online casino products, including *PokerStars Casino*, *Sky Vegas* and *Sky Casino*, with improved content, products and innovative promotions. In 2019, The Stars Group launched over 400 new casino games onto *PokerStars Casino* in multiple markets to increase the diversification of its offerings. The Stars Group also intends to improve the content variety and profitability of both *PokerStars Casino* and *Sky Vegas* by leveraging its in-house designed content across both platforms. In addition to increased breadth, The Stars Group is investing to improve the user experience and user access to further increase customer engagement as well as increase the cross-selling of its casino offerings to its existing online poker and betting customer bases. The Stars Group has historically used a combination of cross-selling and direct marketing to acquire and retain customers and it currently expects to continue with this approach, with an increased focus on direct marketing in 2020.

- **Other**-The Stars Group intends to selectively expand upon its current free-to-play offerings and pursue other interactive entertainment opportunities, such as social and freemium offerings, and expanding *Oddschecker* business. The Stars Group and SBG's free-to-play and freemium products, such as *FOX Sports Super 6* and *Soccer Saturday Super 6*, have or are developing significant player bases, which promote customer engagement and can be cross-sold into real-money products where available.

- **Expanding its Geographical Reach and Promoting Regulation of Online Gaming**

  - The Stars Group has a strong presence in regulated markets, particularly within the United Kingdom, Australia, Italy, France, Spain and the United States, which are or are currently expected to become some of the world's largest regulated online gaming markets. For the year ended December 31, 2019, The Stars Group's consolidated revenue exposure by geography saw increased diversification, comprising 40% UK, 32% other European Union countries, 11% Australia, 8% other Europe, 7% Americas and 2% rest of the world. Additionally, for the year ended December 31, 2019, 78% of The Stars Group's revenues originated from regulated or locally taxed jurisdictions.

  - The Stars Group currently intends to expand its geographical reach by offering its products and services in certain additional jurisdictions, including through the promotion of the regulation of online gaming in new and emerging markets and potential partnerships or arrangements with existing operators or other third parties, including in the United States and certain countries within South America, Asia, including India, and Eastern Europe. The Stars Group currently expects that these and other jurisdictions may become significant growth opportunities.

  - The Stars Group intends to focus on becoming a market leader in the emerging U.S. online gaming market. Currently, a subsidiary of The Stars Group is authorized to conduct online gaming (poker, casino and betting) in New Jersey and Pennsylvania using the *PokerStars* and *FOX Bet* brands, and also received a conditional approval in New York to operate retail sports betting through a local partner, with the potential to operate online sports betting in the future to the extent it becomes regulated in the state. The Stars Group intends to seek approval to offer its online gaming product offerings in certain other U.S. states if and when they regulate and establish an applicable licensing regime. See "Risk Factors and Uncertainties—Risks Related to Regulation—The Stars Group may not be able to capitalize on the expansion of online gaming or other trends and changes in the online gaming industry, including due to laws and regulations governing this industry."

  - The Stars Group's current strategy in South America, Asia, including India, and Eastern Europe primarily seeks to promote brand awareness and market development through various gaming, non-gaming and land-based efforts, including, as applicable, establishing relationships with existing operators, including business-to-business ("B2B") arrangements, sponsoring local and international brand ambassadors, live events, *PokerStars LIVE* branded poker rooms, and promoting The Stars Group's play-money offerings. The Stars Group also promotes shared liquidity for online poker in and across jurisdictions where it believes there would be a benefit not only to its business, but also to its customers, those jurisdictions and the overall online gaming industry. For example, in January 2018, The Stars Group became the first online operator approved to offer a shared player pool between the locally licensed markets of France and Spain, which it then expanded to Portugal in May 2018, and intends to seek approval to expand to Italy if and when permitted.

  - The Stars Group's overall strategy to expand its geographical reach includes building relationships with governments and private operators, and working with regulators and government officials to implement regulations beneficial to its customers, the regulating jurisdiction and the industry as a whole.

- **Continuing to Elevate and Improve the Customer Experience**

  - The Stars Group seeks to become the world's favorite online gaming destination through, among other things, creating winning moments for its customers. It plans to do so through its comprehensive and innovative product offerings and its focus on creating the best customer experience in the industry by concentrating on customer enjoyment, engagement and service as well as its dedication to responsible gaming, security, game integrity and transparency. The Stars Group's customer databases give it unique access to customer data and insight to enhance and improve its product range, content and user experience to further enhance its competitive position. Furthermore, The Stars Group intends to continue to grow its strong brand and marketing assets, leveraging the brand heritage of its media partners, including Sky plc (or its successor entity) (together with all its subsidiaries, collectively "Sky") and FOX Sports, and *PokerStars*, and expanding its other betting and gaming brands and products.

- The Stars Group also plans to expand upon its strong record of mobile technology development, as well as further developing its in-house big data platform to give it better insight into customer data and behavior. Within The Stars Group, SBG was an early adopter of big data, which helped it retain customers by delivering personalized offers and incentives to customers who value them. The Stars Group believes that ongoing investments in big data will further increase the efficiency of free bet and marketing spend and further believes its dedication to technology is a key differentiating factor that will continue to help it grow in the online gaming industry. The Stars Group has also launched a proprietary, cloud-hosted trading engine, which enables it to create new, unique betting opportunities, including the roll-out of *RequestABet* at speed and scale. The proprietary trading engine significantly increases the level of automation with respect to managing risk and liabilities across sporting and non-sporting events (primarily by continually adjusting the odds offered in response to wagering activity and information received), which is traditionally completed by in-house personnel called "traders", and allows The Stars Group to integrate suppliers and develop improved trading tools for alerting and monitoring, all of which permits traders to manage a larger catalogue of events and markets, providing a broad range of betting opportunities to its customers.

- The Stars Group views the safety and welfare of its customers as critical to its business and has made appropriate investments into people and processes to identify and protect vulnerable customers. Accordingly, The Stars Group is committed to effective and useful responsible gaming practices and seeks to provide its customers with the resources and services required to play responsibly, including through a dedicated responsible gaming staff. These practices, resources and services include deposit limits, table and game play limits, voluntary restrictions on access to and use of certain games, temporary self-exclusion and cooling off periods, voluntary permanent exclusions from The Stars Group's offerings, sites and applications and, where relevant, activity monitoring, including through the use of indicator reports and data science technology. The Stars Group has also partnered with various responsible gaming organizations that conduct research and offer education and direct counseling for players. These organizations include Adictel in France, GamCare and GambleAware in the UK, the National Council on Problem Gambling in the United States and GamblingTherapy.org worldwide. The Stars Group also promotes its responsible gaming tools, resources and initiatives on its websites and platforms and through other channels. For further details on the The Stars Group's approach to responsible and safer gaming, see "—Responsible and Safer Gaming" below.

- **Pursuing Operational Efficiencies**

  - The Stars Group constantly reviews its fixed cost base to identify areas for improvement that it believes will enhance shareholder value, particularly through the ability to invest in technology and marketing. The Stars Group also implements operational excellence programs from time to time based on certain circumstances. For example, during 2019 the Corporation reassessed its fixed cost base within its international and corporate operations and implemented an operational excellence program to optimize its operations, including a reduction in headcount and the relocation of certain roles across and within applicable geographies. The Stars Group expects to continue to focus on further optimizing its operations to potentially achieve a higher level of efficiency, effectiveness and quality throughout the organization. The Stars Group also continuously assesses and monitors the overall impact and performance of these initiatives.

  - The Stars Group has realized cost synergies resulting from the SBG Acquisition, including the rationalization of overlapping roles and responsibilities, non-headcount general and administrative savings, marketing spend optimization in the UK, Italy and Germany, and optimization of The Stars Group's betting costs (e.g., mitigating duplicative data feeds) and as a result, entered 2020 with the full $100 million run-rate of expected cost synergies realized through the SBG Acquisition.

Marketing and Customer Acquisition Strategy

The Stars Group markets its brands and product offerings through various platforms and channels, including various media outlets, free-to-play games, sponsored live poker tours and branded poker rooms (which also generate nominal revenue), as well as several endorsement and sponsorship agreements. Below is a general description of such platforms and channels. Although The Stars Group's primary focus has historically been on online poker, in recent years it has been increasing its focus and attention on marketing its online casino and betting offerings. This was accelerated by the Acquisitions, which have a history of marketing online betting and casino offerings and have already developed them as separate acquisition channels, as well as The Stars Group's launch of the *FOX Bet* brand. The Stars Group intends to continue maintaining and strengthening its brands and customer appeal in order to help it maintain or establish leading positions in the jurisdictions where its product offerings are available.

Together with product development, marketing is a key investment to drive growth in the business. The Stars Group has a return-on-investment based approach to marketing costs, investing in brand awareness and customer acquisition and retention. The Stars Group believes that strong branding and marketing is necessary to maintain and continue growing its business. The Stars Group strives to be consistent in its marketing, ensuring that its brand messages reinforce its values of quality, speed, ease of use, innovation and fun.

Media and Cross-Selling

The Stars Group's multimedia and cross-selling approach focuses on acquiring and retaining customers both online and offline for its brands and product offerings, and capitalizing on network effects and cross-selling among its online poker, gaming and betting offerings to both existing and new customers. This diversified media approach includes, among other things, television programming and advertisement campaigns, paid and organic social media, affiliate partnerships, sponsorships, digital display and online campaigns, paid search, search engine optimization, including live-streaming, and other productions, content and incentives. Uniquely, The Stars Group utilizes a deep integration model, embedding its brands and products in the fabric of television production in close partnership with Sky Sports and FOX Sports. The Stars Group employs programmatic marketing and responsible gaming techniques to target individuals with appropriate messages, offers and promotions based on their browsing and player history.

Management believes that The Stars Group's model and its symbiotic relationship with Sky, including Sky Sports, helps it acquire and retain customers, driven primarily by integrated marketing campaigns, targeted cross-selling and a single customer login across its SBG product offerings. The Stars Group's model leverages its shared values and heritage with Sky and highlights the entertainment, trust and quality values inherent in the Sky name. Management believes that, through a combination of the Sky digital assets and its other digital assets, The Stars Group interacts with the majority of active UK online gamblers, giving it significant insight into customer behavior and preferences. Most recently, The Stars Group entered into a media relationship with FOX Sports and intends largely to replicate this model in the United States. See "—Relationships with Media Partners".

The Stars Group broadcasts various televised poker programs and advertisement campaigns that run throughout the year at different intervals. Live poker tournaments are also filmed at various *PokerStars* sponsored events, including The Stars Group's *PokerStars* sponsored tours, and broadcast as television shows in several countries. These sponsored live events are also broadcast online on various sites, including YouTube, Facebook, Twitch and PokerStars.tv.

The Stars Group has various sponsorship arrangements that it believes help expose its brands to potential customers. For instance, in December 2018, The Stars Group and the National Basketball Association (the "NBA") announced a multiyear partnership that made it an authorized gaming operator of the NBA in the United States, and in October 2019 *FOX Bet* announced a multiyear deal that made a subsidiary of The Stars Group an authorized gaming operator of Major League Baseball in the United States. In addition to enterprise-wide sponsorships, The Stars Group's subsidiaries and brands also enter into sponsorship arrangements from time to time. For example, in November 2017, SBG and the English Football League signed a new five-year headline sponsorship deal, extending the current sponsorship through the end of the 2023/2024 season and taking the total sponsorship up to 11 years, making SBG an integral part of English football. It gives the *Sky Bet* brand continuous visibility within the target audience. In addition to football, Sky Bet sponsors a wide range of British horse races, including the flagship multi-year sponsorship of the York Ebor (the second most valuable meeting for prize money of the season). Additionally, *Sky Vegas* is the sponsor for the award-winning UK TV show, Celebrity Juice. The sponsorship is fully integrated, including a range of bespoke games designed around the show and its host.

The Stars Group also enters into certain other relationships that are intended to bolster its brands. For instance, in November 2019, *FOX Bet* became the first sports betting brand to become an official partner of an NBA franchise, the Philadelphia 76ers, which will build awareness of the brand and provide the *FOX Bet* app with broad exposure via, among other things, the 76ers courtside, digital and social presence.

The Stars Group also engages third-party search engine and online traffic optimization companies to increase The Stars Group's online presence and traffic to its websites. In addition, The Stars Group employs various digital campaigns through banner advertisements, social media campaigns and paid-for placements in search engines. These campaigns are directed at both existing and new customers across all The Stars Group's platforms.

Free-to-Play Games

As part of its relationship with Sky, SBG is the exclusive digital betting partner for Sky Sports and all of its media assets. One way SBG acquires and retains customers is through customer interactions with Sky products and services, such as Sky Sports. For example, SBG operates and promotes a number of free-to-play games either independently or in partnership with Sky or others. Each of these games have SBG odds, content and offers integrated within them. These free-to-play games include *Soccer Saturday Super 6*, *Sky Sports Fantasy Football* and *ITV 7*, each of which is a free-to-play sports prediction game where customers have the chance to win real-money prizes, as well as other free-to-play products such as the "*Prize Machine*", which is a free-to-play daily prize draw that gives customers the opportunity to win free spins on slots with *Sky Vegas*, free bets with *Sky Bet* or cash. In Germany, The Stars Group operates *Sky Sports*

6erpack in partnership with Sky Deutschland, a free-to-play game that is similar to *Soccer Saturday Super 6,* and currently plans to launch a similar game in Italy during 2020.

In connection with The Stars Group's partnership with FOX Sports, The Stars Group has an exclusive license to use certain FOX trademarks for a range of immersive games and online sports wagering, and certain exclusive advertising and integration rights on certain FOX Sports broadcast media and digital assets. *FOX Bet* leverages these exclusive advertising and integration rights to, among other things, acquire and retain customers. In addition, The Stars Group launched *FOX Sports Super 6*, a free-to-play sports prediction game that offers players the chance to win hundreds of thousands of dollars in cash each week, which uses certain FOX trademarks and is integrated into certain FOX Sports broadcast media and digital assets.

Poker Tours and Events

In addition to providing online and mobile gaming product offerings, The Stars Group, through Stars Interactive Group, also sponsors some of the world's largest live poker tours and produces televised or streamed coverage of such poker events.

PokerStars' primary sponsored global live tours in 2019 included *PokerStars Players No Limit Hold'em Championship*, *European Poker Tour*, *Brazilian Series of Pokers* and *Asia Pacific Poker Tour*, and *PokerStars* may continue some or all of these live tours in 2020 or beyond. As the sponsor, *PokerStars* promotes the brand through certain multimedia distribution. The live poker tours consist of a number of events operated by local casinos and are largely marketed through various media sources and news coverage. In 2019 alone, *PokerStars* sponsored tours included more than 700 tournaments, with more than 175,000 player entries, representing over 130 different countries and awarding more than $220 million in prize money, increasing the total prize money awarded at *PokerStars* sponsored live events since inception to more than $2.2 billion. In 2020, The Stars Group expects the sponsored tours and events to visit various cities and countries, including Barcelona, Madrid, Dublin, London, Macau, Manila, Monte-Carlo and Sochi.

Founded in 2004, the *European Poker Tour* is known in the industry as Europe's most popular poker tour, with some of its tournament series being widely televised and streamed across Europe. The *Asia Pacific Poker Tour*, which hosts events at luxury casinos throughout Asia, started in 2007 and The Stars Group believes it helped expand the popularity of poker in Asia, including by bringing the first major government-sanctioned real-money "Texas Hold-'em" poker tournaments to certain Asian countries, including South Korea. Founded in 2006, the *PokerStars*-sponsored *Brazilian Series of Poker* is one of the world's largest live poker tournament series, with events held in some of Brazil's and Latin America's major cities and most popular tourist destinations.

In December 2017, The Stars Group launched the *PokerStars Players No Limit Hold'em Championship*, a $25,000 buy-in poker tournament that was held in the Bahamas in January 2019 as part of the *PokerStars Caribbean Adventure* and included $8 million in free tournament packages that The Stars Group awarded to players throughout 2018 and an additional $1 million added by The Stars Group to the tournament winner. In January 2019, the *PokerStars Players No Limit Hold'em Championship* became the largest $25,000 buy-in poker tournament in history. In August 2019, The Stars Group announced that the *PokerStars Players No Limit Hold'em Championship* is scheduled to take place in Barcelona during the *European Poker Tour* at Casino Barcelona in August 2020.

Branded Poker Rooms

The Stars Group also has marketing arrangements for branded live poker rooms under the *PokerStars LIVE* name at popular casinos in major cities around the world, including at the Hippodrome Casino in London and the Okada Manila in Manila. From time to time, The Stars Group may enter into marketing arrangements for branded poker rooms at premier leisure and entertainment destinations around the world, particularly those that it believes have thriving gaming communities. These *PokerStars LIVE* branded rooms are operated by the local casino and adhere to the same global design concept but are tailored to the specific location, which is intended to provide a strong brand presence through common elements across each location.

Endorsement Agreements and Partnerships

The Stars Group has numerous partnerships and other arrangements that it relies on to promote its product offerings. These include Sky, FOX Sports, Sporting Life and *Oddschecker*. Sky is one of Europe's leading entertainment brands and FOX Sports is the umbrella entity representing FOX's wide array of multi-platform U.S.-based sports assets, including brands capable of reaching more than 100 million viewers in a single weekend. Sporting Life is a leading source of online content for sporting news, results, cards and fixtures. *Oddschecker* is the UK's leading source for odds comparison, previews and sporting information.

The Stars Group also endorses several ambassadors to promote its product offerings, both at global and regional levels. These ambassadors include some of the most prominent professional poker players in the industry, sports stars and professional athletes, global celebrities, and friends of the brand who have a personal connection to or interest in poker, gaming, betting or The Stars Group's brands in general. Each category is generally engaged to generate new customer participation and vertical growth as well as to enhance the customer experience and customer retention.

Competition

The industries in which The Stars Group currently operates are highly competitive, constantly evolving and subject to regulatory and rapid technological change. The Stars Group faces significant competition in all aspects of its business and competes for customers with other online (including mobile) and land-based gaming and interactive entertainment developers and operators based on many factors, including the quality of the customer experience, brand awareness, reputation, security, integrity and access to other distribution channels. Although The Stars Group believes that it competes favorably, its competitors could develop more compelling product offerings, services or content, which could adversely affect The Stars Group's ability to attract and retain customers. As The Stars Group introduces new product offerings, its existing products evolve, or other companies introduce new product offerings or merge with competitors into larger entities, The Stars Group may become subject to additional and/or more intense competition. The Stars Group's competitors, whether known or unknown, may also take advantage of large user and customer bases, networks through social networks, and third-party relationships to grow rapidly. See also "Risk Factors and Uncertainties—Risks Related to the Business".

Many competitors specialize in offering online gaming and interactive entertainment products, including developers for online, mobile and social networks, operators of regulated and unregulated online real-money gaming, live poker tournaments, developers for consoles and other platforms, and other forms of media, content and entertainment. For example, although The Stars Group has been, and continues to be, a significant competitor in online poker, it has only recently, including through the Acquisitions as well as organic growth such as through the launch of *FOX Bet*, become a more substantial competitor in online casino and betting, where competition is significant and formidable. The Stars Group's competitors range from small, localized companies to large multinational corporations. These competitors include, among others, bet365, William Hill (including Mr. Green), GVC (including bwin, party poker, Ladbrokes, Coral and Gala), Flutter (including Paddy Power Betfair and FanDuel), 888 Holdings, Kindred Group, Betsson, Winamax, Gamesys, Cherry, LeoVegas, DraftKings and certain government operators and smaller operators in specific regions. There is also increasing competition with social and video gaming companies as well as interactive content and media companies, which provide monetized interactive entertainment offerings that compete with real-money online gaming companies for time and wallet share of consumers.

The Stars Group's ability to compete effectively with its competitors is based on a number of factors, including its ability to (i) maintain its strong reputation among its customers and global brand awareness, (ii) maintain appropriate liquidity in online poker, and continue to grow its large customer base and customer engagement across existing and new lines of operation, (iii) provide comprehensive and varied gaming and entertainment offerings at competitive prices, (iv) provide a superior customer experience, including through appropriate responsible gaming policies and related customer support tools, promotions, incentives, features, customer protections, and effective software development and efficient back-office infrastructure, customer service, payment processing, security and integrity, as applicable, (v) develop product offerings designed for distribution across multiple channels and to new, large audiences with superior functionality and efficient implementation, including through the use of innovative architecture and technologies that The Stars Group believes will result in a higher degree of customer acceptance and player preference, (vi) successfully promote the regulation of online gaming, and maintain its existing and obtain new licenses or approvals to operate and offer online gaming in existing and new jurisdictions, as applicable, and (vii) maintain a strong culture of environmental, social and corporate responsibility.

Relationships with Media Partners

Sky Relationship

Management believes that The Stars Group benefits from its association with Sky, one of Europe's best known entertainment brands, with a shared heritage of innovation, quality and customer focus. Sky is Europe's leading media and entertainment brand, with more than €8 billion in annual content acquisition and development. According to Millward Brown, Sky is the sixth most valuable UK brand and, according to Forbes, Sky Sports is the fifth most valuable global sports brand. In addition to high brand recognition, Sky has a large customer base in many European markets, with 24 million customers across seven countries including the UK, Ireland, Germany, Austria, Italy, Switzerland and Spain.

The Stars Group considers SBG's symbiotic relationship with Sky Sports a key strength, and SBG has developed a strong, collaborative relationship with Sky that The Stars Group believes will continue to drive its value. In addition to commercial agreements, benefits of SBG's relationship with Sky include customer recognition of the Sky brand, integrated marketing campaigns and cross promotion across Sky Sports channels and platforms, as well as the free-to-play games operated by SBG and jointly promoted by SBG and Sky, which provides multiple customer touchpoints and lowers the cost of customer acquisition. SBG leverages Sky's entertainment heritage to appeal to a large mass-market customer base. SBG operates using the Sky brand in jurisdictions such as the UK, Ireland, Italy and Germany (each brand as a part of The Stars Group platform), with the opportunity to extend to other jurisdictions. See "Overview—Online Betting—Sky Bet" above.

The commercial arrangements with Sky and one or more subsidiaries of The Stars Group include a long-term commercial relationship providing digital exclusivity to SBG on the UK Sky Sports platforms and an advertising services agreement. Sky also agreed not to use the Sky brands or any of the licensed intellectual property in respect of betting or gaming, or to allow anyone else to, anywhere in the world. The primary commercial agreements between Sky and one or more subsidiaries of The Stars Group are outlined below.

Sky Brand License Agreement

A subsidiary of The Stars Group is a licensee under a brand license agreement with the Sky group (the "Brand License"). The Brand License grants one or more subsidiaries of The Stars Group exclusive brand IP rights in relation to betting and gaming products and non-exclusive rights in connection with certain other entertainment activities such as free-to-play games. The Stars Group has secured certain limited rights to utilize the SBG brands in conjunction with the brands of The Stars Group in the approved territories where the use of the Sky brand is permitted. The license is currently limited to the UK, Ireland, Italy, Germany, Channel Islands and Isle of Man, however, there is a contractual process to extend the license to new jurisdictions with Sky's consent.

The Brand License has an initial term of 25 years from March 19, 2015 and may be extended for any additional period if agreed between the parties. Each of The Stars Group and Sky possesses termination rights in respect of certain triggering events, such as material breach by the other party, which are generally subject to applicable remedy periods and escalation procedures. On expiry of the initial term, each party must use reasonable endeavors to agree to an extended term. Post-termination or on expiry, Sky is not entitled to use the brand or grant any third party the right to use the brand for betting or gaming for five years from expiry and three years from the date of termination if Sky terminates. There is no such restriction on Sky if The Stars Group terminates the agreement.

Sky Commercial Relationship Agreement

SBG is party to a commercial relationship agreement with Sky (the "Commercial Relationship Agreement" or "CRA"), pursuant to which Sky appointed SBG as its exclusive partner for betting and gaming activities on the Sky Sports platforms in, among other jurisdictions, the UK and Ireland, and both parties have agreed to continue to undertake certain marketing and cross-promotional activities on such platforms. Under the CRA, the parties have agreed to cooperate in good faith to maximize the value of their commercial relationships, including, but not limited to, their broadcasting relationship, free-to-play games, platforms relationship, further future developments, joint initiatives and personality promotions.

The CRA includes an initial five year exclusivity period commencing on and from the date on which The Stars Group acquired SBG (with SBG's option to renew for an additional five-year period) where Sky exclusively supplies to SBG in the relevant territories exposure across its platforms, including digital integration and inventory, promotional opportunities, screen space, access to personalities, personnel, assets and services and rights in relation to betting and gaming activities. The CRA will continue in force until the expiry or termination of the Brand License for each relevant territory.

Sky Advertising Agreement

SBG is party to an advertising services agreement with Sky (the "Advertising Agreement"). The Advertising Agreement relates to the purchasing of advertising across all Sky platforms, consistent with the rights granted under the CRA. Under the Advertising Agreement, SBG commits to spending advertising revenue with Sky in return for certain discounts for fixed periods of time. If SBG fails to meet the minimum spend requirement, SBG forgoes any rights to the discount for the remainder of the contractual term.

Under the Advertising Agreement, SBG has the exclusive right to advertise for betting and gaming on Sky Sports digital platforms until the expiration of the exclusivity period under the CRA, provided SBG's minimum qualifying spend is achieved. SBG has non-exclusive rights on other digital Sky platforms (i.e., non-sports). SBG also benefits from annual digital advertising discounts in consideration for meeting the minimum annual spend commitments. This discount agreement relating to digital advertising expires on the earlier of 25 years from March 19, 2015 and the date when the CRA terminates or expires. Sky may terminate the Advertising Agreement for material breach by SBG, subject to a remedy period and certain escalation procedures.

The Advertising Agreement also covers airtime advertising which may be procured by SBG on a non-exclusive basis. Similar to digital advertising, SBG also benefits from an annual airtime discount in consideration for meeting the minimum annual spend commitments. This discount agreement relating to airtime advertising expires June 30, 2022.

The Stars Group has also secured rights to utilize the benefits of the Advertising Agreement in relation to the promotion of the brands of The Stars Group in the UK and the Republic of Ireland in certain circumstances in substitution for the brands of SBG, subject to Sky's prior approval.

FOX Sports Relationship

In May 2019, The Stars Group and FOX Sports entered into a first-of-its kind national media and sports wagering partnership in the United States. Management believes that The Stars Group benefits from its association with FOX Sports' wide array of multi-platform U.S.-based sports assets. Built with brands capable of reaching more than 100 million viewers in a single weekend, FOX Sports has ownership and interests in linear television networks, digital and mobile programming, broadband platforms, multiple web sites, joint-venture businesses and several licensing relationships. See "Overview—Online Betting—FOX Bet" above.

Agreements relating to FOX Bet

In May 2019, certain subsidiaries of The Stars Group entered into a commercial agreement (the “FB Commercial Agreement”) and a trademark and brand licence agreement (the “FB Trademark Agreement”), each dated May 8, 2019, with FSG Services LLC, FOX Sports 1 LLC, and certain subsidiaries of The Stars Group entered into a forward subscription and contribution agreement dated May 8, 2019 (the “FB Subscription Agreement”) with FSG Services LLC. The FB Commercial Agreement, FB Trademark Agreement and the FB Subscription Agreement (collectively, the “FOX Bet Agreements”) govern the ownership and operation of FOX Bet.

The FB Commercial Agreement and FB Trademark Agreement each have a term of up to 25 years, under which FOX Sports has granted to The Stars Group an exclusive license for the use of certain FOX Sports trademarks for a range of immersive games and online sports wagering, and certain exclusive advertising and editorial integration rights on certain FOX Sports broadcast media and digital assets. The FB Trademark Agreement also governs The Stars Group’s key rights with respect to the current and potential future uses of the FOX trademarks and certain restrictions on FOX’s activities relating to any competitors of the FOX Bet brand. Under the FOX Bet Agreements, FOX Sports is entitled to receive certain brand license, integration and affiliate fees. In addition, during the term of the FB Commercial Agreement, The Stars Group has agreed to a minimum annual advertising commitment on certain FOX media assets. Prior to the tenth anniversary of the FB Commercial Agreement, and subject to certain conditions and applicable gaming regulatory approvals, FOX Sports has the right acquire up to a 50% equity stake in The Stars Group’s U.S. business.

Under the terms of the FB Subscription Agreement, a subsidiary of The Stars Group agreed to exclusivity provisions restricting its involvement with any businesses competing with FOX Bet anywhere in the U.S.

Concurrent with the entering into of the FOX Bet Agreements, FOX acquired 14,352,331 newly issued Common Shares in The Stars Group, representing 4.99% of The Stars Group’s then issued and outstanding Common Shares, at a price of $16.4408 per share, the prevailing market price leading up to the commencement of exclusive negotiations.

Technology Infrastructure, Supply Chain Management and Research and Development

The Stars Group believes its continued focus on and investment in its technology is important to its future, supporting its plans to grow its active customer base and increase the monetization of customers through investment in new products, content and personalization. It believes that its investment to date has yielded a scalable infrastructure with a robust, high-performing platform that gives it the ability to replicate its offerings across multiple jurisdictions. The Stars Group’s product development philosophy is focused on the customer with continuous innovation in creating and improving its product offerings.

Investment in, and development of, proprietary technology is a key focus for The Stars Group. While The Stars Group and certain of its subsidiaries, in particular SBG, leverage third-party technology where appropriate, The Stars Group continuously develops its proprietary platforms and key elements of its technology, as well as certain games and content using in-house resources. The Stars Group has invested significantly in its technology to support what it believes to be excellence in key areas such as platform infrastructure, product, content, security and integrity.

The Stars Group’s proprietary player account management system currently forms the core of its long-term technology plan for its International segment. This flexible, scalable and robust management system, as well as the systems at SBG and BetEasy, enable The Stars Group to continuously optimize the player experience by using real-time data and predictive algorithms to enhance the personalization, incentives and rewards that each customer enjoys.

The Stars Group is currently increasing its investment in proprietary content. During 2019, The Stars Group launched a total of 31 new in-house casino games, with game design and content tailored towards its customer base. The Stars Group expects this increased investment to lead to additional content launches during 2020. In July 2018, as part of the SBG Acquisition, The Stars Group acquired Core Gaming, an England-based gaming content development house that is a well-known developer of cross-platform technologies. Core Gaming has and is expected to continue to enable The Stars Group to accelerate the development of bespoke and exclusive games that are tailored towards its customer base. Core Gaming also licenses some of its content on a B2B basis to third-party operators. The Stars Group believes that differentiated gaming content is important to its success in the online gaming industry, offering unique, proprietary games alongside the most popular games from third parties. As commercially feasible and appropriate, The Stars Group seeks to negotiate competitive pricing with its third-party providers and generally believes that the availability of software, components and other supplies that it uses are adequate and can be sourced from more than one provider or supplier.

The Stars Group believes that investment in differentiated products helps attract and retain customers. Innovative betting products such as *RequestABet*, *Group Bets*, and real-time tracking of Sky Bet Club loyalty scheme progress, allow The Stars Group or its subsidiaries to differentiate their product offerings within the market. The Stars Group primarily develops and produces its product offerings internally through, among other resources, internal engineering teams, software architects, network operations teams and production operations staff. The Stars Group’s development and production includes software development and quality assurance, software hosting within its data centers and transit points of presence, development of network infrastructure and operations monitoring and maintenance of its product offerings. The Stars Group also engages third parties to assist in development and production on an as-needed basis. For instance, SBG currently contracts with several development and production providers, including betting and gaming platform providers, for certain of its front- and back-end technology that is currently used in its product offerings.

SBG uses a flexible approach to technology. While SBG believes that it uses appropriate technology and components for each of its products and services, a common theme of using open-source technology and modular development runs across its products and underlying platform choices. Where regulation allows, SBG uses cloud technology across elements of its technology stack. Its most prominent use of cloud technology is in its free-to-play games, such as *Soccer Saturday Super 6*, with other products being migrated to the cloud as a key principle of the technology strategy. The Stars Group has and plans to continue to integrate certain aspects of its current technology with SBG's.

Investment in mobile technology is important for SBG, which was an early adopter of mobile technologies, with the majority of its revenues being generated from mobile devices. For most of SBG's products, a single technology stack is shared across mobile and desktop, meaning new products and features can be rolled out across both channels simultaneously.

The Stars Group is currently developing a proprietary global sportsbook and trading platform to capture certain elements, features and capabilities of *Sky Bet*, *BetStars* and *BetEasy* technology. The Stars Group believes that this will permit it to develop new products quicker and deploy them globally but in a localized format. In addition to accelerating new product innovation and delivery, The Stars Group expects its global sportsbook and trading platform to deliver cost efficiencies through global risk management and pricing, and streamlined product development.

In addition to supporting a superior customer proposition, investments in technology are also vital for maintaining a safe and secure environment for customers, including a strong focus on responsible gaming and game integrity. The Stars Group's proprietary player account management system helps ensure a positive experience for its customers, not only from an entertainment perspective, but most importantly with respect to security, integrity and responsibility.

The Stars Group believes that investments in technology support game integrity, providing fair products for customers. To support The Stars Group's strong reputation for integrity, it employs a set of proprietary tools that monitor hardware and software signatures, and behavioral interactions. This set of tools has been reinforced with machine learning capabilities that, through automatic hand history review, detect suspicious behaviors, allowing for gain of time, accuracy and effectiveness to act on people trying to alter the fairness of The Stars Group's games. This set of tools also include controls that, among other things, (i) restrict the use of third-party software components, also known as third-party tools (such as "heads-up displays" and "seating scripts"), for the purpose of collecting additional gameplay information or selecting specific opponents, and (ii) prohibit data-mining of certain products (or the practice of accumulating a large set of information, such as poker hand histories, through the use of software as opposed to actual gameplay) for the purpose of analyzing and exploiting another customer's activity, playing styles and tendencies. Combined with the expertise of former professional poker players, The Stars Group believes that its level of protection is among the best in the industry and continues to evolve positively as a result of The Stars Group's constant investments.

To support The Stars Group's strong reputation for security, it employs what it believes to be effective, useful and appropriate practices and systems. These include machine learning based real-time data analytics, led by an internal information security group with respect to various aspects of its technology infrastructure. Through several of its internal teams, including its security, customer operations, fraud teams and data protection, The Stars Group monitors application level security, information and payment security, customer fraud, information and data protection. This includes implementing policies and controls over the use of abusive technological tools and software, assessing pricing and incentives, and introducing improvements to product ecosystems. In particular, The Stars Group has implemented and continues to implement, policies and controls to significantly reduce or eliminate the use of certain sophisticated technology that may provide an artificial competitive advantage for certain customers over others. These systems, which are comprised primarily of in-house resources, routinely review and evaluate customer backgrounds, game play, financial and transactional activity and related risks through a variation of management systems, including "know your customer" and related background screening (which collects age and identity information, as well as monitoring against certain prohibited persons and other watch lists), location screening through geolocation and other software, deposit screening, abnormal game play and funds movement detection, withdrawals screening, collusion detection, bots and artificial intelligence detection (which detects artificial intelligence-driven game play) and prevention (including through changing aspects of or enhancing current product offerings or innovating new variants), multiple account alerts, account restriction and ban detection and a safe mode system (which is based on a customer's risk profile and limits access to high risk deposit methods). The Stars Group's technology infrastructure and software is also subject to rigorous management and certification process testing and meets applicable compliance and regulatory requirements in numerous jurisdictions. See also "Risk Factors and Uncertainties—Risks Related to the Business".

In addition to its internal resources and personnel such as its information security group, The Stars Group also uses third parties to provide cyber security, including anti-malware, sandbox analysis technology, network monitoring, firewalls, intrusion detection and prevention, vulnerability management, log analysis, penetration testing and similar protection. These security and integrity systems routinely review and evaluate attempted breaches of The Stars Group's infrastructure.

The Stars Group's R&D strategy seeks to provide broad market applications for product offerings derived from its technology base. The Stars Group's R&D efforts are focused primarily on: (i) developing and delivering its pipeline of new product offerings; (ii) revitalizing its existing product offerings through continued innovation; (iii) developing core technology and platforms for existing and future verticals; (iv) evolving the functionality, security and performance of its offerings and platforms; (v) continuously developing and extending the number of supported client platforms; (vi) developing infrastructure systems to provide the underlying support for its offerings, systems and platforms; (vii) providing a platform and tools for operations and marketing; and (viii) improving development and testing technologies. The Stars Group also engages from time to time in longer term fundamental research and may do so in the future either directly or through the funding of third-party projects. The Stars Group currently dedicates nearly all of its R&D investments to its online gaming business.

Responsible and Safer Gaming

The Stars Group views the safety and welfare of its customers as critical to its business and has made appropriate investments into people and processes to identify and protect vulnerable customers. Accordingly, The Stars Group is committed to effective and useful responsible gaming practices and seeks to provide its customers with the resources and services they need to play responsibly, including through its dedicated responsible gaming staff. These practices, resources and services include deposit limits, table and game play limits, voluntary restrictions on access to and use of certain games, temporary self-exclusion and cooling off periods, voluntary permanent exclusions from The Stars Group's offerings, sites and applications, and where relevant activity monitoring, including through the use of indicator reports and data science technology. The Stars Group has also partnered with various responsible gaming organizations that conduct research and offer education and direct counselling for players. These organizations include Adictel in France, GamCare and GambleAware in the UK, the National Council on Problem Gambling in the United States and GamblingTherapy.org worldwide. The Stars Group also promotes its responsible gaming tools, resources and initiatives on its websites and platforms and through other channels.

The Stars Group regularly submits its responsible gaming policies and procedures for independent accreditation via various expert organizations that have developed comprehensive responsible gaming standards and measurements designed to determine the effectiveness of a gaming company's policies, procedures and practices in addressing problem gaming. Independent organizations that have accredited The Stars Group's responsible gaming program include GamCare, the National Council on Problem Gambling in the United States and the Responsible Gambling Council of Canada. In addition, The Stars Group is increasingly using data science to improve the player experience and player protection. For instance, The Stars Group's real-time promotions platform provides a real-time view of customer interactions, enabling the creation of innovative personalized products and promotions based on game play and customer success. For example, a customer with an unusually unlucky run on roulette might receive a real-time bonus delivered inside the game itself, but a similar technology is also used to suppress marketing to a similar customer who may be showing signs of potential gambling harm. A customer deemed to be at-risk will receive safer gambling messages and prompts to use the self-help tools such as deposit limits, time-outs and self-exclusions.

In addition to The Stars Group's various responsible gaming accreditations, it has also built strong relationships with various gaming-related regulatory and consumer protection bodies such as the UK Gambling Commission (the Gambling Commission"), the Independent Betting Adjudication Service and the International Betting Integrity Association. Furthermore, SBG was one of the initial UK gaming company signatories to a package of UK-focused safer gambling commitments to strengthen safer gambling measures and minimize gambling -related harm, and SBG will represent The Stars Group as a member of the newly- established UK betting and gaming industry trade body, the Betting & Gaming Council.

Markets and Customers

The gaming industry in general operates in a large, dynamic and growing global market with a variety of segments, including online (including mobile) and land-based poker, betting, casinos, bingo rooms and other gaming mediums. According to gaming industry consultants, H2 Gambling Capital ("H2GC"), from 2003 to 2019, the combined global (including markets where The Stars Group does not currently operate real-money online gaming) interactive gaming verticals, including online real-money poker, casino, sports betting, horseracing, bingo and skill-based and other games, have grown from approximately $7.9 billion to $56.0 billion in gross gaming revenues ("GGR"), defined as wagers or rakes plus bonuses, promotions, overlays and loyalty rewards, less prizes or winnings. Of this total, H2GC estimates that in 2019 alone, betting, i.e., racing and sports betting, comprised 60%, gaming (including bingo, skill and other gaming but excluding poker) comprised 35% and poker comprised 5%. H2GC estimates that the combined global interactive gaming GGR will grow to approximately $70.5 billion in 2022 (data as at February 13, 2020). This reflects a compounded annual growth rate ("CAGR") of 8.0% from 2019 to 2022.

Online gaming operators take advantage of scale and technology to provide gaming to large networks of customers. Originating in the mid 1990's, online gaming has grown steadily over time with improvements to technology, security and public sentiment coinciding with growth in national and local regulation of online gaming.

Set forth below is a general overview of the current market for The Stars Group's core lines of operation, i.e., real-money online poker, casino and betting.

Online poker saw a rapid rise in popularity beginning in 2003 when Tennessee accountant Chris Moneymaker won $2.5 million at the World Series of Poker's main event, after winning his entry in a low buy-in online satellite tournament on *PokerStars*. This rise in popularity saw global online poker grow significantly, notably in Europe and North America, until 2010. In 2011, two of the industry's largest brands, *PokerStars* and *Full Tilt*, exited the U.S. market, where they held a significant majority of the online poker market share, impacting global poker player liquidity. The Stars Group's primary markets for its real-money online poker offerings include the European Union, certain other jurisdictions in the rest of Europe and the Americas (excluding the United States). Within the United States, currently only New Jersey, Nevada, Delaware, Pennsylvania, Michigan and West Virginia have, or recently passed legislation regulating online poker or online gaming. However, in recent years multiple states have considered or are currently considering proposed legislation to regulate online poker or online gaming, including New York, Massachusetts, Kentucky, Connecticut, Virginia and Nebraska. While The Stars Group currently believes more states will regulate online poker or online gaming in the future, there can be no assurance when this will happen, if at all.

Online gaming (excluding poker) has also seen rapid growth over the past decade, with GGR from the global market growing from $2.1 billion in 2003 to $19.9 billion in 2019 according to H2GC (such estimates include markets where The Stars Group does not currently operate real-money online casino). As online casino operators continue to expand content and increase product offerings, and more markets regulate online casino, H2GC forecasts GGR to grow to $23.4 billion in 2022, or at a CAGR of 5.7% from 2019 to 2022. According to H2GC, the majority of this growth is currently expected to come from Europe. The primary market for The Stars Group's combined online casino offerings is Europe, which comprised approximately 65% of the global online casino market in 2019 according to H2GC.

According to H2GC, online betting, comprising racing and sports betting, makes up the largest segment of the online gaming market at approximately $33.5 billion in GGR in 2019. As with online poker and online casino, according to H2GC, online sports betting saw significant growth of $28.1 billion from 2003 through 2019 as technology improved, e-commerce became more mainstream and national and local regulation of online betting grew (such estimates include markets where The Stars Group does not currently operate real-money online betting). H2GC estimates online betting will continue to grow, with GGR reaching $44.3 billion in 2022, or at a CAGR of 9.8% from 2019 to 2022. The primary markets for The Stars Group's online betting offerings are currently in Europe and Australia, which together comprised approximately 51% of the global online betting market in 2019 according to H2GC. See below under "-Regulatory Environment-Regulation of The Stars Group's Business-Local Licenses and Approvals" regarding the potential future of betting in the United States.

For detailed information regarding the regulatory environment in which The Stars Group currently operates, The Stars Group's current gaming licenses, and The Stars Group's current regulatory strategy, see "—Regulatory Environment" below.

Seasonality and Other Factors Impacting the Business

The Stars Group's business can fluctuate due to sporting fixtures and results, seasonal trends, and other factors. The betting operations (and thus the financial performance) of The Stars Group are also subject to the seasonal variations dictated by various sports calendars. A significant portion of The Stars Group's betting revenue is and will continue to be generated from bets placed on soccer, which has an off-season in the summer that can cause a corresponding temporary decrease in its betting revenues, and betting on horse racing. Horse racing, the Australian Football League and the National Rugby League comprise a large portion of betting revenue in the Australia segment. In addition, The Stars Group currently expects a growing portion of its betting revenues to be derived from sporting events and leagues based in emerging markets, such as the United States, which have different sports calendars than those in other established markets, such as Europe and Australia. The Stars Group's revenues may also be affected by the scheduling of major sporting events that do not occur annually, such as the FIFA World Cup (the "World Cup") and the UEFA European Championships and other major sporting events globally. In addition, certain individuals or teams advancing or failing to advance and their scores and other results within specific tournaments, games or events may impact The Stars Group's financial performance. Also, the cancellation of sporting events (most commonly seen in horse racing due to adverse weather conditions) could negatively impact amounts wagered and revenues. The Stars Group believes that the climate and weather in geographies where its customers reside also tends to impact, among other things, revenues from operations, key metrics and customer activity, and as such, historically those have been generally higher in the first and fourth quarters than in the second and third quarters.

With respect to online betting, revenues generally fluctuate in line with wagering levels and associated win margins (or the total customer wagers less customer winnings as a proportion of the total amount wagered). However, the impact on revenues may be mitigated by the impact of win margins on amounts wagered, which can fluctuate inversely with such margins. As a result, prolonged periods of high win margins can negatively impact customer experience, enjoyment and engagement levels, thus resulting in lower customer betting and/or gaming activity levels. Conversely, while periods of low win margins tend to negatively impact revenues, this may be partially mitigated by increased customer wagering volume (generally referred to as recycling of winnings) due to the positive impact of customer-favorable results on customer experience, enjoyment and engagement. Further, changes to The Stars Group's use of various offsets to revenues including free bets, bonuses and promotions, and/or loyalty program rewards impact reported revenue, which could also cause fluctuations. As such, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. There can be no assurance that the seasonal trends and other factors that have impacted The Stars Group's historical results will repeat in future periods as it cannot influence or forecast many of these factors. For other factors that may cause its results to fluctuate, including market risks, such as foreign exchange risks, see “Risk Factors and Uncertainties—Risks Related to the Business”.

Intellectual Property

The development and protection of intellectual property is a core part of The Stars Group’s business strategy and a key element to its success. The Stars Group believes that its intellectual property rights currently provide broad and comprehensive coverage for its product offerings. The Stars Group’s policy and practice is to protect its intellectual property rights in its core business areas through a combination of patents, copyrights, trademarks and trade secret laws, and generally through contractual provisions with third parties who have access to or are otherwise involved in the creation, development or use of its intellectual property. The Stars Group actively seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and pursuing further litigation, as necessary.

In addition, The Stars Group seeks to preserve the integrity and confidentiality of its data, trade secrets and know-how by maintaining the physical security of its facilities and the electronic security of its information technology systems. While The Stars Group has confidence in its systems in place, The Stars Group’s security measures may be breached, and legal recourse may not provide adequate remedies for any such breach.

The Stars Group’s active intellectual property portfolio currently contains, among other rights, approximately 55 granted patents, 27 patent applications, 1,319 registered trademarks, 297 trademark applications, 6 industrial designs and 14 copyright registrations. In addition, it currently owns approximately 7,500 domain names, as well as unregistered intellectual property, which includes copyright works, such as source codes, software codes, logos, audio-visual elements, graphics, original music, story lines, interfaces, advertisements, films and videos, copyrights and databases (including customer lists), unregistered trademark rights, confidential information and trade secrets. Issued and registered rights (and applications for such rights) are held directly or indirectly by The Stars Group in numerous jurisdictions around the world, including the United States, Canada, Europe, Russia, certain Latin American countries, China and certain Australasian countries. The terms and extent of protection afforded under The Stars Group’s issued and registered rights or unregistered rights vary depending on the jurisdiction and, as applicable, the date of filing.

The Stars Group’s patent strategy focuses on protecting novel elements of its technology design covering the principal jurisdictions where The Stars Group currently carries on business and where it believes filing for such protection is strategically, commercially, technologically or otherwise appropriate and beneficial. In addition to the granted patents mentioned above, The Stars Group has pending patent applications in the United States and certain other key commercial jurisdictions, such as Canada, Europe and Australia, and files new patent applications as and where it deems appropriate. The actual protection afforded by a patent depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the applicable jurisdiction.

In addition to patent rights, The Stars Group has registered trademarks or trademark applications for, among other things, its primary brands, including The Stars Group, *PokerStars*, *BetStars*, *Full Tilt*, *BetEasy*, *Oddschecker* and related sub-brands, as well as its live poker tours in more than 40 jurisdictions worldwide where The Stars Group believes there is a commercial benefit for having such registrations. The Stars Group continuously monitors its trademark portfolio and files new registration applications as and when it deems appropriate. In addition, certain of The Stars Group’s partners have also registered trademarks or trademark applications for, among other things, *FOX Bet*, *FOX Sports Super 6*, *Sky Bet*, *Sky Vegas*, *Sky Casino*, *Sky Bingo* and *Sky Poker*, which are licensed to The Stars Group.

To complement The Stars Group’s owned intellectual property, The Stars Group enters into brand licensing agreements with third parties, such as those entered into with Sky and FOX Sports, to develop product offerings based on their respective marks, characters and themes. The Stars Group believes that its use of licensed brand names and related intellectual property may contribute to the appeal and success of its products. These licensing agreements may be subject to various conditions and typically involve The Stars Group paying royalties to each licensor. Licensors also typically have the right to inspect and approve the use of licensed property.

The source code for The Stars Group’s software is generally protected under trade secret and confidential information laws, as applicable in a particular jurisdiction, as well as applicable copyright law. The Stars Group recognizes, however, that effective protection may be limited or not available in some jurisdictions in which it offers its product offerings. The Stars Group licenses the use of its software to end-users, and these licenses contain, among other restrictions, customary provisions prohibiting the unauthorized reproduction, disclosure, reverse engineering and transfer of The Stars Group’s licensed software and related intellectual property. Moreover, any licensing of The Stars Group’s core intellectual property and brands is on what it believes to be strict licensing terms, with licenses being non-exclusive and limited in duration and scope.

The Stars Group also seeks to protect its copyright works through either or both the registration of such works with applicable governmental authorities (where available and it deems registration strategically beneficial) and reliance on international treaties. It believes that such protection is adequate for its purposes in the jurisdictions in which it operates, or currently expects to operate in the near term. Similar to its other intellectual property rights, The Stars Group continuously monitors its copyright portfolio and updates its policy regarding the registration of copyrights to seek the appropriate protection available under applicable laws.

In addition, The Stars Group also enters into various types of licensing and transfer agreements related to technology and intellectual property rights to obtain rights that may be necessary to produce and offer its product offerings. The Stars Group may also license its technology and intellectual property to third parties through licensing agreements.

Notwithstanding The Stars Group's efforts to protect its intellectual property, it may not be successful in obtaining the protections for which it has applied. The Stars Group's granted and registered intellectual property rights and those that may be granted or registered in the future, may be challenged, narrowed, circumvented or found to be invalid or unenforceable, which could limit The Stars Group's ability to stop competitors from marketing related products or services or limit the protection period that The Stars Group may have for its products or services. Despite efforts to protect The Stars Group's proprietary rights, third parties may infringe on its intellectual property rights and in such situations The Stars Group may be required to defend such rights. Defending such rights may divert management's attention to the business and involve a significant expense, and The Stars Group may not be successful in defending its rights. In addition, others, including The Stars Group's competitors, may be able to independently develop substantially equivalent intellectual property, and the rights granted to The Stars Group under any of its granted or registered intellectual property, or future rights, may not provide it with any meaningful competitive advantages against these competitors. See also "Risk Factors and Uncertainties—Risks Related to the Business".

Regulatory Environment

General

The operation of online (including mobile) real-money betting and gaming in jurisdictions with a legal and regulatory framework covering those activities is typically subject to extensive approval, regulation and monitoring by various federal, state, provincial and other responsible local authorities (collectively, "gaming authorities"). Applicable gaming laws generally require The Stars Group to undergo extensive due diligence and demonstrate its suitability to obtain a gaming license from the responsible gaming authorities. This typically covers each of The Stars Group's subsidiaries engaged in the regulated activities, certain of The Stars Group's directors, officers and employees and, in some instances, significant shareholders (typically, direct or indirect beneficial owners of more than 5% of a company's outstanding equity, or lower in certain jurisdictions, such as Great Britain, where the threshold is 3% or more).

The term "gaming license" for the purposes of this annual information form refers collectively to all the different licenses, consents, permits, authorizations, and other regulatory approvals, temporary or permanent, that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

The criteria used by gaming authorities to make determinations as to the suitability of an applicant to conduct gaming varies among jurisdictions, but generally requires extensive and detailed application disclosures followed by a thorough investigation. Gaming authorities have broad discretion in determining whether an applicant should be found suitable to conduct gaming. When determining to grant a gaming license to an applicant, gaming authorities generally consider: (i) the financial stability, integrity and responsibility of the applicant (including verification of the applicant's sources of funding); (ii) the quality and security of the applicant's online real-money gaming platform, hardware and related software, including the platform's ability to operate in compliance with local regulation, as applicable; (iii) the applicant's past history; (iv) the applicant's ability to operate its gaming business in a socially responsible manner; and (v) in certain circumstances, the effect on competition.

Gaming authorities may, subject to certain administrative proceeding requirements, (i) deny an application, or limit, condition, revoke or suspend any gaming license issued by them, (ii) impose fines, either on a mandatory basis or as a consensual settlement of regulatory action, (iii) demand that named individuals be disassociated from a gaming business, and (iv) in serious cases, liaise with local prosecutors to pursue legal action, which may result in civil or criminal penalties. Events that may trigger revocation of a gaming license or another form of sanction vary by jurisdiction. However, typical events include, among others: (i) conviction in any jurisdiction of certain persons with an interest in, or key personnel of, the licensee of an offense that is punishable by imprisonment or may otherwise cast doubt on such person's integrity; (ii) breach of local gaming laws and/or failure to comply with any term or condition of the gaming license; (iii) declaration or otherwise engaging in certain bankruptcy, insolvency, winding up or discontinuance activities, or an order or application with respect to the same; (iv) obtaining the gaming license by a materially false or misleading representation or in some other improper way; (v) violation of applicable anti-money laundering or terrorist financing laws or regulations; (vi) failure to meet commitments to players, including social responsibility commitments (in some jurisdictions, such as Great Britain, this commitment is increasingly extending to include the need for licensees to conduct checks on whether players can afford to gamble with them); (vii) failure to pay in a timely manner all gaming or betting taxes or fees due; or (viii) determination by the gaming authority, in its sole discretion, that there is another material and sufficient reason to revoke or impose another form of sanction upon the licensee.

Gaming authorities also have the right to investigate any individual or entity having a relationship or involvement with The Stars Group or any of its subsidiaries, to determine whether such individual or entity is suitable as a business associate of The Stars Group. If any director, officer, employee or significant shareholder of The Stars Group fails to qualify for a gaming license or is found unsuitable (including due to the failure to submit required documentation) by a gaming authority, The Stars Group may deem it necessary, or be required, to sever its relationship with such person, which may include terminating the employment of any such person or divesting any such person of any interest in The Stars Group, as permitted under the redemption provision in The Stars Group's articles.

In addition, certain gaming authorities monitor the activities of their licensees they regulate in jurisdictions other than their own to ensure that their licensees are not conducting business elsewhere in a manner that might adversely affect their financial stability, integrity and capacity or inclination to comply with local laws.

As a regulated entity, The Stars Group is subject to various conditions and requirements under its gaming licenses. Conditions of these gaming licenses vary by license type and jurisdiction. Typical conditions generally include (i) adherence to the various laws, regulations and codes of conduct to which The Stars Group's licensed entities are subject, (ii) maintenance of strong corporate governance standards, (iii) filing periodic reports with gaming authorities, and (iv) reporting material events affecting The Stars Group's business, including suspicious activity reports related to anti-money laundering and terrorist financing and sanctions imposed by gaming authorities elsewhere. The requirement to file periodic reports, as well as the contents and frequency of such reports, varies by gaming license. If required, periodic reports generally must be filed quarterly or annually, and must contain certain information, metrics, details or audit findings related to revenues and other financial information, specific games or activities, anti-money laundering and terrorist financing activities, player complaints/disputes and information and data security. Certain gaming licenses also require licensees to implement a system that grants the gaming authority real-time access to certain player-related data of the licensee, thus enabling the gaming authority to perform audits or analysis at its discretion. For example, the Italian regulator requires a real-time interface to enable it to assess gaming duties. Additionally, certain regulators, such as the Gambling Commission, require licensees to file an annual assurance statement with them, which provides information regarding matters such as significant changes in control systems, risk management and governance since the last assurance statement, how the licensee is addressing gambling by problem and at-risk customers, and any improvements that the licensee plans to implement to its control systems, risk management and governance and/or its approach to addressing problem and at-risk gambling and generally promoting socially responsible gambling.

In addition, there are various other factors associated with its gaming operations that could burden The Stars Group's business, including compliance with multiple, and sometimes conflicting, regulatory requirements, jurisdictional limitations on contract enforcement, foreign currency risks, certain restrictions on gaming activities, potentially adverse tax risks and tax consequences, including the imposition of new or additional taxes, such as additional corporate tax, VAT payable on The Stars Group's costs or chargeable on a point of consumption basis on its revenue (which commercially cannot be passed onto the consumer), turnover taxes and gaming duties, and changes in the political and economic stability, regulatory and taxation structures and the interpretation thereof in the jurisdictions in which The Stars Group and its licensee subsidiaries operate or otherwise offer their product offerings. Any or all of such factors could have a material adverse effect on The Stars Group's business, operating results and financial condition. See also "Risk Factors and Uncertainties—Risks Related to the Business". Further, as a public company The Stars Group is required to, among other things, maintain effective internal controls over its financial reporting and disclosure controls and procedures, maintain systems for accurate record keeping and maintain strict compliance with applicable laws and regulations.

Regulation of The Stars Group's Business

The Stars Group, through certain of its subsidiaries, is licensed or approved to offer, including under third-party gaming licenses, its gaming product offerings in various jurisdictions worldwide, including in Europe, both within and outside of the European Union, which is currently its primary market, Australia, North America and elsewhere. In particular, and as of the date hereof, The Stars Group, through its subsidiaries, holds gaming licenses in 22 jurisdictions, and *PokerStars* is the world's most licensed online gaming brand, holding licenses in 19 of those jurisdictions.

The Stars Group views its gaming licenses in two categories: (i) jurisdictions where The Stars Group's relevant operating subsidiary has either obtained a local gaming license directly from the local gaming authority or where it offers The Stars Group's product offerings under a third-party gaming license through a third-party relationship (for example, Belgium) on a B2B basis; and (ii) jurisdictions where its real-money online gaming product offerings are offered pursuant to a "multi-jurisdictional" gaming license instead of a local licence. See also "—Regulatory Environment—Regulatory Strategy" below.

Local Licenses and Approvals

Set forth below is an overview of certain of The Stars Group's local gaming licenses (including arrangements with third parties) covering the operation of its real-money online product offerings. Poker customers in certain jurisdictions, however, are permitted to participate in The Stars Group's shared-liquidity global player pool on its .com and .eu sites. Applicable gaming duty and/or VAT is payable on The Stars Group's revenue from online gaming offered through these local gaming licenses.

Australia

The Northern Territory Racing Commission ("NTRC") is responsible for licensing, regulating and supervising gambling activities authorized under the Racing and Betting Act 1983 (NT) ("Racing and Betting Act"), including the conduct of a sports betting business.

Holders of sportsbookmaker licenses issued by the NTRC are permitted to provide sports betting services over the Internet to customers throughout Australia.

The NTRC conducts ongoing suitability and due diligence investigations in relation to its license holders, their shareholders and key management personnel. NTRC license holders are also required to comply with all relevant Australian state and territory laws as well as applicable federal legislation, including the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth).

The applicable Australian subsidiaries of The Stars Group hold licenses to conduct sports betting issued by the NTRC under the Racing and Betting Act. These licenses issued are valid through June 30, 2024 and June 30, 2020. Other than as described above, The Stars Group's online real-money gaming product offerings are not offered to persons physically located in Australia.

Belgium

The Belgium Gaming Commission (the "Belgian Commission") is responsible for issuing gaming licenses for the operation of games of chance in Belgium, ensuring the proper supervision of these games and implementing any regulations promulgated under applicable law. Belgian law generally prohibits the operation of a gaming establishment or the offering of gaming in any form, in any place, or in any direct or indirect way, unless a license is granted by the Belgian Commission in accordance with Belgian law. The Belgian licensing regime provides that only land-based licensees may offer online gaming as a supplementary product to the land-based gaming offerings, meaning that an online gaming operator that does not also operate a land-based gaming business in Belgium typically needs to enter into an arrangement with an existing land-based licensee.

Gambling Management S.A., the owner and operator of Casino de Namur in Belgium, has a license to offer online gaming operated by a Maltese subsidiary of The Stars Group through one of The Stars Group's domain names. The Maltese subsidiary, which received a Class E gaming license on April 20, 2011, provides online gaming to Casino de Namur, which in turn offers such gaming to its customers in Belgium. So long as the applicable license fees are paid, the Maltese subsidiary remains compliant with applicable licensure requirements and the license is not suspended, revoked or otherwise surrendered, The Stars Group expects that the license will remain valid for 10 years with a renewal procedure available no later than five months prior to its expiration.

Bulgaria

In Bulgaria the State Commission for Gambling ("Bulgarian Commission") issues and maintains licenses for "gambling games" including online casino games. A license for organizing online gaming must explicitly state the intended gaming activity by the holder. Bulgaria requires that the licensee be registered in a European Union member state, another state signatory to the European Economic Area Agreement or in the Swiss Confederation. The licensee must also appoint an authorized representative with an address in Bulgaria, with the authority to represent the licensee before state authorities or Bulgarian courts. The Bulgarian Gambling Act also requires that certain communication equipment be located in Bulgaria for reporting purposes.

On February 18, 2014, one of The Stars Group's subsidiaries was awarded a license to offer online poker and casino to Bulgarian residents. The license is valid for 10 years and may not be transferred.

Czech Republic

Under the Act on Gambling Coll. 186/2016, the State Supervision of Gambling and Lotteries Department of the Ministry of Finance of the Czech Republic (the "MFCR") maintains the licensing procedure for individuals and entities seeking to provide betting and online casino services to customers in the Czech Republic. The MFCR defines online casino services as "an internet game, the gambling participant shall play against the operator's software-based gaming system or against another person mediated by that system." Online casino games can include "Technical Games", which are games of chance operated via a technical device directly handled by the bettor, such as slot reel games, and "Live Games", which include roulette, card games and games operated in the form of a tournament.

On January 28, 2017, one of The Stars Group's subsidiaries was granted a six-year license to provide online casino and poker games to customers in the Czech Republic, which will expire on January 27, 2023. On October 24, 2017, the MFCR granted approval to this same subsidiary to provide sports betting to customers in the Czech Republic. After evaluating its sports betting business in the Czech Republic, the subsidiary holding the sports betting approval suspended its offering on October 8, 2019 and voluntarily surrendered that license on January 3, 2020.

Denmark

Under the Danish Gambling Act, the Danish Gambling Authority (the "DGA") maintains the licensing procedure for individuals and entities looking to provide betting and online casino services to customers in Denmark. The DGA defines online casino services as "those where the player and operator do not meet physically, for instance where games are sold via the internet, telephone or television." Online casino games can include roulette, blackjack, baccarat, punto banco, poker and "combination games." A license to operate online casino services is valid for a term of five years. If the applicant has not yet obtained the required certifications for its gaming system through testing, the DGA will issue a fixed-term one-year license until such certifications are complete.

One of The Stars Group's subsidiaries renewed a five-year license to provide online casino and poker games that will expire on December 31, 2021 and was granted a five-year license to provide online sports betting that will expire on December 31, 2021.

Estonia

The Estonian Tax and Customs Board maintains responsibility for the issuance of "activity licenses" and "operating permits" for the supply of gaming and lotteries to customers in Estonia, and also acts as the gaming supervisory agency in Estonia.

The Estonia Gambling Act, RT I 2008, 47, 261 (the "Estonia Gambling Act") was enacted to establish strict requirements for gaming operators, provide measures for the protection of players and reduce the negative consequences of gaming and its impact on society. "Remote gambling" under the Estonia Gambling Act is defined as "the organisation of gambling in a manner where the outcome of the game is determined by an electronic device and the player can participate in the game by electronic means of communication, including telephone, Internet and media services."

On August 18, 2010, one of The Stars Group's subsidiaries was awarded an activity license, which became effective on August 23, 2010. Activity licenses are generally valid for an unspecified period of time. On September 20, 2010, that subsidiary was further awarded an operating permit for the organizing of games of chance in the form of remote gambling concerning one of The Stars Group's domain names. This operating permit, which was subsequently renewed in September 2015, is valid through September 21, 2020.

France

The Collège de l'Autorité de régulation des jeux en ligne ("ARJEL") oversees gaming licensing with respect to customers in France. Act No. 2010-476 of 12 May 2010 authorized online gaming with respect to customers in France only for poker and betting on sports, horse races and circle games. Each type of online gaming requires a separate gaming license. Government decrees and orders are also a part of the French regulatory system. The decrees and orders that The Stars Group believes are relevant to its business, address, among other topics, changes of control, customer accounts and the licensing process. French regulation requires the submission of an annual certification audit, which is a technical and security audit relating to the hosting platforms that power the services provided under the applicable ARJEL gaming license. Additionally, licensees are required to submit weekly financial reports to the ARJEL.

One of The Stars Group's subsidiaries renewed a five-year license granted by ARJEL for online poker games that will expire on June 24, 2020. On June 7, 2016, one of The Stars Group's subsidiaries was granted a five-year license by ARJEL for sports betting, which will expire on June 6, 2021.

On July 6, 2017, the gaming authorities of Portugal, Spain, France and Italy signed an agreement in Rome providing for online poker liquidity to be pooled across all four jurisdictions. This concordat has taken some time to implement as it depends upon each jurisdiction issuing local clearance for its players to take part. On December 14, 2017, The Stars Group's subsidiary licensed by ARJEL received authorization to include French players into the merged player pools. On January 15, 2018, the Spanish gaming regulator, Dirección General de Ordenación del Juego (the "DGOJ"), granted an authorization to a subsidiary of The Stars Group to include Spanish players in the merged player pools. The Stars Group's relevant subsidiaries therefore inaugurated pooled Franco-Spanish poker gameplay on January 16, 2018 and added Portuguese players on May 23, 2018. The Stars Group anticipates the necessary local authorization from the gaming authority in Italy to permit players from that jurisdiction to join the pooled liquidity in the near future. See "—Italy", "—Portugal" and "—Spain", below.

Germany-Schleswig Holstein

The German state of Schleswig Holstein issued a gaming license to a Maltese subsidiary of The Stars Group pursuant to a state law adopted in 2012 that regulated and licensed online gaming. Although the law has since been repealed and the gaming license expired on December 21, 2018, in December of 2018, the Schleswig Holstein Ministry of Interior issued an order permitting the Maltese subsidiary to continue operating under the gaming license and on June 25, 2019, the Schleswig Holstein Ministry of Interior issued a supplementary ancillary authorization allowing the Maltese subsidiary to offer poker games and certain casino games to customers in Schleswig Holstein until the earlier of June 30, 2021 or such time another German licensing regime is implemented with validity in Schleswig Holstein.

Greece

In Greece, the Hellenic Gaming Commission (the "HGC"), in partnership with the Greek Ministry of Finance (the "Greek Ministry") is responsible for regulating and supervising the online gaming industry. In 2011, the Greek government enacted new legislation - Law 4002/2011 - relating to all forms of gaming (the "Greek Gambling Act"). Under the Greek Gambling Act, companies that have been licensed by the Greek Ministry through public tenders were authorized to offer online gaming. The Greek Gambling Act also allows for companies that hold gaming licenses in other member states of the European Union to apply for interim temporary licenses, which would remain valid until the formal licenses are awarded. The HGC issued 24 temporary gaming licenses under the Greek Gambling Act. In November 2013, The Stars Group partnered with Diamond Link Ltd. (“Diamond Link”) to allow Greek customers to utilize The Stars Group’s online gaming products. Diamond Link is one of the 24 temporary gaming license holders in Greece, and through The Stars Group’s partnership, two of The Stars Group’s websites operate under that authorization utilizing Diamond Link’s Maltese gaming license. In May 2017, a subsidiary of The Stars Group purchased all the outstanding interests of Diamond Link and maintains the temporary gaming license that allows Greek customers to utilize The Stars Group’s online gaming products.

Greek authorities have announced regulations that would make permanent the Greek temporary regime and the consultation on those regulations concluded in February 2019. The Greek authorities amended and enacted the Greek Gambling Act on October 30, 2019, which adopted a permanent licensing regime that is expected to replace the interim regime with effect from April 1, 2020. The Greek state will issue an unlimited number of permanent licenses for online gaming to all applicants meeting specific criteria. The licensing procedure will be permanently “open”. Two types of licenses will be available for online betting and for online “other” games, which includes casino games of chance, poker and its variations. On November 29, 2019, The Stars Group submitted an application for the extension of its interim license to the HGC until permanent licenses are issued.

Ireland

In Ireland, sports betting services are regulated by the Betting Acts 1931-2015 and licensed through the Irish National Excise Licence Office. The primary suitability and probity requirement of the Irish authorities is that individual applicants for betting licenses as well as officers of corporate applicants must hold a “Certificate of Personal Fitness” issued by the Department of Justice and Equality as well as a “Tax Clearance” certificate.

In July 2015, a subsidiary of The Stars Group received an online betting license from the Irish National Excise Licence Office to provide online sports betting to customers in Ireland, and as a result of the SBG Acquisition, another subsidiary of The Stars Group also holds an online betting license. All Irish online betting licenses are valid for two years and commence and expire on the same dates, having been renewed as a class in June 2019 and are therefore currently valid through June 30, 2021.

In addition, as a result of the SBG Acquisition, another subsidiary of The Stars Group also holds an online betting license from the Irish National Excise Licence Office to provide online sports betting to customers in Ireland, which is currently valid through June 30, 2021.

Poker and casino games are made available to persons in Ireland through either The Stars Group’s Maltese or Alderney multi-jurisdictional gaming license (discussed below in more detail) pending the Irish government’s enactment of the more comprehensive gaming licensing regime based on the “General Scheme of the Gambling Control Bill’ that has been stalled in the Irish legislature since 2013.

Italy

Currently, the Agenzia delle Dogane e dei Monopoli (the “ADM”) regulates gaming in Italy. All operators, both foreign and domestic, are required to obtain a gaming license from the ADM to provide online gaming products to residents in Italy. Applicants based in the European Economic Area (“EEA”), or those with their registered office within the EEA, are eligible for a license.

On December 17, 2010, the ADM amended a concession to operate, among other things, poker, casino and sports betting in Italy to one of The Stars Group’s subsidiaries. Under a new tender process announced by the ADM in January 2018, the ADM awarded 120 gaming licenses. One of The Stars Group’s subsidiaries received one of such licenses, which is valid until December 31, 2022.

In addition, as a result of the SBG Acquisition, another subsidiary of The Stars Group also holds a gaming license covering poker, casino and sports betting in Italy, which is currently valid through February 3, 2022, although with the permission of the ADM the relevant subsidiary voluntarily suspended all operations under this license in December 2018.

As noted above, on July 6, 2017, the gaming authorities of Portugal, Spain, France and Italy signed an agreement providing for online poker liquidity to be pooled across all four jurisdictions. This concordat has taken some time to implement as it depends upon each jurisdiction issuing local clearance for its players to take part. The relevant subsidiaries of The Stars Group commenced shared poker liquidity involving French and Spanish players on January 16, 2018 and added Portuguese players on May 23, 2018 but the necessary ADM authorization for the addition of Italian players has not yet been finalized.

Portugal

Under the Online Gambling and Betting Legal Regime, approved by Decree Law No. 66/2015, the Regulação e Inspeção de Jogos, or the Gambling Inspection and Regulation Service, is responsible for the control, inspection and regulation of gambling activities, including through any electronic, computer-based, telematic or any other interactive means (i.e., online gaming). Portuguese regulation requires the submission of monthly financial reports regarding, among other things, customer liability information and gaming duty reporting.

On November 25, 2016, one of The Stars Group's subsidiaries was granted a three-year license to offer certain online poker and casino games to customers in Portugal. This license was renewed in November 2019 for another three-year period until November 23, 2022.

As noted above, on July 6, 2017, the gaming authorities of Portugal, Spain, France and Italy signed an agreement providing for online poker liquidity to be pooled across all four jurisdictions. This concordat has taken some time to implement as it depends upon each jurisdiction issuing local clearance for its players to take part. The relevant subsidiaries of The Stars Group commenced shared poker liquidity involving French and Spanish players on January 16, 2018 and added Portuguese players on May 23, 2018.

Romania

In Romania, the Oficiul National pentru Jocuri de Noroc (the "ONJN") issues and maintains licenses for online gaming. In August 2015, one of The Stars Group's subsidiaries was awarded an interim gaming license by the ONJN to offer online casino, poker and sports betting to customers in Romania. The interim gaming license was valid for one year and on August 12, 2016, the ONJN awarded The Stars Group's relevant subsidiary a full license for organizing remote gambling games, which is valid for ten years and allows such subsidiary to provide online poker, casino and sports betting to customers in Romania. The gaming license is subject to an annual reauthorization by the ONJN, which is based on a review of the licensee's compliance with the applicable license terms.

Spain

In Spain, gaming is traditionally regulated by each of the seventeen autonomous regions. Spain's Gambling Act (the "Spanish Gambling Act") became effective on May 29, 2011, in order to, among other things, regulate online gaming nationwide. The Spanish Gambling Act covers "gaming operations through electronic, interactive, and technological means" including the internet, television, mobile phones and land lines. The types of gaming activities controlled under the Spanish Gambling Act include sports betting, horse racing betting, raffles, competitions and "other games", which includes poker and casino games. The DGOJ is responsible for enforcing the Spanish Gambling Act and has sanctioning authority.

The Spanish Gambling Act establishes two categories of gaming licenses: general and single, as well as a permit for offering occasional games. A "general license" is required to offer certain types of betting games, raffles and games categorized as other games. General licenses are valid for a ten-year term and may be renewed for additional ten-year periods. The DGOJ offers general licenses through a competitive and public tendering process. The Gambling Act requires applicants to apply for provisional registration in the General Register of Gambling Licenses prior to requesting a call, or public notice of application, for a general license. The Gambling Act grants the DGOJ the authority to restrict the number of licenses awarded for each type of game based on public interest and whether a company requests a call, in each case allowing the DGOJ to control the license review and authorization process. If the number of licenses for a particular type of game is restricted, the licenses offered during that call are not automatically renewable.

On June 1, 2012, one of The Stars Group's subsidiaries was granted a general license to develop and operate games in the other games category and a singular license to offer online poker. The same subsidiary is also authorized to advertise, sponsor and promote the games authorized by the gaming licenses. The general license is valid for a ten-year term, and the singular license is valid for a five-year term and has been renewed through June 1, 2022. This subsidiary has also been granted singular licenses for blackjack, roulette and sports betting and a general license for sports betting. The gaming licenses for blackjack and roulette expire on February 2, 2021. The singular and general sports betting licenses expire on June 2, 2025 and June 2, 2020, respectively.

On January 15, 2018, The Stars Group's subsidiary licensed by the DGOJ received authorization for shared liquidity, permitting it to offer merged player pools comprising players from Italy, Portugal and France. Pooled liquidity between Spanish and French players launched on January 16, 2018 and Portuguese players were added on May 23, 2018. The Stars Group is awaiting the necessary local authorizations to include Italian players. For additional information, see "—France", "—Italy" and "—Portugal" above.

Sweden

Prior to January 1, 2019, in Sweden the Lotteries Act 1994 (Sw: Lotterilagen 1994:1000) (the "Lotteries Act") was the primary legislation with respect to gambling and governs all categories of gambling offered to the public in Sweden. The Lotteries Act prohibited the arrangement of unlicensed lotteries and the promotion or participation, in commercial operations or otherwise for the purpose of profit, in unlawful domestic lotteries or foreign lotteries. The definition of "lottery" was broad and explicitly included betting, bingo, casino games and other similar games. The Lotteries Act did not in any material way distinguish between land-based gambling and online gambling. Under the Lotteries Act regime it was not possible for a private commercial entity to obtain a license to provide online gambling services to Swedish customers. It was however, not illegal for private operators established in another European Union member state to offer gambling services to Swedish customers. On October 16, 2014, the European Commission took two separate decisions to bring infringement proceedings against the Swedish government to the CJEU in relation to the Swedish legislation for gambling services.

In Sweden, court cases have found that the only activity covered by the Lotteries Act was local advertising carried out by local media companies. These cases are against the media companies and courts tended to find that the prohibition of advertising for operators not holding a Swedish license was unenforceable because the Lotteries Act was widely regarded as being in violation of the TFEU (as defined below). Furthermore, the launch of infringement proceedings against Sweden reinforced The Stars Group's then-current position that the supply of gambling services to Swedish players from another European Union member state is permitted.

In June 2018, the Swedish Parliament passed new legislation that introduced a point-of-consumption based licensing system to regulate online gaming and betting similar to other European "regulated markets" regimes. The new system, The Gambling Act (SFS 2018:1138), came into effect on January 1, 2019. On December 10, 2018, a subsidiary of The Stars Group was awarded a license under the new act and launched a licensed offering of poker, casino and betting on January 1, 2019. The subsidiary suspended its sports offering on July 10, 2019.

Great Britain

Betting and gaming with respect to customers in Great Britain (England, Scotland and Wales, but excluding Northern Ireland, the Channel Islands and the Isle of Man) is regulated by the Gambling Act 2005 (the "2005 Act"). The 2005 Act established the Gambling Commission as the regulator responsible for granting licenses to operate gambling services as well as overseeing compliance with applicable law and regulation. In 2014, the UK Parliament passed the Gambling (Licensing and Advertising) Act 2014, which required all remote gambling operators serving customers in Great Britain or advertising in Great Britain to obtain a license from the Gambling Commission. On November 1, 2014, one of The Stars Group's subsidiaries obtained a "continuation" (i.e., interim) license issued by the Gambling Commission, and on March 18, 2015 a full operating license was issued along with the separate software and "key personnel" individual licenses. Various additional operating subsidiaries of The Stars Group are endorsed upon the licences and are hence authorised to carry out the licensed activities on a so-called "umbrella" basis in addition to the "primary" licensee. In addition, as a result of the SBG Acquisition, another subsidiary of The Stars Group also holds a full operating license as well as the separate gambling software and "key personnel" individual licenses (referred to as "personal management licences"). The terms of these operating licenses require that the relevant subsidiaries of The Stars Group must source all gambling software used in connection with British players from the holder of a gambling software licence issued by the Gambling Commission. So long as the applicable license fees are paid and the British licenses are not suspended, revoked or otherwise surrendered, The Stars Group expects that the licenses will remain valid indefinitely.

British regulations require licensed companies to file quarterly returns as well as a more extensive "annual assurance statement" to provide the Gambling Commission with information regarding matters such as significant changes in control systems, risk management and governance since the last assurance statement, how the licensee is addressing gambling by problem and at-risk customers and any improvements that the licensee plans to implement to its control systems, risk management and governance and/or its approach to addressing problem and at-risk gambling and promoting socially responsible gambling. The Gambling Commission also subjects its licensees to periodical regulatory compliance visits subsequent to which recommendations may be issued to the licensee.

United States

Generally, intrastate online gaming is lawful in the United States provided the relevant gaming complies with the Unlawful Internet Gambling Enforcement Act (the "UIGEA") and the particular state has enacted legislation or otherwise properly authorized the same. Further, the Federal Wire Act of 1961 (the "Federal Wire Act") makes it unlawful to use electronic communications to make interstate bets or wagers, or transmit information that assists in making such bets or wagers, on any sporting event or contest, unless the information assisting in the bet or wager is transmitted to and from a jurisdiction in which such activity has been authorized.

In December of 2011, the United States Department of Justice (the "DOJ") issued an opinion from its Office of Legal Counsel ("OLC") indicating that it is the official opinion of the DOJ that the Federal Wire Act "prohibits only the transmission of communications related to bets or wagers on sporting events or contests." More specifically, "interstate transmissions of wire communications that do not relate to a 'sporting event or contest' [. . .] fall outside of the reach of the Wire Act" (the "2011 DOJ Opinion"). Pursuant to this guidance, the legislatures of New Jersey, Nevada, Delaware and Pennsylvania authorized intrastate online gaming, provided that the gambling does not concern a sporting event or contest.

On January 14, 2019, the DOJ made public a November 2, 2018 OLC opinion reversing the 2011 DOJ Opinion, finding the prohibitions in the Federal Wire Act were not limited to wire communications relating to bets or wagers on sporting events or contest, but rather extend to all forms of bets or wagers (the "2018 DOJ Opinion"). Further, the 2018 DOJ Opinion detailed the OLC's position that the enactment of UIGEA did not modify the scope of the Federal Wire Act. More specifically, the OLC determined that by excluding certain activities from UIGEA's definition of 'unlawful Internet gambling,' UIGEA did not exclude those same activities from the prohibitions of the Federal Wire Act. The 2018 DOJ Opinion stated that anyone who reasonably relied on the 2011 DOJ Opinion may have a defense for actions taken in such reliance through November 2, 2018. On January 15, 2019, DOJ Deputy Attorney General Rod Rosenstein issued a memorandum (the “2019 Memorandum”) to United States Attorneys, Assistant Attorneys General and the Director of the Federal Bureau of Investigations stating that the DOJ should exercise discretion in applying the new interpretation provided under 2018 DOJ Opinion for a period of 90 days in order to “give businesses that relied on the 2011 DOJ Opinion time to bring their operations into compliance with federal law.” Subsequent to the 2019 Memorandum being issued, the New Hampshire Lottery Commission filed suit against the Attorney General (at the time of filing, Jeff Sessions; at the time of ruling, William Barr) (the “New Hampshire Litigation”). On June 3, 2019, a federal district court in New Hampshire set aside the 2018 DOJ Opinion and held that “the text, context, and structure of the Wire Act” limit its applicability to sports gambling, and not to other types of gambling. The court’s order leaves in place the 2011 DOJ Opinion. The 2019 Memorandum was subsequently updated on June 12, 2019 to extend the period until December 21, 2019 or 60 days after entry of final judgment in the New Hampshire litigation, whichever is later. On August 16, 2019, the DOJ appealed the court’s decision, leaving unclear what standard the Federal government will apply to online gaming operators.

On September 27, 2017, New Jersey joined the Multi-State Internet Gaming Agreement (the “MSIGA”), which was previously entered into between Delaware and Nevada. The MSIGA permits New Jersey, Nevada and Delaware to share liquidity among players in both online poker and certain online casino games. Under the MSIGA, customers can only access online gaming sites that are licensed by the state in which they are located, i.e., Nevada residents can play online games on sites licensed in Nevada. The MSIGA sets forth certain minimum standards that each state is expected to have in place, including common standards in the regulated gaming industry, such as age and identity verification, anti-money laundering and related protocols, data security, and other measures intended to assure the integrity of wagering conducted pursuant to the MSIGA. The Stars Group believes MSIGA is intended to be expanded beyond its current membership of New Jersey, Nevada and Delaware. Due to the 2018 DOJ Opinion, and the ongoing litigation with the DOJ, there is a likelihood that interstate Internet poker and online casino games may fall within the DOJ’s current view of the Federal Wire Act prohibitions and threaten the existing MSIGA participants and any future growth of operations under MSIGA.

On May 14, 2018, the United States Supreme Court (the “Supreme Court”) issued an opinion in Murphy v. National Collegiate Athletic Association (formerly known as Christie v. National Collegiate Athletic Association), No. 16-476, determining that the Professional and Amateur Sports Protection Act (“PASPA”) was unconstitutional. PASPA prohibited a state from “authorizing by law” any form of sports betting. In striking down PASPA, the Supreme Court opened the potential for state-by-state authorization of sports betting. Several states, including New Jersey, Pennsylvania, West Virginia, Michigan, Mississippi, Montana, Nevada, New Mexico, Oregon, Delaware, Rhode Island, Iowa, Indiana, New York, New Hampshire, Tennessee, Illinois, Colorado, North Carolina and Arkansas already have laws authorizing sports betting. Regardless of the Supreme Court’s decision, sports betting in the United States has proven to be subject to additional laws, rules and regulations at the state level.

More detail on the regulatory framework in New Jersey, New York and Pennsylvania, where The Stars Group currently holds gaming licenses, is provided directly below.

New Jersey

In New Jersey, the provision of online gaming, sports wagering and other aspects of casino gaming are subject to the requirements of the New Jersey Casino Control Act (the “NJ Act”) and the regulations promulgated thereunder. Under the online gaming laws in New Jersey, third-party companies may provide services to casino licensees to facilitate online poker casino and sports wagering, including website hosting and the providing game content. Such service providers must first obtain a casino service industry enterprise (a “CSIE”) license. The New Jersey Division of Gaming Enforcement (the “NJ DGE”) is responsible for investigating all license applications and prosecuting violations of the NJ Act.

Due to the length of investigative time prior to issuing of a plenary CSIE license, the New Jersey regulations allow a CSIE applicant to petition the NJ DGE for a transactional waiver, which allows a CSIE applicant to conduct business with a casino licensee prior to the issuance of a license at the discretion of the NJ DGE and subject to certain conditions.

Certain subsidiaries of The Stars Group were issued an initial six-month transactional waiver on September 30, 2015 in relation to an agreement entered into with an affiliate of Resorts Casino Hotel in Atlantic City, New Jersey to conduct online gaming in the state. Additional six-month renewal transactional waivers have been granted to these subsidiaries to continue operations with the most recent transactional waiver granted on September 30, 2019 and valid until March 30, 2020. The transactional waiver may be renewed in six-month intervals until a full, five-year license is issued; while there can be no assurance that such a license will be issued, The Stars Group anticipates that it will be renewed following its expiration. The transactional waiver contains certain conditions, including, prohibiting certain individuals from having any relationship with The Stars Group and informing the NJ DGE of various actions of such individuals, providing the NJ DGE with notice of certain corporate actions and copies of records relating to the same, and providing certain inspection rights to the NJ DGE.

New York

On November 13, 2019, the New York State Gaming Commission (“NYSGC”) issued a Conditional Temporary Gaming Service Registration to a subsidiary of The Stars Group in connection with retail sports betting operations at the Akwesasne Mohawk Casino Resort.

Pennsylvania

In 2017, the Commonwealth of Pennsylvania passed gambling expansion legislation which included the authorization of online gaming and sports wagering, both land-based and online. Oversight of gambling in Pennsylvania is controlled by the Pennsylvania Gaming Control Board (“PGCB”). Under the gambling expansion legislation, third-party operators may offer online poker, casino and sports betting on behalf of, or in partnership with, an interactive gaming certificate holder, i.e. a land-based casino operator, subject to receipt of an interactive gaming operator license issued by the PGCB. The term of the operator license is for a period of five years and may be renewed thereafter. The PGCB is also authorized to issue conditional licenses upon the completion of its preliminary investigation, which authorize providers to conduct interactive gaming on behalf of an interactive gaming certificate holder subject to completion of certain conditions by the interactive gaming certificate holder.

On November 28, 2018, a subsidiary of The Stars Group was issued a conditional interactive gaming operator license by the PGCB and on December 19, 2018 that same subsidiary was issued a conditional sports wagering operator license by the PGCB. On August 15, 2018, Mount Airy #1, LLC, d/b/a Mount Airy Resort Casino (“Mount Airy”), received approval by the PGCB of its petition to conduct interactive gaming, naming The Stars Group as an interactive gaming operator on its behalf. The Stars Group, in association with Mount Airy, currently offers poker, casino and sports betting in the Commonwealth of Pennsylvania.

U.S. Market Access Arrangements

In furtherance of The Stars Group’s strategy, from time to time it has entered and may continue to enter into market access arrangements with third parties for the option to, among other things, operate and brand real-money online sports betting and gaming and retail betting, in one or more U.S. states. While the terms of these market access agreements will and do vary, they generally involve either The Stars Group paying to the third party a revenue share from the operations of such betting and/or gaming operations, or the payment of certain fees. As of the date hereof, The Stars Group now has combined access to up to 20 states under its applicable market access agreements with Resorts Casino Hotel, Mount Airy Casino Resort, Akwesasne Mohawk Casino Resort, Eldorado Resorts, Inc. (Nasdaq: ERI), Penn National Gaming (Nasdaq: PENN) and Little Traverse Bay Bands of Odawa Indians Gaming Authority, subject to license availability, state law and regulatory approvals. In addition, pursuant to one of its market access agreements, as of September 9, 2019, The Stars Group began providing support services for a retail sportsbook at the Akwesasne Mohawk Casino Resort in Northern New York.

Multi-Jurisdictional Licenses

The Stars Group, through certain subsidiaries, holds gaming licenses in Malta, the Isle of Man and Alderney, which are often referred to as “multi-jurisdictional” or “point-of-supply” licenses (as opposed to the local, territory-specific or “point-of-consumption” licenses detailed in “-Local Licenses and Approvals” above). These multi-jurisdictional licenses are used by The Stars Group’s various subsidiaries to supply The Stars Group’s online gaming products to persons located in jurisdictions where The Stars Group does not possess a local, territory-specific or point-of-consumption gaming license authorizing the same.

Where online gaming products hosted on Maltese, Isle of Man or Alderney servers pursuant to the relevant multi-jurisdictional licenses are made available by The Stars Group for online usage by customers in other jurisdictions it is done based on the well-established general principle of e-commerce and Internet law that deems the provision of online product offerings to take place where the operator’s server and/or the operator itself is established and located. This principle is widely relied upon by online gaming operators as well as by many other e-commerce businesses.

Accordingly, The Stars Group relies on the fact that its supply of online gaming product offerings is lawfully licensed or approved within the jurisdiction of origin (i.e., Malta, the Isle of Man or Alderney) as the rationale for The Stars Group’s lawful offer of gaming product offerings to other jurisdictions where either: (i) such other jurisdictions have not established a regulatory and licensing framework for online gaming; (ii) the availability to citizens of online gaming hosted outside their jurisdictional boundaries is not clearly prohibited by the law of the jurisdiction; or (iii) the local laws of such other jurisdiction lack extra-territorial effect, including where local law is contrary to any supra-national law from which The Stars Group benefits.

Where, however, any jurisdiction has enacted local domestic laws that clearly prohibit the availability to citizens of online gaming products hosted abroad, and where it is clear that such local domestic law has extra-territorial application to The Stars Group to the extent that the principle of extra-territoriality described above is clearly overridden, The Stars Group will take technical and administrative measures aimed at preventing persons from the relevant jurisdictions accessing its gaming product offerings. For additional information, see below under “-Regulatory Strategy”.

Set forth below is an overview of The Stars Group's multi-jurisdictional licenses.

Alderney

The Bailiwick of Guernsey includes Alderney, which has been recognized as a leading offshore licensing jurisdiction for remote gambling since 2000. Alderney has its own government and legislature, and online gambling in Alderney is regulated by the Alderney Gambling Control Commission ("AGCC").

Section 5(1) of the Gambling (Alderney) Law 1999 operates so as to make all forms of gambling unlawful unless conducted in accordance with the terms of an ordinance. Alderney (unlike neighboring Guernsey) issued an ordinance in 2001 providing that only online gambling (known as eGambling) conducted under a licence is lawful. The state has subsequently refined the regulation of eGambling by adopting various amendments to this ordinance and by issuing the Alderney eGambling Regulations 2009. The current ordinance regulating online gambling in Alderney is the Alderney eGambling Ordinance 2009. Various licenses are available in Alderney and are determined by the nature of the services being supplied and the location and set-up of the licence-holders' infrastructure. Remote operators, B2B core service providers and key individuals all require a license issued by the AGCC to offer their services from Alderney.

A subsidiary of SBG currently holds Category 1 and Category 2 eGambling licenses, which permit it to host remote gambling equipment in Guernsey and to offer sports betting, virtual sports, bingo, casino games and poker to its online customers based in Gibraltar, the Isle of Man and the Channel Islands, as well as Ireland in respect of bingo, casino games and poker only.

Isle of Man

Under the Online Gambling Regulation Act 2001, the Isle of Man Gambling Supervision Commission (the "GSC") has responsibility for regulating and supervising all online gaming activities in the Isle of Man, and for investigating the character and financial status of any person applying for or holding a license in connection with online gaming. The GSC is authorized to grant a license to conduct online gaming to a company if the GSC is satisfied: (i) that the company is under the control of persons of integrity; (ii) as to the beneficial ownership of the company's share capital; (iii) that the company's activities are under the management of persons of integrity and competence; and (iv) that the company has adequate financial means available to conduct online gaming. Licenses are generally valid for a maximum of five years. The GSC may revoke a gaming license if the licensee fails, at any time, to meet any of the initial licensure requirements. The GSC may suspend or revoke a gaming license if the holder of the gaming license or designated official is convicted of certain offenses, or is convicted "by a court in any country or territory in the world of an offense punishable (in that country or territory) in the case of an adult by custody for an unlimited period or a term of two years or more." Gaming licenses may also be suspended or revoked for other reasons, including the failure to pay required fees or failure to comply with license conditions or obligations.

One of The Stars Group's subsidiaries holds a five-year network services license issued by the GSC allowing The Stars Group to provide poker, casino and betting product offerings. The license was renewed on March 10, 2019 and remains valid until March 9, 2024.

Malta

On August 1, 2018, the Maltese Gaming Act (Chapter 583 of the Laws of Malta) (the "Malta Act") came into force. The Malta Act, together with the regulations promulgated under it, repealed the prior laws governing gaming in Malta, namely the Lotteries and Other Games Act 2001 (Chapter 438 of the Laws of Malta) and the Remote Gaming Regulations (Subsidiary Legislation 438.04). This major legal overhaul had long been announced by the Malta Gaming Authority (the "MGA" or the "Maltese Authority"), which is the agency that regulates all aspects of gaming in Malta. The Malta Act is intended to address a number of matters that the gaming industry had been striving to achieve for a number of years.

As under the previous legislation, the Malta Act requires any person who operates, promotes, sells, supplies or manages interactive gaming in or from Malta to obtain the appropriate licence from the Maltese Authority. The Malta Act's licensing framework provides for two types of licences, namely: (i) a B2B licence; and (ii) a Business-to-Consumer ("B2C") licence. Within the B2C license category, the MGA requires licensees to obtain approval for each game type that the licensee intends to provide thereunder (i.e., sports betting, casino and/or games of skill). Licenses issued under the Malta Act have a ten-year term.

Four of The Stars Group's subsidiaries collectively hold four B2C licences covering sports betting, games of skill (including poker), casino and games, which are set to expire on June 25, 2027, May 23, 2028, October 17, 2028 and June 27, 2029, respectively. Another subsidiary of The Stars Group holds a B2B license, which is set to expire on December 21, 2026.

Under the Malta Act, The Stars Group is required to make monthly compliance contributions that are payable in Malta and are calculated on The Stars Group's revenue from online gaming offered through its Maltese gaming licenses. With respect to online gaming offered under its Maltese gaming licenses to customers in certain other jurisdictions such as Germany (other than Schleswig-Holstein) and Ireland (poker and casino), The Stars Group also pays applicable gaming duty or VAT in those jurisdictions on some or all of the online gaming offerings in those jurisdictions.

In accordance with European Union law, rules and principles on the free movement of services, The Stars Group's Maltese gaming licenses entitle the holders of such licenses to provide online gaming services to other European Union member states, unless those member states have their own national regulatory and licensing regime that is compatible with those same European Union rules and principles, in particular the core principles of the TFEU.

Set forth below is an overview of certain jurisdictions for which The Stars Group relies on its multi-jurisdictional licenses.

Austria

The Stars Group offers services to residents in Austria on its Malta licensed platform. Online gaming is regulated in Austria by the Ministry of Finance pursuant to the Austrian Gambling Act. This act's compliance with European Union law is heavily disputed and has been the subject of several rulings from the European Court of Justice. In these judgments the court has determined that there are major violations of European Union law within the act. Austria has amended the act several times but the main issues remain in that there is a lack of consistency due to liberal laws on slot machine gambling and betting while maintaining a restrictive system for online gaming. There is also a lack of transparency in relation to the awarding of a single license for online gaming. The Stars Group is registered for and pays gaming duty in Austria on the revenues derived from residents.

In Austria, although the Austrian federal government has put forward a program for regulating betting centrally, this program has not yet been implemented and each Austrian state continues to regulate betting independently.

Brazil

Brazil's Article 50 of Decree Law 3688/1941 ("Article 50") prohibits certain types of gaming activities. The law defines gaming as games in which the gain or loss depends on luck. Several judicial opinions, administrative opinions, and other reports and legal opinions have held that poker is a game of skill, and accordingly, it is not prohibited under Article 50. While there have also been conflicting views, the consideration of poker as a game of skill appears to be the majority view in Brazil, and the Brazilian Sports Ministry has also recognized poker as a "sport." Further, it is not clear whether Article 50's restrictions apply to online gaming supplied into the jurisdiction from offshore operators as the law does not mention Internet gaming and there are no specific laws or regulations concerning Internet gaming. The Stars Group also believes that Brazilian law may take a narrow approach to the extra-territorial effect of Brazilian law with respect to the Internet. A different interpretation of Article 50 may be adopted by a court of competent jurisdiction, which could have a material adverse effect on The Stars Group's business, financial condition and operating results.

Canada

In Canada, gaming regulation exists in a type of shared jurisdiction between the federal government of Canada and the provincial and territorial governments across the country. At the federal level, the Canadian Criminal Code (the "Criminal Code") contains provisions that both prohibit and allow certain types of gambling activity. Each province has the exclusive jurisdiction and power to regulate and offer or further restrict, within its borders, gambling activity.

Part VII of the Criminal Code establishes a number of offences related to gaming, betting, and lottery schemes, and also sets out a number of exemptions. The applicability of the various Criminal Code offences depends to a great extent on the nature of the specific gaming or betting activity itself, ancillary and related activities, and the extraterritorial limits of the Criminal Code. The Criminal Code does not specifically contemplate online gambling. The relevant provisions of the Criminal Code prohibit: (a) keeping a common gaming house (which requires a specific physical location); (b) betting activities; (c) games of pure chance; and (d) traditional gambling.

The Stars Group, aided by input from external legal advisors and The Stars Group's Compliance Committee (as defined below), has formed the reasoned view that Part VII of the Criminal Code does not prohibit peer-to-peer online poker services, which are currently The Stars Group's only real-money services accessible in Canada. Although no Canadian court has yet considered this question, The Stars Group holds this view because, among other reasons: (a) online poker does not occur in a specific physical location; (b) playing poker constitutes gaming and not "betting"; (c) poker is a game of skill with some element of chance; and (d) online poker, where the stakes are won and lost between the players who participate directly in peer-to-peer interactions around a virtual table, is not "traditional gambling" where players compete against the house. As such, The Stars Group does not currently hold or believe that it is required to hold a gaming license in any Canadian jurisdiction with respect to its online peer-to-peer poker offering. Although Canadian authorities have brought a number of prosecutions in relation to gaming, these are understood to have involved physical gaming operations based within the jurisdiction. A different interpretation of the Criminal Code may be adopted by a court of competent jurisdiction, which could have a material adverse effect on The Stars Group's business, financial condition and operating results.

Germany (other than Schleswig-Holstein)

With respect to Germany (other than Schleswig-Holstein), The Stars Group's online poker, casino and sports betting product offerings are accessible to customers in Germany pursuant to its Maltese licenses in accordance with the right to offer services freely across

European Union member state borders set out in the Treaty on the Functioning of the European Union ("TFEU"). For information on The Stars Group's operations in the State of Schleswig Holstein in Germany, see "—GermanySchleswig Holstein" above.

The "Glücksspielstaatsvertrag" or Interstate Treaty on Gambling of July 1, 2012 (the "German Interstate Treaty") generally provides for Germany's 16 states to assume responsibility for aspects of gambling regulation. Attempts have been made in Germany to maintain the state monopoly on lotteries, prohibit the offering of online casino games (including poker), and permit the licensing of only 20 sports betting operators. The German authorities, however, have been reluctant to initiate any enforcement actions regarding unlicensed online gaming services due to uncertainty over the compatibility of the German Interstate Treaty with the TFEU, particularly in relation to sports betting subsequent to the February 2016 decision of the Court of Justice of the European Union ("CJEU") in the Ince case (C-336/14). In the Ince case, the CJEU ruled that Germany runs an unlawful de facto state monopoly on sports betting due to the non-transparent, discriminatory licensing procedure under which private betting licenses could not be granted in practice all while the state-owned gaming operators are allowed to continue their respective businesses. The CJEU cited the incompatibility of the German Interstate Treaty with the TFEU on the basis it does not observe the principles of equal treatment and non-discrimination on grounds of nationality and the consequent obligation of transparency. The CJEU's judgment also called into question the regulation of online gaming in Germany as a whole, demanding clear licensing criteria. Given the CJEU's position in February 2016 as well as wider European Union and domestic German concerns with the lawfulness of the German Interstate Treaty, The Stars Group currently believes that it is justified in deriving revenue from the supply of The Stars Group's online poker, casino and sports betting services to German customers using its Maltese licenses on the basis of the German Interstate Treaty's incompatibility with Germany's obligations under the TFEU.

In its judgment of October 27, 2017, the Bundesverwaltungsgericht (the "Federal Administrative Court of Germany") confirmed the lawfulness of the Treaty's current ban on unlicensed gambling. The Federal Administrative Court of Germany upheld two prohibition orders issued by the authorities of Baden-Württemberg against online gaming and sports betting operators based in Malta and Gibraltar. In relation to online gaming, including poker, The Stars Group currently believes that there are still good arguments as to why the German Interstate Treaty remains non-compliant with the TFEU and a constitutional complaint is pending against the above-mentioned judgment. As such, The Stars Group continues to believe that it is justified in deriving revenue from the supply of its online poker, casino and sports betting services to German customers using its Maltese licenses on the basis of the German Interstate Treaty's incompatibility with Germany's obligations under the TFEU.

The European Commission continues to question the legality of the ban in its recent statement dated July 30, 2019, in connection with the ratification of the 3rd State Treaty amending the German Interstate Treaty by the German federal states. The European Commission expressly referred to its comments on the 1st State Treaty dated March 20, 2012, amending the German Interstate Treaty in which it had criticized the retention of the ban on online casino games and online poker. In the European Commission's view, Federal sports betting licenses issued for a maximum validity of 18 months do not provide an attractive framework for operators. Furthermore, the European Commission has criticized the Federal states for failing to carry out an in-depth analysis on the alleged risks posed by Internet games. If Germany does not heed to the European Union's requirements in this regard, the European Commission may escalate its European Union pilot proceeding against Germany. If that occurs, German courts could - as has happened in the past - stop the German online gambling regulations based on a failed European Union compliance test.

The State of Hesse is currently managing an ongoing licensing process for the issuing of Federal sports betting licenses, with such licenses being valid until June 30, 2021. It is not yet known when the first licenses under this process will be issued.

On January 17 and 18, 2020, the Heads of the States' Chancelleries reached an agreement for a new Interstate Treaty on Gambling, which would come into force on July 1, 2021. The draft agreement is currently subject to written and oral hearings, with oral hearings having occurred in mid-February 2020. It is anticipated that the Prime Ministers will pass a resolution to approve the draft at the Prime Ministers Conference in March 2020. Besides the provision of licenses for sports betting, the draft includes a nationwide licensing model for virtual slot machines and online poker. In addition, a regulation for other casino games such as Roulette and Black Jack is foreseen, either in a monopoly or as a concession model also available for private companies, potentially in partnership with land-based (state) casinos.

The Netherlands

The Stars Group's online gaming offerings are also accessible to customers in the Netherlands pursuant to its Maltese licenses. The Dutch Betting and Gaming Act 1964 (the "BGA") generally prohibits the provision of gambling without a license. It has been debated whether the BGA also applies to gambling provided via the Internet and if it is also applicable to actions taken outside of the Netherlands. However, the Dutch legislature passed a new law on July 7, 2016 introducing a new licensing framework for remote (and non-remote) gambling products as well as remote gambling regulations to implement the licensing regime. The Dutch senate passed the law on February 19, 2019, and The Stars Group currently expects that licensing under the new law will be available in 2021. The new regime will introduce a point-of-consumption regime to allow operators wishing to provide their remote gambling products to persons in the Netherlands to apply for, and obtain, a license to do so.

In the meantime, the Dutch Gaming Authority will set out its approach to regulating gambling during the period pending the introduction of the new licensing regime, during which The Stars Group expects to be able to keep offering services to Dutch players.

On September 3, 2019, the Dutch Gaming Authority, in the context of administrative proceedings filed against The Stars Group, issued a decision and a fine in the amount of 400,000 Euros for alleged breaches of the BGA, which prohibits the offering of unlicensed games of chance. An objection to the decision was filed on November 29, 2019 and is currently pending.

Russian Federation

In the Russian Federation, The Stars Group's primary offering is online poker offered in conjunction with the sponsored live events in Sochi, Russia. These live events have included (i) the *PokerStars Championship Sochi*, which included the largest guaranteed prize pool event in Russian poker history, (ii) the *European Poker Tour Sochi*, which was held in March 2019, and (iii) *European Poker Tour Open Sochi* in October 2019. The Stars Group is scheduled to hold the *European Poker Tour Sochi* again in March 2020, which is expected to include 25 events and include a series of qualifying online events worldwide. The Stars Group also works with the Marriott Krasnaya Polyana Hotel and Casino, the tournament venue, to arrange additional entertainment for visitors, including seasonal activities such as skiing and snowboarding, player parties and other tourist activities.

In November 2017, Russian President Putin signed a bill into law that introduced financial blocking measures in Russia for illegal gambling services (the "Financial Blocking Bill"), enforcement of which started in late May 2018. Although the Financial Blocking Bill does not clearly specify enforcement measures, as of the date of this annual information form certain measures to block certain transactions using domestic credit and debit cards have been implemented and some offshore payment processors and gambling companies have been "blacklisted", which has caused certain locally licensed banking institutions to cease conducting business with such payment processors and gambling companies. The Stars Group is currently monitoring and assessing the actual and potential impact and disruptions to its business caused by the Financial Blocking Bill and it is engaging in various activities that it believes are and may continue to mitigate the potential impact of the Financial Blocking Bill. An example of The Stars Group's mitigating activities is the marketing of its live events in Sochi, such as the European Poker Tour Sochi described above. Nevertheless, the Financial Blocking Bill could materially adversely affect its business, results of operations and financial condition.

Switzerland

In June 2018, the Swiss government passed legislation that provided for the granting of licenses to land-based gaming operators that hold a gaming license in Switzerland to offer online gaming services. This legislation came into effect on January 1, 2019, and consequently, The Stars Group stopped offering sports betting or casino games in Switzerland on that date. Since July 1, 2019, the Swiss government launched a licensing system that allows holders of a local land-based casino license to offer poker and casino games online. As such, The Stars Group has partnered with Casino Davos, a locally licensed land-based casino in Switzerland, pursuant to which The Stars Group will serve as Casino Davos' online poker software provider. The Stars Group has been working with Casino Davos and the Swiss gaming regulator, the Eidgenössische Spielbankenkommission (the "ESBK"), to get The Stars Group's online poker games approved and launched in Switzerland. In November 2019, The Stars Group's online poker cash games were added to the official list of approved games in Switzerland and as of the date of this annual information form, these online poker cash games are undergoing testing with the ESBK for final approval before The Stars Group can launch them in Switzerland.

Regulatory Strategy

The Stars Group seeks to ensure that it obtains all available lawful gaming licenses necessary to offer its product offerings in the jurisdictions in which it operates, where its customers are located and/or where it is otherwise required to do so. In particular, The Stars Group intends to seek licensure with respect to more European Union member states if and when such member states introduce their own independent regulatory and licensing regimes compliant with European Union law. Outside of the European Union, The Stars Group anticipates there may be a potential for the regulation of online gaming, including with respect to shared liquidity, and that this may result in potential licensing or partnerships with private operators in various jurisdictions. The Stars Group supports the regulation of online gaming, including licensing and taxation regimes and pooled poker liquidity, which it believes will promote sustainable online gaming markets that are beneficial for consumers, governments and the citizens of the regulating jurisdiction, operators and the gaming industry as a whole. The Stars Group expects to continue to invest substantial resources into these efforts, particularly in markets that management believes may in the future have the greatest impact on its business. The Stars Group strives to work with applicable governmental authorities to develop regulations that it expects would protect consumers, encourage responsible gaming, ensure reasonable levels of taxation, promote regulated gameplay and keep crime and the proceeds of crime out of gaming. The Stars Group also strives to be among the first licensed operators to obtain gaming licenses and provide online gaming to customers in newly regulated jurisdictions, in each case to the extent it would be in furtherance of The Stars Group's business goals and strategy and in compliance with its policies and procedures.

The Stars Group also seeks to ensure that its systems and product offerings comply with all the regulations and guidelines published by the gaming authorities that license The Stars Group. The Stars Group works with regulatory and governmental bodies to ensure its products, including the software and technological infrastructure underlying the same, undergo comprehensive, exhaustive and rigorous testing by such regulatory and governmental bodies, as well as by independent industry leading testing, accreditation and certification laboratories (including GLI and BMM). The objective of this testing is to certify to, among other things, security, conformity to applicable regulations and game integrity. The Stars Group seeks to meet or exceed leading operational and customer protection practice requirements, each with an emphasis on fair and responsible gaming.

The methods and tools The Stars Group uses to permit or restrict access to its online gaming product offerings within a territory are typically mandated or approved by the applicable gaming regulatory authority in each jurisdiction where a subsidiary of The Stars Group holds a gaming license. In particular, The Stars Group employs the following methods and tools across such jurisdictions: (i) IP address blocking, which identifies the location of the player and blocks his or her IP address; and (ii) country-specific blocking based on the residence of the player. In certain jurisdictions, The Stars Group also employs geolocation blocking, which restricts access based upon the player's geographical location determined through a series of data points such as mobile devices and wi-fi networks.

The Stars Group has a zero-tolerance approach to money laundering, terrorist financing, fraud, collusion and other forms of cheating and works with regulators and law enforcement globally on such matters. The Stars Group believes that it has a robust and extensive set of policies and procedures designed to identify such issues, including, without limitation, its (i) anti-money laundering and countering the financing of terrorism policy; (ii) political activities policy; (iii) staff online and live play policies; (iv) information security policy; (v) third party due diligence policy; (vi) compliance committee charter; (vii) sanction and export controls policy; (viii) anti-fraud policy; (ix) anti-bribery policy; (x) code of business conduct; (xi) whistle-blower policy; (xii) compensation recoupment policy; and (xiii) charities policy. Among other measures, it conducts escalating risk-based customer due diligence investigations and routinely monitors customer activity, including to identify the use of potential "proceeds of crime" in gaming. Customer activities that can trigger customer interactions initiated by The Stars Group include abnormal deposit and cashout patterns, customer-to-customer transfers and game play and prolonged, repetitive and unprofitable gaming. These are all monitored in accordance with local regulations and the guidelines of the relevant gaming authorities. The Stars Group also has a dedicated compliance team that works with The Stars Group's employees and various departments to implement routine business activity monitoring and seeks to ensure that The Stars Group complies with its regulatory obligations under its gaming licenses, as well as with all the other law and regulation applicable to its business in each jurisdiction to which it is subject.

For further information regarding The Stars Group's regulatory strategy and its commitment to ethical business conduct, see "—Technology Infrastructure, Supply Chain Management and Research and Development".

Certain Other Regulatory Considerations

The Stars Group handles, collects, stores, receives, transmits and otherwise processes certain personal information of its customers and employees, which is subject to the laws relating to privacy as well as the protection and use of personal information that apply in various jurisdictions in which it operates and/or where its customers are located. Privacy and information protection laws, require, among other things, that entities collecting and processing such personal information do so in accordance with applicable legal and regulatory conditions. For example, the European Union General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016) (the "GDPR") cites as its core principles: (i) lawful, fair and transparent processing; (ii) processing for specific, explicit and legitimate purposes; (iii) that personal information be adequate, relevant and limited to what is necessary for the purposes in hand; (iv) that personal information be accurate and kept updated; (v) that personal data be retained for only as long as necessary; and (vi) appropriate security against loss, destruction, damage or theft is implemented. Failure to comply with applicable privacy and personal information laws can result in regulatory sanctions, fines and, in certain cases, criminal liability.

With regards to The Stars Group's operations in Europe, particularly where the personal information being processed relates to residents of European Union member states, the European Union enacted the GDPR on May 25, 2018 to replace European Union Directive 95⁄46/EC as well as the national implementing legislation in each European Union member state. For example, the UK has adopted the GDPR along with supplementary legislation in the form of the Data Protection Act 2018. The GDPR imposes more stringent operational requirements for entities processing personal information and significant penalties for non-compliance. For instance, the GDPR introduces two categories of administrative fines depending on the seriousness of the breach that will range from: (a) up to €20 million or 4% of worldwide revenues of the preceding year (whichever is higher) for serious infringements; or (b) up to €10 million or 2% of worldwide revenues of the preceding financial year for less serious infringements. With respect to the GDPR, The Stars Group, among other things, maintains records of its data processing activities and carries out its own due diligence on entities that act as data processors on its behalf, and has introduced an automated process to delete personal information that is no longer in use. Additionally, to help ensure that personal information belonging to The Stars Group's customers and employees will be processed in accordance with the GDPR (as well as any other relevant privacy and data and information protection legislation), The Stars Group has posted revised privacy statements together with updated terms and conditions for use of its product offerings on its websites.

The Stars Group is also subject to numerous other domestic and foreign laws and regulations. See also "Risk Factors and Uncertainties—Risks Related to the Business". These can take the form of complex and evolving domestic and foreign laws and regulations regarding the Internet, privacy, data protection, competition, consumer protection and other matters. Many of these laws and regulations are subject to change and uncertain interpretation and could result in claims, changes to The Stars Group's business practices, monetary penalties, increased operating costs, or declines in customer growth or engagement, or otherwise harm its business.

Human Resources and Specialized Skills and Knowledge

As of December 31, 2019, The Stars Group, directly and through its subsidiaries, had approximately 4,591 employees of which approximately 3,528 were located in Europe, 438 in Canada, 399 in Australia, 118 in the United States and 108 in Asia. These employees provide services in either general and administrative, marketing, operations, including customer support and services, information technology or R&D capacities, with operations comprising the largest department. In 2019, The Stars Group implemented an operational excellence program, which resulted in a reduction in headcount. See "Business of the Corporation—Business Strategy of the Corporation" above, and the 2019 Annual Financial Statements and the 2019 Annual MD&A.

Although certain of The Stars Group's employees may be or have been party to collective bargaining or related agreements and certain of The Stars Group's employees in the European Union may be represented by labor unions, to its knowledge, the vast majority of its employees are not. The Stars Group has never experienced any employment-related work stoppages and believes its relationship with its employees is good.

The Stars Group values the benefits diversity can bring to its business, including diversity of personal characteristics such as age, gender, character, geographic residence, business experience (including financial skills and literacy), functional expertise, demonstrated leadership, stakeholder expectations and culture. It believes that diversity promotes the inclusion of different perspectives and ideas, and ensures that The Stars Group has the opportunity to benefit from all available talent. Women currently represent approximately 28% of The Stars Group's workforce. The Stars Group has five women in key senior leadership positions. As of the date of this annual information form, The Stars Group has not adopted a target for female executives. The Stars Group has identified a need to increase the number of women employees in the organization and to include diversity, including gender diversity, in its talent management programs. The Stars Group has begun identifying and reporting to senior management and the Corporate Governance and Nominating Committee (as defined below) of the Board of Directors (the "Board") on the diversity of its workforce with a view to identify diversity gaps, workplace policies to better recruit and retain female employees and The Stars Group's progress in increasing the number and proportion of female members of management and executive officers.

The development, design, marketing and distribution of The Stars Group's current product offerings require specialized skills and knowledge, particularly in software architecture, development, conceptualization and graphic design, as well as in the online poker, casino and betting lines of operation. The Stars Group believes it has personnel with the required specialized skills and knowledge to carry out its operations. While the current labor market in the industries and locations in which The Stars Group operates is highly competitive, The Stars Group expects to, but there can be no assurance that it will, attract and maintain appropriately qualified employees for fiscal year 2020. If The Stars Group fails to attract and maintain appropriately qualified employees, its business, financial condition and operating results could be materially adversely affected. See also "Risk Factors and Uncertainties—Risks Related to the Business", including "—Failure to attract, retain and motivate key employees may adversely affect The Stars Group's ability to compete and the loss of the services of key personnel could have a material adverse effect on its business."

Facilities

The Stars Group maintains approximately 25 offices internationally. The Stars Group's headquarters are located in Toronto, Ontario, Canada, where its general and administrative departments and its corporate finance functions are based and primarily operate. These premises are leased and consist of approximately 5,283 square feet of space, with a lease term that expires on August 31, 2022.

Stars Interactive Group is headquartered in Douglas, Isle of Man and Saint Julian's, Malta, and its senior management is based there as well as staff in its general and administrative, marketing and technology departments. Stars Interactive Group's headquarters consists of approximately 65,000 square feet of office space in the Isle of Man, which is owned by a subsidiary of The Stars Group, and approximately 30,000 square feet of office space in Malta, which is leased by a subsidiary of The Stars Group. Technology services are also provided by staff based out of offices in Dublin, Bulgaria, Leeds and suburban Toronto.

SBG is headquartered in Leeds, England, and its senior management is based there as well as staff in its general and administrative, marketing and technology departments. SBG's headquarters consists of approximately 100,000 square feet of office space, which is leased by a subsidiary of The Stars Group. Technology services are also provided by staff based out of offices in Sheffield, Solihull and London.

The Stars Group, through its subsidiaries, also leases office space in or near Austin (Texas, United States), Fort Lauderdale (Florida, United States), Cherry Hill (New Jersey, United States), London (England), Leeds (England), Malta, Sofia (Bulgaria), Toronto (Ontario, Canada), Sydney (Australia), Melbourne (Australia),Darwin (Australia) and elsewhere internationally.

The Stars Group, through its subsidiaries, has data centers and transit points of presence throughout Europe and in certain other locations around the world, including through cloud-based services. These include (i) approximately 25 data center facilities leased in various jurisdictions around the world, including the Isle of Man, Ireland, France, Germany, Italy, Portugal, Belgium, Spain, Malta, the Netherlands, Bulgaria, Romania, India, the United States, Australia, Hong Kong, Guernsey and the UK, and (ii) approximately five transit points of presence leased in the UK, the United States and the Netherlands.

The Stars Group believes that its facilities are suitable and adequate for its current needs.

GENERAL DEVELOPMENT OF THE BUSINESS

The Stars Group was incorporated in 2004 and completed its initial public offering and listing on the TSX Venture Exchange in July 2010. The Stars Group graduated to the Toronto Stock Exchange (“TSX”) in October 2013, was added to the S&P/TSX Composite Index in September 2014, and was listed on the Nasdaq Global Select Market in June 2015. In August 2014, The Stars Group completed the Stars Interactive Group Acquisition, which transformed its operations into primarily a B2C online gaming business. Following the Stars Interactive Group Acquisition, The Stars Group explored additional strategic opportunities resulting in the divestment of its then-remaining B2B assets and its transformation into a pure-play consumer technology company. In 2018, The Stars Group completed the Acquisitions, which further transformed and diversified its operations into its current online gaming business. For a description of The Stars Group’s current online gaming business and the general development of the same, see “Business of the Corporation—Overview” above. The Stars Group believes that these strategic transactions, along with certain financings and capital markets activities, corporate initiatives and other announcements, each as further detailed below or elsewhere in this annual information form and the 2019 Annual MD&A have been the primary influence on the general development of its business during the last three completed financial years.

Combination with Flutter

For additional information on the Combination, see “Business of the Corporation—Overview—Flutter Combination”, the press release issued by the Corporation on October 2, 2019, and the Form 6-K, material change report and Arrangement Agreement, each as filed or furnished by the Corporation on October 11, 2019 and are available on or through SEDAR at www.sedar.com and on EDGAR at www.sec.gov, and the Corporation’s website at www.starsgroup.com.

Launch of the FOX Bet Brand

On May 8, 2019, The Stars Group and FOX Sports entered into a partnership agreement and announced plans to launch *FOX Bet*, an online and mobile sports betting product developed through a first-of-its kind national media and sports wagering partnership in the United States between The Stars Group and FOX Sports. For additional information, see “Business of the Corporation—Online Betting-FOX Bet”.

2018 Acquisitions

Australian Acquisitions

On February 27, 2018, a subsidiary of The Stars Group acquired a 62% equity interest in BetEasy from Crown Resorts Limited. On March 6, 2018, The Stars Group also entered into agreements to increase its equity interest in BetEasy from 62% to 80% and for BetEasy to acquire TSGA Holdco Pty Limited and its subsidiaries and affiliates (formerly the William Hill Australia business), an Australian-based online sportsbook, and on April 24, 2018, The Stars Group and BetEasy completed these transactions. The Australian Acquisitions enhanced The Stars Group’s position for the potential legalization of online poker in Australia as well as increase its proportion of revenues generated from regulated markets and improve the geographic diversification of revenues. In August 2018, the two acquired businesses were combined and relaunched under the BetEasy brand. In December 2019, The Stars Group announced that it has agreed (i) with the minority shareholders of BetEasy to acquire the remaining 20% interest in BetEasy, and (ii) to pay AUD$100 million to settle the previously disclosed performance payment under the agreement for its 2018 acquisition of the initial 80% stake in BetEasy. Under the terms of the agreement to acquire the remaining 20% interest, if completion of the acquisition occurs following completion of the Combination with Flutter, Flutter will have the right to settle the acquisition in cash, through the issue of new ordinary shares or a combination of both.

SBG Acquisition

On July 10, 2018, a subsidiary of The Stars Group acquired SBG. SBG operates mobile-led betting, poker and gaming platforms primarily in the United Kingdom. SBG benefits from its strong relationship with Sky and the Sky brand, and leverages Sky’s entertainment heritage to appeal to a growing, mass-market customer base in the fast-growing mobile channel. See “Business of the Corporation—Relationships with Sky”. SBG generates 100% of its revenue from regulated or taxed markets. On October 11, 2018, the UK Competition and Markets Authority cleared the SBG Acquisition following its Phase 1 review under the Enterprise Act 2002, which permitted The Stars Group to begin executing its integration plans. The Stars Group’s management believes that SBG is a key component of its strategic plan to grow both globally and in key markets.

To pay for the SBG Acquisition, The Stars Group used a combination of cash and equity. To finance the cash portion of the purchase price, repay The Stars Group's then-existing first lien term loans and repay SBG's then-existing long-term debt, The Stars Group used cash on its balance sheet and raised $4.567 billion in first lien term loans, $1.00 billion in 7.00% unsecured senior notes (the "Senior Notes") and $621.8 million of net proceeds (before expenses), excluding the overallotment, from the issuance of Common Shares as a result of the previously disclosed underwritten public offering of Common Shares at a price of $38.00 per share. The Corporation also obtained a new first lien revolving facility of $700.0 million, of which it had drawn $100.0 million as of completion of the SBG Acquisition, but fully repaid soon after. The Stars Group also issued 37.9 million newly issued Common Shares to the sellers of SBG (collectively with the foregoing, the "SBG Financing"). See the 2019 Annual MD&A and note 17 in the 2019 Annual Financial Statements for additional information.

For additional information on the SBG Acquisition, see The Stars Group's Business Acquisition Report (Form 51-102F4), dated September 17, 2018, which is available on or through SEDAR at www.sedar.com, Edgar at www.sec.gov and the Corporation's website at www.starsgroup.com.

RISK FACTORS AND UNCERTAINTIES

Certain factors may have a material adverse effect on the Corporation's business, financial condition, and results of operations. Current and prospective investors should consider carefully the risks and uncertainties described below, in addition to other risks and information included in this annual information form, the 2019 Annual Financial Statements and 2019 Annual MD&A, as well as in other filings The Stars Group has made and may make in the future with the applicable securities authorities. Additional risks and uncertainties that The Stars Group is currently unaware of, or that it currently believes are not material, may also become important factors that should be considered. If any of the following or other risks actually occur, The Stars Group's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of its securities could decline, and investors could lose part or all of their investment.

Risks Related to the Business

If The Stars Group fails to retain existing customers or add new customers, or if its customers decrease their level of engagement with its product offerings, The Stars Group's revenue, financial results, and business may be significantly harmed.

The size of The Stars Group's active customer base and the level of engagement of such customers are critical to its success. The financial performance of The Stars Group has been and will continue to be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product offerings, in particular high-value, net-depositing customers. If people do not perceive The Stars Group's product offerings as enjoyable, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A number of other online gaming and interactive entertainment companies that achieved early popularity have since seen their active customer bases or levels of engagement decline. The Stars Group's strategy is to increase engagement, retention and monetization of customers, particular those it deems of higher value, but there is no guarantee that The Stars Group will not experience an erosion of its active customer base or engagement or monetization levels among such customers in the future. The Stars Group's customer engagement patterns have changed over time, and customer engagement can be difficult to measure, particularly as customers continue to engage increasingly via mobile devices and as The Stars Group introduces new and different product offerings. Any number of factors could potentially negatively affect customer retention, growth and engagement, including if:

- customers increasingly engage with the products or services of The Stars Group's competitors;
- The Stars Group fails to introduce, or delays the introduction of, new products or services (whether developed internally, licensed or otherwise obtained or developed in conjunction with third parties) that users find engaging or that work with a variety of operating systems or networks, or if it introduces new products or services, including using technologies with which it has little or no prior development or operating experience, or changes to its existing products or services, that are not favorably received by customers;
- customers have difficulty installing, updating or otherwise accessing The Stars Group's product offerings on desktops or mobile devices as a result of actions by it or third parties that it relies on to distribute and deliver its product offerings, or The Stars Group fails to price its product offerings competitively or provide adequate customer service;
- there are decreases in customer sentiment about the quality of The Stars Group's product offerings or concerns related to privacy, safety, security or other factors, or technical or other problems prevent The Stars Group from delivering its product offerings in a rapid and reliable manner or otherwise affect the customer experience, such as security breaches or failure to prevent or limit spam or similar content;

- new industry standards are adopted or customers adopt new technologies where The Stars Group's product offerings may be displaced in favor of other products or services, may not be featured or otherwise available, or may otherwise be rendered obsolete and unmarketable;

- there are adverse changes in The Stars Group's product offerings that are mandated by legislation, regulatory authorities or litigation, including settlements, or The Stars Group does not obtain applicable regulatory or other approvals or renewals of such approvals to offer, directly or indirectly, its product offerings in new or existing jurisdictions;

- The Stars Group adopts policies or procedures related to areas such as customer data and information that are perceived negatively by its customers or the general public;

- The Stars Group elects to focus its customer growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain customers and engagement are unsuccessful or discontinued, whether as a result of actions by The Stars Group, third parties or otherwise;

- The Stars Group or other companies in the industries in which it operates are the subject of adverse media reports or other negative publicity; or

- The Stars Group fails to effectively anticipate or respond to customers' continuously changing and dynamic needs, demands and preferences, such as new poker variants or casino games, or innovative types of betting or betting related to new or popular sporting events, as well as emerging technological trends, or its competitors more effectively anticipate or respond to the same.

If The Stars Group is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product offerings, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render The Stars Group's products less attractive to customers. If The Stars Group's active customer growth rate slows, it becomes increasingly dependent on its ability to maintain or increase levels of customer engagement and monetization in order to drive revenue growth, particularly with respect to high-value customers.

If The Stars Group is unable to build, maintain and enhance its brands, or if events occur that damage its reputation and brands, its ability to expand its customer base may be impaired and its business and financial results may be harmed.

The Stars Group believes that its brands, particularly *PokerStars*, *Sky Bet* and *BetEasy*, have significantly contributed to the success of its business. The Stars Group also believes that building, maintaining and enhancing its brands, including its newer brands such as *FOX Bet*, and certain brand arrangements that it may enter into or maintain, is critical to expanding its customer base and generating revenue, in particular in new markets such as the United States. Building, maintaining and enhancing The Stars Group's brands will depend largely on its ability to continue to successfully provide enjoyable, reliable, trustworthy and innovative products with adequate customer service. It will also depend on its ability to successfully maintain or advance its internal marketing and branding functions and its ability to establish and develop new relationships and build on existing relationships with ambassadors and service providers on which it relies to promote its product offerings. The Stars Group may introduce new product offerings, programs, terms of service or policies, including those related to loyalty programs, pricing and security, make decisions regarding regulation, user privacy, payments and other issues, and continue to experience media, legislative and regulatory scrutiny as it relates to The Stars Group, its directors, employees, contractors, vendors, joint venture partners or any of the foregoing that were previously associated with The Stars Group, or the online gaming industry in general, that customers do not like, all of which may negatively affect its brands. The Stars Group's brands may also be negatively affected by the actions of customers, employees, contractors or vendors that are deemed to be hostile or inappropriate to other customers, including through the use of certain software to gain an advantage over other customers, or by the use of The Stars Group's product offerings or of companies that provide similar products and services, for illicit, objectionable or illegal ends. In addition, The Stars Group cannot provide assurance that its current or former directors, officers, employees, ambassadors or service providers will act in a manner that will promote the success of The Stars Group or its product offerings. Maintaining and enhancing The Stars Group's brands may require it to make or incur substantial investments, costs or fees. If The Stars Group fails to successfully promote and maintain its brands or if it incurs excessive expenses in this effort, it could adversely affect the size, engagement and loyalty of The Stars Group's customer base and result in decreased revenue, which could adversely affect its business and financial results.

The online gaming and interactive entertainment industries are intensely competitive and The Stars Group's potential inability to compete successfully could have a significant adverse impact.

There is intense competition among online gaming and interactive entertainment providers, and the online gaming and interactive entertainment industries are characterized by dynamic customer demand and technological advances. A number of established, well-financed companies producing online gaming and/or interactive entertainment products and services compete with The Stars Group's product offerings. Such competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than The Stars Group, which could negatively impact its business. Furthermore, new competitors, whether licensed or not, may enter The Stars Group's key product and/or geographic markets. There has also been considerable consolidation among The Stars Group's competitors in the gaming industry. Such consolidation and future consolidation could result in the formation of larger competitors with increased financial resources and altered cost structures, which may enable them to offer more competitive products, gain a larger market share, expand product offerings and broaden their geographic scope of operations.

As a result of the foregoing, among other factors, The Stars Group must continually introduce and successfully market new and innovative technologies, product offerings and product enhancements to remain competitive and effectively stimulate customer demand, acceptance and engagement. The process of developing new product offerings and systems is inherently complex and uncertain, and new product offerings may not be well received by customers, even if well-reviewed and of high quality. Even if The Stars Group's new product offerings attain market acceptance, those new product offerings could cannibalize its current product offerings' market share or share of its customers' wallets in a manner that could negatively impact such product offerings' ecosystem. Although The Stars Group intends to continue investing in its R&D efforts, there can be no assurance that such investments will lead to successful new technologies or timely new product offerings or enhanced existing product offerings, in each case with product life cycles long enough for the product offering to be successful. Furthermore, The Stars Group may not recover the often substantial up-front costs of developing and marketing new technologies and product offerings, or recover the opportunity cost of diverting management and financial resources away from other technologies and product offerings. Additionally, if The Stars Group cannot efficiently adapt its processes and infrastructure to meet the needs of its product offering innovations, its business could be negatively impacted. For example, although The Stars Group has and continues to be a significant market leader in online poker, it has only recently, including through the Acquisitions as well as organic growth, become a more substantial market leader in online casino and betting, where competition is significant and formidable. While The Stars Group currently monetizes certain of these offerings, in the future it may not be successful in its efforts to generate consistently meaningful revenue from such offerings in either the short or long terms.

In an effort to remain competitive, The Stars Group has established a business strategy, which it continuously reviews and updates as appropriate based on developments in, among other things, the industries in which it operates, technology and cybersecurity and The Stars Group's business and operations. This strategy is based on estimates, projections and assumptions of The Stars Group and certain third parties. The validity of its and their assumptions, including, among others, those regarding the size and availability of current and future potential markets, economic conditions, customer preferences, timeliness of product development, pricing, growth rates and availability of capital, could affect The Stars Group's strategy and strategic decisions. There can be no assurances that The Stars Group's strategy is appropriate or that it will succeed in implementing its strategy, and, even if successful, there is no guarantee that the revenue and cash flow generated as a result of its strategy will be greater than the revenue and cash flow that The Stars Group would have generated if it had pursued a different strategy.

The Stars Group's business is vulnerable to changing economic conditions and to other factors that adversely affect the industries in which it operates.

The Stars Group believes that demand for entertainment and leisure activities, including gaming, can be highly sensitive to changes in consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond its control. Unfavorable changes in general economic conditions, including recessions, economic slowdowns, sustained high levels of unemployment, and increasing fuel or transportation costs or the perception by customers of weak or weakening economic conditions, may reduce customers' disposable income or result in fewer individuals engaging in entertainment and leisure activities, such as online gaming. As a result, The Stars Group cannot ensure that demand for its product offerings will remain constant. Adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in certain financial markets, increased interest rates, foreign exchange fluctuations, increased energy costs, acts of war or terrorism, transportation disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities, such as gaming. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for The Stars Group's product offerings, reducing its cash flows and revenues. If The Stars Group experiences a significant unexpected decrease in demand for its product offerings, its business may be harmed.

The Stars Group's financial results will fluctuate from quarter to quarter and are difficult to predict.

The Stars Group's quarterly financial results have fluctuated in the past and will fluctuate in the future. Additionally, The Stars Group has a limited operating history with the current scale of its business, particularly with respect to certain of its newer product offerings, such as online casino and betting, in certain jurisdictions, which makes it difficult to forecast its future results. For example, The Stars Group may be unable to accurately predict the anticipated margin variances on such newer product offerings. Additionally, as noted above, The Stars Group's betting operations have significant exposure to, and may be materially impacted by, sporting results and calendars, which can result in short-term volatility in betting win margins, thus impacting revenues. Consequently, investors should not rely upon The Stars Group's past quarterly financial results as indicators of future performance. Investors should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving, highly regulated and competitive markets. The Stars

Group's financial results in any given quarter can be influenced by numerous factors, many of which it is unable to predict or are outside of its control, including the impact of seasonality and The Stars Group's betting results, as described above under "Business of the Corporation—Seasonality and Other Factors Impacting the Business", and the other risks and uncertainties set forth in this annual information form, particularly those risks related to The Stars Group's regulatory environment.

In online casino, operator losses are limited per stake to a maximum payout. When looking at bets across a period of time, operator losses can potentially be larger in the short term, although in practice, this does not happen quickly and thus The Stars Group can take mitigating action. Given the high volume of the business and the statistical gross win margin embedded within all casino games, major operator losses are infrequent over long periods. However, The Stars Group's quarterly financial results may also fluctuate based on whether it pays out any jackpots to its customers during the relevant quarter. Except for SBG's limited participation in a network progressive jackpot program for certain of its casino offerings (the "Network Progressive Jackpot Games"), The Stars Group and its subsidiaries do not participate in such a program, and instead offer an equivalent system in which only its own customers participate. This means that other than with respect to the Network Progressive Jackpot Games, The Stars Group does not make contributions to a third-party central fund as the progressive jackpot builds up (because it is the only operator in the program, this would serve no purpose), and if a customer wins the progressive jackpot there is no third-party central fund to cover the payout. Accordingly, while The Stars Group maintains a provision for these progressive jackpots, the cost of the progressive jackpot payout would be a cash outflow for the business in the period in which it is won with a potentially significant adverse effect on The Stars Group's financial condition and cash flows. Statistically, the likelihood of significant jackpot wins, either individually or in the aggregate, is extremely low and the algorithms of the slots games are such that the number of high winners overall is low, but because the winning is underpinned by a random mechanism, The Stars Group cannot predict with absolute certainty when a jackpot will be won.

Changes in tax laws or administrative policies related to tax could materially affect The Stars Group's financial position and results of operations.

Changes in tax laws or administrative policies related to tax usually impact either or both direct taxes on gaming revenue (gaming duty, VAT or digital services taxes) and corporate income and operational VAT, and any such changes could materially affect The Stars Group's financial position and results of operations. The jurisdictions where The Stars Group's product offerings are made available or accessible from are frequently changing the tax laws and/or administrative policies related to the gaming industry due to, among other things, fiscal and political pressures. These changes can have a material impact on The Stars Group's financial position and results of operations.

For example, with respect to direct gaming taxes, UK government increased the UK Remote Gaming Duty ("RGD") payable on poker and casino revenue from 15% to 21% on April 1, 2019, and effective January 1, 2019, the Italian government increased the gaming duty payable on poker and casino revenue from 20% to 25% and such duty on betting revenue from 22% to 24%. In addition, on January 1, 2019, Romania implemented a new 2% tax calculated on all deposits received from players. While some jurisdictions have increased or have announced increases to the taxes on gaming-related activities, other jurisdictions have deceased or announced decreases to such taxes, like Spain, which decreased the Spanish Gaming Duty rate from 25% to 20% effect from July 1, 2018.

Tax changes are not limited to markets in which the provision of betting and gaming services is regulated at a local, national or federal level. The Stars Group also pays VAT or betting and gaming taxes in some locally unregulated markets. For example, The Stars Group has paid GST on revenue from local players in New Zealand since late 2016, and in 2019 New Zealand passed a new law applying an additional point of consumption tax and separate New Zealand events tax. These new provisions were introduced effective July 1, 2019, but it is not yet clear what the applicable tax base or rate will be. The events tax is intended to apply to all betting globally on events that take place in New Zealand, which is different than other equivalent taxes/levies in other jurisdictions, which only apply on bets placed by locals, e.g., the British Horse Racing Levy, which only applies on bets by British residents. If an events-based tax similar to the New Zealand one is introduced in other territories it could have a material adverse effect on the overall tax burden borne by The Stars Group.

In the event that The Stars Group increases the percentage of its total revenues that are derived from operations in nationally or locally regulated jurisdictions, it may result in increased operating costs, including increased gaming taxes (gaming duty and/or VAT), irrecoverable operational VAT, withholding tax and corporate income tax, which could have adverse consequences on its business, results of operations, cash flows or liquidity.

Furthermore, certain jurisdictions in which The Stars Group or its subsidiaries operate either tax or have proposed to tax players' gaming winnings or impose a withholding obligation on foreign online gaming operators with respect to gaming winnings, which could make The Stars Group's offerings less attractive to players in those jurisdictions. If jurisdictions where betting and gaming winnings are currently not subject to income tax or are taxed at low rates were to begin to levy taxes or increase the existing tax rates on winnings, betting and gaming may become less attractive for customers in those jurisdictions, which could have a material adverse effect on The Stars Group's ability to generate revenues in such jurisdictions.

With respect to corporate income and digital taxes, the Organization for Economic Cooperation and Development ("OECD") has been working on its Base Erosion and Profit Shifting ("BEPS") project since 2012 to address gaps and mismatches in tax rules that it believes facilitated the artificial shifting of profits across the world. The BEPS project resulted in many countries agreeing to certain minimum standards to counteract base erosion and profit shifting, changing the taxation framework for multinational groups (such as The Stars Group). In 2017, a multilateral instrument was signed to efficiently implement these changes as relevant to international double tax treaties, with it coming into force for a few countries in 2018 and more in 2019. Several of the key BEPS actions resulted in advised best practice, rather than minimum standards (i.e., hybrid mismatch arrangements, CFC rules, interest limitations and disclosure of aggressive tax planning). Thus, in order to ensure consistency in the European Union, the European Commission introduced "The Anti Tax Avoidance Directive", which has required law changes covering these areas to be implemented by all European Union member states by January 1, 2019.

Alongside the European Union's efforts to enforce a common standard in relation to anti-tax avoidance measures across member states, it has also introduced a blacklist of non-cooperative jurisdictions for tax with the aim of enforcing minimum standards across non-European Union member states in relation to implementation of BEPS minimum standards, tax cooperation and information exchange and local substance. As a result, a number of lower tax countries, including the Isle of Man and Jersey, where The Stars Group has subsidiaries, have introduced substance requirements with effect from 2019.

The BEPS project, and related European Unionpr actions, have changed the global approach and attitude to addressing tax avoidance, which is still ongoing. In January 2019, the OECD announced a new BEPS program (referred to as "BEPS 2.0") with the purpose of creating an international consensus on new rules for the framework for international taxation, particularly for businesses with valuable intangible assets. The stated aim is to expand the scope of countries' current taxing rights to allow for the taxation of businesses that do not have a physical presence in a country. The new rules, if adopted, would re-adjust the balance of taxing rights and multi-national companies' ("MNC") profit allocation between jurisdictions where MNC assets are owned and the markets where users/consumers are based. BEPS 2.0 proposes to address this reform through two main pillars of work, which are interlinked.

First, BEPS 2.0 proposes a design for arriving at a new basis for taxing profits attributable to intangible assets. This workstream includes consideration of new transfer pricing principles, which could attribute greater profit to the value contributed by users and consumers. The design of a new tax framework would include new rules for defining a taxable presence for businesses that operate in a market without a physical presence by using a concept of "significant economic presence" or "significant digital presence". A revised basis for taxing profits from intangibles could potentially apply a formulary approach using attribution factors that give greater weight to the user or consumer market location once the threshold for triggering sufficient 'nexus' in that market has been reached. Such changes could result in The Stars Group being treated as having a taxable presence, and becoming subject to tax, in jurisdictions in which The Stars Group is currently not taxable in, but in which it will have a "digital" presence and/or in The Stars Group's profits being allocated or attributed between the various jurisdictions in which it operates on a revised basis. This may have a material adverse effect on the overall tax burden borne by The Stars Group, including potentially increasing its overall effective tax rate. Other non-tax consequences could also occur as a result of these changes, which could include, among other things, the requirement to exit certain markets if, for example, registration of a "digital tax presence" is required in a consumer jurisdiction that is not otherwise considered to be a regulated market.

Second, BEPS 2.0 strengthens certain taxing rights to preserve the tax base and counteract profit shifting to jurisdictions with no or very low effective tax rates. Work in this area will consider developing both an income inclusion rule as well as a tax on base eroding payments. If the U.S. tax reform model of international taxation (i.e. GILTI and/or BEAT-type arrangements) is used as a starting point for exploration of a new income inclusion rule, this could result in the development of a minimum tax rate concept applied by the tax authority of the jurisdiction of incorporation of a parent company to the profits of its subsidiaries above a routine return. This could be combined with an approach that would seek to tax, e.g. by denying deductions for, payments to entities in low tax jurisdictions. The Stars Group has active subsidiaries in lower tax countries, including the Isle of Man and Malta, and the introduction of any such measures could have a material adverse effect on the overall tax burden borne by The Stars Group, including potentially increasing its overall effective tax rate and may also require The Stars Group to make changes to its organizational and operational structures.

While the BEPS 2.0 project remains ongoing, unilateral action is being taken by some jurisdictions through digital services tax ("DST") regimes. When it comes to DST, several European and other countries have determined that the original BEPS project did not go far enough in its approach to the taxation of digital MNCs (which under current international tax principles may not be required to pay material taxes in the jurisdictions where their customers or users reside) and that BEPS 2.0 is not moving quick enough. This has resulted in several proposals for new taxes levied by reference to the location of users/consumers with rates ranging from 2% to 7% based on gross revenue. These proposed taxes are intended to capture the value generated from users/consumers located in the taxing jurisdiction by certain digital business models such as search engines, social media platforms and online marketplaces.

While The Stars Group currently believes that online gaming businesses are not the target of DSTs, tax authorities could seek to apply DSTs to The Stars Group's revenues, in particular poker revenues, depending on the terms of the applicable legislation. France implemented a DST with effect from January 1, 2019, and Italy implemented a DST that became effective from January 1, 2020 and, while some guidance has been released in relation to the application of these taxes, there is no certainty on the application of the rules to gaming businesses. As at the date of this annual information form, other countries such as the UK, Austria and Spain, among others, have announced draft legislation or plans to implement DSTs. The European Union and the OECD are also continuing their efforts for a coordinated approach on, addressing this issue through the BEPS 2.0 measures referred to above.

Effective at January 1, 2018 the U.S. government enacted the most comprehensive tax reform in over 20 years, but due to The Stars Group's profile and current U.S. operations, the tax reform has not yet had a material impact on its current tax position. However, given recent developments in the U.S. gaming market, this tax reform may in the future have more of an impact on its future tax positions, results of operations, cash flows and financial condition.

A challenge to The Stars Group's tax policies could have a material impact on the amount of tax payable.

The Stars Group has a policy to conduct business, including transactions between its subsidiaries, in accordance with current tax legislation, tax treaties and provisions applicable in the various jurisdictions in which it operates. The Stars Group could be adversely affected by changes in tax laws, tax treaties and provisions or changes in the interpretation of tax laws by any tax authority. Equally, if any subsidiary of The Stars Group is found to have a taxable presence in a jurisdiction where it had not registered a business presence, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this could have a material adverse effect on the amount of tax, including corporate income tax, transaction or sales tax or VAT, payable by The Stars Group.

It is also The Stars Group's policy that the pricing of any arrangements between its subsidiaries, such as the intra-group provision of services, are, where required by applicable tax law, intended to be established on an arm's length basis. However, if the tax authorities in the relevant jurisdictions do not regard the arrangements between any of The Stars Group's subsidiaries as being made at arm's length in accordance with applicable tax law, the amount of tax payable by The Stars Group may increase materially, which could have a material adverse effect on its operations, financial performance and prospects.

The Stars Group is subject to foreign exchange and currency risks that could adversely affect its operations, and its ability to mitigate its foreign exchange risk through hedging transactions may be limited.

The Stars Group is exposed to foreign exchange risk with respect to customer purchasing power and the translation of foreign-currency-denominated balance sheet accounts into U.S. dollar-denominated balance sheet accounts. The primary depositing currencies on The Stars Group's product offerings are currently currencies other than the U.S. dollar, while a significant portion of poker play is in U.S. dollars. Consequently, past and potential future weakness in certain global currencies against the U.S. dollar decreases the purchasing power of the Corporation's International segment customer base, which could cause those customers to be unwilling to deposit and spend the same or similar amounts that they may otherwise deposit or spend.

In addition, The Stars Group's consolidated financial results, in particular with respect to its UK and Australia segments, are significantly affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposure arises from current transactions and anticipated transactions denominated in currencies other than the U.S. dollar and from the translation of foreign-currency-denominated balance sheet accounts into U.S. dollar-denominated balance sheet accounts. Exchange rate fluctuations could materially adversely affect The Stars Group's operating results and cash flows and the value of its foreign assets.

While The Stars Group has certain natural expense hedges and has entered and may in the future enter into derivative and hedging instruments intended to mitigate foreign currency exchange risk, there can be no assurance it will do so or that any instruments that it enters into will successfully mitigate such risk. If The Stars Group enters into hedging contracts, it would be subject to the risk that a counterparty to one or more of these contracts defaults on its performance under the contracts. During an economic downturn, a counterparty's financial condition may deteriorate rapidly and with little notice, and The Stars Group may be unable to take action to protect its exposure. In the event of a counterparty default, The Stars Group could lose the benefit of its hedging contract, which may harm its business and financial condition. If one or more of The Stars Group's counterparties becomes insolvent or files for bankruptcy, The Stars Group's ability to eventually recover any benefit lost as a result of that counterparty's default may be limited by the liquidity of the counterparty. The Stars Group expects that it will be unable to hedge all its exposure to any particular foreign currency, and it may not hedge its exposure at all with respect to certain foreign currencies. Changes in exchange rates and The Stars Group's limited ability or inability to successfully hedge exchange rate risk could have an adverse impact on its liquidity and results of operations. For additional information regarding The Stars Group's hedging activity and foreign exchange risk, as well as an analysis of certain constant currency measures, see the 2019 Annual MD&A.

The Stars Group's substantial indebtedness requires and will continue to require that it use a significant portion of its cash flow to make debt service payments, and it may not generate sufficient cash flows to meet its debt service obligations, which could have significant adverse consequences on it and its business.

As at December 31, 2019, The Stars Group and its subsidiaries had $4.93 billion of outstanding long-term indebtedness. The Stars Group's substantial indebtedness could have significant adverse consequences on it and its business, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, therefore reducing its ability to use cash flow to fund its operations, growth strategy, working capital, capital expenditures, potential future business opportunities and other general corporate purposes;
- making it more difficult for it to make payments on its indebtedness, and any failure to comply with the obligations of any of its debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing its indebtedness;
- limiting its ability to obtain additional financing for working capital, capital expenditures, debt service requirements, R&D, acquisitions and general corporate or other purposes;
- reducing its flexibility in planning for, or reacting to, changes in its operations, business or industry;
- prohibiting it from making strategic acquisitions, developing new products and product features, introducing new technologies, exploiting business opportunities, expanding within existing or into new lines of operation or geographies, or causing it to make non-strategic divestitures;
- placing it at a competitive disadvantage as compared to its less-leveraged competitors;
- making it more vulnerable to downturns in its business, industry or the economy;
- negatively affecting its ability to renew gaming and other licenses; and
- exposing it to increased interest rate risk as certain of its borrowings have variable interest rates.

The Stars Group's ability to make scheduled payments on or to refinance its debt obligations and to make distributions to enable it to service its debt obligations depends on a number of variables that may affect its and its subsidiaries' financial and operating performance and the ability to generate cash from their operations. These variables are subject to prevailing economic and competitive conditions and to certain financial, business, legal, regulatory and other factors beyond The Stars Group's and its subsidiaries' control, including fluctuations in interest rates, market liquidity conditions, operating costs and trends in the industries in which they operate. If The Stars Group's and its subsidiaries' cash flows and capital resources are insufficient to fund its debt service obligations, then it may be forced to reduce, delay or cease business activities, investments, expansion or capital expenditures, sell assets, seek additional capital, including through additional indebtedness or through dilutive financings, or restructure or refinance its indebtedness. Depending on the capital markets at the time of any such restructuring, refinancing or capital raise, it is possible that the same could be available only on unattractive terms, if at all, leading to potentially significant increases in debt service costs and interest expenses and could potentially result in additional restrictions on The Stars Group's operations. Any default by The Stars Group in meeting its debt service obligations in a timely manner would have a material adverse effect on its business, operating results and financial condition.

As of December 31, 2019, a significant portion of The Stars Group's total debt was subject to variable interest rates, which exposes The Stars Group to interest rate risk. If interest rates were to increase, The Stars Group's debt service obligations on such variable rate indebtedness would increase even though the amount borrowed remained the same, and as a result, The Stars Group's net income and cash flows, including cash available for debt service, would correspondingly decrease. Although The Stars Group has entered into, and from time to time in the future may enter into additional, hedging instruments that it anticipates will result in fixed interest rates and/or lower interest payments on existing debt and potentially mitigate the impact of interest rate and exchange rate fluctuations, in particular in the Euro and British pound sterling to U.S. dollar exchange rates with respect to such debt, there can be no assurance that the anticipated benefits will be realized and as such, The Stars Group remains subject to the risk of fluctuations in interest and exchange rates described herein. Further, The Stars Group may decide to not maintain interest rate swaps with respect to some or all of its variable rate indebtedness, and any swaps it enters into may not fully mitigate its interest rate risk.

The Stars Group's capital allocation policies, strategies and decisions, including its recent decision to prepay certain amounts of its outstanding debt, limit its ability to pursue other strategies that may be beneficial to its business. There can be no assurances that The Stars Group's capital allocation policies, strategies and decisions will be appropriate in light of then-current market conditions, and The Stars Group could be unable to expand into additional markets or offer additional products and services due to capital allocation constraints.

For additional information on The Stars Group's outstanding long-term debt, including amounts outstanding, interest, and certain restrictions and requirements, see the 2019 Annual MD&A, including under the heading "Liquidity and Capital Resources" and the 2019 Annual Financial Statements.

Continuing to integrate SBG's business into The Stars Group's business may divert management's attention away from operations, and The Stars Group may also encounter future difficulties in integrating the two businesses.

Successful continued integration of SBG's operations, products and personnel into those of The Stars Group may place a significant burden on management and other internal resources. The diversion of management's attention and any difficulties encountered in the continued transition and integration process could harm The Stars Group's business, financial condition and results of operations. In addition, uncertainty about the further effect of the SBG Acquisition on employees, customers, suppliers, partners, and other third parties, including regulators, may have an adverse effect on The Stars Group and SBG. These uncertainties may impair The Stars Group or SBG's ability to attract, retain and motivate key personnel for a further period of time after the SBG Acquisition, and could cause customers, suppliers and others who deal with The Stars Group and SBG to seek to change existing business and other relationships. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with The Stars Group, The Stars Group's business could be harmed.

Furthermore, the continued overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, and loss of customers and other relationships. The difficulties of further combining the operations of the companies include, among others, difficulties in:

- integrating operations and systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures;
- assimilating employees, including possible culture conflicts and different opinions on technical decisions and product roadmaps;
- managing the expanded operations of a larger and more complex company, including coordinating a geographically dispersed organization; and
- keeping existing customers and obtaining new customers.

Many of these factors will be outside The Stars Group's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact its business, financial condition and results of operations.

The Stars Group may not realize further or continued operational improvements, revenue synergies and cost savings with respect to the Acquisitions, which would have a negative effect on its results of operations.

As part of The Stars Group's business strategy, it has and expects to continue to implement certain further operational improvements, revenue synergies and cost savings initiatives following the Acquisitions. Any further synergies and cost savings that The Stars Group realizes from such efforts may differ materially from its estimates. Those estimates are The Stars Group's current estimates as at such time, but they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such estimates. In addition, any further synergies and cost savings that The Stars Group may continue to realize may be offset, in whole or in part, by reductions in revenues, or through increases in other expenses, including further costs to achieve its estimated synergies and cost savings, some of which are described below. The Stars Group's operational improvements and cost savings plans are subject to numerous risks and uncertainties that may change at any time. The Stars Group cannot provide assurance that its continued or further initiatives will be completed as anticipated or that the benefits it expects will be achieved on a timely basis or at all. Even though The Stars Group has completed the Acquisitions, it may be unable to continue to implement its operational improvements or cost savings programs within its anticipated timeline and it may take longer than expected to achieve the run-rate level of anticipated synergies and cost savings. Although The Stars Group believes these estimates and assumptions to be reasonable, investors should not place undue reliance upon them.

In addition to the costs related directly to the Acquisitions, The Stars Group incurred and expects to continue to incur significant costs, some of which are recurring while others are non-recurring, in connection with further integrating SBG's operations, products and personnel into The Stars Group's business. These costs may include costs for:

- employee retention, redeployment, relocation or severance;
- integration, including of people, technology, operations and information systems;
- combination of corporate and administrative functions, marketing and operational teams and processes; and
- maintenance and management of customers and other assets.

While The Stars Group has incurred a significant amount of transaction fees and other one-time costs related to the Acquisitions, additional unanticipated costs may yet be incurred, which cannot be estimated accurately at this time.

The Stars Group incurred and issued, as applicable, significant new indebtedness in connection with the Acquisitions, net of debt refinanced in connection therewith. This debt may limit The Stars Group's financial and operating flexibility, and it may incur additional debt, which could increase the risks associated with its substantial indebtedness. The Stars Group's substantial indebtedness may have material consequences for its business, financial condition and results of operations. See "—The Stars Group's substantial indebtedness requires and will continue to require that it use a significant portion of its cash flow to make debt service payments, and it may not generate sufficient cash flows to meet its debt service obligations, which could have significant adverse consequences on it and its business.", "—The Stars Group's secured credit facilities and unsecured bonds contain covenants and other restrictions that may limit its flexibility in operating its business." and "—The Stars Group's substantial indebtedness requires and will continue to require that it use a significant portion of its cash flow to make debt service payments, and it may not generate sufficient cash flows to meet its debt service obligations, which could have significant adverse consequences on it and its business."

The Stars Group may prioritize customer growth and engagement and the customer experience over short-term financial results.

The Stars Group has made, and may in the future make, product and investment decisions that may not prioritize its short-term financial results if it believes that the decisions are consistent with its mission and long-term goals to benefit the aggregate customer experience, improve its financial performance and maximize shareholder value. For example, The Stars Group has implemented and may in the future implement changes to, including certain reductions in, its loyalty programs to ensure that the distribution of rebates, rewards and incentives is aligned with its goal of incentivizing customers for loyalty and behavior that is positive to the overall customer experience and the particular product offering's ecosystem, such as the introduction of Stars Rewards, and introduced and may in the future introduce other changes, such as adjustments to product pricing. The Stars Group also may introduce changes to existing product offerings, or introduce new product offerings, that direct customers away from product offerings where it has a proven means of monetization and which may reduce engagement with its core product offerings, such as through the introduction of online casino, betting or new variants of online poker. The Stars Group also may take steps that limit distribution of certain product offerings, such as on mobile devices, in the short term to attempt to ensure the availability of such product offerings to its customers over the long term. These decisions may not produce the benefits that The Stars Group expects, in which case its customer growth and engagement, its relationships with third parties, and its business and results of operations could be harmed.

The Stars Group has significant international operations and plans to continue expanding its operations abroad, which may subject it to increased business and economic risks that could affect its financial results.

The Stars Group has significant international operations and plans to continue to expand its international business operations and product offerings. The Stars Group's product offerings are available in numerous jurisdictions and approximately two dozen languages, and it operates from offices, data centers or transit points of presence throughout the world. Nearly all The Stars Group's current operations are conducted from offices in foreign jurisdictions, particularly in the Isle of Man, Malta, UK, Australia and in certain member states of the European Union, and it derives revenue from customers in various countries worldwide. As such, The Stars Group's operations and revenues may be adversely affected by changes in foreign government policies and legislation or social, economic or political instability and other factors that are not within its control, including recessions in foreign economies, expropriation, nationalization and limitation or restriction on repatriation of funds, assets or earnings, changes in consumer tastes and trends, renegotiation or nullification of existing contracts or licenses, changes in online gaming policies, regulatory requirements or the personnel administering them, exchange controls, economic sanctions, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade and investment barriers and protectionist practices, withdrawals from economic or political unions, such as "Brexit", taxation policies, including royalty and tax increases (such as additional corporate tax, VAT and gaming duties) and retroactive tax claims, volatility of financial markets and fluctuations in foreign exchange rates, difficulties in protecting intellectual property, evolving regulations regarding data and information privacy and payment processing, labor disputes and other risks arising out of foreign governmental sovereignty over the areas in which The Stars Group conducts operations. If The Stars Group's operations or revenues are disrupted or threatened for unexpected reasons, its business may be materially harmed.

The Stars Group's international activities may involve protracted negotiations with host governments and regulators, national companies and third parties. Foreign government regulations may require foreign product and service providers to, among other things, be located in or employ citizens or residents of a particular jurisdiction and otherwise comply with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities, and in some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. The Stars Group's management is unable to predict the effect of additional corporate and regulatory formalities that may be adopted in the future, including whether any such laws or regulations would materially increase The Stars Group's cost of doing business or affect its operations in any jurisdiction. In addition, The Stars Group may in the future enter into agreements and directly or indirectly conduct activities outside of the jurisdictions where it currently carries on business, which expansion may present challenges and risks that it has not faced in the past, any of which could adversely affect its results of operations and/or financial condition.

Moreover, in the event a dispute arises in connection with The Stars Group's operations with respect to a foreign jurisdiction where it conducts its business or has customers, The Stars Group may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of domestic courts or enforcing domestic judgments in such other jurisdictions. The Stars Group may also be hindered or prevented from enforcing its rights with respect to a governmental or tribal instrumentality because of the doctrine of sovereign immunity.

Although The Stars Group believes that management's experience to date in numerous foreign jurisdictions may help reduce these risks, The Stars Group's direct and indirect activities in foreign jurisdictions could be substantially affected by factors beyond its control, any of which could have a material adverse effect on it.

The Stars Group currently depends on the ongoing support of payment processors, the quality and cost of which may be variable in certain jurisdictions.

The Stars Group currently relies on payment and multi-currency processing providers to facilitate the movement of funds between The Stars Group and its customer base. Anything that could interfere with or otherwise harm its relationships with payment service providers could have a material adverse effect on its businesses. Any introduction of legislation or regulations restricting financial transactions with online gambling operators or prohibiting the use of credit cards and other banking instruments for online gambling transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the online gambling industry in particular, may restrict the ability of The Stars Group to accept payment from its customers or facilitate withdrawals by them. Certain governments may seek to impede the online gambling industry by introducing legislation or through enforcement measures designed to prevent customers or financial institutions based in their jurisdictions from transferring money to online gambling operations. They may seek to impose embargoes on currency use, wherever transactions are taking place. This may result in the providers of payment systems for a particular market deciding to cease providing their services for such market. This in turn would lead to an increased risk of payments due to The Stars Group being misappropriated, frozen or diverted by banks and credit card companies. There may be a limited availability of alternative systems, in particular in light of recent consolidation in the financial services industry. As a result, payment systems providers may increase their charges to The Stars Group or its customers, and/or it may be required to source new payment systems providers of lesser quality and reliability than those providers previously used to service a particular market, which would also enhance the risk of default or delayed payments in circumstances where it would be too time consuming and challenging to sue for recovery. The likelihood of any such legislation or enforcement measures is greater in certain markets that seek to protect their state gambling monopolies and/or that have foreign currency or exchange control restrictions. The tightening of money laundering regulations may also affect the speed and convenience of payment processing systems, resulting in added inconvenience to customers. Card issuers and acquirers may dictate how transactions and products need to be coded and treated which also may impact on acceptance rates. Certain card issuers, acquirers, payment processors and banks may also cease to process transactions relating to the (online) gambling industry as a whole or certain operators, such as The Stars Group, for reputational and/or regulatory reasons or in light of increased compliance standards of such third parties that seek to limit their business relationships with certain industry sectors considered as “high risk” sectors. It may also result in customers being dissuaded from accessing The Stars Group’s product offerings if they cannot use a preferred payment option or the quality or the speed of the supply is not satisfactory. Any such developments in these or other markets may have a material and adverse effect on The Stars Group’s future financial position. For example, during 2019, customers in several countries experienced certain difficulties with respect to payment processing. This included the implementation of a financial blocking measure in Russia as described above at “Business of the Corporation—Regulatory Environment—Multi-Jurisdictional Licenses—Russian Federation”, and the removal of certain payments methods in the Netherlands and Norway. Some customers in these countries became unable to fund their accounts and were thus unable to continue playing unless they opted to switch to an alternative payment method. If these or similar difficulties with respect to payment processing continue to occur, whether on a temporary or permanent basis, this could adversely affect The Stars Group’s business, results of operations and/or financial condition.

Litigation costs and the outcome of litigation could have a material adverse effect on The Stars Group’s business.

The Stars Group may be subject to litigation claims through the ordinary course of its business operations or otherwise, regarding, among other things, employment matters, tax matters, security of customer and employee personal information, third-party contracts, marketing, intellectual property right infringement, regulatory and compliance matters, its current and former operations and the operations of businesses it acquired or may acquire in the future prior to their respective acquisitions. Litigation to defend The Stars Group against claims by third parties, or to enforce any rights that it may have against third parties, may be necessary, which could result in substantial costs and diversion of its resources, causing a material adverse effect on its business, financial condition and results of operations. Given the nature of The Stars Group’s business, it is, and may from time to time in the future be, party to various, and at times numerous, legal, administrative and regulatory inquiries, investigations, proceedings and claims that arise in the ordinary course of business, as well as potential class action lawsuits. Because the outcome of such legal matters is inherently uncertain, if one or more of such legal matters were to be resolved against The Stars Group for amounts in excess of management’s expectations or any applicable insurance coverage or indemnification right, or if such legal matters result in decrees or orders preventing it from offering certain features, functionalities, products or services, or requires that it change its development process or other business practices, its results of operations and financial condition could be materially adversely affected. Any litigation to which The Stars Group is a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal, or in payments of substantial monetary damages or fines, the posting of bonds requiring significant collateral, letters of credit or similar instruments, or The Stars Group may decide to settle lawsuits on similarly unfavorable terms. Moreover, The Stars Group cannot be sure that the remedies available to it at law or under contract, or the indemnification granted to it by contractual counterparties, will be sufficient in amount, scope or duration to fully or partially offset any such possible liabilities. Any of these factors, individually or in the aggregate, could materially adversely affect The Stars Group’s business, results of operations, cash flows or liquidity. For a description of certain currently pending legal and regulatory proceedings, including the Kentucky Proceeding (as defined below), certain class action lawsuits and challenge of the Preferred Share mandatory conversion, see “Legal Proceedings and Regulatory Actions”.

The Stars Group's business could suffer as a result of the uncertainty surrounding the UK's withdrawal from the European Union and the terms of such withdrawal.

In June 2016, voters in the UK approved the withdrawal of the UK from the European Union (commonly known as "Brexit"). In March 2017, the UK government initiated the exit process under Article 50 of the Treaty on European Union, and after several extensions, on January 31, 2020, the UK left the European Union with a transitional period, during which European Union law will continue to apply in the UK in substantially the the same way as immediately before Brexit until the expiry of the period (which is currently anticipated to occur on December 31, 2020). However, the nature of the future relationship between the UK and the remaining European Union member states following expiry of the transitional period has yet to be agreed, and negotiations between the UK and the European Union on the terms of Brexit to date have demonstrated the difficulties that exist in reaching such an agreement. Until these negotiations have concluded, the impact of Brexit on the UK, European and global markets will remain uncertain.

The announcement of Brexit in 2016 caused significant volatility in global stock markets and fluctuations in currency exchange rates, including for the British pound sterling and the Euro with respect to each other and/or the U.S. dollar, and contributed to the weakening of the British pound sterling against the U.S. dollar and the Euro. The ongoing Brexit negotiations may continue to cause significant volatility in these and other global currency exchange rates, and as the British pound sterling is one of the primary currencies of gameplay in its operations in the United Kingdom and the Euro is one of the primary depositing currencies in its operations in the rest of the world (other than Australia), may adversely affect The Stars Group's financial results. The progress and outcomes of Brexit may create economic uncertainty, both within the UK, which is one of the world's largest economies and is home to a large portion of The Stars Group's customers, and globally. Uncertainty over Brexit's ultimate fate and over the potential consequences of the various forms that Brexit could take has already impacted the UK economy, for example by reduced levels of foreign investment and hiring, significant depreciation of the British pound sterling against certain foreign currencies, including the U.S. dollar and the Euro, and the UK government's inability to address pressing domestic needs due to the overriding political focus on Brexit. Depending on its terms, Brexit could significantly disrupt the free movement of goods, services, people and capital between the UK and the European Union, result in the imposition of tariffs on consumer goods and disrupt and possibly reduce cross-border trade, each of which could result in a reduction of UK consumers' disposable income. The Stars Group relies on its customers having sufficient disposable income or capital to spend on betting and gaming, and a deterioration of general economic conditions and increases of prices of consumer goods could significantly affect The Stars Group's customer activity levels, which could materially adversely affect its overall business, results of operations, financial condition and cash flows.

Brexit could also lead to legal and regulatory uncertainty and potentially differing national laws and regulations as the UK determines which European Union laws to replicate or replace. It is possible that The Stars Group or certain of its subsidiaries will be subject to increased obligations and complexities imposed by new or changing laws and regulations, including those relating to gaming licenses, tax benefits and liabilities, trade, security and employment, which could lead to increased costs and expenses as it adapts to changing legal and regulatory frameworks. Brexit may also significantly reduce SBG's ability to operate on an unfettered basis in certain European markets by making SBG an operator from a non-European Union country, thus subjecting it to rules of European markets that have sought to restrict competition from gaming companies based overseas. In addition, any changes to UK immigration policy as a result of Brexit could affect The Stars Group's ability to hire employees. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications Brexit may have and how such withdrawal would affect The Stars Group and its subsidiaries, some of which, such as SBG, have significant operations in the UK. Any of these or other effects of Brexit could be disruptive to The Stars Group's operations and business relationship in the UK and could materially adversely affect its overall business, business opportunities, results of operations, financial condition and cash flows.

Failure to attract, retain and motivate key employees may adversely affect The Stars Group's ability to compete and the loss of the services of key personnel could have a material adverse effect on its business.

The Stars Group depends on the services of its executive officers as well as its key technical, operational, marketing and management personnel. The loss of any of these key persons could have a material adverse effect on The Stars Group's business, results of operations and financial condition. The Stars Group's success also highly depends on its continuing ability to identify, hire, train, motivate and retain highly qualified technical, operational, marketing and management personnel. Competition for such personnel can be intense, and The Stars Group cannot provide assurance that it will be able to attract or retain such highly qualified personnel in the future, in particular in light of the potential Combination, which could hinder The Stars Group's ability to attract or retain such highly qualified personnel. Equity-based awards comprise a key component of executive and senior management compensation, and if The Stars Group's Common Share price declines or is volatile, it may be difficult to retain such individuals. In addition, as The Stars Group matures, the incentives to attract, retain and motivate employees provided by its equity-based awards or by future arrangements may not be as effective as in the past, and if it issues significant equity to attract additional employees, the ownership of its existing shareholders may be further diluted. The Stars Group's potential inability to attract and retain the necessary personnel may adversely affect its future growth and profitability. The Stars Group's retention and recruiting may require significant increases in compensation expense, which would adversely affect its results of operation.

The leadership of the current executive officers of The Stars Group and certain of its subsidiaries has been a critical element of its success. The departure, death or disability of any such officers or other extended or permanent loss of any of their services, or any negative market or industry perception with respect to any of them or their loss, could have a material adverse effect on The Stars Group's business. Certain of The Stars Group's and its subsidiaries' other senior management have made significant contributions to its growth and success. The unexpected loss of services of one or more of these individuals could also adversely affect The Stars Group. The Stars Group is not protected by key man or similar life insurance covering its executive officers or members of senior management.

The Stars Group may require additional capital to support its business growth, and this capital may not be available on acceptable terms, if at all.

The Stars Group may require additional capital to support its business growth or to respond to business opportunities, challenges or unforeseen circumstances. The Stars Group's ability to obtain additional capital, if and when required, will depend on its business plans, investor demand, its operating performance, capital markets conditions, and other factors. If The Stars Group raises additional funds by issuing equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of its currently issued and outstanding equity or debt, and its existing shareholders may experience dilution. If The Stars Group is unable to obtain additional capital when required, or on satisfactory terms, its ability to continue to support its business growth or to respond to business opportunities, challenges or unforeseen circumstances could be adversely affected, and its business may be harmed.

The Stars Group's insurance coverage may not be adequate to cover all possible losses it may suffer, and in the future its insurance costs may increase significantly or it may be unable to obtain the same level of insurance coverage.

The Stars Group may suffer damage to its property due to a casualty loss (such as fire, natural disasters and acts of war or terrorism) or other losses, such as those related to labor, professional liability or certain actions or inactions by its management, directors, employees or others, that could severely disrupt its business or subject it to claims by third parties who are injured or harmed. Although The Stars Group maintains insurance that it believes is adequate, that insurance may be inadequate or unavailable to cover all the risks to which its business and assets may be exposed, including risks related to certain litigation. Should an uninsured loss (including a loss that is less than the applicable deductible or that is not covered by insurance) or loss in excess of insured limits occur, it could have a significant adverse impact on The Stars Group's business, results of operations or financial condition.

The Stars Group generally renews its insurance policies annually. If the cost of coverage becomes too high or if The Stars Group believes certain coverage becomes inapplicable, it may need to reduce its policy limits or agree to certain exclusions from its coverage to reduce the premiums to an acceptable amount or to otherwise reduce its coverage for certain occurrences. On the other hand, The Stars Group may determine that it either does not have certain coverage that would be prudent for its business and the risks associated with its business and/or its current coverages are too low to adequately cover such risks. In either event, The Stars Group may incur additional or higher premiums for such coverage than it had in prior years.

Among other factors, national security concerns, catastrophic events or any change in the current applicable statutory requirement that insurance carriers offer coverage for certain acts of terrorism could also adversely affect available insurance coverage and result in, among other things, increased premiums on available coverage (which may cause The Stars Group to elect to reduce its policy limits or not renew its coverage) and additional exclusions from coverage. As cyber incidents and threats continue to evolve, The Stars Group may be required to expend additional, perhaps significant, resources to continue to update, modify or enhance its protective measures or to investigate and remediate any vulnerability to cyber incidents. Although The Stars Group maintains and monitors its information technology systems and has insurance coverage for protecting against cyber security risks, such systems and insurance coverage may not be sufficient to protect against or cover all the losses it may experience as a result of any cyber-attacks.

The Stars Group's results of operations could be affected by natural events in the locations in which it operates or where its customers or suppliers operate, as well as by scheduling and live broadcasting of major sporting events, and cancellation, postponement or curtailment of the same.

The Stars Group and its suppliers have operations in, and customers reside in, locations subject to natural occurrences such as severe weather and other geological events, including hurricanes, earthquakes, floods, blizzards, wild fires, pandemics or tsunamis that could disrupt operations and gameplay. Any serious disruption at any of The Stars Group's or its suppliers' facilities or the residences of its customers due to a natural disaster could have a material adverse effect on The Stars Group's revenues and increase its costs and expenses. If there is a natural disaster or other serious disruption at any of The Stars Group's facilities, it could impair its ability to adequately supply its customers, cause a significant disruption to its operations, cause it to incur significant costs to relocate or re-establish these functions and negatively impact its operating results. While The Stars Group insures against certain risks, such insurance may not adequately compensate it for any losses incurred as a result of natural or other disasters. In addition, any natural disaster that results in a prolonged disruption to the operations of The Stars Group's suppliers or the ability of its customers to engage in gameplay may adversely affect its business, results of operations or financial condition.

The Stars Group's betting business is affected by the scheduling and live broadcasting of significant sporting and other events. Disruptions to the scheduling and broadcasting of those events may have a material impact on The Stars Group's business, results of operations or financial condition for the relevant period. In some instances, the scheduling of major sporting and other events occurs seasonally, such as horse racing or soccer, or at regular but infrequent intervals, such as the World Cup. Additionally, The Stars Group generally utilizes third-party data feeds for pricing and content for such sporting events, and for certain events it offers live streaming to its customers via third-party data feeds. The cost of such data feeds could increase significantly.

The cancellation, postponement or curtailment of significant sporting or other events, for example due to adverse weather conditions, terrorist acts or other acts of war or hostility or the outbreak of infectious diseases, pandemics, or cancellation of, disruption to, postponement of or loss of access to the live broadcasting of such sporting events, for example due to contractual disputes, technological or communication problems, or the insolvency of or loss of broadcasting rights by major broadcasters, including Sky and FOX Sports, could materially adversely affect The Stars Group's business, results of operations, financial condition and prospects.

The Stars Group's customer growth, engagement, and monetization on mobile devices each depend upon effective operation with mobile operating systems, networks, standards and application marketplaces that it does not control.

A growing portion of The Stars Group's customers use its product offerings on mobile devices and The Stars Group believes that this will continue to be increasingly important to its long-term success. There is no guarantee that popular mobile devices will start or continue to support or feature The Stars Group's product offerings, or that mobile device users will continue to use its product offerings rather than competing products. As it relates to its mobile platforms, The Stars Group is dependent on the interoperability of such platforms with popular mobile operating systems, technologies, networks and standards that it does not control, such as the Android and iOS operating systems, and any changes, bugs, technical or regulatory issues in such systems, The Stars Group's relationships with mobile partners, manufacturers and carriers, or in their terms of service or policies that degrade The Stars Group's product offerings' functionality, reduce or eliminate its ability to distribute its product offerings, give preferential treatment to competitive products, limit its ability to deliver high quality product offerings, or impose fees or other charges related to delivering its product offerings, could adversely affect its product usage and monetization on mobile devices. The Stars Group also may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices and standards. If it is difficult or unfavorable for The Stars Group's customers to access and use its product offerings on their mobile devices, or if its customers choose not to access or use its product offerings on their mobile devices or use mobile products that do not offer access to its product offerings, its customer growth and engagement could be harmed, which could adversely affect its business, results of operations and financial condition.

The Stars Group relies on application marketplaces, such as Apple's App Store and Google's Play, to drive downloads of its mobile applications. In the future, Apple, Google or other operators of application marketplaces may make changes to their marketplaces that make access to The Stars Group's product offerings more difficult. Any reduction in the number of users directed to or downloading The Stars Group's mobile applications through application marketplaces could harm our business and operating results.

The Stars Group's secured credit facilities and unsecured bonds contain covenants and other restrictions that may limit its flexibility in operating its business.

The Stars Group's secured credit facilities, indenture governing its unsecured bonds and the terms governing its Preferred Shares (although there are no Preferred Shares outstanding as of the date hereof) contain various provisions that may limit The Stars Group's ability to, among other things:

- incur additional indebtedness;
- pay dividends, redeem or repurchase capital stock or subordinated debt, or make other restricted payments;
- make investments, engage in acquisitions, create liens, or consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- plan for, or react to, changes in its business and the industries in which it operates;
- engage in certain transactions or take certain actions if maximum leverage ratios are exceeded;
- enter into agreements that restrict dividends or other payments from its restricted subsidiaries to it;
- engage in transactions with affiliates;
- enter into hedging contracts;
- create unrestricted subsidiaries; and
- enter into sale and leaseback transactions.

The Stars Group's ability to comply with these provisions may be affected by events beyond its control. A breach of any of the covenants or undertakings in the agreements governing the secured credit facilities or indenture governing the unsecured bonds could result in an event of default under the same. Upon the occurrence of an event of default under The Stars Group's secured credit facilities or unsecured bonds, if it does not cure such default within any applicable grace period, the lenders or bondholders, as applicable, could declare all amounts outstanding thereunder to be immediately due and payable and as applicable, terminate all commitments to extend further credit. If The Stars Group was unable to repay those amounts, then the lenders under such facility could proceed against the collateral granted to them to secure that indebtedness. If any of The Stars Group's lenders or bondholders accelerate the repayment of borrowings, The Stars Group cannot assure that it will have sufficient assets to repay the amounts outstanding, which could have a material adverse effect on its business, financial condition and results of operation.

The Stars Group may have exposure to greater than anticipated tax liabilities.

The Stars Group's tax obligations are varied and include taxes on gaming income (e.g., VAT and gaming duty) and taxes on profits and transactions of its group entities (corporate tax, VAT and withholding taxes).

The tax laws applicable to The Stars Group's business are subject to interpretation, and certain jurisdictions are seeking to introduce new, as mentioned above, or aggressively interpret existing, laws to tax online gaming operators on their activity with local customers in an effort to raise additional tax revenue from companies such as The Stars Group. The taxing authorities of the jurisdictions in which The Stars Group operates or has customers may challenge the inter-company transfer pricing, tax residence status of The Stars Group or its subsidiaries, or assert the existence of a permanent establishment and/or that other taxes are payable, which could increase The Stars Group's worldwide effective tax rate and harm its financial position and results of operations. The Stars Group is subject to periodic review and audit by domestic and foreign tax authorities. Tax authorities may disagree with certain positions The Stars Group has taken and will take, and any adverse outcome of such a review or audit could have a negative effect on its financial position and results of operations. Although The Stars Group believes that its provision for income taxes and other tax liabilities is reasonable, determining this provision requires significant judgment and the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect its financial results in the period or periods for which such determination is made. For example, The Stars Group included in the income tax expense for its 2017 fiscal year a tax provision of $26.5 million (at December 31, 2019 — $25.8 million) relating to an ongoing transfer pricing dispute in Canada for one of its subsidiaries. The issue in dispute relates to the subsidiary's operations for its 2003 to 2007 fiscal years, prior to its acquisition by The Stars Group. The Stars Group has been advised that it has strong arguments to defend the adjustments proposed by the Canadian tax authorities and the subsidiary intends to vigorously defend its position. However, as the subsidiary has to go through the process of appealing the reassessments and it is uncertain what the final outcome will be, a tax provision was recorded to cover the potential tax adjustment and interest thereon. As at the date of this annual information form, the subsidiary has initiated the appeal and there has been no material change in the position from the 2017 fiscal year. See the 2019 Annual Financial Statements for additional information. This could continue to happen in the future in various jurisdictions where The Stars Group offers or has offered its product offerings or where it has or had subsidiaries or activities.

Each of SBG and BetEasy had ongoing corporate tax audits at the time The Stars Group acquired it, and as part of The Stars Group's accounting for such acquisitions it recorded a provision for what it believed to be the probable outcomes of such audits. These provisions represented The Stars Group's estimate of what it believed to be the most probable outcomes. During 2019, the BetEasy corporate tax audit was settled for an amount less than the original provision booked at acquisition. The SBG corporate tax audit is still in the process of being settled and the provision booked upon The Stars Group's acquisition of SBG has been adjusted to reflect this effective settlement.

As discussed elsewhere in this annual information form, The Stars Group pays gaming duty as a requirement of certain of its gaming licenses. The Stars Group attempts to take reasonable positions in its tax filings and seeks to support this with external advice where deemed necessary or appropriate. However, the tax laws governing how the tax base for gaming duty is determined can be subject to differing interpretation, and tax authorities in certain jurisdictions may disagree with positions taken by The Stars Group, which could harm its financial position and results of operations.

Moreover, the application of indirect taxes, such as sales and use tax, VAT, provincial sales taxes, goods and services tax, business tax and gross receipt tax, to the businesses of The Stars Group and its subsidiaries is a complex and evolving issue. For example, as of January 1, 2015, the European Union imposed an obligation on businesses to collect and remit VAT on the provision of electronically supplied services, and similar regimes have been implemented in a number of other jurisdictions across the world. Gaming activities have typically been exempt from VAT where there is a local regulatory framework; however, such activities potentially fall within the rules applying local VAT on electronically supplied services, both in the European Union and elsewhere. Given the uncertainty surrounding the application of VAT to gaming activities, and the calculation methodology, under these constantly changing and developing rules, The Stars Group is complying with VAT collection and remittance procedures in certain countries both within and outside of the European Union, and the VAT cost is deducted from net gaming revenue. Significant judgment is required to evaluate applicable tax obligations and as a result amounts recorded could change. These changes may result in The Stars Group paying VAT on a greater number of transactions, or on a different tax base, which could significantly increase its VAT costs and consequently reduce its net gaming revenue, harming its financial position and results of operations. Additionally, tax authorities may raise questions about The Stars Group's calculation, reporting and collection of taxes and may ask it to remit additional taxes, as well as an alternative calculation of such taxes. Where necessary The Stars Group seeks external advice on the application of new taxes and changes to existing law, and should any new taxes become applicable or if the taxes The Stars Group pay are found to be deficient, including as a result of differing interpretations of ambiguous laws, its business, financial condition and results of operations could be harmed.

In addition to VAT arising on revenue in some countries, The Stars Group incurs significant levels of VAT, GST or other sales/service taxes on expenses. Depending on which entity of The Stars Group incurs the costs and the nature of its activity it may not be possible to recover these taxes. For example, SBG in the UK incurs significant levels of irrecoverable VAT on the basis that it mainly makes VAT exempt supplies of gaming services. Other entities of The Stars Group are able to recover most of the VAT that they incur, but if their place of establishment for VAT purposes was successfully challenged then this could also change, which could have a material impact on The Stars Group and its tax costs. Also, even where the place of establishment of companies is not challenged, there is a risk of changes in laws or tax authority challenges of the right to reclaim input VAT, based on an alternative more restrictive interpretation of applicable legislation, which could also have a significant impact on tax costs.

The Stars Group and its subsidiaries transact with each other as part of their operations. The tax laws of many countries where The Stars Group or its subsidiaries operate have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm’s length pricing principles. The taxation authorities in these countries could disagree with The Stars Group’s arm’s length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge The Stars Group’s transfer pricing policies, this could result in a higher worldwide effective tax rate and harm its financial position and results of operations.

If The Stars Group’s goodwill or intangible assets become impaired, it may be required to record a significant charge to earnings.

The Stars Group reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, such as a decline in stock price and market capitalization. The Stars Group tests goodwill and indefinite-lived intangible assets for impairment at least annually. If such goodwill or intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. The Stars Group may be required to record a significant charge in its financial statements during the period in which any impairment of its goodwill or intangible assets is determined, which would negatively affect its results of operations.

The Stars Group’s conclusions regarding intangible assets and goodwill impairment are detailed in its 2019 Annual Financial Statements. Although The Stars Group did not recognize any material impairment with respect to intangible assets or any impairment with respect to goodwill for the year ended December 31, 2019, its conclusions with respect to the United Kingdom and Australia segments were particularly sensitive to changes in key management estimates and assumptions as certain reasonable hypothetical changes could have resulted in an impairment or additional impairments, as applicable. For example, if the future actual cash flows were to adversely differ from management’s best estimates as at December 31, 2019, the Corporation could experience a future, potentially material, impairment in goodwill.

The Stars Group’s online offerings are part of new and evolving industries, which presents significant uncertainty and business risks.

The online gaming and interactive entertainment industries are relatively new and continue to evolve. Whether these industries grow and whether The Stars Group’s online business will ultimately succeed, will be affected by, among other things, developments in social networks, mobile platforms, legal and regulatory developments (such as passing new laws or regulations or extending existing laws or regulations to online gaming and related activities), taxation of gaming activities, data and information privacy and payment processing laws and regulations, and other factors that it is unable to predict and which are beyond its control. Given the dynamic evolution of these industries, it can be difficult to plan strategically, including as it relates to product launches in new or existing jurisdictions which may be delayed or denied, and it is possible that competitors will be more successful than The Stars Group at adapting to change and pursuing business opportunities. Additionally, as the online gaming industry advances, including with respect to regulation in new and existing jurisdictions, The Stars Group may become subject to additional compliance-related costs, including as it relates to licensing and taxes. Consequently, The Stars Group cannot provide assurance that its online and interactive offerings will grow at the rates expected, or be successful in the long term. If The Stars Group’s product offerings do not obtain popularity or maintain popularity, or if they fail to grow in a manner that meets its expectations, or if it cannot offer its product offerings in particular jurisdictions that may be material to its business, The Stars Group’s business, results of operations and financial condition could be harmed.

The Stars Group is subject to risks related to its and its subsidiaries contractual relationships with its media partners, and events impacting those relationships or agreements could result in significant disruptions to The Stars Group’s business.

The Stars Group and one or more of its subsidiaries have ongoing arm’s length commercial relationships with Sky and FOX Sports, which allow The Stars Group and one or more of its subsidiaries to utilize the Sky and FOX Sports brands and integrate with Sky’s and FOX Sports’ commercial, advertising and digital platforms pursuant to several contractual agreements. Events impacting these media partner relationships with The Stars Group, including triggers for terminating these contractual arrangements, could result in significant disruptions (including in the delivery of services provided to customers), costs, and losses, including potential losses of the relevant brands and associated rights, which would adversely affect the overall operational performance, financial performance, financial position or prospects of The Stars Group's business, as well as harm its reputation or brand and/or attract increased regulatory scrutiny. Additionally, the commercial, advertising and digital platforms that The Stars Group's media partners provide to The Stars Group may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by unanticipated increases in usage, human error, unauthorized access, natural hazards or disasters or similar events. Any interruption to the services these media partners provide to The Stars Group could damage The Stars Group's business and reputation, and could cause it to incur higher marketing and other costs, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Stars Group relies on the Sky and certain FOX trademarks and product offerings to attract customers. If the customer perception of the Sky or FOX Sports brand were to deteriorate (as a result of acts or omissions by Sky, FOX Sports, SBG or The Stars Group), or if Sky or FOX Sports were to lose some or all of its material broadcasting and other arrangements with respect to sports, the perception of the Sky or FOX Sports brand, as applicable, could be impacted, which could have a material adverse effect on The Stars Group's business, results of operations, financial condition and prospects.

The Brand License pursuant to which SBG and one or more subsidiaries of The Stars Group utilizes the Sky brand is set to expire on March 18, 2040. There can be no assurances that The Stars Group will be able to extend the term of the Brand License beyond such expiration date. Additionally, the FOX Sports and Sky license agreements may each be subject to termination for a number of reasons, including breach by The Stars Group and SBG, as applicable. Any expiration or termination of the FOX Sports or Sky brand license could have a material adverse effect on The Stars Group's and SBG's business, results of operations, financial condition and prospects.

Pursuant to the terms of the Brand License, The Stars Group (including SBG) is only entitled to utilize the Sky brand in approved territories, which currently comprise, among others, the UK, Republic of Ireland, Italy and Germany. Any use of the Sky brand in any other territory may be undertaken only with Sky's prior consent, and is subject to the satisfaction of certain conditions as to the legality of betting and gaming operations, no adverse impacts on the Sky brand, and the absence of conflicts with third-party rights and existing third-party restrictions and arrangements. There can be no guarantee that The Stars Group will be entitled to use the Sky brand in any additional territories other than the currently approved territories. The Stars Group's inability to utilize the Sky brand to expand its operations internationally could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Stars Group has secured certain limited rights to utilize the SBG brands in conjunction with The Stars Group's brands in the approved territories where use of the Sky brand is permitted. These rights relate to the positioning of the SBG brands on websites, applications, marketing and promotional materials which also feature The Stars Group's brands. The Stars Group has also secured rights to utilize the benefits of the Advertising Agreement in relation to the promotion of The Stars Group's brands in the UK and the Republic of Ireland. Any loss of such rights and benefits could have a material adverse effect on The Stars Group's business and its results of operations, financial condition and prospects.

The Stars Group's long-term commercial arrangement with FOX Sports, including the license to use the FOX Bet brand, has a potential term of up to 25 years. There are a number of ways in which the relationship could terminate early or otherwise fail to provide the value anticipated by The Stars Group. Among other things, FOX Sports has the ability to terminate the arrangement at certain times prior to the end of the 25-year period with or without cause and for certain reasons outside of The Stars Group's control. If FOX Sports exercised its right to terminate the arrangement, it could have a material adverse effect on The Stars Group's business, financial condition and operating results, including the potential loss of the FOX Bet brand. Further, even if the term of the arrangement reaches its potential of 25 years, there is no guarantee that any term extensions will be agreed between the parties. Additionally, much of the value from The Stars Group's arrangement with FOX Sports relies on FOX Sports' significant media and other rights, which are not guaranteed to continue for the full term of the arrangement. For example, if FOX Sports were to lose the broadcast rights to one or more material sports leagues, such as the National Football League, the value to The Stars Group of the FOX Sports arrangement could be severely diminished, particularly when taking into account certain financial commitments of The Stars Group and the corresponding loss of integrations in certain US sports programming. The arrangement also provides FOX Sports with broad pre-approval rights with respect to certain actions, activities or decisions by The Stars Group, which could limit The Stars Group's ability to realize the full anticipated value of the FOX Bet brand. Additionally, state laws or regulations could (i) fail to legalize online sports betting in enough states for The Stars Group to make full use of the FOX Bet brand, and/or (ii) have the effect of prohibiting the use of the FOX Bet brand, which would further diminish the value to The Stars Group of the arrangement with FOX Sports.

The Stars Group is subject to risks related to corporate social responsibility, responsible gaming, reputation and ethical conduct.

Many factors influence The Stars Group's reputation and the value of its brands, including the perception held by its customers, business partners, investors, other key stakeholders and the communities in which it operates regarding The Stars Group and its business and governance practices, such as its environmental, social responsibility, corporate governance and responsible gaming practices. The Stars Group has and will likely continue to face increased scrutiny related to responsible gaming, environmental, climate change, social and governance activities, and its reputation, and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct and labor relations, responsible gaming, human rights, philanthropy and support for local communities. Any harm to The Stars Group's reputation could impact employee engagement and retention, the willingness of customers and The Stars Group's partners to do business with it, and current and potential investors to invest in it, which could have a materially adverse effect on the its business, results of operations, cash flows and stock price.

The Stars Group believes that its reputation is critical to its role as a leader in the online and mobile gaming and interactive entertainment industries and as a publicly traded company. The Board has adopted a Code of Business Conduct as well as other related policies and procedures, and management is heavily focused on the integrity of its directors, officers, senior management, employees, other personnel and third-party suppliers and partners. See, "Directors and Officers—Corporate Social Responsibility and Sustainability" and "Directors and Officers-Ethical Business Conduct" below. Illegal, unethical or fraudulent activities perpetrated by any of such individuals, suppliers or partners for personal gain could expose The Stars Group to potential reputational damage and financial loss.

The Stars Group's betting business comprises a large portion of its business, may experience significant losses with respect to individual events or betting outcomes.

Betting comprises a large portion of The Stars Group's business and revenues. The Stars Group's fixed-odds betting products involve betting where winnings are paid on the basis of the stake placed and the odds quoted, rather than derived from a pool of stake money received from all customers. Odds are determined with the objective of providing an average return to the bookmaker over a large number of events and therefore, over the long term, The Stars Group's gross win percentage has remained fairly constant. However, there can be significant variation in gross win percentage event-by-event and day-by-day. The Stars Group has systems and controls that seek to reduce the risk of daily losses occurring on a gross-win basis, but there can be no assurance that these will be effective in reducing their exposure, and consequently The Stars Group's exposure to this risk in the future. As a result, in the short term, there is less certainty of generating a positive gross win, and The Stars Group may experience (and it has from time to time experienced) significant losses with respect to individual events or betting outcomes, in particular if large concentrations of bets are placed on an event or betting outcome or series of events or betting outcomes. In addition to the risk of a large concentration of bets being placed on an event or betting outcome or series of events or betting outcomes, odds compilers and risk managers are susceptible to human error, thus even allowing for the fact that a number of betting products are subject to capped pay-outs, significant volatility can occur. Also, there may be such a volume of trading during any particular period that even automated systems would be unable to address and eradicate all risks. Any significant losses on a gross-win basis could have a material adverse effect on The Stars Group and its cash flows and therefore a material adverse effect on its business, financial condition and results of operations. In addition, if a jurisdiction where it holds or wishes to apply for a license imposes a high turnover tax for betting (as opposed to a gross-win tax), this too would impact profitability, particularly with high value/low margin bets, and likewise have a material adverse effect on its business.

The Stars Group's betting operations can fluctuate due to seasonal trends and other factors. The Stars Group believes that the climate and weather in geographies where its customers reside tend to impact, among other things, revenues from operations, key metrics and customer activity, and as such, historically those have been generally higher in the first and fourth quarters than in the second and third quarters. The Stars Group's betting operations (and thus its financial performance) are also subject to the seasonal variations dictated by various sports calendars, which will have an effect on its financial performance. A significant proportion of The Stars Group's current betting revenue is and will continue to be generated from bets placed on soccer, horse racing, the Australian Football League and the National Rugby League, each of which have their own off-seasons, which can cause decreases in its betting revenues during such periods. The Stars Group's revenues may also be affected by the scheduling of major sporting events that do not occur annually, such as the World Cup and the UEFA European Championships and other major sporting events globally. In addition, certain individuals or teams advancing or failing to advance and their scores and other results within specific tournaments, games or events may have impact The Stars Group's financial performance. Also, the cancellation of sporting events and races could negatively impact wagers and revenues. For additional information, see "Business of the Corporation—Seasonality and Other Factors Impacting the Business" and the 2019 MD&A under the heading "Summary of Quarterly Results".

While The Stars Group has implemented systems and controls to monitor and manage such risk, there can be no assurance that these systems and controls will be effective in reducing the exposure to this risk. The effect of future fluctuations and single event losses could have a material adverse effect on The Stars Group's cash flows and therefore a material adverse effect on its business, results of operations, financial condition and prospects.

Real or perceived inaccuracies in The Stars Group's customer metrics may harm its reputation and negatively affect its business.

The numbers for The Stars Group's key metrics, which currently include QAU, QNY, Stakes, Betting Net Win Margin and Net Deposits (all as defined in the 2019 Annual MD&A), as well as certain other metrics, are calculated using internal company data based on customer account activity. There are certain challenges and limitations in measuring the usage of its product offerings across its customer base, and such challenges and limitations may also affect The Stars Group's understanding of certain details of its business. See "Non-IFRS Measures, Key Metrics and Other Data" in the 2019 Annual MD&A. In addition, The Stars Group's key metrics and related estimates may differ from estimates published by third parties or from similarly-titled metrics of its competitors due to differences in methodology and access to information. The Stars Group continually seeks to improve its estimates of, among other things, its active customer base, and such estimates may change due to improvements or changes in its methodology.

For example, the methodologies used to measure The Stars Group's customer metrics are based on significant internal judgments and estimates, and may be susceptible to algorithm, calculation or other technical errors, including how certain metrics may be defined (and the assumptions and considerations made and included in, or excluded from, such definitions) and how certain data may be, among other things, integrated, analyzed and reported after The Stars Group completes an acquisition or strategic transaction such as the Acquisitions. Moreover, The Stars Group's business intelligence tools may fail on a particular data backup or upload, which could lead to certain customer activity not being properly recorded or accurately included, in the calculation of a particular key metric. In addition, as it relates to certain of The Stars Group's product offerings, customers are required to provide certain information when registering and establishing real-money accounts, which could lead to the creation of multiple accounts for the same customer (in nearly all instances such account creation would violate The Stars Group's applicable terms and conditions of use) and customers could take advantage of certain customer acquisition incentives to register and interact with its product offerings, but not actually deposit or transfer funds into their real-money accounts with The Stars Group. Although The Stars Group typically addresses and corrects any such failures, duplications and inaccuracies relatively quickly, its metrics are still susceptible to the same and its estimations of such metrics may be lower or higher than the actual numbers.

The Stars Group regularly reviews its processes for calculating and defining these metrics, and it may discover inaccuracies in its metrics or make adjustments to improve their accuracy that may result in the recalculation or replacement of historical metrics or introduction of new metrics. These changes may also include adjustments to underlying data, such as changes to historical revenue amounts as a result of certain accounting reallocations made in later periods and adjustments to definitions in an effort to provide what management believes may be more helpful and relevant data. The Stars Group also continuously seeks to improve its ability to identify irregularities and inaccuracies (and suspend any customer accounts that violate its terms and conditions of use and limit or eliminate promotional incentives that are susceptible to abuse), and its key metrics or estimates of key metrics may change due to improvements or changes in its methodology. Additionally, all The Stars Group's metrics are subject to software bugs, inconsistencies in its systems and human error. Notwithstanding, The Stars Group believes that any such irregularities, inaccuracies or adjustments are immaterial unless otherwise stated.

If the public or investors do not perceive The Stars Group's customer metrics to accurately represent its customer base, or if it discovers material inaccuracies in its customer metrics, it may be subject to liability and its reputation may be harmed, which could negatively affect its business, results of operations and financial condition.

The Stars Group cannot assure investors that it will effectively manage its growth.

The growth and expansion of The Stars Group's business, headcount and product offerings could create significant challenges for its management, operational and financial resources, including managing its relationships with customers, investors and other third parties. In the event of continued growth of The Stars Group's operations or in the number of its third-party relationships, it may not have adequate resources, operationally, technologically or otherwise, to support such growth. In addition, some members of The Stars Group's management do not have significant experience managing a large, public global business operation, so its management may be unable to manage such growth effectively. To effectively manage The Stars Group's growth, it must continue to improve its operational, financial and management processes and systems and to effectively expand, train and manage its employee base. As The Stars Group's organization continues to grow and it is required to implement more complex organizational management structures, it may find it increasingly difficult to maintain the benefits of its corporate culture and efficiencies, including its ability to quickly develop and launch new and innovative products. This could negatively affect The Stars Group's business performance.

If The Stars Group's internal controls are ineffective, its operating results and market confidence in its reported financial information could be adversely affected.

The Stars Group's internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If The Stars Group fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, if it experiences difficulties in their implementation, or if controls are disrupted or compromised as a result of cyber-attacks, its business and operating results and market confidence in its reported financial information could be harmed and it could fail to meet its financial reporting obligations.

In connection with the first year-end internal control effectiveness evaluation of BetEasy following The Stars Group's majority acquisition of the business in early-2018, management has identified internal control deficiencies at BetEasy that constitute material weaknesses in The Stars Group's overall internal control over financial reporting ("ICFR") as of December 31, 2019. As of the date hereof, The Stars Group has identified and implemented, or is continuing to evaluate, assess and implement, as applicable, steps to remediate these material weaknesses. There were no restatements required in the 2019 Annual Financial Statements or material adjustments as a result of the foregoing. These material weaknesses are more fully explained in the 2019 Annual MD&A under the heading "Disclosure Controls and Procedures and Internal Control over Financial Reporting".

The existence of any material weaknesses may preclude management from concluding that The Stars Group's internal control over financial reporting is effective and may further preclude its independent auditors from issuing an unqualified opinion that The Stars Group's internal controls are effective. Any material weaknesses could cause investors to lose confidence in The Stars Group's financial reporting and may negatively affect the price of its Common Shares. The Stars Group can make no assurances that it will be able to timely and cost effectively remediate any internal control deficiencies. Moreover, effective internal controls are necessary to produce reliable financial reports. If The Stars Group is unable to satisfactorily remediate any or if it discovers other deficiencies in its internal control over financial reporting, then such deficiencies could lead to misstatements in its financial statements or otherwise negatively impact its financial statements, business, results of operations and reputation.

New product offerings and partnerships or other similar third-party relationships may be subject to complex revenue recognition and other applicable accounting standards, which could materially affect The Stars Group's financial results.

As The Stars Group introduces new product offerings and enters into partnerships or other third-party relationships and as transactions become increasingly complex, additional analysis and judgment is required to account for and recognize revenues, expenses, assets, liability and equity in accordance with applicable accounting standards. Transactions may include unique new product offerings or third-party relationships, and applicable accounting principles or regulatory product approval delays could further impact the timing of recognizing the applicable revenues, expenses, assets, liabilities or equity, which could adversely affect The Stars Group's financial results for any given period.

The Stars Group may make acquisitions if opportunities arise in the future. Investigating, completing, implementing and integrating acquisitions involve risks that could negatively affect The Stars Group's business, results of operations, cash flows or liquidity.

As part of its business strategy and subject to any applicable restrictions in the Arrangement Agreement, The Stars Group has made and may make acquisitions if opportunities arise in the future to add specialized employees and new or complementary businesses, products, brands or technologies. In some cases, the costs of such acquisitions may be substantial, including as a result of professional fees and due diligence efforts. There is no assurance that the time and resources expended on pursuing a particular acquisition will result in a completed transaction, or that any completed transaction will ultimately be successful. Currently, The Stars Group anticipates that it may continue to make strategic acquisitions if opportunities arise, some of which may be significant; however, it may be unable to identify suitable acquisition or strategic investment opportunities, or may be unable to obtain any required financing, consent from its lenders or regulatory approvals, and therefore may be unable to complete such acquisitions or strategic investments on favorable terms, if at all. The Stars Group may decide to pursue acquisitions with which its investors may not agree and The Stars Group cannot assure investors that any acquisition or investment will be successful or otherwise provide a favorable return on investment. In addition, acquisitions and the integration thereof require significant time and resources and place significant demands on The Stars Group's management, as well as on its operational and financial infrastructure. In particular, acquisitions may expose The Stars Group to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired businesses' operations, personnel, financial reporting, accounting and internal controls, technologies and products into The Stars Group's business;
- increased indebtedness and the expense of integrating acquired businesses, including significant administrative, operational, economic, geographic or cultural challenges in managing and integrating the expanded or combined operations;
- entry into markets or acquisition of products or technologies with which it has limited or no prior experience, and the potential of increased competition with new or existing competitors as a result of such acquisitions;
- diversion of management's attention and the over-extension of The Stars Group's operating infrastructure and its management systems, information technology systems, and internal controls and procedures, which may be inadequate to support growth;
- the ability to fund its capital needs and any cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties; and
- the ability to retain or hire qualified personnel required for expanded operations.

If The Stars Group does not successfully integrate recent or future acquisitions, such as the Acquisitions, it may not realize the expected benefits and its business, liquidity and operating results may be materially adversely affected.

The Stars Group may pay substantial amounts of cash or incur debt, including convertible debt, to pay for acquisitions, which could adversely affect its liquidity and its ability to service its debt. Incurring indebtedness would also result in increased fixed obligations, increased interest expense, and could also subject The Stars Group to covenants or other restrictions that would impede its ability to manage its operations.

The Stars Group may also issue equity securities to pay for acquisitions and may grant a significant amount of equity-based incentive awards to retain the employees of acquired companies, which could increase its expenses, adversely affect its financial results, and result in dilution to its shareholders. In addition, any acquisitions The Stars Group announces could be viewed negatively by customers or investors, which may adversely affect its business or the price or liquidity of its securities. Furthermore, acquired companies may have liabilities that The Stars Group failed, or was unable, to discover or sufficiently assess while performing due diligence investigations. The effectiveness of The Stars Group's due diligence review and its ability to evaluate the results of such due diligence depend in part upon the accuracy and completeness of statements and disclosures made or actions taken by the companies it acquires or their representatives, as well as the limited timeframe in which acquisitions are executed.

In addition, The Stars Group may fail to accurately forecast the financial impact of an acquisition, including tax and accounting charges, such as impairments of acquired assets. The Stars Group cannot be sure that the remedies available to it at law or under contract, or the indemnification granted to it by sellers of acquired companies, will be sufficient in amount, scope or duration to fully or partially offset any possible liabilities The Stars Group assumes upon consummation of an acquisition. The Stars Group may learn additional information about its acquired businesses that could materially adversely affect it, such as unknown or contingent liabilities, unprofitable products or third-party arrangements or relationships or restrictions or limitations on the same, and liabilities related to third-party arrangements or compliance with applicable laws. Acquisitions may also result in The Stars Group recording significant additional expenses to its results of operations and recording substantial finite-lived intangible assets on its balance sheet upon closing. Any of these factors, individually or in the aggregate, could have a material adverse effect on The Stars Group's business, results of operations, cash flows or liquidity. For a description of the Kentucky Proceeding, see "Legal Proceedings and Regulatory Actions".

Risks Related to Regulation

The online gaming industry is heavily regulated and The Stars Group's failure to obtain or maintain applicable licensure or approvals, or otherwise comply with applicable requirements, could be disruptive to its business and could adversely affect its operations.

The Stars Group and its officers, directors, major shareholders, key employees and business partners are generally subject to the laws and regulations relating to online gaming of the jurisdictions in which The Stars Group conducts business, as well as the general laws and regulations that apply to all e-commerce businesses, such as those related to privacy and personal information, tax and consumer protection. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on The Stars Group's operations and financial results. In particular, some jurisdictions have introduced regulations attempting to restrict or prohibit online gaming, while others have taken the position that online gaming should be licensed and regulated and have adopted or are in the process of considering legislation to enable that to happen. Even where a jurisdiction purports to license and regulate online gaming, the licensing and regulatory regimes can vary considerably in terms of their business-friendliness and at times may be intended to provide incumbent operators with advantages over new licensees. As such, some "liberalized" regulatory regimes are considerably more commercially attractive than others.

Regulatory regimes imposed upon gaming providers varies by jurisdiction. Typically, however, most regulatory regimes include the following elements:

- the opportunity to apply for one or more gaming licenses for one or more categories of products, whether as part of a general round of license issuance (for example, Spain) or as and when the applicant chooses to apply;
- a requirement for gaming license applicants to make detailed and extensive disclosures as to their beneficial ownership, their source of funds, the probity and integrity of certain persons associated with the applicant, the applicant's management competence and structure and business plans, the applicant's proposed geographical territories of operation and the applicant's ability to operate a gaming business in a socially responsible manner in compliance with regulation;
- interviews and assessments by the relevant gaming authority intended to inform a regulatory determination of the suitability of applicants for gaming licenses;
- ongoing reporting and disclosure obligations, both on a periodic and ad hoc basis in response to material issues affecting the business;

- the testing and certification of software and systems, generally designed to confirm such things as the fairness of the gaming products offered by the business, their genuine randomness and ability accurately to generate settlement instructions and recover from outages;
- the need to account for applicable gaming duties and other taxes and levies, such as fees or contributions to bodies that organize the sports on which bets are offered, as well as contributions to the prevention and treatment of problem gaming; and
- social responsibility and responsible gaming obligations.

Any gaming license may be revoked, suspended or conditioned at any time in addition to the other regulatory sanctions that gaming authorities typically have available to them (notably, the regulatory discretion to impose fines and in extreme cases the ability to instigate prosecutions under local laws). The industry has recently experienced significantly more enforcement actions, particularly in Great Britain, where the Gambling Commission has imposed fines to pressure numerous licensees (including SBG) into paying money penalties and/or donations to charity in lieu of formal fines as the punishment for regulatory failings. These outcomes take the form of so-called “regulatory settlements” and invariably include a public statement. Some of the sums involved have been several millions pounds sterling. More drastically, on September 5, 2019, the British operating licence possessed by EveryMatrix Software Limited, a Maltese company, was suspended with immediate effect when the Gambling Commission detected compliance failings at that operator. Other British licensees have “voluntarily” surrendered licences where it became clear that effecting compliance to the standards expected by the British regulator was effectively beyond their resources and capacity. Other European regulators are beginning to adopt a firmer regulatory approach (for example, Sweden and Malta) analogous to that currently pursued aggressively by the British. Regulatory sanctions - particularly the loss of a gaming license in one jurisdiction - could trigger knock-on sanctions (including the loss of a gaming license or adverse affect upon The Stars Group’s eligibility for such a license) in another jurisdiction and the imposition upon The Stars Group of any sanctions in one jurisdiction, or potential for such sanctions, could cause The Stars Group to cease offering some or all of its product offerings in not only the initial but in other impacted jurisdictions.

Furthermore, The Stars Group may be unable to obtain or maintain all necessary registrations, licenses, permits or approvals, and could incur fines or experience delays related to the licensing process, which could adversely affect its operations. The determination of suitability process may be expensive and time-consuming. The Stars Group’s delay or failure to obtain gaming licenses in any jurisdiction may prevent it from distributing its product offerings, increasing its customer base and/or generating revenues. A gaming regulatory body may refuse to issue or renew a gaming license if The Stars Group, or one of its directors, officers, employees, major shareholders or business partners: (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming, (ii) no longer meets a licensing or registration requirement, (iii) has breached or is in breach of a condition of licensure or registration or an operational agreement with a regulatory authority or wider local laws or regulations, (iv) has made a material misrepresentation, omission or misstatement in an application for licensure or registration or in reply to an inquiry by a person conducting an audit, investigation or inspection for a gaming regulatory authority, (v) has been refused a similar gaming license in another jurisdiction, (vi) has held a similar gaming license in that province, state or another jurisdiction which has been suspended, revoked or cancelled, or (vii) has been convicted of an offence, inside or outside of Canada or the United States that calls into question the honesty or integrity of The Stars Group or any of its directors, officers, employees or associates. For additional information, see “Business of the Corporation—Regulatory Environment”. Additionally, a gaming regulatory body may refuse to issue or renew a gaming license or restrict or condition the same, based on the historic activities of The Stars Group or its current or former directors, officers, employees, major shareholders or business partners, which could adversely affect its operations or financial condition.

Additionally, The Stars Group’s product offerings must be approved in most regulated jurisdictions in which they are offered; this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly. A developer and provider of online gaming products may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its product offerings by that same jurisdiction. It is possible that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, The Stars Group may not obtain either of them. If The Stars Group fails to obtain the necessary gaming license in a given jurisdiction, it would likely be prohibited from distributing and providing its product offerings in that particular jurisdiction altogether and the failure to obtain a licence in one jurisdiction would most likely be a matter of note to regulators in other jurisdictions. If The Stars Group fails to seek, does not receive, or receives a suspension or revocation of a license in a particular jurisdiction for its product offerings (including any related technology and software) then it cannot offer the same in that jurisdiction and its gaming licenses in other jurisdictions may be impacted. Furthermore, some jurisdictions require license holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. The Stars Group may not be able to obtain all necessary gaming licenses in a timely manner, or at all. Delays in regulatory approvals or failure to obtain such approvals may also serve as a barrier to entry to the market for The Stars Group’s product offerings. If The Stars Group is unable to overcome the barriers to entry, it will materially affect its results of operations and future prospects.

To the extent new online gaming jurisdictions are established or expanded, The Stars Group cannot guarantee it will be successful in penetrating such new jurisdictions or expanding its business or customer base in line with the growth of existing jurisdictions. As The Stars Group directly or indirectly enters into new markets, it may encounter legal, regulatory and political challenges that are difficult or impossible to foresee and which could result in an unforeseen adverse impact on planned revenues or costs associated with the new market opportunity. If The Stars Group is unable to effectively develop and operate directly or indirectly within these new markets or if its competitors are able to successfully penetrate geographic markets that it cannot access or where it faces other restrictions, then its business, operating results and financial condition could be impaired. The Stars Group's failure to obtain or maintain the necessary regulatory approvals in jurisdictions, whether individually or collectively, would have a material adverse effect on its business. See "Business of the Corporation—Regulatory Environment". To expand into new jurisdictions, The Stars Group may need to be licensed, obtain approvals of its products and/or seek licensure of its officers, directors, major shareholders, key employees or business partners. This is a time-consuming process that can be extremely costly. Any delays in obtaining or difficulty in maintaining regulatory approvals needed for expansion within existing markets or into new jurisdictions can negatively affect The Stars Group's opportunities for growth, including the growth of its customer base, or delay its ability to recognize revenue from its product offerings in any such jurisdictions.

Future legislative and regulatory action, and court decisions or other governmental action, may have a material impact on The Stars Group's operations and financial results. Governmental authorities could view The Stars Group or its officers, directors, major shareholders, key employees or business partners as having violated their local laws, despite The Stars Group's efforts to obtain all applicable licenses or approvals. Therefore, there is a risk that civil and criminal proceedings, including class actions such as or similar to the Kentucky Proceeding, could be initiated against The Stars Group, its officers, directors, major shareholders, key employees or business partners and others involved in the online gaming industry. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions, payment blocking, Internet service provider blocking or other restrictions being imposed upon The Stars Group or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on The Stars Group's business, revenues, operating results and financial condition as well as impact upon its reputation, even in instances where such proceedings are concluded successfully in its favor.

There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to The Stars Group's business to prohibit, legislate or regulate various aspects of the Internet, e-commerce, payment processing, or the online gaming and interactive entertainment industries (or that existing laws in those jurisdictions will not be interpreted negatively). Compliance with any such legislation may have a material adverse effect on The Stars Group's business, financial condition and results of operations, either as a result of its determination that a jurisdiction should be blocked, or because a local license or approval may be costly for it or its business partners to obtain and/or such licenses or approvals may contain other commercially undesirable conditions. See "Business of the Corporation—Regulatory Environment", including for additional information regarding the Financial Blocking Bill in Russia.

The Stars Group relies on its multi-jurisdictional licenses to offer online gaming to residents in certain jurisdictions that do not have an established regulatory and licensing framework for online gaming, and certain changes in these jurisdictions or the jurisdictions where it holds multi-jurisdictional licenses could be disruptive to its business and could adversely affect its operations.

As described above, The Stars Group offers online gaming to persons resident in certain jurisdictions through multi-jurisdictional licenses where either: (i) such jurisdictions have not established a regulatory and licensing framework for online gaming; (ii) the availability to citizens of online gaming hosted outside their jurisdictional boundaries is not clearly prohibited by the law of the jurisdiction; or (iii) the local laws of such other jurisdiction lack extra-territorial effect. See "Business of the Corporation—Regulatory Environment-Regulation of The Stars Group's Business-Multi-Jurisdictional Licenses".

In addition, The Stars Group takes such steps as it considers prudent and reasonable to mitigate any perceived potential legal, regulatory or political risk arising from the individual circumstances of each major market. Such measures may include, for example, the offer of online gaming in a particular jurisdiction on a B2B basis, with a local or regional partner entering into end-user agreements with local customers on a B2C basis, or The Stars Group may require detailed information as to the origin and manner of processing of customer payments, so as to mitigate any risk associated with the receipt of unlawful monies, in accordance with The Stars Group's "zero-tolerance" policy described in "Business of the Corporation—Regulatory Environment-Regulation of The Stars Group's Business-Regulatory Strategy". Certain Asian markets are serviced on this basis.

While The Stars Group obtains and relies upon external local legal advice and structures its operations with what it considers to be an appropriate degree of prudence in markets where there is no regulatory and licensing framework, such as certain Asian jurisdictions, it cannot guarantee that such external advice and such measures obviate risk arising from The Stars Group's involvement in such markets. If any changes in local law and regulation, judicial interpretation of local law and regulation, the attitude of local authorities to international e-commerce, political attitudes in individual territories or any defaults, errors or omissions of The Stars Group's local business partners and persons associated with them, were to occur, then The Stars Group's business could be materially harmed. Furthermore, in some jurisdictions the application of the rule of law, as well the conventions and expectations of due process in regulatory and administrative behavior, may vary dramatically from European and North American standards.

Social responsibility concerns and public opinion can significantly influence the regulation of online gaming and impact responsible gaming requirements, each of which could impact The Stars Group's business and could adversely affect its operations.

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which The Stars Group could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which The Stars Group currently operates.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased political and regulatory attention, which may result in restrictions on The Stars Group's operations. If The Stars Group had to restrict its marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects. In particular, further changes to the UK's betting or gaming laws or regulations in reaction to the current adverse media coverage in that jurisdiction, including changes in the political or social attitude to online gaming caused by such coverage, could have a material impact on The Stars Group's business, operations and financial position. To cite just a few examples, certain politicians in the UK are calling for new gaming legislation, stake limits to be applied to online gaming (similar to the stake limits on fixed-odds betting terminals that were introduced by the UK government with effect from April 1, 2019) and for problem gambling to be regarded as an issue of public health. In addition, given the size and prominence of the UK betting and gaming market, any adverse changes to the UK's betting or gaming laws or regulations, including stake limits to online gaming, could adversely influence or impact betting or gaming laws or regulations in other jurisdictions, which could have a material adverse effect on The Stars Group's business, results of operations, financial condition and prospects.

In January 2018, the Gambling Commission wrote to all its licensed casino operators raising its concerns about licensees' approach to anti-money laundering and social responsibility. The letter explained that following recent compliance assessments, there was a need for remote casino operators to improve their responsible gaming procedures. Based on the Gambling Commission's actions and comments, it is likely that the Gambling Commission believed that many licensees were breaching their social responsibility obligations under the Licence Conditions and Codes of Practice ("LCCP"), which sets out procedures operators should have in place to protect children and other vulnerable people from being harmed or exploited by gambling. There has been an increase in the amount of public statements released by the Gambling Commission with the majority covering, in some part, social responsibility issues with respect to gambling. In December 2018, the Gambling Commission opened a consultation on a new national strategy to reduce gambling harm and to propose amendments to the LCCP regarding the requirement for gambling businesses to contribute to research, prevention and treatment. In April 2019, the Gambling Commission launched a major three-year initiative - the "National Strategy to Reduce Gambling Harms". This three-year strategy is intended by the regulator to "drive and coordinate work to bring a lasting impact on reducing gambling harms. For the first time health bodies, charities, regulators and businesses will come together in partnership to effectively tackle the issue - with the [Gambling] Commission calling for action and combined efforts to deliver the two strategic priority areas of prevention and education and treatment and support. As part of the new strategy, [the Gambling Commission] will continue to take a firm regulatory enforcement approach while also further improving gambling harms research and evaluation, so there is widespread adoption of what works…". The Gambling Commission's Business Plan for 2019/20 similarly majors on protecting the interests of consumers and minimizing harm to the public.

An example of the Gambling Commission's recent focus on responsible gaming matters relevant to The Stars Group is the previously disclosed regulatory investigation with respect to certain of SBG's former practices.

The Stars Group may not be able to capitalize on the expansion of online gaming or other trends and changes in the online gaming industry, including due to laws and regulations governing this industry.

The Stars Group directly and indirectly participates in the constantly evolving online gaming industry through its online (including mobile) and social products. The Stars Group intends to take advantage of the liberalization of online gaming, both within North America, Europe and elsewhere internationally; however, expansion of online gaming involves significant risks and uncertainties, including legal, business and financial risks. The success of online gaming and The Stars Group's product offerings may be affected by future developments in social networks, mobile platforms, regulatory developments, payment processing laws, data and information privacy laws and other factors that The Stars Group is unable to predict and are beyond its control. Consequently, The Stars Group's future operating results relating to its online gaming products are difficult to predict, and it cannot provide assurance that its product offerings will grow at expected rates or be successful in the long term.

Additionally, The Stars Group's ability to successfully pursue its online gaming strategy depends on the laws and regulations relating to wagering through interactive channels. There is considerable debate over, and opposition to, online and interactive real-money gaming. There can be no assurance that this opposition will not succeed in preventing the legalization of online gaming in jurisdictions where it is presently prohibited, prohibiting or limiting the expansion of online gaming where it is currently permitted or causing the repeal of legalized online gaming in any jurisdiction. Any successful effort to curtail the expansion of, or limit or prohibit, legalized online gaming could have an adverse effect on The Stars Group's results of operations, cash flows and financial condition. Combatting such efforts to curtail expansion of, or limit or prohibit, legalized online gaming can be time-consuming and can be extremely costly.

For example, there is ongoing uncertainty as to whether the Federal Wire Act exclusively applies to sports wagering and related information that crosses state lines. For additional information regarding the uncertainty with respect to the applicability of the Federal Wire Act. See "Business of the Corporation—Regulatory Environment—Regulation of The Star Group's Business—United States". The ultimate consequence of the New Hampshire Litigation is unclear at this time but, if decided or enforced in a manner adverse to The Stars Group or its current or future operations, its business, results of operations, prospects or financial condition could be materially adversely harmed.

Internationally, laws relating to online gaming are evolving, particularly in Europe. To varying degrees, a number of European governments have taken steps to change the regulation of online wagering by implementing new or revised licensing and taxation regimes, including the possible imposition of sanctions on unlicensed providers. The Stars Group cannot predict the timing, scope or terms of any such state, federal or foreign laws and regulations, or the extent to which any such laws and regulations will facilitate or hinder its interactive strategy.

Moreover, new gaming laws or regulations, changes in existing gaming laws or regulations, new interpretations of the same or changes in the manner in which existing laws and regulations are enforced, may hinder or prevent The Stars Group from continuing to operate in jurisdictions where it currently conducts business, including in jurisdictions where its product offerings are available through its multi-jurisdictional licenses, which would harm its operating results and financial condition. For example, The Stars Group ceased offering its real-money online products to customers physically located in certain jurisdictions such as Australia (poker only), Colombia and Slovenia in 2017, South Africa in 2018, and Switzerland in 2019 due to changes in the regulatory environment in those jurisdictions. Additionally, if new or existing gaming laws or regulations instituting a legal regime for online gaming in jurisdictions where The Stars Group does not currently operate are implemented in a manner that could prevent it from taking advantage of such new or existing laws or regulations due to its historic actions or those of its directors, officers, employees or other stakeholders, this could harm The Stars Group's business, results of operations and financial condition.

If The Stars Group fails to comply with any existing or future laws or requirements, regulators may take action against it, which could include fines, the conditioning, suspension or revocation of approvals, registrations, permits or licenses, and other disciplinary action. If The Stars Group fails to adequately adjust to any such potential changes, its business, results of operations or financial condition could be harmed.

The Stars Group's business is subject to complex and evolving domestic and foreign laws and regulations regarding the Internet, privacy, data protection, competition, consumer protection and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to The Stars Group's business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm its business.

In addition to regulations governing online gaming, The Stars Group is subject to a variety of laws and regulations domestically and abroad that involve the Internet, e-commerce, privacy, and protection of data and personal information, rights of publicity, acceptable content, intellectual property, advertising, marketing, distribution, data and information security, electronic contracts and electronic communications, competition, protection of minors, consumer protection, unfair commercial practices, product liability, taxation such as the UK's Corporate offences of failure to prevent facilitation of tax evasion, economic or other trade prohibitions or sanctions, securities law compliance, and online payment and payment processing services. The Stars Group may introduce new products, expand its activities in certain jurisdictions, or take other actions that may subject it to additional laws, regulations or other government scrutiny. For example, when The Stars Group began offering sports betting in Great Britain, it became subject to certain financing arrangements intended to support industries from which it profits, including the statutorily imposed Horserace Betting Levy, which is intended to support the British horse racing industry. In addition, foreign data and information protection, privacy, competition and other laws and regulations can impose different obligations or be more restrictive than those in the United States or Canada. For example, The Stars Group handles, collects, stores, retrieves, transmits and uses confidential, personal information relating to its customers and personnel for various business purposes, including marketing and financial purposes, and credit card information for processing payments. The Stars Group may share this personal or confidential information with vendors or other third parties in connection with processing of transactions, operating certain aspects of its business, combating fraud or for marketing purposes.

These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations, including pre-existing laws regulating communications and commerce in the context of the Internet and e-commerce, are often uncertain, particularly in the new and rapidly evolving industries in which The Stars Group operates, and may be interpreted and applied inconsistently across jurisdictions and inconsistently with its current policies and practices. Any regulatory or legislative action affecting the manner in which The Stars Group displays content or provides its product offerings to its customers or obtains consent to various practices could adversely affect customer growth and engagement, including by restricting or prohibiting the use of the Internet. In addition, foreign court judgments or regulatory actions could impact The Stars Group's ability to transfer, process and/or receive information that is critical to its operations, including information relating to suppliers, partners or customers. Such judgments or actions could affect the manner in which The Stars Group provides its products or services and adversely affect its financial results.

All of The Stars Group’s product offerings are subject to its privacy policy and terms of service. The Stars Group is independently audited for compliance with PCI-DSS, ISO27001-based gaming regulations, and generally complies with relevant industry standards such as the voluntary cybersecurity framework released by the National Institute of Standards and Technology, which consists of controls designed to identify and mange cyber security risks and the terms of its privacy-related obligations to players and third parties. The Stars Group strives to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy and data protection, to the extent reasonably practical. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or The Stars Group’s practices. It is possible that The Stars Group’s security controls over consumer data may not prevent the improper access or disclosure of personally identifiable information. Any failure or perceived failure by The Stars Group to comply with its privacy policy and terms of service, its privacy-related obligations to players or other third parties, or its privacy-related legal obligations, industry standards and best practices or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, may result in governmental enforcement actions, litigation or public statements against it by consumer advocacy groups or others, and could cause its customers to lose trust in it, which could have an adverse effect of its business, financial conditions or results of operations.

Proposed or new legislation and regulations relating to the above matters could also significantly affect The Stars Group’s business. For example, the European Commission approved the GDPR, a single framework for data protection regulation in the European Union, which came into force on May 25, 2018. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are different and generally more stringent than those previously in place in the European Union, and include significant penalties for non-compliance. Similarly, there are a number of legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting The Stars Group’s business, such as liability for copyright infringement by third parties. In addition, some jurisdictions are considering or have passed legislation implementing data and information protection requirements or requiring local storage and processing of data and information or similar requirements that could increase the cost and complexity of delivering The Stars Group’s product offerings, and to the extent The Stars Group is subject to data and/or information protection laws and regulations of any jurisdiction that does not adopt the GDPR, it may experience increased costs and expenses as a result of having to comply with multiple, and potentially conflicting, data and/or information protection laws and regulations. The Stars Group believes that the adoption of increasingly restrictive regulations relating to the above matters is likely within the U.S. and other jurisdictions.

Legislators and regulators also look beyond online gaming regulations specifically to implement restrictive measures on online gaming. In certain jurisdictions, this has included restrictions on payment processing, internet blocking, account and identity verification requirements, and similar measures. For example, in June 2010, Norway enacted a law prohibiting the remittance of monies from Norwegian bank accounts to gaming operators and in November 2017, Russian President Putin signed a bill into law to require certain banks and payment processors within Russia to block transactions between Russian-based customers and off-shore online gaming operators. Furthermore, restrictions on gambling advertising has been recently introduced in various jurisdictions, such as in July 2018, Italy passed legislation banning gambling advertising in various forms, with the ban extending to in-game advertising and sponsorships of sports or cultural events beginning in July 2019. Such regulations, if not appropriately mitigated, could materially adversely affect The Stars Group’s business, results of operations or financial condition. For additional information regarding the bill, see “Business of the Corporation—Regulatory Environment”.

In addition, such restrictive measures may impact the ability or desire of third-party suppliers, including payment processors, to provide services to The Stars Group globally or in certain jurisdictions. A supplier could require The Stars Group, as a condition of its continued use of the supplier’s products, to restrict access from customers in certain jurisdictions. Such third-party restrictions could affect the manner in which The Stars Group provides its products or services in certain jurisdictions and adversely affect its financial results due to, among other things, the potential need to determine whether to change suppliers, which may not be on as favorable terms, or comply with the supplier’s requested restrictions.

The Stars Group is also vulnerable to developments in intellectual property laws and/or political, legislative, regulatory developments that may seek further liability to pay royalties, integrity fees or other types of levy to the organizers of sporting events or data right owners, which arise from the concept of the so-called “right-to-bet”, where the organizers of sporting events and competitions and those claiming to have data rights in relation to such events seek to obtain a share of the revenue gaming operators generate on such events and competitions. In all such cases, the level of any such royalty, fee or levy will be outside The Stars Group’s control. The Stars Group cannot predict with any certainty what further payments may be required in the future and what other additional resources may need to be made available to address the conditions on which royalties, fees or other levies may be imposed, as well as sports integrity issues.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase The Stars Group’s operating costs, require significant management time and attention, and subject it to remedies that may harm its business, including fines or demands or orders that modify or cease certain or all existing business practices, such as limiting its use of personal information to add value for customers, or implement costly and burdensome compliance measures. Any such consequences could adversely affect The Stars Group's business, results of operations or financial condition.

The Stars Group is subject to various laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect its operations, reputation, business, prospects, operating results and financial condition.

The Stars Group must comply with all applicable international trade, export and import laws, economic sanctions laws and regulations of Canada, the United States, the UK, the European Union and other countries, and it is subject to export controls and economic sanctions laws and embargoes imposed by the governments thereof. Changes in economic sanctions laws may restrict The Stars Group's business practices, including cessation of business activities in sanctioned countries or with sanctioned entities or persons, and may result in The Stars Group modifying its compliance programs. The Stars Group is also subject to the CFPOA, the FCPA, the UK Bribery Act, the IOM Bribery Act (each as defined below) and other anti-bribery laws that generally prohibit the offering, promising, giving, agreeing to give, or authorizing others to give anything of value, either directly or indirectly, to a government official in order to influence official action, or otherwise obtain or retain a business advantage. Certain of such laws also require public companies to make and keep books and records that accurately and fairly reflect the company's transactions and to devise and maintain an adequate system of internal accounting controls

Economic sanctions programs restrict The Stars Group's dealings with certain countries and individuals. From time to time, The Stars Group or its subsidiaries have had or may have dealings with entities or persons in jurisdictions subject to U.S., Canadian, UK, European Union or other sanctions restrictions. As a result of the international scope of The Stars Group's and its subsidiaries' businesses, The Stars Group is exposed to heightened sanctions risks. The Stars Group's business is heavily regulated and therefore involves significant direct and indirect interaction with public officials, including officials of various governments worldwide. The Stars Group has implemented safeguards and policies to discourage practices by its directors, officers, employees and agents that would violate applicable laws, including anti-corruption laws. However, The Stars Group cannot ensure that its compliance controls, policies and procedures will in every instance protect it from acts committed by its directors, officers, employees, agents, contractors or counterparties that would violate the laws or regulations of the jurisdictions in which it operates.

Violations of these laws and regulations could result in significant fines, criminal sanctions against The Stars Group, its officers or its employees, requirements to obtain export licenses, disgorgement of profits, cessation of business activities in sanctioned countries, implementation of new or enhanced compliance programs, injunctions, exclusion from government contracts or programs, prohibitions on the conduct of its business, adverse impacts on banking relationships and its inability to market and sell its products in one or more countries. Additionally, any such violations could materially damage The Stars Group's reputation, brand, international expansion efforts, commercial relationships, ability to attract and retain employees and customers, and its business, operating results and financial condition. For information regarding a certain previously disclosed foreign payments matter and The Stars Group's review of the same, see "Legal Proceedings and Regulatory Actions" below. In particular, as a result of this matter, The Stars Group and one or more subsidiaries could be subject to fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings or criminal charges. This could have a material adverse effect on The Stars Group, including its reputation and ability to conduct business, its holding of gaming regulatory licenses, the listing of its securities on an exchange, its contractual arrangements by, among other things, causing a breach or resulting in a termination of the same, its financial position, profitability or liquidity or the market price of its securities. In addition, it is difficult for The Stars Group to estimate the time or resources that will be needed for the investigation of this matter or its final resolution because, in part, the time and resources needed depend on the nature and extent of the information requested by the authorities involved, and such time or resources could be substantial.

The Stars Group has been subject to regulatory investigations and settlements and it expects to continue to be subject to such proceedings in the future, which could cause it to incur substantial costs or require it to change its business practices in a materially adverse manner.

From time to time, The Stars Group receives formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. The Stars Group expects to continue to be the subject of investigations and audits in the future as it continues to grow and expand its operations. Violation of existing or future regulatory orders or consent decrees could subject The Stars Group to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause The Stars Group to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business. See also "-The Stars Group may have exposure to greater than anticipated tax liabilities" and "Legal Proceedings and Regulatory Actions".

The Stars Group's shareholders are subject to extensive governmental regulation, and if a shareholder is found unsuitable by a gaming authority, that shareholder may not be able to beneficially own, directly or indirectly, certain securities of The Stars Group.

In many jurisdictions, gaming laws can require any of The Stars Group's shareholders to file an application, be investigated, and qualify or have his, her or its suitability determined by gaming authorities. Gaming authorities have very broad discretion in determining whether an applicant should be deemed suitable. Subject to certain administrative proceeding requirements, the gaming regulators have the authority to deny any application or limit, condition, revoke or suspend any gaming license, or fine any person licensed, registered or found suitable or approved, for any cause deemed reasonable by the gaming authorities.

Any person found unsuitable by a gaming authority may not hold directly or indirectly ownership of any voting security or the beneficial or record ownership of any nonvoting security or any debt security of any company that is registered with the relevant gaming authority beyond the time prescribed by the relevant gaming authority. A violation of the foregoing may constitute a criminal offense. A finding of unsuitability by a particular gaming authority impacts that person's ability to associate or affiliate with gaming licensees in that particular jurisdiction and could impact the person's ability to associate or affiliate with gaming licensees in other jurisdictions.

Many jurisdictions also require any person who acquires beneficial ownership (direct or indirect) of more than a certain percentage, sometimes 5% but in some jurisdictions as little as 3%, of voting securities of a gaming company and, in some jurisdictions, non-voting securities to report the acquisition to gaming authorities, and gaming authorities may require such holders to apply for qualification or a finding of suitability, subject to limited exceptions for "institutional investors" that hold a company's voting securities for investment purposes only. Some jurisdictions may also limit the number of gaming licenses with which a person may be associated.

The Stars Group's articles include certain provisions to ensure that it complies with applicable gaming regulations. These provisions provide, among other things, that The Stars Group shall have the right, subject to the conditions set out in the gaming provisions share terms, to redeem Common Shares held by an unsuitable person. Such redemption rights may negatively affect the trading price and/or liquidity of The Stars Group's Common Shares.

Risks Related to the Corporation's Intellectual Property and Technology

The Stars Group's intellectual property may be insufficient to properly safeguard its technology and brands.

The Stars Group holds granted patents, registered trademarks and other intellectual property rights. The Stars Group also has applications for patent protection in the United States, Canada, Europe and other countries relating to certain existing and proposed processes, designs and methods and other product innovations. Patent applications can, however, take many years to issue and The Stars Group can provide no assurance that any of these patents will be granted at all, particularly in light of a global shift towards not granting patents involving computer-related inventions. If The Stars Group is denied any or all of these patents, it may be unable to successfully prevent its competitors from imitating its product offerings or using some or all of the processes that are the subject of such patent applications. Such imitation may lead to increased competition for The Stars Group's product offerings. Even if pending patents are granted to The Stars Group, its intellectual property rights may not be sufficiently comprehensive to prevent its competitors from developing similar competitive products and technologies or may be vulnerable to challenge due to changing case law regarding the patentability of computer-related inventions. If the granted patents are challenged, protection may be lost. The Stars Group's success may also depend on its ability to obtain trademark protection for the names or symbols under which it markets its product offerings and to obtain copyright protection of its proprietary technologies, other game innovations and creative assets. The Stars Group may not be able to build and maintain goodwill in its trademarks or obtain trademark protection. There can be no assurance that any trademark, copyright or granted patent will provide competitive advantages for The Stars Group or that its intellectual property will not be successfully challenged or circumvented by competitors.

Source codes for The Stars Group's technology may receive protection under international copyright laws. However, for many third parties who intend to use The Stars Group source codes without its consent, the presence of copyright protection in the source codes alone may not be enough of a deterrent to prevent such use. As such, The Stars Group may need to initiate legal proceedings following such use to obtain orders to prevent further use of the source code.

The Stars Group also relies on trade secrets and proprietary know-how. Although The Stars Group generally requires its employees and independent contractors to enter into confidentiality and intellectual property assignment agreements, it cannot be assured that the obligations therein will be maintained and honored. If these agreements are breached, it is unlikely that the remedies available to The Stars Group will be sufficient to compensate it for the damages suffered even if it promptly applies for injunctive relief. In spite of confidentiality agreements and other methods of protecting trade secrets, The Stars Group's proprietary information could become known to or independently developed by competitors. If The Stars Group fails to adequately protect its intellectual property and confidential information, its business may be harmed and its liquidity and results of operations may be materially adversely impacted.

The Stars Group may be party to intellectual property infringement or invalidity claims and adverse outcomes of litigation could unfavorably affect its operating results.

The Stars Group monitors for infringement and misappropriation of intellectual property by, among other thing, using brand enforcement software that searches the Internet for potential infringements upon The Stars Group's intellectual property rights, and it also has a standardized process for enforcing its intellectual property rights in the event of a potential infringement. However, monitoring for such infringement and misappropriation can be difficult and expensive, and The Stars Group may not be able to detect infringement or misappropriation of its proprietary rights. Although The Stars Group intends to aggressively pursue anyone who is reasonably believed to be infringing upon its intellectual property rights and who poses a significant commercial risk to the business, to protect and enforce its intellectual property rights, initiating and maintaining suits against such third parties will require substantial financial resources. The Stars Group may not have the financial resources to bring such suits, and, if it does bring such suits, it may not prevail. Regardless of The Stars Group's success in any such actions, the expenses and management distraction involved may have a material adverse effect on its financial position. A significant portion of The Stars Group's revenues is generated from product offerings using certain intellectual property rights, and its operating results would be negatively impacted if it was unsuccessful in licensing certain of those rights and/or protecting those rights from infringement, including losses of proprietary information from breaches of The Stars Group's cybersecurity efforts.

If the registration and enforcement policies regarding The Stars Group's intellectual property portfolios are inadequate to deter unauthorized use or appropriation by third parties, the value of The Stars Group's brands and other intangible assets may be diminished and competitors may be able to more effectively mimic its brands, products, services and methods of operations. Such events could adversely affect The Stars Group's business and financial results. At the same time, The Stars Group has to be mindful of how it will be perceived by its customers and potential customers if it deploys an unduly strict enforcement policy; an overly aggressive position may deter its customers from supporting the brands and therefore damage not only the brands' reputation in the market place but also negatively impact financial results.

It is also possible that the validity of any of The Stars Group's intellectual property rights might be challenged or an attempt to reduce its intellectual property rights or protections may be made. There can be no assurance that The Stars Group's intellectual property rights will withstand an invalidity claim and, if declared invalid, the protection afforded to the product, branding or marketing material will be lost.

Moreover, the future interpretation of intellectual property law regarding the validity of intellectual property by governmental agencies or courts in Canada, Europe, the United States or other jurisdictions where The Stars Group has rights could negatively affect the validity or enforceability of its current or future intellectual property. This could have multiple negative impacts including the marketability of, or anticipated revenue from, certain of its product offerings. Additionally, due to the differences in foreign patent, trademark, trade dress, copyright and other laws concerning proprietary rights, The Stars Group's intellectual property may not receive the same degree of protection in each jurisdiction where it operates. The Stars Group's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and The Stars Group may not have the financial and human resources to defend itself against any infringement suits that may be brought against it. Litigation can also distract management from day-to-day operations of the business.

In addition, The Stars Group's business depends in part on the intellectual property of third parties. For example, The Stars Group licenses trademarks and other intellectual property from third parties for use in its gaming products. The Stars Group's future success may depend upon its ability to obtain licenses to use new marks and its ability to retain or expand existing licenses for certain products. If The Stars Group is unable to obtain new licenses or renew or expand existing licenses, it may be required to discontinue or limit its use of such products that use the licensed marks and its financial condition, operating results or prospects may be harmed.

Further, The Stars Group's competitors and third-party service providers have certain patents protecting various gaming products and services, including systems, methods and designs. If The Stars Group's product offerings employ these processes, or other subject matter that is claimed under its competitors' patents, or if other companies obtain patents claiming subject matter that The Stars Group uses, those companies may bring infringement actions against it. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. In addition, because patent applications can take many years to issue, there may be applications now pending of which The Stars Group is unaware, which might later result in granted patents that its product offerings may infringe. There can be no assurance that The Stars Group's product offerings, including those with currently pending patent applications, will not be determined to have infringed upon an existing third-party patent. If any of The Stars Group's product offerings infringe a valid patent, it may be required to discontinue offering certain products or systems, pay damages, purchase a license to use the intellectual property in question from its owner, or redesign the product in question to avoid infringement. A license may not be available or may require The Stars Group to pay substantial royalties, which could in turn force it to attempt to redesign the infringing product or to develop alternative technologies at a considerable expense. Additionally, The Stars Group may not be successful in any attempt to redesign the infringing product or to develop alternative technologies, which could force it to withdraw its product offerings from the market.

The Stars Group may also infringe other intellectual property rights belonging to third parties, such as trademarks, copyrights and confidential information. As with patent litigation, the infringement of trademarks, copyrights and confidential information involve complex legal and factual issues and The Stars Group's products, branding or associated marketing materials may be found to have infringed existing third-party rights. When any third-party infringement occurs, The Stars Group may be required to stop using the infringing intellectual property rights, pay damages and, if it wishes to keep using the third-party intellectual property, purchase a license or otherwise redesign the product, branding or associated marketing materials to avoid further infringement. Such a license may not be available or may require The Stars Group to pay substantial royalties.

Security breaches involving the source code of The Stars Group's products or other sensitive and proprietary information could adversely affect its business.

The Stars Group securely stores the source code for its software products as it is created. A breach, whether physical, electronic or otherwise, of the systems on which such source code and other sensitive data are stored could lead to damage or piracy of The Stars Group's software. In addition, certain parties with whom The Stars Group does business are given access to its sensitive and proprietary information in order to provide services to support it. These third parties may misappropriate The Stars Group's information and engage in unauthorized use of it. If The Stars Group is subject to data security breaches, it may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures which could materially and adversely affect its business, financial condition and operating results. The Stars Group may become subjected to increased competition if its systems are breached in connection with commercial espionage activities. Any theft or unauthorized use or publication of The Stars Group's trade secrets and other confidential business information as a result of such an event could adversely affect its competitive position, reputation, brand and future customer use of its product offerings. The Stars Group's business could be subject to significant disruption, and it could suffer monetary and other losses and reputational harm, in the event of such incidents and claims.

Compromises of The Stars Group's systems, manipulation of its products or services, or unauthorized access to its confidential information or data, or its customers' personal information or data, could materially harm its reputation and business.

The Stars Group assesses, monitors and, as necessary, desirable or appropriate, continuously upgrades, the security of its systems as well as the collection, processing, storage and transmission of customer information on an ongoing basis. See also "Business of the Corporation—Technology Infrastructure, Supply Chain Management and Research and Development". However, The Stars Group's business is prone to, is frequently subjected to, and expects to continue to be subjected to, cyber-attacks. Cyber-attacks may be carried out by third parties or insiders using techniques that range from highly sophisticated efforts to circumvent network security or overwhelm websites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access. These third parties often seek unauthorized access to The Stars Group's confidential information or data or its customers' or employees' personal information or data, or to maliciously overwhelm The Stars Group's services, which could result in prolonged outages during which customers would be unable to use its products or services. Any failure to prevent or mitigate security breaches and improper access to or disclosure of The Stars Group's data or user information could result in the loss, corruption or misuse, including fraudulent manipulation of or "ransom" demands with respect to, such data or information, which could harm The Stars Group's business and reputation and diminish its competitive position. In addition, computer malware, viruses, denial-of-service, social engineering (predominantly spear phishing attacks) and general hacking and similar attacks have become more prevalent in The Stars Group's industries. Further, because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, The Stars Group may be unable to anticipate these techniques or to implement adequate preventative measures. Although The Stars Group has not experienced attacks that have resulted in a material adverse effect on it, such as a materially prolonged service outage or the compromise of a material amount of company or personal data, attacks have occurred on its systems in the past, most commonly distributed denial-of-service attacks, some of which resulted in temporary or limited services outages, and such types of attacks will occur on its systems in the future. As a result of The Stars Group's prominence in the industries in which it operates, particularly in online gaming, and large customer base who provide personal information to create accounts, as well as the ever increasing sophistication of individual and organized hacking attempts, which in recent years have resulted in massive breaches of data from other Internet-facing companies, including online gaming companies, and customers' tendencies to share password and email information across different websites, The Stars Group believes that it is a particularly attractive target for such breaches and attacks. The costs to mitigate the foregoing security threats and vulnerabilities could be significant. For example, although The Stars Group maintains various insurance policies, including a policy protecting against cyber security risks, such insurance coverage may not be sufficient to cover all the loses it may experience as a result of any cyber-attacks. Such attacks may cause, among other things, (i) interruptions to The Stars Group's product offerings, which could lead to lost revenues, confidence and trust, (ii) compromises of confidential customer or employee information, (iii) unauthorized access to proprietary or sensitive information, (iv) devaluation of its intellectual property, (v) increased expenditures on data and information security and remediation costs, which could be significant and could impact its results of operations, (vi) destruction or corruption of data, (vii) theft of financial assets, (viii) litigation, fines, liability, disciplinary action or investigations by customers (for lost deposits, wagers, personal information, or otherwise) or applicable regulatory authorities, as applicable, (ix) other regulatory scrutiny, (x) increased insurance premiums, (xi) reputational and competitive harm as a result of negative customer experiences, including as a result of the foregoing, and (xii) a negative impact on its internal control over financial reporting.

The Stars Group's efforts to protect its product offerings, and company and customer data and information may also be unsuccessful due to software bugs or other technical malfunctions, employee, contractor or vendor error or malfeasance, government surveillance, break-ins or theft, third-party security breaches, or other factors or threats that evolve, such as casualty loss. In addition, third parties may attempt to fraudulently induce employees or customers to, or The Stars Group's employees or customers themselves may, disclose information in order to gain access to The Stars Group's data or its customers' information and potentially use such data or information improperly. Although The Stars Group believes it and its internal information security group are adequately prepared and have developed systems and processes that are designed to prevent or hinder cyber-attacks and protect its systems, data and customer information and to prevent outages, data or information loss, fraud and to prevent or detect security breaches, including a disaster recovery strategy for server and equipment failure and back office systems and the use of third parties for certain cyber security services, The Stars Group cannot assure investors that such measures will provide absolute security. Disruptions from unauthorized access to, fraudulent manipulation of, or tampering with The Stars Group's computer systems and technological infrastructure, or those of third parties it utilizes, in any such event could result in a wide range of negative outcomes, including those outcomes listed above, each of which could materially adversely affect The Stars Group's business, operating results and financial condition.

The Stars Group also provides limited information to certain third parties based on the scope of services provided to it. However, if these third parties or developers fail to adopt or adhere to adequate data and information security practices, or in the event of a breach of their networks, The Stars Group's customers' information may be improperly accessed, used or disclosed. Such improper access, use or disclosure could result in a perception that The Stars Group does not adequately secure this information or provide customers with adequate notice about or provide informed consent to the information that they authorize it to disclose, legal liability, costly remedial measures, governmental and regulatory investigations, harm its profitability, reputation and brand, and cause its financial results to be materially affected.

Any loss, disclosure or misappropriation of, or access to, customers' or other proprietary information or other breach of The Stars Group's information security could result in legal claims or legal proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, including for failure to protect personal information or for misusing personal information, which could disrupt The Stars Group's operations, force it to modify its business practices, damage its reputation and expose it to claims from its customers, financial institutions, regulators, payment card associations, employees and other persons, any of which could have an adverse effect on The Stars Group's business, financial condition and operations. In particular, The Stars Group is subject to payment card industry regulations pursuant to contracts with payment card processors. Under these rules and obligations, if information is compromised, The Stars Group could be liable to payment card issuers for the cost of associated expenses and penalties. In addition, if the Stars Group fails to follow payment card industry security standards, even if no consumer information is compromised, it could incur significant fines or experience a significant increase in payment card transaction costs.

In addition, The Stars Group's customers may attempt to or commit fraud, cheat or use impermissible methods in violation of The Stars Group's terms and conditions of use, such as the use of artificial intelligence or bots with respect to online poker offerings, to create an artificial competitive advantage to increase winnings. Acts of fraud or cheating may involve various tactics, possibly in collusion with employees or other customers of The Stars Group. Employees could also engage in internal acts of cheating through collusion with programmers and other personnel. Successful exploitation of The Stars Group's systems could have negative effects on its products, services and user experience. In particular, the virtual economies that The Stars Group has established in some of its product offerings are subject to abuse, exploitation and other forms of fraudulent activity that interfere with customers' enjoyment of a balanced game environment. See also "Business of the Corporation—Technology Infrastructure, Supply Chain Management and Research and Development". Failure to discover such acts or schemes in a timely manner could result in harm to The Stars Group's operations. In addition, negative publicity related to such schemes could have an adverse effect on The Stars Group's reputation, potentially causing a material adverse effect on its business, financial condition, and results of operations. In the event of the occurrence of any such issues with The Stars Group's product offerings, substantial engineering and marketing resources, and management attention, may be diverted from other projects to correct these issues, which may delay other projects and the achievement of its strategic objectives.

The Stars Group's business is dependent on its ability to maintain and scale its technical infrastructure, and any significant disruption in its service, including service interruptions of Internet and other technology service providers, could damage its reputation, result in a potential loss of customers and engagement, and adversely affect its financial results.

The Stars Group's reputation and ability to attract, retain and serve its customers depends in part upon the reliable performance and availability of its product offerings and its underlying technical infrastructure. The Stars Group devotes significant resources to network and data security, including through the use of cryptographic controls and other security measures intended to protect its systems and data. However, The Stars Group's systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to its business. If The Stars Group's product offerings are unavailable when customers attempt to access them, or if they do not load as quickly as expected, customers may not use them as often in the future, or at all. If The Stars Group's customer base and engagement continue to grow, and the amount and types of product offerings continue to grow and evolve, it will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy its customers' needs. Such infrastructure expansion may be complex, and unanticipated delays in completing these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of The Stars Group's product offerings. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after The Stars Group has started to fully use the underlying equipment or software, that could further degrade the customer experience or increase its costs. As such, The Stars Group could fail to continue to effectively scale and grow its technical infrastructure to accommodate increased demands. In addition, The Stars Group's business may be subject to interruptions, delays or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, cyber-attacks or other catastrophic events. The Stars Group has contingency plans in place to prevent or mitigate the impact of these events. However, if such an event were to occur, customers may be subject to service disruptions or outages and The Stars Group may not be able to recover its technical infrastructure and customer information in a timely manner to restart or provide its product offerings, which may adversely affect its financial results.

A substantial portion of The Stars Group's network infrastructure is provided by third parties, including Internet service providers and other technology-based service providers. The Stars Group requires its technology-based service providers to implement cyber-attack-resilient systems and processes. However, if Internet service providers experience service interruptions, including because of cyber-attacks, communications over the Internet may be interrupted and impair The Stars Group's ability to conduct business. Internet service providers and other technology-based service providers may in the future roll out upgraded or new mobile or other telecommunications services, such as 5G or 6G services, which may not be successful and thus may impact the ability of The Stars Group's customers to access its product offerings. In addition, The Stars Group's ability to process e-commerce transactions depends on bank processing and credit card systems. To prepare for system problems, The Stars Group continuously seeks to strengthen and enhance its current facilities and the capabilities of its system infrastructure and support. Nevertheless, there can be no assurance that the Internet infrastructure or The Stars Group's own network systems will continue to be able to meet the demand placed on it by the continued growth of the Internet, the overall online gaming and interactive entertainment industries and The Stars Group's customers. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect The Stars Group's business, and it exercises little control over these providers, which increases its vulnerability to problems with the services they provide. Any system failure as a result of reliance on third parties, such as network, software or hardware failure, including as a result of cyber-attacks, which causes a loss of The Stars Group's customers' property or personal information or a delay or interruption in its online services and products and e-commerce services, including its ability to handle existing or increased traffic, could result in a loss of anticipated revenue, interruptions to its product offerings, cause it to incur significant legal, remediation and notification costs, degrade the customer experience and cause customers to lose confidence in its product offerings, any of which could have a material adverse effect on its business, revenues, operating results and financial condition.

Furthermore, gaming licenses of The Stars Group or its subsidiaries in certain jurisdictions require that all telecommunication services in respect of its gaming activities, including the supply of a telecommunications circuit and Internet access service, be provided by a licensed provider in the relevant jurisdiction. The Stars Group's expansion in such jurisdictions in the future may be limited by its telecommunications arrangements.

The Stars Group has servers located throughout the world and there can be no assurance that all network infrastructure and telecommunications systems will constantly be in operation in all these locations. Additionally, some jurisdictions have restricted broadband capacity and resilience, and while The Stars Group has not encountered material issues with server capacity in respect of its servers in the past, such restricted capacity could in the future give rise to various difficulties in the provision of its product offerings, including occasional disconnections.

If The Stars Group fails to adapt and respond effectively to rapidly changing technology, evolving industry standards and changing customer needs or requirements, its technology, such as its platforms and offerings, may become less competitive or obsolete.

The Stars Group's future success depends on its ability to adapt and enhance its suite of technology and software, such as its platforms, as well as its product offerings. To attract new customers and increase revenue from existing customers, The Stars Group needs to continue to enhance and improve its platforms, product offerings, features and enhancements to meet customer needs at competitive prices. Such efforts will require adding new functionality and responding to technological advancements or disruptive technologies, such as artificial intelligence, which will increase The Stars Group's R&D costs. If The Stars Group is unable to develop technology and products that address customers' needs, or enhance and improve its platforms and product offerings in a timely manner, that could have a material adverse effect on its business, revenues, operating results and financial condition. The Stars Group's ability to continue to operate and grow is also subject to the risk of future disruptive technologies. If new and/or disruptive technologies emerge that are able to deliver online betting and gaming and/or entertainment products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely affect The Stars Group's ability to compete.

The Stars Group may experience losses due to technical problems with its product offerings or internal systems.

The Stars Group's product offerings and internal systems rely on software, including software developed or maintained internally and/or by third parties, that is highly technical and complex. Alternative third-party suppliers may be difficult to identify, may require regulatory approval and may take a significant period of time before they would be able to start providing services to The Stars Group. In addition, The Stars Group's product offerings and internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which The Stars Group relies has contained, and may currently or in the future contain, undetected errors, bugs or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within such software may result in a negative customer experience, delay product introductions or enhancements, result in targeting, measurement or processing errors, such as incorrectly determining game outcomes or customer winnings, or compromise its ability to protect its customers' information and/or its intellectual property. Any errors, bugs, or defects discovered in the software on which The Stars Group relies could result in damage to its reputation, loss of customers, loss of revenue, liability for damages, impairment of its ability to offer its product offerings in the future, and/or delays in releases of its product offerings or product enhancements, any of which could adversely affect its business and financial results.

Furthermore, the costs incurred in correcting any product or service defects or errors may be substantial and could adversely affect The Stars Group's operating margins. There can be no assurance that The Stars Group's efforts to monitor, develop, modify and implement appropriate test and processes for its product offerings will be sufficient to permit it to avoid a rate of failure in its product offerings that results in substantial delays, significant repair or replacement costs or potential damage to its reputation, any of which could have a materially adverse effect on its business, results of operations and financial condition.

The Stars Group may also be subject to claims that its product offerings are defective or that some function or malfunction of its product offerings caused or contributed to damages. The Stars Group attempts to minimize this risk by incorporating provisions into its standard agreements and terms and conditions of use that are designed to limit its exposure to potential claims of liability, in addition to maintaining applicable liability insurance policies. However, there can be no assurance that all claims will be barred by the contractual provisions and terms and conditions of use limiting liability or that the provisions will be enforceable. The Stars Group may be liable for any unforeseen failures or damages regarding the use of its product offerings. A significant liability claim against The Stars Group could have a materially adverse effect on its operating results and financial position.

Risks Related to the Combination

The Combination is subject to satisfaction or waiver of several conditions and there can be no certainty that all conditions precedent to the Combination will be satisfied or waived. Failure to complete the Combination could negatively impact the market price of the Common Shares.

The Combination is subject to certain conditions, including, among other things, the approval of a simple majority of holders of ordinary shares of Flutter ("Flutter Shares") of the resolutions relating to the Arrangement Agreement, approval of a special resolution by shareholders of The Stars Group to approve the Combination, receipt of the final order from the Ontario Superior Court of Justice pursuant to Section 182(5) of the OBCA and receipt of various regulatory approvals ("Regulatory Approvals") and gaming consents ("Gaming Consents") relating to the Combination. The Stars Group and Flutter have not yet obtained certain Regulatory Approvals and Gaming Consents, all of which are required to complete the Combination. The processes may take a significant amount of time to complete, which could delay completion of the Combination. It is also a condition of completing the Combination that Flutter Shares to be issued in consideration for the Common Shares, be listed on the premium listing segment of the Official List of the United Kingdom Financial Conduct Authority and on the Official List of Euronext Dublin and trading on London Stock Exchange's main market for listed securities and the Euronext Dublin market, subject to official notice of issuance. In addition, the completion of the Combination by each of The Stars Group and Flutter is conditional on, among other things, no action or circumstance occurring that would result in a material and adverse effect on the business of the other party.

Certain of the conditions are outside of The Stars Group's control. There can be no certainty, nor can The Stars Group provide any assurance, that all conditions precedent to the Combination will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived and, accordingly, the Combination may not be completed. If, for any reason, the Combination is not completed or its completion is materially delayed and/or the Arrangement Agreement is terminated, the market price of the Common Shares may be materially adversely affected. In any such event, The Stars Group's business, financial condition or results of operations could also be subject to various material adverse consequences, including that The Stars Group would remain liable for its costs relating to the Combination.

Completion of the Combination is uncertain, and while The Stars Group has dedicated significant resources to pursing the Combination, it is restricted from taking specified actions while the Combination is pending and failure to complete the Combination could negatively impact The Stars Group's business.

The Stars Group is subject to customary non-solicitation provisions under the Arrangement Agreement. The Arrangement Agreement also restricts The Stars Group from taking specified actions until the Combination is completed without Flutter's consent. These restrictions may prevent The Stars Group from pursuing attractive business opportunities that may arise prior to the completion of the Combination. As completion of the Combination is dependent upon satisfaction of certain conditions, the completion of the Combination is uncertain. If the Combination is not completed for any reason, the announcement of the Combination, The Stars Group's dedication of resources to the completion thereof and the restrictions that were imposed on The Stars Group under the Arrangement Agreement may have an adverse effect on the future operations, financial condition and prospects of The Stars Group as a standalone entity.

Because the market price of the Flutter Shares and the Common Shares will fluctuate and the exchange ratio of Flutter Shares to be issued in consideration for Common Shares under the Arrangement Agreement is fixed, shareholders cannot be certain of the market value of the Flutter Shares they will receive for their Common Shares under the Combination.

The exchange ratio of Flutter Shares to be issued in consideration for Common Shares under the Arrangement Agreement is fixed and will not increase or decrease due to fluctuations in the market price of Flutter Shares or Common Shares. The market price of Flutter Shares or Common Shares could each fluctuate significantly prior to the effective date of the Combination (the "Effective Date") in response to various factors and events, including, without limitation, the differences between Flutter's and The Stars Group's actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general economic or market conditions, and broad market fluctuations. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Flutter Shares that shareholders may receive on the Effective Date. There can be no assurance that the market value of the Flutter Shares to be issued in consideration for Common Shares that shareholders receive on the Effective Date will equal or exceed the market value of the Common Shares held by such shareholders after the date hereof and prior to the Effective Date. There can also be no assurance that the trading price of the Flutter Shares will not decline following the completion of the Combination.

The Arrangement Agreement may be terminated by The Stars Group or Flutter in certain circumstances, which could result in significant costs and could negatively impact the market price of the Common Shares. In addition, in certain circumstances The Stars Group may be required to pay the Termination Fee (as defined below).

In addition to termination rights relating to the failure to satisfy the conditions of the Arrangement Agreement, each of The Stars Group and Flutter has the right, in certain circumstances, to terminate the Arrangement Agreement and the Combination. For instance, the Arrangement Agreement provides that either The Stars Group or Flutter may terminate the Arrangement Agreement if the Combination has not been completed by October 31, 2020 or such later date as may be agreed to in writing by The Stars Group and Flutter. Accordingly, there is no certainty, nor can The Stars Group provide any assurance, that the Arrangement Agreement will not be terminated by either The Stars Group or Flutter before the completion of the Combination. Failure to complete the Combination could negatively impact the trading price of the Common Shares or otherwise adversely affect The Stars Group's business.

Furthermore, if the Combination is not completed as a result of certain prescribed events, The Stars Group will be required to pay a termination fee of £60,140,976 (the "Termination Fee") to Flutter in connection with the termination of the Arrangement Agreement. If the Termination Fee is ultimately required to be paid to Flutter, the payment of such fee may have an adverse impact on The Stars Group's financial results. This Termination Fee may discourage other parties from attempting to acquire Common Shares or otherwise make a *bona fide* acquisition proposal, even if those parties would otherwise be willing to offer greater value to shareholders than that offered by Flutter under the Combination.

Flutter and The Stars Group may be the targets of legal claims, securities class actions, derivative lawsuits and other claims. Any such claims may delay or prevent the Combination from being completed.

Flutter and The Stars Group may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Combination from being completed. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against Flutter and The Stars Group seeking to restrain the Combination or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Combination, then that injunction may delay or prevent the Combination from being completed.

In addition, political and public attitudes towards the Combination could result in negative press coverage and other adverse public statements affecting Flutter and The Stars Group. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims or otherwise negatively impact the ability of the combined business after completion of the Combination (the "Combined Group") to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on The Stars Group's business, financial condition and results of operations.

The Stars Group will incur substantial transaction fees and costs in connection with the proposed Combination. If the Combination is not completed, the costs may be significant and could have an adverse effect on The Stars Group.

The Stars Group has incurred and expects to incur additional material non-recurring expenses in connection with the Combination and completion of the transactions contemplated by the Arrangement Agreement, including costs relating to obtaining required shareholder and regulatory approvals. If the Combination is not completed, The Stars Group will need to pay certain costs relating to the Combination incurred prior to the date the Combination was abandoned, such as legal, accounting, financial advisory, proxy solicitation and printing fees. Such costs may be significant and could have an adverse effect on The Stars Group's future results of operations, cash flows and financial condition.

Prior to the Effective Date, the Combination may divert the attention of The Stars Group's management, and any such diversion could have an adverse effect on The Stars Group's business.

The pending Combination could cause the attention of The Stars Group's management to be diverted from the day-to-day operations of The Stars Group. These disruptions could be exacerbated by a delay in the completion of the Combination and could result in lost opportunities or negative impacts on performance, which could have a material and adverse effect on The Stars Group's the business, financial condition and results of operations or prospects if the Combination is not completed.

Uncertainty surrounding the Combination could adversely affect The Stars Group's retention of customers, suppliers and personnel and could negatively impact future business and operations.

The Combination is dependent upon satisfaction of various conditions, and as a result, its completion is subject to uncertainty. In response to this uncertainty, The Stars Group's customers and suppliers may delay or defer decisions concerning The Stars Group. Any change, delay or deferral of those decisions by customers and suppliers could negatively impact The Stars Group's business, operations and prospects, regardless of whether the Combination is ultimately completed. Similarly, current and prospective employees of The Stars Group may experience uncertainty regarding their future roles within the Combined Group until the Combined Group's strategies with respect to such employees are determined and announced. This may adversely affect the Corporation's ability to attract or retain key employees in the period until the Combination is completed or thereafter.

The relative trading price of Common Shares prior to the Effective Date may be volatile.

Market assessments of the benefits of the Combination and the likelihood that the Combination will be consummated may impact the volatility of the market price of The Stars Group shares prior to the consummation of the Combination.

The Stars Group shareholders will have a reduced ownership and a voting interest in the Combined Group after the Combination and will exercise less influence over management.

The Stars Group shareholders currently have the right to vote in the election of the Board and on other matters affecting The Stars Group. Upon completion of the Combination, each shareholder who receives Flutter Shares will become a shareholder of Flutter with a percentage of ownership of Flutter that is smaller than the shareholder's previous percentage ownership of The Stars Group. It is currently expected that former shareholders of The Stars Group will receive shares in the Combination constituting approximately 45.36 percent of the voting power of the Combined Group (based on the fully diluted share capital of each of Flutter and The Stars Group, in each case excluding any out-of-the-money options as at October 2, 2019). Because of this, former shareholders of The Stars Group, as a group, will have less influence on the management and policies of the Combined Group than they now have on the management and policies of The Stars Group.

Risks Related to The Stars Group's Common Shares

The price and trading volume of the Common Shares has been and will likely continue to be volatile.

The market price of the Common Shares has been and will likely continue to be highly volatile and subject to wide fluctuations. In addition, the trading volume of the Common Shares will likely continue to fluctuate and cause significant price variations to occur. Volatility in the market price of the Common Shares may prevent a holder of Common Shares from being able to sell his, her or its shares. In addition to the factors discussed in this annual information form, the market price for the Common Shares could fluctuate significantly for various reasons, many of which are beyond The Stars Group's control, including:

- its operating and financial performance;
- its quarterly or annual earnings and key operational, financial and customer measures and metrics or those of other companies in its industries;
- conditions that impact demand for its product offerings;
- the public's reaction to The Stars Group's press releases, other public announcements and filings with securities authorities;
- changes in earnings estimates, recommendations or expectations by securities analysts who track the Common Shares, or failure to meet such estimates, recommendations or expectations;
- market and industry perception of its success, or lack thereof, in pursuing its growth strategy;
- additional Common Shares being sold into the market by The Stars Group, its existing shareholders, or in connection with acquisitions, including Common Shares sold by its employees to cover tax liabilities in connection with equity-based compensation vesting events, or the anticipation of such sales;
- investor sentiment with respect to its competitors, business partners and The Stars Group's industries in general;
- changes in stock market valuations of companies in the industries in which it operates;
- substantial "short" positions in the Common Shares and other hedging activities by investors from which they would benefit from declines in the market price of the Common Shares;
- inclusion, exclusion or removal of the Common Shares from any trading indices;
- strategic actions by The Stars Group or its competitors, such as significant products, services or features, technical innovations, strategic partnerships, joint ventures, capital commitments, acquisitions or restructurings, or the announcement of any of the foregoing;
- changes in government regulation, including the regulation of online gaming and additional or increased taxes or duties;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by The Stars Group or estimates by third parties of actual or anticipated changes in its reported key metrics, including the size of its customer base or customer activity, engagement or monetization;
- lawsuits threatened or filed and regulatory investigations or actions threatened or taken against it;
- changes and other developments in anticipated or new legislation and pending lawsuits or regulatory actions, including interim or final rulings by tax, judicial or regulatory bodies;
- arrival and departure of key personnel;
- changes in its capital structure;
- sale of Common Shares by The Stars Group or by members of its management team or Board;
- changes in general market, economic and political conditions in domestic and foreign economies or financial markets, including fluctuation in stock markets resulting from, among other things, trends in the economy as a whole;
- general volatility of the price of the ordinary shares of Flutter on the Euronext Dublin and London Stock Exchange following announcement of the Combination; and
- other events or factors, including those resulting from war, natural disasters or terrorism, or responses to those events.

The Common Shares are currently listed on both NASDAQ and TSX and volatility in the market prices of the Common Shares may increase as a result thereof because trading is split between the two markets, resulting in less liquidity on both exchanges. In addition, different liquidity levels, volume of trading, currencies and market conditions on the two exchanges may result in different prevailing trading prices.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including those in the gaming industry. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of the Common Shares could fluctuate based upon factors that have little or nothing to do with The Stars Group, and these fluctuations could materially reduce the Common Share price.

In the event the Combination is completed, the Common Shares are expected to be de-listed from TSX and NASDAQ.

The Stars Group's advance notice by-laws may prevent attempts by its shareholders to replace or remove its current management.

Provisions in The Stars Group's by-laws may frustrate or prevent any attempts by its shareholders to replace or remove current management by making it more difficult for shareholders to remove The Stars Group's directors. These charter provisions could make removing management more difficult. Furthermore, the existence of the foregoing provisions could limit the price that investors might be willing to pay in the future for Common Shares. They could also deter potential acquisitions of The Stars Group, thereby reducing the likelihood that shareholders could receive a premium for Common Shares in an acquisition.

Future sales, the possibility of future sales or "short" positions in a substantial amount of the Common Shares may depress the price of the Common Shares.

Future sales, the possibility of future sales or "short" positions in a substantial amount of the Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and could impair The Stars Group's ability to raise capital through future sales of equity securities. The Stars Group cannot predict future sales, the possibility of future sales or "short" positions, or the effect, if any, that any of the same may have on the market price of the Common Shares. Sales of substantial amounts of Common Shares (including Common Shares issued in connection with an acquisition), or the perception that such sales could occur, and substantial "short" positions may adversely affect prevailing market prices for Common Shares.

The Stars Group does not intend to pay cash dividends in the foreseeable future.

The Stars Group has never declared or paid cash dividends and has no present plans to pay cash dividends to its shareholders and, for the foreseeable future, intends to retain all of its earnings for use in its business. The declaration of any future dividends by The Stars Group is within the Board's discretion and will depend on The Stars Group's earnings, financial condition and capital requirements, as well as any other factors the Board deems relevant.

Based on publicly available information, certain shareholders, each individually own a significant amount of the Common Shares on a fully diluted basis and may be able to exert influence over matters requiring shareholder approval.

As of the date hereof and based on publicly available information, Caledonia (Private) Investments Pty Limited and Capital Management & Research Co. (including through their affiliated entities funds or accounts managed or advised by them or their affiliates, as applicable), beneficially owned or had control over approximately 18.7% and 7.7%, respectively, of the outstanding Common Shares on a fully-diluted basis. As a result, it individually may be able to exercise significant influence over any matter requiring shareholder approval in the future.

All of The Stars Group's debt obligations, and any future indebtedness it may incur, will have priority over Common Shares with respect to payment in the event of a liquidation, dissolution or winding up.

In liquidation, dissolution or winding up of The Stars Group, the Common Shares would rank below all debt claims against it. In addition, any convertible or exchangeable securities or other equity securities that The Stars Group may issue in the future (such as the Preferred Shares, of which there are none outstanding as of the date hereof) may have rights, preferences and privileges more favorable than those of the Common Shares. As a result, holders of Common Shares will not be entitled to receive any payment or other distribution of assets upon the liquidation or dissolution until after The Stars Group's obligations to its debt holders and holders of equity securities that rank senior to the Common Shares, if any, have been satisfied.

DIVIDENDS AND DISTRIBUTIONS

The Corporation has never declared or paid any dividend or any other distribution. The Corporation currently intends to retain any future earnings to fund the development and growth of its business and does not currently anticipate paying any dividend or distribution in the foreseeable future. Any future determination to pay dividends or distributions will be at the Board's discretion and will depend upon many factors, including the Corporation's results of operations, capital requirements and other factors as the Board may deem relevant, as well as any restrictions under its articles or applicable law.

DESCRIPTION OF CAPITAL STRUCTURE

As of February 25, 2020, The Stars Group's authorized share capital consisted of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of the same date, the Corporation had a total of the following issued and outstanding equity securities:

	As at February 25, 2020
Common Shares issued and outstanding	288,624,892
Common Shares issuable upon exercise of options	2,992,322
Common Shares issuable upon settlement of other equity-based awards	4,633,880
Total Common Shares on a fully-diluted basis	**296,251,094**

For more information on The Stars Group's issued and outstanding stock options, equity-based awards (including restricted share units, performance share units and deferred share units) and its stock option and equity incentive plans, see "Market for Securities—Issuances of Securities", the 2019 Annual MD&A, the 2019 Annual Financial Statements, and the Corporation's management information circular for the most recent annual meeting of shareholders of the Corporation, each of which is available on SEDAR at www.sedar.com and Edgar at www.sec.gov.

Common Shares

Each Common Share entitles its holder to notice of, and to one vote on, all matters submitted to The Stars Group's shareholders for their consideration. The holders of Common Shares are entitled to receive, after payment of the full dividend on any Preferred Shares, non-cumulative annual dividends if, as and when declared by the Board. There are no fixed dates or time limits on payment of dividends on Common Shares. Holders of Common Shares do not have any pre-emptive rights or other rights to subscribe for additional shares, nor any conversion rights. In the event of liquidation, dissolution or winding-up of the Corporation, its net assets available for distribution to its shareholders will be distributed ratably among the holders of the Common Shares, subject to the rights, privileges, restrictions and conditions of the Corporation's then issued and outstanding Preferred Shares, if any.

Certain gaming provisions in the Corporation's articles facilitate compliance with applicable gaming regulations (the "Gaming Provisions"). The Gaming Provisions protect the Corporation from the consequences of having a shareholder whose ownership of Common Shares or whose failure to make an application to seek licensure or suitability review from, or otherwise comply with the requirements of, a gaming regulatory authority (an "Unsuitable Person") may result in the suspension or revocation (or similar action) of any gaming license held by the Corporation, or the denial of any gaming license sought by the Corporation. The Gaming Provisions provide the Corporation with a right to redeem all Common Shares held by an Unsuitable Person at a redemption price determined pursuant to a written valuation and fairness opinion from an investment banking firm of nationally recognized standing in the United States. The Gaming Provisions require individuals who plan, either on their own or as part of a group acting in concert, to acquire or dispose of 5% or more of Common Shares to provide advance written notice to the Corporation prior to effecting such an acquisition or disposition. Notwithstanding the Gaming Provisions, the Corporation may not be able to exercise its redemption rights in full or at all. Under the OBCA, a corporation may not make any payment to redeem shares if there are reasonable grounds for believing that (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due, or (b) after the payment, the realizable value of the corporation's assets would be less than the aggregate of: (i) its liabilities, and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, ratably with or before the holders of the Common Shares being purchased or redeemed, to the extent that amount has not been included in its liabilities. Furthermore, The Stars Group may become subject to contractual restrictions on its ability to redeem its shares by, for example, entering into a secured credit facility subject to such restrictions.

The foregoing description of the terms of the Common Shares does not purport to be complete and is subject to and qualified in its entirety by reference to the Corporation's currently effective articles and general by-laws, each of which is available on SEDAR at www.sedar.com and Edgar at www.sec.gov.

Preferred Shares

On June 5, 2018, The Stars Group elected to effect the mandatory conversion of all of its then-outstanding Preferred Shares pursuant to their terms, and on July 18, 2018, the Corporation completed the same and issued 51,999,623 Common Shares to the holders thereof. Accordingly, on July 18, 2018, all Preferred Shares were canceled and all rights associated therewith were terminated. Prior to completion of the conversion, certain minority holders of the Preferred Shares applied to the Ontario Superior Court of Justice for a declaration that the mandatory conversion would contravene The Stars Group's articles of continuance. On July 17, 2018, the Superior Court ruled in favor of The Stars Group and dismissed the application. As a result, The Stars Group proceeded with the conversion as indicated above. The applicants subsequently appealed the Superior Court decision and in the appeal were seeking, among certain declarations, rescission of the conversion or potential damages and costs. On September 23, 2019, the Court of Appeal for Ontario entered an order dismissing the appeal with prejudice. See “Legal Proceedings and Regulatory Actions—Preferred Shares Matter.”

As at December 31, 2019, the Corporation did not have any Preferred Shares issued or outstanding. The foregoing description of the terms of the Preferred Shares does not purport to be complete and is subject to and qualified in its entirety by reference to the Corporation’s currently effective articles, which are available on SEDAR at www.sedar.com and Edgar at www.sec.gov.

MARKET FOR SECURITIES

Trading Price and Volume

On October 1, 2013, The Stars Group’s Common Shares began trading on the TSX. On September 22, 2014, The Stars Group was added to the S&P/TSX Composite Index, and on June 8, 2015, the Common Shares began trading on NASDAQ. The Common Shares currently trade on the TSX and NASDAQ under the symbols “TSGI” and “TSG”, respectively. As of the date of this annual information form, only the Common Shares are publicly traded.

The following table sets out the high and low prices and total trading volume of the Common Shares listed on the TSX and NASDAQ for each month of the year ended December 31, 2019.

	Common Shares - TSX			Common Shares – NASDAQ		
	Price Range (CDN$)			Price Range (US$)		
Month	High	Low	Total Volume	High	Low	Total Volume
December 2019	33.95	31.75	7,688,327	26.09	24.00	28,579,064
November 2019	32.48	28.33	11,415,011	24.29	21.46	31,365,536
October 2019	29.11	25.87	39,450,072	21.76	15.31	159,701,068
September 2019	21.84	19.83	15,839,843	16.46	14.98	36,922,579
August 2019	21.12	17.18	25,303,732	15.98	12.98	61,412,557
July 2019	22.17	20.54	12,066,018	17.10	15.55	32,970,764
June 2019	22.35	20.89	14,617,710	17.07	16.14	39,688,424
May 2019	27.07	22.05	29,953,656	20.11	16.32	79,109,915
April 2019	26.06	24.00	13,770,565	19.54	17.98	37,067,556
March 2019	24.62	20.90	17,940,742	18.43	15.71	64,374,050
February 2019	22.97	21.30	11,136,542	17.56	16.00	32,000,447
January 2019	25.06	22.37	17,564,907	18.98	16.60	38,949,265

Issuances of Securities

For information regarding options and warrants to purchase Common Shares and other equity-based securities (including restricted share units, performance share units and deferred share units) that can be settled in Common Shares, and Common Shares issued or issuable upon the exercise of options and warrants or settlement of other equity-based securities, see the notes to the 2019 Annual Financial Statements. The Stars Group did not otherwise issue any class of securities of The Stars Group that is not listed or quoted on a marketplace during the year ended December 31, 2019.

Debt Securities

On July 10, 2018 in connection with the SBG Financing, two of the Corporation’s subsidiaries, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the “Issuers”), issued the Senior Notes due 2026 at par in an aggregate principle amount of $1.00 billion. The Senior Notes mature on July 15, 2026. Interest on the Senior Notes is payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2019. The Senior Notes are guaranteed by each of the Issuers’ restricted subsidiaries that guarantees the Revolving Facility. The Senior Notes are the Issuers’ senior unsecured obligations and rank equally in right of payment with all of the Issuers’ existing and future senior indebtedness.

The indenture governing the Senior Notes (the “Indenture”) provides the holders of the Senior Notes with customary rights, including the right to require Stars Group Holdings B.V. to offer to repurchase the Senior Notes in certain limited circumstances and it also provides the Issuers with the right to redeem some or all of the Senior Notes at defined redemption prices based on when the redemption occurs.

The Senior Notes include, among other terms and conditions, certain customary limitations on the Issuers' ability to take certain actions or engage in certain activities. See note 17 in the 2019 Annual Financial Statements for further information in respect of the terms and conditions of the Indenture and Senior Notes. As at the date hereof, the aggregate principal amount of outstanding Senior Notes is $1.00 billion.

For additional information on the Senior Notes, see the 2019 Annual Financial Statements and 2019 Annual MD&A. For a description of The Stars Group's other long-term debt, see "General Development of the Business" above, the 2019 Annual Financial Statements and 2019 Annual MD&A.

CREDIT RATINGS

The following information regarding The Stars Group's credit ratings is provided as it relates to The Stars Group's cost of funds and liquidity. In particular, The Stars Group's ability to access debt funding markets and to engage in certain business activities on a cost-effective basis is primarily dependent upon maintaining competitive credit ratings. A lowering of The Stars Group's credit ratings may also have potentially adverse consequences for its funding capacity for growth projects or access to the capital markets, may affect its ability, and the cost, to enter into normal course derivative or hedging transactions and may require it to post additional collateral under certain contracts.

The following table shows the ratings issued for The Stars Group by the rating agencies noted herein as of the date of this annual information form. The credit ratings are not recommendations to purchase, hold or sell the debt securities because such ratings do not comment as to the market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

	Standard & Poor's Rating Services	Moody's Investors Services	Fitch Ratings Ltd.
Senior Secured	B+	B1	BB+
Senior Notes	B-	Caa1	B-

Standard& Poor's Ratings Services credit ratings for long-term debt are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. The BB rating is the fifth highest of ten major categories. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. If S&P anticipates that a credit rating may change in the next six to 24 months, it may issue an updated ratings outlook indicating whether the possible change is likely to be "positive," "negative," "stable," or "developing." However, a rating outlook does not mean that a rating change is inevitable.

Moody's Investors Service ("Moody's") credit ratings for long-term debt are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. According to Moody's, a rating of Ba1 is the fifth highest of nine major categories. For ratings of Aa through Caa, Moody's may apply numerical modifiers of 1, 2 or 3 in each generic rating classification to indicate relatively higher, middle or lower ranking. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. A Moody's rating outlook is an opinion regarding the likely rating direction over the medium-term. Ratings outlooks fall into four categories: positive, negative, stable, and developing. A stable outlook indicates a low likelihood of a rating change over the medium term. A negative, positive or developing outlook indicates a higher likelihood of a rating change over the medium term. The time between the assignment of a new rating outlook and a subsequent rating action has historically varied widely. On average, the next rating action has followed within about a year. The next rating action subsequent to the assignment of a negative rating outlook has historically been a downgrade or review for possible downgrade.

Fitch Ratings Ltd. credit ratings are assigned based on a scale ranging from AAA to D, which represents the range from highest to lowest quality. The terms "investment grade" and "speculative grade" have established themselves over time as shorthand to describe the categories AAA to BBB (investment grade) and BB to D (speculative grade). The ratings from AA to B may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. According to Fitch Ratings Ltd.'s system, BBB ratings indicate good credit quality and that the expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. An outlook indicates the direction a rating is likely to move over a one- to two-year period. They reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. Positive or negative rating outlooks do not imply that a rating change is inevitable and, similarly, ratings with stable outlooks can be raised or lowered without a prior revision to the outlook, if circumstances warrant such an action.

A definition and description of the categories of the credit ratings described above that have been assigned to The Stars Group's debt are publicly available from the website of each of the individual rating agencies.

The Stars Group understands that the ratings are based on, among other things, information furnished to the above rating agencies by it and information obtained by the rating agencies from publicly available sources. The credit ratings given to The Stars Group's debt instruments by the rating agencies are not recommendations to buy, hold or sell such debt instruments since such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. Credit ratings given to The Stars Group's debt instruments may not reflect the potential impact of all risks on the value of such instruments, including risks related to market or other factors discussed in this annual information form. See "Risk Factors and Uncertainties" above.

DIRECTORS AND OFFICERS

Directors, Executive Officers and Other Key Senior Officers

The following table sets forth, for each of the Corporation's directors and executive officers and other key senior officers as of the date hereof, the person's name, place of residence, positions within the Corporation, principal occupation and, if a director, the day, month and year on which the person became a director. Directors are elected at each annual shareholders meeting for a term that expires on the date of the Corporation's next annual shareholders meeting or until his or her successor is duly elected, unless prior thereto the director resigns or otherwise vacates office. As of the date of this annual information form, each of Messrs. Lazzarato, Hurley, Goodson, Roman and Schappert and Ms. Turner are "independent" under applicable securities laws and exchange rules.

Name of Directors and Executive Officers	Position in the Corporation	Principal Occupation	Director Since	Common Shares, Directly or Indirectly, Beneficially Owned[1]
Divyesh (Dave) Gadhia Burnaby, British Columbia, Canada	Executive Chairman of the Board	President of Atiga Investments Inc. (investment firm)	May 11, 2010 (Chairman since June 28, 2016)	79,969
Rafael (Rafi) Ashkenazi, Onchan, Isle of Man	Chief Executive Officer and Director	Chief Executive Officer of The Stars Group Inc. and Stars Interactive Group	May 10, 2018	117,331
Brian Kyle Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer, The Stars Group Inc.	n/a	25,180
David Lazzarato, Toronto, Ontario, Canada	Director and Chair of the Audit Committee[(2)(3)]	Media and broadcast industry consultant	June 28, 2016	6,524
Alfred F. Hurley, Jr., New York, New York, USA	Director, Lead Director and Chair of the Compensation Committee[(4)]	Sole member of Alfred F. Hurley, Jr. & Company, LLC (consulting firm)	June 28, 2016	7,706
Harlan Goodson Sacramento, California, USA	Director[(3)(4)]	Attorney, The Law Office of Harlan W. Goodson (law firm)	May 11, 2010	2,524
Mary Turner Beamsville, Ontario, Canada	Director and Chair of the Corporate Governance and Nominating Committee[(2)(3)(5)]	Corporate director	June 21, 2017	13,524
Eugene Roman Toronto, Ontario, Canada	Director and Chair of the Technology Committee[(2)(5)]	Corporate director and technology advisor	May 25, 2019	-
John Schappert Miami, Florida, USA	Director[(4)(5)]	Corporate director and video game and interactive entertainment industry executive and advisor	August 8, 2019	-
Marlon D. Goldstein Fort Lauderdale, Florida, USA	Executive Vice-President, Chief Legal Officer and Secretary	Executive Vice-President, Chief Legal Officer and Secretary, The Stars Group Inc.	n/a	69,079
Robin Chhabra London, England, UK	Chief Corporate Development Officer; Chief Executive Officer, FOX Bet	Chief Corporate Development Officer, The Stars Group Inc.	n/a	13,856
Guy Nigel Templer Onchan, Isle of Man	Chief Operating Officer, Stars Interactive Group	Chief Operating Officer, Stars Interactive Group	n/a	6,273
Ian Proctor Leeds, England, UK	Chief Executive Officer, Sky Betting & Gaming	Chief Executive Officer, Sky Betting & Gaming	n/a	226,538
Conor Grant Leeds, England, UK	Chief Operating Officer, Sky Betting & Gaming	Chief Operating Officer, Sky Betting & Gaming	n/a	129,787

(1) The information as to the number of Common Shares beneficially owned or over which control is exercised is provided to the best of the knowledge of the Corporation based on publicly available information, as of February 27, 2020.
(2) Member of the Audit Committee. Mr. Lazzarato serves as the Chair of that Committee.
(3) Member of the Corporate Governance and Nominating Committee. Ms. Turner serves as the Chair of that Committee.
(4) Member of the Compensation Committee (as defined below). Mr. Hurley serves as the Chair of that Committee.
(5) Member of the Technology Committee (as defined below). Mr. Roman serves as the Chair of that Committee.

Divyesh (Dave) Gadhia, CPA, C.A., ICD.D

Mr. Divyesh (Dave) Gadhia, 57, is the Executive Chairman of The Stars Group. Mr. Gadhia is and has been the President of Atiga Investments Inc., an investment firm focused on consumer products, since 2010. He served as the Chief Executive Officer and Executive Vice Chairman of Gateway Casinos & Entertainment Limited from 1992 until 2010, where he was responsible for strategic initiatives, regulatory matters and governmental relations. He has served as a director of a number of other private and public companies, as well as charities, including a director of the Canadian Gaming Association from 2005 to 2010, a director of Gateway Casinos & Entertainment Limited from 1999 to 2007, and a director of Trian Equities from 1994 to 1999. In 2009, Mr. Gadhia was awarded the Canadian Gaming News Outstanding Achievement Award and was previously awarded the Business in Vancouver's Top 40 Under 40 Award. Mr. Gadhia is an FCPA, FCA, a member of the Institute of Corporate Directors and holds a business degree from Simon Fraser University.

Rafael (Rafi) Ashkenazi

Mr. Rafael (Rafi) Ashkenazi, 45, currently serves as the Chief Executive Officer of The Stars Group and is a current director of The Stars Group, and is responsible for devising and implementing its business plan and strategies. Mr. Ashkenazi is also the Chief Executive Officer for The Stars Group's primary operating business, Stars Interactive Group, and is responsible for the performance and strategy of its offerings, including PokerStars and related brands. Mr. Ashkenazi, who initially joined Stars Interactive Group in January 2013 as Chief Operating Officer, is an experienced gaming industry executive who previously served as Chief Operating Officer of Playtech plc (LSE: PTEC), a global gaming software development company ("Playtech"), from January 2006 to January 2010 and then from September 2011 to January 2013, and as a member of the board of directors of Playtech from March 2006 to January 2010. From January 2010 to September 2011, Mr. Ashkenazi served as Vice President of Business Operations of Playtech. He was appointed Senior Vice President of Strategy for The Stars Group in April 2015, Chief Executive Officer of Stars Interactive Group in November 2015, Interim Chief Executive Officer of The Stars Group in March 2016 and then permanent Chief Executive Officer of The Stars Group in November 2016. Mr. Ashkenazi graduated with honors from Shenkar College in Israel where he earned a B.A. in Industrial Engineering.

Brian Kyle

Mr. Brian Kyle, 54, joined The Stars Group in June 2017 and currently serves as its Chief Financial Officer. Mr. Kyle is accountable for all financial matters across The Stars Group and plays a key leadership role in advancing the company's strategic initiatives. He has more than 25 years of financial management experience with leading multinational technology companies. Prior to joining The Stars Group, Mr. Kyle held a number of senior executive financial roles, including as Chief Financial Officer at Pivot Technology Solutions Inc. (TSX: PTG), a leading information technology infrastructure and services provider, from August 2016 to June 2017, Chief Financial Officer at D+H Corporation (TSX: DH), a global payments and lending technology provider, from June 2009 to August 2014, and Teranet Inc., a provider of integrated land-based information systems and software services, from May 2002 to May 2009. Following his role at D+H and prior to joining Pivot, Mr. Kyle was a partner and co-founder of ALSA Capital Ltd, a specialized asset management firm, from August 2014 to August 2016. Mr. Kyle is a member of the Chartered Professional Accountants of Ontario, holds an MBA from Queen's University School of Business and has an Honorary Doctorate in Laws from Assumption University.

David Lazzarato, FCA, C.A., ICD.D

Mr. David Lazzarato, 64, is a current director, Chairman of the Audit Committee, and a member of the Corporate Governance and Nominating Committee, and is a media and broadcast industry consultant who assists companies in the areas of strategy development, mergers and acquisitions and financing. He served as a member of the board of directors and chair of the audit committee of Yellow Pages Limited (TSX: Y) from December 2012 to May 2018 and was Senior Vice President, Finance at Bell Canada in 2010 and 2011. From 2009 until 2013, Mr. Lazzarato served on the board of directors and was the chair of the audit committee of LED Roadway Lighting and from 2004 to 2013, he was vice chair of the Trillium Health Centre Foundation. In 2008, Mr. Lazzarato was Chief Executive Officer of Craig Wireless Systems. Prior to joining Craig Wireless Systems, Mr. Lazzarato served as Executive Vice President and Chief Financial Officer of Alliance Atlantis Communications Inc. and Chairman of Motion Picture Distribution from 2005 to 2007. From 1999 to 2004, Mr. Lazzarato served as Executive Vice President and Chief Financial Officer of Allstream Inc. (formerly, AT&T Canada Inc.) and was Chief Corporate Officer of MTS Allstream Inc. in 2004. Mr. Lazzarato is past Chair of the McMaster University Board of Governors and of the Council of Chairs of Ontario Universities. Mr. Lazzarato is currently the Vice Chair of Hamilton Health Sciences, a medical group located in Ontario, Canada, and serves as the Chair of its Resources Committee and its Audit Committee. Mr. Lazzarato earned a Bachelor of Commerce degree from McMaster University and is a Chartered Accountant, having received the FCA designation from the Ontario Institute of Chartered Accountants in 2006. Mr. Lazzarato received the ICD.D certification from the Institute of Corporate Directors in 2008 and has also completed the Senior Executive Program at the Massachusetts Institute of Technology.

Alfred F. Hurley, Jr.

Mr. Alfred F. Hurley, Jr., 65, is the Lead Director of The Stars Group and Chairman of the Compensation Committee. Mr. Hurley has been a director New Mountain Finance Corporation, a NYSE-listed business development company (“NMFC”), since 2010. He is the Chairman of NMFC’s Nomination and Governance and Compensation Committees and a member of its Audit and Valuation Committees. Mr. Hurley has also been a director of Merrill Corporation, which is a privately held company that provides outsourced solutions for complex, regulated and confidential business information since 2013. He serves as Chairman of Merrill’s Compensation and Governance and Human Resources Committee and as a member of the Audit Committee. He has also been the Fortress Voting Proxy to, a member of the Board of Managers, and a member of the Audit Committee of Ligado Networks Corporation, a privately held company (“Ligado”), since December 2017. Ligado is a satellite communications company that is developing a satellite-terrestrial network. He also has been the Chairman of privately held TSI Holdings, which is the holding company for TransWorld Systems, Inc. (“TWS”) since May 2018. TWS is a leading analytics driven provider of accounts receivable management, healthcare revenue cycle and loan servicing solutions. Since May 2019, Mr. Hurley has served as Chairman of privately held Purefield Ingredients, a leading producer of wheat protein, biofuels and animal nutrition. He also serves as Chairman of Purefield’s Compensation Committee and a member of its Audit Committee. Mr. Hurley is also the sole member of a consulting business, Alfred F. Hurley, Jr. & Company, LLC, which he started in 2014. He previously was Vice Chairman of Emigrant Bank and Emigrant Bancorp (collectively, the “Bank”) from 2007 and 2009, respectively, to December 2012, and was a consultant at the Bank during 2013. His responsibilities at the Bank included advising the Bank’s Chief Executive Officer on strategic planning, acquisitions and divestitures, asset/liability management, on-line banking and new products. In addition, he was Chairman of the Bank’s Credit and Risk Management Committee from November 2008 to January 2012 and the Bank’s acting Chief Risk Officer from January 2009 until January 2012. Before joining the Bank, Mr. Hurley was the Chief Executive Officer of M. Safra & Co., a private money management firm, from 2004 to 2007. Prior to joining M. Safra & Co., Mr. Hurley worked at Merrill Lynch (“ML”) from 1976 to 2004. His latest management positions prior to his departure included serving as Senior Vice President of ML & Co. and Head of Global Private Equity Investing, Managing Director and Head of Japan Investment Banking and Capital Markets, Managing Director and Co-Head of the Global Manufacturing and Services Group, and Managing Director and Head of the Global Automotive, Aerospace, and Transportation Group. As part of his management duties, he was a member of the Corporate and Institutional Client Group (“CICG”) Executive Committee which had global responsibility for ML’s equity, debt, investment banking and private equity businesses, a member of the Japan CICG Executive Committee, and a member of the Global Investment Banking Management and Operating Group Committees. Mr. Hurley graduated from Princeton University with an A.B. in History, cum laude.

Harlan Goodson

Mr. Harlan Goodson, 72, is a current director, member of each of the Compensation Committee and the Corporate Governance and Nominating Committee. Mr. Goodson is also the Board’s representative to the Compliance Committee and served as a member of the Audit Committee until June 2017. He served as the Director of California’s Division of Gambling Control from 1999 to 2003, during which time he led the implementation of California’s Tribal-State Class III gaming compacts. Prior to forming his own law practice, The Law Office of Harlan W. Goodson, in Sacramento, California, Mr. Goodson was with the national law firm of Holland and Knight, LLP where his practice concentrated on Gaming Law and Gaming Regulation and Governmental Affairs. Mr. Goodson’s biography has been published in Who’s Who in American Law since 2000 and Who’s Who in the World since 2018. In 2002, his work gained him international distinction when he was the recipient of the International Masters of Gaming Law inaugural Regulator of the Year award in 2001. Prior to being appointed to the position of Director of California’s Division of Gambling Control, Mr. Goodson worked in the California State Senate as a legislative consultant for Senator Bill Lockyer from 1994 to 1999. While serving as a consultant in the state legislature, Mr. Goodson drafted legislation in the areas of criminal law, correctional law, juvenile law and insurance law. Since 1996, Mr. Goodson has been an adjunct law professor teaching classes on the legislative process and statutory interpretation at John F. Kennedy University, School of Law. He has been a national speaker at conferences, symposia, law schools and before governmental bodies on the subjects of gaming regulation, Tribal government gaming, and Tribal-State relations. Mr. Goodson is a member of the California State Bar, the International Masters of Gaming Law and the International Association of Gaming Advisors. In 2007, Mr. Goodson also served as a Judge Pro Tempore for the Superior Court in Sacramento, California. Mr. Goodson has also been listed in America’s Best Lawyers annually since 2005 and was selected by his peers as the Northern California 2012 Attorney of the Year for Gaming Law. Mr. Goodson graduated with a Bachelor of Arts from Golden Gate University and a Juris Doctor from the John F. Kennedy School of Law.

Mary Turner, FCPA, FCA, C. Dir

Ms. Mary Turner, 66, is a current director, Chair of the Corporate Governance and Nominating Committee and member of each of the Audit Committee and the Technology Committee. Ms. Turner served as President and Chief Executive Officer and board member of Canadian Tire Bank, a subsidiary of Canadian Tire Corporation (TSX: CTC), from 2012 until her retirement in 2016. She has over 25 years of experience in financial services, payments, customer service, credit risk management, enterprise risk management, operations, finance and information technology at Canadian Tire. Prior to joining Canadian Tire, Ms. Turner was a partner at Deloitte & Touche (now Deloitte LLP) in Toronto from 1985 to 1992. Throughout her career, Ms. Turner has been a member of several boards of directors, including Mackenzie Financial Corporation, a subsidiary of IGM Financial Inc. (TSX: IGM), where she is a member of the Fund Oversight Committee. She also currently serves on the boards of Canadian Tire Jumpstart Charities, where she is a member of its Audit Committee, and the 2021 Canada Games Host society. She previously served on the boards of directors of YMCA Canada, where she was a member of its Governance Committee and Niagara College, where she chaired its New Member Search Committee and was a member of its Audit Committee. Ms. Turner has an honours B.Sc and is a graduate of the Chartered Director Program at McMaster University. She is a Chartered Accountant and received the FCA designation from the Ontario Institute of Chartered Accountants in 2003.

Eugene O. Roman, CPA

Mr. Eugene O. Roman, 62, is a current director, Chairman of the Technology Committee and member of the Audit Committee. Since February 2020, Mr. Roman also serves as a director and member of the audit committee of EPAM Systems, Inc. (NYSE: EPAM), a leading global product development, digital platform engineering, and digital and product design agency. Mr. Roman served as the Executive Vice President of Digital Excellence and Technology Advisor at Canadian Tire Corporation (TSX: CTC) from August 2017 until December 2018. Prior to this role, Mr. Roman served as Chief Technology Officer and Senior Vice President of Canadian Tire Corporation from July 2012 until August 2017. Before joining Canadian Tire Corporation, Mr. Roman served as the Chief Technology Officer of Open Text Corporation (Nasdaq: OTEX) from 2010 to 2012 and as its Chief Information Officer from 2008 until 2010. He has also served as Group President of Systems and Technology at Bell Canada from 2003 to 2008. Prior to this, he served as the Chief Technology Officer at Bell Canada from 2002 to 2003 and as its Chief Information Officer from 2000 to 2002. Mr. Roman started his career at Nortel Networks Corporation in 1981. He also served as the Chairman of Ukrainian Credit Union Limited from 1998 until 2013. He currently serves as a strategic advisor to WorkFusion, an artificial intelligence technology company, and from January to December 2019, Mr. Roman served as a strategic advisor to Canadian Tire Corporation. He also currently serves on the Board of Governors - York University since 2018. Mr. Roman is a Certified Professional Accountant, holds an M.B.A. and a B.A. in Geography and Economics from the University of Toronto, and completed the Institute of Corporate Directors' Directors Education Program in 2011.

John Schappert

Mr. John Schappert, 49, is a current director and member of each of the Compensation Committee and Technology Committee. Mr. Schappert has served as the Chairman and Chief Executive Officer of Shiver Entertainment, a private company that develops video game software for consoles (PlayStation 4, Xbox One, Nintendo Switch), PC, and mobile phones and tablets, since 2012. Mr. Schappert also currently serves as the Chairman of Pipeworks Studios, a private company that develops video games and software, since 2018. Prior to this, Mr. Schappert served as the Chief Operating Officer for Zynga Inc. (Nasdaq: ZNGA) from 2011 to 2012 and served on its board of directors during that time. Mr. Schappert also previously served as the Chief Operating Officer for Electronic Arts Inc. (Nasdaq: EA) from 2009 to 2011, and was Corporate Vice President of Microsoft Corporation's (Nasdaq: MSFT) Interactive Entertainment Business unit from 2007 to 2009. From 1998 until 2007, Mr. Schappert held several positions for various divisions of EA, including Vice President and General Manager of Electronic Arts Tiburon from 1998 until 2002, Senior Vice President and Group General Manager of Electronic Arts Canada from 2002 until 2006, and Executive Vice President and Chief Operating Officer of Worldwide Studios from 2006 until 2007. Mr. Schappert founded Tiburon Entertainment, the developer of the Madden NFL video game franchise, in 1994 and served as President and Chief Executive Officer until 1998, when it was acquired by Electronic Arts Inc. From 1991 until 1994, Mr. Schappert was a software engineer and game developer for Visual Concepts. Mr. Schappert earned an Associates of Arts degree from Miami Dade Community College in Miami, Florida.

Marlon D. Goldstein

Mr. Marlon Goldstein, 46, joined The Stars Group in January 2014 and serves as its Executive Vice-President, Chief Legal Officer and Secretary. Prior to joining The Stars Group, Mr. Goldstein was a principal shareholder in the corporate and securities practice at the international law firm of Greenberg Traurig P.A., where he practiced as a lawyer from 2002 until 2014 (since 2006 as a shareholder). Mr. Goldstein's practice focused on corporate and securities matters, including mergers and acquisitions, securities offerings, and financing transactions. Mr. Goldstein was also the co-chair of the firm's Gaming Practice, a multi-disciplinary team of attorneys representing owners, operators and developers of gaming facilities, manufacturers and suppliers of gaming devices, investment banks and lenders in financing transactions, and Indian tribes in the development and financing of gaming facilities. Mr. Goldstein earned a B.B.A. with a concentration in accounting from Emory University in Atlanta, Georgia in 1996 and a J.D. from the University of Florida, Levin College of Law in Gainesville, Florida in 1999.

Robin Chhabra

Mr. Robin Chhabra, 49, joined The Stars Group in September 2017 and currently serves as its Chief Corporate Development Officer, where he is responsible for leading and overseeing The Stars Group's corporate development function. Mr. Chhabra is an experienced online gaming executive, who most recently served as Group Director of Strategy and Corporate Development for William Hill since May 2010, and as Director of Corporate Development for Inspired Gaming Group plc (later merged with Inspired Entertainment, Inc. (Nasdaq: INSE)) from 2006 to 2009. Prior to that, Mr. Chhabra spent 12 years in various executive roles at major financial, consultancy and auditing firms, including Evolution Securities (later acquired by Investec plc (LSE: INVP)), Dresdner Kleinwort Wasserstein Securities LLC (now part of Commerzbank), Andersen Business Consulting and PricewaterhouseCoopers. Mr. Chhabra earned a BSc (Econ.) degree from London School of Economics and Political Science in 1993.

Guy Nigel Templer

Mr. Guy Nigel Templer, 51, has been Chief Operating Officer of Stars Interactive Group since December 21, 2016. Mr. Templer joined Stars Interactive Group in 2011 and held various senior positions within Stars Interactive Group, being appointed Chief Strategy Officer in March 2016 prior to his appointment as COO. Prior to working with Stars Interactive Group, Mr. Templer served as Chief Operating Officer and Board Director of NetPlay TV plc from April 23, 2010 to March 31, 2011. Mr. Templer served as Commercial Director of Two Way Media Limited since 2003 and Managing Director of its subsidiary Two Way Gaming Limited (since 2008). He has over ten years of experience in the gaming industry. Prior to working with Two Way, he ran an Internet company after starting his career in management consultancy in the public sector. Mr. Templer joined PokerStars in 2011 as Director of Business Development and has directed key initiatives including PokerStars' re-entry into the U.S. market; the launches of the Casino and Sportsbook verticals; and the local licensing of the company's brands across Europe. The regulatory work has established the company as the leading advocate for online poker regulation and the most-licensed online gaming operator in the world. He has an MBA from Cranfield School of Management, an MSc from Bath University and a degree in Psychology from Bristol University.

Ian Proctor

Mr. Ian Proctor, 54, currently serves as the Chief Executive Officer of SBG and is the current director of the SBG group, which includes the brands *Sky Bet*, *Sky Vegas*, *Sky Poker*, *Sky Bingo* and *Sky Casino*. Mr. Proctor is responsible for overall strategy and leadership of SBG. Prior to becoming SBG's Chief Executive Officer in October 2018, Mr. Proctor previously held the position of SBG's Chief Financial Officer since 2008. Prior to that and since 1993, Mr. Proctor held various senior financial roles at Sky plc. Mr. Proctor graduated with a degree in Business Studies from Robert Gordon University and is a member of the Association of Chartered Accountants.

Conor Grant

Mr. Conor Grant, 43, currently serves as the Chief Operating Officer of SBG since October 2018 and previously served as Managing Director of SBG's gaming brands, *Sky Vegas*, *Sky Casino*, *Sky Bingo* and *Sky Poker*. Mr. Grant is responsible for the daily operations of SBG. Mr. Grant joined SBG in 2010 where he previously served as the Head of Sportsbook Products and Director of Products, then as Director of SBG's gaming brands since 2014. Mr. Grant has nearly 20 years' experience in the gaming sector, having previously worked for Paddy Power, Blue Square and Boylesport. Mr. Grant graduated from Queens University, Belfast with a degree in History of Politics and also a post-graduate degree in business from University College, Dublin.

Board Observer

As previously disclosed, in January 2018 the Corporation entered into an agreement (the "Nominee Agreement") with Mr. Tang Hao and his affiliated entity Discovery Key Investments Limited, which at the time based on publicly available information collectively held approximately 17.9% of the outstanding Common Shares, pursuant to which Mr. Tang appointed Mr. Melvin Zhang as his nominee to be an observer to the Board with the right to become a director upon the satisfaction of certain conditions. Based on publicly available information, The Stars Group understands that Mr. Tang and Discovery Key Investments held less than 1% of the outstanding Common Shares as of September 24, 2019 and as such, Mr. Tang no longer has a right to nominate an observer or director to the Board and Mr. Zhang no longer serves as such observer. The previously disclosed terms of the agreement, including as it relates to certain restrictions on Mr. Tang's purchase of Common Shares, remain in effect until after the 2020 annual general meeting of shareholders.

Interests in Common Shares

The Corporation's current directors, executive officers and other key senior officers own, or have the right to exercise direction or control over, a total of 698,291 Common Shares, representing approximately 0.24% of the total issued and outstanding Common

Shares as of the date of this annual information form. Additionally, as of the date of this annual information form, a total of 815,000 options, of which 815,000 are currently exercisable, and 3,581,750 other equity-based awards, the settlement of which is subject to conditions, have been granted to the Corporation's directors, executive officers and other key senior officers to purchase or settle in an equal amount of Common Shares under the Corporation's stock option and/or equity incentive plan. With respect to any performance share units included in the foregoing amount of other equity-based awards, the number of performance share units is calculated based on the target performance level for each metric being met, which would result in 100% of the granted performance share units vesting during the relevant periods. See the 2019 Annual Financial Statements and the Corporation's management information circular for the most recent annual meeting of shareholders of the Corporation, each of which is available on SEDAR at www.sedar.com and Edgar at www.sec.gov, for additional information about performance share units

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, none of the directors or executive officers of the Corporation is, or within ten years before the date hereof, has been:

(a) a director, chief executive officer or chief financial officer of any company (including the Corporation) that

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of the Corporation, none of the directors or executive officers of the Corporation have been subject to:

(d) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(e) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Notwithstanding the foregoing, see below under "Legal Proceedings and Regulatory Actions".

Conflicts of Interest

The directors and officers of the Corporation are required by law to act honestly and in good faith with a view to the best interest of the Corporation and to disclose any interests which they may have in any transaction, project or opportunity of the Corporation. However, the Corporation's directors and officers may serve on the boards and/or as officers of other companies that may compete in the same industries as the Corporation, giving rise to potential conflicts of interest, including, without limitation, with respect to negotiating terms of and consummating certain transactions in which such companies and the Corporation may participate. Conflicts of interest that arise at a meeting of the Board must be disclosed at such meeting, and the conflicted director must recuse himself or herself from the meeting and abstain from participating and voting for or against the approval of any transaction, project or opportunity in which such director has an interest. The remaining directors will determine whether or not the Corporation will participate in any such transaction, project or opportunity. Subject to such disclosure and recusal and any limitations in the Corporation's organizational documents, a transaction would not be void or voidable because it was made between the Corporation and one or more of its directors or officers who have a conflict of interest or by reason of such director or officer being present at the meeting at which such transaction, project or opportunity was approved.

To the best of the Corporation’s knowledge and other than as disclosed in this annual information form, as of the date hereof there is no known existing or potential material conflict of interest among the Corporation or a subsidiary of the Corporation and the current directors, officers or other members of management of the Corporation or a subsidiary of the Corporation as a result of their respective outside business interests.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for usurping corporate opportunities and requiring disclosures by directors or officers of conflicts of interest, and the Corporation will rely upon such laws in respect of any conflict of interest or breach of duty.

For additional information, see also “Interest of Management and Others in Material Transactions” below.

Corporate Social Responsibility and Sustainability

As an employer and as a business, the Corporation recognizes its responsibilities to its personnel, customers and the communities in which it operates. The Corporation has a long history of active participation in and support for the issues that transcend the Corporation and which reflect positively on the entire online betting and gaming industry. This means behaving responsibly and ethically in all areas of the Corporation’s business, meeting the high standards and expectations of its customers and stakeholders, and championing the benefits of a safe and enjoyable regulated online betting and gaming industry. In addition, the Corporation believes that as a global company it plays a key role in seeking sustainable solutions to help limit climate change. For this reason, the Corporation is committed to consistently reviewing and reducing its potential impact on the environment, taking positive steps to lessen its environmental footprint and encourages its personnel, the communities in which it operates (both locally and globally), as well as its suppliers and vendors to do the same.

To this end, the Corporation has adopted a number of practices, policies, programs and initiatives that highlight its commitment to corporate social responsibility and that seek to promote sustainability in the operation of its business. Such practices, policies, programs and initiatives include, among others, a supplier code of conduct, enterprise-wide environmental policy, equality and diversity policy, anti-harassment and bullying policy, anti-slavery and human trafficking policy, human rights policy, charities policy, data protection policy, global health and safety policy, a responsible gaming policy, and “Green Stars”, which are environmental and sustainability initiatives committees championed by locally based executive-sponsored working groups.

These practices, policies, programs and initiatives are built on a foundation of transparency, governance, and ethics, and create value for the Corporation and its shareholders by helping it mitigate risks, reduce costs, build brand value and identify new market opportunities. The Corporation is committed to the socially, ethically and environmentally responsible operation of its business and has undertaken initiatives to reduce its environmental impact and carbon footprint, ensure a healthy and safe workplace, safeguard its and its customers’ data, and promote diversity and inclusion. The Corporation enforces a number of related policies in its workplace and encourages its suppliers and business partners to adhere to these requirements and to promote these values. The Corporation constantly strives to identify areas of future opportunity or development with respect to its practices.

Ethical Business Conduct

The Corporation has adopted a code of business conduct (“Code of Conduct”) for its directors, officers and employees. The Corporation is committed to operating in accordance with the highest ethical standards and conducting business in an honest and transparent manner that is in compliance with applicable law, the Code of Conduct and applicable internal policies. The Code of Conduct constitutes written standards that are designed to deter wrongdoing and promote, among other things: (i) honest and ethical conduct, including the handling of actual or apparent conflicts of interest between personal and professional relationships, including, in particular, with regard to public officials, (ii) avoidance of conflicts of interest, including disclosure to the Corporation of any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest, (iii) safeguarding of the Corporation’s confidential information and integrity and protection of business information, (iv) maintaining a healthy and safe work environment that is free of discrimination and harassment, and that respects human rights, (v) protection of employee privacy and personal information, (vi) dealing responsibly with persons outside the Corporation, including compliance with anti-corruption laws and lobbying legislation, including any applicable limitations on political activities, (vii) compliance with other applicable governmental laws, rules and regulations, and that such compliance with laws always take precedence over customs or social requirements, (viii) the prompt reporting either anonymously through the Corporation’s whistleblower hotline or to a supervisor, director or officer (or if appropriate, to the appropriate authorities) of violations of the Code of Conduct, (ix) conservations and environmental protection, and (x) accountability and responsibility by all directors, officers and employees for adherence to the Code of Conduct.

The Corporation monitors compliance with the Code of Conduct and recommends disclosures as and when appropriate and required in accordance therewith. In addition, the Corporation reviews the Code of Conduct with a view of complying with all applicable rules and regulations, receiving reports from management with respect to compliance with the Code of Conduct when necessary and appropriate, and satisfying itself that management has established a system to disclose the Code of Conduct (and any amendments thereto) to the extent required. The Corporation monitors compliance with the Code of Conduct by, among other things, reserving the right to audit such compliance and through the Corporation's existing "whistleblower" policy, which provides a procedure for the submission of information by persons relating to, among other things, possible violations of the Code of Conduct. In addition to the Code of Conduct, the Corporation has adopted a number of other policies and practices related to appropriate business conduct, including, without limitation, an Anti-Bribery Policy and Anti-Fraud Policy for all employees, directors and officers of the Corporation.

On August 8, 2019, the Corporation amended its Code of Conduct. The substantive amendments made to the Code of Conduct: (i) updating the Corporation's whistleblower hotline contact information, and (ii) adding new or additional detail about certain matters such as impermissible or improper use of the Corporation's product offerings by employees, officers or directors, confidential information, work environment, reporting related to harassment or offensive conduct and responsible gaming. The Code of Conduct, as amended, is available on the Corporation's website at www.starsgroup.com.

Moreover, The Stars Group has a formal compliance committee (the "Compliance Committee") comprised of current and/or former independent directors and external advisors, including formal law enforcement and regulatory professionals. The Compliance Committee is charged with overseeing all aspects of compliance with gaming regulatory and other corporate compliance matters. The Compliance Committee strives to ensure the good character, honesty and integrity of The Stars Group, its subsidiaries and employees, and that it conducts its business affairs in an honest, moral and ethical fashion and in compliance with applicable laws, rules, regulations and other conditions imposed by applicable gaming and related regulatory authorities. The Compliance Committee also strives to protect The Stars Group's reputation and prevent it from taking any action that could jeopardize its existing licenses and approvals or its ability to obtain any additional licenses or approvals. The members of the Compliance Committee are listed on the Corporation's website at www.starsgroup.com.

The Stars Group and its subsidiaries also have numerous policies and practices, including the Code of Conduct, a Disclosure, Confidentiality & Trading Policy, an Anti-Bribery Policy, an Anti-Fraud Policy, a Whistleblower Policy and a Compensation Recoupment Policy, that are collectively designed to deter and detect wrongdoing and promote, among other things, legal, honest, ethical, healthy and safe conduct, good governance, and transparency and effective communication between and among employees, management and the public. The Code of Business Conduct and The Stars Group's Anti-Bribery Policy and relevant policies of certain subsidiaries, as applicable, also provide rules and guidelines regarding compliance with Canada's Corruption of Foreign Public Officials Act (the "CFPOA"), the U.S. Foreign Corrupt Practices Act (the "FCPA"), and any local anti-bribery or anti-corruption laws that may be applicable, such as the UK Bribery Act (2010) (the "UK Bribery Act") and the Isle of Man Bribery Act (2013) (the "IOM Bribery Act"), and to evidence The Stars Group's commitment to full compliance, including compliance by its officers, directors and employees, therewith. The Stars Group is committed to operating in accordance with the highest ethical standards and conducting business in an honest and transparent manner that complies with applicable law, its Code of Business Conduct and applicable internal policies. In addition, The Stars Group has a practice of entering into confidentiality and non-disclosure agreements with its employees and limiting access to and dissemination of its proprietary technology and confidential information.

Audit Committee

Audit Committee Charter

The current Audit Committee Charter was adopted on January 8, 2020. The full text of the charter is attached hereto as Schedule A. The disclosure provided in this section of this annual information form is qualified in its entirety by reference to the full text of the charter.

Purpose

The Audit Committee is established to fulfill applicable public company obligations respecting audit committees and to assist the Board in discharging its oversight responsibilities with respect to financial reporting to ensure the transparency and integrity of the Corporation's published financial information. The Audit Committee's responsibilities include overseeing: (i) the integrity of the Corporation's financial statements and financial reporting process, including the audit process and the Corporation's internal controls over financial reporting, disclosure controls and procedures, and compliance with other related legal and regulatory requirements, (ii) the qualifications, independence, retention, compensation and work of the Corporation's external auditors, (iii) the work of the Corporation's financial management, internal auditors and external auditors, (iv) enterprise risk management, privacy and cybersecurity and information security, and to monitor the same, in each case in conjunction with the Technology Committee, and (v) the auditing, accounting and financial reporting process generally. The Audit Committee is also responsible for pre-approving all non-audit services to be provided by the Corporation's independent external auditor, procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation and its subsidiaries of concerns regarding questionable accounting or auditing matters and for any additional matters delegated to the Audit Committee by the Board. In addition, the Audit Committee is responsible for reviewing, discussing with management and the chairperson or other designated member of the Technology Committee, and assessing the Corporation's privacy and cybersecurity risk exposures, including, among other things, the potential impact of the same, steps management has taken to monitor and mitigate the same, the Corporation's governance and cybersecurity policies and programs, and its cybersecurity strategy.

The Audit Committee has the right, for the purposes of performing its duties, to maintain direct communication with the Corporation's external auditor and the Board, to inspect all books and records of the Corporation and its subsidiaries, to seek any information it requires from any employee of the Corporation and its subsidiaries or the chairperson or other designated member of the Compliance Committee, and to retain independent outside counsel or other advisors.

The Audit Committee is required to be comprised of a minimum of three directors, each of whom must be "independent", "financially literate" (within the meaning of the applicable Canadian securities laws) and otherwise qualified within the meaning of applicable securities law and the rules of any applicable stock exchange. At least one member of the Audit Committee must be financially sophisticated (within the meaning of the applicable NASDAQ Rules) and at least one member must qualify as an "audit committee financial expert" (within the meaning of the applicable rules of the U.S. Securities and Exchange Commission). A member who is an "audit committee financial expert" is presumed to qualify as "financially sophisticated". The Audit Committee meets regularly and as often as it deems necessary to perform the duties and discharge its responsibilities in a timely manner, but is required to meet at least four times a year. The Audit Committee is also required to hold unscheduled or regularly scheduled meetings, or portions thereof, at which management is not present. The Audit Committee also conducts a self-evaluation at least annually to determine whether it and its members are functioning effectively, and reports its conclusion to the Board.

Composition

The Audit Committee is currently composed of Messrs. Lazzarato and Roman and Ms. Turner, each of whom is "independent" and "financially literate". Mr. Lazzarato is the "audit committee financial expert" and is "financially sophisticated".

Relevant Education and Experience

Each member of the Corporation's Audit Committee has an understanding of the generally accepted accounting principles applicable to the Corporation, i.e., International Financial Reporting Standards (as issued by the International Accounting Standards Board), and has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. All three members of the Corporation's Audit Committee serve or have served on a number of other boards of directors and have acquired financial education and/or experience that would result in them being qualified as set forth above.

Name of Director	Relevant Financial Education and Experience	Other Current Public Company Directorships
David Lazzarato	• See biography above • Chair of Hamilton Health Sciences' audit committee • Former Chair of Yellow Pages Limited's audit committee • Former chair of LED Roadway Lighting's audit committee • Former Chief Financial Officer of Allstream Inc. (formerly, AT&T Canada Inc.) and Alliance Atlantis Communications Inc. • Chartered Accountant and FCA	• None
Mary Turner	• See biography above • Current member, and former Chair, of Canadian Tire Jumpstart Charities' Audit Committee • Former member of Niagara College Audit Committee • Former President and CEO of Canadian Tire Bank, a subsidiary of Canadian Tire Corporation (TSX: CTC) • Former Vice President of Accounting and Operations of Canadian Tire Corporation (TSX: CTC) • Former partner at Deloitte & Touche (now Deloitte LLP) • Chartered Accountant and FCA	• None
Eugene O. Roman	• See biography above • Current member of EPAM Systems Inc.'s Audit Committee (NYSE: EPAM) • Former Executive Vice President of Digital Excellence and Technology Advisor, and former Chief Technology Officer and Senior Vice President of Canadian Tire Corporation (TSX: CTC) • Former Chief Technology Officer and former Chief Information Officer of Open Text Corporation (Nasdaq: OTEX) • Former Group President of Systems and Technology, former Chief Technology Officer and former Chief Information Officer at Bell Canada • Certified Professional Accountant and holds an M.B.A.	• Current member of the Board of Directors and Audit Committee of EPAM Systems Inc. (NYSE: EPAM)

Pre-approval Policies and Procedures

The Audit Committee has established a practice of pre-approving all audit, audit-related, non-audit, tax and certain other services provided by the external auditor, in each case in compliance with applicable rules and guidance on the qualification and independence of external auditors. This practice is also set forth in a pre-approval policy adopted by the Audit Committee. In accordance with the Audit Committee's pre-approval practice and policy, before the Corporation or any of its subsidiaries engages the external auditor to render a service, the engagement must be either (i) specifically approved by the Audit Committee, or (ii) entered into pursuant to the pre-approval policy. This is intended to ensure, among other things, that the provision of such services does not impair the external auditor's independence. The Audit Committee has delegated to its Chairman, Mr. Lazzarato, the authority, between regularly scheduled meetings of the Audit Committee, to pre-approve such services to the extent they were not previously presented at a meeting of the Audit Committee. All such pre-approvals by the Chairman of the Audit Committee are reported by him at the next meeting of the Audit Committee following the pre-approval. The Audit Committee may not delegate to management the Audit Committee's responsibilities to pre-approve services performed by the external auditor.

External Auditor Service Fees

The Corporation's current independent external auditor is Deloitte LLP, London, United Kingdom ("Deloitte").

The aggregate fees billed by Deloitte and all its affiliates for the fiscal years ended December 31, 2019 and 2018, respectively, were as follows:

Description	2019	2018
Audit Fees[a]	6,259,000	6,020,000
Audit – Related Fees[b]	3,217,000	2,700,000
Tax Fees and Tax Compliance and Advisory Services[c]	568,000	960,000
All Other Fees[d]	413,000	107,000

(a) "Audit Fees" means the aggregate fees billed by the Corporation's independent external auditor for audit services related to the annual financial statements of the Corporation and its consolidated subsidiaries, and for services provided in connection with statutory and regulatory filings or similar engagements. In addition, audit fees include the aggregate fees billed by the Corporation's independent external auditor for review services related to the interim financial statements of the Corporation and its consolidated subsidiaries, as well as the cost of translation of various continuous disclosure documents of the Corporation.

(b) "Audit-Related Fees" means the aggregate fees billed for assurance and related services by the Corporation's independent external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported as "Audit Fees", including, without limitation, other attest services not required by statute or regulation.

(c) "Tax Fees" and "Tax Compliance and Advisory Services" means the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, tax planning and assistance with various other tax related questions.

(d) "All Other Fees" means the aggregate fees billed in the applicable fiscal year for products and services provided by the Corporation's independent external auditor other than the services reported under clauses (a), (b) and (c), above.

Other Standing Board Committees

The Board currently has four standing committees: the Audit Committee, as described above, the Corporate Governance and Nominating Committee (the "Corporate Governance and Nominating Committee"), the Compensation Committee (the "Compensation Committee") and the Technology Committee (the "Technology Committee").

The Corporate Governance and Nominating Committee was established to assist the Board in overseeing corporate governance and nomination matters. In addition, the Corporate Governance and Nominating Committee is responsible for, among other things, identifying, recruiting and recommending to the Board qualified nominees for election as directors of The Stars Group, making an annual assessment of the overall performance and effectiveness of the Board and each committee, and oversight of The Stars Group's approach to environmental and social responsibility matters.

The Compensation Committee was established to take the principal role of establishing The Stars Group's executive compensation plans and policies. In addition, the Compensation Committee is responsible for, among other things, assisting the Board in discharging its oversight responsibilities relating to the compensation and retention of key senior management employees with the skills and expertise needed to enable the Corporation to achieve its goals and strategies at a fair and competitive compensation, including appropriate performance incentives.

The Technology Committee was established to assist the Board in fulfilling its oversight responsibilities with respect to risks related to technology and the overall role of technology in executing the Corporation's business strategy including, but not limited to, major technology investments, technology strategies and initiatives, operational performance, information security and other technology risks, policies and procedures, and technology trends that may affect the future performance of the Corporation's business.

For more information on the Corporation's Corporate Governance and Nominating Committee, the Compensation Committee and the Technology Committee, please see the Corporation's website at www.starsgroup.com and, as applicable, its management information circular for the most recent annual meeting of shareholders of the Corporation, which is available on or through SEDAR at www.sedar.com, Edgar at www.sec.gov and the Corporation's website at www.starsgroup.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set forth herein, The Stars Group is currently not, and was not during twelve months ended December 31, 2019, a party to any material legal proceedings, and its property and assets are not currently, and were not during the same period, the subject of material legal proceedings. The Stars Group is not aware of any other material legal proceedings, individually or in the aggregate, outstanding, threatened or pending as of the date hereof by or against The Stars Group. Notwithstanding the foregoing, given the nature of its business, The Stars Group is, and may from time to time in the future be, party to various, and at times numerous, legal, administrative and regulatory inquiries, investigations, proceedings and claims that arise in the ordinary course of business, including, without limitation, various tax audits by domestic and foreign tax authorities, and gaming regulatory reviews and inquiries. The outcome of litigation, legal proceedings and regulatory actions is inherently uncertain. See "Risk Factors and Uncertainties".

In addition, and except as set forth herein, the Corporation is not currently, and was not during the year ended December 31, 2019, subject to: (i) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements entered into before a court relating to Canadian securities legislation or with a Canadian securities regulatory authority.

In the normal course of business, to facilitate transactions of services and products, The Stars Group has agreed to indemnify certain parties with respect to certain matters. The Stars Group has agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, The Stars Group is a party to certain indemnification agreements with its current and certain former officers and directors, and certain employees, and its constituting documents contain similar indemnification obligations. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement.

Kentucky Proceeding

Prior to the Stars Interactive Group Acquisition, the Commonwealth of Kentucky, ex. rel. J. Michael Brown, Secretary of the Justice and Public Safety Cabinet, filed a legal proceeding against Stars Interactive Group, then named Oldford Group, and certain affiliates thereof (together, the “Oldford Parties”) and various other defendants (the “Kentucky Proceeding”), pursuant to which the Commonwealth sought to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the *PokerStars* website during the period between October 12, 2006 and April 15, 2011. On August 12, 2015, the trial court in the Kentucky Proceeding entered a default judgment against the Oldford Parties following certain alleged discovery failures, including by certain former owners of Stars Interactive Group, and partial summary judgment on liability in favor of the Commonwealth. On December 23, 2015, the trial court entered an order for damages in the amount of approximately $290 million, which the trial court trebled to approximately $870 million.

The Stars Group, through certain subsidiaries, filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedeas bond to stay enforcement of the order for damages during the pendency of the appeals process. In connection with the posting of the bond, the Corporation delivered cash collateral in the amount of $5 million and letters of credit in the aggregate amount of $65 million. On December 21, 2018, the Kentucky Court of Appeals ruled in The Stars Group’s favor and reversed in its entirety the $870 million judgment issued against The Stars Group by the trial court judge in December 2015.

On January 18, 2019, the Commonwealth filed a motion for discretionary review with the Kentucky Supreme Court asking the Court to determine if it will hear an appeal of the decision issued by the Kentucky Court of Appeals. On April 11, 2019, the Kentucky Supreme Court granted discretionary review of the Kentucky Court of Appeals’ ruling in The Stars Group’s favor reversing in its entirety the judgment issued in December 2015 against The Stars Group by the trial court in the previously reported proceeding in Kentucky.

In late-January 2016, pursuant to and in accordance with the procedures set forth in the merger agreement governing the Stars Interactive Group Acquisition, a subsidiary of The Stars Group submitted a notice of claim to the sellers’ representative and escrow agent seeking indemnification for losses and potential losses caused by breaches under the merger agreement and requesting, among other things, that the escrow agent retain the then-remaining balance of the escrow fund established under the merger agreement in an aggregate amount equal to $300 million. Since 2016, the escrow fund was reduced according to the settlement of certain of the claims and on September 30 2019, the parties settled the remaining disputed claim regarding the Kentucky Proceedings and the escrow agent released the remaining funds to a payment agent designated by the former owners of Stars Interactive Group.

AMF Investigation and Related Matters

As announced on December 11, 2014, the Autorité des marchés financiers, the securities regulatory authority in the Province of Quebec (the “AMF”), initiated an investigation on trading activities in The Stars Group’s securities surrounding its announcement of the Stars Interactive Group Acquisition (the “2014 AMF Investigation”). Related to the 2014 AMF Investigation, on March 23, 2016, the AMF charged Mr. David Baazov, along with a former financial advisor to The Stars Group and a former employee of The Stars Group, with various violations of Quebec securities laws, including insider trading, insider tipping and market manipulation. The AMF did not make any allegation of wrongdoing by The Stars Group or any of its subsidiaries or other directors or officers in these charges. On June 6, 2018, the Court of Quebec (criminal and penal division) ordered a permanent stay of these charges. The AMF did not appeal the decision of the Court of Quebec and the period to do so has expired.

On March 23, 2016, the Board also became aware of a decision of the Tribunal administratif des marchés financiers (formerly known as the Bureau de décision et de révision) (the “TMF”), the administrative tribunal in Quebec that hears certain AMF applications, which disclosed additional AMF investigations into the alleged conduct of Mr. Baazov and 12 individuals which are beyond the scope of the charges and of the internal investigation referred to in The Stars Group’s March 23, 2016 and prior press releases and public disclosure. None of these individuals who were targeted by the TMF decision are currently employees, officers or directors of The Stars Group.

Also in connection with the AMF investigation and related matters, in October 2017 The Stars Group became aware of an AMF search of certain third-party premises that occurred in September 2017. To The Stars Group's knowledge, the AMF was also investigating whether Mr. David Baazov and certain third parties entered into a nominee agreement in January 2007 that provided for such third parties to be the beneficial owners of a substantial portion of The Stars Group's common shares that Mr. Baazov previously disclosed he personally owned and whether certain other third parties were trading The Stars Group's securities during a period between 2010 and 2012 for the benefit of Mr. Baazov. The affidavit supporting the September 2017 search asserted that Mr. Baazov, the third parties to the alleged nominee agreement, and The Stars Group committed certain offenses under the Securities Act (Quebec) by not disclosing the existence of such agreement. Prior to learning of the September 2017 search, none of The Stars Group's current executive officers or directors were aware of the existence of the alleged nominee agreement and a copy of such agreement, if it exists, has not been provided to The Stars Group.

On June 6, 2019, the AMF advised The Stars Group that it had closed its investigation and no charges will be laid against The Stars Group or any of its current directors or officers in connection with the previously reported AMF investigation and related matters.

Foreign Payments Matter

As previously disclosed, the Board, with the involvement of external counsel, is undertaking a review of whether the Corporation or any of its subsidiaries or personnel has made improper payments, directly or through external consultants, to governmental officials in certain jurisdictions outside of Canada and the United States.

This review includes reviewing historic and current operations, reviewing the Corporation's use of external consultants in foreign markets, and revising internal policies, controls and procedures relating to its global anti-corruption compliance program. As a result of this review, the Corporation initially voluntarily contacted the Royal Canadian Mounted Police ("RCMP") in Canada and the Department of Justice ("DOJ") and Securities Exchange Commission ("SEC") in the United States in 2016. These authorities are investigating these matters and the Corporation continues to cooperate with them, including, without limitation, by responding to information requests from the RCMP, the DOJ and the SEC, and voluntarily providing records and information to these authorities. This review and cooperation is ongoing.

The Corporation cannot predict at this time the outcome or impact of the government investigations or its own internal review or the costs which may be involved. See "Risk Factors and Uncertainties—The Stars Group is subject to various laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect its operations, reputation, business, prospects, operating results and financial condition".

Quebec Class Action

On or about July 25, 2018, a re-re-amended motion for authorization of a class action and for authorization to bring an action pursuant to Quebec securities law (the "Re-Re-Amended Derome Class Action"), Derome v. The Stars Group Inc. et al. (Case No. 500-06-000785), was filed in the Superior Court of Quebec, Province of Quebec, Canada, District of Montreal, amending a prior class action complaint previously filed in early 2016. The Re-Re-Amended Derome Class Action names The Stars Group, its former Chief Executive Officer, Mr. David Baazov, its former Chief Financial Officer, Mr. Daniel Sebag, certain of The Stars Group's current directors, Mr. Gadhia and Mr. Goodson, and a former director, General Wesley K. Clark, as defendants. It was filed by an individual shareholder on behalf of himself and a class of persons, composed of a sub-class of primary market purchasers and a sub-class of secondary market purchasers, who purchased The Stars Group's securities between March 31, 2014 and March 22, 2016 (the day before the announcement of the filing of charges brought by the AMF against Mr. Baazov).

The plaintiff generally alleged that throughout the class period above, the defendants violated certain Canadian securities laws by misrepresenting or failing to disclose (or acquiescing in the same), among other things, that Mr. Baazov allegedly was engaged in an insider trading scheme which allegedly made possible certain acquisitions of The Stars Group. The plaintiff also alleged that The Stars Group did not properly disclose that it had inadequate or ineffective internal controls, that one or more of its directors and Mr. Baazov were in breach of its Code of Business Conduct and that certain public statements made by The Stars Group in respect of the AMF Investigation were false or misleading.

The Re-Re-Amended Derome Class Action sought damages stemming from losses the plaintiffs claim to have suffered as a result of the foregoing. On November 25, 2019, the parties entered into a settlement agreement with respect to a settlement of the Re-Re-Amended Derome Class Action, which is subject to court approval and will be funded entirely by the Corporation's insurance carriers.

Preferred Shares Matter

In July 2018, prior to the completion of the mandatory conversion of the Preferred Shares (as described above under "Description of Capital Structure-Preferred Shares"), Polar Multi-Strategy Master Fund (and certain affiliated funds) and Verition Canada Master Fund Ltd. applied to the Ontario Superior Court of Justice for a declaration that the mandatory conversion would contravene The Stars Group's articles of continuance. On July 17, 2018, the Superior Court ruled in favor of The Stars Group and dismissed the application. As a result, The Stars Group proceeded with the conversion. The applicants subsequently appealed the Superior Court decision and in the appeal sought, among other relief, rescission of the conversion or potential damages and costs. On September 9, 2019, The Stars Group entered into minutes of settlement with respect to the appeal of the Ontario Superior Court of Justice's prior dismissal of the application, and on September 23, 2019, the Court of Appeal for Ontario entered an order dismissing the appeal with prejudice.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the Corporation's knowledge and other than as set forth herein, there are no material interests, direct or indirect, of directors, executive officers, any shareholder who beneficially owns, directly or indirectly, more than 10% of any class or series of voting securities of the Corporation, or any associate or affiliate of such persons, in any transaction within the last three most recently completed fiscal years or in any proposed transaction which has materially affected or would reasonably be expected to materially affect the Corporation. See also "Directors and Officers—Conflicts of Interest" above.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc. at its offices in Montréal, Québec and Toronto, Ontario and in the United States is Computershare Trust Company, N.A. at its offices in Canton, Massachusetts, Jersey City, New Jersey and Louisville, Kentucky.

MATERIAL CONTRACTS

The following is a list of the Corporation's material contracts required to be listed under applicable Canadian securities laws that the Corporation or the subsidiaries of the Corporation have entered into since January 1, 2019 or prior thereto but which are still in effect:

- the indenture, dated as of July 10, 2018, among Stars Group Holdings B.V., Stars Group (US) Co-Borrower, LLC, the subsidiary guarantors party thereto from time to time and Wilmington Trust, National Association, as trustee, which governs the terms of the Senior Notes;
- the syndicated facility agreement, dated as of July 10, 2018, among Stars Group Holdings Coöperatieve U.A., Stars Group (US) Holdings, LLC, Stars Group Holdings B.V., Stars Group (US) Co-Borrower, LLC, TSG Australia Holdings Pty Ltd, Naris Limited, the lenders party thereto from time to time and Deutsche Bank AG New York Branch, as administrative agent for the lenders and collateral agent for the secured parties, which was entered into in connection with the financing of the SBG Acquisition referred to under "General Development of the Business-2018 Acquisitions-SBG Acquisition";
- the sale and purchase deed agreement dated April 21, 2018 entered into among Cyan Blue JerseyCo Limited, Sky UK Limited, Cyan Blue Manco Limited, Stars Group Holdings (UK) Limited, Stars Group Holdings B.V., Stars Group Holdings Coöperatieve U.A, certain individual sellers and the Corporation, which sale and purchase deed was entered into in connection with the acquisition by The Stars Group and its subsidiaries of SBG, which is referred to under "General Development of the Business—2018 Acquisitions-SBG Acquisition";
- the deed of variation and amendment, dated July 10, 2018, among Sky UK Limited, Sky plc, Sky International AG, Sky Italian Holdings S.P.A., Bonne Terre Limited, Cyan Blue IPCO Limited, TSG Interactive Services Limited and The Stars Group Inc. (the "Deed of Variation and Amendment"), in relation to the Brand License, the Commercial Relationship Agreement and the Advertising Agreement;
- the brand license agreement, dated as of March 19, 2015, entered into among Sky plc, Sky UK Limited, Sky International AG, Sky Italian Holdings S.P.A. and Cyan Blue IPCO Limited, as amended by the Deed of Variation and Amendment, which brand license agreement is referred to under "Business of the Corporation—Relationships with -Sky Sky Brand License Agreement";
- the advertising services agreement, dated as of March 19, 2015, between Sky UK Limited and Bonne Terre Limited, as amended by amendment number one dated as of July 10, 2018 and by the Deed of Variation and Amendment, which advertising services agreement is referred to under "Business of the Corporation—Relationships with -Sky Sky Advertising Agreement";
- the commercial relationship agreement, dated as of March 19, 2015, entered into between Sky UK Limited and Bonne Terre Limited, as amended by amendment number three dated as of July 10, 2018, supplemented by a letter agreement dated as of July 13, 2018, and amended by the Deed of Variation and Amendment, which commercial relationship agreement is referred to under "Business of the Corporation—Relationships with -Sky Sky Commercial Relationship Agreement"; and
- the arrangement agreement, dated October 2, 2019, entered into between the Corporation and Flutter, which is referred to under "General Development of the Business".

Copies of these agreements may be inspected at the Corporation's headquarters located at 200 Bay Street, South Tower, Suite 3205, Toronto, Ontario, M5J 2J3, Canada during normal business hours and on SEDAR at www.sedar.com and Edgar at www.sec.gov.

INTEREST OF EXPERTS

The Corporation's independent external auditor for the years ended December 31, 2019 and 2018 was Deloitte. For the years ended December 31, 2019 and 2018 and throughout the period covered by the financial statements of the Corporation on which Deloitte reported, Deloitte was independent with respect to the Corporation within the applicable rules and regulations adopted by the SEC and the Public Company Accounting Oversight Board (United States) (PCAOB).

ADDITIONAL INFORMATION

Additional information relating to The Stars Group and its business including, without limitation, the 2019 Annual Financial Statements, 2019 Annual MD&A and other filings that The Stars Group has made and may make in the future with applicable securities authorities, may be found on SEDAR at www.sedar.com, Edgar at www.sec.gov and on The Stars Group's website at www.starsgroup.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of The Stars Group securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's management information circular for the most recent annual meeting of shareholders of the Corporation. Additional financial information is provided in the 2019 Annual Financial Statements and the 2019 Annual MD&A.

In addition to press releases, securities filings and public conference calls, if any, and webcasts, The Stars Group intends to use its investor relations page on its website as a means of disclosing material information to its investors and others and for complying with its disclosure obligations under applicable securities laws. Accordingly, investors and others should monitor the website in addition to following The Stars Group's press releases, securities filings and public conference calls, if any, and webcasts. This list may be updated from time to time.

SCHEDULE A

THE STARS GROUP INC.

AUDIT COMMITTEE CHARTER

PURPOSE

1. The Audit Committee (the "**Committee**") is a standing committee appointed by the board of directors (the "**Board**") of The Stars Group Inc. (the "**Company**"). The Committee is established to fulfill applicable public company obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to, among other things as may be delegated by the Board from time to time, oversee:

   (a) the integrity of the Company's financial statements and financial reporting process, including the audit process and the Company's internal controls over financial reporting, disclosure controls and procedures, and compliance with other related legal and regulatory requirements;

   (b) the qualifications and independence of the external auditors;

   (c) the work of the Company's financial management, internal auditors and external auditors;

   (d) enterprise risk management, privacy and data security and to monitor the same; and

   (e) the auditing, accounting and financial reporting process generally.

2. In addition, the Committee shall prepare, if required, an audit committee report for inclusion in the Company's annual management information circular, in accordance with applicable rules and regulations.

3. The function of the Committee is oversight. It is <u>not</u> the duty or responsibility of the Committee or its members to: (a) plan or conduct audits, (b) determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or (c) conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, its Chair and its audit committee financial expert are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

4. Management is responsible for the preparation, presentation and integrity of the Company's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. Management is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls over financial reporting and disclosure controls and procedures. The external auditors are responsible for planning and carrying out an audit of the Company's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

PROCEDURES OF THE COMMITTEE

1. *Number of Members* – The members of the Committee shall be appointed by the Board. The Committee will be composed of not less than three (3) Board members.

2. *Independence* – The Committee shall be constituted at all times of "**independent directors**" who either meet or exceed the independence requirements of the NASDAQ Stock Market LLC ("**NASDAQ**") and who are "independent" within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). The Board will consider all relevant facts and circumstances in making a determination of independence for each director and, as appropriate, impose independence requirements more stringent than those provided for by NASDAQ and/or NI 58-101 to the extent required by Canadian or U.S. securities laws, including rules and policies promulgated by the Securities and Exchange Commission ("**SEC**") and the Toronto Stock Exchange ("**TSX**"). In particular, each member shall be "independent" in accordance with National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") and Rule 10A-3(b) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

3. *Financial Literacy and Other -Related Experience* – Each member shall be able to read and understand fundamental financial statements, in accordance with NASDAQ audit committee requirements, and shall otherwise be "financially literate" within the meaning of other applicable requirements or guidelines for audit committee service under securities laws or the rules of any applicable stock exchange, including NI 52-110. At least one member will have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background, including a current or past position as a principal financial officer or other senior officer with financial oversight responsibilities and will otherwise qualify as an "audit committee financial expert" as defined by applicable rules of the SEC. Further, each member should have reasonably sufficient experience in such other economic, financial, investment or business matters as the Board may deem appropriate.

4. *Appointment and Replacement of Committee Members* – Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders after his or her appointment or until his or her successor shall be duly appointed and qualified.

5. *Committee Chair* **–** Unless a Committee Chair is designated by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee. The Committee Chair shall be responsible for leadership of the Committee assignments and reporting to the Board. If the Committee Chair is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting. The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

6. *Conflicts of Interest* – If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation, indemnification or liability insurance of directors, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not participate in consideration of the matter and shall not vote on the matter.

7. *Meetings* – The Committee shall meet regularly and as often as it deems necessary to perform the duties and discharge its responsibilities described herein in a timely manner, but not less than four (4) times a year and any time the Company proposes to issue a press release with its quarterly or annual earnings information or any other previously undisclosed material financial information of the Company. The Committee Chair will approve the agenda for such meetings and any member may suggest items for consideration. Briefing materials will be provided to the Committee as far in advance of meetings as practicable. The Committee shall maintain written minutes of its meetings, which will be filed with the meeting minutes of the Board.

8. *Separate Executive Meetings* – The Committee shall meet periodically, but no less than quarterly, with the Chief Financial Officer, the head of the internal audit function and the external auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention.

9. *In-Camera Sessions* – The Committee shall hold unscheduled or regular scheduled meetings, or portions of meetings, at which management is not present.

10. *Reliance* – Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on: (a) the integrity of those persons or organizations within and outside the Company from which it receives information, (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations, and (c) representations made by management and the external auditors as to any permissible non-audit services provided by the external auditors to the Company and its subsidiaries.

11. *Self-Evaluation* – The Committee shall conduct a self-evaluation at least annually to determine whether it and its members are functioning effectively, and report its conclusion to the Board.

AUDIT RESPONSIBILITIES OF THE COMMITTEE

Selection and Oversight of the External Auditors

1. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Company and shall report directly to the Committee and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Company to be proposed in the Company's management information circular for shareholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.

2. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purposes of preparing or issuing an audit report or performing other audit, review or attest services of the Company, and each such registered public accounting firm must report directly to the Committee.

3. The Committee will approve policies and procedures for the pre-approval of services to be rendered by the external auditors, which policies and procedures shall include reasonable detail with respect to the services covered. All permissible non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates that are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee shall have the sole discretion regarding the prohibition of the external auditor providing certain non-audit services to the Company and its affiliates. The Committee shall also review and approve disclosures with respect to permissible non-audit services.

4. The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken that the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

    (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

    (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Company and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand and to the extent there are relationships, monitor and investigate them;

    (c) ensure the rotation of the lead (and concurring) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law;

    (d) consider whether there should be a regular rotation of the external audit firm itself; and

    (e) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

5. The Committee shall establish and monitor clear policies for the hiring by the Company of employees or former employees of the external auditors.

6. The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports shall include:

    (a) a description of the external auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, or Public Company Accounting Oversight Board (PCAOB) review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any such issues; and

    (b) a report describing: (i) the proposed audit scope, approach and independence of all critical accounting policies and practices to be used in the annual audit; (ii) all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and (iii) other material written communication between the external auditors and management, such as any management letter or schedule of unadjusted differences.

7. The Committee shall (i) annually review the experience and qualifications of the independent audit team and review the performance of the independent auditors, including assessing their professional skepticism, effectiveness and quality of service, and (ii) every five (5) years perform a comprehensive review of the performance of the independent auditors over multiple years to provide further insight on the audit firm, its independence and application of professional standards.

Appointment and Oversight of Internal Auditors

8. The appointment, terms of engagement, compensation, replacement or dismissal of the internal auditors shall be subject to prior review and approval by the Committee. When the internal audit function is performed by employees of the Company, the Committee may delegate responsibility for approving the employment, term of employment, compensation and termination of employees engaged in such function (other than with respect to the head of the Company's internal audit function).

9. The Committee shall obtain from the internal auditors, and shall review, summaries of the significant reports to management prepared by the internal auditors, or the actual reports if requested by the Committee, and management's responses to such reports.

10. The Committee shall, as it deems necessary or appropriate, communicate with the internal auditors with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that the internal auditor brings to the attention of the Committee. The head of the internal audit function shall have unrestricted access to the Committee.

11. The Committee shall, annually or more frequently as it deems necessary or appropriate, evaluate the internal auditors, including their activities, organizational structure, independence, objectivity, qualifications and effectiveness.

Oversight and Monitoring of Audits

12. The Committee shall review with the external auditors, the internal auditors and management the audit function generally, the objectives, staffing, locations, coordination (reduction of redundant efforts) and effective use of audit resources, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Company and its subsidiaries, the overall audit plans, the responsibilities of management, the internal auditors and the external auditors, the audit procedures to be used and the timing and estimated budgets and staffing of the audits.

13. The Committee shall meet periodically with the internal auditors to discuss the progress of their activities, any significant findings stemming from internal audits, any changes required in the planned scope of their audit plan and any difficulties or disputes that arise with management in the course of their audits, including any restrictions on the scope of their work or access to required information, and the adequacy of management's responses in correcting audit-related deficiencies.

14. The Committee shall review with management the results of internal and external audits.

15. The Committee shall provide an open avenue of communication between the external auditors, the internal auditors, the Board and management and take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

16. The Committee shall, as it deems necessary or appropriate, oversee, review and discuss with management, the external auditors and the internal auditors (together and separately as it deems necessary), among other items and matters:

    (a) the quality, appropriateness and acceptability of the Company's accounting principles, practices and policies used in its financial reporting, its consistency from period to period, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new or unusual transactions or events;

    (b) all significant financial reporting issues, estimations and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by management from an independent auditor with respect to the accounting treatment of a particular item;

(c) any material change to the Company's auditing and accounting principles and practices as recommended by management, the external auditors or the internal auditors or which may result from proposed changes to applicable generally accepted accounting principles;

(d) the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented; and

(e) the effect of regulatory and accounting initiatives on the Company's financial statements and other financial disclosures.

17. The Committee will review and resolve disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls Over Financial Reporting

18. The Committee shall, as it deems necessary or appropriate, exercise oversight of, review and discuss with management, the external auditors and the internal auditors (together and separately, as it deems necessary):

(a) the adequacy and effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures designed to ensure compliance with applicable laws and regulations;

(b) any significant deficiencies or material weaknesses in internal controls over financial reporting or disclosure controls and procedures;

(c) the risk of management's ability to override the Company's internal controls;

(d) any fraud, of any amount or type, that involves management or other employees who have a significant role in the internal controls over financial reporting;

(e) the adequacy of the Company's internal controls and any related significant findings and recommendations of the external auditor and internal auditors together with management's responses thereto; and

(f) management's compliance with the Company's processes, procedures and internal controls.

19. The Committee shall establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Oversight and Monitoring of the Company's Financial Reporting and Disclosures

20. The Committee shall:

(a) review with the external auditors and management and recommend to the Board for approval the audited financial statements and the notes and management's discussion and analysis accompanying such financial statements, the Company's annual report and any financial information of the Company contained in any registration statement, prospectus, information circular or any other disclosure document or regulatory filing of the Company;

(b) review with the external auditors and management and recommend to the Board for approval each set of interim financial statements and the notes and Managements' Discussion and Analysis accompanying such financial statements and any other disclosure documents or regulatory filings of the Company containing or accompanying financial information of the Company; and

(c) review the disclosure regarding the Committee required to be included in any publicly filed or available document by applicable securities laws or regulations or stock exchange rules or requirements.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

21. Prior to their distribution or public disclosure, the Committee shall discuss earnings press releases, as well as financial information and earnings guidance, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made).

22. The Committee shall oversee compliance with the requirements of the SEC and other applicable securities laws or rules for disclosure of auditors' services, engagements and independence of external auditors and audit committee member qualifications and activities.

23. The Committee shall receive and review the financial statements and other financial information of material subsidiaries of the Company and any auditor recommendations concerning such subsidiaries.

24. The Committee shall meet with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

Oversight of Finance Matters

25. The Committee shall:

    (a) review periodically the capital structure of the Company, and, when necessary, recommend to the Board transactions or alterations to the Company's capital structure;

    (b) review and make recommendations to the Board concerning the financial structure, condition and strategy of the Company and its subsidiaries as reported or otherwise presented by management, including with respect to annual budgets, long-term financial plans, corporate borrowings, investments, capital expenditures, long-term commitments and the issuance and/or repurchase of securities;

    (c) review and discuss with management, and ultimately approve and oversee, as applicable, the Company's investment and asset allocation policies and guidelines, as well as reports from management regarding the Company's compliance with any such investment and asset allocation policies and guidelines, including past and expected future performance, both in the context of financial returns (i.e., capital appreciation or preservation) and risk mitigation;

    (d) periodically review matters pertaining to the Company's material policies and practices respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Company;

    (e) periodically review the Company's major financial risk exposures (including foreign exchange and interest rate) as reported or otherwise presented by management and management's initiatives to control such exposures, including the use of financial derivatives and hedging activities;

    (f) review and approve special transactions or expenditures as specifically delegated by the Board to a committee thereof or to one or more Company directors, officers or other employees;

    (g) review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), leases and other relationships of the Company with unconsolidated entities, other persons, or related parties (subject to subsection 33 below), that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;

    (h) review and discuss with management any proposed equity investments, acquisitions and divestitures that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;

    (i) review and discuss policies, procedures and practices with respect to risk identification, assessment and management, including appropriate guidelines and policies to govern the process, as well as the Company's major enterprise risk exposures and the steps management has undertaken to control them;

    (j) review and discuss with management the Company's effective tax rate, adequacy of tax reserves, tax payments and reporting of any pending tax audits or assessments, and material tax policies and tax planning initiatives; and

    (k) review the Company's pension or similar retirement arrangements, management and obligations, as applicable.

Risk Oversight, Privacy and Cybersecurity

26. The Committee shall annually (or as more frequently as the Committee deems necessary or appropriate):

(a) review and discuss with management and as the Committee deems necessary or appropriate, the chairperson or other designated member of the Company's Compliance Committee or such other similar committee, if any (including Board recommendations, as necessary), and monitor the adequacy and effectiveness of: (i) management's program, including policies and guidelines, to identify, assess, manage, and monitor major enterprise risks of the Company, including financial, operational, privacy, security, business continuity, legal and regulatory, and reputational risks, as well as those risks that would threaten the Company's business, current or potential future licenses, future performance, solvency or liquidity; (ii) management's risk management decisions, practices and activities; (iii) reports from management and others, including without limitation, internal audit and the Compliance Committee, regarding compliance with item (i) above; and (iv) the adequacy and appropriateness of management's response to, including the implementation thereof, the matters and findings, if any, in the reports referenced in item (iii) above; and

(b) review, discuss with management and as the Committee deems necessary or appropriate, the chairperson or other designated member of the Company's Technology Committee of the Board, and assess (including Board recommendations, as necessary) the Company's privacy and cybersecurity risk exposures, including, but not limited to: (i) the potential impact of those exposures on the Company's business, operations and reputation; (ii) the steps management has taken to monitor and mitigate such exposures across all functions and Company connections with third parties and the Company's cybersecurity insurance coverage; (iii) the Company's information governance and cybersecurity policies and programs and management's efforts to build a culture of sensitivity to cybersecurity concerns; (iv) security breach incidence reports and incident response protocols, including crisis management and disaster recovery plans; (v) Company disclosures regarding cybersecurity risks; (vi) the Company's cybersecurity strategy, including the allocation of Company resources to management of cybersecurity risks; and (vii) major legislative and regulatory developments that could materially impact the Company's privacy and cybersecurity risk exposure; and

(c) review and discuss with management (including Board recommendations, as necessary) the adequacy of the Company's insurance coverage.

Committee Reporting

27. If required by applicable laws or regulations or stock exchange requirements, the Committee shall prepare, review and approve a report to shareholders and others (the "**Report**"). In the Report, the Committee shall state, among other things, whether it has:

(a) reviewed and discussed the audited financial statements with management, the external auditors and the internal auditors;

(b) received from the external auditors all reports and disclosures required under legal, listing and regulatory requirements and this Charter and have discussed such reports with the external auditors, including reports with respect to the independence of the external auditors; and

(c) based on the reviews and discussions referred to in clauses (a) and (b) above, recommended to the Board that the audited financial statements be included in the Company's annual report.

28. The Committee shall otherwise report regularly to the Board regarding the execution of the Committee's duties, responsibilities and activities, as well as any issues encountered and related recommendations and recommend to the Board that the audited financial statements be included in the Company's applicable annual report.

29. The Committee shall also report to the Board annually regarding the oversight and receipt of certifications from applicable management confirming compliance with certain applicable laws, regulations or rules and certain Company policies and practices, in each case as the Committee deems necessary or appropriate.

Additional Authority and Responsibilities

30. The Committee shall have the authority to engage independent counsel and other advisers, hire and terminate special legal, accounting, financial or other consultants to advise the Committee at the Company's expense, in each case, as it determines necessary or appropriate to carry out its duties and without consulting with, or obtaining prior approval from, any officer of the Company or the Board. The Committee may ask members of management, including, without limitation, the applicable member of management responsible for enterprise risk management, or others, including, without limitation, Company employees or the chairperson or other designated member of the Company's Compliance Committee or any other committee, to attend meetings

or provide information as necessary. The Committee shall also have the authority to ask the Company's independent auditors to attend meetings or provide information as necessary, and the Company's independent auditors will have direct access to the Committee at their own initiative.

31. The Committee shall provide for appropriate funding for payment of: (a) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (b) compensation to any advisers engaged or employed by the Committee under subsection 41 above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

32. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and perform such other functions as assigned by law or the Company's constating documents.

33. The Committee shall review and approve in advance any proposed related-party transactions and required disclosures of such in accordance with applicable securities laws and regulations and consistent with any related-party transaction policy of the Company, to the extent such policy exists, and report to the Board on any approved transactions.

THIS CHARTER

The Committee shall review and reassess annually the adequacy of this Charter as required by applicable laws or by the applicable rules of NASDAQ, the TSX or the SEC. This Charter shall be posted on the Company's website.

DATED January 8, 2020

THE STARS GROUP

Exhibit 99.2

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2019

February 27, 2020

TABLE OF CONTENTS

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Phone: +44 (0)20 7936 3000
Fax: +44 (0)20 7583 0112
www.deloitte.co.uk

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Stars Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of The Stars Group Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of earnings (loss), comprehensive income (loss), changes in equity, and cash flows, for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2020 expressed an adverse opinion on the Company's internal control over financial reporting material weaknesses.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, effective January 1, 2019, the Company adopted IFRS 16, Leases, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill impairment for UK and Australia - Refer to Notes 2, 5 and 11 of the 2019 financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each cash generating unit or group of cash generating units to its carrying value. The Company used discounted cash flow models to estimate recoverable amount, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and EBITDA. Changes in these assumptions could have a significant impact on determination of recoverable amount which could lead to an impairment charge. The consolidated goodwill balance was $5.3 billion as of December 31, 2019, of which $2.4 billion was allocated to the United Kingdom, and $0.1 billion was allocated to Australia. The recoverable amount exceeded the carrying value of the UK and Australia as of the measurement date and, therefore, no impairment was recognized, see note 11 for further detail.

The headroom when comparing the recoverable amount to the carrying value of the assets in the UK and Australia cash generating unit or group of cash generating units is sensitive to forecast revenue and EBITDA and the discount rate. Given the significant judgments made by management to estimate the recoverable amount of the UK and Australia cash generating unit or group of cash generating units, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter is Addressed in the Audit

Our audit procedures related to the discount rate and forecasts of future revenue and EBITDA used by management to estimate the recoverable amount of the UK and Australia cash generating unit or group of cash generating units, and included among others:

- We tested the internal controls over management's goodwill impairment evaluation, including those over the determination of the recoverable amount of the UK and Australia cash generating unit or group of cash generating units, such as controls related to management's selection of the discount rate and forecasts of future revenue and EBITDA.
- We evaluated the reasonableness of management's revenue and EBITDA forecasts by comparing the forecasts to:
  - Forecast information included in the Company's press releases as well as analysts and industry reports.
  - Internal communications to management and the Board of Directors.
  - Historical revenues and EBITDA margins.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rates by developing a range of independent estimates and comparing those to the discount rate selected by management.

Embedded Derivatives - Valuation of Financial instruments using unobservable data - Refer to Notes 2, 19 and 26 to the financial statements

Critical Audit Matter Description

The Company's valuation of the embedded derivatives identified within the senior notes which require bifurcation and valuation uses unobservable inputs being implied credit spreads and volatility. This unobservable input is required in the valuation of the embedded derivative relating to the redemption option on the senior notes. The valuation requires management to use significant judgement and estimation in determining the implied credit spread and volatility inputs. Changes in these inputs could have a significant impact on the valuation. The fair value of the bifurcated embedded derivative at inception was an asset of $17.7m and was re-measured to an asset of $109.9m as at December 31, 2019 ($11.6m asset as at December 31, 2018).

Given the sensitivity of the valuation to changes in the implied credit spread and volatility inputs utilized in its determination, auditing this management estimate and judgement involved significant auditor subjectivity.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included among others:

- We tested the internal controls over management's determination of the unobservable inputs used in the valuation.
- With the assistance of our financial instruments specialists, we evaluated the reasonableness of the implied credit spreads and volatility utilised in the valuation by recalculating the value of the embedded derivatives using independent inputs.

Kentucky Litigation - Contingent Liabilities - Refer to Note 28 to the financial statements

Critical Audit Matter Description

With regards to the $870 million lawsuit filed against the Company by the Commonwealth of Kentucky, the Company has determined that it is not "probable", defined by IFRS as more likely than not to succeed, that the Commonwealth's appeal will be successful. However, the Company has determined that it is possible a settlement could be reached, and as such has concluded there is a contingent liability. This determination involved significant judgement as to the future outcome of the case.

Given the magnitude of the lawsuit filed against the Company and the judgement applied in determining its likelihood of success and the resulting accounting thereof, auditing this management judgement involved significant auditor subjectivity.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included the following, among others:

- We tested the internal controls over the management's determination of the likelihood of the Commonwealth's appeal being "probable" and the resulting accounting for this lawsuit.
- We enquired of internal legal counsel as to the likelihood of the Commonwealth's appeal being "probable".
- We obtained evidence from external counsel as to the likelihood of the Commonwealth's appeal being "probable".
- We considered whether there were any matters that might impair the external counsel's objectivity.

/s/ Deloitte LLP

London, United Kingdom

February 27, 2020

We have served as the Company's auditor since 2015.

Deloitte.

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Phone: +44 (0)20 7936 3000
Fax: +44 (0)20 7583 0112
www.deloitte.co.uk

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of The Stars Group Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Stars Group Inc. and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 27, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s change in accounting principle due to the adoption of IFRS 16, *Leases*.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: i) information technology controls and business process controls at BetEasy; and ii) recording of an arrangement for the provision of pricing services at BetEasy. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2019, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte LLP

London, United Kingdom

February 27, 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

In thousands of U.S. Dollars (except per share and share amounts)	Note	Year Ended December 31, 2019	2018 †*
Revenue	6,7	2,528,448	2,029,238
Cost of revenue (excluding depreciation and amortization)	8	(693,062)	(459,164)
Gross profit (excluding depreciation and amortization)		**1,835,386**	**1,570,074**
General and administrative	8	(1,155,440)	(976,992)
Sales and marketing		(360,662)	(292,963)
Research and development		(55,085)	(39,995)
Operating income		**264,199**	**260,124**
Gain on re-measurement of deferred contingent payment	8	7,371	342
Gain (loss) on re-measurement of Embedded Derivative	8	98,300	(6,100)
Unrealized foreign exchange loss on financial instruments associated with financing activities	8	(11,320)	(7,202)
Other net financing charges	8	(296,885)	(358,126)
Net financing charges		**(202,534)**	**(371,086)**
Net earnings from associates		—	1,068
Earnings (loss) before income taxes		**61,665**	**(109,894)**
Income tax recovery	9	197	988
Net earnings (loss)		**61,862**	**(108,906)**
Net earnings (loss) attributable to			
Shareholders of The Stars Group Inc.		62,822	(102,452)
Non-controlling interest		(960)	(6,454)
Net earnings (loss)		**61,862**	**(108,906)**
Earnings (loss) per Common Share (U.S. dollars)			
Basic	10	$0.22	($0.49)
Diluted	10	$0.22	($0.49)
Weighted average Common Shares outstanding (thousands)			
Basic	10	282,885	208,270
Diluted	10	284,479	208,270

† The Corporation applied IFRS 16, *Leases* (“IFRS 16”) from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* Certain amounts were reclassified in the comparative periods. See note 2.

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of U.S. Dollars	Note	Year Ended December 31, 2019	2018 †
Net earnings (loss)		**61,862**	**(108,906)**
Items that are or may be reclassified to net earnings (loss)			
Debt instruments at FVOCI – changes in fair value *	25	989	(286)
Debt instruments at FVOCI – reclassified to net earnings (loss) *	25	4	(395)
Foreign operations – unrealized foreign currency translation differences **	25	157,347	(95,281)
Cash flow hedges – effective portion of changes in fair value ***	25	14,450	41,201
Cash flow hedges – reclassified to net earnings (loss) ***	25	(34,916)	(45,271)
Other comprehensive income (loss)		137,874	(100,032)
Total comprehensive income (loss)		**199,736**	**(208,938)**
Total comprehensive income (loss) attributable to:			
Shareholders of The Stars Group Inc.		200,724	(200,553)
Non-controlling interest		(988)	(8,385)
Total comprehensive income (loss)		**199,736**	**(208,938)**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* For debt instruments measured at fair value through other comprehensive income (“FVOCI”), the amounts are presented net of aggregate income tax recovery of $0.2 million for the year ended December 31, 2019 (December 31, 2018 - net of income tax recovery of $0.1 million).

** For unrealized foreign currency translation differences in connection with foreign operations, the amounts are presented net of aggregate income tax of $26.1 million for the year ended December 31, 2019 (December 31, 2018 - net of income tax of $nil).

*** For other comprehensive income in relation to cash flow hedges, the amounts are presented net of aggregate income tax of $nil for the year ended December 31, 2019 (December 31, 2018 - net of income tax of $nil).

See accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of U.S. Dollars	Note	As at December 31, 2019	As at December 31, 2018 †
ASSETS			
Current assets			
Cash and cash equivalents – operational		321,008	392,853
Cash and cash equivalents – customer deposits	23	300,916	328,223
Total cash and cash equivalents		621,924	721,076
Restricted cash advances and collateral	15	6,401	10,819
Prepaid expenses and other current assets	16	79,578	43,945
Current investments – customer deposits	13,23	109,017	103,153
Accounts receivable	14	111,215	136,347
Income tax receivable		49,504	26,085
Total current assets		**977,639**	**1,041,425**
Non-current assets			
Restricted cash advances and collateral	15	10,607	10,630
Prepaid expenses and other non-current assets	16	33,482	32,760
Non-current accounts receivable	14	16,765	14,906
Property and equipment	12	139,228	85,169
Income tax receivable		18,556	15,611
Deferred income taxes	9	11,149	1,775
Derivatives	19	169,158	54,583
Intangible assets	11	4,550,222	4,742,699
Goodwill	11	5,348,976	5,265,980
Total non-current assets		**10,298,143**	**10,224,113**
Total assets		**11,275,782**	**11,265,538**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	21	562,731	424,007
Customer deposits	23	409,390	423,739
Current provisions	22	64,928	39,189
Derivatives	19	17,628	16,493
Income tax payable		40,834	72,796
Current portion of lease liability	4	19,633	—
Current portion of long-term debt	17	35,750	35,750
Total current liabilities		**1,150,894**	**1,011,974**
Non-current liabilities			
Lease liability	4	35,691	—
Long-term debt	17	4,895,425	5,411,208
Long-term provisions	22	2,885	4,002
Derivatives	19	95,931	6,068
Other long-term liabilities	21	1,770	79,716
Income tax payable		21,609	18,473
Deferred income taxes	9	552,134	580,697
Total non-current liabilities		**5,605,445**	**6,100,164**
Total liabilities		**6,756,339**	**7,112,138**
EQUITY			
Share capital	24	4,374,150	4,116,287
Reserves	25	(423,283)	(469,629)
Retained earnings		565,583	502,761
Equity attributable to the Shareholders of The Stars Group Inc.		**4,516,450**	**4,149,419**
Non-controlling interest		2,993	3,981
Total equity		**4,519,443**	**4,153,400**
Total liabilities and equity		**11,275,782**	**11,265,538**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

See accompanying notes.

Approved and authorized for issue on behalf of the Board on February 27, 2020.

(Signed) *"Divyesh (Dave) Gadhia"*, Director
Divyesh (Dave) Gadhia,
Executive Chairman of the Board

(Signed) *"David Lazzarato"*, Director
David Lazzarato,
Chairman of the Audit Committee of the Board

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019 and 2018:

	Share capital								
In thousands of U.S. Dollars, except share numbers	**Common Shares number**	**Preferred Shares number**	**Common Shares amount**	**Preferred Shares amount**	**Reserves (note 25)**	**Retained earnings**	**Equity attributable to the Shareholders of The Stars Group Inc.**	**Non-controlling interest**	**Total equity**
Balance – January 1, 2018	**147,947,874**	**1,139,249**	**1,199,834**	**684,385**	**(142,127)**	**605,213**	**2,347,305**	**33**	**2,347,338**
Net loss	—	—	—	—	—	(102,452)	**(102,452)**	(6,454)	**(108,906)**
Other comprehensive loss	—	—	—	—	(98,101)	—	**(98,101)**	(1,931)	**(100,032)**
Total comprehensive loss	—	—	—	—	(98,101)	(102,452)	**(200,553)**	(8,385)	**(208,938)**
Issue of Common Shares in relation to stock options and equity awards (note 24)	1,791,860	—	38,048	—	(6,982)	—	**31,066**	—	**31,066**
Conversion of Preferred Shares to Common Shares (note 24)	60,013,510	(1,139,249)	684,385	(684,385)	—	—	**—**	—	**—**
Issue of Common Shares in connection with acquired subsidiary (note 24)	41,049,398	—	1,477,478	—	—	—	**1,477,478**	—	**1,477,478**
Issuance of Common Shares in connection with Equity Offering (note 24)	18,875,000	—	690,353	—	—	—	**690,353**	—	**690,353**
Issue of Common Shares in connection with market access agreement (note 24)	1,076,658	—	20,661	—	—	—	**20,661**	—	**20,661**
Issue of Common Shares in connection with exercised warrants (note 24)	2,422,944	—	14,688	—	(14,688)	—	**—**	—	**—**
Stock-based compensation	—	—	—	—	12,806	—	**12,806**	—	**12,806**
Reversal of deferred tax on stock-based compensation	—	—	—	—	(359)	—	**(359)**	—	**(359)**
Equity fees	—	—	(5,413)	—	—	—	**(5,413)**	—	**(5,413)**
Reversal of 2014 deferred tax *	—	—	(3,747)	—	—	—	**(3,747)**	—	**(3,747)**
Acquisition of non-controlling interest in subsidiary	—	—	—	—	(220,178)	—	**(220,178)**	12,333	**(207,845)**
Balance – December 31, 2018 †	**273,177,244**	**—**	**4,116,287**	**—**	**(469,629)**	**502,761**	**4,149,419**	**3,981**	**4,153,400**
Balance – January 1, 2019	**273,177,244**	**—**	**4,116,287**	**—**	**(469,629)**	**502,761**	**4,149,419**	**3,981**	**4,153,400**
Net earnings (loss)	—	—	—	—	—	62,822	**62,822**	(960)	**61,862**
Other comprehensive income (loss)	—	—	—	—	137,902	—	**137,902**	(28)	**137,874**
Total comprehensive income (loss)	—	—	—	—	137,902	62,822	**200,724**	(988)	**199,736**
Issue of Common Shares in relation to stock options and equity awards (note 24)	819,525	—	16,702	—	(4,543)	—	**12,159**	—	**12,159**
Stock-based compensation	—	—	—	—	18,842	—	**18,842**	—	**18,842**
Issue of Common Shares to FOX (note 24)	14,352,331	—	235,963	—	—	—	**235,963**	—	**235,963**
Issue of Common Shares in connection with market access agreement (note 24)	215,332	—	5,198	—	—	—	**5,198**	—	**5,198**
Obligation to acquire non-controlling interest	—	—	—	—	(105,855)	—	**(105,855)**	—	**(105,855)**
Balance – December 31, 2019	**288,564,432**	**—**	**4,374,150**	**—**	**(423,283)**	**565,583**	**4,516,450**	**2,993**	**4,519,443**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* During the year ended December 31, 2018, the Corporation made an adjustment of $3.7 million to the amounts recognized in Common Shares (as defined below) within share capital in respect of a previous reversal of deferred tax recognized through the consolidated statements of earnings (loss).

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of U.S. Dollars	Note	As at December 31, 2019	2018 †*
Operating activities			
Net earnings (loss)		61,862	(108,906)
Add (deduct):			
Income tax recovery recognized in net earnings (loss)		(197)	(988)
Net financing charges	8	202,534	371,086
Depreciation and amortization	8	438,626	282,806
Stock-based compensation	25	18,842	12,806
Acquisition of market access rights in connection with Eldorado		—	20,661
Unrealized loss on foreign exchange		5,708	18,134
Unrealized gain on investments and other assets		(971)	(673)
Impairment of intangible and other assets	8	3,931	6,156
Net earnings from associates		—	(1,068)
Realized (gain) loss on current investments and promissory note		(2,520)	2,727
Income taxes paid		(78,267)	(41,117)
Changes in non-cash operating elements of working capital	27	34,073	(9,403)
Customer deposit liability movement		(13,884)	7,637
Other		897	(14)
Net cash inflows from operating activities		**670,634**	**559,844**
Investing activities			
Acquisition of subsidiaries, net of cash acquired	5	(2,460)	(1,865,262)
Additions to intangible assets		(25,288)	(28,202)
Additions to property and equipment		(27,523)	(33,952)
Additions to deferred development costs		(82,751)	(51,574)
Net (purchase) sale of investments utilizing customer deposits		(5,972)	19,515
Cash movement from restricted cash		—	35,000
Settlement of minimum revenue guarantee		(675)	(7,006)
Net investments in associates		—	1,068
Other		4,885	(3,760)
Net cash outflows from investing activities		**(139,784)**	**(1,934,173)**
Financing activities			
Issuance of Common Shares	24	235,963	717,250
Transaction costs on issuance of Common Shares		—	(32,312)
Issuance of Common Shares in relation to stock options	24	12,159	31,066
Redemption of SBG preferred shares		—	(663,407)
Repayment of shareholder loan on acquisition		—	(10,879)
Issuance of long-debt	17	—	5,957,976
Repayment of long-term debt	17	(485,750)	(2,974,393)
Repayment of long-term debt assumed on business combinations		—	(1,079,729)
Transaction costs on long-term debt		—	(36,559)
Settlement of derivatives	19	—	(125,822)
Repayment of lease liability principal		(17,532)	—
Interest paid		(279,284)	(186,162)
Acquisition of further interest in subsidiaries including deferred contingent payment		(68,394)	(48,240)
Capital contribution from the holders of non-controlling interest	17	—	12,060
Net (repayment) proceeds on loan issued from the holders of non-controlling interest	17	(34,047)	31,730
Net cash (outflows) inflows from financing activities		**(636,885)**	**1,592,579**
(Decrease) increase in cash and cash equivalents		(106,035)	218,250
Unrealized foreign exchange difference on cash and cash equivalents		6,883	(7,497)
Cash and cash equivalents – beginning of period		721,076	510,323
Cash and cash equivalents – end of period		**621,924**	**721,076**

† The Corporation applied IFRS 16 from January 1, 2019. Consistent with the transition method chosen by the Corporation, comparative information has not been restated. See note 4.

* Certain amounts were reclassified in the comparative periods. See note 2.

See accompanying notes.

1. NATURE OF BUSINESS

The Stars Group Inc. ("The Stars Group" or the "Corporation") 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. The Stars Group 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*. The Stars Group 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 Stars Group's primary business and main source of revenue is its online gaming businesses. These currently consist of the operations of Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "Stars Interactive Group"), which it acquired in August 2014, the operations of Cyan Blue Topco Limited and its subsidiaries and affiliates (collectively, "Sky Betting & Gaming" or "SBG"), which it acquired in July 2018 (the "SBG Acquisition"), and the operations of TSG Australia Pty Ltd and its subsidiaries and affiliates (collectively, "BetEasy"), in which it acquired an 80% equity interest in between February 2018 and April 2018, and announced in December 2019 that it has agreed to acquire the remaining 20% equity interest (BetEasy acquired what was formally the William Hill Australia business in April 2018) (collectively, the "Australian Acquisitions"). Stars Interactive Group is headquartered in the Isle of Man and Malta and operates globally; SBG is headquartered in and primarily operates in the United Kingdom; and BetEasy is headquartered in and primarily operates in Australia.

For the year ended December 31, 2019, The Stars Group had three reportable segments, the international business ("International"), the United Kingdom business ("United Kingdom") and the Australian business ("Australia"), each as described below, as well as a corporate cost center ("Corporate"). There are up to four major lines of operations within the Corporation's reportable segments, as applicable: real-money online poker ("Poker"), real-money online betting ("Betting"), real-money online casino gaming and bingo (collectively, "Gaming"), and other gaming-related revenue, including, without limitation, from social and play-money gaming, live poker events, branded poker rooms, Oddschecker and other nominal sources of revenue (collectively, "Other"). As it relates to these lines of operations, online revenue includes revenue generated through the Corporation's online, mobile and desktop client platforms and applications, as applicable.

The International segment currently includes the business operations of Stars Interactive Group and FOX Bet and its related brands, and operates across all lines of operations and in various jurisdictions around the world, including the United Kingdom; the United Kingdom segment currently consists of the business operations of Sky Betting & Gaming, including those outside of the United Kingdom, and operates across all lines of operations primarily in the United Kingdom; and the Australia segment currently consists of the business operations of BetEasy, and operates primarily within the Betting line of operation and primarily in Australia.

The Stars Group was incorporated on January 30, 2004 under the Companies Act (Quebec) and continued under the Business Corporations Act (Ontario) ("OBCA") on August 1, 2017. The registered head office is located at 200 Bay Street, South Tower, Suite 3205, Toronto, Ontario, Canada, M5J 2J3 and its common shares ("Common Shares") are listed on the Toronto Stock Exchange (the "TSX") under the symbol "TSGI", and the Nasdaq Global Select Market ("Nasdaq") under the symbol "TSG".

On October 2, 2019, the Corporation and Flutter Entertainment Plc ("Flutter") entered into an arrangement agreement providing for an all-share combination (the "Combination") recommended by its board of directors (the "Board") to be implemented through an acquisition of The Stars Group by Flutter pursuant to a plan of arrangement under the OBCA. See note 31 for additional information.

For reporting purposes, the Corporation prepares its consolidated financial statements in U.S. dollars. Unless otherwise indicated, all dollar ("$") amounts and references to "USD" or "USD $" in these consolidated financial statements are expressed in U.S. dollars. References to ''EUR'' or "€" are to European Euros, references to ''CDN'' or "CDN $" are to Canadian dollars, references to "GBP" or "£" are to British Pound Sterling and references to "AUD" or "AUD $" are to Australian dollars. Unless otherwise indicated, all references to a specific "note" refer to these notes to the consolidated financial statements of the Corporation for the year ended December 31, 2019. References to "IFRS" and "IASB" are to International Financial Reporting Standards and the International Accounting Standards Board, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Corporation's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB and have been approved and authorized for issuance by the Board on February 27, 2020.

The Corporation's consolidated financial statements have been prepared on an historical cost basis, except derivative financial instruments, financial instruments at fair value through profit or loss as well as financial instruments at fair value through other comprehensive income, each of which are measured at fair value.

On January 1, 2019, the Corporation adopted the provisions in IFRS 16 and International Financial Reporting Interpretations Committee ("IFRIC") 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). See note 4. Changes to significant accounting policies in relation to these adoptions are detailed below.

Comparative balances

The Corporation made certain reclassifications to the comparative balances in the consolidated financial statements for the year ended December 31, 2019. These reclassifications are outlined below:

Consolidated Statements of Earnings (Loss)

The Corporation reclassified a loss of $7.2 million for the year ended December 31, 2018 related to the foreign currency translation of financial instruments with respect to financing activities, primarily intercompany loans. The loss was previously reported within General and administrative expenses and was reclassified to Net financing charges relating to unrealized foreign exchange loss on financial instruments associated with financing activities.

Consolidated Statements of Cash Flows

The Corporation reclassified a loss of $7.2 million for the year ended December 31, 2018, as described above, which was previously reported within Unrealized loss on foreign exchange to Net financing charges relating to unrealized foreign exchange loss on financial instruments associated with financing activities.

Segmental Information

Certain Corporate cost adjustments, which the Corporation first introduced in the first quarter of 2019, resulted in the reclassification of certain costs between each of the International segment, United Kingdom segment, and Australia segment on the one hand and the Corporate cost center on the other, which impacted Adjusted EBITDA (as defined below) for the applicable comparative periods:

- Reclassification of $2.5 million for the year ended December 31, 2018, resulting in an increase to Adjusted EBITDA for the International segment and a corresponding decrease of the same amount to Adjusted EBITDA for the Corporate cost center.
- Reclassification of $2.1 million for the year ended December 31, 2018, resulting in an increase to Adjusted EBITDA for the United Kingdom segment and a corresponding decrease of the same amount to Adjusted EBITDA for the Corporate cost center.
- Reclassification of $0.5 million for the year ended December 31, 2018, resulting in an increase to Adjusted EBITDA for the Australia segment and a corresponding decrease of the same amount to Adjusted EBITDA for the Corporate cost center.

Within the reconciliation of Adjusted EBITDA to Net Earnings, there was a reclassification of $7.2 million for the year ended December 31, 2018 previously reported within the financial expenses line of other costs to net financing charges with respect to the foreign currency translation of financial instruments related to financing activities as described above.

Going Concern

The Board had, at the time of approving the consolidated financial statements, a reasonable expectation that the Corporation has adequate resources to continue in operational existence for the foreseeable future. As such, the Corporation continues to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Principles of Consolidation

A subsidiary is an entity controlled by the Corporation. As such, the Corporation is exposed, or has rights, to variable returns from its involvement with such entity and has the ability to affect those returns through its current ability to direct such entity's relevant activities (i.e., control over the entity).

The existence and effect of substantive voting rights that the Corporation potentially has the practical ability to exercise (i.e., substantive rights) are considered when assessing whether the Corporation controls another entity.

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Upon consolidation, management eliminated all inter-entity transactions and balances.

Non-controlling interests in subsidiaries are identified separately from the Corporation's equity therein. Those non-controlling interests that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. "Total comprehensive income" is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon the loss of control of a subsidiary, the Corporation's profit or loss on disposal is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the Corporation's services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those services. The Corporation has concluded that it is the principal in its revenue arrangements because it controls the services before transferring them to the customer.

The Corporation has disclosed disaggregated revenue recognized from customers and revenue from other online activities in note 7.

The Company evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the Corporation expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that the Corporation concludes are not distinct are combined together into a single combined performance obligation. Revenue is recognized at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

The Company's principal arrangements include the following sources of revenue:

Revenue from customers within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Poker revenue

Poker revenue represents primarily the commission charged at the conclusion of each poker hand in cash games (i.e., rake) and entry fees for participation in poker tournaments, and is net of certain promotional expenses, which are treated as a reduction to the transaction price. In poker tournaments, entry fee revenue is recognized when the tournament has concluded.

Gaming revenue

Gaming revenue primarily represents the difference between the amounts of bets placed by customers less amounts won (i.e., net house win) and is presented net of certain promotional expenses, which are treated as a reduction to the transaction price. Gaming transactions are instantaneously settled and revenue is recognized at a point in time.

Poker and Gaming each consist of a single revenue performance obligation, notwithstanding the impact of customer loyalty programs as noted below. Revenue is recognized at a point in time upon completion of the performance obligation as noted above. Poker and Gaming are each presented as revenue gross of applicable gaming duties, which are presented within cost of revenue.

Conversion margins

Revenue from conversion margins is the revenue earned on the processing of real-money deposits and cash outs in specified currencies. Revenue from customer cross-currency deposits and withdrawals is recognized when the transaction is complete at a point in time. Revenue is recognized with reference to the underlying arrangement and agreement with the players and represents a single performance obligation and is recorded within the applicable line of operations.

Other revenue from customers

Play-money gaming revenue - Customers can participate in online poker tournaments and social casino games using play-money, or virtual currency. Customers can purchase additional play-money chips online to participate in the poker tournaments and social casino games. The revenue is recognized at a point in time when the customer has purchased such chips as control has been transferred to the customer and no further performance obligations exist. Once a customer has purchased such chips they are non-refundable and non-cancellable.

Other - The Corporation sponsors certain live poker tours and events, uses its industry expertise to provide consultancy and support services to the casinos that operate the events, and has marketing arrangements for branded poker rooms at various locations around the world. The Corporation also provides customers with access to odds comparisons, tips and other information to assist with betting, and provides other media and advertising services, and limited content development services with revenue generated by way of affiliate commissions, revenue share arrangements and advertising income as applicable. Revenue is recognized upon satisfying the applicable performance obligations, at a point in time or over time as applicable.

Revenue from customers out of the scope of IFRS 15

Betting revenue

The Corporation's income generated from Betting product offerings does not fall within the scope of IFRS 15. Income generated from these online transactions is disclosed as revenue although these transactions are accounted for as derivative instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") where the income meets the definition of gains or losses, as applicable.

Betting revenue primarily represents the difference between the amounts of bets placed by customers less amounts won (i.e., net house win). Open betting positions are carried at fair value, and gains and losses arising on these positions are recognized in revenue.
Betting is presented as revenue gross of applicable gaming duties, which are presented within cost of revenue.

Customer loyalty programs

The Corporation operates loyalty programs for its customers within each of its reporting segments that reward customers based on a number of factors, including volume of play, player impact on the overall ecosystem, whether the player is a net withdrawing or net depositing player, and product and game selection. For customer loyalty programs operated by the Corporation, applicable revenue received for which loyalty rights earned by our customers are recorded as a contract liability based on the rewards' allocated amount and are subsequently recognized as revenue in a future period when the rewards are redeemed. Customer loyalty rewards are included in accounts payable and other liabilities on the consolidated statements of financial position.

The estimated selling price of loyalty rewards is determined using an equivalent cash cost approach, which uses historical data of award redemption patterns considering the alternative goods or services for which the rewards can be redeemed. The estimated selling price of rewards is adjusted for an estimate of rewards that will not be redeemed based on historical redemption patterns. Historically non-redeemed loyalty rewards have not been significant.

Other sources of revenue

Income from player funds

A portion of customer deposits is held as current investments. Income generated from current investments and dormant accounts does not fall within the scope of IFRS 15. Income generated from investments is disclosed as revenue despite being accounted for in accordance with IFRS 9 where it meets the definition of gains or losses, as applicable.

Income (loss) from dormant accounts

When a customer deposit account becomes dormant in accordance with Corporation's terms and conditions, the deposit is removed from customer liabilities and recorded within accounts payable and other liabilities. Income is generated from dormant accounts that are not expected to be re-activated based on historical information and re-activation rates. Losses are recorded on dormant accounts that are re-activated. Income (loss) generated from dormant accounts is disclosed as revenue despite being accounted for in accordance with IFRS 9 where it meets the definition of gains or losses, as applicable.

Cost of Revenue

Cost of revenue includes direct costs associated with revenue generating activities. Such direct costs include gaming duty, processor costs and royalties. Cost of revenue does not include depreciation and amortization.

Financial Instruments

As permitted by IFRS 9, the Corporation continues to apply the hedge accounting requirements of International Accounting Standard ("IAS") 39, *Financial Instruments* ("IAS 39") rather than the new requirements of IFRS 9 and will comply with the annual hedge accounting disclosures as required by IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7").

Financial Assets

Recognition and Measurement

At initial recognition, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not measured at FVTPL (as defined below), transaction costs that are directly attributable to the acquisition of the financial asset. The Corporation classifies financial assets into one of the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss ("FVTPL");
- Those to be measured subsequently through other comprehensive income ("FVOCI"); or
- Those to be measured at amortized cost.

The classification depends on the Corporation's business model for managing the financial assets and the contractual terms of the cash flows. Except in very limited circumstances, the classification may not be changed subsequent to initial recognition. The Corporation only reclassifies debt instruments when its business model for managing those assets changes.

Debt instruments

Subsequent measurement of debt instruments depends on the Corporation's business model for managing the asset and the cash flow characteristics of that asset. There are three measurement categories into which the Corporation classifies its debt instruments:

- Amortized cost: debt instruments are measured at amortized cost if they are held within a business model with the objective of collecting the contractual cash flows and those cash flows solely represent payments of principal and interest. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the debt instrument is derecognized or impaired. Interest income from these debt instruments is recognized using the effective interest rate method. Cash, restricted cash and accounts receivable are classified as amortized cost.

- FVOCI: debt instruments are measured at FVOCI if they are held within a business model with the objective of either collecting the contractual cash flows or of selling the debt instrument, and those cash flows solely represent payments of principal and interest. Movements in the carrying amount are recorded in other comprehensive income, with impairment gains or losses, interest income and foreign exchange gains or losses recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Bonds recorded within current investments are classified as FVOCI.

- FVTPL: debt instruments that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the consolidated statements of earnings (loss). The Corporation does not currently hold any financial assets at FVTPL.

Equity instruments

The Corporation subsequently measures all equity instruments at fair value, except for equity instruments for which equity method accounting is applied. The classification of equity instruments depends on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI. There are two measurement categories into which the Corporation classifies its equity instruments:

- FVOCI: equity instruments are classified as FVOCI on an instrument-by-instrument basis when the conditions are met based on the nature of the instrument. Where the Corporation's management makes an irrevocable election to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss upon the derecognition of those instruments. Dividends from such instruments continue to be recognized in profit or loss when the Corporation's right to receive payment is established. The Corporation does not currently hold any equity instruments classified as FVOCI.

- FVTPL: equity instruments are classified as FVTPL if they are held for trading (they are acquired for the purpose of selling or repurchasing in the near term) or equity investments which the Corporation had not irrevocably elected to classify at FVOCI. Changes in the fair value of financial assets at FVTPL are recognized in the consolidated statements of earnings (loss). Equity in unquoted companies is classified as FVTPL.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision recorded in respect of debt instruments carried at amortized cost and FVOCI is determined at 12-months expected credit losses on the basis that the Corporation considers these instruments as low risk.

The Corporation applies the simplified approach permitted by IFRS 9 for trade receivables and other financial assets held at amortized cost, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The forward-looking element in determining impairment for financial assets is derived from comparison of current and projected macroeconomic indicators covering primary markets in which the Corporation operates.

Financial Liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as either financial liabilities at FVTPL or other financial liabilities.

- FVTPL: Financial liabilities are classified as FVTPL if they are held for trading or are designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or the financial liability is managed and its performance is evaluated on a fair value basis. Any gains or losses arising on re-measurement are recognized in the consolidated statements of earnings (loss). Derivative instruments and certain other level 3 liabilities (see note 26) are classified as FVTPL.

- Other financial liabilities: Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability (or a shorter period where appropriate) to the net carrying amount on initial recognition. Long-term debt is classified within other financial liabilities and is measured at amortized cost.

Debt modifications

The Corporation may pursue amendments to its credit agreements based on, among other things, prevailing market conditions. Such amendments, when completed, are considered by the Corporation to be debt modifications. For debt repayable at par with nominal break costs, the Corporation elected to account for such debt modifications as equivalent to repayment at no cost of the original financial instrument and an origination of a new debt at market conditions. Resetting the debt to market conditions with the same lender has the same economic substance as extinguishing the original financial instrument and originating new debt with a third-party lender at market conditions. The transaction is accounted for as an extinguishment of the original debt instrument, which is derecognized and replaced by the amended debt instrument, with any unamortized costs or fees incurred on the original debt instrument recognized as part of the gain or loss on extinguishment.

For all other debt, the accounting treatment of debt modifications depends upon whether the modified terms are substantially different than the previous terms. The terms of an amended debt agreement are considered substantially different when either: (i) the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate, are at least ten percent different from the discounted present value of the remaining cash flows of the original debt or (ii) management determines that other changes to the terms of the amended agreement, such as a change in the environment in which a floating interest rate is determined, are substantially different. If the modification is considered to be substantially different, the transaction is accounted for as an extinguishment of the original debt instrument, which is derecognized and replaced by the amended debt instrument, with any unamortized costs or fees incurred on the original debt instrument recognized as part of the gain or loss on extinguishment. If the modification is not considered to be substantially different, an adjustment to the carrying amount of the original debt instrument is recorded, which is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate with the difference recognized in net financing charges on the consolidated statements of earnings (loss).

Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities that are classified as FVTPL) are added to or deducted from, as applicable, the fair value of the financial instrument on initial recognition. These costs are expensed to financial expenses on the consolidated statements of earnings (loss) over the term of the related interest bearing financial asset or financial liability using the effective interest method. When a debt facility is retired by the Corporation, any remaining balance of related debt transaction costs is expensed to financial expenses in the period that the debt facility is retired. Transaction costs related to financial instruments at FVTPL are expensed when incurred.

Obligations of the Corporation to acquire its own shares or shares of a partially owned subsidiary

Where a contract contains an obligation of the Corporation to purchase its own equity instruments for cash or another financial asset, a financial liability for the present value of the redemption amount is recorded even if the contract itself is an equity instrument. Where a contract contains an obligation of the Corporation to purchase shares of a partially owned subsidiary, a financial liability for the present value of the redemption amount is recorded except where the contract can be settled by delivering a variable number of the Corporation's own equity instruments. In such circumstances, a derivative instrument is recognized.

Changes in the measurement of the financial liability due to the unwinding of the discount or changes in the amount that the Corporation could be required to pay are recognized in net financing charges on the consolidated statements of earnings (loss). Where a derivative is recognized, changes in fair value are recognized in net financing charges on the consolidated statements of earnings (loss)

Derivatives

As permitted by IFRS 9, the Corporation continues to apply the hedge accounting requirements of IAS 39 rather than the new requirements of IFRS 9 and will comply with the annual hedge accounting disclosures as required by IFRS 7.

The Corporation uses derivative instruments for risk management purposes and does not use derivative instruments for speculative trading purposes (except for derivatives with respect to the Corporation's Betting line of operations, which are transactions within the scope of IFRS 9 but reported as revenue as discussed above). All derivatives are recorded at fair value in the consolidated statements of financial position. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated as hedging instruments, the re-measurement of those derivatives each period is recognized in the consolidated statements of earnings (loss).

Derivatives may be embedded in other financial liabilities and non-financial instruments (i.e., the host instrument). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined instrument (i.e., the embedded derivative plus the host instrument) is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in the consolidated statements of earnings (loss).

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately under IFRS 9. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Hedge accounting

The Corporation designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Corporation formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

Cash flow hedges

The Corporation uses derivatives for cash flow hedges. The effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income and accumulated in the cash flow hedging reserve, while the ineffective portion is recognized immediately in the consolidated statements of earnings (loss). Gains and losses on cash flow hedges accumulated in other comprehensive income (loss) are reclassified to the consolidated statements of earnings (loss) in the same period the hedged item affects the consolidated statements of earnings (loss). If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the consolidated statements of earnings (loss).

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging item relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading cumulative translation adjustments reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of earnings (loss). Gains and losses accumulated in other comprehensive income are reclassified to the consolidated statements of earnings (loss) when the foreign operation is partially disposed of or sold.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the applicable measurement date. When measuring the fair value of an asset or a liability, the Corporation uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Corporation using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by the use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the Corporation’s specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

For the Corporation’s financial instruments that are recognized in the consolidated statements of financial position at fair value, the fair value measurements are categorized based on the lowest level input that is significant to the fair value measurement in its entirety and the degree to which the inputs are observable. The significance levels are classified as follows in the fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Transfers between levels of the fair value hierarchy are recognized by the Corporation at the end of the reporting period during which the transfer occurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other short-term highly liquid investments with maturities of three months or less, which are generally used by the Corporation to meet short-term liquidity requirements.

Leases

The Corporation adopted IFRS 16 effective January 1, 2019. See note 4. In preparation for the first-time application of IFRS 16, the Corporation carried out an implementation project, which has shown that the new definition in IFRS 16 did not significantly change the scope of the Corporation’s contracts that meet the definition of a lease.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease requirements and adding a requirement to recognize a right-of-use asset and a lease liability at the commencement of all leases except short-term leases and leases of low-value assets for which the election to recognize a lease expense on a straight-line basis has been applied. The requirements for lessor accounting have remained substantially unchanged. The Corporation applied IFRS 16 using the modified retrospective approach, with right-of-use assets being measured at an amount equal to the lease liability, adjusted for any amount of applicable prepaid or accrued lease payments recognized on the statement of financial position as at December 31, 2018. As a result, there was no restatement of the comparative period. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for applicable consideration.

The Corporation applied the following transitional-related elections available upon transition to IFRS 16:

- Hindsight in the determination of right-of-use assets and lease liabilities on transition;

- Reliance on the assessment of whether leases are onerous by applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- Exclusion of initial direct costs from the measurement of right-of-use assets on transition; and
- No recognition of right-of-use assets and lease liabilities for leases expiring within 12 months of adoption of IFRS 16.

The Corporation as a Lessee

The Corporation assesses whether a contract is or contains a lease at the inception of the applicable contract. IFRS 16 changes how the Corporation accounts for leases that it otherwise would have previously classified as operating leases under IAS 17, *Leases* ("IAS 17"). Under IFRS 16, for all leases except as noted above, the Corporation:

a) Recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss as part of general and administrative expense and other interest expense within net financing charges, respectively; and
c) Separates the total amount of cash payments in relation to lease liabilities into a principal portion and interest (each presented within financing activities) in the consolidated statement of cash flows.

Lease incentives are recognized as part of the measurement of right-of-use assets and as part of lease liabilities, except if received prior to lease commencement, while under IAS 17 they resulted in the recognition of a lease incentive liability and were amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* ("IAS 36"), which replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, such as personal computers and office furniture, the Corporation has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate at the lease commencement date. The Corporation subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease includes an option to terminate the lease.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease, and any initial costs. They are then subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers such payments occurs.

As a practical expedient, IFRS 16 permits a lessee to account for any lease and associated non-lease components as a single arrangement instead of separating the non-lease components. The Corporation has applied this practical expedient.

The Corporation as a Lessor

The Corporation does not currently have any material contracts where the Corporation acts as a lessor.

Leases prior to January 1, 2019 under IAS 17

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Corporation assessed all its leases to be operating leases.

The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Corporation as lessee

Rents payable under operating leases are recognized as an expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of any such incentive is recognized as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of amounts paid in advance or deposits made for which the Corporation will receive goods or services.

Property and Equipment

Property and equipment that have finite lives are recorded at cost less accumulated depreciation and impairment losses. Depreciation is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Furniture and fixtures	Straight-line	4-10 years
Computer equipment	Straight-line	2-5 years
Building	Straight-line	25 years
Right of use assets	Straight-line	1-10 years (Shorter of term of lease and useful life of the asset)

Intangible Assets

Intangible assets that have finite lives are recorded at cost less accumulated amortization and impairment losses. Amortization is expensed from the month the particular asset is available for use, over the estimated useful life of such asset at the following rates, which in each case are intended to reduce the carrying value of the asset to the estimated residual value:

Software technology (including deferred development costs)	Straight-line	4-5 years
Software technology (Defensive intangible asset)	Straight-line	2 years
Customer relationships	Straight-line	15 years
Brands (licensed)	Straight-line	22 years
Brands	N/A	Indefinite useful life
Other intangibles	Straight-line	3-25 years

The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the consolidated statements of financial position and any gain or loss is reflected in the consolidated statements of earnings (loss). Expenditures for repairs and maintenance are expensed as incurred.

The Corporation determined that its owned brands have indefinite useful lives as they have no foreseeable limit to the period over which such assets are expected to contribute to the Corporation's cash flows. In addition, the Corporation expects to continue to support its brands with ongoing marketing efforts.

The Corporation tests its owned brands for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that the cash-generating units ("CGUs") to which such brands relate might be impaired.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually, or more frequently if circumstances such as significant declines in expected sales, net earnings or cash flows indicate that that the CGUs or group of CGUs to which goodwill is allocated might be impaired. The Corporation monitors and tests goodwill for impairment at the operating segment level.

Research and Development

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs, which have probable future economic benefits, can be clearly defined and measured, and are incurred for the development of new products or technologies, are capitalized. These development costs, net of related research and development investment tax credits, are not amortized until the products or technologies are commercialized or when the asset is available for use, at which time they are amortized over the estimated life of the commercial production of such products or technologies.

The amortization method and the life of the commercial production are assessed annually and the assets are tested for impairment whenever an indication exists that an asset might be impaired.

The Corporation claims research and development investment tax credits as a result of incurring scientific research and experimental development expenditures. Research and development investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits are accounted for by the cost reduction method whereby the amounts of tax credits are applied as a reduction of the expense or deferred development costs.

Investments

Investments are stated at the lower of cost and fair market value. Cost is determined on a weighted average basis at a consolidated level.

Investments in Associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not the control or joint control over those policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Corporation's share of the net fair value of the identifiable assets and liabilities of the associate is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statements of earnings (loss) in the period in which the investment is acquired.

The requirements of IAS 36, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Corporation's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Impairment of Non-Current Assets

Management assesses, at the end of the reporting period, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's or CGU's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations, which are prepared for the Corporation's assets or CGU to which such assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. A long-term growth rate is calculated and applied to project future cash flows after the final year included in the forecast.

Impairment losses of continuing operations are recognized in the consolidated statements of earnings (loss) in expense categories consistent with the function of the impaired asset. An impairment loss recognized for goodwill may not be reversed. At the end of the reporting period, the Corporation assesses if there is an indication that impairment losses recognized in previous periods for other assets have decreased or no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax expense represents the sum of current and deferred taxes. Current and deferred taxes are recognized in the consolidated statements of earnings (loss), except to the extent they relate to items recognized in the consolidated statements of comprehensive income (loss) or directly in the consolidated statements of changes in equity.

Current tax

Current tax payable is based on taxable income for the year. Taxable income differs from earnings as reported in the consolidated statements of earnings (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the particular reporting period.

The Corporation adopted IFRIC 23 effective January 1, 2019. See note 4. Where uncertain tax treatments exist, the Corporation assesses whether it is probable that a tax authority will accept the uncertain tax treatment applied or proposed to be applied in its income tax filings. The Corporation assesses for each uncertain tax treatment whether it should be considered independently or whether some tax treatments should be considered together based on what the Corporation believes provides a better prediction of the resolution of the uncertainty. The Corporation considers whether it is probable that the relevant authority will accept each uncertain tax treatment, or group of uncertain tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption of the interpretation did not have a material impact on the consolidated financial statements.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Corporation's consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized, or where the legislation grants the ability for the deferred tax asset to be recognized against existing taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting earnings.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments and interests in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future, or where the legislation permits, the reversal of existing taxable temporary differences is sufficient to support the realization of the deferred tax asset.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of any such asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, in each case based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the particular reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted. Current and deferred tax are recognized in the consolidated statements of earnings (loss), except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

IFRS 2, *Share-based Payment* ("IFRS 2")

The Corporation maintains an equity-based long-term incentive award program to align interests of its management team with those of its shareholders ("Shareholders") by focusing the management team on long-term objectives over a multi-year period, with the value of the award fluctuating based on stock price appreciation. The Corporation has two equity-based award plans and accounts for grants under these plans in accordance with the fair value-based method of accounting for stock-based compensation for the applicable period. The Corporation currently makes its equity grants under its Equity Incentive Plan dated June 22, 2015, as amended from time to time (the "2015 Equity Incentive Plan"), which provides for grants of stock options ("Options"), restricted share units ("RSU"), deferred share units ("DSU"), performance share units ("PSU"), and other Common Share-based awards as the Board may determine. Prior to the Corporation's 2015 annual shareholder meeting (the "2015 Annual Meeting"), equity-based awards were granted solely under the Corporation's 2010 stock option plan, as amended from time to time (the "2010 Stock Option Plan" and together with the 2015 Equity Incentive Plan, the "Plans") and consisted only of Options. The Corporation no longer grants Options under the 2010 Stock Option Plan, but it remains in effect only to govern the terms of outstanding Options granted prior to the initial adoption of the 2015 Equity Incentive Plan.

The Corporation's current long-term incentive program for its management team includes a regular grant program that is comprised of PSUs and RSUs. The RSUs are subject to service vesting conditions and the PSUs are subject to service, market and non-market vesting conditions. The Corporation also offers DSUs and RSUs for members of its Board.

Non-employee equity-settled share-based payments are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably. If the fair value cannot be measured reliably, non-employee equity-settled share-based payments are measured at the fair value of the equity instrument granted as measured at the date the entity obtains the goods or the counterparty renders the service. Stock-based compensation expense is recognized over the contract life of the options or the option settlement date, whichever is earlier.

For share-based payment transactions that may be settled in cash on the occurrence of a contingent event which is in the control of neither the Corporation nor the counterparty to the payment ("contingently cash-settled share-based payments"), the Corporation applies the "probable" approach. Under this approach, the share-based payment is classified as either cash-settled or equity-settled in its entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense updated to reflect the appropriate charge for the method of settlement now considered probable.

Stock Options

Compensation expense for equity-settled stock options awarded to participants under the Plans is measured at the fair value at the grant date using the Black-Scholes-Merton valuation model and is recognized using the graded vesting method over the vesting period of the options granted. Stock-based compensation expense recognized is adjusted to reflect the number of options that have been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the recognized expense corresponds to the options that have vested. Stock-based compensation expense is recorded in the equity reserve when the expense is recognized in the consolidated statements of earnings (loss). When options are exercised, any consideration received from participants as well as the related compensation cost recorded within the equity reserve are credited to share capital.

Restricted Share Units

An RSU is a unit equivalent in value to a Common Share that entitles the holder to receive Common Shares after a specified vesting period determined by the Plan Administrator of the 2015 Equity Incentive Plan (the "Plan Administrator"), in its sole discretion. Upon settlement, holders will receive one fully paid Common Share in respect of each vested RSU. Generally, the RSUs vest in equal annual installments over a three or four-year period (graded vesting method), and subject to continued employment through each vesting date.

Performance Share Units

A PSU is a unit equivalent in value to a Common Share that entitles the holder to receive Common Shares based on the achievement of performance goals established by the Plan Administrator, including in consultation with management, over a performance period. Generally, the PSUs vest on the third anniversary of the date of the grant (cliff vesting), and based on a weighted mix of revenue and Adjusted EBITDA targets of the Corporation for the applicable three-year performance period as well as the individual remaining employed by, or continuing to provide services to, the Corporation. The grantee is eligible for additional PSUs (the "Additional PSUs") up to 50% of the PSUs granted on the grant date, subject to an additional total shareholder return condition (the "TSR Condition"), and to the extent the other service and performance conditions are met. The Additional PSUs have service, non-market and market (i.e., the TSR Condition) vesting conditions, all of which must be satisfied to vest.

Upon settlement, holders will receive fully paid Common Shares in proportion to the number of vested PSUs held and the level of performance achieved. Any unearned PSUs will be forfeited.

Deferred Share Units

The Corporation offers DSU grants to the members of the Board. Upon settlement, holders will receive one fully paid Common Share in respect of each vested DSU. The Corporation recognizes services received in a share-based payment transaction as an expense over the requisite service period and recognizes a corresponding increase in equity as the services are received. DSUs vest immediately or over either a one-, two- or three-year period. The grant date is the date on which the Corporation and the Board have a shared understanding of all the terms and conditions of the arrangement. If the grant date occurs after the service commencement date, then the Corporation estimates the grant-date fair value of the DSUs for the purpose of recognizing the expense from the service commencement date until the accounting grant date. All grants are subject to forfeiture if the director ceases to serve as a director prior to vesting and vested DSUs can only be settled at such time.

With respect to RSUs, PSUs and DSUs, the Corporation doesn't currently expect to pay any dividends during the vesting period. Therefore, the fair market value of an RSU, PSU or DSU is equal to the market price of the underlying Common Share at the grant date. On the grant date, the fair value of the awards is measured using the higher of the closing stock price on the TSX or Nasdaq. The fair market value of the Additional PSUs is determined using a simulation based valuation to reflect the probability of the market condition being met. The service and non-market conditions do not affect the fair value of the awards at grant date. Market conditions are reflected as an adjustment (discount) to the initial estimate of fair value at grant date of the instrument to be received and there is no true-up for differences between estimated and actual vesting due to market conditions.

Share-based compensation expense is recognized over the vesting period in the consolidated statements of earnings (loss) with a corresponding increase to the equity reserve. Once the awards vest and are settled with the counterparty, the related amount recorded within the equity reserves is credited to share capital.

Dividend Equivalents

RSUs, PSUs and DSUs may be credited with dividend equivalents in the form of additional RSUs, PSUs, DSUs and other share-based awards, as applicable. Dividend equivalents shall vest in proportion to the awards to which they relate. Such dividend equivalents shall be computed by dividing: (i) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs, PSUs, DSUs or other share-based awards, as applicable, held by the participant on the record date for the payment of such dividend, by (ii) the highest closing price of the Common Shares on any stock exchange on which the Common Shares are then listed on the date of grant, at the close of the first business day immediately following the dividend record date.

Provisions

Provisions represent liabilities of the Corporation for which the amount or timing of payment is uncertain. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognized in interest accretion within net financing charges on the consolidated statements of earnings (loss).

Contingent liabilities

Contingent liabilities are possible obligations the existence of which will be confirmed by uncertain future events that are not wholly within the control of the entity. Contingent liabilities also include obligations that are not recognized because their amount cannot be measured reliably or because settlement is not probable. A contingent liability is not recognized in the consolidated statements of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes.

Translation of Foreign Operations and Foreign Currency Transactions

Functional and presentation currency

IFRS requires entities to consider primary and secondary indicators when determining functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. Once the functional currency of an entity is determined, it should be used consistently, unless significant changes in economic factors, events and conditions indicate that the functional currency has changed.

A change in functional currency is accounted for prospectively from the date of the change by translating all items into the new functional currency using the exchange rate at the date of the change.

Based on an analysis of the primary and secondary indicators, the Corporation has determined its and its subsidiaries' functional currencies. The Corporation's functional currency is Canadian dollars. The Corporation's consolidated financial statements are presented in U.S. dollars.

Transactions and balances

Foreign currency transactions are translated into the applicable functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within general and administrative expenses.

Group companies

The results and financial position of the Corporation's subsidiaries that have a functional currency different from the Corporation's presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate on the date of that statement of financial position;
(ii) income and expenses for each statement of net earnings (loss) and statement of other comprehensive income (loss) are translated at the rates of exchange prevailing on the dates of the transactions; and
(iii) all resulting exchange rate differences are recognized in other comprehensive income (loss) and are transferred to net earnings (loss) upon the sale or disposition of subsidiaries.

Business Combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Corporation's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognized in the consolidated statements of earnings (loss).

The consideration transferred by the Corporation to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Corporation, including the fair value of all the assets and liabilities resulting from a deferred contingent payment arrangement. Acquisition-related costs are expensed as incurred.

Operating Segments

Segments are reported in a manner consistent with the internal reporting provided to the Corporation's Chief Operating Decision Maker ("CODM"). The Corporation's CODM consists of its Chief Executive Officer and Chief Financial Officer, as this group is responsible for allocating resources to, and assessing the performance of, the operating segments of the Corporation.

Key sources of estimation uncertainty

Determining the carrying amounts 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.

Goodwill impairment

At least annually, the Corporation tests whether goodwill is subject to any impairment in accordance with the applicable accounting policy set forth above. The Corporation completed its annual goodwill impairment testing as at December 31, 2019.

Estimation uncertainty exists in the determination of goodwill impairment, which is based on the recoverable amount for any cash generating units ("CGUs") or group of CGUs. The recoverable amount for any CGU or group of CGUs is determined based on the higher of (i) fair value less costs to sell and (ii) value in use. Both valuation approaches require management to make estimates about the future. Goodwill impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount. Estimates used in determining the recoverable amount include but are not limited to expected cash flows, growth rates, capital expenditures and discount rates. If in the next financial year there is a significant decline in the performance of a CGU or group of CGUs, a significant change in regulation impacting the Corporation's operations, or a combination of changes to the key assumptions disclosed in note 11, this could result in an impairment loss.

Uncertain tax treatments

Determining the Corporation's income tax and its provisions for income taxes involves a significant degree of estimation and judgment, particularly in respect of open tax returns relating to prior years where the liabilities remain to be agreed with the local tax authorities. The Corporation is also subject to tax audits and has a number of open tax inquiries covering corporate tax matters. As a result, it has recognized a number of provisions against uncertain tax positions that are recognized based on management's best estimate of the outcome after taking into consideration all available evidence, and where appropriate, after taking external advice. This includes the reassessment from the Canadian tax authorities relating to transfer pricing, where a provision for the full amount of the reassessments received was booked during the year ended December 31, 2017 and discussions with the Canadian tax authorities are continuing to date through the usual appeals process. See note 9. The tax provisions recorded in the Corporation's consolidated financial statements in respect of prior years relate to intercompany trading and financing arrangements entered into in the normal course of business and tax audits that are currently in progress with fiscal authorities. Due to the uncertainty associated with such tax items it is possible that at a future date, on resolution of the open tax matters, the final outcome may vary significantly and there is the potential for a material adjustment to the carrying amounts of the liability recorded as a result of this estimation uncertainty.

Valuation of embedded derivatives

The Senior Notes (as defined below) include certain embedded features allowing the Corporation to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. As previously disclosed, these features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 1.9% as at December 31, 2019 (December 31, 2018 - 4.6%), in determining the fair value of the Embedded Derivative (as defined below). The implied credit spread represents management’s estimate of the Corporation’s creditworthiness as implied by the market value of the Senior Notes. See notes 17, 19 and 26. During the year end December 31, 2019, the Corporation recorded a gain of $98.3 million through Net financing charges in relation to the re-measurement of the Embedded Derivative, of which $48.1 million of the gain was recorded in the fourth quarter of 2019.

Critical accounting judgments

The preparation of the Corporation’s consolidated financial statements requires management to exercise its judgment in applying the Corporation’s accounting policies. Judgments are continuously evaluated and are based on historical experience, general economic conditions, and trends and other factors, including expectations of future events.

The following discussion sets forth for the year ended December 31, 2019 what management believes to be the most significant judgments in applying the Corporation’s accounting policies.

Contingent liabilities

The Corporation 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 Corporation’s management as to how it will respond to the litigation, claim or assessment. The Corporation 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. To the extent that the Corporation’s assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future consolidated financial statements may be materially affected, with a favorable or adverse impact on the Corporation’s business, financial condition or results of operations. See note 28.

Determination of lease term

The Corporation’s lease portfolio includes contracts with extension and termination options. These terms are used to maximize operational flexibility with respect to managing such contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Corporation reviews the applicable assessment if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the lessee. If the Corporation exercises an extension option (or elects not to exercise a termination option) that was not included in the lease term, this would result in an increase to the right of use asset and lease liability. As at December 31, 2019, the weighted average remaining life of the Corporation’s leases is 4.2 years.

FOX equity option

On May 8, 2019, the Corporation and FOX Sports (“FOX Sports”), a unit of Fox Corporation (Nasdaq: FOXA, FOX) (“FOX”), 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, the Corporation 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 the Corporation’s U.S. business. In accordance with IFRS 2, based on the judgment of the Corporation's 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 December 31, 2019, the Corporation recorded $0.1 million to cost of sales and $7.6 million to sales and marketing expense in relation to the commercial agreement.

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 judgment as to the probable method of settlement. The right has been valued using a discounted cash flow model and as it represents a contingently cash-settled share-based payment, will be recorded at fair value each reporting period.

Combination with Flutter Entertainment Plc

On October 2, 2019, the Corporation reached an agreement on the terms of an all-share combination recommended by the Board to be implemented through an acquisition of The Stars Group by Flutter pursuant to a plan of arrangement under the OBCA (see note 31) for additional information. Management has prepared its consolidated financial statements without giving effect to the potential impacts a combination with Flutter would have on the Corporation's existing accounting treatments. This includes, but is not limited to, such judgments related to (i) the forecasted cash flows associated with the Corporation's long-term debt and the related impact on its hedge accounting conclusions, and (ii) the expected period of vesting and change in control implications in relation to the Corporation's long-term incentive program.

The completion of the Combination (as defined below) is currently intended to occur during the second or third quarter of 2020, subject to, among other things, shareholder, court and applicable regulatory approvals.

3. RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements - not yet effective

Amendments to IFRS 9, IAS 39 and IFRS 7

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 organized 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 EURIBOR are also impacted by this reform and 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 Corporation 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 and EURIBOR may result in a sudden or prolonged increase or decrease in reported USD-LIBOR and EURIBOR. If that were to occur, the Corporation'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 and EURIBOR were to remain available in their current form.

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 amendments are effective for annual reporting periods beginning on or after January 1, 2020, but the Corporation chose to early apply the amendments for the reporting period ending December 31, 2019. Adopting these amendments allows the Corporation to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms. See note 4.

IFRIC agenda decision

In November 2019, the IFRIC discussed a question about how to determine the lease term for cancellable or renewable leases. Entities may enter into cancellable or renewable leases that do not specify a particular term, but which continue indefinitely until one party gives notice to terminate. The request asked how the lease term should be determined and whether the useful life of any related non-removable leasehold improvements is limited to the lease term determined applying IFRS 16. The IFRIC clarified that determining the lease term will depend on both the termination penalties in the contract and the broader economics of the contract. Further an entity must apply IAS 16 *Property, Plant and Equipment* ("IAS 16) in determining the useful life of non-removable leasehold improvements and may often conclude that it will use and benefit from leasehold improvements only for as long as it uses the underlying leased asset.

The IFRIC concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine the lease term of cancellable and renewable leases and those in IAS 16 and IFRS 16 provide an adequate basis for an entity to determine the useful life of any non-removable leasehold improvements relating to such a lease. Therefore, the IFRIC decided not to add these items to its agenda. Agenda decisions issued by the IFRIC do not have an application date. Sufficient time is entity specific and depends on the relevant facts and circumstances, but agenda decisions are expected to be implemented as soon and as quickly as possible. The IASB expects this to be months rather than years. The Corporation is currently assessing the impact of the agenda decision and does not expect a material impact to the consolidated financial statements. The Corporation expects to have completed its assessment in the first quarter of 2020.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16, *Leases*

As referenced in note 2 above, the Corporation adopted IFRS 16 on January 1, 2019. The impact of the Corporation's transition to IFRS 16 is summarized below.

The table below illustrates the reconciliation of lease commitments not recorded on the consolidated statement of financial position prior to the adoption of IFRS 16 to the lease liabilities recognized in connection with the transition to IFRS 16:

In thousands of U.S. Dollars	As at January 1, 2019
Off-balance-sheet contractual commitments	242,170
Less: non-lease contractual commitments	(150,055)
Off-balance-sheet commitments for lease obligations	92,115
Current leases with a lease term of 12 months or less (short-term leases)	(24,618)
Variable lease payments that do not depend on an index or rate	(3,325)
Other	1,992
Undiscounted lease liabilities as at January 1, 2019	**66,164**
Effect of discounting	(6,679)
Present value of lease liabilities as at January 1, 2019	**59,485**

The table below illustrates the impact of the adoption of IFRS 16 to the consolidated statement of financial position as at January 1, 2019:

In thousands of U.S. Dollars	Original January 1, 2019 (IAS 17)	Adjustment on adoption of IFRS 16	January 1, 2019 (IFRS 16)
Right-of-use assets (included in Property and equipment)	—	57,288	57,288
Prepaid expenses and other non-current assets	32,760	(776)	31,984
Net impact on total assets		56,512	
Lease liabilities	—	59,485	59,485
Other long-term liabilities	79,716	(2,973)	76,743
Net impact on total liabilities		56,512	
Retained earnings		**—**	

The table below illustrates the right-of-use assets as at December 31, 2019, included as part of property and equipment in the consolidated statement of financial position by asset class:

In thousands of U.S. Dollars	Land and Buildings	Computer Equipment	Total
Net carrying amount			
January 1, 2019	42,194	15,094	57,288
December 31, 2019	37,018	13,780	50,798

The table below illustrates the contractual maturity of recognized lease liabilities in the consolidated statement of financial position:

In thousands of U.S. Dollars	January 1, 2019	December 31, 2019
Lease liabilities		
Current portion of lease liabilities	14,985	19,633
Long-term portion of lease liabilities	44,500	35,691
	59,485	55,324
Maturity analysis (undiscounted)		
Not later than 1 year	14,985	19,633
Later than 1 year and not later than 5 years	41,214	37,150
Later than 5 years	9,965	5,475
	66,164	62,258

The weighted average discount rate applied to the Corporation's leases as at December 31, 2019 was 3.68% (January 1, 2019 – 3.83%).

The table below illustrates the impact of the adoption of IFRS 16 to the consolidated statement of earnings (loss) for the year ended December 31, 2019:

In thousands of U.S. Dollars		Year Ended December 31, 2019
Impact on earnings for the period		
Increase in depreciation and amortization expenses		(17,532)
Increase in net financing charges		(2,368)
Decrease in other operational costs		19,414
Decrease in earnings for the period		(486)
Impact on earnings per share		
Decrease in earnings per share		
Basic	$	—
Diluted	$	—

During the year ended December 31, 2019, the Corporation recorded a lease rental expense of $3.2 million within General and administrative expenses related to short term and low value leases.

IFRIC 23, *Uncertainty over Income Tax Treatments*

As referenced in note 2, the Corporation adopted IFRIC 23 on January 1, 2019. The adoption of the interpretation did not have a material impact on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7

As referenced in note 3, the Corporation has chosen to early apply the amendments to IFRS 9, IAS 39 and IFRS 7 for the reporting period ending December 31, 2019. Adopting these amendments allows the Corporation 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 Corporation to the Swap Agreements (as defined below). For all other derivative instruments held by the Corporation, it does not apply hedge accounting.

Cash flow hedge accounting under IAS 39 requires the future hedged cash flows to be 'highly probable'. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Hence, where the hedged cash flows may change as a result of the IBOR reform this will not cause the 'highly probable' test to fail. IAS 39 requires a forward-looking prospective assessment whereby the hedge must be expected to be highly effective in order to hedge accounting. Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform. The uncertainties described above in the context of prospective assessments could also affect IAS 39's retrospective effectiveness requirement. IAS 39 has further been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this required 80–125% range.

The Corporation's USD First Lien Term Loan, certain of its cross-currency interest rate swaps and its interest rate swap are indexed to USD-LIBOR and the Corporation's EUR First Lien Term Loan is indexed to EURIBOR. The Corporation is monitoring and evaluating the related risks, which include interest payments on the First Lien Term Loans, and amounts received on certain of its cross-currency interest rate swaps and the interest rate swap. 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 and EURIBOR could also be impacted if USD-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 Corporation's contracts are not transitioned to alternative reference rates and USD-LIBOR and EURIBOR are discontinued, the impact on our indexed financial instruments is likely to vary by contract. If USD-LIBOR and EURIBOR are discontinued or if the methods of calculating USD-LIBOR and EURIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

While the Corporation expects USD-LIBOR and EURIBOR to be available in substantially their current form until the end of 2021, it is possible that USD-LIBOR and EURIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the USD-LIBOR and EURIBOR administrators. In that case, the risks associated with the transition to an alternative reference rates will be accelerated and magnified.

The Corporation 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 Corporation is exposed ends. The Corporation has assumed that this uncertainty will not end until the Corporation'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.

5. ACQUISITION OF SUBSIDIARIES

BetEasy

On February 27, 2018, a subsidiary of the Corporation acquired a 62% controlling equity interest in BetEasy for a purchase price of $117.7 million. Accordingly, the Corporation acquired $58.8 million of identifiable net assets, including $102.4 million of intangible assets, of which it recognized a non-controlling interest of $1.0 million in relation to the acquired identifiable net assets. The Corporation also recognized $59.9 million of goodwill in connection with the same.

On April 24, 2018, the same subsidiary of the Corporation acquired an additional 18% interest in BetEasy for a purchase price of $229.2 million. Included in the purchase price was a deferred contingent payment, which is included in accounts payable and other liabilities in the consolidated statements of financial position. The acquisition of the additional equity interest in BetEasy had no impact on the fair values of the goodwill and intangible assets acquired on February 27, 2018; however, the excess of the purchase price compared to the carrying value of the 18% non-controlling interest was recognized directly in equity as acquisition reserve. During the year ended December 31, 2019, the Corporation finalized the purchase price allocation assessment in relation to this acquisition and did not record any adjustments. See note 26 for details regarding the previous valuation of the related BetEasy deferred contingent payment. On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to pay AUD$100 million to settle the deferred contingent payment which did not affect the purchase price allocation. On December 5, 2019, the Corporation repaid the outstanding balance of AUD$100 million using available cash on hand.

Also in connection with the acquisition of the additional 18% interest in BetEasy, a subsidiary of the Corporation entered into a non-controlling interest put-call option in relation to the remaining 20% interest in BetEasy, with an exercise price based on certain future operating performance conditions of the acquired business. At acquisition, this was determined to be a non-controlling interest put-call option with a variable settlement amount that can be settled in either cash or shares or a combination of both, and because the put-call option did not clearly grant the Corporation with present access to returns associated with the remaining 20% ownership interest, the Corporation previously recognized this put-call option as a net liability derivative. On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to acquire the remaining 20% interest in BetEasy for AUD$151 million within 90 days following the earlier of either the issuance of the Corporation's audited financial statements for the year ended December 31, 2020 or the completion of the previously announced Combination with Flutter (see note 31). As the settlement amount is now fixed and will be settled in cash, excluding if settled as a result of a combination with Flutter, the Corporation recorded a gross liability in respect of its obligation to acquire the remaining 20% interest in BetEasy. Upon acquisition of the 20% interest, the Corporation will also be obligated to make a contractual payment to a third-party supplier of BetEasy. The liability in respect of the Corporation's obligations to acquire the remaining 20% interest in BetEasy and make the above mentioned contractual payment is included within accounts payable and other liabilities on the consolidated statement of financial position (see note 21).

Former William Hill Australia Business

On April 24, 2018, BetEasy acquired 100% of the former William Hill Australia business for a purchase price of $241.2 million. Accordingly, the Corporation acquired $162.5 million of identifiable net assets, including $267.3 million of intangible assets. The Corporation recognized $78.7 million of goodwill in connection with the same.

During the year ended December 31, 2019, the Corporation finalized the purchase price allocation assessment in relation and recorded an adjustment to increase the acquired financial liabilities by $0.4 million with a corresponding increase to the goodwill recognized. The comparative consolidated statement of financial position has not been restated to reflect this adjustment.

SBG

On July 10, 2018, the Corporation completed the SBG Acquisition, acquiring 100% of SBG for a purchase price of $3.24 billion. Accordingly, the Corporation acquired $808.7 million of identifiable net assets, including $3.04 billion of intangible assets. The Corporation recognized $2.43 billion of goodwill in connection with the same.

During the year ended December 31, 2019, the Corporation finalized the purchase price allocation assessment in relation to the SBG Acquisition and did not record any adjustments.

6. REVENUE

The Corporation recognized the following amounts in the consolidated statements of earnings (loss):

	Year Ended December 31,	
In thousands of U.S. Dollars	**2019**	**2018**
Poker revenue	793,284	892,557
Gaming revenue	792,299	585,846
Betting revenue	870,938	491,139
Other revenue from customers	69,422	56,419
Other sources of revenue	2,505	3,277
Total revenue	**2,528,448**	**2,029,238**

Revenue from contracts with customers have not been further disaggregated as the nature of the revenue streams, contract duration and timing of transfer of services are all largely homogeneous. For further information regarding revenue, including segment revenue by major line of operations and geographic region (see note 7).

As at December 31, 2019, there are no significant contract assets or liabilities and no significant unsatisfied performance obligations. In addition, there were no significant capitalized costs to obtain a contract.

7. SEGMENTAL INFORMATION

Segments are reported in a manner consistent with the internal reporting provided to the CODM. The Corporation's CODM consists of its Chief Executive Officer, and Chief Financial Officer as this group is responsible for allocating resources to, and assessing the performance of, the operating segments of the Corporation. The segmentation reflects the way the CODM evaluates performance of, and allocates resources within, the business.

The CODM considers the Corporation's business from both a geographic and product offering or lines of operation perspective. For the years ended December 31, 2019 and 2018, the Corporation had three reportable segments, as applicable: International, United Kingdom and Australia, as well as a Corporate cost center. Revenue within these operating segments is further divided into the Poker, Gaming, Betting and Other lines of operation, as applicable. The CODM receives geographic and lines of operation revenue information throughout the year for the purpose of assessing their respective performance. Certain costs are included in Corporate. "Corporate" in itself is not a reporting segment, but it comprises costs that are not directly allocable to any of the operating segments or relate to a corporate function (i.e., tax and treasury).

Further, each reporting segment incurs certain costs, which are not segregated among major lines of operations within each reporting segment as they share the same office infrastructure, workforce and administrative resources. The Corporation cannot develop or produce reports that provide the true costs by major lines of operations within each reporting segment without unreasonable effort or expense.

The primary measure used by the CODM for the purpose of decision making and/or evaluation of a segment is Adjusted EBITDA. The Corporation defines Adjusted EBITDA as net earnings before financial expenses, income tax expense (recovery), depreciation and amortization, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items as set out in the reconciliation table below.

However, the CODM also uses other key measures as inputs, including, without limitation, revenue and capital expenditures, to supplement the decision-making process.

Segmental information for the year ended December 31, 2019 and December 31, 2018:

	Year Ended December 31, 2019					
In thousands of U.S. Dollars	International	United Kingdom	Australia	Corporate	Intercompany eliminations *	Consolidated
Revenue	1,312,365	946,679	274,414	—	(5,010)	2,528,448
Poker	781,637	11,647	—	—	—	793,284
Gaming	427,316	364,983	—	—	—	792,299
Betting	72,561	528,110	270,267	—	—	870,938
Other	30,851	41,939	4,147	—	(5,010)	71,927
Adjusted EBITDA (**)	604,851	324,633	44,358	(52,717)	—	921,125
Net financing charges	—	—	—	202,534	—	202,534
Depreciation and amortization	159,895	241,283	36,703	745	—	438,626
Capital expenditures	91,209	32,095	17,197	259	—	140,760

	Year Ended December 31, 2018 ***					
In thousands of U.S. Dollars	International	United Kingdom	Australia	Corporate	Intercompany eliminations *	Consolidated
Revenue	1,440,177	394,131	196,930	—	(2,000)	2,029,238
Poker	886,628	5,929	—	—	—	892,557
Gaming	428,364	157,482	—	—	—	585,846
Betting	79,117	215,921	196,101	—	—	491,139
Other	46,068	14,799	829	—	(2,000)	59,696
Adjusted EBITDA (**)	703,342	102,107	21,571	(46,071)	—	780,949
Net financing charges	—	—	—	371,086	—	371,086
Depreciation and amortization	144,304	108,879	29,476	147	—	282,806
Capital expenditures	81,189	18,971	12,386	1,182	—	113,728

* For the year ended December 31, 2019, the Corporation excluded from its consolidated revenue $5.0 million of Other revenue included in the United Kingdom segment related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the International segment. For the year ended December 31, 2018, the Corporation excluded from its consolidated revenue $2.0 million of Other revenue included in the International segment related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the United Kingdom segment.
** Adjusted EBITDA is used internally by the CODM when analyzing underlying segment performance.
*** Certain amounts were reclassified in the comparative periods. See note 2.

A reconciliation of Adjusted EBITDA to Net earnings (loss) is as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018 [1]
Consolidated		
Adjusted EBITDA	921,125	780,949
Add (deduct) the impact of the following:		
Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination[2]	(27,165)	(115,569)
Stock-based compensation[3]	(18,842)	(12,806)
Gain (loss) from investments	2,520	(1,667)
Impairment of intangible assets	(3,931)	(6,223)
Other costs	(170,882)	(101,754)
Total adjusting items	**(218,300)**	**(238,019)**
Depreciation and amortization	(438,626)	(282,806)
Operating income	**264,199**	**260,124**
Net financing charges	(202,534)	(371,086)
Net earnings from associates	—	1,068
Earnings (loss) before income taxes	**61,665**	**(109,894)**
Income tax recovery	197	988
Net earnings (loss)	**61,862**	**(108,906)**

[1] Certain amounts were reclassified in the comparative periods. See note 2.
[2] Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations for the following reasons:
- Acquisition-related costs include legal and professional fees incurred in connection with the SBG Acquisition and Australia Acquisitions.
- Costs associated with the BetEasy Minority Acquisition (as defined below) include costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the BetEasy Minority Acquisition, and a contractual payment to a third-party supplier of pricing services to BetEasy due upon the completion of the BetEasy Minority Acquisition.
- Deal contingent forward expenses include costs associated with forward contracts that were entered into to hedge foreign exchange risk associated with the purchase price of the SBG Acquisition and Australia Acquisitions.
- Other costs related to the Combination include legal and professional fees and costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the same.

[3] Stock-based compensation expense excluded from Adjusted EBITDA primarily due to its discretionary nature.

A reconciliation of certain items comprising “Other costs” in the Adjusted EBITDA reconciliation table above:

In thousands of U.S. Dollars	Year Ended December 31, 2019 2019	2018
Integration costs of acquired businesses	19,753	45,597
Financial expenses	1,733	446
Restructuring expenses[1]	37,474	8,827
AMF, foreign payments and other investigation and related professional fees[2]	18,896	6,673
Lobbying (US and Non-US) and other legal expenses[3]	14,909	16,194
Professional fees in connection with non-core activities[4]	21,889	4,578
Austria gaming duty	—	(3,679)
Acquisition of market access rights	22,500	20,661
Legal settlement[5]	32,500	—
Other	1,228	2,457
Other costs	**170,882**	**101,754**

[1] Restructuring expenses relate to certain operational and staff restructuring programs implemented following the Australian Acquisitions and the SBG Acquisition, and certain of the Corporation’s recent strategic cost savings initiatives (i.e., referred to by the Corporation as “operational excellence” or “operational efficiency” programs). Management does not consider such expenses to be part of its

ongoing core operating activities or expenses. Following and as a result of the restructuring programs and efforts to achieve expected cost synergies related to the Acquisitions in the United Kingdom and Australia segments, during the year ended December 31, 2019, the Corporation reassessed its fixed-cost base within the International segment and Corporate cost center and implemented an operational excellence program to optimize the same, including a reduction in headcount and the relocation of certain roles across and within applicable geographies. As a result, costs related to this program that are excluded from Adjusted EBITDA for the year ended December 31, 2019 include (i) $23.9 million of accrued termination payments recognized under IAS 37 and IAS 19, *Employee benefits* and (ii) $13.6 million for salaries and associated compensation relating to roles that are either being made redundant or that are expected to be relocated (for relocations, to the extent that such salaries and associated compensation exceeds or will exceed the same in the new location for the respective relocated roles). The Corporation expects to continue excluding such costs from Adjusted EBITDA through the respective termination or relocation dates of the impacted personnel.

[2] Legal and professional fees related to the previously disclosed Autorité des marchés financiers ("AMF"), foreign payments and other investigation matters. On June 6, 2019, the AMF advised the Corporation that it had closed its investigation and no charges will be laid against the Corporation or any of its current directors or officers in connection with the previously reported AMF investigation and related matters.

[3] The Corporation excludes certain lobbying and legal expenses in jurisdictions where it is actively seeking licensure or similar approval because management believes that the Corporation's incremental cost of these lobbying and legal expenses in such jurisdictions is generally higher than its peers given liabilities and related issues primarily stemming from periods prior to the acquisition of the Stars Interactive Group in 2014 or from matters not directly involving the Corporation or its current business.

[4] Professional fees in connection with non-core activities are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations. Such professional fees include those related to litigation matters, incremental accounting and audit fees incurred in connection with the integration of the Acquisitions, including as it relates to internal controls with respect to the same, and the previously announced partnership with FOX Sports and transactions in connection with obtaining and securing potential market access to certain U.S. states in which the Corporation currently does not operate.

[5] For additional information see notes 8 and 28.

The distribution of the Corporation's assets and liabilities by reporting segment is as follows:

	International	United Kingdom	Australia	Corporate	Total
Total assets as at December 31, 2019	5,083,015	5,468,613	489,605	234,549	11,275,782
Total liabilities as at December 31, 2019	673,016	705,168	499,170	4,878,985	6,756,339
Total assets as at December 31, 2018	5,248,115	5,430,110	510,805	76,508	11,265,538
Total liabilities as at December 31, 2018	623,096	715,398	550,562	5,223,082	7,112,138

The distribution of some of the Corporation's non-current assets (goodwill, intangible assets and property and equipment) by geographic region is as follows:

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Geographic Area		
Canada	85,302	66,830
United Kingdom	5,188,175	5,191,994
Isle of Man	4,206,424	4,346,599
Australia	442,024	456,422
Malta	57,069	7,469
Other licensed or approved jurisdictions	59,432	24,534
	10,038,426	**10,093,848**

The Corporation also evaluates revenue performance by geographic region based on the primary jurisdiction where the Corporation is licensed or approved to offer, or offers through third-party licenses or approvals, its products and services. The following tables set out the proportion of revenue attributable to each gaming license or approval (as opposed to the jurisdiction where the customer was located) that either generated a minimum of 5% of total consolidated revenue for the year ended December 31, 2019 or 2018, or that the Corporation otherwise deems relevant based on its historical reporting of the same or otherwise:

In thousands of U.S. Dollars	Year Ended December 31, 2019 International	United Kingdom	Australia	Intercompany eliminations *	Total
Geographic Area					
United Kingdom	75,674	924,787	—	(5,010)	995,451
Malta	557,423	13	—	—	557,436
Australia	—	158	274,414	—	274,572
Italy	165,807	233	—	—	166,040
Spain	108,439	152	—	—	108,591
Isle of Man	99,504	—	—	—	99,504
Other licensed or approved jurisdictions	305,518	21,336	—	—	326,854
	1,312,365	**946,679**	**274,414**	**(5,010)**	**2,528,448**

In thousands of U.S. Dollars	Year Ended December 31, 2018 International	United Kingdom	Australia	Intercompany eliminations *	Total
Geographic Area					
United Kingdom	73,969	388,421	—	—	462,390
Malta	497,126	—	—	—	497,126
Australia	—	190	196,930	—	197,120
Italy	156,946	1,144	—	—	158,090
Spain	121,776	86	—	—	121,862
Isle of Man	377,702	—	—	(2,000)	375,702
Other licensed or approved jurisdictions	212,658	4,290	—	—	216,948
	1,440,177	**394,131**	**196,930**	**(2,000)**	**2,029,238**

* For the year ended December 31, 2019, the Corporation excluded from its consolidated revenue $5.0 million of Other revenue included in the United Kingdom segment related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the International segment. For the year ended December 31, 2018, the Corporation excluded from its consolidated revenue $2.0 million of Other revenue included in the International segment related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results for that period is recorded to Sales and marketing expense in the United Kingdom segment.

8. EXPENSES CLASSIFIED BY NATURE

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018 *
Cost of revenue (excluding depreciation and amortization)		
Direct selling costs	144,330	99,642
Gaming duty, levies and fees	441,543	268,857
Processor and other operating costs	107,189	90,665
	693,062	**459,164**
General and administrative		
Salaries and wages	346,792	285,234
Legal and professional fees	99,206	84,288
Impairment of intangible and other assets	3,931	6,156
(Gain) loss on disposal of investments and other assets	(2,520)	1,992
Acquisition-related costs	22,141	54,209
Acquisition of market access rights	22,500	20,661
Foreign exchange loss	1,474	61,204
IT and software costs	110,658	74,334
Legal settlement †	32,500	—
Other operational costs	80,132	106,108
Depreciation and amortization	438,626	282,806
	1,155,440	**976,992**
Net financing charges		
Interest on long-term debt	253,624	186,720
Other interest expense	2,368	—
Gain on re-measurement of deferred contingent payment **	(7,371)	(342)
(Gain) loss on re-measurement of Embedded Derivative ***	(98,300)	6,100
Unrealized foreign exchange loss on financial instruments associated with financing activities	11,320	7,202
Ineffectiveness on cash flow hedges	8,052	(14,909)
Loss on debt extinguishment	—	146,950
Accretion expense	37,267	42,431
Interest income	(4,426)	(3,066)
	202,534	**371,086**

* The Corporation reclassified a loss of $7.2 million for the year ended December 31, 2018 previously reported within foreign exchange loss to unrealized foreign exchange loss on financial instruments associated with financing activities. See note 2.
** See notes 5 and 26 for details regarding the recognition and measurement of the deferred contingent payment.
*** See notes 17, 19 and 26 for details regarding the recognition and measurement of the Embedded Derivative.
† On September 9, 2019, the Corporation entered into minutes of settlement with respect to the appeal of the Ontario Superior Court of Justice's prior dismissal of an application by certain holders of Preferred Shares (as defined below) regarding the Corporation's mandatory conversion of its Preferred Shares in July 2018. On September 23, 2019, the Court of Appeal for Ontario entered an order dismissing the appeal with prejudice. The settlement of $32.5 million has been and will be funded entirely by available cash on hand, and the currently remaining liability is included within accounts payable and other liabilities on the consolidated statement of financial position.

The Corporation participates in defined contribution retirement plans for all qualifying employees, as applicable, across its segments. The assets of the plans are held separate from those of the Corporation in funds under the control of the Corporation's pension providers. The Corporation is obligated to make the specified contributions in accordance with the plans. Included within salaries and wages is $11.5 million (2018 – $9.2 million) recorded in respect of these plans.

9. INCOME TAXES

Details of income tax expense were as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018
Current income tax expense	62,498	19,813
Current income tax recovery - provision adjustment	(8,057)	(2,155)
Deferred income tax recovery relating to the origination and reversal of temporary differences	(52,124)	(17,971)
Deferred income tax recovery - provision adjustment	(2,514)	(675)
Income tax recovery	**(197)**	**(988)**

The Corporation’s applicable Canadian statutory tax rate is equal to the Federal and Provincial combined tax rate for the period applicable in the jurisdiction within Canada where the Corporation’s head office is registered (i.e., Ontario). The Corporation’s primary operations were previously in the Isle of Man and Malta and, subsequent to the Australian Acquisitions and SBG Acquisition, are now also in Australia and the United Kingdom. Income taxes reported differ from the amount computed by applying the Canadian statutory rates to earnings before income taxes primarily due to differences in statutory rates across the countries where the Corporation operates and where the Corporation is incorporated, among other factors. The reconciliation is as follows:

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018
Net earnings (loss) before income taxes	61,665	(109,894)
Canadian statutory tax rate	26.5%	26.5%
Income taxes at Canadian statutory tax rate	16,341	(29,122)
Differences in effective income tax rates in foreign jurisdictions	(53,223)	(97,919)
Non-taxable income	(12,881)	(9,030)
Non-deductible expenses	31,673	34,815
Deferred tax assets not recognized	28,464	103,098
Provision adjustment	(10,571)	(2,830)
Income tax recovery	**(197)**	**(988)**

The Corporation’s effective income tax rate for the year ended December 31, 2019, was (0.3)% (December 31, 2018 – 0.9%). The Corporation’s income tax recovery for the current year ended December 31, 2019 includes an income tax recovery of $47.5 million (December 31, 2018 - $27.3 million) in relation to the deferred tax credit associated with the amortization expense of acquired intangible assets from the Australian Acquisitions and the SBG Acquisition. Additionally, the year ended December 31, 2019 includes an income tax expense of $26.1 million, which relates to the tax effect of foreign exchange gains with respect to the Corporation’s hedging activities. However, the Corporation recognized a corresponding tax recovery of $26.1 million in relation to the same in the foreign currency translation reserve within other comprehensive income such that there is no overall impact on the consolidated statement of financial position.

In addition to the impacts described above, the Corporation’s income taxes for the year ended December 31, 2019 were impacted by the mix of taxable earnings among and across geographies, with an increase in taxable earnings following the Acquisitions in geographies with higher statutory corporate tax rates. The effective tax rate was also impacted by the recognition of a net deferred tax liability as a result of the transfer of customer intangible rights from the Isle of Man to Malta in connection with an internal corporate restructuring and an Australian business continuity tax law change during 2019.

During the year ended December 31, 2017, the Corporation received notification of a proposed tax assessment from the Canadian tax authorities relating to transfer pricing. The proposed assessment covered periods prior to the acquisition of Stars Interactive Group in 2014, covering the 2003 to 2007 tax years. For the year ended December 31, 2017 the Corporation recorded a tax provision based on the proposed assessments for both Federal and Provincial tax of $26.5 million including interest. During the year ended December 31, 2018 the Corporation received the Federal and Provincial tax assessments and submitted an objection to the relevant authorities regarding the same. During the year ended December 31, 2019 the provision was reduced to $25.8 million resulting from adjustments for interest, foreign exchange movements and a pre-payment made in relation to the provincial assessment. The Corporation intends to vigorously defend its position against the assessments.

The $10.6 million recovery (2018 – $2.8 million recovery) in respect of the prior year provision adjustments represents the settlement of historic tax liabilities and the release of part of the provision for uncertain tax liabilities as a result of new information received during the periods, respectively.

Deferred Tax

Recognized deferred tax assets and liabilities

Significant components of the Corporation's deferred income tax asset balance at December 31, 2019 and 2018 are as follows:

In thousands of U.S. Dollars	Property & Equipment	Intangibles	Tax Losses	Other	Total *
At January 1, 2018	**148**	**—**	**174**	**4,484**	**4,806**
Credited (charged) to net earnings	41	—	1,051	(1,008)	84
Credited to other comprehensive income	—	—	—	53	53
Charged directly to equity - share-based payment transactions	—	—	—	(359)	(359)
Acquisition of subsidiary	1,016	—	—	9,921	10,937
Foreign exchange on translation	(61)	—	(34)	(1,177)	(1,272)
At December 31, 2018	**1,144**	**—**	**1,191**	**11,914**	**14,249**
Opening adjustment	35	—	(5)	167	197
At January 1, 2019	**1,179**	**—**	**1,186**	**12,081**	**14,446**
Credited to net earnings	501	5,332	6,682	20,985	33,500
Charged to other comprehensive income	—	—	—	(166)	(166)
Foreign exchange on translation	56	62	29	(36)	111
At December 31, 2019	**1,736**	**5,394**	**7,897**	**32,864**	**47,891**

Significant components of the Corporation's deferred income tax liability balance at December 31, 2019 and 2018 are as follows:

In thousands of U.S. Dollars	Property & Equipment	Intangibles	Tax Losses	Other	Total *
At January 1, 2018	**(45)**	**(16,130)**	**—**	**—**	**(16,175)**
(Charged) credited to net earnings	(82)	15,525	—	(513)	14,930
Acquisition of subsidiary	—	(620,796)	—	(465)	(621,261)
Foreign exchange on translation	6	29,278	—	51	29,335
At December 31, 2018	**(121)**	**(592,123)**	**—**	**(927)**	**(593,171)**
Opening adjustment	(9)	(131)	—	(57)	(197)
At January 1, 2019	**(130)**	**(592,254)**	**—**	**(984)**	**(593,368)**
(Charged) credited to net earnings	(1,948)	23,802	—	(715)	21,139
Foreign exchange on translation	(10)	(16,959)	—	322	(16,647)
At December 31, 2019	**(2,088)**	**(585,411)**	**—**	**(1,377)**	**(588,876)**

* Deferred taxes by category above are presented on a gross basis. The statements of financial position present deferred taxes net for amounts included within the same jurisdiction.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the items shown below. The amounts shown are the gross temporary differences and to calculate the potential deferred asset it is necessary to multiply the amounts by the tax rates in each case.

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Tax losses	1,843,670	1,619,702
Other temporary differences	95,813	82,814
Total deferred tax asset unrecognized	**1,939,483**	**1,702,516**

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available in these jurisdictions against which the Corporation can utilize the benefit from them.

Included in tax losses not recognized as at December 31, 2019 are Canadian non-capital tax losses of $190.3 million (December 31, 2018 - $129.2 million) that may be applied against earnings for up to 20 years from the end of the year the losses were generated and the first year of expiry is 2034 for $14.6 million of the carried forward tax losses. Tax losses also include foreign subsidiary non-capital losses of $1.65 billion (December 31, 2018 - $1.49 billion) that may be applied against future years. The majority of these losses of $1.56 billion (December 31, 2018 - $1.44 billion) can be carried forward for up to 9 years from the end of the year the tax losses were generated and the first year of expiry is 2023 for $393.0 million of the carried forward tax losses.

As a result of exemptions from taxation (corporate tax and withholding tax) applicable to dividends from subsidiaries, there are no significant taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint arrangements and no material deferred tax liability arises on unremitted earnings totaling $4.85 billion (December 31, 2018 - $1.87 billion). Unremitted earnings as at December 31, 2019 includes a reclassification of equity to distributable earnings as a result of an internal reorganization undertaken during the year.

10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per Common Share for the following periods:

	Year Ended December 31,	
	2019	**2018**
Numerator		
Numerator for basic and diluted earnings (loss) per Common Share – net earnings (loss) attributable to Shareholders of The Stars Group Inc.	$ 62,822,000	$ (102,452,000)
Denominator		
Denominator for basic earnings (loss) per Common Share – weighted average number of Common Shares	282,884,929	208,269,905
Effect of dilutive securities		
Stock options	233,223	1,371,177
Performance share units	1,184,132	246,813
Deferred share units	22,787	7,593
Restricted share units	153,566	72,673
Warrants	—	569,304
Convertible Preferred Shares	—	32,231,301
Effect of dilutive securities *†	**1,593,708**	**34,498,861**
Dilutive potential for diluted earnings (loss) per Common Share	**284,478,637**	**208,269,905**
Basic earnings (loss) per Common Share	$ 0.22	$ (0.49)
Diluted earnings (loss) per Common Share	$ 0.22	$ (0.49)

***** The effect of dilutive securities for instruments that resulted in the issuance of Common Shares during the years ended December 31, 2019 and 2018 is included for the period during the applicable year prior to the issuance of the related Common Shares.
† As a result of the net loss for the year ended December 31, 2018, the effect of dilutive securities were anti-dilutive for the purposes of calculating diluted loss per Common Share.

11. GOODWILL AND INTANGIBLE ASSETS

For the year ended December 31, 2019:

In thousands of U.S. Dollars	Software technology	Customer relationships	Brands	Brands (licensed)	Deferred development cost	Other Intangibles	Goodwill	Total
Cost								
Balance – January 1, 2019	406,639	3,847,370	506,672	486,551	122,786	82,394	5,267,306	10,719,718
Additions	8,974	—	—	—	82,751	21,512	—	113,237
Additions through business combination	2,460	—	—	—	—	—	—	2,460
Translation	10,056	75,196	911	17,466	1,994	568	83,009	189,200
Balance – December 31, 2019	**428,129**	**3,922,566**	**507,583**	**504,017**	**207,531**	**104,474**	**5,350,315**	**11,024,615**
Accumulated amortization and impairments								
Balance – January 1, 2019	141,149	494,697	—	14,077	38,929	20,861	1,326	711,039
Amortization	69,124	257,683	—	20,811	31,525	17,226	—	396,369
Impairment	561	—	—	—	1,835	476	—	2,872
Translation	(1,368)	8,536	—	1,609	6,656	(309)	13	15,137
Balance – December 31, 2019	**209,466**	**760,916**	**—**	**36,497**	**78,945**	**38,254**	**1,339**	**1,125,417**
Net carrying amount								
At January 1, 2019	265,490	3,352,673	506,672	472,474	83,857	61,533	5,265,980	10,008,679
At December 31, 2019	**218,663**	**3,161,650**	**507,583**	**467,520**	**128,586**	**66,220**	**5,348,976**	**9,899,198**

For the year ended December 31, 2018:

In thousands of U.S. Dollars	Software technology	Customer relationships	Brands	Brands (licensed)	Deferred development cost	Other Intangibles	Goodwill	Total
Cost								
Balance – January 1, 2018	117,492	1,423,719	485,253	—	71,819	18,712	2,810,681	4,927,676
Additions	6,808	—	—	—	51,574	21,394	—	79,776
Additions through business combination	300,825	2,533,869	22,447	509,896	—	46,668	2,571,350	5,985,055
Disposals	(2,336)	—	—	—	—	(550)	(4,944)	(7,830)
Translation	(16,150)	(110,218)	(1,028)	(23,345)	(607)	(3,830)	(109,781)	(264,959)
Balance – December 31, 2018	**406,639**	**3,847,370**	**506,672**	**486,551**	**122,786**	**82,394**	**5,267,306**	**10,719,718**
Accumulated amortization and impairments								
Balance – January 1, 2018	91,072	324,292	—	—	20,107	9,384	5,471	450,326
Amortization	53,159	172,241	—	14,346	14,656	11,769	—	266,171
Disposals	(2,171)	—	—	—	—	(550)	(4,944)	(7,665)
Impairment	—	—	—	—	4,178	396	799	5,373
Translation	(911)	(1,836)	—	(269)	(12)	(138)	—	(3,166)
Balance – December 31, 2018	**141,149**	**494,697**	**—**	**14,077**	**38,929**	**20,861**	**1,326**	**711,039**
Net carrying amount								
At January 1, 2018	26,420	1,099,427	485,253	—	51,712	9,328	2,805,210	4,477,350
At December 31, 2018	**265,490**	**3,352,673**	**506,672**	**472,474**	**83,857**	**61,533**	**5,265,980**	**10,008,679**

Impairment Testing

During the year ended December 31, 2019 the Corporation recognized impairment losses (classified in General and administrative expenses) of $2.9 million for software technology, deferred development costs and other intangibles, related to discontinued development and other projects within the International and United Kingdom segments (December 31, 2018 - $4.6 million) and $nil for Goodwill (December 31, 2018 - $0.8 million).

The Corporation performed an annual impairment test for its operations in connection with the preparation of its consolidated financial statements for the year ended December 31, 2019. The Corporation did not identify any indicators of impairment prior to December 31, 2019. Goodwill is monitored at the operating segment level and this is consistent with the lowest level of CGU except as noted below.

	As at December 31, 2019		As at December 31, 2018	
In thousands of U.S. Dollars	Goodwill	Brand (Indefinite)	Goodwill	Brand (Indefinite)
International	2,805,434	485,253	2,806,485	485,253
United Kingdom *	2,417,572	22,330	2,333,476	21,419
Australia	125,970	—	126,019	—
Total	**5,348,976**	**507,583**	**5,265,980**	**506,672**

* The United Kingdom segment includes a non-significant CGU, which includes the indefinite lived brand as noted in the table above.
The Corporation has not identified any impairment in relation to the indefinite lived brand.

The recoverable amount of each CGU tested for impairment is determined from value in use calculations and use discounted cash flow projections. The key assumptions for the value in use calculations are the future cash flow and growth projections (including estimates of future capital expenditures), discount rates and perpetual growth rates. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU, including economic risk assumptions and estimates of the likelihood of achieving forecasted cash flow results. The pre tax discount rate is then inferred by recalculation. Management considers a range of reasonably possible amounts to use for key assumptions and applies amounts that represent management's best estimate of future outcomes.

The Corporation prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.

- For the International segment, the sixth year (2025) cash flow assumes a revenue growth rate of 6.8% before a steady growth rate of 3.0% is applied to the perpetual net cash flows.
- For the UK segment, the sixth year (2025) cash flow assumes a revenue growth rate of 4.0% before a steady growth rate of 3.0% is applied to the perpetual net cash flows.
- For the Australian segment, the sixth year (2025) cash flow assumes a revenue growth rate of 4.0% before a steady growth rate of 2.0% is applied to the perpetual net cash flows.

The cash flows are discounted based on the discount rates as presented below. The estimated perpetual growth rates are based on independent country specific market reports for online gaming growth projections.

The following table shows key assumptions used in the value in use calculations:

	Assumptions used in value in use calculation		
	International	United Kingdom	Australia
Discount Rate (pre-tax)	10.7%	10.1%	13.6%
Discount Rate (after-tax)	10.5%	8.9%	10.0%
Perpetual Growth Rate	3.0%	3.0%	2.0%
Revenue Growth Rate (2020 - 2025)	4.8% - 9.8%	4.0% - 7.3%	4.0% - 6.5%
Adjusted EBITDA Margin as % of Revenue	40.6% - 47.9%	34.0% - 35.8%	19.3% - 21.4%
CAPEX as % of Revenue	4.7% - 7.0%	3.0% - 3.9%	4.1% - 4.6%

Based on the impairment test performed, the recoverable amount of the CGUs were in excess of their carrying amount and accordingly, there is no impairment of the carrying value of the goodwill. Further, the International CGU has significant headroom. The Corporation has concluded that there are no assumptions to which the impairment test is particularly sensitive and accordingly no sensitivity analysis is disclosed.

With respect to the United Kingdom and Australia, the recoverable amount exceeds the carrying amount by $932.1 million and $66.2 million, respectively. The impairment assessments for the United Kingdom and Australia are sensitive to changes in a number of key assumptions (considered in isolation) in the value in use calculation over a five year period. The following table shows the changes to key assumptions used in the impairment review that would be required for the carrying amount to equal the recoverable amount:

	Change required for carrying value to equal recoverable amount	
	United Kingdom pps	**Australia pps**
Discount Rate (pre-tax)	1.4	2.0
Discount Rate (after-tax)	1.1	1.3
Revenue Growth Rate across the five year forecast	(3.8)	(2.7)
Adjusted EBITDA Margin as % of Revenue across the five year forecast	(5.0)	(1.7)
CAPEX as % of Revenue	4.8	1.9

12. PROPERTY AND EQUIPMENT

For the year ended December 31, 2019:

In thousands of U.S. Dollars	**Furniture and Fixtures**	**Computer Equipment**	**Building**	**Right-of-use assets ***	**Total**
Cost					
Balance – January 1, 2019	45,633	49,806	21,937	57,288	174,664
Additions	9,404	18,119	—	16,496	44,019
Additions through business combination	—	—	—	—	—
Disposals	(937)	(1,044)	—	(5,531)	(7,512)
Translation	712	26	1,399	118	2,255
Balance – December 31, 2019	**54,812**	**66,907**	**23,336**	**68,371**	**213,426**
Accumulated amortization and impairments					
Balance – January 1, 2019	11,467	17,104	3,636	—	32,207
Depreciation	13,283	10,490	951	17,532	42,256
Disposals	(715)	(997)	—	(36)	(1,748)
Translation	1,155	(17)	268	77	1,483
Balance – December 31, 2019	**25,190**	**26,580**	**4,855**	**17,573**	**74,198**
Net carrying amount					
At January 1, 2019	34,166	32,702	18,301	57,288	142,457
At December 31, 2019	**29,622**	**40,327**	**18,481**	**50,798**	**139,228**

* The table below illustrates the right-of-use assets included as part of property and equipment in the consolidated statement of financial position by asset class:

In thousands of U.S. Dollars	Land and Buildings	Computer Equipment and Data Centers	Total
Cost			
Balance – January 1, 2019	42,194	15,094	57,288
Additions	12,818	3,678	16,496
Disposals	(5,531)	—	(5,531)
Translation	41	77	118
Balance – December 31, 2019	**49,522**	**18,849**	**68,371**
Accumulated amortization			
Balance – January 1, 2019	—	—	—
Depreciation	12,525	5,007	17,532
Disposals	(36)	—	(36)
Translation	16	61	77
Balance – December 31, 2019	**12,505**	**5,068**	**17,573**
Net carrying amount			
At January 1, 2019	42,194	15,094	57,288
At December 31, 2019	**37,017**	**13,781**	**50,798**

For the year ended December 31, 2018:

In thousands of U.S. Dollars	Furniture and Fixtures	Computer Equipment	Building	Total
Cost				
Balance – January 1, 2018	12,497	26,155	23,928	62,580
Additions	11,283	22,669	—	33,952
Additions through business combination	24,582	1,642	—	26,224
Disposals	(338)	(26)	—	(364)
Impairment	(1,521)	—	—	(1,521)
Translation	(870)	(634)	(1,991)	(3,495)
Balance – December 31, 2018	**45,633**	**49,806**	**21,937**	**117,376**
Accumulated amortization and impairments				
Balance – January 1, 2018	5,324	9,402	3,017	17,743
Depreciation	7,682	7,960	991	16,633
Disposals	(57)	(12)	—	(69)
Impairment	(954)	—	—	(954)
Translation	(528)	(246)	(372)	(1,146)
Balance – December 31, 2018	**11,467**	**17,104**	**3,636**	**32,207**
Net carrying amount				
At January 1, 2018	7,173	16,753	20,911	44,837
At December 31, 2018	**34,166**	**32,702**	**18,301**	**85,169**

13. INVESTMENTS

The Corporation held the following investments:

	As at December 31,	
	2019	2018
In thousands of U.S. Dollars	Carrying value & fair value	Carrying value & fair value
Bonds - FVOCI	109,017	103,153
Equity in unquoted companies - FVTPL (note 16)	9,651	6,773
Total investments	**118,668**	**109,926**
Current portion	109,017	103,153
Non-current portion	9,651	6,773

Investments relate primarily to customer deposits held in accounts segregated from investments held for operational purposes. Investments held in relation to customer deposits are liquid investments 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 many of the bonds being held to maturity. As of December 31, 2019, customer deposits were covered by $109.0 million in investments and $300.9 million in cash and equivalents.

The Corporation's investments held by maturity date are as follows:

	1 year or less $000's	1 to 5 years $000's	Greater than 5 years $000's
Bonds	48,805	60,212	—
Total	**48,805**	**60,212**	**—**

For the year ended December 31, 2019, the Corporation recognized gains (losses) from investments as follows:

	Bonds $000's	Equity in unquoted companies $000's	Total $000's
Investment income	938	—	938
Realized losses	(58)	—	(58)
Unrealized gains	1,155	—	1,155
Gain on re-measurement of financial assets at FVTPL	—	2,883	2,883
Impairment of financial instruments	62	—	62
Total	**2,097**	**2,883**	**4,980**

Investment income from bonds includes interest income and premiums as well as discount amortization. There was no investment income in the year ended December 31, 2019 for equity in unquoted companies.

Subsidiaries

The table below includes the Corporation's significant subsidiaries as at December 31, 2019, determined as either having greater than 10% of the Corporation's assets or revenues. The Corporation has other subsidiaries, but the assets and revenues of such subsidiaries individually did not exceed 10%, and in the aggregate did not exceed 20%, of the Corporation's consolidated assets or consolidated revenues as at and for the year ended December 31, 2019:

Name of principal subsidiary	Country of incorporation	Principal business	Percentage of ownership
Stars Group Holdings B.V.	Netherlands	Intermediate holding company and investment vehicle	100%
Stars Group Holdings Cooperatieve U.A	Netherlands	Intermediate holding company	100%
Stars Interactive Holdings (IOM) Limited	Isle of Man	Intermediate holding company	100%
Worldwide Independent Trust Limited	Isle of Man	Treasury	100%
Rational Entertainment Enterprises Limited	Isle of Man	Gaming services	100%
Stars Interactive Limited	Isle of Man	Intermediate holding company	100%
RG Cash Plus Limited	Isle of Man	Treasury	100%
Rational Gaming Europe Limited	Malta	Various	100%
REEL Italy Limited	Malta	Gaming services	100%
Hestview Limited	England and Wales	Gaming services	100%
Bonne Terre Limited	Alderney	Gaming services	100%
BetEasy Pty Limited	Australia	Gaming services	80%

14. ACCOUNTS RECEIVABLE

The Corporation's accounts receivable balances at December 31, 2019 and 2018 consist of the following:

	As at December 31,	
In thousands of U.S. Dollars	2019	2018
Balances held with processors	70,678	92,971
Balances due from live events	1,361	13,983
VAT receivable	13,130	11,029
Other receivables	26,046	18,364
Total accounts receivable balance	**111,215**	**136,347**
Long-term VAT receivable	3,329	14,906
Guarantees held by regulators in relation to licenses	13,436	—
Total non-current receivable balance	**16,765**	**14,906**

15. CASH AND CASH EQUIVALENTS, RESTRICTED CASH ADVANCES AND COLLATERAL

Cash and cash equivalents

Cash and cash equivalents – operational includes an amount of $nil (2018 – $40.1 million) held by a subsidiary of the Corporation that is subject to exchange controls in the country of operation. This balance was not available for general use by the Corporation or any of its other subsidiaries.

Restricted cash advances and collateral

Restricted cash held by the Corporation consists of the following components:

In thousands of U.S. Dollars	As at December 31, 2019	2018
Guarantees in connection with licenses held	4,318	4,312
Funds in connection with hedging contracts	2,170	2,836
Segregated funds in respect of payment processors	—	2,030
Guarantee in connection with acquisition of a subsidiary	1,122	1,146
Cash portion of Kentucky Bond Collateral *	5,000	5,000
Funds held in term deposits	4,138	5,837
Other	260	288
Restricted cash advances and collateral - total	**17,008**	**21,449**
Restricted cash advances and collateral - current portion	6,401	10,819
Restricted cash advances and collateral - non-current portion	10,607	10,630

* As at December 31, 2019, $5 million (December 31, 2018 - $5 million) of restricted cash was collateralized as part of the Kentucky Bond Collateral (as defined in note 28 below). The Kentucky Bond Collateral will be held until a court order is issued authorizing the release of the bonds.

16. PREPAID EXPENSES AND OTHER ASSETS

In thousands of U.S. Dollars	As at December 31, 2019	2018
Prepaid royalties	530	987
Prepaid expenses	50,051	38,688
Vendor deposits	1,397	1,297
Receivable from insurance	23,067	—
Other current assets	4,533	2,973
Total current portion of prepaid expenses and other assets	**79,578**	**43,945**
Prepaid royalties	15,989	15,963
Vendor deposits	720	758
Long term investments (note 13)	9,651	6,773
Investment tax credits receivable	1,835	2,483
Deferred financing costs (note 17)	5,287	6,783
Total non-current portion of prepaid expenses and other assets	**33,482**	**32,760**

Prepaid royalties include prepaid revenue share paid to business partners. Prepaid expenses are included within General and administrative and Sales and marketing expenses, as applicable, when recognized as an expense. Deferred financing costs relate to capitalized transaction costs in respect of the Revolving Facility (as defined below). Receivable from insurance includes the receivable in respect of the Quebec class action lawsuit. See note 22.

17. LONG-TERM DEBT

The following is a summary of long-term debt outstanding at December 31, 2019, and 2018 (all capitalized terms used in the tables below relating to such long-term debt are defined below in this note):

In thousands of U.S. Dollars (except as noted)	Contractual interest rate	December 31, 2019 Principal outstanding balance in currency of borrowing	December 31, 2019 Carrying amount in USD	December 31, 2018 Principal outstanding balance in currency of borrowing	December 31, 2018 Carrying amount in USD
USD First Lien Term Loan	5.60%	3,071,375	3,014,409	3,557,125	3,479,823
EUR First Lien Term Loan	3.75%	850,000	934,733	850,000	951,980
Senior Notes	7.00%	1,000,000	982,033	1,000,000	980,008
Loan payable to non-controlling interests	0.00%	—	—	49,936	35,147
Total long-term debt			**4,931,175**		**5,446,958**
Current portion			35,750		35,750
Non-current portion			4,895,425		5,411,208

During the year ended December 31, 2019, the Corporation incurred the following interest on its then-outstanding long-term debt excluding its previous loan payable to the holders of the non-controlling interest in BetEasy, which is non-interest bearing:

In thousands of U.S. Dollars	Effective interest rate *	Interest **	Interest Accretion	Total Interest
USD First Lien Term Loan	6.63%	142,509	20,336	162,845
EUR First Lien Term Loan	4.26%	36,196	2,898	39,094
Senior Notes	7.48%	70,000	2,025	72,025
Total		**248,705**	**25,259**	**273,964**

During the year ended December 31, 2018, the Corporation incurred the following interest on its then-outstanding long-term debt:

In thousands of U.S. Dollars	Effective interest rate *	Interest	Interest Accretion	Total Interest
USD First Lien Term Loan	6.54%	75,988	7,799	83,787
EUR First Lien Term Loan	4.26%	17,792	1,365	19,157
Senior Notes	7.47%	33,250	1,000	34,250
Previous USD first lien term loan ***	6.07%	42,885	112,135	155,020
Previous EUR first lien term loan ***	3.87%	9,693	41,502	51,195
USD second lien term loan ***	13.78%	2,216	4,643	6,859
Total		**181,824**	**168,444**	**350,268**

* The effective interest rate calculation excludes the impact of the debt extinguishments in respect of the amendment and extension and subsequent repayment of the previous first lien term loans as well as the impact of the Swap Agreements (as defined below).
** In addition to the amount included above, the Corporation incurred $4.9 million (2018 - $4.0 million) of interest expense relating to commitment, participation, and fronting fees associated with its Revolving Facility.
*** Interest accretion for the year ended December 31, 2018 includes a loss on debt extinguishment of $147.0 million included within Net financing charges in respect of the amendment and extension and subsequent repayment of the Corporation's previous first lien term loans.

The Corporation’s change in its long-term debt balance from December 31, 2018 to December 31, 2019 was as follows:

In thousands of U.S. Dollars	Opening balance	New debt	Principal payments	Interest Accretion *	Translation	Closing balance
USD First Lien Term Loan	3,479,823	—	(485,750)	20,336	—	3,014,409
EUR First Lien Term Loan	951,980	—	—	2,898	(20,145)	934,733
Senior Notes	980,008	—	—	2,025	—	982,033
Loan payable to the holders of non-controlling interests	35,147	4,894	(38,941)	—	(1,100)	—
Total	**5,446,958**	**4,894**	**(524,691)**	**25,259**	**(21,245)**	**4,931,175**

* Interest accretion represents interest expense calculated at the effective interest rate less interest expense calculated at the contractual interest rate and is recorded in net financing charges in the consolidated statements of earnings (loss).

As at December 31, 2019, the contractual principal repayments of the Corporation’s outstanding long-term debt over the next five years amount to the following:

In thousands of U.S. Dollars	<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
USD First Lien Term Loan	35,750	35,750	35,750	35,750	35,750	2,892,625
EUR First Lien Term Loan	—	—	—	—	—	953,187
Senior Notes	—	—	—	—	—	1,000,000
Total	**35,750**	**35,750**	**35,750**	**35,750**	**35,750**	**4,845,812**

(a) Revolving Facility, First Lien Term Loans and Senior Notes

As previously disclosed, on July 10, 2018, the Corporation completed the SBG Acquisition. To finance the cash portion of the purchase price, repay the Corporation’s previous first lien term loans and repay SBG’s existing long-term debt, which was assumed by the Corporation as part of the acquisition, the Corporation used existing cash resources and raised $4.567 billion in First Lien Term Loans, $1.00 billion in Senior Notes (each as defined below) and $621.8 million of net proceeds (before expenses), excluding the overallotment, from the issuance of additional Common Shares as a result of the Equity Offering (as defined below). The Corporation also obtained a new Revolving Facility (as defined below) of $700.0 million, of which it had drawn $100 million as of completion of the acquisition (collectively with the foregoing, the “SBG Financing”). The debt portion of the SBG Financing is described below. For further details on the Equity Offering portion of the SBG Financing, see note 24.

Revolving Facility

On July 10, 2018, as part of the SBG Financing, the Corporation replaced its previous revolving facility with a new first lien revolving facility of $700 million (the “Revolving Facility”). Maturing on July 10, 2023, the Revolving Facility includes a margin of 3.25% for borrowings, which is subject to leverage-based step-downs. The commitment fee on the Revolving Facility varies from 0.250% to 0.375% based on first lien leverage. Borrowings under the Revolving Facility are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. The Revolving Facility requires, subject to a testing threshold, that the Corporation comply on a quarterly basis with a maximum net first lien senior secured leverage ratio of 6.75 to 1.00.

The Revolving Facility can be used for working capital needs and for general corporate purposes. As at December 31, 2019 and December 31, 2018 there were no amounts outstanding under the Revolving Facility. The Corporation had $74.0 million of letters of credit issued but undrawn as of December 31, 2019 (2018 – $74.2 million). Availability under the Revolving Facility as of December 31, 2019 was $626.0 million (2018 – $625.8 million).

First Lien Term Loans

On July 10, 2018, as part of the SBG Financing, the Corporation repaid its previous first lien term loans and issued new First Lien Term Loans of $3.575 billion priced at LIBOR plus 3.50% (the “USD First Lien Term Loan”) and new EUR first lien term loans of €850 million priced at EURIBOR plus 3.75% (the “EUR First Lien Term Loan” and, together with the USD First Lien Term Loan, the “First Lien Term Loans”), each with a maturity date of July 10, 2025 and a LIBOR and EURIBOR floor, as applicable, of 0%. Starting on the last day of the first fiscal quarter ending after July 10, 2018, 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, with the balance due at maturity. There is no amortization on the EUR First Lien Term Loan and the principal is due at maturity. During the year ended December 31, 2019, the Corporation made voluntary prepayments totaling $450.0 million on its USD First Lien Term Loan, including accrued and unpaid interest, using proceeds from the issuance of Common Shares to FOX and available cash on hand. Subsequent to December 31, 2019, the Corporation prepaid a further $100.0 million, including accrued and unpaid interest. See note 32.

The Corporation, its lenders, Deutsche Bank AG New York Branch, as administrative agent, and certain other parties also entered into a new credit agreement (the "Credit Agreement") for the First Lien Term Loans and the Revolving Facility to, among other things, reflect the foregoing transactions and add certain operational and financial flexibility, particularly as it relates to the Corporation on a combined basis following the SBG Acquisition.

The Credit Agreement limits Stars Group Holdings B.V. 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 organizational documents, in each case subject to certain exceptions. The Credit Agreement also provides for customary mandatory prepayments, including a customary excess cash flow sweep if certain conditions are met.

Senior Notes

Also in connection with the SBG Financing, two of the Corporation's subsidiaries, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "Issuers"), issued 7.00% Senior Notes due 2026 (the "Senior Notes") on July 10, 2018 at par in an aggregate principal amount of $1.00 billion. The Senior Notes mature on July 15, 2026. Interest on the Senior Notes is payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2019. The Senior Notes are guaranteed by each of the Issuers' restricted subsidiaries that guarantee the Revolving Facility. The Senior Notes are the Issuers' senior unsecured obligations and rank equally in right of payment with all of the Issuers' existing and future senior unsecured indebtedness. The Senior Notes include the following features which were collectively identified as the Embedded Derivative (as defined below) that required bifurcation from the carrying value of the Senior Notes.

- Upon certain events constituting a change of control under the indenture governing the Senior Notes (the "Indenture"), the holders of the Senior Notes have the right to require Stars Group Holdings B.V. to offer to repurchase the Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, to (but not including) the date of purchase (the "Change of Control Put").
- Prior to July 15, 2021, the Issuers may redeem up to 40% of the original aggregate principal of the Senior Notes with proceeds from an equity offering at a redemption price of 107%, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date (the "Equity Clawback").
- Prior to July 15, 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 July 15, 2021, the Issuers may redeem some or all of the Senior Notes at declining redemption prices as set forth in the Indenture (collectively, the "Redemption Option" and together with the Change of Control Put and the Equity Clawback, the "Embedded Derivative").

The fair value of the Embedded Derivative as at December 31, 2019 and 2018 was $109.9 million and $11.6 million, respectively. See notes 19 and 26**.**

The Senior Notes include, among other terms and conditions, limitations on the Issuers' ability to create, incur or allow certain liens; create, assume, incur or guarantee additional indebtedness of certain of the Issuers' subsidiaries; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Issuers' and their subsidiaries' assets, to another person.

(b) Loan payable to the holders of non-controlling interests

In connection with the acquisition of a 62% equity interest in BetEasy, the Corporation acquired financial liabilities of $59.2 million, which included a loan of $15.5 million (AUD$19.7 million) from the holders of non-controlling interests of BetEasy. During the year ended December 31, 2018 a subsidiary of the Corporation repaid $6.2 million (AUD$8.2 million) of such loan and entered into an agreement with such holders of non-controlling interests to forgive and discharge $8.6 million (AUD$11.5 million) of the outstanding loan balance.

As previously reported, on March 6, 2018, a subsidiary of the Corporation entered into agreement with the holders of the non-controlling interest in BetEasy to increase its equity interest from 62% to 80% and for BetEasy to acquire the former William Hill Australia business. According to the agreement, the non-controlling interest of BetEasy made a loan of $35.1 million (AUD$47.4 million) and equity contribution of $12.1 million (AUD$15.8 million). During the years ended December 31, 2018 and 2019, the non-controlling interest provided an additional shareholder loans of $1.8 million (AUD$2.5 million) and $4.9 million (AUD$7.0 million), respectively. On December 5, 2019, the Corporation repaid the outstanding balance of $38.9 million (AUD$56.9 million) using available cash on hand.

(c) Previous first lien term loans, USD second lien term loan and previous revolving facility

On April 6, 2018, the Corporation successfully increased, repriced and extended its previous first lien term loans and previous revolving facility and repaid its USD second lien term loan. The transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred. Subsequently, in connection with the SBG Acquisition and SBG Financing, on July 10, 2018, the Corporation repaid its previous first lien term loans, repaid the existing long-term indebtedness of SBG, entered into the new Credit Agreement with respect to the First Lien Term Loans and Revolving Facility, and issued the Senior Notes. The transaction was recorded as an extinguishment for accounting purposes. No termination costs were incurred upon repayment.

18. CAPITAL MANAGEMENT

The Corporation’s objective in managing capital is to ensure it has sufficient liquidity to manage its business and growth objectives while maximizing return to shareholders through the optimization of the use of debt and equity. Liquidity is necessary to meet the Corporation’s existing general capital needs, fund the Corporation’s growth and expansion plans, and undertake certain capital markets activities, including the repayment of debt.

The Corporation has historically met its liquidity needs through cash flow generated from operations and capital markets activities, including the incurrence and issuance of debt and issuance of capital stock. The Corporation’s current objective is to meet all of its current liquidity and existing general capital requirements from the cash flow generated from operations.

The capital structure of the Corporation and its subsidiaries consists of long-term debt, which is offset by cash balances, and total equity attributable to shareholders. The Corporation’s capital management objectives are to optimize its capital structure and cost of capital.

The Corporation intends to deleverage by focusing on improving profitability and repaying debt.

For additional information regarding the Corporation’s liquidity risks, see note 29.

19. DERIVATIVES AND HEDGE ACCOUNTING

The Corporation is exposed to interest rate and currency risk, refer to note 29. The Corporation 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.

Subsequent to the SBG Financing, and as part of managing the Corporation’s exposure to foreign exchange risk and interest rate risk, the Corporation entered into the Swap Agreements (as defined below), each as discussed below. At the time of entering into the Swap Agreements, the Corporation made a cash payment of $61.1 million to unwind and settle its previously existing swap agreements (the “Previous Swap Agreements”) as discussed below.

Derivatives

Swap Agreements

During the year ended December 31, 2018, a subsidiary of the Corporation entered into Swap Agreements consisting of USD-EUR cross-currency interest rate swap agreements (the “EUR Cross-Currency Interest Rate Swaps”) with a notional amount of €1.99 billion ($2.33 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%, as well as EUR-GBP cross-currency interest rate swap agreements (the “GBP Cross-Currency Interest Rate Swaps”) with a notional amount of £1.00 billion (€1.12 billion), 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%. The cross-currency interest rate swaps have a profile that amortizes in line with the USD First Lien Term Loan and each are set to mature in July 2023. The Corporation also entered into an amortizing USD interest rate swap agreement (the “Interest Rate Swap” and collectively with the EUR Cross-Currency Interest Rate Swaps and the GBP Cross-Currency Interest Rate Swaps, the “Swap Agreements”) with a notional amount of $700 million, which is set to mature in July 2023, and swaps USD three-month LIBOR to a fixed interest rate of 2.82%.

Previous Swap Agreements

The Previous Swap Agreements hedged the interest rate and foreign exchange risk on the Corporation's previous first lien term loans. Therefore, in connection with the repayment of the previous first lien term Loans, the Corporation unwound and settled the remaining USD notional principal of $1.39 billion related to the Previous Swap Agreements for a cash payment of $61.1 million.

Embedded Derivative

See note 17 for a discussion of the features embedded in the Senior Notes that the Corporation bifurcated as it determined that the features were derivatives to be classified and recorded at fair value through profit or loss.

The fair value of the Embedded Derivative as at December 31, 2019 and 2018 was $109.9 million and $11.6 million, respectively. The fair value of the Embedded Derivative was determined using an interest rate option pricing valuation model. The key assumptions include the implied credit spread of 1.9% at December 31, 2019 (December 31, 2018 - 4.6%). The Embedded Derivative is categorized as a Level 3 within the fair value hierarchy. The Corporation did not account for the Embedded Derivative as a qualifying hedge under IAS 39.

Unsettled bets

Unsettled bets represent bets that are staked but the event to which the bet relates have not yet concluded. See note 2 for further details regarding Betting revenue. The principal assumption used in the fair value determination of unsettled bets is the anticipated gross win margin on the outcome of the events to which the bets relate. The unsettled bets are categorized as a Level 3 within the fair value hierarchy.

Deal contingent forwards

In connection with the SBG Acquisition and the Australian Acquisitions, to economically hedge its risk of foreign exchange fluctuations leading up to the acquisitions, the Corporation entered into deal contingent forward contracts. At the time of completion of the acquisitions, the Corporation settled the deal contingent forwards and recognized an aggregate realized loss of $61.5 million included in foreign exchange within the general and administrative category in the consolidated statements of earnings (loss). The Corporation did not account for the deal contingent forward contracts as qualifying hedges under IAS 39.

The following table summarizes the fair value of derivatives as at December 31, 2019 and December 31, 2018:

	Year Ended December 31, 2019		Year Ended December 31, 2018	
In thousands of U.S. Dollars	Assets	Liabilities	Assets	Liabilities
Derivatives held for hedging				
Derivatives designated in cash flow hedges				
Cross currency interest rate swaps	59,258	—	41,117	1,096
Interest rate swap	—	17,144	—	4,972
Total derivatives designated in cash flow hedges	59,258	17,144	41,117	6,068
Derivatives designated in net investment hedges				
Cross currency interest rate swaps	—	78,787	1,866	—
Total derivatives designated in net investment hedge	—	78,787	1,866	—
Total derivatives held for hedging	**59,258**	**95,931**	**42,983**	**6,068**
Derivatives held for risk management and other purposes not designated in hedges				
Forward contracts	—	—	—	208
Unsettled bets	—	17,628	—	16,285
Embedded Derivative	109,900	—	11,600	—
Total derivatives held for risk management and other purposes not designated in hedges	**109,900**	**17,628**	**11,600**	**16,493**

Hedge Accounting

The Corporation’s exposure to market risks including interest rate risk (such as benchmark interest rates) and foreign exchange risk and its approach to managing those risks is discussed in note 29.

Cash flow hedge accounting

In accordance with the Corporation’s current risk management strategy, the Corporation entered into 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 Term Lien Loan.

The Corporation 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 interest rate swaps used to hedge the exposure, as applicable. The Corporation uses the hypothetical derivative method to determine the changes in fair value of the hedged item. The Corporation has identified 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 minimized by entering into derivatives with high credit quality counterparties.
- Difference in tenor of hedged items and hedging instruments.
- Use of different discounting curves for hedged item and hedging instrument, because for cross-currency interest rate swaps the discounting curve used depends on collateralization and the type of collateral used.
- Difference in timing of settlement of the hedging instrument and hedged item.
- Designation of off-market hedging instruments.

The EUR Cross-Currency Interest Rate Swaps and the Interest Rate Swap were designated in cash flow hedge relationships to hedge the foreign exchange risk and/or interest rate risk on the USD First Lien Term Loan bearing a minimum floating interest rate of 3.5% (USD three-month LIBOR plus a 3.5% margin, with a LIBOR floor of 0%).

As at December 31, 2019, $0.5 million of accumulated other comprehensive loss is included in the cash flow hedging reserve (see note 25) related to de-designated cash flow hedges and is reclassified to the statements of earnings (loss) as the hedged cash flows impact earnings (loss).

Net investment hedge accounting

In accordance with the Corporation’s current risk management strategy, the Corporation designates certain cross-currency interest rate swap contracts and the carrying amount of certain debt instruments 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.

Upon entering into the GBP Cross-Currency Interest Rate Swaps, the Corporation designated these instruments as a hedge of the forward foreign exchange risk of its net investment in its GBP foreign operations. The Corporation 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 Corporation 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 Corporation’s own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hypothetical derivative.

Upon completion of the SBG Financing, the Corporation designated the carrying amount of the USD First Lien Term Loan (excluding the carrying amount subject to the Swap Agreements) and the carrying amount of the Senior Notes as a hedge of the spot foreign exchange risk of its net investment in its USD functional subsidiaries. The Corporation assesses hedge effectiveness using the forward rate method by comparing the currency and the carrying amount of the USD First Lien Term Loan with the currency and the net assets of its USD functional subsidiaries.

As at December 31, 2019, $49.2 million of accumulated other comprehensive income is included in the Cumulative translation reserve (see note 25) related to de-designated net investment hedges and is reclassified to the statements of earnings (loss) upon disposition of the net investment in the applicable foreign subsidiaries.

Effects of hedge accounting

The following tables presents the effects of cash flow hedges and net investment hedges on the Corporation's financial position and performance.

In thousands of U.S. Dollars	Change in value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Hedge ineffectiveness loss *	Hedging gains (losses) recognized in other comprehensive income (loss)	Amount reclassified from accumulated other comprehensive loss to net earnings **	Net change in other comprehensive income (loss)
Cash flow hedges						
Interest rate risk						
Floating rate debt	(12,172)	12,172	—	(12,172)	—	(12,172)
Interest rate risk and foreign exchange risk						
Floating rate, foreign currency debt and other	12,060	(20,112)	(8,052)	26,622	(34,916)	(8,294)
	(112)	**(7,940)**	**(8,052)**	**14,450**	**(34,916)**	**(20,466)**
Net investment hedges	**(153,886)**	**153,886**	**—**	**(153,886)**	**—**	**(153,886)**

* Hedge ineffectiveness is recorded within net financing charges on the consolidated statements of earnings (loss).
** For cash flow hedges that address interest rate risk and/or foreign currency exchange risk, the amount reclassified from accumulated other comprehensive earnings (loss) to net earnings (loss) is recorded within interest expense included in Net financing charges or foreign exchange losses included in general and administrative expenses on the consolidated statements of earnings (loss).

Reconciliation of accumulated other comprehensive income (loss):

In thousands of U.S. Dollars (except as noted)	Accumulated other comprehensive loss, beginning of year	Net change in other comprehensive income (loss)	Accumulated other comprehensive loss, end of year	Accumulated other comprehensive loss on designated hedges	Accumulated other comprehensive income (loss) on de-designated hedges
Cash flow hedges *					
Interest rate risk					
Floating rate debt	(4,972)	(12,172)	(17,144)	(17,144)	—
Interest rate risk and foreign exchange risk					
Floating rate, foreign currency debt and other	(33,081)	(8,294)	(41,375)	(40,862)	(513)
	(38,053)	**(20,466)**	**(58,519)**	**(58,006)**	**(513)**
Net investment hedges **	**(17,599)**	**(153,886)**	**(171,485)**	**(220,635)**	**49,150**

* Net changes in other comprehensive income (loss) is recorded through the Cash flow hedging reserve. See note 25.
** Net changes in other comprehensive income (loss) is recorded through the Cumulative translation reserve. See note 25.

20. COMMITMENTS

As at December 31, 2019, the Corporation had $0.7 million of commitments relating to short-term leases payable within one year (2018 – $3.7 million). Additionally, the Corporation had $74.0 million of letters of credit issued but undrawn as of December 31, 2019 (2018 – $74.2 million). See note 17.

As at December 31, 2019, the Corporation has no commitments to purchase plant, property, equipment, or intangible assets (2018 – $nil).

21. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The Corporation's accounts payable and other liabilities comprise the following:

In thousands of U.S. Dollars	As at December 31, 2019	2018
Accounts payable and accrued liabilities	314,379	282,630
Obligation to acquire non-controlling interest in BetEasy	109,666	—
VAT payable	11,826	18,792
Customer loyalty rewards	17,755	24,787
Employee benefits payable	69,917	57,143
Dormant funds	6,907	7,308
Accrued interest on long-term debt	32,281	33,347
Total accounts payable and other current liabilities	**562,731**	**424,007**
Deferred contingent payment (notes 5 and 26)	—	77,628
Other long-term payables	1,770	2,088
Total long-term payables	**1,770**	**79,716**

22. PROVISIONS

The carrying amounts of provisions as at December 31, 2019 and January 1, 2019 and the movements in the provisions during the year ended December 31, 2019 are as follows:

In thousands of U.S. Dollars	Player bonuses and jackpots	Deferred payment provision	Restructuring provision	Litigation provision	Other	Total
Balance at January 1, 2018	**4,265**	**6,300**	**—**	**—**	**10,118**	**20,683**
Provisions acquired in business combinations	8,349	—	1,614	—	5,297	15,260
Recognized	—	—	8,164	—	—	8,164
Adjustment to provision recognized	55,734	—	—	—	654	56,388
Payments	(48,902)	—	—	—	(7,006)	(55,908)
Accretion of discount	—	—	—	—	411	411
Foreign exchange translation losses	(862)	—	(65)	—	(880)	(1,807)
Balance – January 1, 2019	**18,584**	**6,300**	**9,713**	**—**	**8,594**	**43,191**
Recognized	50,235	—	13,198	22,953	1,154	87,540
Adjustment to provision recognized	—	—	(2,149)	—	136	(2,013)
Payments	(47,545)	—	(10,963)	(287)	(3,535)	(62,330)
Accretion of discount	—	—	—	—	108	108
Foreign exchange translation losses	128	—	12	401	776	1,317
Balance at December 31, 2019	**21,402**	**6,300**	**9,811**	**23,067**	**7,233**	**67,813**
Current portion at December 31, 2018	18,584	6,300	9,713	—	4,592	39,189
Non-current portion at December 31, 2018	—	—	—	—	4,002	4,002
Current portion at December 31, 2019	21,402	6,300	9,811	23,067	4,348	64,928
Non-current portion at December 31, 2019	—	—	—	—	2,885	2,885

Provision for jackpots

The Corporation offers progressive jackpot games. Each time a progressive jackpot game is played, a portion of the amount wagered by the player is contributed to the jackpot for that specific game or group of games. Once a jackpot is won, the progressive jackpot is reset with a predetermined base amount. The Corporation maintains a provision for the reset of each jackpot and the progressive element added as the jackpot game is played. The Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Deferred payment

The deferred payment provision at December 31, 2019 relates to the previously disclosed acquisition of Diamond Game Enterprises and is contingent on future events.

Restructuring provision

The Corporation recorded restructuring provisions during the year ended December 31, 2019 following the Australian Acquisitions and the SBG Acquisition, and related to certain of the Corporation's recent strategic cost savings initiatives (i.e., referred to by the Corporation as "operational excellence" or "operational efficiency" programs). Management does not consider such expenses to be part of its ongoing core operating activities or expenses. The provision primarily consists of personnel and facilities-related costs, and the Corporation believes that its provisions are sufficient to cover the full amount of any required payout.

Litigation provision

Litigation provisions generally consist of payments for future legal settlements where based on all available information, management believes it is probable that there will be a future outflow. On November 25, 2019, the Corporation entered into a settlement agreement resulting in a future payment of CAD$30 million with respect to the previously reported Quebec class action lawsuit, which is subject to court approval and will be funded entirely by the Corporation's insurance carriers. As at December 31, 2019, the Corporation has recorded a litigation provision and a corresponding insurance carrier receivable in prepaid expenses and other current assets on the consolidated statement of financial position in respect of the Quebec class action lawsuit.

Other

The other provisions consist of a minimum revenue guarantee, provisions for lease retirement costs, and other provisions for onerous contracts.

23. CUSTOMER DEPOSITS

The Corporation holds customer deposits, along with winnings and any bonuses, in trust accounts from which money may not be removed if it would result in a shortfall of such deposits. These deposits are included in current assets in the consolidated statements of financial position under Cash and cash equivalents - customer deposits and Current investments - customer deposits and includes cash and short term, highly liquid investments. Customer deposits are segregated as follows:

	As at December 31,	
In thousands of U.S. Dollars	**2019**	**2018**
Cash and cash equivalents - customer deposits	300,916	328,223
Current investments - customer deposits (note 13)	109,017	103,153
Total	**409,933**	**431,376**
Customer deposits liability	**409,390**	**423,739**

Customer deposit liabilities relate to customer deposits that are held in multiple bank and investment accounts that are segregated from those holding operational funds.

24. SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of Common Shares, with no par value, and an unlimited number of convertible preferred shares ("Preferred Shares"), with no par value, issuable in series. As at December 31, 2019, 288,564,432 Common Shares were issued, outstanding and fully paid (December 31, 2018 – 273,177,244), and there were no Preferred Shares outstanding (December 31, 2018 – nil).

	Common Shares #	Preferred Shares #	Common Shares $000's	Preferred Shares $000's
Opening balance, as at January 1, 2018	**147,947,874**	**1,139,249**	**1,199,834**	**684,385**
Issue of Common Shares in relation to stock options and equity awards	1,791,860	—	38,048	—
Conversion of Preferred Shares to Common Shares	60,013,510	(1,139,249)	684,385	(684,385)
Issue of Common Shares in connection with acquired subsidiary	41,049,398	—	1,477,478	—
Issuance of Common Shares in connection with Equity Offering	18,875,000	—	690,353	—
Issue of Common Shares in connection with market access agreement	1,076,658	—	20,661	—
Issue of Common Shares in connection with exercised warrants	2,422,944	—	14,688	—
Equity fees	—	—	(5,413)	—
Reversal of 2014 deferred tax *	—	—	(3,747)	—
Ending balance, as at December 31, 2018	**273,177,244**	**—**	**4,116,287**	**—**
Issue of Common Shares in relation to stock options and equity awards	819,525	—	16,702	—
Issue of Common Shares to FOX	14,352,331	—	235,963	—
Issue of Common Shares in connection with market access agreement	215,332	—	5,198	—
Ending balance, as at December 31, 2019	**288,564,432**	**—**	**4,374,150**	**—**

* During the year ended December 31, 2018, the Corporation made an adjustment of $3.7 million to the amounts recognized in Common Shares within share capital in respect of a previous reversal of deferred tax recognized through the consolidated statements of earnings (loss).

During the year ended December 31, 2019:

- The Corporation issued 726,300 Common Shares for cash consideration of $12.2 million as a result of the exercise of stock options. The exercised stock options were initially valued at $2.4 million. The Corporation also issued 93,225 Common Shares in connection with the settlement of other equity-based awards, initially valued at $2.1 million. Upon exercise or settlement, as applicable, the values originally allocated to the stock options and equity-based awards in the Equity reserve were reallocated to the Common Shares so issued.

- FOX acquired 14,352,331 newly issued Common Shares, representing 4.99% of the Corporation's then-issued and outstanding Common Shares (including the newly issued Common Shares), at a price of $16.4408 per share, for aggregate proceeds of $236.0 million. The Common Shares issued to FOX are subject to certain transfer restrictions for two years, subject to customary exceptions.

- The Corporation issued 215,332 Common Shares, valued at $5.2 million, to Eldorado Resorts, Inc. ("Eldorado") as the Corporation exercised an option in connection with the 2018 Market Access Agreement (as defined below).

During the year ended December 31, 2018:

- The Corporation closed an underwritten public offering of Common Shares (the "Equity Offering") at a price of $38.00 per Common Share. The Corporation sold a total of 17,000,000 Common Shares and certain selling shareholders of the Corporation sold 8,000,000 Common Shares. The net proceeds to the Corporation (excluding the over-allotment proceeds), after underwriting discounts and commissions, but before expenses of the Equity Offering payable by the Corporation, were $621.8 million. The Equity Offering also included an over-allotment option granted to the underwriters to purchase an additional 1,875,000 Common Shares from the Corporation and 1,875,000 Common Shares from the selling shareholders at a price of $38.00 per Common Share. The underwriters exercised this over-allotment option in full which resulted in additional net proceeds to the Corporation after underwriting discounts and commissions, but before expenses of the over-allotment option payable by the Corporation, of $68.6 million.

- The Corporation elected to effect the conversion of all Preferred Shares pursuant to their terms (the “Preferred Share Conversion”) as a result of meeting the applicable price and liquidity conditions with respect to the same. As a result, all of the Corporation’s outstanding Preferred Shares were converted into Common Shares at a rate of 52.7085 Common Shares per Preferred Share, resulting in the cancellation of all of the Preferred Shares and the issuance of 51,999,623 million Common Shares to the holders thereof. All the Preferred Shares were canceled and all rights associated therewith were terminated.

- The Corporation issued 1,731,761 Common Shares for cash consideration of $31.0 million as a result of the exercise of stock options. The exercised stock options were initially valued at $5.8 million. The Corporation also issued 60,099 Common Shares in connection with the settlement of other equity-based awards, initially valued at $1.2 million. Upon exercise or settlement, as applicable, the values originally allocated to the stock options and equity-based awards in the Equity reserve were reallocated to the Common Shares so issued.

- The Corporation issued 2,422,944 Common Shares as a result of the exercise of 4,000,000 warrants. There are no further outstanding warrants as at December 31, 2018. The exercised warrants were initially valued at $14.7 million. Upon the exercise of such warrants, the value originally allocated to the Warrants reserve were reallocated to the Common Shares so issued.

- The Corporation issued 8,013,887 Common Shares as a result of the voluntary conversion of 152,698 Preferred Shares prior to the Preferred Share Conversion. The converted Preferred Shares were initially valued at $114.9 million. Upon the conversion of the Preferred Shares, the value originally allocated to the Preferred Shares was reallocated to the Common Shares so issued. 8,000,000 of the Common Shares issued as a result of such voluntary conversion were then sold by the holders thereof in the Equity Offering.

- The Corporation issued 3,115,344 Common Shares, valued at $96.4 million, to the sellers of BetEasy as partial consideration for the acquisition of an additional 18% of the equity interests in BetEasy.

- The Corporation issued 37,934,054 Common Shares, valued at $1.38 billion, to the sellers of SBG as partial consideration for the SBG Acquisition.

- The Corporation issued 1,076,658 Common Shares, valued at $20.7 million, to Eldorado in connection with an agreement with Eldorado (the “Market Access Agreement”) which, among other things, grants the Corporation an option to operate online betting and gaming in certain states where Eldorado currently or in the future owns or operates casino properties.

25. RESERVES

The following table highlights the classes of reserves included in the Corporation's equity as at December 31, 2019 and December 31, 2018 and the movements in the related reserves balances for the year ended December 31, 2019 and the year ended December 31, 2018:

In thousands of U.S. Dollars	Acquisition reserve	Warrants	Equity	Treasury	Cumulative translation	Financial assets at FVOCI	Cash flow hedging	Other	Total
Balance – January 1, 2018	**—**	**14,688**	**36,865**	**(29,542)**	**(120,694)**	**168**	**(33,983)**	**(9,629)**	**(142,127)**
Cumulative translation adjustments	—	—	—	—	(93,350)	—	—	—	(93,350)
Stock-based compensation	—	—	12,806	—	—	—	—	—	12,806
Exercise of stock options and settlement of equity awards	—	—	(6,982)	—	—	—	—	—	(6,982)
Re-allocation from warrants reserve to share capital for exercised warrants	—	(14,688)	—	—	—	—	—	—	(14,688)
Reclassified to net earnings	—	—	—	—	—	(311)	(45,271)	—	(45,582)
Unrealized (losses) gains	—	—	—	—	—	(339)	41,201	—	40,862
Deferred taxes	—	—	—	—	—	53	—	—	53
Reversal of deferred tax on stock-based compensation	—	—	(359)	—	—	—	—	—	(359)
Reversal of impairment of financial instruments at FVOCI	—	—	—	—	—	(84)	—	—	(84)
Further acquisition of subsidiary	(220,023)	—	—	—	—	—	—	(155)	(220,178)
Balance – December 31, 2018	**(220,023)**	**—**	**42,330**	**(29,542)**	**(214,044)**	**(513)**	**(38,053)**	**(9,784)**	**(469,629)**
Cumulative translation adjustments	—	—	—	—	131,286	—	—	—	131,286
Stock-based compensation	—	—	18,842	—	—	—	—	—	18,842
Exercise of stock options and settlement of equity awards	—	—	(4,543)	—	—	—	—	—	(4,543)
Reclassified to net earnings (loss)	—	—	—	—	—	(58)	(34,916)	—	(34,974)
Unrealized gains	—	—	—	—	—	1,155	14,450	—	15,605
Obligation to acquire non-controlling interest in BetEasy	(105,855)	—	—	—	—	—	—	—	(105,855)
Deferred taxes	—	—	—	—	26,089	(166)	—	—	25,923
Impairment of financial instruments at FVOCI	—	—	—	—	—	62	—	—	62
Balance – December 31, 2019	**(325,878)**	**—**	**56,629**	**(29,542)**	**(56,669)**	**480**	**(58,519)**	**(9,784)**	**(423,283)**

Acquisition reserve

On February 27, 2018, a subsidiary of the Corporation completed its acquisition of a 62% interest in BetEasy. On April 24, 2018, a subsidiary of the Corporation acquired an additional 18% interest in BetEasy and on the same date, BetEasy completed its acquisition of 100% of the former William Hill Australia business. The carrying amounts of the controlling and non-controlling interest were adjusted to reflect the changes in the Corporation's equity interest in BetEasy. The change in carrying amounts were recognized directly in equity in acquisition reserve and any difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid was attributed to the Corporation.

On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to acquire the remaining 20% interest in the company for AUD$151 million within 90 days following the earlier of either the issuance of the Corporation's audited financial statements for the year-ended December 31, 2020 or the completion of the previously announced board-recommended all share combination of the Corporation with Flutter (the "BetEasy Minority Acquisition"). See note 31. Upon acquisition of the 20% interest, the Corporation will be obligated to make a contractual payment to a third-party supplier of BetEasy. The recognition of a liability in respect of the Corporation's obligation to acquire the remaining 20% interest in BetEasy and a portion of the above mentioned contractual payment resulted in a corresponding increase to the acquisition reserve.

Cumulative translation adjustments

Exchange differences relating to the translation of the net assets of the Corporation's foreign operations from their functional currency into the Corporation's presentational currency are recognized directly in the Cumulative translation adjustment reserve. This reserve also recognizes the realized and unrealized gains and losses in derivative instruments designated as net investment hedges. See note 19.

Cash flow hedging reserve

This reserve recognizes realized and unrealized gains and losses in derivative instruments designated as cash flow hedges. See note 19.

Stock Options

The following table provides information about outstanding stock options issued under the Plans:

	As at December 31, 2019		As at December 31, 2018	
Exercise price	**Number of options**	**Weighted average exercise price CDN$**	**Number of options**	**Weighted average exercise price CDN$**
Beginning balance	4,741,930	26.49	6,875,616	25.24
Issued	12,500	22.25	—	—
Exercised	(726,300)	22.18	(1,731,761)	23.23
Forfeited	(931,073)	27.77	(401,925)	19.17
Ending balance	**3,097,057**	**27.05**	**4,741,930**	**26.49**

The outstanding stock options issued under the Plans are exercisable at prices ranging from CDN$4.20 to CDN$35.30 per share and have a weighted average contractual term of 2.2 years.

The weighted average exercise price of options exercised during the year ended December 31, 2019 was CDN$22.18 (December 31, 2018 - CDN$23.23).

A summary of exercisable options per stock option grant under the Plans is as follows:

	Outstanding options		Exercisable options	
Exercise price CDN$	**Number of options**	**Weighted average outstanding maturity period (years)**	**Number of options**	**Weighted average outstanding maturity period (years)**
0.01 to 8.00	2,000	0.02	2,000	0.02
8.01 to 16.00	40,000	3.03	30,000	3.03
16.01 to 24.00	968,300	2.49	932,500	2.43
24.01 to 32.00	1,364,605	1.88	1,364,605	1.88
32.01 to 40.00	722,152	1.20	722,152	1.20
	3,097,057	**2.18**	**3,051,257**	**2.15**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $0.5 million (December 31, 2018 - $3.2 million) relating to stock options. As at December 31, 2019, the Corporation had $nil of unrecognized compensation expense to be recorded in future periods and relating to outstanding and unvested stock options.

RSUs

The following table provides information about outstanding RSUs issued by the Corporation under the 2015 Equity Incentive Plan.

	2019 No. of units	Weighted average fair value	2018 No. of units	Weighted average fair value
Balance as at January 1	220,200	$ 29.72	141,064	$ 22.46
Issued	697,498	$ 24.18	123,833	$ 31.92
Vested and settled	(93,225)	$ 28.72	(35,268)	$ 22.47
Forfeited	(46,002)	$ 30.22	(9,429)	$ 22.58
Balance as at December 31	**778,471**	**$25.42**	**220,200**	**$29.72**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $6.3 million (December 31, 2018 - $2.1 million) relating to RSUs. As at December 31, 2019, the Corporation had $8.3 million of unrecognized compensation expense to be recorded in future periods and relating to outstanding and unvested RSUs.

PSUs

The following table provides information about outstanding PSUs issued by the Corporation under the 2015 Equity Incentive Plan. The issued and outstanding PSUs below include certain grants for which the Corporation may issue additional PSUs ranging from 0% - 100% of target units based upon the achievement of market vesting conditions. The performance and market vesting conditions associated with the PSU's are based on Adjusted EBITDA, revenue, and the Corporation's share price targets or a combination thereof.

	2019 No. of units	Weighted average fair value	2018 No. of units	Weighted average fair value
Balance as at January 1	936,134	$ 30.81	418,188	$ 22.47
Issued	2,687,550	$ 24.15	552,874	$ 36.77
Vested and settled	—	$ —	—	$ —
Forfeited	(101,570)	$ 31.44	(34,928)	$ 25.30
Balance as at December 31	**3,522,114**	**$25.71**	**936,134**	**$30.81**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $10.8 million (December 31, 2018 - $4.9 million) relating to PSUs. As at December 31, 2019, the Corporation had $27.1 million of unrecognized compensation expense to be recorded in future periods and relating to outstanding and unvested PSUs.

DSUs

The following table provides information about outstanding DSUs issued by the Corporation under the 2015 Equity Incentive Plan.

	2019 No. of units	Weighted average fair value	2018 No. of units	Weighted average fair value
Balance as at January 1	201,255	$ 26.37	92,703	$ 22.65
Issued	90,446	$ 23.68	133,383	$ 29.54
Vested and settled	—	$ —	(24,831)	$ 29.55
Forfeited	—	$ —	—	$ —
Balance as at December 31	**291,701**	**$25.53**	**201,255**	**$26.37**

The Corporation recorded a compensation expense for the year ended December 31, 2019 of $1.2 million (December 31, 2018 - $2.6 million) relating to DSUs. As at December 31, 2019, the Corporation had $0.5 million of unrecognized compensation expense to be recorded in future periods and relating to outstanding and unvested DSUs.

Dividend Equivalents

During the years ended December 31, 2019 and 2018, no dividends were declared.

26. FAIR VALUE

The Corporation determined that the carrying values of its short-term financial assets and liabilities approximate their fair value because of the relatively short periods to maturity of these instruments and their low credit risk.

Certain of the Corporation's financial assets and liabilities are measured at fair value, including at FVTPL or FVOCI, at the end of each reporting period. The following table provides information about how the fair values of these financial assets and liabilities were determined as at each of December 31, 2019 and December 31, 2018:

	As at December 31, 2019			
In thousands of U.S. Dollars	Fair value & carrying value	Level 1	Level 2	Level 3
Bonds – FVOCI	109,017	109,017	—	—
Equity in unquoted companies - FVTPL	9,651	—	—	9,651
Derivatives	169,158	—	59,258	109,900
Total financial assets	**287,826**	**109,017**	**59,258**	**119,551**
Derivatives	113,559	—	95,931	17,628
Other provisions - FVTPL	1,877	—	—	1,877
Total financial liabilities	**115,436**	**—**	**95,931**	**19,505**

	As at December 31, 2018			
In thousands of U.S. Dollars	Fair value & carrying value	Level 1	Level 2	Level 3
Bonds - FVOCI	103,153	103,153	—	—
Equity in unquoted companies - FVTPL	6,773	—	—	6,773
Derivatives	54,583	—	42,983	11,600
Total financial assets	**164,509**	**103,153**	**42,983**	**18,373**
Derivatives	22,561	—	6,276	16,285
Deferred contingent payment - FVTPL	77,628	—	—	77,628
Other provisions - FVTPL	2,740	—	—	2,740
Total financial liabilities	**102,929**	**—**	**6,276**	**96,653**

Refer to note 29 for details on credit risk for the above financial assets.

The fair values of other financial assets and liabilities measured at amortized cost, other than those for which the Corporation has determined that their carrying values approximate their fair values on the consolidated statements of financial position as at each of December 31, 2019, and December 31, 2018 are as follows:

	As at December 31, 2019			
In thousands of U.S. Dollars	Fair value	Level 1	Level 2	Level 3
First Lien Term Loans	4,059,777	—	4,059,777	—
Senior Notes	1,083,940	—	1,083,940	—
Total financial liabilities	**5,143,717**	**—**	**5,143,717**	**—**

	As at December 31, 2018			
In thousands of U.S. Dollars	Fair value	Level 1	Level 2	Level 3
First Lien Term Loans	4,414,525	—	4,414,525	—
Senior Notes	969,370	—	969,370	—
Total financial liabilities	**5,383,895**	**—**	**5,383,895**	**—**

As part of its periodic review of fair values, the Corporation recognizes transfers, if any, between levels of the fair value hierarchy at the end of the reporting period during which the transfer occurred. There were no transfers between levels of the fair value hierarchy during the year ended December 31, 2019 or the year ended December 31, 2018.

Valuation of Level 2 financial instruments

Long-Term Debt

The Corporation estimates the fair value of its long-term debt by using a composite price derived from observable market data for a basket of similar instruments.

Derivative Financial Instruments

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

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

Although the Corporation has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. As of December 31, 2019 and December 31, 2018, the Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions, with the exception of the Embedded Derivative, which is classified as Level 3, and determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Corporation determined that its valuations of its derivatives in their entirety are classified in Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair values

Some of the Corporation's financial assets and liabilities are classified as Level 3 of the fair value hierarchy because the respective fair value determinations use inputs that are not based on observable market data. As at December 31, 2019, the valuation techniques and key inputs used by the Corporation for each Level 3 asset or liability were as follows:

- Equity in private companies (Level 3 Assets): The Corporation valued its equity investment in private companies with reference to earnings measures from similar businesses in the same or similar industry and adjusts for any significant changes in the earnings multiple and the valuation. A reasonable change in assumptions would not have a material impact on fair value. Changes in the fair value of equity in private companies are recorded in Loss (gain) on investments within general and administrative expenses on the consolidated statements of earnings (loss).

- Deferred contingent payment (Level 3 Liability) in connection with the acquisition of the additional 18% equity interest in BetEasy (see note 5): As at December 31, 2018, the Corporation used a risk-neutral derivative-based simulation of the underlying EBITDA forecast to determine the fair value of the deferred contingent payment using a discount rate of 10.5% and an EBITDA forecast with an estimated volatility of 25.0% of the historic EBITDA of comparable companies. Changes in the fair value of the deferred contingent payment are recorded in Net financing charges on the consolidated statements of earnings (loss). On December 3, 2019, the Corporation announced that it agreed with the holders of the non-controlling interest of BetEasy to pay AUD$100 million to settle the deferred contingent payment. The Corporation subsequently paid the AUD$100 million during the year ended December 31, 2019 with respect to the same.

- Embedded derivative redemption option (Level 3 Asset) in connection with the Senior Notes issuance: The Corporation used an interest rate option pricing valuation model to determine the fair value of the Embedded Derivative using an implied credit spread of 1.9% at December 31, 2019. A 10-basis point increase or decrease in the implied credit spread would have a $(4.7) million or $4.8 million impact on fair value, respectively. Changes in the fair value of the Embedded Derivative are recorded in Net financing charges on the consolidated statements of earnings (loss).

- Unsettled bets (Level 3 Liability): The principal assumptions used in the valuation of unsettled bets is the anticipated outcomes for the events related to the unsettled bets (gross win margin). A reasonable change in the gross win margin would not have a material impact on fair value. Changes in the fair value of the unsettled bets are recorded in Revenue on the consolidated statements of earnings (loss).

– Included within other level 3 liabilities:
  - EBITDA support agreement (Level 3 Liability): As previously disclosed, in connection with the initial public offering Innova Gaming Group Inc. (TSX: IGG) ("Innova"), the Corporation entered into an EBITDA support agreement with Innova. The Corporation uses a net present value approach for the EBITDA support agreement. Changes in the fair value of the EBITDA support agreement are recorded in Net financing charges on the consolidated statements of earnings (loss).

The following tables show a reconciliation from opening balances to the closing balances for Level 3 fair values:

In thousands of U.S Dollars	Level 3 Equity investments	Level 3 Embedded Derivative
Balance – January 1, 2018	**8,768**	**—**
Recognized	—	17,700
Re-measurement of fair value	(1,974)	(6,100)
Translation	(21)	—
Balance – December 31, 2018	**6,773**	**11,600**
Re-measurement of fair value	2,883	98,300
Translation	(5)	—
Balance – December 31, 2019	**9,651**	**109,900**

In thousands of U.S Dollars	Level 3 Deferred contingent payment	Level 3 Unsettled Bets	Other
Balance – January 1, 2018	**—**	**779**	**10,119**
Acquired on business combination	84,662	19,226	—
Settlements	—	968	(7,006)
Re-measurement of fair value	(342)	(4,782)	215
Translation	(6,692)	94	(588)
Balance – December 31, 2018	**77,628**	**16,285**	**2,740**
Settlements	(68,394)	500	(1,504)
Re-measurement of fair value	(7,371)	300	121
Translation	(1,863)	543	520
Balance – December 31, 2019	**—**	**17,628**	**1,877**

27. STATEMENT OF CASH FLOWS

Changes in non-cash operating elements of working capital

	Year Ended December 31,	
In thousands of U.S. Dollars	2019	2018
Accounts receivable	23,273	90,677
Prepaid expenses	(34,989)	(14,250)
Accounts payable and accrued liabilities	30,557	(112,275)
Provisions	23,872	15,652
Other	(8,640)	10,793
Total	**34,073**	**(9,403)**

Changes in liabilities arising from financing activities

The table below details changes in the Corporation's liabilities (excluding derivative instruments) arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statements of cash flows as net cash flows from financing activities.

In thousands of U.S. Dollars	January 1, 2019	Financing cash flows	The effect of changes in foreign exchange rates	Other changes	December 31, 2019
Long-term debt	5,446,958	(519,797)	(21,245)	25,259	4,931,175
Lease liability	59,485	(17,532)	2,262	11,109	55,324
Deferred contingent payment[1]	77,628	(68,394)	(1,863)	(7,371)	—
Balance – December 31, 2019	**5,584,071**	**(605,723)**	**(20,846)**	**28,997**	**4,986,499**

In thousands of U.S. Dollars	January 1, 2018	Financing cash flows	The effect of changes in foreign exchange rates	Other changes	December 31, 2018
Long-term debt	2,314,675	2,978,754	(46,040)	199,569	5,446,958
Balance – December 31, 2018	**2,314,675**	**2,978,754**	**(46,040)**	**199,569**	**5,446,958**

[1] Previously included within other long-term liabilities on the consolidated statement of financial position.

28. CONTINGENT LIABILITIES

As part of management's ongoing regulatory compliance and operational risk assessment process, management monitors legal and regulatory developments and proceedings, and their potential impact on the business.

Kentucky Proceeding

Prior to the Stars Interactive Group acquisition, the Commonwealth of Kentucky, ex. rel. J. Michael Brown, Secretary of the Justice and Public Safety Cabinet, filed a legal proceeding against Stars Interactive Group, then named Oldford Group, and certain affiliates thereof (together, the "Oldford Parties") and various other defendants (the "Kentucky Proceeding"), pursuant to which the Commonwealth sought to recover alleged gambling losses on behalf of Kentucky residents who played real-money poker on the *PokerStars* website during the period between October 12, 2006 and April 15, 2011. On August 12, 2015, the trial court in the Kentucky Proceeding entered a default judgment against the Oldford Parties following certain alleged discovery failures, including by certain former owners of the Oldford Parties, and partial summary judgment on liability in favor of the Commonwealth. On December 23, 2015, the trial court entered an order for damages in the amount of approximately $290 million, which the trial court trebled to approximately $870 million.

The Corporation, through certain subsidiaries, filed a notice of appeal to the Kentucky Court of Appeals and posted a $100 million supersedeas bond to stay enforcement of the order for damages during the pendency of the appeals process. In connection with the posting of the bond, the Corporation delivered cash collateral in the amount of $5 million and letters of credit in the aggregate amount of $65 million. See notes 15 and 17. On December 21, 2018, the Kentucky Court of Appeals ruled in the Corporation's favor and reversed in its entirety the $870 million judgment.

On January 18, 2019, the Commonwealth filed a motion for discretionary review with the Kentucky Supreme Court asking the Court to determine if it will hear an appeal of the decision issued by the Kentucky Court of Appeals. On April 11, 2019, the Kentucky Supreme Court granted such discretionary review.

In late-January 2016, pursuant to and in accordance with the procedures set forth in the merger agreement governing the Stars Interactive Group acquisition, a subsidiary of the Corporation submitted a notice of claim to the sellers' representative and escrow agent seeking indemnification for losses and potential losses caused by breaches under the merger agreement and requesting, among other things, that the escrow agent retain the then-remaining balance of the escrow fund established under the merger agreement in an aggregate amount equal to $300 million. Since 2016, the escrow fund was reduced according to the settlement of certain of the claims and on September 30 2019, the parties settled the remaining disputed claim regarding the Kentucky Proceedings and the escrow agent released the remaining funds to a payment agent designated by the former owners of Stars Interactive Group.

No liability has been recognized relating to this matter as based on all available information, the Corporation does not consider it probable that there will be a future outflow.

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Foreign Exchange Risk

The Corporation is subject to foreign currency exposure on its financial instruments and the translation of its subsidiaries with foreign functional currencies to USD. The Corporation primarily manages its foreign currency exposure through its hedging instruments. See note 19. As at December 31, 2019, the Corporation's significant foreign exchange currency exposure on its financial instruments by currency was as follows (in U.S. dollar equivalents):

	CDN	EUR	GBP	AUD
Cash	4,607	100,085	233,590	31,235
Restricted cash	—	279	—	4,138
Equity in unquoted companies - FVTPL	—	13,588	—	—
Accounts receivable	6,890	43,537	23,332	6,013
Derivatives	—	59,258	—	—
Accounts payable and accrued liabilities	(10,191)	(71,697)	(199,831)	(143,735)
Long-term debt	—	(934,733)	—	—
Derivatives	(12)	(79,733)	(14,472)	(1,616)
Customer deposits	969	(79,423)	(54,200)	(24,898)

The table below details the effect on equity and earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CDN, EUR, GBP and AUD after the effect of the Corporation's hedging activities:

	Earnings impact - gain (loss)		Equity impact - gain (loss)	
	10% Strengthening $000s	10% Weakening $000s	10% Strengthening $000s	10% Weakening $000s
CDN	(800)	800	574	(574)
EUR	(89)	89	94,973	(94,973)
GBP	1,225	(1,225)	(67)	67
AUD	(15)	15	12,902	(12,902)

The table below details the effect on equity of a 10% strengthening or weakening of the EUR:USD or the EUR:GBP exchange rates on the valuations of the Swap Agreements that hedge the USD First Lien Term Loan. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	$000s	
	- 10%	+ 10%
USD:EUR exchange rate	(233,636)	257,000
EUR:GBP exchange rate	(127,020)	139,722

Interest Rate Risk

The Corporation's exposure to changes in interest rates (particularly fluctuations in LIBOR) relates primarily to interest paid on the Corporation's long-term indebtedness, as well as the interest earned on and market value of its cash and investments. The Corporation is also exposed to fair value interest rate risk with respect to its Senior Notes and cash flow interest rate risk on the unhedged elements of the USD First Lien Term Loan, and the EUR First Lien Term Loan which bear interest at variable rates. The Corporation manages its foreign currency exposure through its hedging instruments. See note 19.

The table below details the effect on earnings before tax of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on these loans after the effect of the Corporation's hedging activities. EURIBOR is currently negative and the analysis below presents the effect on earnings before tax if it were to turn positive by 100 basis points. 100 basis points sensitivity is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	Net earnings (loss) $000's	
	- 100 bps	+ 100 bps
USD LIBOR	1,779	(1,779)
EURIBOR	—	(9,532)

The USD First Lien Term Loan has a floor of 0% for the LIBOR and as such, the interest rate cannot decrease below 3.50%. The EUR First Lien Term Loan has a floor of 0% for the EURIBOR and as such, the interest rate cannot decrease below 3.75%. Management monitors movements in the interest rates by reviewing the EURIBOR and LIBOR on a quarterly basis. During the years ended December 31, 2019 and 2018 the EURIBOR was negative.

The table below details the effect on equity of a 100 basis points strengthening or weakening of the LIBOR and EURIBOR interest rates on the valuations of the Swap Agreements that hedge the USD First Lien Term Loan. 100 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates:

	$000's	
	- 100 bps	+ 100 bps
LIBOR	(3,632)	3,244
GBP LIBOR	(48,434)	46,590
EURIBOR	(37,631)	36,004

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation's policy is to transact wherever possible with investment grade counterparties. This information is supplied by independent rating agencies where available, and if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is managed by the Corporation's treasury and finance groups in accordance with the Corporation's treasury investment policy, which was approved by the Corporation's Audit Committee.

Credit risk arises from cash and cash equivalents, contractual cash flows of investments carried at amortized cost, at FVOCI and at FVTPL, as applicable, favorable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding accounts receivable. The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Corporation subjects its accounts receivable, investments carried at FVOCI, and cash and restricted cash to the expected credit loss model and specifically uses the simplified approach in respect of accounts receivable. The credit risk on cash and cash equivalents, investments and derivative financial instruments is limited because the Corporation operates a credit rating based limit system to ensure that the majority of the Corporation's balances are held with banks with investment grade credit-ratings assigned by international credit-rating agencies. The Corporation's treasury investment policy and related strategy is focused on the preservation of capital and supporting its liquidity requirements, not on generating trading profits. The Corporation's receivables are primarily in relation to payment processors and credit risk associated with these receivables is limited. The application of the expected credit loss model did not result in material impairment losses recorded in respect of these instruments.

Age of receivables that are past due but not impaired:

In thousands of U.S. Dollars	As at December 31, 2019	2018
Past due less than 181 days	2,352	2,103
Past due more than 181 days	3,562	2,309
Total past due	**5,914**	**4,412**

The allowance for doubtful accounts is $14.6 million as at December 31, 2019 (December 31, 2018 - $16.8 million).

Age of impaired trade receivables:

In thousands of U.S. Dollars	As at December 31, 2019	2018
Past due less than 181 days	48	308
Past due more than 181 days	14,524	16,520
Total past due	**14,572**	**16,828**

Liquidity Risk

Liquidity risk is the Corporation’s ability to meet its financial obligations when they come due. The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Corporation’s objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Corporation’s banks and other lenders. The Corporation’s policy is to seek to ensure adequate funding is available from operations, established lending facilities and other sources, including the debt and equity capital markets, as required.

The Corporation’s principal sources of liquidity are its cash generated from operations, the Revolving Facility and certain other currently available funds. Currently available funds consist primarily of cash on deposit with banks and investments, which are comprised primarily of certain highly liquid, short-term investments, including money market funds. The Corporation’s working capital requirements are generally minimal during the year as its current gaming business requires customers to deposit funds prior to playing or participating in its real-money product offerings. The Corporation believes that such deposits are typically converted to revenue efficiently and on a timely basis such that operating expenditures are sufficiently covered. Management also believes that investing is a key element necessary for the continued growth of the Corporation’s customer base and the future development of new and innovative product offerings. Based on the Corporation’s currently available funds, borrowing capacity available from the Revolving Facility and its ability to access the debt and equity capital markets, if necessary, management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development and integration activities and other capital expenditures, including those with respect to the continued launch and operation of its U.S. business, as well as strategic transactions, if any, for at least the next 12 months. Notwithstanding, the state of capital markets and the Corporation’s ability to access them on favorable terms, if at all; micro and macro-economic downturns; and fluctuations of the Corporation’s operations, among other things, may influence its ability to secure the capital resources required to satisfy current or future obligations and fund future projects, strategic initiatives and support growth.

Customer deposit liabilities relate to customer deposits that are held in multiple bank accounts and highly liquid investments which are segregated from those holding operational funds. These deposits are included in current assets in the consolidated statements of financial position under Cash and cash equivalents - customer deposits and Current investments - customer deposits (see note 23).

The following table provides information about the terms of the Corporation's financial obligations and liabilities (excluding derivatives which are presented separately below). The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows as applicable. For floating rate interest cash flows, the undiscounted amount is based on the floating interest rate in place at December 31, 2019.

	On demand $000s	Less than 1 year $000s	2 to 5 years $000s	Greater than 5 years $000s
Accounts payable and other liabilities *	143,358	350,734	1,770	—
Customer deposits	409,390	—	—	—
Provisions	—	64,928	2,885	—
Long-term debt	—	311,508	1,302,740	4,969,062
Total	**552,748**	**727,170**	**1,307,395**	**4,969,062**

* Excludes VAT and other taxes as well as the interest accrual on Senior Notes, which are all included in accounts payable and other liabilities on the statements of financial position

The following table provides information about the terms of the Corporation's derivative financial instruments based on contractual maturities. The table is based on the undiscounted net cash inflows or outflows on derivative instruments that settle on a net basis and the net undiscounted gross inflows and outflows on those derivatives that require gross settlement. For derivative cash flows based on a floating interest rate, the undiscounted amount is based on the floating interest rate in place at December 31, 2019.

	On demand $000s	Less than 1 year $000s	2 to 5 years $000s
Net settled derivatives			
Unsettled bets - net outflows	—	17,628	—
Interest rate swap - net outflows	—	5,116	8,861
Gross settled derivatives			
Cross currency interest rate swaps - inflows	—	(149,754)	(2,582,758)
Cross currency interest rate swaps - outflows	—	131,593	2,507,913
Total	**—**	**4,583**	**(65,984)**

30. RELATED PARTY TRANSACTIONS

Key management of the Corporation includes the members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer, Chief Technology Officer, and certain other key members of management.

The compensation of such key management for the years ended December 31, 2019 and 2018 included the following:

In thousands of U.S. Dollars	Year Ended December 31, 2019	2018
Salaries, bonuses and short-term employee benefits	10,071	10,320
Director retainers	822	796
Stock-based payments	12,843	6,824
	23,736	**17,940**

The remuneration of the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer consists primarily of a salary, cash bonuses and share-based awards and was negotiated at arm's length. Director retainers include both retainers, committee fees and share-based awards.

31. COMBINATION WITH FLUTTER ENTERTAINMENT PLC

On October 2, 2019, the Corporation and Flutter announced they had entered into an arrangement agreement (the "Arrangement Agreement") providing for an all-share combination to be implemented through an acquisition of the Corporation by Flutter pursuant to a plan of arrangement under the OBCA (the "Combination"). Under the terms of the Combination, shareholders of the Corporation would be entitled to receive 0.2253 ordinary shares of Flutter in exchange for each Common Share of the Corporation. Immediately following completion of the Combination, shareholders of Flutter would own approximately 54.64 percent and shareholders of the Corporation would own approximately 45.36 percent of the share capital of the combined business (based on the fully diluted share capital of Flutter and the fully diluted share capital of the Corporation excluding any out of the money options, in each case, as at October 2, 2019).

Completion of the Combination is intended to occur during the second or third quarter of 2020. The Combination is conditional upon, among other things, certain approvals by each of Flutter's and the Corporation's shareholders, Ontario court approval of the plan of arrangement, certain approvals from the United Kingdom Financial Conduct Authority, London Stock Exchange and Euronext Dublin, and relevant merger control, foreign investment and gaming related approvals.

32. SUBSEQUENT EVENTS

On February 21, 2020, the Corporation prepaid $100.0 million, including accrued and unpaid interest, of its USD First Lien Term Loan, using available cash on hand.

THE STARS GROUP

Exhibit 99.3

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED
DECEMBER 31, 2019

February 27, 2020

TABLE OF CONTENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (this “MD&A”) provides a review of the results of operations, financial condition and cash flows for The Stars Group Inc. on a consolidated basis for the three months and year ended December 31, 2019. References to “The Stars Group” or the “Corporation” in this MD&A refer to The Stars Group Inc. and its subsidiaries or any one or more of them, unless the context requires otherwise. This document should be read in conjunction with the information contained in the Corporation’s audited consolidated financial statements and related notes for the year ended December 31, 2019 (the “2019 Annual Financial Statements”) and the Corporation’s annual information form for the year ended December 31, 2019 (the “2019 Annual Information Form” and together with this MD&A and the 2019 Annual Financial Statements, the “2019 Annual Reports”). These documents and additional information regarding the business of the Corporation are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com, the Electronic Data Gathering, Analysis, and Retrieval system (“EDGAR”) at www.sec.gov, and the Corporation’s website at www.starsgroup.com.

For reporting purposes, the Corporation prepared the 2019 Annual Financial Statements in U.S. dollars and, unless otherwise indicated, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information contained in this MD&A was derived from the 2019 Annual Financial Statements. The results of operations for the three months and year ended December 31, 2019 were prepared following the Corporation’s adoption of IFRS 16, Leases (“IFRS 16”) and consistent with the transition method it chose, comparative information has not been restated. See notes 2 and 4 of the 2019 Annual Financial Statements. Unless otherwise indicated, all references to “USD” and “$” are to U.S. dollars, “EUR” or “€” are to European Euros, “GBP” or “£” are to British pound sterling, “CDN” or “CDN $” are to Canadian dollars and “AUD” or “AUD $” are to Australian dollars. All percent (%) changes are calculated as the current period amount minus the prior period amount and then divided by the prior period amount and use rounded figures except for gross profit margin, Adjusted EBITDA Margin, QAU, QNY, Net Deposits, Betting Net Win Margin (each as defined below) and per share amounts, which are calculated using unrounded figures. Unless otherwise indicated, all references to a specific “note” refer to the notes to the 2019 Annual Financial Statements.

As at December 31, 2019, the Corporation had three reporting segments, “International”, “United Kingdom” and “Australia”, each with certain major lines of operations, and a “Corporate” cost center, all as further described below. The International segment currently includes the business operations of Stars Interactive Group (i.e., PokerStars, PokerStars Casino, BetStars, Full Tilt and their related brands) and FOX Bet and its related brands, the United Kingdom segment currently includes the business operations of Sky Betting & Gaming (i.e., Sky Bet, Sky Vegas, Sky Casino, Sky Bingo, Sky Poker, Oddschecker and their related brands) and the Australia segment currently includes the business operations of BetEasy (each as defined below). See“Segment Results of Operations” below and note 7 of the 2019 Annual Financial Statements for additional information on the Corporation’s reporting segments.

As at December 31, 2019, the Corporation had up to four major lines of operations within each of its reporting segments, as applicable: real-money online poker (“Poker”), real-money online betting (“Betting”), real-money online casino and, where applicable, bingo (collectively, “Gaming”), and other gaming-related revenue, including, without limitation, revenue from social and play-money gaming, live poker events, branded poker rooms, Oddschecker and other nominal sources of revenue, as applicable (collectively, “Other”). As it relates to these lines of operation, online revenue includes revenue generated through the Corporation’s online, mobile and desktop client platforms, as applicable.

For purposes of this MD&A: (i) the term “gaming license” refers collectively to all the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction; and (ii) unless the context requires otherwise or otherwise defined (particularly as it relates to the Gaming line of operation as used in this MD&A and the 2019 Annual Financial Statements, which currently only includes real-money online casino and, where applicable, bingo revenue), all references in this MD&A to “gaming” include all online gaming (e.g., poker, casino and bingo) and betting.

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to February 27, 2020, the date the Corporation’s board of directors (the “Board”) approved the 2019 Annual Reports, including this MD&A.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The 2019 Annual Reports, including this MD&A, contain certain information that may constitute forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable securities laws, including financial and operational expectations and projections, such as certain future operational and growth plans and strategies. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Corporation and its customers, partners, suppliers and industries in which it operates or may operate in the future. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as at the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions. For example, see “Non-IFRS Measures, Key Metrics and Other Data”, “Overview and Outlook”, “Liquidity and Capital Resources” and “Recent Accounting Pronouncements”.

Specific factors and assumptions include the following: customer and operator preferences and changes in the economy; reputation and brand growth; competition and the competitive environment within addressable markets and industries; macroeconomic conditions and trends in the gaming industry; ability to predict fluctuations in financial results from quarter to quarter; ability to mitigate tax risks and adverse tax consequences, including changes in tax laws or administrative policies relating to tax and the imposition of new or additional taxes, such as value-added taxes (“VAT”), other point of consumption taxes, corporate tax, and gaming duties; the Corporation’s exposure to greater than anticipated tax liability; the Corporation’s substantial indebtedness requires that it use a significant portion of its cash flow to make debt service payments; impact of inability to complete future or announced acquisitions, dispositions, mergers or other business combinations, such as the Combination (as defined below) with Flutter Entertainment plc (“Flutter”), or to integrate businesses successfully, including Sky Betting & Gaming and BetEasy; the risk that the Combination may not complete on the anticipated terms and timing, if at all, or a condition to completing the Combination may not be satisfied; the ability to obtain the required regulatory approvals with respect to the Combination, or the potential imposition by applicable regulators of conditions to obtain such regulatory approvals that adversely affect the anticipated benefits from the Combination or cause the Corporation or Flutter to abandon the same; potential litigation relating to the Combination that could be instituted against the Corporation and/or its directors; contractual relationships of The Stars Group with FOX Corporation (“FOX”) and Sky plc and/or their respective subsidiaries; an ability to realize all or any of the Corporation’s estimated synergies and cost savings in connection with acquisitions, including the Acquisitions (as defined below); bookmaking risks; an ability to realize projected financial increases attributable to acquisitions and the Corporation’s business strategies; ability to mitigate foreign exchange and currency risks; potential changes to the gaming regulatory framework, including without limitation, those that may impact the Corporation’s ability to access and operate in certain jurisdictions, whether directly or through arrangements with locally based operators; the heavily regulated industry in which the Corporation carries on its business; risks associated with interactive entertainment and online and mobile gaming generally; ability to obtain, maintain and comply with all applicable and required licenses, permits and certifications to offer, operate and market its product offerings, including difficulties or delays in the same; significant barriers to entry; current and future laws or regulations and new interpretations of existing laws or regulations, or potential prohibitions, with respect to interactive entertainment or online gaming or activities related to or necessary for the operation and offering of online gaming; legal and regulatory requirements; risks of foreign operations generally, and in particular in light of “Brexit”; risks associated with advancements in technology, including artificial intelligence; ability to develop and enhance existing product offerings and new commercially viable product offerings; ability of technology infrastructure to meet applicable demand and reliance on online and mobile telecommunications operators; systems, networks, telecommunications or service disruptions or failures or cyber-attacks and failure to protect customer data, including personal and financial information; regulations and laws that may be adopted with respect to the Internet and electronic commerce or that may otherwise impact the Corporation in the jurisdictions where it is currently doing business or intends to do business, particularly those related to online gaming or that could impact the ability to provide online product offerings, including as it relates to payment processing; ability to obtain additional financing or to complete any refinancing on reasonable terms or at all; the Corporation’s secured credit facilities contain covenants and other restrictions that may limit its flexibility in operating its business; ability to recruit and retain management and other qualified personnel, including key technical, sales and marketing personnel; defects in product offerings; losses due to fraudulent activities; management of growth; contract awards; potential financial opportunities in addressable markets and with respect to individual contracts; dependency on customers’ acceptance of its product offerings; consolidation within the gaming industry; litigation costs and outcomes; expansion within existing and into new markets; relationships with vendors and distributors; counterparty risks; failure of systems and controls of the Corporation to restrict access to its products; reliance on scheduling and live broadcasting of major sporting events; and natural events. These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, these factors, as well as those risk factors presented under the heading “Risk Factors and Uncertainties” in the 2019 Annual Information Form, elsewhere in this MD&A and the 2019 Annual Reports and in other filings that The Stars Group has made and may make in the future with applicable securities authorities, should be considered carefully.

The foregoing list of important factors and assumptions may not contain all the material factors and assumptions that are important to shareholders and investors. Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation's expectations as at February 27, 2020, and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements to reflect events and circumstances after the date hereof or to reflect the occurrence of unanticipated events, except in accordance with applicable securities laws.

RISK FACTORS AND UNCERTAINTIES

Certain factors may have a material adverse effect on the Corporation's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, the 2019 Annual Reports, particularly under the heading "Risk Factors and Uncertainties" in the 2019 Annual Information Form, and in other filings that the Corporation has made and may make in the future with applicable securities authorities, including those available on SEDAR at www.sedar.com, EDGAR at www.sec.gov or The Stars Group's website at www.starsgroup.com. The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of the common shares of the Corporation (the "Common Shares") (or the value of any other securities of the Corporation) could decline, and the Corporation's securityholders could lose part or all of their investment.

NON-IFRS MEASURES, KEY METRICS AND OTHER DATA

This MD&A references non-IFRS financial measures and key metric operational performance measures, including those under the headings "Consolidated Results of Operations and Cash Flows", "Segment Results of Operations" and "Reconciliations" below. The Corporation believes these measures and metrics will provide investors with useful supplemental information about the financial and operational performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business, identifying and evaluating trends, and making decisions. The Corporation believes that such non-IFRS financial measures provide useful information about its underlying, core operating results and trends, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to metrics and measures used by management in its financial and operational decision-making.

Although management believes these non-IFRS financial measures and key metrics are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. They are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures and key metrics used by other companies and may not be comparable to similar meanings prescribed by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of certain of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the Corporation's operating results.

Non-IFRS Measures

The Corporation presents the following non-IFRS measures in this MD&A, reconciliations of which to their nearest IFRS measures are provided, as applicable, under "Reconciliations" below:

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as net earnings before financial expenses, income tax expense (recovery), depreciation and amortization, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items as set out in the reconciliation tables under "Reconciliations" below.

The Corporation believes Adjusted EBITDA is a useful performance measure as it provides information regarding the Corporation's ongoing core operating activities and trends in underlying performance and growth, and is used by management primarily to forecast and budget the allocation of applicable resources, particularly in light of its current strategic initiatives, including its geographic and product expansion strategy.

Adjusted EBITDA Margin

The Corporation defines Adjusted EBITDA Margin as Adjusted EBITDA as a proportion of total revenue.

The Corporation believes Adjusted EBITDA Margin is a useful performance measure as it is representative of the Corporation's ongoing core business activities and assists management in monitoring the impact of any significant change in revenue generation (e.g., as a result of geographic or product changes, sporting results or seasonality) or costs (e.g., a change in gaming duty rates or gaming regulatory fees or costs) on the Corporation's operating performance.

Adjusted Net Earnings

The Corporation defines Adjusted Net Earnings as net earnings before interest accretion, amortization of intangible assets resulting from purchase price allocations following acquisitions, stock-based compensation, restructuring, the re-measurement of contingent consideration, the re-measurement of embedded derivatives, ineffectiveness on cash flow hedges, certain non-recurring tax adjustments and settlements, net earnings (loss) on associate, and certain other items as set out in the reconciliation tables under "Reconciliations" below. Each adjustment to net earnings is then adjusted for the tax impact, where applicable, in the respective jurisdiction to which the adjustment relates.

The Corporation believes Adjusted Net Earnings is also a useful performance measure as, similar to Adjusted EBITDA, it provides meaningful information relating to the Corporation's trends in underlying performance and growth, but it also takes into account the Corporation's current capital structure, the impact of its geographic diversity on taxes and its historical investments in technology.

Adjusted Diluted Net Earnings per Share

The Corporation defines Adjusted Diluted Net Earnings per Share as Adjusted Net Earnings attributable to the Shareholders of The Stars Group Inc. divided by Diluted Shares. Diluted Shares means the weighted average number of Common Shares on a fully diluted basis, including options, other equity-based awards such as warrants and any convertible preferred shares of the Corporation (the "Preferred Shares") then outstanding. The effects of anti-dilutive potential Common Shares are ignored in calculating Diluted Shares. Diluted Shares used in the calculation of diluted earnings per share may differ from diluted shares used in the calculation of Adjusted Diluted Net Earnings per Share where the dilutive effects of the potential Common Shares differ. See note 10 in the 2019 Annual Financial Statements. For the three months and year ended December 31, 2019, Diluted Shares used for the calculation of Adjusted Diluted Net Earnings per Share equaled 291,102,048 and 284,478,637, respectively, compared with 273,294,532 and 242,768,766 for the prior year periods, respectively.

The Corporation believes Adjusted Diluted Net Earnings per Share is a useful measure for the same reasons as Adjusted Net Earnings as well as providing a per share measure that factors in the dilutive effect of the Corporation's outstanding equity and equity-based awards and instruments.

Constant Currency Revenue

The Corporation defines Constant Currency Revenue as IFRS reported revenue for the relevant period calculated using the applicable prior year period's monthly average exchange rates for its local currencies other than the U.S. dollar. Currently, the Corporation provides Constant Currency Revenue for the International segment and its applicable lines of operations for the three months and year ended December 31, 2019, and for the United Kingdom and Australia segments and their applicable lines of operations for the three months ended December 31, 2019. However, it does not currently provide Constant Currency Revenue for the United Kingdom and Australia segments for the year ended December 31, 2019 because the Corporation does not yet have full reported comparative periods for these segments as a result of the respective acquisition dates of Sky Betting & Gaming and BetEasy, and with respect to BetEasy, as of June 30, 2018, the Corporation had not yet completed the previously announced migration of the customers of what was formerly the William Hill Australia business onto the BetEasy platform.

The Corporation believes providing Constant Currency Revenue is useful because it helps show the foreign exchange impact due to currency translation resulting from the preparation of the financial statements and it facilitates comparison to its historical performance. Solely in respect of the International segment, Constant Currency Revenue is also useful in showing the foreign exchange impact on customer purchasing power, mainly because the U.S. dollar is the primary currency of gameplay on the International segment's product offerings and the majority of the segment's customers are from European Union jurisdictions and primarily make deposits in Euros. The Corporation is also exposed to foreign exchange risk as a result of the Acquisitions, primarily when translating the functional currencies of the United Kingdom segment (i.e., GBP) and Australia segment (i.e., AUD) into U.S. dollars for financial reporting purposes.

Free Cash Flow

The Corporation defines Free Cash Flow as net cash flows from operating activities after adding back customer deposit liability movements and after capital expenditures and debt servicing cash flows (excluding voluntary prepayments).

The Corporation believes that Free Cash Flow is a useful liquidity measure because it believes that removing movements in customer deposit liabilities provides a meaningful understanding of its underlying cash flows as customer deposits are not available funds that the Corporation can use for financial or operational purposes, and removing capital expenditures and debt servicing costs shows cash potentially available for voluntary debt repayments and other financial or operational purposes including to pursue strategic initiatives.

Key Metrics and Other Data

The Corporation currently considers the below noted key metrics in this MD&A for its reporting segments, as applicable. The Corporation does not currently provide consolidated key metrics because management analyzes these metrics primarily on a segment-by-segment basis due to differences in the nature of the applicable segment's market, customer base and product offerings. Notwithstanding and unless the context otherwise requires, the Corporation believes that readers should consider the applicable metrics together for each segment (but not on a consolidated basis) as customer growth and monetization trends reflected in such metrics are key factors that affect the Corporation's revenue for the applicable segment.

While management may have provided other non-IFRS financial measures and key metrics in the past, it continues to review and assess the importance, completeness and accuracy of such measures as it relates to its evaluation of the Corporation's business, performance and trends affecting the same. This includes customer engagement, gameplay, staking or betting levels, depositing activity and various other customer trends, particularly following the introduction of certain customer acquisition initiatives, and the Corporation's expansion in real-money online casino and sportsbook and the introduction of certain ongoing improvements in the poker ecosystem. As such, management may determine that particular measures that it may have presented in the past are no longer helpful or relevant to understanding the Corporation's current and future business, performance or trends affecting the same, and as a result it may remove or redefine any such measures, or introduce new or alternative measures. In addition, the Corporation is also continuing to integrate the Acquisitions, as applicable, and once complete, the Corporation may revise or remove currently presented key metrics or report certain additional or other measures in the future. For each applicable period, management intends to provide such metrics and measures that it believes may be the most helpful and relevant to an understanding of the Corporation's business and performance, including on a consolidated and segmental basis and normalized measures of the same, and trends affecting the foregoing.

Quarterly Real-Money Active Uniques (QAUs)

The Corporation defines QAUs for the International and Australia reporting segments as active unique customers (online, mobile and desktop client) who (i) made a deposit or transferred funds into their real-money account with the Corporation at any time, and (ii) generated real-money online rake or placed a real-money online bet or wager during the applicable quarterly period. The Corporation defines "active unique customer" as a customer who played or used one of its real-money offerings at least once during the period, and excludes duplicate counting, even if that customer is active across multiple lines of operation (Poker, Gaming and/or Betting, as applicable) within the applicable reporting segment. The definition of QAUs excludes customer activity from certain low-stakes, non-raked real-money poker games, but includes real-money activity by customers using funds (cash and cash equivalents) deposited by the Corporation into such customers' previously funded accounts as promotions to increase their lifetime value.

The Corporation currently defines QAUs for the United Kingdom reporting segment (which currently includes the SBG (as defined below) business operations only) as active unique customers (online and mobile) who have settled a Stake (as defined below) or made a wager on any betting or gaming product within the applicable quarterly period. The Corporation defines "active unique customer" for the United Kingdom reporting segment as a customer who played at least once on one of its real-money offerings during the period, and excludes duplicate counting, even if that customer is active across more than one line of operation. For the three months ended September 30, 2018, QAUs for the United Kingdom reporting segment also include the applicable pre-acquisition period of July 1, 2018 through July 9, 2018.

QAUs are a measure of the player liquidity on the Corporation's real-money poker product offerings and level of usage on all its real-money product offerings, collectively. Trends in QAUs affect revenue and financial results by influencing the volume of activity, the Corporation's product offerings, and its expenses and capital expenditures.

The Corporation has faced and may continue to face challenges in increasing the size of its active customer base within one or more of its reporting segments due to, among other things, competition from alternative products and services for all verticals, as well as regulatory changes, payment processing or other restrictions or macro-economic factors that may impact customer acquisition or the ability of customers to make a deposit or play certain products, high-volume, net-withdrawing customers who detract from the overall poker ecosystem and discourage recreational customers, the use of certain sophisticated technology that may provide an artificial competitive advantage for certain online poker customers over others, and past and potential future weakness in certain global currencies against the U.S. dollar, which decreases the purchasing power of the Corporation's customer base as the U.S. dollar is the primary currency of gameplay on many of its International segment product offerings. Notwithstanding, the Corporation intends to retain and grow its reporting segments' customer bases and reactivate dormant users by, as applicable, continuing to improve the poker ecosystem to benefit recreational players, continuing to introduce new and innovative product offerings, features and enhancements for all verticals, improving the user interfaces, platforms and user experience across its lines of operations, investing in customer relationship management ("CRM") initiatives, improving the effectiveness of its marketing and promotional efforts, and expanding the availability of its offerings geographically, including through potential acquisitions and strategic transactions, among other things. To the extent the growth of the customer base of a reporting segment of the Corporation continues to decline, that segment's revenue growth will become increasingly dependent on its ability to increase levels of customer engagement and monetization.

Quarterly Net Yield (QNY)

The Corporation defines QNY as combined revenue for its lines of operation (i.e., Poker, Gaming and/or Betting, as applicable) for each reporting segment, excluding Other revenue, as reported during the applicable quarterly period (or as adjusted to the extent any accounting reallocations are made in later periods) divided by the total QAUs during the same period. For the three months ended September 30, 2018, QNY for the United Kingdom reporting segment also includes the applicable pre-acquisition period of July 1, 2018 through July 9, 2018. The numerator of QNY is a non-IFRS measure.

Trends in QNY are a measure of growth as the Corporation continues to expand its applicable core real-money online product offerings. In addition, the trends in the Corporation's ability to generate revenue on a per customer basis across its real-money online product offerings are reflected in QNY and are key factors that affect the Corporation's revenue. The Corporation also provides QNY using Constant Currency Revenue for its reporting segments.

Many variables can impact a reporting segment's QNY, including, as applicable, the rake and fees charged in real-money online poker, the applicable margin of online casino games, Stakes and Betting Net Win Margin, the amount of time customers play on its product offerings, offsets to gross revenue for loyalty program rebates, rewards, bonuses, and promotions, VAT and similar taxes in certain jurisdictions, and the amount the applicable reporting segment spends on advertising and other similar expenses. The Corporation currently intends to increase QNY for its reporting segments in future periods by, among other things, and as applicable, (i) continuing to introduce new and innovative product offerings and other initiatives to enhance the customer experience and increase customer engagement, including through CRM initiatives to attract and retain high-value customers, (ii) capitalizing on its existing online poker platforms and offerings, which provides customers with the highest level of player liquidity globally, (iii) cross-selling its online offerings to both existing and new customers, and (iv) continuing to expand and improve its online gaming offerings.

Net Deposits

The Corporation defines Net Deposits for the International segment as the aggregate of gross deposits or transfer of funds made by customers into their real-money online accounts less withdrawals or transfer of funds by such customers from such accounts, in each case during the applicable quarterly period. Gross deposits exclude (i) any deposits, transfers or other payments made by such customers into the Corporation's play-money and social gaming offerings, and (ii) any real-money funds (cash and cash equivalents) deposited by the Corporation into such customers' previously funded accounts as promotions to increase their lifetime value.

Net Deposits are representative of the money the Corporation's customers hold in their accounts to potentially play with, both online and at certain live events. Net Deposits are correlated to the International segment's reported revenue, as some, all or none of such deposits may eventually be used and become revenue. Trends in Net Deposits are used by management to gauge expected revenue performance across the International segment's applicable lines of operations and are considered by management when making decisions with respect to applicable product offering changes, including the recent and continuing changes to the Corporation's online poker ecosystem to benefit and attract high-value, net-depositing customers (primarily recreational players).

Net Deposits are not, and should not be considered, representative of revenue bookings or deferred revenue. Many variables impact the International segment's Net Deposits, most of which are substantially similar to those noted above impacting the monetization of a product offering as evidenced through QNY. In addition, certain factors have impacted, and may in the future impact, Net Deposits that are not indicative of the performance or underlying health of that segment's business. For example, as it relates to online poker and following the implementation of certain previously disclosed changes to the poker ecosystem, the movement in customer real-money account balances (i.e., customer deposits) by high-volume, net-withdrawing customers has reduced, and may in the future reduce, Net Deposits as a result of increased withdrawals by such customers, but the Corporation believes that such movements will ultimately create a more attractive environment and experience for recreational players, which in turn may lead to increased Net Deposits. The Corporation believes that the funds in the accounts of the high-volume, net-withdrawing customers are generally not additive to the overall poker ecosystem or to the Corporation's revenue as such customers generally use only a small portion of them to bet or wager. As the Corporation continues to adjust and improve its product offerings, it expects that such customers may continue to withdraw at greater rates and amounts immediately following such adjustments and improvements, which would impact Net Deposits accordingly.

Stakes and Betting Net Win Margin

The Corporation defines Stakes as betting amounts wagered on the Corporation's applicable online betting product offerings, and it is also an industry term that represents the aggregate amount of funds wagered by customers within the Betting line of operation for the period specified. Betting Net Win Margin is calculated as Betting revenue as a proportion of Stakes. The Corporation uses Stakes and Betting Net Win Margin as measures of the scale of its operations, the engagement of its customers and the performance of its operations across its product offerings and geographic regions. Trends in Stakes are a measure of growth in the Corporation's Betting line of operations as the Corporation continues to expand its applicable core real-money online betting offerings. Trends in Betting Net Win Margin are primarily a measure of the favorability of the outcomes of sporting and other events and the impact of promotional offerings related to the Corporation's betting offerings.

Many variables impact a reporting segment's Stakes, including, as applicable, its QAUs, the seasonality of sporting events throughout the year (such as timing of European football (or soccer) including English Premier League, horse races, rugby seasons, tennis, and others) and major tournaments, such as the FIFA World Cup ("World Cup") and UEFA European Championships. For example, the World Cup and other major sporting events provide a unique opportunity to drive both customer acquisition and engagement. Furthermore, the amount of external marketing and CRM promotions including free bets and offers and the Corporation's pricing strategy can lead to positive or negative "recycling of winnings". Similarly, betting outcomes can also lead to positive or negative "recycling of winnings". Recycling of winnings refers to customer winnings earned from prior bets that are subsequently used to place additional bets or play other products. The mix of products and markets is also an important driver of total Stakes.

Like Stakes, many variables also impact a reporting segment's Betting Net Win Margin, including client management and bet limits, sporting results, the mix of Stakes and bet types, and the use of offers, promotions and pricing strategy. For example, the International segment's Betting Net Win Margin is less exposed to the English Premier League and UK horse racing, and as such, is generally not impacted to the same extent by those particular sporting results as is the United Kingdom segment. Betting Net Win Margin can vary significantly from quarter to quarter depending on the variables noted above; however, over the long term, the Corporation believes these margins tend to become more predictable.

Limitations of Non-IFRS Measures, Key Metrics and Other Data

There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalent. Some of these limitations are:

- these non-IFRS financial measures exclude or are otherwise adjusted for the applicable items listed in the reconciliation tables under "Reconciliations" below and as set forth in the definitions of such measures; and

- the income or expenses that the Corporation excludes in its calculation of these non-IFRS financial measures may differ from the income or expenses that its peer companies may exclude from similarly-titled non-IFRS measures that they report. In addition, although certain excluded income or expenses may have been incurred in the past or may be expected to recur in the future, management believes it is appropriate to exclude such income or expenses at this time as it does not consider them as on-going core operating income or expenses of the Corporation. Moreover, certain integration and related costs of the Acquisitions and the Combination are or will be excluded as being more similar to acquisition-related costs rather than on-going core operating expenses. Management currently believes that, subject to unanticipated events or impacts of anticipated events, over time it should have fewer adjustments or the amounts of such adjustments should decrease, except for acquisition-related, market access or integration costs, which the Corporation may incur in the future based on the Corporation's strategic initiatives.

The numbers for the Corporation's key metrics and related information are calculated using internal company data based on the activity of customer accounts. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of its customer base for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. Such challenges and limitations may also affect the Corporation's understanding of certain details of its business. In addition, the Corporation's key metrics and related estimates, including the definitions and calculations of the same, may differ among reporting segments, from estimates published by third parties or from similarly-titled metrics of its competitors due to differences in operations, product offerings, methodology and access to information.

For example, the methodologies used to measure the Corporation's customer metrics may be susceptible to algorithm, calculation or other technical or human errors, including how certain metrics may be defined (and the assumptions and considerations made and included in, or excluded from, such definitions) and how certain data may be, among other things, integrated, analyzed and reported after the Corporation completes an acquisition or strategic transaction. Moreover, the Corporation's business intelligence tools may experience glitches or fail on a particular data backup or upload, which could lead to certain customer activity not being properly included in the calculation of a particular key metrics. Another challenge with respect to certain key metrics is that customers could create multiple real-money accounts with the Corporation (in nearly all instances such account creation would violate the Corporation's applicable terms and conditions of use), and customers could take advantage of certain customer acquisition incentives to register and interact with the Corporation's product offerings without actually depositing or transferring funds into their real-money accounts. Furthermore, customers may have more than one account across the Corporation's brands that currently do not have common or shared account structure, which could lead to such customers being counted more than once for a particular key metric. Although the Corporation typically addresses and corrects any such failures, duplications and inaccuracies relatively quickly, its metrics are still susceptible to the same and its estimations of such metrics may be lower or higher than the actual numbers.

The Corporation regularly reviews its processes for calculating and defining these metrics, and from time to time it may make adjustments to improve their accuracy that may result in the recalculation or replacement of historical metrics or introduction of new metrics. These changes may also include adjustments to underlying data, such as changes to historical figures as a result of accounting adjustments and revisions to definitions in an effort to provide what management believes may be the most helpful and relevant data. These changes may arise as a result of, among other things, the Corporation implementing new technology, software or accounting methods, engaging third-party advisors or consultants, or acquiring or integrating new assets, businesses or business units. The Corporation also continuously seeks to improve its ability to identify irregularities and inaccuracies (and suspend any customer accounts that violate its terms and conditions of use and limit or eliminate promotional incentives that are susceptible to abuse), and its key metrics or estimates of key metrics may change due to improvements or changes in its methodology. Notwithstanding, the Corporation believes that any such irregularities, inaccuracies or adjustments are immaterial unless otherwise stated.

OVERVIEW AND OUTLOOK

Business Overview and Background

The Stars Group 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, which are delivered through mobile, web and desktop applications. The Stars Group 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*. The Stars Group 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 Stars Group's vision is to become the world's favorite iGaming destination and its mission is to provide its customers with winning moments.

The Stars Group's primary business and source of revenue is its online gaming and betting businesses. These currently consist of the operations of Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "Stars Interactive Group"), which it acquired in August 2014, the operations of Cyan Blue Topco Limited and its subsidiaries and affiliates (collectively, "Sky Betting & Gaming" or "SBG"), which it acquired in July 2018 (the "SBG Acquisition"), and the operations of TSG Australia Pty Ltd and its subsidiaries and affiliates (collectively, "BetEasy"), which it acquired an 80% equity interest in between February 2018 and April 2018, and announced in December 2019 that it has agreed to acquire the remaining 20% equity interest (BetEasy acquired what was formally the William Hill Australia business in April 2018) (collectively, the "Australian Acquisitions" and together with the SBG Acquisition, the "Acquisitions"). Stars Interactive Group is headquartered in the Isle of Man and Malta and operates globally; SBG is headquartered in and primarily operates in the United Kingdom; and BetEasy is headquartered in and primarily operates in Australia.

For additional information about The Stars Group, including a detailed overview of the business, current strategies and a discussion of the competitive landscape affecting The Stars Group, see the disclosure and discussion elsewhere in this MD&A and the 2019 Annual Information Form. For risks and uncertainties relating to, among other things, The Stars Group, its business, its customers, its regulatory and tax environment and the industries and geographies in which it operates or where its customers are located, see "Risk Factors and Uncertainties" above and in the 2019 Annual Information Form as well as the risks and uncertainties contained elsewhere herein, the 2019 Annual Reports and in other filings that The Stars Group has made and may make in the future with applicable securities authorities. Except as noted herein, for information about The Stars Group's outlook, see the 2019 Annual Reports, particularly in the 2019 Annual Information Form, including under the headings "Business of the Corporation—Business Strategy of the Corporation" and "—Markets and Customers".

Recent Corporate and Other Developments

Below is a general summary of certain recent corporate and other developments from the beginning of the fourth quarter of 2019 through the date hereof. For additional corporate and other developments and highlights, see the 2019 Annual Reports, particularly the 2019 Annual Information Form, and “Further Information” below.

FOX Bet and FOX Sports Super 6

In September 2019, the Corporation successfully executed on the initial stages of its U.S. strategy, with the launch of FOX Bet in New Jersey and Pennsylvania, and FOX Sports Super 6 nationwide (excluding Washington state). The FOX Bet products in New Jersey and Pennsylvania offer fans the opportunity to legally and responsibly place real money wagers on the outcome of a wide range of live sports and special events, including football, basketball, baseball, hockey, motor sports, golf, tennis and soccer. In November 2019, the Corporation successfully launched PokerStars and PokerStars Casino in Pennsylvania, with PokerStars being the first online poker product to launch in the state.

Combination with Flutter

On October 2, 2019, the Corporation and Flutter announced they had entered into an arrangement agreement (the “Arrangement Agreement”) providing for an all-share combination to be implemented through an acquisition of the Corporation by Flutter pursuant to a plan of arrangement under the Business Corporations Act (Ontario) (the “Combination”). Under the terms of the Combination, shareholders of the Corporation would be entitled to receive 0.2253 ordinary shares of Flutter in exchange for each Common Share of the Corporation. Immediately following completion of the Combination, shareholders of Flutter would own approximately 54.64 percent and shareholders of the Corporation would own approximately 45.36 percent of the share capital of the combined business (based on the fully diluted share capital of Flutter and the fully diluted share capital of the Corporation excluding any out of the money options, in each case, as at October 2, 2019).

Completion of the Combination is intended to occur during the second or third quarter of 2020. The Combination is conditional upon, among other things, certain approvals by each of Flutter’s and the Corporation’s shareholders, Ontario court approval of the plan of arrangement, certain approvals from the United Kingdom Financial Conduct Authority, London Stock Exchange and Euronext Dublin, and relevant merger control, foreign investment and gaming related approvals.

As previously disclosed, in addition to Mr. Gadhia, the Corporation’s current Executive Chairman, and Mr. Ashkenazi, the Corporation’s current Chief Executive Officer, the Corporation is entitled under the Arrangement Agreement to nominate three additional non-executive directors to serve on the combined group’s board of directors post-completion of the Combination. Accordingly, the Corporation has nominated Messrs. Alfred F. Hurley Jr. and David Lazzarato and Ms. Mary Turner to also serve as directors on the combined group’s board of directors.

For additional information, see the press release issued by the Corporation on October 2, 2019, and the Form 6-K, material change report and Arrangement Agreement, each as filed or furnished by the Corporation on October 11, 2019 and are available on or through SEDAR at www.sedar.com and on EDGAR at www.sec.gov, and the Corporation’s website at www.starsgroup.com.

Prepayment of First Lien Term Loans

On October 15, 2019, the Corporation prepaid $100.0 million of its USD First Lien Term Loan (as defined below) and, subsequent to the end of the quarter on February 21, 2020, prepaid an additional $100.0 million, in each case using available cash on hand. Both prepayments included accrued and unpaid interest. For additional information, see “Liquidity and Capital Resources” below.

Quebec Class Action

On November 25, 2019, the Corporation entered into a settlement agreement with respect to the previously reported Quebec class action lawsuit, which is subject to court approval and will be funded entirely by the Corporation’s insurance carriers. For additional information regarding the Quebec class action, see “Legal Proceedings and Regulatory Actions-Quebec Class Action” in the 2019 Annual Information Form and note 22 in the 2019 Annual Financial Statements.

BetEasy acquisition of non-controlling interests and settlement of deferred contingent payment

On December 3, 2019, the Corporation announced that it agreed with the minority shareholders of BetEasy, its Australian-based sports betting business, to acquire the remaining 20% interest in the company for AUD$151 million following the earlier of the release of the Corporation’s full-year 2020 financial results or the completion of its combination with Flutter (the “BetEasy Minority Acquisition”). As part of this agreement, the Corporation also agreed to pay AUD$100 million to settle the previously disclosed deferred contingent payment under the agreements for its 2018 acquisition of the initial 80% interest, which were subject to certain performance conditions primarily related to BetEasy's EBITDA and could have reached AUD$232 million, and to repay AUD$56.9 million of outstanding BetEasy minority shareholder loans.

US Market Access Update

On January 6, 2020, the Corporation announced it entered into an agreement with the Little Traverse Bay Bands of Odawa Indians Gaming Authority ("Odawa") that grants the Corporation an option to operate and brand real-money online betting, poker and casino in Michigan on a first skin basis, subject to license availability, state law and regulatory approvals. Under the terms of the agreement, Odawa will receive a revenue share from the operation of the applicable online offerings by the Corporation.

As of the date hereof, the Corporation now has combined access to up to 20 states under its applicable market access agreements, subject to license availability, state law and regulatory approvals.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Corporation for the three months ended December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 is set forth below.

In thousands of U.S. Dollars, except per share amounts	Three Months Ended December 31,		Year ended December 31,		
	2019	2018	2019	2018	2017
Revenue	687,962	652,852	2,528,448	2,029,238	1,312,315
Net earnings (loss)	81,290	(38,173)	61,862	(108,906)	259,285
Basic net earnings (loss) per Common Share	$ 0.28	$ (0.14)	$ 0.22	$ (0.49)	$ 1.77
Diluted net earnings (loss) per Common Share	$ 0.28	$ (0.14)	$ 0.22	$ (0.49)	$ 1.27
Total assets (as at)	11,275,782	11,265,538	11,275,782	11,265,538	5,415,126
Total long-term liabilities (as at)	5,605,445	6,100,164	5,605,445	6,100,164	2,509,221

Revenue increased in the three months and year ended December 31, 2019 as compared to the applicable prior year periods, primarily as a result of organic growth in the United Kingdom and Australia segments, and as compared to the year ended December 31, 2017, primarily as a result of the Acquisitions. For additional variance analysis on revenue for the three months and year ended 2019 compared to the prior year periods, see “Consolidated Results of Operations and Cash Flows” and “Segment Results of Operations” below.

The Corporation’s total assets as at December 31, 2019 were relatively flat compared to December 31, 2018 despite some increases and decreases in the individual balances. The decrease in the Corporation’s outstanding long-term liabilities as at December 31, 2019 compared to December 31, 2018 was primarily the result of a decrease in long-term debt due to principal repayments made on the USD First Lien Term Loan during 2019, including $450 million in voluntary prepayments as previously disclosed. The increase in the Corporation’s outstanding long-term liabilities compared to December 31, 2017 was primarily the result of financing activities related to the SBG Acquisition in July 2018, in particular the incurrence of $4.567 billion in First Lien Term Loans and the issuance of $1.00 billion in Senior Notes (each as defined below), which was partially offset by the Corporation’s repayment of its previous first lien term loans and SBG’s then-existing long-term debt. For additional details see note 17 of the 2019 Annual Financial Statements. For additional variance analysis on total assets and non-current liabilities as at December 31, 2019 compared to December 31, 2018, see “Consolidated Results of Operations and Cash Flows” below.

CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS

Summary consolidated results of the Corporation's operations, cash flows and certain other items for the three months and years ended December 31, 2019 and 2018, and as at December 31, 2019 and 2018, as applicable, are set forth below.

	Three Months Ended December 31,			Year Ended December 31,		
In thousands of U.S. Dollars (except otherwise noted)	2019	2018	% Change	2019	2018	% Change
Revenue						
Poker	189,018	213,985	(11.7)%	793,284	892,557	(11.1)%
Gaming	211,640	196,275	7.8 %	792,299	585,846	35.2 %
Betting	269,159	224,040	20.1 %	870,938	491,139	77.3 %
Other	18,145	18,552	(2.2)%	71,927	59,696	20.5 %
Total revenue	**687,962**	**652,852**	**5.4 %**	**2,528,448**	**2,029,238**	**24.6 %**
Gross profit (excluding depreciation and amortization)	497,471	486,815	2.2 %	1,835,386	1,570,074	16.9 %
Gross profit margin (%)	72.3%	74.6%	(3.0)%	72.6%	77.4%	(6.2)%
Operating expenses						
General and administrative	284,166	305,736	(7.1)%	1,155,440	976,992	18.3 %
Sales and marketing	105,014	96,115	9.3 %	360,662	292,963	23.1 %
Research and development	15,918	10,972	45.1 %	55,085	39,995	37.7 %
Operating income	**92,373**	**73,992**	**24.8 %**	**264,199**	**260,124**	**1.6 %**
Net financing charges	29,048	97,715	(70.3)%	202,534	371,086	(45.4)%
Net earnings from associates	—	—	— %	—	(1,068)	100.0 %
Income tax recovery	(17,965)	14,450	(224.3)%	(197)	(988)	80.1 %
Net earnings (loss)	**81,290**	**(38,173)**	**313.0 %**	**61,862**	**(108,906)**	**156.8 %**
Adjusted Net Earnings[1]	**144,816**	**144,663**	**0.1 %**	**533,225**	**533,948**	**(0.1)%**
Adjusted EBITDA[1]	**249,112**	**239,404**	**4.1 %**	**921,125**	**780,949**	**17.9 %**
Adjusted EBITDA Margin[1]	**36.2%**	**36.7%**	**(1.3)%**	**36.4%**	**38.5%**	**(5.4)%**
Earnings (loss) per share						
Basic ($/Share)	0.28	(0.14)	299.5 %	0.22	(0.49)	145.1 %
Diluted ($/Share)	0.28	(0.14)	297.6 %	0.22	(0.49)	144.9 %
Adjusted Diluted Net Earnings per Share ($/Share)[1]	**0.49**	**0.52**	**(5.7)%**	**1.86**	**2.19**	**(15.1)%**
Net cash inflows from operating activities	190,149	190,537	(0.2)%	670,634	559,844	19.8 %
Net cash outflows from investing activities	(41,252)	(54,703)	24.6 %	(139,784)	(1,934,173)	92.8 %
Net cash (outflows) inflows from financing activities	(262,263)	(166,214)	(57.8)%	(636,885)	1,592,579	(140.0)%
Free Cash Flow[1]	**98,932**	**82,558**	**19.8 %**	**216,390**	**222,950**	**(2.9)%**

[1] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

As at	December 31, 2019	December 31, 2018	% Change
Total assets	11,275,782	11,265,538	0.1 %
Total non-current liabilities	5,605,445	6,100,164	(8.1)%

The Corporation made certain reclassifications to the comparative balances presented in this MD&A for the three months and year ended December 31, 2019. These reclassifications include, but are not limited to, a reclassification of foreign exchange gains and losses related to financing activities previously reported within general and administrative expenses in each segment to net financing charges included within the Corporate cost center. See note 2 of the 2019 Annual Financial Statements for additional information. The reclassifications did not have a material impact the Corporation's consolidated and segmental results of operations or its non-IFRS measures, including Adjusted EBITDA.

The discussion below sets forth a summary of the results, trends and variances of the Corporation on a consolidated basis. For further discussion and detail of the individual segment results, trends and variances, including details of separate trends in revenue by individual line of operation for each segment, as applicable, and the Corporate cost center, see "Segment Results of Operations" below.

Revenue

Revenue for the three months ended December 31, 2019 increased $35.1 million, or 5.4%, compared to the prior year period. The increase was primarily driven by organic revenue growth in the United Kingdom and Australia segments, partially offset by a decrease in revenue in the International segment.

Revenue for the year ended December 31, 2019 increased $499.2 million, or 24.6%, compared to the prior year period. The increase was primarily driven by the Acquisitions (completed during 2018) as well as organic growth in the United Kingdom and Australia segments, which was partially offset by a decrease in revenue in the International segment.

Revenue movements with respect to the individual segments were primarily the result of the factors set forth under "Segment Results of Operations" below.

With respect to Canada, the jurisdiction where its registered office is located, and based solely on calculations derived from internal records, the Corporation estimates that revenue derived from customers in Canada, which currently relates only to peer-to-peer Poker, represented less than 2.0% of its total consolidated revenue for each of the three months and year ended December 31, 2019 and less than 3.0% for each of the prior year periods. These estimations are neither itemized nor otherwise separated from the revenue the Corporation reports under IFRS or otherwise, and as such, they cannot be reconciled to a reported IFRS measure.

Foreign Exchange Impact on Revenue

The U.S. dollar was stronger against certain foreign currencies for the three months ended December 31, 2019 compared to the prior year period, which had a negative impact on each of the reporting segments' revenue and across all lines of operations. Using Constant Currency Revenue for the consolidated results of operations for the three months ended December 31, 2019, revenue would have been $697.5 million, which is $9.5 million higher than actual IFRS revenues, and would have increased by 6.8%, as opposed to 5.4%, compared to the prior year period.

The U.S. dollar was stronger against certain foreign currencies for the year ended December 31, 2019, compared to the prior year period, which had a negative impact on the International segment's revenue across all lines of operations. Using Constant Currency Revenue for the International segment in the consolidated results of operations for the year ended December 31, 2019, revenue would have been $2,599.1 million, which is $70.7 million higher than actual IFRS revenues, and would have increased by 28.1%, as opposed to 24.6%, compared to the prior year period.

For a discussion of Constant Currency Revenue for each segment, see the discussion under "Segment Results of Operations".

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 increased $10.7 million, or 2.2%, compared to the prior year period. This increase was primarily driven by organic revenue growth and its impact on gross profit within the United Kingdom and Australia segments for the three month period. This was partially offset by a decrease in revenue and its impact on gross profit in the International segment. Gross profit margin for the three months ended December 31, 2019 was 72.3%, a decrease of 3.0% compared to the prior year period. This decrease was primarily driven by the change in revenue mix among and across geographies and lines of operations and increased gaming duties. See "Segment Results of Operations" below for additional information. For example, revenue in locally regulated or taxed geographies, which generally impose higher tax rates, gaming duties, levies and fees, represented approximately 81% of revenue in the three months ended December 31, 2019, compared to approximately 76% of revenue in the prior year period. In addition, Betting and Gaming revenue, which generally have lower gross profit margins than Poker, represented 69.9% of revenue in the three months ended December 31, 2019, compared to 64.4% of revenue in the prior year period.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 increased $265.3 million, or 16.9%, compared to the prior year period. This increase was primarily driven by the Acquisitions, which contributed $412.7 million to gross profit (excluding depreciation and amortization) for the year. This was partially offset by the decrease in revenue and its impact on gross profit within the International segment as described in "Segmental Results of Operations—International". Gross profit margin for the year ended December 31, 2019 was 72.6%, a decrease of 6.2% compared to the prior year period. This decrease was primarily driven by the same or substantially similar factors impacting the three-month period noted above.

Operating Expenses

General and Administrative

General and administrative expenses for the three months ended December 31, 2019 decreased $21.6 million, or 7.1%, compared to the prior year period. This decrease was primarily driven by (i) the realization of cost savings as a result of the operational excellence program announced earlier in the year, (ii) realized cost synergies relating to the SBG Acquisition, (iii) reduced integration costs relating to the Acquisitions as compared to the prior year period, and (iv) up-front payments and professional fees incurred in the prior year period in relation to transactions for obtaining potential market access to jurisdictions within the United States in which the Corporation currently does not operate. This was partially offset by (i) acquisition-related costs of $17.0 million incurred in connection with the Combination and the BetEasy Minority Acquisition, (ii) increased depreciation and amortization expense primarily related to the adoption of IFRS 16, and (iii) increased up-front expenses, including termination payments, associated with the above noted operational excellence program. For additional details with respect to the operational excellence program, see “Reconciliations” below.

General and administrative expenses for the year ended December 31, 2019 increased $178.4 million, or 18.3%, compared to the prior year period. This increase was primarily driven by (i) the SBG Acquisition, which added $231.8 million to general and administrative expenses for the year, (ii) a legal settlement during the period of $32.5 million as described in the 2019 AIF under “Legal Proceedings and Regulatory Actions” and note 8 of 2019 Annual Financial Statements, and (iii) an increase in legal and professional fees related to, among other matters, the previously announced partnership with FOX Sports (“FOX Sports”), a unit of FOX, related to FOX Bet and certain other matters, including the AMF and foreign payments matters, as described in the 2019 AIF under “Legal Proceedings and Regulatory Actions”. This was partially offset by (i) a decrease in acquisition-related costs and deal contingent forward expenses of $88.4 million relating to the Acquisitions, the Combination, and the BetEasy Minority Acquisition, (ii) a decrease in integration costs relating to the Acquisitions compared to the prior year period, and (iii) the above noted realization of cost synergies relating to the SBG Acquisition.

Sales and Marketing

Sales and marketing expenses for the three months ended December 31, 2019 increased $8.9 million, or 9.3%, compared to the prior year period. This increase was primarily driven by investment in the U.S. following the launch of FOX Bet, which was partially offset by an increased focus on marketing efficiency. Movements in sales and marketing expenses with respect to the individual segments were primarily the result of the factors set forth under “Segment Results of Operations”.

Sales and marketing expenses for the year ended December 31, 2019 increased $67.7 million, or 23.1%, compared to the prior year period. This increase was primarily driven by the Acquisitions, which added $62.6 million to sales and marketing expenses for the year.

Research and Development

Research and development expenses for the three months ended December 31, 2019 increased $4.9 million, or 45.1%, compared to the prior year period. This increase was primarily driven by continued investment in online gaming product offerings and the development of new content and technology platforms, including the previously announced global sports and trading platform.

Research and development expenses for the year ended December 31, 2019 increased $15.1 million, or 37.7%, compared to the prior year period. This increase was primarily driven by (i) the Acquisitions, which added $8.3 million to research and development expenses for the year, and (ii) the same or substantially similar factors impacting the three-month period noted above.

Foreign Exchange Impact on Operating Expenses

The Corporation’s expenses are impacted by currency fluctuations. Almost all of its expenses are incurred in either the Euro, British pound sterling, U.S. dollar, Canadian dollar or Australian dollar. There are some natural hedges as a result of customer deposits and revenue made in such currencies; however, the Corporation also enters into certain economic hedges to mitigate the impact of foreign currency fluctuations as it deems necessary. See “Liquidity and Capital Resources—Market Risk—Foreign Currency Exchange Risk” for further information on foreign currency risk.

Net Financing Charges

Net financing charges for the three months ended December 31, 2019 decreased $68.7 million, or 70.3%, compared to the prior year period. The decrease was primarily driven by (i) a gain of $48.1 million related to the re-measurement of an embedded derivative recognized in respect of the Senior Notes compared to a loss of $17.4 million recognized in the prior period, and (ii) a reduction in interest with respect to the Corporation's long-term debt as a result of the Corporation's previously disclosed $450 million in voluntary prepayments during 2019. This was partially offset by a $14.4 million increase compared to prior year period resulting from the periodic re-measurement of the deferred contingent consideration with respect to the acquisition of an additional 18% equity interest in BetEasy during the second quarter of 2018.

Net financing charges for the year ended December 31, 2019 decreased $168.6 million, or 45.4%, compared to the prior year period. The decrease was primarily driven by (i) the $147.0 million loss on the extinguishment of debt recorded in the prior year period following the previously disclosed April 6, 2018 amendment, extension and upsizing of the Corporation's previous first lien term loans and credit facility, the early repayment of the Corporation's previous first lien term loans and the repayment of SBG's previously existing long-term debt, (ii) an increase of $104.4 million to the gain related to the re-measurement of the embedded derivative noted above, and (iii) a $7.0 million reduction resulting from the downward re-measurement of the deferred contingent consideration noted above. This was partially offset by (i) increased interest of $66.9 million with respect to the Corporation's long-term debt primarily related to the First Lien Term Loans and Senior Notes after the effects of hedging activities, and (ii) a $23.0 million increase related to the ineffectiveness on cash flow hedges.

Income Taxes

The income tax recovery for the three months ended December 31, 2019 was $18.0 million, compared to an income tax expense of $14.5 million in the prior year period, which resulted in effective tax rates of (28.4)% and (60.9)%, respectively for such periods. Income taxes for the three months ended December 31, 2019 includes an income tax recovery of $12.3 million in relation to the income tax recovery associated with the amortization expense of acquired intangible assets from the Acquisitions as compared to $12.9 million for the prior year period.

The income tax recovery for the year ended December 31, 2019 was $0.2 million, compared to an income tax recovery of $1.0 million in the prior year period, which resulted in effective tax rates of (0.3)% and 0.9%, respectively. The income taxes for the year ended December 31, 2019 include (i) an income tax recovery of $47.5 million in relation to the income tax recovery associated with the amortization expense of acquired intangible assets from the Acquisitions as compared to $27.3 million for the prior year period, and (ii) an income tax expense of $26.1 million, which relates to the tax effect of foreign exchange gains with respect to the Corporation's hedging activities. However, the Corporation recognized a corresponding tax recovery of $26.1 million in relation to the same in the foreign currency translation reserve within Other comprehensive income.

In addition to the impacts described above, the Corporation's income taxes for the three months and year ended December 31, 2019 were impacted by the mix of taxable earnings among and across geographies, with an increase in taxable earnings following the Acquisitions in geographies with higher statutory corporate tax rates. The effective tax rate for the year was also impacted by the recognition of a net deferred tax liability as a result of the transfer of customer intangible rights from the Isle of Man to Malta in connection with an internal corporate restructuring, and an Australian business continuity tax law change during 2019.

The Corporation's income tax expense impacting Adjusted Net Earnings for the three months and year ended December 31, 2019 was $14.2 million **(**2018 - $11.8 million**)** and $44.7 million (2018 - $22.2 million) respectively. The effective tax rates on Adjusted Net Earnings were 8.9% (2018 - 7.5%) and 7.7% (2018 - 4.0%), respectively, reflecting the mix of taxable earnings among and across geographies and, solely with respect to the year ended December 31, 2019, the timing of the Acquisitions, each which resulted in an increase to the effective tax rates compared to the respective prior year periods.

The Corporation expects the mix of taxable earnings to continue to impact income tax expense in future periods as the Corporation's International segment continues to operate primarily in the Isle of Man and Malta, but its Sky Betting & Gaming and BetEasy businesses operate primarily in the United Kingdom and Australia, respectively, where statutory corporate income tax rates are higher than those in the Isle of Man and Malta.

Net Earnings

Net earnings for the three months ended December 31, 2019 was $81.3 million, an increase of 313.0%, compared to net loss of $38.2 million in the prior year period. The increase was primarily driven by the decrease in net financing charges and the income tax recovery in the three-month period, each as noted above.

Net earnings for the year ended December 31, 2019 was $61.9 million, an increase of 156.8%, compared to net loss of $108.9 million in the prior year period. The increase was primarily driven by (i) increased revenue and gross profit driven primarily by the Acquisitions, (ii) the $147.0 million loss on the extinguishment of debt in the prior year period as noted above, and (iii) the decrease of $88.4 million of acquisition-related costs and deal contingent forward expenses incurred compared to the prior year period. Acquisition-related costs and deal contingent forward expenses in the prior year period were incurred in connection with the Acquisitions and acquisition-related costs in the current year period were incurred in connection with the Combination, and the BetEasy Minority Acquisition, respectively.

This was partially offset by (i) a $105.3 million increase in the amortization of acquired intangibles from the Acquisitions, and (ii) a legal settlement during the period of $32.5 million, each as noted above.

Basic and Diluted Net Earnings (Loss) per Share

Basic net earnings per share for the three months ended December 31, 2019 was $0.28, an increase of 299.5%, compared to basic net loss per share of $0.14 for the prior year period, based on weighted average Common Shares outstanding of 288,289,664 and 272,636,266, respectively. Diluted net earnings per share for the three months ended December 31, 2019 was $0.28, an increase of 297.6%, compared to diluted net loss per share of $0.14 for the prior year period, based on weighted average Common Shares outstanding of 291,102,048 and 273,294,532, respectively. The increases were both primarily driven by the increase in net earnings as noted above. This was partially offset by the increases in the weighted average Common Shares outstanding, which were primarily the result of the Corporation's issuance of Common Shares in connection with the FOX Sports partnership. Diluted net loss per share for the prior year period was also impacted as all potentially dilutive securities of the Corporation (i.e., securities exercisable or convertible into Common Shares or equity-based awards that can be settled into Common Shares) were not included in the weighted average Common Share amount above used to calculate diluted earnings per share because the exercise, conversion or settlement of such securities would be anti-dilutive.

Basic net earnings per share for the year ended December 31, 2019 was $0.22, an increase of 145.1%, compared to basic net loss per share of $0.49 for the prior year period, based on weighted average Common Shares outstanding of 282,884,929 and 208,269,905, respectively. Diluted net earnings per share for the year ended December 31, 2019 was $0.22, an increase of 144.9%, compared to diluted net loss per share of $0.49 for the prior year period, based on weighted average Common Shares outstanding of 284,478,637 and 208,269,905, respectively. The increases were both primarily driven by the increase in net earnings as noted above. This was partially offset by the increases in the weighted average Common Shares outstanding, which were primarily the result of the Corporation's issuance of Common Shares in connection with the mandatory conversion of its Preferred Shares, the SBG Acquisition, U.S. market access arrangements during the second half of 2018, and the FOX Sports partnership. Diluted net loss per share for the prior year period was also impacted by the exclusion of potentially dilutive securities from the weighted average Common Share amount above used to calculate diluted earnings per share as a result of the exercise, conversion or settlement of such securities being anti-dilutive.

Adjusted EBITDA, Adjusted Net Earnings, and Adjusted Diluted Net Earnings per Share

The primary adjustment from operating income to Adjusted EBITDA for the three months and year ended December 31, 2019, was depreciation and amortization, which increased by $14.6 million and $155.8 million, respectively, compared to the prior year periods, primarily as a result of the Acquisitions. In addition to depreciation and amortization, total adjustments and reconciling items collectively decreased by $23.3 million and $19.7 million, for the three months and year ended December 31, 2019, respectively, compared to the prior year periods. The decrease in the three-month period was primarily driven by a decrease of $35.2 million in Other costs (as described in more detail below under the heading "Reconciliations"), largely due to costs incurred in the prior year period in relation to (i) transactions for obtaining potential access to jurisdictions within the United States in which the Corporation currently does not operate, and (ii) integration costs relating to the Acquisitions, each as noted above. This was partially offset by an increase to acquisition-related costs as noted above. The decrease in the year was primarily driven by a decrease in acquisition-related costs and deal contingent forward expenses as noted above. This was partially offset by an increase of $69.1 million in Other costs, primarily as a result of (i) a legal settlement during the period of $32.5 million as noted above, and (ii) increased expenses, including termination payments, associated with an operational excellence program announced earlier in the year. For additional details with respect to the operational excellence program, see "Reconciliations" below.

As it relates to Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share for the three months and year ended December 31, 2019, the primary adjustments from net earnings (loss) and diluted net earnings (loss) per share were (i) the amortization of acquisition intangibles, which decreased by $1.6 million and increased by $105.3 million, respectively, compared to the prior year periods, primarily as driven by the Acquisitions, (ii) gains and losses recorded due to the re-measurement of an embedded derivative recognized in respect of the Senior Notes and of deferred contingent consideration with respect to the acquisition of an additional 18% equity interest in BetEasy during the second quarter of 2018, and (iii) acquisition-related costs and deal contingent forward expenses, all as noted above. The prior year periods also included an adjustment for a loss on the extinguishment of long-term debt, as noted above. Diluted Shares used in the calculation of Adjusted Diluted Net Earnings per Share for the current year periods are consistent with the weighted average Common Shares outstanding used for diluted earnings (loss) per share. Diluted Shares used in the prior year periods include the impact of all potentially dilutive securities, including those that were excluded from the weighted average Common Shares outstanding used to calculate diluted earnings (loss) per share as a result of such securities being anti-dilutive for diluted earnings (loss) per share purposes.

For additional information regarding Adjusted EBITDA, Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share, including applicable definitions and explanations of the relative usefulness of such measures, see "Non-IFRS Measures, Key Metrics and Other Data—Non-IFRS Measures" above. For quantitative reconciliations of such measures to their nearest IFRS measures, see "Reconciliations" below.

Cash Flows by Activity

Cash inflows from Operating Activities

Cash inflows from operating activities for the year ended December 31, 2019 increased $110.8 million, or 19.8%, compared to the prior year period. This increase was primarily driven by (i) the increase in revenue and gross profit generated from the Corporation's underlying operations, including the impacts of the Acquisitions, each as noted above, and (ii) $34.1 million of cash inflows in relation to non-cash working capital movements compared to outflows of $9.4 million in the prior year period. This was partially offset by (i) an increase of $37.2 million in cash income taxes paid by the Corporation as a result of corporate tax payments in the year as well as the settlement of certain tax matters in Australia, and (ii) movements in customer deposit liabilities relative to the prior year period.

Cash outflows from Investing Activities

The Corporation's cash outflows from investing activities during the year ended December 31, 2019 were primarily driven by the capital expenditures relating to deferred development costs from (i) investments in online gaming product offerings, including the development of new content and technology platforms, and (ii) maintenance investments in existing product offerings and their supporting technology platforms.

Cash outflows from Financing Activities

During the year ended December 31, 2019, the Corporation's cash outflows from financing activities were primarily driven by (i) interest and principal payments (including voluntary prepayments totaling $450 million) on the First Lien Term Loans, and the first two semi-annual interest payments totaling $71.0 million on the Senior Notes, (ii) the repayment of the AUD$56.9 million loan payable to the holders of the non-controlling interest in BetEasy, and (iii) principal payments of $17.5 million and interest on the Corporation's lease liabilities, which, following the adoption of IFRS 16, are now reported as financing activities as opposed to operating activities. On December 5, 2019, the Corporation also settled the deferred contingent payment in respect of the previously disclosed 18% acquisition of BetEasy for AUD$100 million. These outflows were partially offset by the proceeds from the issuance of Common Shares to FOX as previously disclosed. For additional information see "Liquidity and Capital Resources—Long-Term Debt" below and note 17 to the 2019 Annual Financial Statements.

Free Cash Flow

Free Cash Flow for the year ended December 31, 2019 decreased $6.6 million, or 2.9%, compared to the prior year period. This decrease was primarily driven by (i) increased cash interest and non-voluntary principal payments, including the first two semi-annual interest payments on the Senior Notes noted above, and (ii) increased capital expenditures as the Corporation continued to invest in future product improvements and market expansion. This was partially offset by the increase in cash inflows from operating activities and movements in customer deposit liabilities relative to the prior year period, each as noted above.

For additional information regarding Free Cash Flow, including an applicable definition and explanation of the relative usefulness of this measure, see "Non-IFRS Measures, Key Metrics and Other Data—Non-IFRS Measures" above. For a quantitative reconciliation of this measure to its nearest IFRS measure, see "Reconciliations" below.

Total Assets

Total assets as at December 31, 2019 were relatively flat compared to December 31, 2018. Despite this, there were notable increases in (i) derivative assets, including the Swap Agreements (as defined below) and the embedded derivative as described above, (ii) goodwill primarily due to foreign exchange movements, and (iii) property, plant and equipment following the adoption of IFRS 16, which resulted in the recognition of right-of-use assets of $57.3 million as at January 1, 2019. This was partially offset by a decrease to intangible assets due to amortization.

Total Non-Current Liabilities

Total non-current liabilities as at December 31, 2019 decreased by $494.7 million, or 8.1%, from December 31, 2018. This decrease was primarily driven by (i) a decrease in long-term debt primarily as a result of principal repayments made on the USD First Lien Term Loan in the year including $450 million in voluntary prepayments as previously disclosed, and (ii) the payment of the deferred contingent payment of AUD$100 million in relation to the 18% acquisition of BetEasy as noted above. This was partially offset by increases in (i) derivative liabilities primarily in relation to the Swap Agreements, and (ii) the recognition of lease liabilities of $35.7 million as at December 31, 2019 in relation to the adoption of IFRS 16.

SEGMENT RESULTS OF OPERATIONS

The Corporation currently has three reporting segments, International, United Kingdom and Australia, each with certain major lines of operations, including Poker, Gaming, Betting and Other, as applicable, and a Corporate cost center. See above under "Management's Discussion and Analysis" and notes 2 and 7 of the 2019 Annual Financial Statements.

International

As at December 31, 2019, the International reporting segment included the Stars Interactive Group business, which operates across all lines of operations and in various jurisdictions around the world, including in the United Kingdom.

	Three Months Ended December 31,			Year Ended December 31,		
In thousands of U.S. Dollars (except otherwise noted)	2019	2018	% Change	2019	2018	% Change
Stakes	*301,434*	*261,055*	*15.5 %*	*1,054,220*	*966,306*	*9.1 %*
Betting Net Win Margin (%)	*5.3%*	*8.3%*	*(36.0)%*	*6.9%*	*8.2%*	*(15.9)%*
Revenue						
Poker	186,226	210,940	(11.7)%	781,637	886,628	(11.8)%
Gaming	114,770	112,111	2.4 %	427,316	428,364	(0.2)%
Betting	16,089	21,766	(26.1)%	72,561	79,117	(8.3)%
Other	7,327	10,913	(32.9)%	30,851	46,068	(33.0)%
Total revenue	**324,412**	**355,730**	**(8.8)%**	**1,312,365**	**1,440,177**	**(8.9)%**
Gross profit (excluding depreciation and amortization)	**249,594**	**286,167**	**(12.8)%**	**1,015,244**	**1,159,611**	**(12.4)%**
Gross profit margin (%)	76.9%	80.4%	(4.4)%	77.4%	80.5%	(3.9)%
General and administrative	116,606	143,734	(18.9)%	441,683	468,238	(5.7)%
Sales and marketing[1]	47,297	45,464	4.0 %	165,588	164,600	0.6 %
Research and development	8,148	4,880	67.0 %	32,185	27,865	15.5 %
Operating income	**77,543**	**92,089**	**(15.8)%**	**375,788**	**498,908**	**(24.7)%**
Adjusted EBITDA[2]	**135,066**	**168,177**	**(19.7)%**	**604,851**	**703,342**	**(14.0)%**
Adjusted EBITDA Margin (%)[2]	**41.6%**	**47.3%**	**(11.9)%**	**46.1%**	**48.8%**	**(5.6)%**

[1] Sales and marketing includes $1.2 million and $5.0 million for the three months and year ended December 31, 2019, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results is recorded to Other revenue for amounts included in the United Kingdom segment in respect of these transactions. Other revenue includes $1.0 million and $2.0 million for the three months and year ended December 31, 2018, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results for those periods is recorded to Sales and marketing expense for amounts included in the United Kingdom segment in respect of these transactions.

[2] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

Revenue

a) Poker

Poker revenue for the three months ended December 31, 2019 decreased $24.7 million, or 11.7%, compared to the prior year period. Constant Currency Revenue for Poker for the three months ended December 31, 2019 was $188.9 million, which is $2.7 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have decreased by 10.4%. This decrease was primarily driven by the cessation of operations in certain markets, including Switzerland from July 1, 2019, together with continued headwinds in certain markets, including reduced customer deposits as a result of local restrictions on some methods of payment processing and on certain methods of downloading The Stars Group's poker applications. Revenue was also negatively impacted by the level of jackpots paid out in the period relating to "Spin 'n Go" tournaments. The decrease was partially offset by organic growth in certain jurisdictions.

Poker revenue for the year ended December 31, 2019 decreased $105.0 million, or 11.8%, compared to the prior year period. Constant Currency Revenue for Poker for the year ended December 31, 2019 was $821.3 million, which is $39.7 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the year ended December 31, 2019 would have decreased by 7.4%. This decrease was primarily driven by the same or substantially similar factors as listed above for the three-month period.

b) Gaming

Gaming revenue for the three months ended December 31, 2019 increased $2.7 million, or 2.4%, compared to the prior year period. Constant Currency Revenue for Gaming for the three months ended December 31, 2019 was $118.2 million, which is $3.4 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 5.4%. This increase was primarily driven by product and content improvements to the Corporation’s real-money online casino offerings, including 141 new games in the period, which continued to drive increased customer activity, and cross-selling from other lines of operations driven by targeted marketing campaigns across the International segment’s customer base. The increase was partially offset by the cessation of operations in certain markets for gaming products, notably Switzerland and Slovakia, and continued headwinds in certain markets including reduced customer deposits as a result of local restrictions on some methods of payment processing as noted in “Poker” above.

Gaming revenue for the year ended December 31, 2019 decreased $1.0 million, or 0.2%, compared to the prior year period. Constant Currency Revenue for Gaming for the year ended December 31, 2019 was $450.8 million, which is $23.4 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the year ended December 31, 2019 would have increased by 5.2%. This increase was primarily driven by the same or substantially similar factors as listed above for the three-month period.

c) Betting

Betting revenue for the three months ended December 31, 2019 decreased $5.7 million, or 26.1%, compared to the prior year period. Constant Currency Revenue for Betting for the three months ended December 31, 2019 was $16.4 million, which is $0.3 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have decreased by 24.7%. This decrease was primarily driven by a lower Betting Net Win Margin due to both planned investment in customer acquisition following the launch of FOX Bet and operator-unfavorable sporting results, together with the cessation of betting operations in certain markets, notably Switzerland and Slovakia. The decrease was partially offset by an increase in Stakes and wagering activity, primarily driven by growth in new markets, including the United States. See “Key Metrics—International Segment Stakes and Betting Net Win Margin” below for further details on certain of the factors impacting Betting revenue.

Betting revenue for the year ended December 31, 2019 decreased $6.6 million, or 8.3%, compared to the prior year period. Constant Currency Revenue for Betting for the year ended December 31, 2019 was $75.9 million, which is $3.3 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the year ended December 31, 2019 would have decreased by 4.1%. This decrease was primarily the result of the same or substantially similar factors as listed above for the three-month period. See “Key Metrics—International Segment Stakes and Betting Net Win Margin” below for further details on certain of the factors impacting Betting revenue.

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 decreased $36.6 million, or 12.8%, compared to the prior year period. This was primarily driven by the decrease in revenue as described above and a reduction in gross profit margin. Gross profit margin for the three months ended December 31, 2019 was 76.9%, a decrease of 4.4% compared to the prior year period. This was primarily driven by the impact of additional gaming duties and taxes as a result of regulatory changes and mix of revenue by geography as well as the relative growth in the casino vertical, which typically generates a lower gross profit margin than poker.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 decreased $144.4 million, or 12.4%, compared to the prior year period. Gross profit margin for the year ended December 31, 2019 was 77.4%, a decrease of 3.9% compared to the prior year period. These decreases were primarily driven by the same or substantially similar factors as listed above for the three-month period.

Operating Expenses

General and Administrative

General and administrative expenses for the three months ended December 31, 2019 decreased $27.1 million, or 18.9%, compared to the prior year period. This was primarily driven by (i) a reduction in the segment's fixed cost base as a result of both the operational excellence program announced earlier in the year and the realization of cost synergies relating to the SBG Acquisition, (ii) reduced integration costs relating to the Acquisitions compared to the prior year period, and (iii) up-front payments and professional fees incurred in the prior year period in relation to transactions for obtaining potential market access to jurisdictions within the United States . This was partially offset by (i) increased depreciation and amortization primarily relating to the adoption of IFRS 16, and (ii) increased up front expenses, including termination payments, associated with the above noted operational excellence program. For additional details with respect to the operational excellence program, see "Reconciliations" below.

General and administrative expenses for the year ended December 31, 2019 decreased $26.6 million, or 5.7%, compared to the prior year period. This was primarily driven by the same or substantially similar factors as listed above for the three-month period.

Sales and Marketing

Sales and marketing expenses for the three months ended December 31, 2019 increased $1.8 million, or 4.0%, compared to the prior year period. This was primarily driven by increased marketing spend in connection with the initial stages of the Corporation's U.S. strategy, including the launch of FOX Bet in New Jersey and Pennsylvania, and FOX Sports Super 6 nationwide. This was partially offset by a focus on optimizing return on marketing investment in other jurisdictions.

Sales and marketing expenses for the year ended December 31, 2019 increased $1.0 million, or 0.6%, compared to the prior year period. This was primarily driven by marketing spend in connection with the initial stages of the Corporation's U.S. strategy as noted above, which was partially offset by investment in marketing for the World Cup in the prior year period.

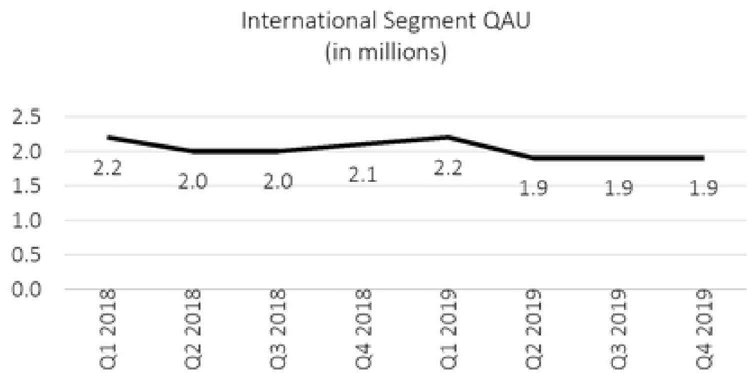
Research and Development

Research and development expenses for the three months ended December 31, 2019 increased $3.3 million, or 67.0%, compared to the prior year period as the Corporation continued to invest in online gaming product offerings, and the development of new content and technology platforms including the previously announced global sports and trading platform.

Research and development expenses for the year ended December 31, 2019 increased $4.3 million, or 15.5%, compared to the prior year period. This was primarily driven by the same or substantially similar factors as listed above for the three-month period.

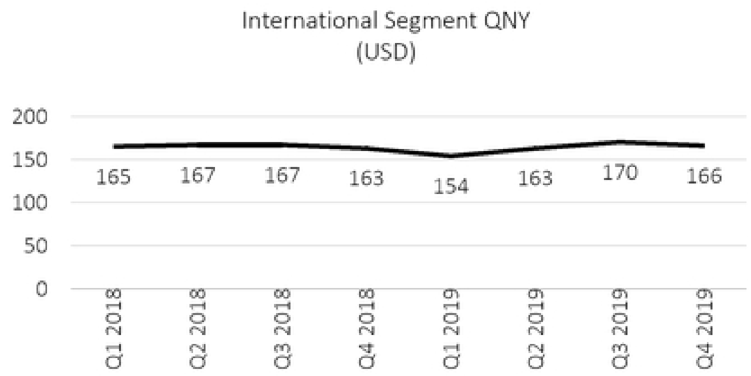
Key Metrics

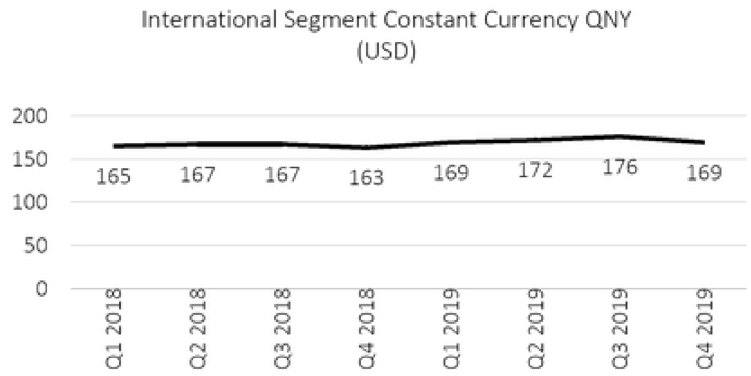
International Segment QAUs



The segment's combined QAUs for the three months ended December 31, 2019 was 1.9 million, a decrease of 9.5% compared to the prior year period. The Corporation believes that this was primarily driven by (i) reduced activity in certain markets as a result of local restrictions on some methods of payment processing and on certain methods of downloading The Stars Group's poker applications, (ii) the cessation of operations in certain markets, notably Switzerland and Slovakia, and (iii) its continued strategy of focusing on positive return CRM initiatives to attract high-value, net depositing customers (primarily recreational players), which has resulted, and may continue to result, in a decrease in certain lower value customers. Notwithstanding, the Corporation's QAUs for this segment were positively impacted by growth in new markets, including the United States and underlying growth and expansion of its real-money online casino product offerings. For a description of certain variables and other factors that can impact QAUs, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

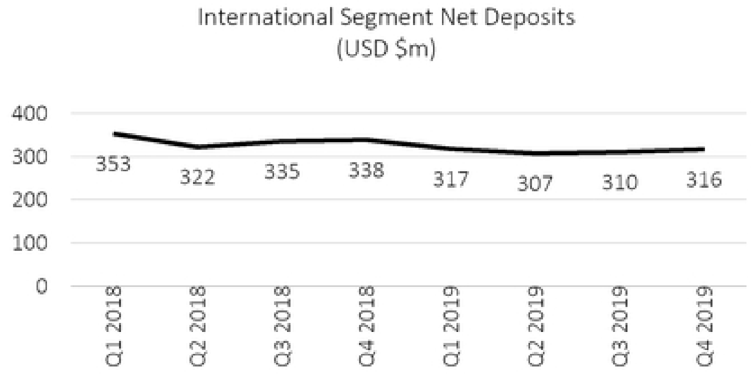
International Segment QNY





The segment's QNY for the three months ended December 31, 2019 was $166, an increase of 1.8% compared to the prior year period primarily due to the same or substantially similar factors impacting revenue and QAUs as described above. The segment's QNY calculated using Constant Currency Revenue for the three months ended December 31, 2019 was $169, an increase of 3.8% over the prior year period, which reflects growth across the Corporation's online gaming product offerings within the segment, primarily driven by increased cross-selling of poker customers to those offerings. This cross-selling is driven in part by the Corporation's strategy of focusing on higher value recreational players, with the Stars Rewards loyalty program encouraging gameplay across all products and lines of operations. For a description of certain variables and other factors that can impact QNY, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

International Segment Net Deposits



The segment's Net Deposits for the three months ended December 31, 2019 were $316.0 million, a decrease of 6.4%, compared to the prior year period. The Corporation believes that this was primarily driven by the negative impacts from foreign exchange fluctuations, reduced customer deposits from markets impacted by local restrictions on select methods of payment processing and on certain methods of downloading The Stars Group's poker applications as noted above, and the cessation of real-money operations in certain markets, notably Switzerland and Slovakia. This was partially offset by growth on a constant currency basis in certain other countries. For a description of certain variables and other factors that can impact Net Deposits, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

International Segment Stakes and Betting Net Win Margin

The segment's Stakes for the three months ended December 31, 2019 were $301.4 million, an increase of 15.5% compared to the prior year period. This was primarily driven by growth in new markets, including the United States and the re-branding of BetStars to Sky Bet in Italy and Germany. This was partially offset by the negative impact of the cessation of operations in certain markets as noted above.

Stakes for the year ended December 31, 2019 were $1,054.2 million, an increase of 9.1% compared to the prior year period. The increase was primarily driven by an increase in wagering activity on a per customer basis on the International segment's sports betting offerings, as a result of an improved product offering as well as the same or substantially similar factors as listed above for the three-month period.

The segment's Betting Net Win Margin for the three months ended December 31, 2019 was 5.3%, a decrease of 3.0 percentage points, compared to the prior year period. The decrease was primarily driven by planned investment in customer acquisition following the launch of FOX Bet and operator-unfavorable sporting results in the period.

The segment's Betting Net Win Margin for the year ended December 31, 2019 was 6.9%, a decrease of 1.3 percentage points, compared to the prior year period. The decrease was primarily driven by the same or substantially similar factors as listed above for the three-month period.

For a description of certain variables and other factors that can impact Stakes and Betting Net Win Margin, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

United Kingdom

As at December 31, 2019, the United Kingdom reporting segment consisted of the SBG business. The Corporation acquired SBG on July 10, 2018.

	Three Months Ended December 31,			Year Ended December 31,		
In thousands of U.S. Dollars (except otherwise noted)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Stakes	*1,460,111*	*1,289,374*	*13.2 %*	*5,848,641*	*2,511,228*	*132.9 %*
Betting Net Win Margin (%)	*12.1%*	*10.1%*	*20.1 %*	*9.0%*	*8.6%*	*5.0 %*
Revenue						
Poker	2,792	3,045	(8.3)%	11,647	5,929	96.4 %
Gaming	96,870	84,164	15.1 %	364,983	157,482	131.8 %
Betting	177,150	130,732	35.5 %	528,110	215,921	144.6 %
Other[1]	10,935	7,810	40.0 %	41,939	14,799	183.4 %
Total revenue	**287,747**	**225,751**	**27.5 %**	**946,679**	**394,131**	**140.2 %**
Gross profit (excluding depreciation and amortization)	**199,056**	**153,880**	**29.4 %**	**655,087**	**275,106**	**138.1 %**
Gross profit margin (%)	69.2%	68.2%	1.4 %	69.2%	69.8%	(0.9)%
General and administrative	111,645	96,089	16.2 %	432,354	200,576	115.6 %
Sales and marketing	38,637	35,413	9.1 %	138,275	75,637	82.8 %
Research and development	7,168	5,660	26.6 %	18,882	10,600	78.1 %
Operating income (loss)	**41,606**	**16,718**	**148.9 %**	**65,576**	**(11,707)**	**660.1 %**
Adjusted EBITDA[2]	**104,344**	**73,954**	**41.1 %**	**324,633**	**102,107**	**217.9 %**
Adjusted EBITDA Margin (%)[2]	**36.3%**	**32.8%**	**10.7 %**	**34.3%**	**25.9%**	**32.4 %**

1 Other revenue includes $1.2 million and $5.0 million for the three months and year ended December 31, 2019, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results is recorded to sales and marketing for amounts included in the International segment in respect of these transactions. Sales and marketing includes $1.0 million and $2.0 million for the three months and year ended December 31, 2018, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results for those periods is recorded to Other revenue for amounts included in the International segment in respect of these transactions.

2 Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under “Reconciliations” below.

Revenue

a) Gaming

Gaming revenue for the three months ended December 31, 2019 increased $12.7 million, or 15.1%, compared to the prior year period. Constant Currency Revenue for Gaming for the three months ended December 31, 2019 was $96.6 million, which is $0.3 million less than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 14.8%. This increase was primarily driven by underlying growth benefiting from increased levels of new customer acquisitions, continued improvements in customer cross-sell to and from the United Kingdom segment’s gaming and betting products, as well as the continued roll-out of new and innovative content.

Gaming revenue for the year ended December 31, 2019 increased $207.5 million, or 131.8%, compared to the prior year period. This increase was primarily driven by the timing of the SBG Acquisition, together with the same or substantially similar factors as listed above for the three-month period.

b) Betting

Betting revenue for the three months ended December 31, 2019 increased $46.4 million, or 35.5%, compared to the prior year period. Constant Currency Revenue for Betting for the three months ended December 31, 2019 was $176.5 million, which is $0.7 million less than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 35.0%. This increase was primarily driven by both a year-over-year increase in Stakes and Betting Net Win Margin. See “United Kingdom Segment Stakes and Betting Net Win Margin” below for further details on certain of the factors impacting Betting revenue, Stakes and Betting Net Win Margin.

Betting revenue for the year ended December 31, 2019 increased $312.2 million, or 144.6%, compared to the prior year period. This increase was primarily driven by timing of the SBG Acquisition, together with the same or substantially similar factors as listed above for the three-month period.

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 increased $45.2 million, or 29.4%, compared to prior year period. The increase was primarily driven by the increased revenues noted above along with an increase in gross profit margin. Gross profit margin for the three months ended December 31, 2019 was 69.2%, an increase of 1.4% compared to the prior year period. This increase was primarily driven by the increase in proportion of Betting revenue to overall revenue, which typically has a higher gross profit margin due to lower gaming duty rates, together with certain savings resulting from a reduction in third-party revenue share costs in connection with certain casino games. This was partially offset by increased gaming duties as a result of an increase in the rate of remote gaming duty applied to the Poker and Gaming lines of operation in the United Kingdom from April 1, 2019.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 increased $380.0 million, or 138.1%, compared to prior year period. The increase was primarily driven by the timing of the SBG Acquisition, together with the same or substantially similar factors as listed above for the three-month period. Gross profit margin for the year ended December 31, 2019 was 69.2%, a decrease of 0.9% compared to the prior year period. This decrease was primarily driven by the increase in the rate of remote gaming duty as noted above.

Operating Expenses

General and Administrative

General and administrative expenses for the three months ended December 31, 2019 increased $15.6 million, or 16.2%, compared to prior year period. This increase was primarily driven by (i) the internal reorganization of certain activities across the Corporation from the International segment to the United Kingdom segment, and (ii) an increase in staff costs primarily due to an increase in the Corporation’s provision for annual staff bonuses for 2019 performance.

General and administrative expenses for the year ended December 31, 2019 increased $231.8 million, or 115.6%, compared to prior year period. This increase was primarily driven by the timing of the SBG Acquisition and the same or substantially similar factors as listed above for the three-month period.

Sales and Marketing

Sales and marketing expenses for the three months ended December 31, 2019 increased $3.2 million, or 9.1%, compared to prior year period. This increase was primarily driven by additional targeted marketing spend around the sporting calendar to support increased revenue growth.

Sales and marketing expenses for the year ended December 31, 2019 increased $62.6 million, or 82.8%, compared to prior year period. This increase was primarily driven by the timing of the SBG Acquisition which was partially offset by a continued focus on the efficiency of marketing investment as discussed above.

Research and Development

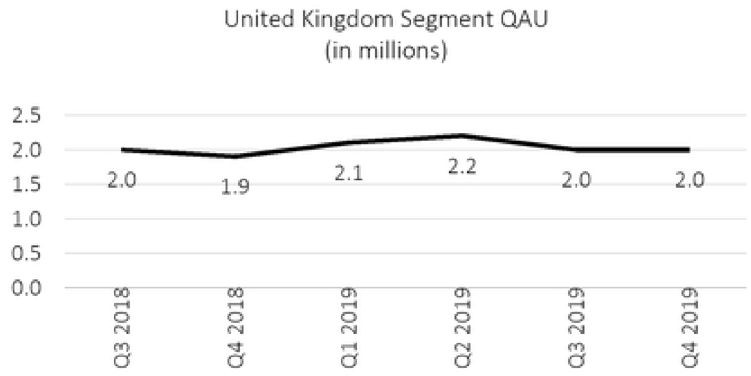
Research and development expenses for the three months ended December 31, 2019 increased $1.5 million, or 26.6% compared to prior year period. This increase was primarily driven by additional costs as a result of the internal reorganization of certain activities across the Corporation from the International segment to the United Kingdom segment, together with an increase in expenses related to the creation of the previously announced global sports trading platform and the Corporation’s U.K. customer ecosystem.

Research and development expenses for the year ended December 31, 2019 increased $8.3 million, or 78.1% compared to prior year period. This increase was primarily driven by the timing of the SBG Acquisition and the same or substantially similar factors as listed above for the three-month period.

For a description of certain seasonal trends and other factors impacting this segment's results, see "Summary of Quarterly Results" below.

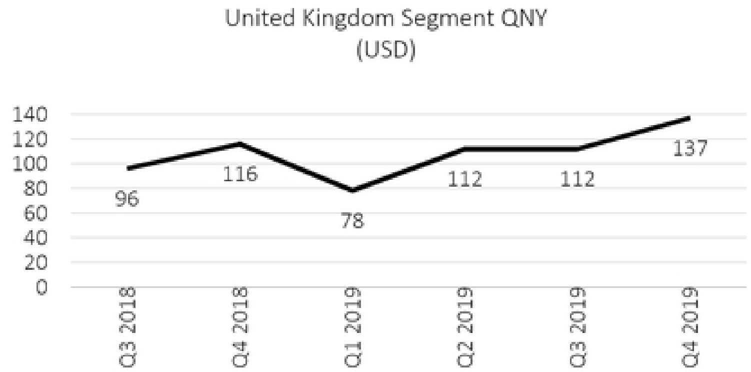
Key Metrics

United Kingdom Segment QAUs



The segment's combined QAUs for the three months ended December 31, 2019 was 2.0 million, an increase of 8.0% compared to the prior year period. The increase was primarily driven by the positive impact of continued improvements in products and promotions, and in particular the successful retention of customers following the promotional activity around the start of the English Premier League season during the previous quarter, combined with a successful "Season of Giving" promotion period in December 2019. For a description of certain variables and other factors that can impact QAUs, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

United Kingdom Segment QNY



The segment's QNY for the three months ended December 31, 2019 was $137, an increase of 17.6% compared to the prior year period. The segment's QNY calculated using Constant Currency Revenue for the three months ended December 31, 2019 was $136, an increase of 17.2% over the prior year period. The increases were primarily driven by the factors impacting revenue in the quarter as discussed above. For a description of certain variables and other factors that can impact QNY, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

United Kingdom Segment Stakes and Betting Net Win Margin

The segment's Stakes for the three months ended December 31, 2019 were $1.46 billion, an increase of 13.2% compared to the prior year period driven by ongoing positive trends in customer acquisition, engagement and wagering activity.

Stakes for the year ended December 31, 2019 were $5.85 billion, an increase of 132.9% compared to the prior year period, largely due to the timing of the SBG Acquisition and also due to the factors listed above for the three-month period.

The segment's Betting Net Win Margin for the three months ended December 31, 2019 was 12.1%, an increase of 2.0 percentage points compared to the prior year period, due to a combination of the mix of Stakes across sports and bet types, more strategic use of free bets, and operator-favorable sporting results compared to the prior year period.

The segment's Betting Net Win Margin for the year ended December 31, 2019 was 9.0%, an increase of 0.4 percentage points compared to the prior year period, which was impacted by operator-unfavorable sporting results in the third quarter of 2018 following the completion of the SBG Acquisition.

For a description of certain variables and other factors that can impact Stakes and Betting Net Win Margin, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Australia

As at December 31, 2019, the Australia reporting segment consisted of the BetEasy business, in which the Corporation held an 80% equity interest. The Corporation acquired a 62% equity interest in BetEasy on February 27, 2018 and a further 18% interest on April 24, 2018, with BetEasy acquiring what was formerly the William Hill Australia business on the same day.

	Three Months Ended December 31,			**Year Ended December 31,**		
In thousands of U.S. Dollars (except otherwise noted)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Stakes	*794,603*	*877,338*	*(9.4)%*	*3,018,705*	*2,570,502*	*17.4 %*
Betting Net Win Margin (%)	*9.6%*	*8.2%*	*16.5 %*	*9.0%*	*7.6%*	*17.8 %*
Revenue						
Betting	75,920	71,542	6.1 %	270,267	196,101	37.8 %
Other	1,093	829	31.8 %	4,147	829	400.2 %
Total revenue	**77,013**	**72,371**	**6.4 %**	**274,414**	**196,930**	**39.3 %**
Gross profit (excluding depreciation and amortization)	**50,031**	**47,768**	**4.7 %**	**170,065**	**137,357**	**23.8 %**
Gross profit margin (%)	65.0%	66.0%	(1.6)%	62.0%	69.7%	(11.1)%
General and administrative	30,190	31,762	(4.9)%	110,135	116,323	(5.3)%
Sales and marketing	20,085	15,862	26.6 %	60,983	53,385	14.2 %
Research and development	602	432	39.4 %	4,018	1,530	162.6 %
Operating loss	**(846)**	**(288)**	**(193.8)%**	**(5,071)**	**(33,881)**	**85.0 %**
Adjusted EBITDA [1]	**19,881**	**13,683**	**45.3 %**	**44,358**	**21,571**	**105.6 %**
Adjusted EBITDA Margin (%) [1]	**25.8%**	**18.9%**	**36.5 %**	**16.2%**	**11.0%**	**47.6 %**

[1] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

Revenue

Betting revenue for the three months ended December 31, 2019 increased $4.4 million, or 6.1%, compared to the prior year period. Constant Currency Revenue for Betting for the three months ended December 31, 2019 was $79.7 million, which is $3.7 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 11.3%. This increase was primarily driven by an increased Betting Net Win Margin year-over-year. This was partially offset by a decrease in Stakes year-over year. See "Key Metrics-Australia Segment Stakes and Betting Net Win Margin" below for further details on certain of the factors impacting Stakes and Betting Net Win Margin.

Betting revenue for the year ended December 31, 2019 increased $74.2 million, or 37.8%, compared to the prior year period. This increase was primarily driven by the timing of the Australian Acquisitions as well as the same or substantially similar factors as listed above for the three-month period.

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 increased $2.3 million, or 4.7%, compared to the prior year period. The increase was primarily driven by the increased revenue noted above. This was partially offset by a reduction in gross profit margin as described below. Gross profit margin for the three months ended December 31, 2019 was 65.0%, a decrease of 1.6% compared to the prior year. This decrease was primarily driven by new point of consumption taxes introduced in the majority of Australian jurisdictions towards the end of 2018 and into early 2019.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 increased $32.7 million, or 23.8%, compared to the prior year period. The increase was primarily driven by the timing of the Australian Acquisitions. This was partially offset by the new point of consumption taxes as noted above. Gross profit margin for the year ended December 31, 2019 was 62.0%, a decrease of 11.1%, compared to the prior year period. The decrease was primarily driven by the impact of the new point of consumption taxes as noted above.

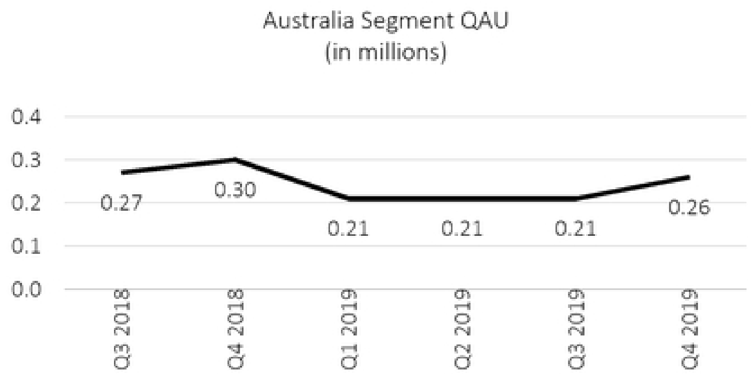
Operating Expenses

Operating expenses for the three months ended December 31, 2019 increased $2.8 million, or 5.9%, compared to the prior year period. The increase was primarily driven by additional targeted marketing spend around the sporting calendar. This was partially offset by the realization of synergies following the Australian Acquisitions and reduction of general and administrative costs.

Operating expenses for the year ended December 31, 2019 increased $3.9 million, or 2.3%, compared to the prior year. The increase was primarily driven the timing of the Australian Acquisitions and the same or substantially similar factors as listed above for the three-month period.

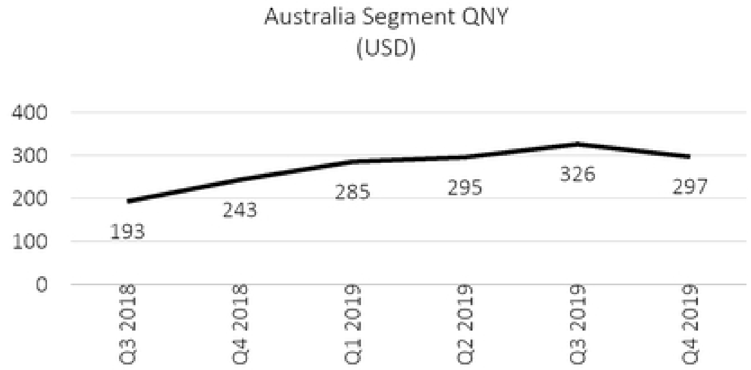
Key Metrics

Australia Segment QAUs



The segment's QAUs for the three months ended December 31, 2019 was 0.26 million, a decrease of 13.9% compared to the prior year period. This was primarily driven by the increased promotional activity in the lead up and to support the migration of former William Hill Australia customers onto the BetEasy platform in August 2018, which positively impacted the prior year period, as well as a focus on high-value, recreational customers with the continued roll-out of MyRewards which allows for targeted, personalized promotions and an optimization of the customer base. For a description of certain variables and other factors that can impact QAUs, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Australia Segment QNY



The segment's QNY for the three months ended December 31, 2019 was $297, an increase of 21.9% compared to the prior year period. The segment's QNY calculated using Constant Currency Revenue for the three months ended December 31, 2019 was $311, an increase of 27.9% compared to the prior year period. The increases were primarily driven by a lower Betting Net Win Margin in the prior year period driven by increased promotional investment and operator-unfavorable sporting results, together with an increased focus on high value, recreational customers, primarily through improving the customer experience as noted above. For a description of certain variables and other factors that can impact QNY, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Australia Segment Stakes and Betting Net Win Margin

The segment's Stakes for the three months ended December 31, 2019 were $794.6 million, a decrease of 9.4%, compared to the prior year period. The decrease was primarily driven by the positive impact on Stakes in the prior year period as a result of the increased promotional spend, including special bonuses to help mitigate the potential loss of customers during the migration of former William Hill Australia customers onto the BetEasy platform and re-branding to BetEasy and the recycling of winnings as a result of operator unfavorable results. In addition, Stakes were negatively impacted by decreased QAUs during the quarter as the segment continued its focus on high-value recreational customers through the continued refinement of MyRewards allowing for targeted, personalized promotions and an optimization of the customer base.

Stakes for the year ended December 31, 2019 were $3,018.7 million, an increase of 17.4%, compared to the prior year period. The increase was primarily driven by the timing of the Australian Acquisitions. This was partially offset by the negative impact of an increased focus on high-value, recreational customers on QAUs as discussed above.

The segment's Betting Net Win Margin for the three months ended December 31, 2019 was 9.6%, an increase of 1.4 percentage points, compared to the prior year period. The segment's Betting Net Win Margin for the year ended December 31, 2019 was 9.0%, an increase of 1.4 percentage points compared to the prior year period. The increase in both periods was primarily driven by the increased levels of promotional spend in the prior year primarily around the migration of customers and re-branding to BetEasy, combined with a more personalized approach to promotions leading to reduced, but more effective promotional spend, resulting in a higher Betting Net Win Margin in the current periods.

For a description of certain variables and other factors that can impact Stakes and Betting Net Win Margin, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Corporate Cost Center

The Corporate cost center includes certain general and administrative expenses, including corporate head office expenses, acquisition-related costs and various corporate governance and regulatory costs, as well as the cost to manage the centralized corporate tax and the debt servicing functions. These Corporate cost center expenses are not allocated to the reporting segments as they do not directly relate to the operations of those segments.

In thousands of U.S. Dollars (except otherwise noted)	Three Months Ended December 31, 2019	2018	% Change	Year Ended December 31, 2019	2018	% Change
Operating expenses	25,930	34,527	(24.9)%	172,094	193,196	(10.9)%
Operating loss	**(25,930)**	**(34,527)**	**(24.9)%**	**(172,094)**	**(193,196)**	**(10.9)%**
Net financing charges	29,048	97,715	(70.3)%	202,534	371,086	(45.4)%
Income tax expense (recovery)	(17,965)	14,450	(224.3)%	(197)	(988)	80.1 %
Net loss	**(37,013)**	**(146,692)**	**(74.8)%**	**(374,431)**	**(563,294)**	**(33.5)%**
Adjusted EBITDA [1]	**(10,179)**	**(16,410)**	**38.0 %**	**(52,717)**	**(46,071)**	**(14.4)%**

[1] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under “Reconciliations” below.

Operating Expenses

Operating expenses for the three months ended December 31, 2019 decreased $8.6 million, or 24.9%, compared to the prior year period. This was primarily driven by a decrease to (i) legal and professional fees unrelated to core activities, and (ii) foreign exchange impacts. This was partially offset by costs incurred in connection with the Combination in the current year period.

Operating expenses for the year ended December 31, 2019 decreased $21.1 million, or 10.9%, compared to the prior year period. The decrease for the year was primarily driven by a decrease of $100.2 million in acquisition-related costs and deal contingent forward expenses in relation to the Acquisitions and the Combination, respectively, compared to the prior year period. This was partially offset by (i) a legal settlement during the period of $32.5 million as noted above, (ii) increases to stock-based compensation expense following the continued implementation of a long-term incentive plan, and (iii) increases in professional fees unrelated to core activities, including the previously announced partnership with FOX Sports and transactions in connection with obtaining potential access to jurisdictions within the United States in which the Corporation currently does not operate, and certain investigation-related professional fees.

Net Financing Charges and Income Taxes

Net financing charges and income taxes are only recorded in the Corporate cost center and as a result the variances and trends are as discussed above under “Consolidated Results of Operations and Cash Flows”.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

The Corporation’s principal sources of liquidity are its cash generated from operations, the Revolving Facility (as defined below) and certain other currently available funds. Currently available funds consist primarily of cash on deposit with banks and investments, which are comprised primarily of certain highly liquid, short-term investments, including money market funds. The Corporation’s working capital requirements are generally minimal during the year as its current gaming business requires customers to deposit funds prior to playing or participating in its real-money product offerings. The Corporation believes that such deposits are typically converted to revenue efficiently and on a timely basis such that operating expenditures are sufficiently covered. Management also believes that investing is a key element necessary for the continued growth of the Corporation’s customer base and the future development of new and innovative product offerings. Based on the Corporation’s currently available funds, borrowing capacity available from the Revolving Facility and its ability to access the debt and equity capital markets, if necessary, management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development and integration activities and other capital expenditures, including those with respect to the continued launch and operation of its U.S. business, as well as strategic transactions, if any, for at least the next 12 months. Notwithstanding, the state of capital markets and the Corporation’s ability to access them on favorable terms, if at all; micro and macro-economic downturns; and fluctuations of the Corporation’s operations, among other things, may influence its ability to secure the capital resources required to satisfy current or future obligations and fund future projects, strategic initiatives and support growth. For a description of the factors and risks that could affect the Corporation’s ability to generate sufficient amounts of cash and access the capital markets to maintain the Corporation’s capacity to meet its obligations and expected growth or fund development activities, see “Risk Factors and Uncertainties” above and in the 2019 Annual Information Form, including, in particular, under the headings “Risk Factors and Uncertainties—The Stars Group’s substantial indebtedness requires and will continue to require that it use a significant portion of its cash flow to make debt servicing payments, and it may not generate sufficient cash flows to meet its debt servicing obligations, which could have significant adverse consequences on it and its business” and “Credit Ratings”.

Following the SBG Acquisition and related financing, the Corporation has improved and intends to continue to improve its financial condition, including by reducing its long-term debt, through its strong cash flow generation and liquidity, including as a result of continuing to introduce new and innovative product offerings, and potentially strategically gaining global market share. For additional information regarding the Corporation’s repayment of debt, including its prepayments of portions of its USD First Lien Term Loan, see above under “Overview and Outlook—Recent Corporate and Other Developments—Prepayment of First Lien Term Loans” and note 17 in the 2019 Annual Financial Statements.

For additional information regarding the Corporation’s liquidity and capital resources, see the descriptions of the Corporation’s debt as set forth below under “Long-Term Debt” and “Revolving Facility” and the notes to the 2019 Annual Financial Statements, as well as the 2019 Annual Information Form. See also “Risk Factors and Uncertainties” above and in the 2019 Annual Information Form, particularly under the heading “Risk Factors and Uncertainties—Risks Related to the Business”.

Market Risk

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates. For additional information regarding these and other risks, including risks related to Brexit, the potential impact of which continues to be uncertain, and other risk categories, see the 2019 Annual Information Form, including under the heading “Risk Factors and Uncertainties”.

Foreign Currency Exchange Risk

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than USD. In general, the Corporation is a net receiver of currencies other than USD, primarily the EUR, GBP and AUD, which are the primary depositing currencies of the Corporation’s customers. Accordingly, changes in exchange rates, and in particular a strengthening of the USD, which is the primary currency of game play on certain of the Corporation’s product offerings within the International segment, have in the past reduced, and may in the future reduce, the purchasing power of the Corporation’s customers, thereby potentially negatively affecting the Corporation’s revenue and other operating results.

The Corporation has also experienced and will continue to experience fluctuations in its net earnings as a result of translation gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Management monitors movements in foreign exchange rates and uses derivative financial instruments for risk management purposes and anticipates that such instruments will mitigate some of its foreign currency risk. 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. However, it is difficult to predict the effect hedging activities could have on the Corporation’s results of operations and there can be no assurance that any foreign currency exchange risks will be so mitigated or that such instruments will not result in a loss. The Corporation recorded foreign currency losses of $4.3 million and $9.5 million in the three-month periods ended December 31, 2019 and 2018, respectively, and foreign currency losses of $12.8 million and $68.4 million in the years ended December 31, 2019 and 2018, respectively. For additional information on derivatives, see also notes 2 and 19 in the 2019 Annual Financial Statements. The Corporation may in the future enter into additional derivatives or other financial instruments in an attempt to further hedge its foreign currency exchange risk.

Interest Rate Risk

The Corporation’s exposure to changes in interest rates relates primarily to interest paid on its long-term indebtedness, as well as the interest earned on and market value of its cash, money market funds and debt instruments held at fair value through other comprehensive income. The Corporation is also exposed to fair value interest rate risk on its fixed rate Senior Notes. The Corporation attempts to mitigate cashflow interest rate risk on the First Lien Term Loans through the Swap Agreements but remains exposed to cash flow interest rate risk on the unhedged elements of the First Lien Term Loans, which have variable interest rates.

As at December 31, 2019, the USD First Lien Term Loan and EUR First Lien Term Loan (as defined below) have LIBOR and EURIBOR floors, respectively, of 0% and as such, the interest rate cannot decrease below the applicable margins of 3.50% or 3.75%, respectively. Management monitors movements in the interest rates by frequently reviewing EURIBOR and LIBOR. Including the impact of the Swap Agreements, the annualized impact on earnings before taxes of a 100 basis points strengthening or weakening in the LIBOR rate would result in a decrease or increase of $1.8 million, respectively. EURIBOR is currently negative; however, if it were to turn positive by 100 basis points the annualized impact on earnings before taxes would be a decrease of $9.5 million.

The Corporation’s cash consists primarily of cash on deposit with banks and its investments consist primarily of certain highly liquid, short-term instruments, including corporate bonds, government bonds and money market funds. The Stars Group’s investment policy and strategy is focused on preservation of capital and supporting its liquidity requirements, not on generating trading profits. Changes in interest rates affect the interest earned on the Corporation’s cash and investments and the market value of those investments. However, any realized gains or losses resulting from such interest rate changes would occur only if it sold the investments prior to maturity.

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 organized 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 EURIBOR are also impacted by this reform and 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 Corporation 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 and EURIBOR may result in a sudden or prolonged increase or decrease in reported USD-LIBOR and EURIBOR. If that were to occur, the Corporation'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 and EURIBOR were to remain available in their current form. For additional details refer to "Recent Accounting Pronouncements" below.

Liquidity Risk

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring its forecasted and actual cash flows, and matching maturity profiles of financial assets and liabilities. The Corporation's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through its lenders. The Corporation's policy is to seek to ensure adequate funding is available from operations, established lending facilities and other sources, including the debt and equity capital markets, as required. Notwithstanding, the Corporation's ability to secure the capital resources required to satisfy its current or future obligations could be impacted by, among other things, the state of capital markets, micro and macro-economic downturns, and fluctuations of the Corporation's operations.

Contractual Obligations

The following is a summary of the Corporation's contractual obligations as at December 31, 2019:

	Payments due by period			
In thousands of U.S. Dollars	**Total**	**Less than 1 year**	**2 to 5 years**	**After 5 years**
Provisions	67,813	64,928	2,885	—
Long-term debt *	6,504,281	298,463	1,236,756	4,969,062
Lease obligations	62,258	19,633	37,150	5,475
Purchase obligations	774,747	112,983	236,568	425,196
Total contractual obligations	**7,409,099**	**496,007**	**1,513,359**	**5,399,733**

* Includes principal and interest after the impact of the Corporation's hedging activities.

Long-Term Debt

The following is a summary of long-term debt outstanding as at December 31, 2019 and December 31, 2018

In thousands of U.S. Dollars (except as noted)	Contractual interest rate	December 31, 2019 Principal outstanding balance in currency of borrowing	December 31, 2019 Carrying amount in USD	December 31, 2018 Principal outstanding balance in currency of borrowing	December 31, 2018 Carrying amount in USD
USD First Lien Term Loan	5.60%	3,071,375	3,014,409	3,557,125	3,479,823
EUR First Lien Term Loan	3.75%	850,000	934,733	850,000	951,980
Senior Notes	7.00%	1,000,000	982,033	1,000,000	980,008
Loan payable to non-controlling interests	0.00%	—	—	49,936	35,147
Total long-term debt			**4,931,175**		**5,446,958**
Current portion			35,750		35,750
Non-current portion			4,895,425		5,411,208

The decrease in outstanding long-term debt from December 31, 2018 to December 31, 2019 was primarily the result of principal repayments on the USD First Lien Term Loan, including voluntary prepayments of $450.0 million during the year. On December 5, 2019, the Corporation repaid AUD$56.9 million of outstanding shareholder loans payable to the non-controlling interests of BetEasy using available cash on hand. For additional information regarding the Corporation's outstanding long-term debt, see the 2019 Annual Financial Statements.

The contractual principal repayments over the next five years of the Corporation's long-term debt outstanding as at December 31, 2019, amount to the following:

In thousands of U.S. Dollars	<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
USD First Lien Term Loan	35,750	35,750	35,750	35,750	35,750	2,892,625
EUR First Lien Term Loan	—	—	—	—	—	953,187
Senior Notes	—	—	—	—	—	1,000,000
Total	**35,750**	**35,750**	**35,750**	**35,750**	**35,750**	**4,845,812**

As at December 31, 2019, the Corporation's outstanding long-term debt consisted of: (i) a first lien revolving facility (the "Revolving Facility"); (ii) a USD first lien term loan (the "USD First Lien Term Loan"); (iii) a EUR first lien term loan (the "EUR First Lien Term Loan" and, together with the USD First Lien Term Loan, the "First Lien Term Loans"); (iv) 7.00% Senior Notes (the "Senior Notes"); and (v) a loan payable to the holders of the non-controlling interest of BetEasy.

The credit agreement governing the Revolving Facility and First Lien Term Loans contains customary restrictive covenants and also provides for customary mandatory prepayments, including an excess cash flow sweep. See note 17 in the 2019 Annual Financial Statements for further information in respect of the restrictive covenants. As at December 31, 2019, the Corporation was in compliance with all covenants under the credit agreement.

The indenture governing the Senior Notes (the "Indenture") provides the holders of the Senior Notes with customary rights, including the right to require Stars Group Holdings B.V. to offer to repurchase the Senior Notes in limited circumstances and it also provides the Issuers (as defined below) with the right to redeem some or all of the Senior Notes at defined redemption prices based on when the redemption occurs. The Senior Notes include, among other terms and conditions, certain customary limitations on the Issuers' ability to take certain actions or engage in certain activities. See note 17 in the 2019 Annual Financial Statements for further information in respect of the terms and conditions of the Indenture and Senior Notes.

Revolving Facility

Maturing on July 10, 2023, the Revolving Facility is for $700 million and has a margin of 3.25% above the applicable LIBOR rate. The margin for the Revolving Facility is subject to leverage-based step-downs. The commitment fee on the Revolving Facility varies based on first lien leverage and ranges from 0.250% to 0.375%. Borrowings under the Revolving Facility are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. To the extent the Corporation's aggregate drawings on and certain letters of credit against the Revolving Facility exceed 35% of the Revolving Facility, the Corporation must comply on a quarterly basis with a maximum net first lien senior secured leverage ratio of 6.75 to 1.00.

The Revolving Facility can be used for working capital needs and for general corporate purposes. As at December 31, 2019, the Corporation had no funds drawn under the Revolving Facility, but had $74.0 million of letters of credit issued but undrawn thereunder relating to, among other things, the Kentucky bond collateral (as described in the 2018 Annual Financial Statements). Availability under the Revolving Facility as at the date hereof is $625.9 million.

First Lien Term Loans

The First Lien Term Loans consist of a $3.07 billion USD First Lien Term Loan priced at LIBOR plus 3.50% and a €$850 million EUR First Lien Term Loan priced at EURIBOR plus 3.75%, each with a maturity date of July 10, 2025 and a floor of 0%. The USD First Lien Term Loan requires scheduled quarterly payments in amounts equal to 0.25% of the initial principal amount of $3.58 billion, with the balance due at maturity. There is no amortization on the EUR First Lien Term Loan. During the year ended December 31, 2019, the Corporation prepaid $450.0 million, including accrued and unpaid interest, of its USD First Lien Term Loan, using proceeds from the issuance of Common Shares to FOX and available cash on hand. On February 21, 2020 the Corporation prepaid and additional $100.0 million, including accrued and unpaid interest, of its USD First Lien Term Loan, using available cash on hand.

7.00% Senior Notes

On July 10, 2018, two of the Corporation's subsidiaries, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "Issuers"), issued the 7.00% Senior Notes due 2026 at par in an aggregate principal amount of $1.00 billion. The Senior Notes mature on July 15, 2026. Interest on the Senior Notes is payable semi-annually on January 15 and July 15 of each year. The Senior Notes are guaranteed by each of the Issuers' restricted subsidiaries that guarantees the Revolving Facility. The Senior Notes are the Issuers' senior unsecured obligations and rank equally in right of payment with all of the Issuers' existing and future senior indebtedness. As at December 31, 2019, the aggregate principal amount of outstanding Senior Notes is $1.00 billion.

Loan Payable to Non-Controlling Interest

On December 5, 2019, the Corporation repaid AUD$56.9 million of outstanding shareholder loans payable to the non-controlling interests of BetEasy using available cash on hand.

Hedging Activities

As part of managing the Corporation's exposure to foreign exchange risk and interest rate risk, during the year ended December 31, 2018, the Corporation entered into cross-currency interest rate swap and interest rate swap agreements (collectively, the "Swap Agreements"), each as described below.

The Corporation has USD-EUR cross-currency interest rate swap agreements with an initial notional amount of €1.99 billion ($2.33 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%, as well as EUR-GBP cross-currency interest rate swap agreements with an initial notional amount of £1.00 billion (€1.12 billion), 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%. The cross-currency interest rate swaps have a profile that amortizes in line with the USD First Lien Term Loan and each are set to mature in July 2023. The Corporation also has an amortizing USD interest rate swap agreement with an initial notional amount of $700 million, which is set to mature in July 2023, and swaps USD three-month LIBOR to a fixed interest rate of 2.82%.

The USD-EUR cross-currency interest rate swap agreements and the USD interest rate swap agreements are designated as cash flow hedges. The effective portion of the Corporation's cash flow hedges is recognized in the consolidated statements of comprehensive income (loss) until reclassified into the consolidated statements of earnings in the same period the hedged transaction affects earnings.

The EUR-GBP cross-currency interest rate swap agreements are designated as a net investment hedge of the Corporation's GBP functional currency subsidiaries. Accordingly, the portion of the translation impact arising from the translation of the GBP-denominated liabilities that was determined to be an effective hedge during the period was recognized in the consolidated statements of comprehensive income (loss), counterbalancing a portion of the translation impact arising from translation of the Corporation's net investment in its GBP foreign operations.

The Corporation has also designated a portion of the carrying amount of the USD First Lien Term Loan and the carrying amount of the Senior Notes as a net investment hedge in the Corporation's USD functional currency subsidiaries. Accordingly, the portion of the translation impact arising from the translation of the USD-denominated liabilities that was determined to be an effective hedge during the period was recognized in the consolidated statements of comprehensive income (loss), counterbalancing a portion of the translation impact arising from translation of the Corporation's net investment in its USD foreign operations**.**

The Corporation evaluates the effectiveness of its cash flow and net investment hedges for each reporting period. In respect of its cash flow hedges, in the three months ended December 31, 2019, and 2018, the Corporation recorded $(2.2) million and $(3.0) million of ineffectiveness, respectively, and $8.1 million and $(14.9) million of ineffectiveness in the year ended December 31, 2019, and 2018, respectively. In respect of its net investment hedges, no ineffectiveness was recorded for those same periods.

See note 19 in the 2019 Annual Financial Statements for further information regarding the Corporation's hedging activities.

RECONCILIATIONS

To supplement its 2019 Annual Financial Statements presented in accordance with IFRS, the Corporation considers certain financial measures that are not prepared in accordance with IFRS, including those set forth below. See "Non-IFRS Measures, Key Metrics and Other Data" above. The tables below present reconciliations of Adjusted EBITDA, Adjusted Net Earnings, Adjusted Diluted Net Earnings per Share, and Free Cash Flow, each as presented in this MD&A. The Corporation does not provide a reconciliation for the numerator of QNY as the revenue components thereof (i.e., Poker, Gaming and Betting, as applicable) and Other revenue are set forth in "Segment Results of Operations" above.

Adjusted EBITDA

	Three Months Ended December 31, 2019				
In thousands of U.S. Dollars	**International**	**United Kingdom**	**Australia**	**Corporate**	**Consolidated**
Net earnings (loss)	77,543	41,606	(846)	(37,013)	81,290
Income tax recovery	—	—	—	17,965	17,965
Net financing charges	—	—	—	(29,048)	(29,048)
Operating income (loss)	77,543	41,606	(846)	(25,930)	92,373
Depreciation and amortization	44,224	61,179	9,080	178	114,661
Add (deduct) the impact of the following:					
Acquisition-related costs and other certain costs related to the Combination[1]	—	—	11,780	5,246	17,026
Stock-based compensation[2]	—	—	—	5,331	5,331
(Gains) losses from investments	(1,975)	33	—	—	(1,942)
Impairment of intangible and other assets	1,059	85	—	—	1,144
Other costs (income)	14,215	1,441	(133)	4,996	20,519
Total adjusting items	**13,299**	**1,559**	**11,647**	**15,573**	**42,078**
Adjusted EBITDA	**135,066**	**104,344**	**19,881**	**(10,179)**	**249,112**

In thousands of U.S. Dollars	Year Ended December 31, 2019				
	International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	375,788	65,576	(5,071)	(374,431)	61,862
Income tax recovery	—	—	—	197	197
Net financing charges	—	—	—	(202,534)	(202,534)
Operating income (loss)	375,788	65,576	(5,071)	(172,094)	264,199
Depreciation and amortization	159,895	241,283	36,703	745	438,626
Add (deduct) the impact of the following:					
Acquisition-related costs and other certain costs related to the Combination[1]	—	—	11,780	15,385	27,165
Stock-based compensation[2]	—	—	—	18,842	18,842
(Gains) losses from investments	(2,690)	77	—	93	(2,520)
Impairment of intangible and other assets	1,071	2,860	—	—	3,931
Other costs	70,787	14,837	946	84,312	170,882
Total adjusting items	**69,168**	**17,774**	**12,726**	**118,632**	**218,300**
Adjusted EBITDA	**604,851**	**324,633**	**44,358**	**(52,717)**	**921,125**

In thousands of U.S. Dollars	Three Months Ended December 31, 2018				
	International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	92,089	16,718	(288)	(146,692)	(38,173)
Income tax expense	—	—	—	(14,450)	(14,450)
Net financing charges	—	—	—	(97,715)	(97,715)
Operating income (loss)	92,089	16,718	(288)	(34,527)	73,992
Depreciation and amortization	35,950	55,237	8,753	85	100,025
Add (deduct) the impact of the following:					
Acquisition-related costs[1]	—	—	—	3,084	3,084
Stock-based compensation[2]	—	—	—	4,004	4,004
Loss from investments and associates	1,297	—	—	—	1,297
Impairment of intangible and other assets	678	602	—	—	1,280
Other costs	38,163	1,397	5,218	10,944	55,722
Total adjusting items	**40,138**	**1,999**	**5,218**	**18,032**	**65,387**
Adjusted EBITDA	**168,177**	**73,954**	**13,683**	**(16,410)**	**239,404**

In thousands of U.S. Dollars	Year Ended December 31, 2018 International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	499,976	(11,707)	(33,881)	(563,294)	(108,906)
Income tax recovery	—	—	—	988	988
Net financing charges	—	—	—	(371,086)	(371,086)
Net earnings from associates	1,068	—	—	—	1,068
Operating income (loss)	498,908	(11,707)	(33,881)	(193,196)	260,124
Depreciation and amortization	144,304	108,879	29,476	147	282,806
Add (deduct) the impact of the following:					
Acquisition-related costs and deal contingent forward expenses[1]	—	—	—	115,569	115,569
Stock-based compensation[2]	—	—	—	12,806	12,806
Loss from investments and associates	1,667	—	—	—	1,667
Impairment of intangible and other assets	5,621	602	—	—	6,223
Other costs	52,842	4,333	25,976	18,603	101,754
Total adjusting items	**60,130**	**4,935**	**25,976**	**146,978**	**238,019**
Adjusted EBITDA	**703,342**	**102,107**	**21,571**	**(46,071)**	**780,949**

Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share

In thousands of U.S. Dollars (except per share amounts)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net earnings (loss)	**81,290**	**(38,173)**	**61,862**	**(108,906)**
Income tax (recovery) expense	(17,965)	14,450	(197)	(988)
Earnings (loss) before income taxes	**63,325**	**(23,723)**	**61,665**	**(109,894)**
Add (deduct) the impact of the following:				
Interest accretion[3]	9,336	12,367	37,267	42,431
Loss on debt extinguishment	—	3,453	—	146,950
Loss (gain) on re-measurement of deferred contingent payment[3]	5,342	(9,095)	(7,371)	(342)
(Gain) loss on re-measurement of embedded derivative[3]	(48,100)	17,400	(98,300)	6,100
Unrealized foreign exchange loss on financial instruments associated with financing activities	4,169	6,902	11,320	7,202
Ineffectiveness on cash flow hedges[3]	(2,196)	(2,960)	8,052	(14,909)
Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination[1]	17,026	3,084	27,165	115,569
Amortization of acquisition intangibles[3]	85,066	86,686	346,946	241,651
Stock-based compensation[2]	5,331	4,004	18,842	12,806
(Gain) loss from investments and earnings from associates	(1,942)	1,297	(2,520)	599
Impairment of intangible and other assets	1,144	1,280	3,931	6,223
Other costs	20,519	55,722	170,882	101,754
Adjust for income tax expense	(14,204)	(11,754)	(44,654)	(22,192)
Adjusted Net Earnings	**144,816**	**144,663**	**533,225**	**533,948**
Adjusted Net Earnings attributable to				
Shareholders of The Stars Group Inc.	142,331	141,738	528,510	531,168
Non-controlling interest	2,485	2,925	4,715	2,780
Adjusted Net Earnings	**144,816**	**144,663**	**533,225**	**533,948**
Diluted Shares	291,102,048	273,294,532	284,478,637	242,768,766
Adjusted Diluted Net Earnings per Share	0.49	0.52	1.86	2.19

The table below presents certain items comprising “Other costs” in the Adjusted EBITDA, Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share reconciliation tables above:

In thousands of U.S. Dollars	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Integration costs of acquired businesses	2,556	17,042	19,753	45,597
Financial expenses	144	3,645	1,733	446
Restructuring expenses[4]	8,941	2,283	37,474	8,827
AMF, foreign payments and other investigation and related professional fees[5]	2,873	2,902	18,896	6,673
Lobbying (US and Non-US) and other legal expenses[6]	2,768	6,276	14,909	16,194
Professional fees in connection with non-core activities[7]	3,019	2,602	21,889	4,578
Austria gaming duty	—	—	—	(3,679)
Acquisition of option rights for market access	—	20,661	22,500	20,661
Legal settlement[8]	—	—	32,500	—
Other	218	311	1,228	2,457
Other costs	**20,519**	**55,722**	**170,882**	**101,754**

Free Cash Flow

In thousands of U.S. Dollars	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net cash inflows from operating activities	190,149	190,537	670,634	559,844
Customer deposit liability movement	13,122	4,712	13,884	(7,637)
	203,271	195,249	684,518	552,207
Capital expenditure:				
Additions to deferred development costs	(23,535)	(18,888)	(82,751)	(51,574)
Additions to property and equipment	(11,672)	(15,161)	(27,523)	(33,952)
Additions to intangible assets	(3,967)	(11,934)	(25,288)	(28,202)
Interest paid	(50,971)	(57,771)	(279,284)	(186,162)
Debt servicing cash flows (excluding voluntary prepayments)	(14,194)	(8,937)	(53,282)	(29,367)
Free Cash Flow	**98,932**	**82,558**	**216,390**	**222,950**

United Kingdom Segment QNY

The table below presents proforma revenue for the United Kingdom segment for the three months ended September 30, 2018, which includes revenue earned by SBG prior to the SBG Acquisition from July 1, 2018 through July 9, 2018, for use in the calculation of the numerator of QNY for the United Kingdom segment for the applicable period:

In thousands of U.S. Dollars	$
Revenue as reported for the three months ended September 30, 2018	
Poker	2,884
Gaming	73,318
Betting	85,189
Total	161,391
Add: pre-acquisition revenue	28,018
Revenue as adjusted for QNY	189,409

[1] Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations for the following reasons:

- Acquisition-related costs include legal and professional fees incurred in connection with the Acquisitions.
- Costs associated with the BetEasy Minority Acquisition include costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the BetEasy Minority Acquisition, and a contractual payment to a third-party supplier of pricing services to BetEasy due upon the completion of the BetEasy Minority Acquisition.
- Deal contingent forward expenses include costs associated with forward contracts that were entered into to hedge foreign exchange risk associated with the purchase price of the Acquisitions.
- Other costs related to the Combination include legal and professional fees and costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the same.

[2] Stock-based compensation expense excluded from Adjusted EBITDA primarily due to its discretionary nature.

[3] Interest accretion, gains or losses on the re-measurement of contingent consideration and an embedded derivative recognized in respect of the Senior Notes, ineffectiveness on cash flow hedges, and amortization of intangible assets resulting from purchase price allocations following acquisitions are excluded from Adjusted Net Earnings as these are accounting adjustments that are not representative of underlying cash operating activities or expenses of the Corporation.

[4] Restructuring expenses relate to certain operational and staff restructuring programs implemented following the Acquisitions, and certain of the Corporation's recent strategic cost savings initiatives (i.e., referred to by the Corporation as "operational excellence" or "operational efficiency" programs). Management does not consider such expenses to be part of its ongoing core operating activities or expenses. Following and as a result of the restructuring programs and efforts to achieve expected cost synergies related to the Acquisitions in the United Kingdom and Australia segments, during the three months and year ended December 31, 2019, the Corporation reassessed its fixed-cost base within the International segment and Corporate cost center and implemented an operational excellence program to optimize the same, including a reduction in headcount and the relocation of certain roles across and within applicable geographies. As a result, costs related to this program that are excluded from Adjusted EBITDA for the three months and year ended December 31, 2019 include (i) $4.4 million and $23.9 million, respectively, of accrued termination payments recognized under IAS 37, *Provisions, contingent liabilities and contingent assets* and IAS 19, *Employee benefits*, and (ii) $4.6 million and $13.6 million, respectively, for salaries and associated compensation relating to roles that are either being made redundant or that are expected to be

relocated (for relocations, to the extent that such salaries and associated compensation exceeds or will exceed the same in the new location for the respective relocated roles). The Corporation expects to continue excluding such costs from Adjusted EBITDA through the respective termination or relocation dates of the impacted personnel.

[5] Legal and professional fees related to the previously disclosed Autorité des marchés financiers ("AMF"), foreign payments and other investigation matters described in this MD&A and the 2019 Annual Information Form under the heading “Legal Proceedings and Regulatory Actions”. On June 6, 2019, the AMF advised the Corporation that it had closed its investigation and no charges will be laid against the Corporation or any of its current directors or officers in connection with the previously reported AMF investigation and related matters.

[6] The Corporation excludes certain lobbying and legal expenses in jurisdictions where it is actively seeking licensure or similar approval because management believes that the Corporation’s incremental cost of these lobbying and legal expenses in such jurisdictions is generally higher than its peers given liabilities and related issues primarily stemming from periods prior to the acquisition of the Stars Interactive Group in 2014 or from matters not directly involving the Corporation or its current business.

[7] Professional fees in connection with non-core activities are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations. Such professional fees include those related to litigation matters, incremental accounting and audit fees incurred in connection with the integration of the Acquisitions, including as it relates to internal controls with respect to the same, and the previously announced partnership with FOX Sports and transactions in connection with obtaining and securing potential market access to certain U.S. states in which the Corporation currently does not operate.

[8] For additional information see below under the heading “Legal Proceedings and Regulatory Actions” and note 8 of the 2019 Annual Financial Statements.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS. The presentation currency for each period presented below was and remains the U.S. dollar.

	For the three months ended							
In thousands of U.S. Dollars (except per share amounts)	Mar. 31, 2018	Jun. 30, 2018	Sept. 30, 2018	Dec. 31, 2018	Mar. 31, 2019	Jun. 30, 2019	Sept. 30, 2019	Dec. 31, 2019
Revenue	392,891	411,512	571,983	652,852	580,384	637,618	622,484	687,962
Gross profit	312,627	327,875	442,757	486,815	417,748	463,708	456,459	497,471
Operating income	113,866	1,064	71,201	73,992	61,537	93,955	16,334	92,373
Net earnings (loss)	74,361	(154,824)	9,730	(38,173)	27,658	4,629	(51,715)	81,290
Basic net earnings (loss) per Common Share	$ 0.51	$ (1.01)	$ 0.06	$ (0.14)	$ 0.10	$ 0.02	$ (0.18)	$ 0.28
Diluted net earnings (loss) per Common Share	$ 0.36	$ (1.01)	$ 0.06	$ (0.14)	$ 0.10	$ 0.02	$ (0.18)	$ 0.28

Over the past eight quarters, the Corporation’s quarterly revenue has generally increased quarter-over-quarter. Revenue decreased for the three months ended March 31, 2019 compared to the immediately preceding quarter primarily as a result of the negative impact of a lower than the long-term historical average Betting Net Win Margin. Revenue decreased for the three months ended September 30, 2019 compared to the immediately preceding quarter primarily as a result of a decrease in revenue in the International segment as discussed above under “Segment Results of Operations”. The growth shown above was primarily driven by the positive impact of the Acquisitions.

For a discussion of results, trends and variances, including the impact of foreign currency fluctuations, over the three-month periods and years ended December 31, 2019 and 2018, see “Consolidated Results of Operations and Cash Flows”, “Segment Results of Operations” and “Liquidity and Capital Resources” contained in this MD&A.

The Corporation’s consolidated and segmental results of operations can fluctuate due to seasonal trends and other factors. The Corporation believes that the climate and weather in geographies where its customers reside tend to impact, among other things, revenue from operations, key metrics and customer activity, and as such, historically those have been generally higher in the first and fourth quarters than in the second and third quarters. The Betting operations (and thus the financial performance) of the Corporation are also subject to the seasonal variations dictated by various sports calendars. A significant portion of the Corporation’s Betting revenue is and will continue to be generated from bets placed on European football, which has an off-season in the summer that can cause a corresponding temporary decrease in its Betting revenue, and betting on horse racing. The Australian Football League and the National Rugby League comprises a large portion of Betting revenue in the Australia segment. In addition, the Corporation currently expects a growing portion of its Betting revenues to be derived from sporting events and leagues based in emerging markets, such as the United States, which have different sports calendars than those in other established markets, such as Europe and Australia. The Corporation’s revenue may also be affected by the scheduling of major sporting events that do not occur annually, such as the World Cup and the UEFA European Championships and other major sporting events globally. In addition, certain individuals or teams advancing or failing to advance and their scores and other results within specific tournaments, games or events may have adverse consequences on the Corporation’s financial performance. Also, the cancellation of sporting events and races could negatively impact Stakes and revenue.

With respect to online Betting, revenue generally fluctuates in line with Betting Net Win Margin. However, the impact on revenue may be mitigated by the impact of Betting Net Win Margin on Stakes, which can fluctuate inversely with such margins. As a result, prolonged periods of high Betting Net Win Margin can negatively impact customer experience, enjoyment and engagement levels, thus resulting in lower customer betting and/or gaming activity levels. Conversely, while periods of low Betting Net Win Margin tend to negatively impact revenue, this may be partially mitigated by increased customer wagering volume (generally referred to as recycling of winnings) due to the positive impact of customer-favorable results on customer experience, enjoyment and engagement. Further, changes to the Corporation’s use of various offsets to revenue including free bets, bonuses and promotions, and/or loyalty program rewards impact reported revenue, which could also cause fluctuations. As such, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. There can be no assurance that the seasonal trends and other factors that have impacted the Corporation’s historical results will repeat in future periods as the Corporation cannot influence or forecast many of these factors. For other factors that may cause its results to fluctuate, including market risks, such as foreign exchange risks, see “Overview and Outlook” above, “Risk Factors and Uncertainties” above, and the 2019 Annual Information Form, including under the headings “Risk Factors and Uncertainties” and “Business of the Corporation—Seasonality and Other Factors Impacting the Business” therein.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a description of the Corporation's significant accounting policies, critical accounting estimates and judgments, and related information, see notes 2 and 3 to the 2019 Annual Financial Statements. Below are the Corporation's new significant accounting policies and its critical accounting estimates or judgments during the three months and year ended December 31, 2019.

IFRS 16, *Leases*

The Corporation adopted IFRS 16 effective January 1, 2019. See note 4 to the 2019 Annual Financial Statements. In preparation for the first-time application of IFRS 16, the Corporation carried out an implementation project, which has shown that the new definition in IFRS 16 did not significantly change the scope of the Corporation's contracts that meet the definition of a lease.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease requirements and adding a requirement to recognize a right-of-use asset and a lease liability at the commencement of all leases except short-term leases and leases of low-value assets for which the election to recognize a lease expense on a straight-line basis has been applied. The requirements for lessor accounting have remained substantially unchanged. The Corporation applied IFRS 16 using the modified retrospective approach, with right-of-use assets being measured at an amount equal to the lease liability, adjusted for any amount of applicable prepaid or accrued lease payments recognized on the statement of financial position as at December 31, 2018. As a result, there was no restatement of the comparative period. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for applicable consideration.

The Corporation applied the following transitional-related elections available upon transition to IFRS 16:

- Hindsight in the determination of right-of-use assets and lease liabilities on transition;
- Reliance on the assessment of whether leases are onerous by applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- Exclusion of initial direct costs from the measurement of right-of-use assets on transition; and
- No recognition of right-of-use assets and lease liabilities for leases expiring within 12 months of adoption of IFRS 16.

The Corporation as a Lessee

The Corporation assesses whether a contract is or contains a lease at the inception of the applicable contract. IFRS 16 changes how the Corporation accounts for leases that it otherwise would have previously classified as operating leases under IAS 17, *Leases* ("IAS 17"). Under IFRS 16, for all leases except as noted above, the Corporation:

a) Recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss as part of general and administrative expense and other interest expense within net financing charges, respectively; and
c) Separates the total amount of cash payments in relation to lease liabilities into a principal portion and interest (each presented within financing activities) in the consolidated statement of cash flows.

Lease incentives are recognized as part of the measurement of right-of-use assets and as part of lease liabilities, except if received prior to lease commencement, while under IAS 17 they resulted in the recognition of a lease incentive liability and were amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* ("IAS 36"), which replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, such as personal computers and office furniture, the Corporation has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate at the lease commencement date. The Corporation subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease includes an option to terminate the lease.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease, and any initial costs. They are then subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers such payments occurs.

As a practical expedient, IFRS 16 permits a lessee to account for any lease and associated non-lease components as a single arrangement instead of separating the non-lease components. The Corporation has applied this practical expedient.

The Corporation as a Lessor

The Corporation does not currently have any material contracts where the Corporation acts as a lessor.

IFRIC 23, *Uncertainty over Income Tax Treatments*

The Corporation adopted IFRIC 23 effective January 1, 2019. See note 4 to the 2019 Annual Financial Statements. Where uncertain tax treatments exist, the Corporation assesses whether it is probable that a tax authority will accept the uncertain tax treatment applied or proposed to be applied in its income tax filings. The Corporation assesses for each uncertain tax treatment whether it should be considered independently or whether some tax treatments should be considered together based on what the Corporation believes provides a better prediction of the resolution of the uncertainty. The Corporation considers whether it is probable that the relevant authority will accept each uncertain tax treatment, or group of uncertain tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption of the interpretation did not have a material impact on the 2019 Annual Financial Statements.

IFRS 2, *Share-based Payment* (“IFRS 2”)

For share-based payment transactions that may be settled in cash on the occurrence of a contingent event which is in the control of neither the Corporation nor the counterparty to the payment (“contingently cash-settled share-based payments”), the Corporation applies the “probable” approach. Under this approach, the share-based payment is classified as either cash-settled or equity-settled in its entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense updated to reflect the appropriate charge for the method of settlement now considered probable.

Key sources of estimation uncertainty

Determining the carrying amounts 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.

Goodwill impairment

At least annually, the Corporation tests whether goodwill is subject to any impairment in accordance with the applicable accounting policy set forth in note 2 of the 2019 Annual Financial Statements. The Corporation completed its annual goodwill impairment testing as at December 31, 2019.

Estimation uncertainty exists in the determination of goodwill impairment, which is based on the recoverable amount for any cash generating units (“CGUs”) or group of CGUs. The recoverable amount for any CGU or group of CGUs is determined based on the higher of (i) fair value less costs to sell and (ii) value in use. Both valuation approaches require management to make estimates about the future. Goodwill impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount. Estimates used in determining the recoverable amount include but are not limited to expected cash flows, growth rates, capital expenditures and discount rates. If in the next financial year there is a significant decline in the performance of a CGU or group of CGUs, a significant change in regulation impacting the Corporation’s operations, or a combination of changes to the key assumptions disclosed in note 11 of the 2019 Annual Financial Statements, this could result in an impairment loss.

Uncertain tax treatments

Determining the Corporation’s income tax and its provisions for income taxes involves a significant degree of estimation and judgment, particularly in respect of open tax returns relating to prior years where the liabilities remain to be agreed with the local tax authorities. The Corporation is also subject to tax audits and has a number of open tax inquiries covering corporate tax matters. As a result, it has recognized a number of provisions against uncertain tax positions that are recognized based on management’s best estimate of the outcome after taking into consideration all available evidence, and where appropriate, after taking external advice. This includes the reassessment from the Canadian tax authorities relating to transfer pricing, where a provision for the full amount of the reassessments received was booked during the year ended December 31, 2017 and discussions with the Canadian tax authorities are continuing to date through the usual appeals process. See note 9 of the 2019 Annual Financial Statements. The tax provisions recorded in the Corporation’s 2019 Annual Financial Statements in respect of prior years relate to intercompany trading and financing arrangements entered into in the normal course of business and tax audits that are currently in progress with fiscal authorities. Due to the uncertainty associated with such tax items it is possible that at a future date, on resolution of the open tax matters, the final outcome may vary significantly and there is the potential for a material adjustment to the carrying amounts of the liability recorded as a result of this estimation uncertainty.

Valuation of embedded derivatives

The Senior Notes include certain embedded features allowing the Corporation to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. As previously disclosed, these features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 1.9% as at December 31, 2019 (December 31, 2018 - 4.6%), in determining the fair value of the embedded derivative. The implied credit spread represents management’s estimate of the Corporation’s creditworthiness as implied by the market value of the Senior Notes. See notes 17, 19 and 26 to the 2019 Annual Financial Statements. During the year end December 31, 2019, a gain of $98.3 million was recorded through Net financing charges in relation to the re-measurement of the embedded derivative, of which $48.1 million of the gain was recorded in the fourth quarter of 2019.

Critical accounting judgments

The preparation of the Corporation’s 2019 Annual Financial Statements requires management to exercise its judgment in applying the Corporation’s accounting policies. Judgments are continuously evaluated and are based on historical experience, general economic conditions, and trends and other factors, including expectations of future events.

The following discussion sets forth for the three months and year ended December 31, 2019 what management believes to be the most significant judgments in applying the Corporation’s accounting policies.

Contingent liabilities

The Corporation 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 2019 Annual 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 Corporation's management as to how it will respond to the litigation, claim or assessment. The Corporation 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. To the extent that the Corporation's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future consolidated financial statements may be materially affected, with a favorable or adverse impact on the Corporation's business, financial condition or results of operations See note 28 to the 2019 Annual Financial Statements.

Determination of lease term

The Corporation's lease portfolio includes contracts with extension and termination options. These terms are used to maximize operational flexibility with respect to managing such contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Corporation reviews the applicable assessment if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the lessee. If the Corporation exercises an extension option (or elects not to exercise a termination option) that was not included in the lease term, this would result in an increase to the right of use asset and lease liability. As at December 31, 2019, the weighted average remaining life of the Corporation's leases is 4.2 years.

FOX equity option

On May 8, 2019, the Corporation and FOX Sports, 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, the Corporation 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 the Corporation's U.S. business. In accordance with IFRS 2, based on the judgment of the Corporation's 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 December 31, 2019, the Corporation recorded $0.1 million to cost of sales and $7.6 million to sales and marketing expense, respectively, in the 2019 Annual Financial Statements in relation to the commercial agreement.

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 judgment as to the probable method of settlement. The right has been valued using a discounted cash flow model and as it represents a contingently cash-settled share-based payment, will be recorded at fair value each reporting period.

Combination with Flutter Entertainment Plc

On October 2, 2019, the Corporation reached an agreement on the terms of an all-share combination recommended by the Board to be implemented through an acquisition of The Stars Group by Flutter pursuant to a plan of arrangement under the OBCA. For additional details, see note 31 of the 2019 Annual Financial Statements. Management has prepared its consolidated financial statements without giving effect to the potential impacts a combination with Flutter would have on the Corporation's existing accounting treatments. This includes, but is not limited to, such judgments related to (i) the forecasted cash flows associated with the Corporation's long-term debt and the related impact on its hedge accounting conclusions, and (ii) the expected period of vesting and change in control implications in relation to the Corporation's long-term incentive program.

RECENT ACCOUNTING PRONOUNCEMENTS

Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*

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. For additional information on IBOR reform refer above under "Liquidity and Capital Resources—Market Risk". 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 amendments are effective for annual reporting periods beginning on or after January 1, 2020, but the Corporation chose to early apply the amendments for the reporting period ending December 31, 2019. Adopting these amendments allows the Corporation to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

Cash flow hedge accounting under IAS 39 requires the future hedged cash flows to be 'highly probable'. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Hence, where the hedged cash flows may change as a result of the IBOR reform this will not cause the 'highly probable' test to fail. IAS 39 requires a forward-looking prospective assessment whereby the hedge must be expected to be highly effective in order to hedge accounting. Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform. The uncertainties described above in the context of prospective assessments could also affect IAS 39's retrospective effectiveness requirement. IAS 39 has further been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this required 80–125% range.

The Corporation's USD First Lien Term Loan, certain of its cross-currency interest rate swaps and its interest rate swap are indexed to USD-LIBOR and the Corporation's EUR First Lien Term Loan is indexed to EURIBOR. The Corporation is monitoring and evaluating the related risks, which include interest payments on the First Lien Term Loans, and amounts received on certain of its cross-currency interest rate swaps and the interest rate swap. 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 and EURIBOR could also be impacted if USD-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 Corporation's contracts are not transitioned to alternative reference rates and USD-LIBOR and EURIBOR are discontinued, the impact on our indexed financial instruments is likely to vary by contract. If USD-LIBOR and EURIBOR are discontinued or if the methods of calculating USD-LIBOR and EURIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

While the Corporation expects USD-LIBOR and EURIBOR to be available in substantially their current form until the end of 2021, it is possible that USD-LIBOR and EURIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the USD-LIBOR and EURIBOR administrators. In that case, the risks associated with the transition to an alternative reference rates will be accelerated and magnified.

The Corporation 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 Corporation is exposed ends. The Corporation has assumed that this uncertainty will not end until the Corporation'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.

IFRIC agenda decision

In November 2019, the IFRIC discussed a question about how to determine the lease term for cancellable or renewable leases. Entities may enter into cancellable or renewable leases that do not specify a particular term, but which continue indefinitely until one party gives notice to terminate. The request asked how the lease term should be determined and whether the useful life of any related non-removable leasehold improvements is limited to the lease term determined applying IFRS 16. The IFRIC clarified that determining the lease term will depend on both the termination penalties in the contract and the broader economics of the contract. Further an entity must apply IAS 16 *Property, Plant and Equipment* ("IAS 16) in determining the useful life of non-removable leasehold improvements and may often conclude that it will use and benefit from leasehold improvements only for as long as it uses the underlying leased asset.

The IFRIC concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine the lease term of cancellable and renewable leases and those in IAS 16 and IFRS 16 provide an adequate basis for an entity to determine the useful life of any non-removable leasehold improvements relating to such a lease. Therefore, the IFRIC decided not to add these items to its agenda. Agenda decisions issued by the IFRIC do not have an application date. Sufficient time is entity specific and depends on the relevant facts and circumstances, but agenda decisions are expected to be implemented as soon and as quickly as possible. The IASB expects this to be months rather than years. The Corporation is currently assessing the impact of the agenda decision and does not expect a material impact to the consolidated financial statements. The Corporation expects to have completed its assessment in the first quarter of 2020.

OFF BALANCE SHEET ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

Off Balance Sheet Arrangements

As at December 31, 2019, the Corporation had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Corporation's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Related Party Transactions

The Corporation's key management have authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer, Chief Technology Officer, and certain other senior members of management. Total compensation expense for such key management was $23.7 million in 2019, as compared to $17.9 million in 2018. The increase in compensation expense for such key management was primarily the result of increased stock-based compensation following the continued implementation of a long-term incentive plan. For additional information, see note 30 of the 2019 Annual Financial Statements and the Corporation's most recent management information circular for its annual meeting of shareholders.

OUTSTANDING SHARE DATA

	As at February 25, 2020
Common Shares issued and outstanding	288,624,892
Common Shares issuable upon exercise of options	2,992,322
Common Shares issuable upon settlement of other equity-based awards	4,633,880
Total Common Shares on a fully-diluted basis	**296,251,094**

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

For information regarding the Corporation's material legal proceedings and regulatory actions, and material changes or updates thereto, see the 2019 Annual Information Form, particularly under the heading "Legal Proceedings and Regulatory Actions" and note 28 to the 2019 Annual Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The applicable rules of the U.S. Securities and Exchange Commission and the Canadian Securities Administrators require The Stars Group's certifying officers, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to establish and maintain disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in such rules. In compliance with these rules, the Corporation has filed applicable certifications signed by the CEO and the CFO that, among other things, report on the design of each of DC&P and ICFR.

Disclosure Controls and Procedures

The CEO and CFO have designed DC&P, or have caused them to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the Corporation is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and
- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's DC&P at the financial year end December 31, 2019. Based on that evaluation, the CEO and CFO concluded that, because of material weaknesses in the Corporation's ICFR discussed below, the Corporation's DC&P were not effective as of December 31, 2019. Notwithstanding these material weaknesses, the Corporation's management, including the CEO and CFO, have concluded that the 2019 Annual Financial Statements present fairly, in all material respects, the Corporation's financial position, results of operations and cash flows for the periods presented in conformity with IFRS.

Management's Annual Report on Internal Control Over Financial Reporting

The CEO and CFO have designed ICFR, or have caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's accounting and reporting standards.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's ICFR at the financial year end December 31, 2019, based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO Framework"). The first time that the CEO and CFO were required to evaluate the effectiveness of internal controls at SBG and BetEasy following their acquisitions was December 31, 2019. Based on that evaluation, the CEO and CFO concluded that the Corporation's ICFR was not effective as of December 31, 2019, due to the fact that there were material weaknesses in the same. A material weakness is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the Corporation's annual or interim financial statements or report will not be prevented or detected on a timely basis.

Management identified the internal control deficiencies within the Corporation's ICFR described below, which management concluded that as of December 31, 2019, represent material weaknesses within the Corporation's ICFR. This led management to conclude that the Corporation's ICFR as of such date were not effective. There were no restatements or other adjusting entries (except as noted below) required in the 2019 Annual Financial Statements or otherwise as a result of these material weaknesses.

Information Technology and Business Process Controls at BetEasy

As the Corporation experienced significant expansion of operations and processes following the Acquisitions, it invested significant resources to improve its overall internal control environment, particularly at BetEasy. As part of its improvement efforts, during the fourth quarter of 2019, management assessed information derived from BetEasy's betting engine and general ledger system and, based on such information, identified deficiencies related to the design of the controls over user access to BetEasy's information technology ("IT") systems related to its betting engine and the general ledger system. As a result of these deficiencies, the related process-level manual and automated application controls that rely on information generated from the affected IT systems were deemed ineffective. Additionally, management also identified a deficiency in the operation of relevant business process controls in that such controls were put in place towards the end of 2019 and as such, there were insufficient instances of the controls operating effectively for management to determine that such controls were effective as at December 31, 2019.

The deficiencies management identified in BetEasy's IT controls relate to the information, communication and control activities components of the COSO Framework, and resulted in the insufficient design, implementation, and monitoring of BetEasy's general IT controls and of its business process controls intended to sufficiently mitigate risks of a material misstatement in its financial statements. As of the date hereof, management is continuing to review, evaluate and assess these identified deficiencies and is in the process of implementing remedial measures with respect to the same.

Recording of an arrangement for the provision of pricing services at BetEasy

During the fourth quarter of 2019, management identified a deficiency related to the design of a control over the timely identification and evaluation of a third-party arrangement for the provision of pricing services to assess the arrangement's impact on the Corporation's financial reporting with respect to BetEasy. The deficiency identified resulted in an immaterial adjustment to sales and marketing expense in the consolidated statements of earnings (loss) for the fourth quarter of 2019. As of the date hereof, management is continuing to review, evaluate and assess this identified deficiency and is beginning to implement certain remedial measures with respect to the same.

Management's Conclusion on its Internal Control Over Financial Reporting

Management has concluded that as of December 31, 2019, the control deficiencies noted above represent material weaknesses within the Corporation's ICFR, and as such, the Corporation's ICFR as of such date were not effective. Management is currently implementing certain measures designed to improve its ICFR environment and remediate the control deficiencies that led to the material weaknesses.

Changes to Internal Control Over Financial Reporting

Other than as described below, there has been no change in the Corporation's ICFR that occurred during the three months ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

Remediation Efforts to Address Identified Material Weaknesses

The following steps are among the measures that have been implemented or that the Corporation intends to implement after the date of this MD&A to address its material weaknesses as of December 31, 2019:

The Corporation has taken and will continue to take a number of actions to remediate these material weaknesses. The Corporation is currently implementing measures designed to improve its ICFR environment and remediate the control deficiencies that led to the material weaknesses, including but not limited to (i) evaluating IT policies and procedures, (ii) implementing controls, including additional manual controls, to detect and prevent unauthorized access to BetEasy's betting engine and general ledger system, and implementing additional business controls to address IT and certain other risks on a regular basis, (iii) reinforcing the requirements for timely execution of control activities, and (iv) increasing the requirement for key executive involvement and confirmation in the identification of potential significant and unusual transactions.

The Corporation plans to use outside resources to enhance the business process documentation and help with management's self-assessment and testing of internal controls at BetEasy.

Although the Corporation can give no assurance that these actions will remediate these material weaknesses in internal controls or that additional material weaknesses in our ICFR will not be identified in the future, management believes the foregoing efforts will effectively remediate the identified material weakness. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the Corporation's ICFR environment.

Limitations on Effectiveness of DC&P and ICFR

In designing and evaluating DC&P and ICFR, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of DC&P and ICFR must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. See also "Risk Factors and Uncertainties—Risks Related to the Business—If The Stars Group's internal controls are ineffective, its operating results and market confidence in its reported financial information could be adversely affected" in the 2019 Annual Information Form.

The effectiveness of the Corporation's ICFR has been audited by its independent external auditor, Deloitte, LLP, London, United Kingdom ("Deloitte"), the registered public accounting firm that also audited the 2019 Annual Financial Statements. Deloitte's attestation report on the Corporation's ICFR as of December 31, 2019 is included in the 2019 Annual Financial Statements.

FURTHER INFORMATION

Additional information relating to The Stars Group and its business, including the 2019 Annual Reports and other filings that The Stars Group has made and may make in the future with applicable securities authorities, may be found on or through SEDAR at www.sedar.com, EDGAR at www.sec.gov or The Stars Group's website at www.starsgroup.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of The Stars Group securities and securities authorized for issuance under equity compensation plans, is also contained in the Corporation's most recent management information circular for the most recent annual meeting of shareholders of the Corporation.

In addition to press releases, securities filings and public conference calls and webcasts, The Stars Group intends to use its investor relations page on its website as a means of disclosing material information to its investors and others and for complying with its disclosure obligations under applicable securities laws. Accordingly, investors and others should monitor the website in addition to following The Stars Group's press releases, securities filings, and public conference calls and webcasts. This list may be updated from time to time.

Toronto, Ontario
February 27, 2020

(Signed) *"Brian Kyle"*

____
Brian Kyle
Chief Financial Officer

THE STARS GROUP

Exhibit 99.4

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rafael (Rafi) Ashkenazi, certify that:

1. I have reviewed this annual report on Form 40-F of The Stars Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 27, 2020

/s/ Rafael (Rafi) Ashkenazi

Name: Rafael (Rafi) Ashkenazi
Title: Chief Executive Officer

Exhibit 99.5

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian Kyle, certify that:

1. I have reviewed this annual report on Form 40-F of The Stars Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 27, 2020

/s/ Brian Kyle

Name: Brian Kyle
Title: Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The Stars Group Inc. (the “Registrant”) on Form 40-F for the year ended December 31, 2019, as filed with the Commission on the date hereof (the “Report”), Rafael (Rafi) Ashkenazi, as Chief Executive Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Rafael (Rafi) Ashkenazi

Name: Rafael (Rafi) Ashkenazi
Title: Chief Executive Officer
Date: February 27, 2020

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. This certification is not, and shall not be deemed, incorporated by reference in the Report or any other filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act.

Exhibit 99.7

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The Stars Group Inc. (the “Registrant”) on Form 40-F for the year ended December 31, 2019, as filed with the Commission on the date hereof (the “Report”), Brian Kyle, as Chief Financial Officer of the Registrant, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Brian Kyle

Name: Brian Kyle
Title: Chief Financial Officer
Date: February 27, 2020

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section. This certification is not, and shall not be deemed, incorporated by reference in the Report or any other filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act.

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Phone: +44 (0)20 7936 3000
Fax: +44 (0)20 7583 0112
www.deloitte.co.uk

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements No. 333-219986 and 333-207925 on Form S-8 of our reports dated February 27, 2020 relating to the financial statements of The Stars Group Inc. and the effectiveness of The Stars Group Inc.'s internal control over financial reporting appearing in this Annual Report on Form 40-F for the year ended December 31, 2019.

/s/ Deloitte LLP

London, United Kingdom

February 27, 2020