



Dated 7 December 2017

GVC HOLDINGS PLC
LADBROKES CORAL GROUP PLC

**COST COVERAGE
AGREEMENT**

This Agreement is made on 7 December 2017

Between

- (1) **GVC HOLDINGS PLC** (Registration No. 4685V) whose registered office is at 32 Athol Street, Douglas, Isle of Man, IM1 1JB (**GVC**); and
- (2) **LADBROKES CORAL GROUP PLC** (Registration No. 566221) whose registered office is at 5th Floor Zig Zag Building, 70 Victoria Street, London SW1E 6SQ (**Ladbrokes Coral**).

It is agreed as follows

1 Definitions and interpretation

1.1 In this Agreement unless the context otherwise requires:

acting in concert		has the meaning given thereto in the Code
active consideration		shall be interpreted in accordance with the Code and Practice Statement Number 20 issued by the Panel
Associates		means, in respect of a party, that party's directors, officers, advisers, agents, employees, subsidiaries and subsidiary undertakings and the directors, officers, advisers, agents and employees of that party's subsidiaries or subsidiary undertakings, and any person acting in concert with that party or any of that party's subsidiaries or subsidiary undertakings
Business Day		means any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
Code		means the City Code on Takeovers and Mergers
Competing Proposal		means any offer, possible offer, tender offer, merger, acquisition, scheme of arrangement, dual listed company structure or proposal from, or on behalf of, any person who is not GVC or one of its Associates, whether or not subject to any pre-conditions and howsoever to be implemented, with a view to such person, directly or indirectly acquiring (in one transaction or a series of transactions) thirty per cent. or more of the issued share capital of Ladbrokes Coral or a material part of Ladbrokes Coral's business
Cost Amount	Coverage	has the meaning given thereto in clause 2.1(a)
Cost Payment	Coverage	has the meaning given thereto in clause 2.1(b)
firm announcement	offer	means an announcement made under Rule 2.7 of the Code
Ladbrokes Event	Coral	has the meaning given thereto in clause 2.3

Offer	means an offer by GVC to acquire the entire issued and to be issued share capital of Ladbrokes Coral to be implemented by way of a scheme of arrangement or takeover offer
Panel	means The Panel on Takeovers and Mergers
Trigger Event	has the meaning given thereto in clause 2.2
VAT	means value added tax and any similar or analogous sale or turnover tax imposed in any jurisdiction

1.2 In this Agreement, unless the context otherwise requires:

- (a) references to **clauses** are to clauses of this Agreement;
- (b) references to **this Agreement** are to this Agreement as amended from time to time;
- (c) references to the singular include the plural and vice versa, references to a **person** include any individual, firm, company, government, state, state agency, partnership, association or other body (with or without separate legal personality), and references to a **company** include any company, corporation or body corporate wherever incorporated or established; and
- (d) the expressions **subsidiary** and **subsidiary undertaking** have the meanings given to them in the Companies Act 2006 (ignoring any security existing over shares in the relevant undertaking).

1.3 The headings in this Agreement are for convenience only and do not affect its interpretation.

2 Cost Coverage

2.1 In this clause 2:

- (a) **Cost Coverage Amount** means the reasonable documented costs and expenses of professional advisers properly incurred in connection with the Offer by Ladbrokes Coral and any of its subsidiaries or subsidiary undertakings from and including 27 November 2017 to and including the date of the relevant Trigger Event, including any irrecoverable VAT thereon, up to a maximum amount of £5,000,000 (five million pounds sterling); and
- (b) **Cost Coverage Payment** means the payment in cash of the Cost Coverage Amount.

2.2 Subject to clause 2.3 and in consideration of the payment by Ladbrokes Coral to GVC of £1 (receipt of which is hereby acknowledged), GVC shall make the Cost Coverage Payment to Ladbrokes Coral in the event that:

- (a) Ladbrokes Coral is asked by GVC (or any of its Associates) to cease discussions or negotiations regarding the Offer, its structuring or its implementation, it becomes reasonably apparent that GVC will not continue with such discussions or negotiations or has ceased actively considering the possible Offer, or GVC notifies Ladbrokes Coral of the same in accordance with clause 2.4;
- (b) prior to the release of any firm offer announcement in relation to the Offer, it becomes reasonably apparent that the directors of GVC no longer intend unanimously to recommend the Offer to GVC shareholders or GVC notifies Ladbrokes Coral of the same in accordance with clause 2.4; or

- (c) following the release of any firm offer announcement in relation to the Offer, the directors of GVC withdraw, adversely modify or qualify their recommendation or intended recommendation (as applicable) of the Offer to GVC shareholders,

each event described in clauses 2.2(a) to (c) (inclusive) above being a **Trigger Event**.

2.3 The Cost Coverage Payment shall not be payable if, prior to a Trigger Event occurring:

- (a) GVC is asked by Ladbrokes Coral (or any of its Associates) to cease discussions or negotiations regarding the Offer, its structuring or its implementation, or it becomes reasonably apparent that Ladbrokes Coral will not continue with such discussions or negotiations;
- (b) prior to the release of any firm offer announcement in relation to the Offer, Ladbrokes Coral informs GVC, or it becomes reasonably apparent, that the directors of Ladbrokes Coral no longer intend unanimously to recommend the Offer;
- (c) following the release of any firm offer announcement in relation to the Offer, the directors of Ladbrokes Coral withdraw, adversely modify or qualify their recommendation or intended recommendation (as applicable) of the Offer; or
- (d) at any time following the date of this Agreement, a Trigger Event has not occurred and the directors of Ladbrokes Coral resolve to recommend a Competing Proposal and thereafter the Offer is not made or lapses or is withdrawn,

each event described in clauses 2.3(a) to (d) (inclusive) above being a **Ladbrokes Coral Event**.

2.4 GVC shall immediately notify Ladbrokes Coral in writing in the event that:

- (a) GVC decides to cease discussions or negotiations regarding the Offer, its structuring or its implementation;
- (b) GVC ceases active consideration of the possible Offer; or
- (c) the directors of GVC no longer intend to unanimously recommend the Offer to GVC shareholders.

Without prejudice to any other rights or remedies available to Ladbrokes Coral, in the event of a breach of this clause 2.4, Ladbrokes Coral shall be entitled (but not obliged) to issue a notice in writing to GVC obliging GVC to make the Cost Coverage Payment in accordance with clause 2.5.

2.5 GVC shall make the Cost Coverage Payment by not later than ten Business Days after the occurrence of the relevant Trigger Event or Ladbrokes Coral issuing a notice in accordance with clause 2.4. Payment shall be made in immediately available funds (without any deduction or withholding and without regard to any lien, right of set-off, counterclaim or otherwise) to such bank account as may be notified to GVC by Ladbrokes Coral (or its Associates) for such purposes.

2.6 The parties intend and shall use all reasonable endeavours to secure that any Cost Coverage Payment is not treated for VAT purposes as consideration for a taxable supply. If the Cost Coverage Payment is (to any extent) treated for VAT purposes as consideration for a taxable supply, then it shall be treated as exclusive of any applicable VAT and GVC shall pay to Ladbrokes Coral an amount equal to any such VAT in addition to the Cost Coverage Payment

upon production of a valid VAT invoice therefor provided that in no event will GVC be required to pay Ladbrokes Coral, in aggregate, more than £5,000,000 (five million pounds sterling) under this Agreement.

3 Confidentiality

The provisions of the non-disclosure agreement dated 10 November 2016 between GVC and Ladbrokes Coral shall apply to this Agreement on the same terms, *mutatis mutandis*.

4 General

- 4.1 Other than the provisions of clause 3, this Agreement imposes obligations only on GVC as a potential offeror under the Code and does not impose any obligations on Ladbrokes Coral. The parties agree that, if the Panel determines that any provision of this Agreement is not permitted by Rule 21.2 of the Code, that provision shall be treated as being invalid, shall have no legal effect and shall be disregarded.
- 4.2 If any provision of this Agreement shall be held to be void or declared illegal, invalid or unenforceable for any reason whatsoever (including by operation of clause 4.1), such provision shall be divisible from this Agreement and shall be deemed to be deleted from this Agreement and the validity, legality and enforceability of the remaining provisions shall not be affected.
- 4.3 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.
- 4.4 This Agreement may be modified or amended only by the written agreement of the parties.
- 4.5 No failure or delay by either party in exercising any of its rights under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise preclude any other or further exercise of such rights.
- 4.6 No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties. This letter does not create any right under the Contracts (Rights of Third Parties) Act 1999 which is enforceable by any person who is not a party to it.
- 4.7 This Agreement shall be governed by, and construed in accordance with, English law and the parties hereby irrevocably submit to the jurisdiction of the English courts.

Signed by a director duly authorized for and on behalf of **GVC Holdings plc**

) **[SIGNED BY GVC HOLDINGS PLC ON 7 DECEMBER 2017]**
)
) Director

Signed by a director duly authorized for and on behalf of **Ladbrokes Coral Group plc**

) **[SIGNED BY LADBROKES CORAL GROUP PLC ON 7 DECEMBER 2017]**
)
) Director