

2 November 2012

**bwin.party digital entertainment plc**  
(‘bwin.party’ or the ‘Company’ and, together with its subsidiaries, the ‘Group’)

**Interim Management Statement and  
Third Quarter 2012 Pro forma Key Performance Indicators**

*This is an interim management statement for the period from 1 July 2012 until 31 October 2012.*

**Key points**

- **Total pro forma revenue<sup>1</sup> in Q3 down 5% versus the previous quarter to €184.4m (2011: €201.1m); average daily revenue for Q3 down 8% versus the prior year.**
- **Total pro forma revenue for the nine month period to 30 September of €594.5m, down 1% versus 2011 (2011: €599.1m)**
- **Q3 revenue impacted by German sports betting tax, a poor run of sporting results in European football, decline in poker and a challenging macroeconomic backdrop in southern Europe**
- **Strong current trading since 30 September in all verticals with average net daily revenue up 19% versus Q3 2012**
- **Agreement with Zynga to supply real money poker and casino in the UK**
- **Sale of Ogame completed**
- **Board remains confident about the full year result**

Commenting on today’s announcement, Jim Ryan and Norbert Teufelberger, Co-CEOs said:

“The introduction of a 5% turnover tax on sports betting in Germany, revenue decline in poker and continued pressure on consumer spending, particularly in parts of southern Europe, held back our performance in the third quarter. An unfavourable run of football results in our core markets in September together with the previously announced delay to the start of the Bundesliga were also contributing factors. However, we are encouraged by a marked recovery in trading across all products since 30 September.

“Our transition from merger integration towards innovation, that includes new product launches and business development initiatives, is gathering momentum. We have completed the sale of Ogame and entered into an agreement with Zynga that is a testament to the strength of our vision for the future of poker and casino, our ability to deliver turnkey solutions for strategic partners and our industry-leading position.

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<sup>1</sup> Includes €8.7m (2011: €5.4m) of net revenue from network services, payment services, software services, domain sales, World Poker Tour, Winners (retail) and InterTrader.com

“The macroeconomic outlook in most of Europe remains fragile, with consumer spending under pressure, particularly in southern European markets. While the headwinds associated with the transition to regulated markets and the impact of gaming taxes can be expected to continue, given the completion of our technology integration and the next evolution of each of our core products due in 2013, the Board remains confident about the full year result.”

**Pro Forma Consolidated Key Performance Indicators (Excluding Other Revenues)**

Three months to 30 September	2012	%	%	2011
		change versus Q2 2012	change versus Q3 2011	
Active player days (m)	<b>16.9</b>	(20%)	(17%)	20.3
Daily average players (000)	<b>183.7</b>	(21%)	(17%)	220.7
Yield per active player day (€)	<b>10.4</b>	18%	8%	9.6
Yield per unique active player in the quarter (€)	<b>114.9</b>	11%	2%	112.7
Real money sign-ups (000)	<b>282.7</b>	(28%)	(34%)	430.4
Unique active players during the period (000)	<b>1,529.3</b>	(15%)	(12%)	1,736.2
Net revenue (€m)	<b>175.7</b>	(6%)	(10%)	195.7
Average net daily revenue (€000)	<b>1,909.8</b>	(7%)	(10%)	2,127.2

Whilst trading improved after a particularly soft start to the third quarter, this failed to prevent total revenue declining by 8% year-on-year and 5% quarter-on-quarter. For the nine months to 30 September, total revenue is down 1% versus the same period in 2011.

Other revenue increased by 61% year-on-year and by 12% quarter-on-quarter reflecting a strong performance from World Poker Tour, InterTrader and our network services customers. Total average net daily revenue, including other revenue, fell by 8% year-on-year and by 6% quarter-on-quarter to €2,004,300 (2011: €2,185,900) principally due to declines in poker and casino, partially offset by growth in sports and bingo.

**Sports**

Sports betting revenues grew by 2% versus the previous quarter to €58.7m despite the absence of the European Championship that took place in June, but was down by 2% year-on-year reflecting the late start to the Bundesliga in Germany and the impact of a 5% turnover tax on all sports betting in Germany with effect from 1 July 2012. Both of these factors impacted a number of key performance indicators in the period. The amount wagered in sports betting fell by 8% to €828.3m (2011: €903.5m) following our decision on 20 July 2012 to remove all single bets with odds of less than 1.1 in Germany as short-odds bets were no longer viable following the introduction of the new turnover tax.

Whilst assessing the net impact of the turnover tax in Germany, we reduced marketing spend that reduced new player sign-ups in the period. The reduction in the live offer also impacted active player days that fell 8% year-on-year. As we expected, there was a compensating increase in gross win margin as German customers switched to placing bets on events with higher odds as well as the impact of the partial recovery of the turnover tax from winning German customers. However, an unfavourable run of results in major European leagues in September meant that the overall gross win margin in sports betting increased by less than expected to 7.8% (2011: 7.6%). The net result was that average daily revenue in sports betting was down 2% year-on-year at €638,000 (2011: €654,300).

### **Casino & other games**

After a soft start to the third quarter, that was impacted by the closure of slots and certain other games in Spain following the introduction of the new regulations in June 2012 as well as ISP blocking in Belgium, casino & other games recovered some lost ground during the rest of the period although net revenue was still down 5% year-on-year to €65.2m (2011: €68.6m). Despite these challenges, the total amount wagered was flat year-on-year at €1,957.8m (2011: €1,959.6m), reflecting growth in the amount wagered on the bwin casino that was offset by declines in PartyCasino that continues to rely on PartyPoker for the majority of its active customers. These trends fed through into lower daily average customer numbers that were down 16% year-on-year although the impact on revenue was mostly offset by a 13% increase in average yield per active player to €31.0 (2011: €27.4). As a result average daily revenue was down 5% to €708,700 (2011: €745,700).

### **Poker**

In poker, the recent revenue trends continued into the third quarter and net revenue fell by 29% year-on-year to €37.0m (2011: €52.3m), although trading since the period end has seen a marked improvement. We believe that the integration of our dotcom poker networks later this quarter will be the first major catalyst to return our poker business to growth. This will soon be followed by the launch of PartyPoker on mobile and then a complete repositioning and relaunch of PartyPoker in the first half of 2013.

### **Bingo**

In bingo, total revenue was up 1% to €14.8m (2011: €14.6m). The removal of a number of low value players together with a loss of market share and cannibalisation from casino in Italy last year meant that the number of daily average players was down by 15% to 18,500 but this was more than offset by a 19% increase in player yield to €8.7 per day (2011: €7.3). As a result, average net daily revenues increased by 1% to €160,900 (2011: €158,700).

### **Strategic partnerships**

We are delighted to have recently announced a new partnership with Zynga, the world's largest social gaming company, to launch white label real money poker and casino services for UK players.

### **Regulatory update**

The regulatory landscape across Europe is continuing to evolve with a number of Member States at various stages of the transition to a regulated framework.

The European Commission's recent communication on its long-awaited green paper has reinforced the position taken by the Court of Justice of the European Union that Member States cannot continue to ignore EU law in applying overly-restrictive regimes regarding the provision of online gaming services. This is a clear sign that the Commission intends to address outstanding infringements and complaints against a number of Member States.

Whilst encouraged by the stance of the European Commission, the situation in Germany, our largest market, remains unclear as the Commission considers a revision to the law in Schleswig-Holstein and the process for licensing in the other 15 states continues to unfold.

Elsewhere in Europe, the Dutch Government is making progress towards adopting a regulatory regime and we currently expect slot games to be allowed in Italy by the end

of the year. In France, despite a continued exodus of operators leaving the market in recent months, any change to the punitive tax regime appears unlikely in the short-term with the result that it will remain a challenging market. ISP blocking in Belgium that has been in place for some months is continuing to present challenges for many operators and has contributed to a reduction in net revenue of approximately €0.7m per month.

In the United States, the prospects for federal legislation will depend upon a bill being tabled during the so-called 'lame-duck session' that starts following the outcome of the elections. If no federal bill is enacted then we believe that regulated intra-state online gaming is certain. We expect Nevada to be the first state to begin to accept wagers online and whilst the regulations currently permit poker-only, there has been speculation that this could be expanded to include other games at a later date. Delaware, New Jersey, California and Illinois are expected to follow in 2013. Through our existing agreements with MGM Resorts, Boyd Gaming and United Auburn Indian Community, we are well-positioned to enter the US either on a federal or intra-state model.

#### **Current trading and outlook**

Since the end of September 2012 there has been a marked improvement in trading performance with average daily net revenue (excluding other revenue) in October up 19% versus the previous quarter at €2,276,400 (Q3 12: €1,909,800). This has been driven by a particularly strong recovery in sports betting and to a lesser extent poker and bingo. In the four weeks to 28 October, the average gross win margin in sports betting was 10.2% (Q3 12: 7.8%) driven by a favourable set of sporting results as well as an uplift in Germany where we are benefiting from customers switching to higher odds bets and the partial recovery of the new tax. As a result, average daily net revenue for sports betting was up 44% to €921,700 (Q3 12: €638,000). Seasonality and an improved player mix has helped poker that was up 9% to €437,800 (Q3 12: €402,200), casino & other games was up 5% to €741,700 (Q3 12: €708,700) and bingo was up 9% to €175,200 (Q3 12: €160,900).

The macroeconomic outlook in most of Europe remains fragile, with consumer spending under pressure, particularly in southern European markets. While the headwinds associated with the transition to regulated markets and the impact of additional gaming taxes can be expected to continue, given the completion of our technology integration and the next evolution of each of our core products due in 2013, the Board remains confident about the full year result.

#### **Material Events, Transactions and Financial Position**

As at 30 September 2012, the Group had cash (and cash equivalents) plus short-term investments of €204.6m, processor receivables of €63.5m, less bank borrowings of €27.0m and client liabilities (including progressive prize pools) of €138.2m resulting in net company cash of €102.9m (30 June 2012: €117.1m). During the period, the final instalment of \$15.0m was paid in accordance with the Group's Non-Prosecution Agreement and we completed the sale of Ogame to Amaya Gaming for €15.0m with up to €10.0m additional contingent consideration.

Between 30 June 2012 up to and including 30 September 2012 the Group had repurchased 315,800 ordinary shares at an average price of 94.99p per share. A half year dividend amounting to €17.2m was paid to shareholders on 9 October 2012.

There have been no material events, transactions or changes in the financial position of the Group since the 2012 half year results were announced on 31 August 2012 other than as outlined in this statement.

Full details of all of the Group's quarterly KPI data by segment will be made available for download at the Group's website at <http://www.bwinparty.com> later today.

**Conference call**

***Friday 2 November 2012***

For analysts and investors there will be an opportunity to put questions to Jim Ryan and Norbert Teufelberger, Co-CEOs, and Martin Weigold, CFO, by way of a conference call at 09.30 (GMT). The details of the call are as follows:

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## Appendix I

### Pro forma Key Performance Indicators – three months to 30 September 2012

#### Sports Betting

Three months to 30 September	2012	% change versus Q2 2012	% change versus Q3 2011	2011
Active player days (m)	8.9	(27%)	(8%)	9.7
Daily average players (000)	96.7	(28%)	(8%)	105.4
Yield per active player day (€)	6.6	40%	6%	6.2
Yield per unique active player in the quarter (€)	67.5	33%	5%	64.4
Real money sign-ups (000)	141.8	(40%)	(16%)	168.1
Unique active players during the period (000)	869.1	(24%)	(7%)	935.4
Bet amount (€m)	828.3	(23%)	(8%)	903.5
Gross revenue (€m)	64.3	(8%)	(6%)	68.5
Gross margin	7.8%	18%	3%	7.6%
Net revenue (€m)	58.7	2%	(2%)	60.2
Average net daily revenue (excluding skins) (€000)	638.0	1%	(2%)	654.3

#### Casino & Other Games

Three months to 30 September	2012	% change versus Q2 2012	% change versus Q3 2011	2011
Active player days (m)	2.1	(16%)	(16%)	2.5
Daily average players (000)	22.8	(17%)	(16%)	27.2
Yield per active player day (€)	31.0	13%	13%	27.4
Yield per unique active player in the quarter (€)	172.7	1%	11%	156.0
Real money sign-ups (000)	28.3	(17%)	(16%)	33.8
Unique active players during the period (000)	377.6	(6%)	(14%)	439.7
Bet amount (€m)	1,957.8	(4%)	(0%)	1,959.6
Gross revenue (€m)	78.0	(4%)	(3%)	80.0
Gross margin	4.0%	(0%)	(2%)	4.1%
Net revenue (€m)	65.2	(5%)	(5%)	68.6
Average net daily revenue (excluding skins) (€000)	708.7	(6%)	(5%)	745.7

#### Poker

Three months to 30 September	2012	% change versus Q2 2012	% change versus Q3 2011	2011
Active player days (m)	6.0	(14%)	(29%)	8.5
Daily average players (000)	65.2	(16%)	(29%)	92.4
Yield per active player day (€)	6.2	0%	0%	6.2
Yield per unique active player in the quarter (€)	62.5	(8%)	(10%)	69.8
Real money sign-ups (000)	79.1	(4%)	(59%)	191.6
Unique active players during the period (000)	591.8	(9%)	(21%)	748.8
Net revenue (€m)	37.0	(16%)	(29%)	52.3
Average net daily revenue (excluding skins) (€000)	402.2	(17%)	(29%)	568.5

#### Bingo

Three months to 30 September	2012	% change versus Q2 2012	% change versus Q3 2011	2011
Active player days (m)	1.7	(6%)	(15%)	2.0
Daily average players (000)	18.5	(1%)	(15%)	21.7
Yield per active player day (€)	8.7	(7%)	19%	7.3
Yield per unique active player in the quarter (€)	84.3	(9%)	13%	74.3
Real money sign-ups (000)	33.5	(11%)	(9%)	36.9
Unique active players during the period (000)	175.5	2%	(11%)	196.6
Net revenue (€m)	14.8	(7%)	1%	14.6
Average net daily revenue (excluding skins) (€000)	160.9	(8%)	1%	158.7

**Appendix II**  
**Pro forma Key Performance Indicators – nine months to 30 September 2012**
**Sports Betting**

<b>Nine months to 30 September</b>	<b>2012</b>	<b>% change versus 2011</b>	<b>2011</b>
Active player days (m)	<b>33.8</b>	12%	30.2
Daily average players (000)	<b>123.4</b>	12%	110.6
Yield per active player day (€)	<b>5.5</b>	(11%)	6.2
Real money sign-ups (000)	<b>616.8</b>	22%	507.5
Bet amount (€m)	<b>2,981.5</b>	7%	2,783.4
Gross revenue (€m)	<b>218.5</b>	4%	209.1
Gross margin	<b>7.3%</b>	(3%)	7.5%
Net revenue (€m)	<b>186.8</b>	0%	185.9
Average net daily revenue (excluding skins) (€000)	<b>681.8</b>	0%	681.0

**Casino & Other Games**

<b>Nine months to 30 September</b>	<b>2012</b>	<b>% change versus 2011</b>	<b>2011</b>
Active player days (m)	<b>7.3</b>	(4%)	7.6
Daily average players (000)	<b>26.6</b>	(4%)	27.8
Yield per active player day (€)	<b>28.1</b>	11%	25.4
Real money sign-ups (000)	<b>105.1</b>	(1%)	106.2
Bet amount (€m)	<b>6,165.3</b>	8%	5,732.4
Gross revenue (€m)	<b>242.3</b>	7%	227.2
Gross margin	<b>3.9%</b>	(2%)	4.0%
Net revenue (€m)	<b>205.0</b>	6%	192.9
Average net daily revenue (excluding skins) (€000)	<b>748.2</b>	6%	706.6

**Poker**

<b>Nine months to 30 September</b>	<b>2012</b>	<b>% change versus 2011</b>	<b>2011</b>
Active player days (m)	<b>21.8</b>	(21%)	27.7
Daily average players (000)	<b>79.9</b>	(21%)	101.1
Yield per active player day (€)	<b>6.1</b>	7%	5.7
Real money sign-ups (000)	<b>291.4</b>	(48%)	565.3
Gross revenue (€m)	<b>168.2</b>	(14%)	196.3
Net revenue (€m)	<b>133.4</b>	(15%)	157.2
Average net daily revenue (excluding skins) (€000)	<b>486.9</b>	(15%)	575.8

**Bingo**

<b>Nine months to 30 September</b>	<b>2012</b>	<b>% change versus 2011</b>	<b>2011</b>
Active player days (m)	<b>5.3</b>	(20%)	6.6
Daily average players (000)	<b>19.3</b>	(20%)	24.2
Yield per active player day (€)	<b>8.8</b>	22%	7.2
Real money sign-ups (000)	<b>110.2</b>	(14%)	128.8
Gross revenue (€m)	<b>88.1</b>	(13%)	101.1
Net revenue (€m)	<b>46.4</b>	(3%)	47.6
Average net daily revenue (excluding skins) (€000)	<b>169.3</b>	(3%)	174.4