

15 April 2011

# Ladbrokes<sup>PLC</sup>

## Ladbrokes PLC Interim Management Statement

Ladbrokes plc announces its Interim Management Statement for the 3 months ended 31 March 2011 ("the period").

- Group net revenue <sup>(1)</sup> (excluding High Rollers) for the period was up 2.3% (4.2% in the period 16 February to 31 March)
- Operating profit <sup>(2)</sup> (excluding High Rollers) for the period was up 1.9% (20.0% excluding the effect of a one off refund of VAT in 2010)
- UK Retail OTC net revenue was up 3.2%
- UK Retail machine gross win was up 14.9%
- Global Draw machines rolled out to 75% of the estate. Rollout now expected to complete during May 2011
- Digital Sportsbook amounts staked growth of 6.4%, with particularly strong growth in the UK
- Net debt reduced by £48.7 million from £492.0 million at 31 December 2010 to £443.3 million at 31 March 2011

Richard Glynn, Chief Executive, commented:

"We expect the economic climate in the UK to remain challenging in 2011 with consumer confidence and disposable incomes continuing to suffer. Notwithstanding this, at this early stage in the year, the business is performing in line with the Board's expectations. The rollout of our new Global Draw machines has been very smooth and we expect this to conclude ahead of schedule.

The Group's strong balance sheet, strengthened management and clear strategy position us well to address the challenges of 2011. Our drive to make Ladbrokes favourite again has good momentum with continuing operational improvements, capital investment underway and encouraging trends exhibited in areas such as Bet In Play and mobile."

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Group net revenue <sup>(1)</sup> (excluding High Rollers) for the period was up 2.3%, despite a poor Cheltenham Festival in March where Group net revenue was £10.7 million lower than in 2010.

Group operating profit <sup>(2)</sup> (excluding High Rollers) increased by 1.9% to £49.2 million. Excluding the VAT refund received in 2010, the increase in operating profit was 20.0%.

Operating profit from High Rollers for the period was £4.4 million (2010: £12.9 million).

### UK RETAIL

UK Retail total net revenue increased by 6.4%.

OTC amounts staked increased 0.3%. OTC net revenue increased by 3.2%, due to an improved OTC gross win margin of 17.2% (2010: 16.7%) reflecting a strong margin in football.

The rollout of the new Global Draw "Vision" terminals, which have been installed in over 1,500 shops, will now be completed during May. Our enhanced operational focus on machines continues to have a positive effect with average weekly gross win per terminal up 13.2% year on year at £791. Total machine gross win was up 14.9%.

Excluding the VAT refund in 2010, operating costs in UK Retail for the first quarter were broadly in line with 2010. Guidance on UK Retail costs for the full year remains unchanged.

During the period we have opened 5 new shops and closed 10.

## OTHER EUROPEAN RETAIL

Ireland OTC amounts staked were 2.4% higher than 2010 (4.4% at constant currency), largely due to fewer horseracing cancellations. OTC gross win margin of 11.8% (2010: 14.5%) was significantly impacted by results at Cheltenham and led to a decline in total net revenue of 11.6% (9.7% at constant currency).

In Belgium operating profit was up 14.3% with the move from a turnover tax to a gross profits tax regime in Flanders and Wallonia from 1 January 2011. Brussels has also moved to a gross profits tax regime from 1 April 2011.

In Spain, Sportium continues to perform in line with our expectations and the business will expand into Aragon and Navarra later this year.

## TELEPHONE

Core Telephone Betting amounts staked increased 11.6%. Net revenue decreased by 35.3% with results at Cheltenham contributing to a 3.9 percentage point reduction in the margin.

## DIGITAL

Total Digital net revenue was up 1.2% during the period with strong growth in both Casino and Bingo being offset by lower revenues in Sportsbook and Poker. New player signups grew 7.0% year on year and whilst overall active players were down 1.0%, player yields grew by 1.8%.

Sportsbook amounts staked grew 6.4% year on year, with 11.3% growth in the UK being partially offset by our previously announced decision to exit from certain unprofitable territories. Net revenue fell by 5.3% as a result of a less favourable gross win margin in the period of 6.6% (2010: 7.3%) which was largely driven by horseracing results, particularly at the Cheltenham Festival. Active Sportsbook players grew by 13.7% for the period. Bet in Play (excluding horseracing and greyhounds) was 48% of Sportsbook amounts staked (41% in Q1 2010).

Casino net revenue was up 23.9% on last year reflecting a 70.6% growth in player yield. This has been driven by strong VIP activity and a policy to focus on rewarding customer loyalty.

Poker net revenue was down 32.8% against last year, though there are some signs of stabilisation with flat quarter on quarter net revenue and new signups showing quarter on quarter growth of 18.1%.

Bingo showed 18.8% net revenue growth in spite of a 19.9% decline in active players, with player yields up 48.6% reflecting success in the retention of more valuable players.

Games net revenue was flat with a 6.2% decline in active players being partially offset by a 5.8% increase in yield.

Mobile revenue grew by in excess of 250% year on year with 18% of Digital customers placing at least one bet through this channel in the period. Mobile represented 11% of total Sportsbook amounts staked in the period and generated 11% of all Digital new player signups.

## MATERIAL EVENTS, TRANSACTIONS AND FINANCIAL POSITION

Net debt at 31 March 2011 was £443.3 million (31 December 2010: £492.0 million).

There were no other material events or transactions that impacted the Group's financial position during the period.

We have also announced today the appointment of Ian Bull to the plc Board as Chief Financial Officer. Ian will join Ladbrokes on 4 July 2011 from Greene King plc where he has been Group Finance Director since 2006. Please see separate release for full details.

<sup>(1)</sup> Continuing operations, excluding High Rollers

<sup>(2)</sup> Profit before tax, finance costs, and non trading items for continuing operations – excludes High Rollers

Note: the figures in this trading updated are unaudited.

A conference call for analysts and investors will be held at 9am (BST).

To participate in the conference call dial, +44 (0)20 7138 0824 (UK participants) or +1 212 444 0481 (US participants), quoting confirmation code 2878343

A recording of the call will be available until midnight 22 April 2011 on +44 (0)20 7111 1244 (UK) or +1 347 366 9565 (US), confirmation code 2878343.

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