

14 May 2010



**LADBROKES PLC  
INTERIM MANAGEMENT STATEMENT**

Ladbrokes plc announces the Interim management statement for the 4 months ended 30 April 2010 ("the period") ahead of its Annual General Meeting this morning.

- Group profitability broadly in line with expectations and net debt<sup>(1)</sup> of £515 million, down £179 million since year end
- Group net revenue<sup>(2)</sup> and operating profit<sup>(3)</sup> (excluding High Rollers) were down 6% and up 3% respectively
- UK Retail OTC net revenue declined 11%
- UK Retail machine gross win up by 1%
- Machines supplier trial ongoing and decision expected in the summer
- Maintaining focus on cost control with underlying UK Retail costs down 3%
- eGaming net revenue down 2% but operating profit up 41%

Richard Glynn, Chief Executive, commented:

"Although only a few weeks into my role as Chief Executive of Ladbrokes I am hugely enthused by the longer term opportunities available to the company and I am excited at the prospect of revitalising the Ladbrokes brand and re-energising the business.

"The economic environment remains challenging and the strength of UK consumer confidence post the election is difficult to gauge. However Group profitability year to date has been broadly in line with expectations. Debt levels have already fallen significantly this year reflecting the continued cash generation of the business and the benefit of the tax settlement."

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Group net revenue<sup>(2)</sup> (excluding High Rollers) for the period was down 6% in comparison with the corresponding period in 2009.

Group operating profit<sup>(3)</sup> (excluding High Rollers) rose 3% including the benefits of moving the Sportsbook to Gibraltar, reduced underlying UK Retail operating costs and a VAT refund.

High Rollers operating profit for the period was £8.9 million.

#### UK RETAIL

UK Retail total net revenue declined by 8%.

Over the Counter ("OTC") amount staked declined 10% with the average stake per slip declining 1.1% to £8.10. After the January year on year fall of 17%, which was exacerbated by the bad weather, the trends have improved with April down 7%.

The gross win margin for the period was 16.6%, in line with the long term average, although this compared to a tough comparative of 17.5% in 2009 when we enjoyed a much higher football margin and a 100-1 Grand National winner.

OTC net revenue declined 11% over the prior period as the lower gross win was partially offset, as expected, by lower levels of OTC free bets.

The average weekly gross win per gaming machine was £712 compared to £708 for the same period in 2009, with total machine gross win up by 1%. Machine net revenue declined 1% owing to the higher level of VAT charged in 2010 compared to 2009. The year on year gross win per terminal per week performance was up 6% in April as the disruption from rolling out the Revolution platform ended. Our trial with the potential suppliers is ongoing and we expect to make our decision in the summer.

UK Retail costs remain a key area of focus and we have continued to make progress in this area with costs down 7% over the period (3% excluding the VAT refund). We now expect full year total operating costs to be flat year on year.

During the period we have closed 16 shops and opened 9 new licences. We remain on track to open at least 50 new licences during 2010.

## OTHER EUROPEAN RETAIL

Ireland like for like OTC amounts staked at constant currency were down 9% reflecting the continued weakness in the economy. The gross win margin fell by 0.8 percentage points to 13.5% and consequently the like for like OTC gross win at constant currency was down 14%.

Overall net revenue in Ireland fell by 11% (constant currency down 8%). Against a continuing challenging economic environment costs remain a key focus and fell by 2%.

In Belgium despite a fall of 2% in net revenue, operating profit increased by 20%.

In Spain the performance in our 82 outlets and eight shops remains ahead of our expectations. The scale of development of our Spanish business remains contingent on further regional regulation of sports betting.

## EGAMING

Net revenue was down 2% during the period with growth in Sportsbook and Bingo offset by weakness in Poker and Casino. Operating profit rose 41% benefitting from the move to Gibraltar. Active players were up 1% during the period whilst a fall of 7% in sign-ups reflected a lower level of marketing spend, with more spending weighted around the World Cup.

Sportsbook turnover grew 13% driven by 9% growth in bet-in-play and 15% in pre-match turnover. The overall margin was 6.8%, down 0.8 percentage points against the prior period, reflecting the adoption of Best Odds Guaranteed. Overall the Sportsbook net revenue grew 4%.

Casino showed good growth in activity levels with active players up 34% and new sign-ups up 14%. However net revenue fell 6% mainly reflecting lower revenues from high staking customers and the free bet promotions.

Poker continues to be impacted by the industry-wide issues regarding liquidity in Europe compared to US facing sites. Net revenue was down 10% over the prior period.

Bingo showed 5% net revenue growth with 10% growth in new sign-ups. Games net revenue was flat.

During the period we have announced a joint venture agreement with Canal+ in France and have also launched into three new territories.

## TELEPHONE BETTING

Core Telephone Betting amounts staked fell 18% but net revenue increased 30% reflecting a 2.2 percentage point improvement in the margin. We have continued to exercise tight cost control in response to the declining call volumes.

Operating profit from High Rollers during the period was £8.9 million (2009: £25 million.)

## MATERIAL EVENTS, TRANSACTIONS AND FINANCIAL POSITION

On 21 April the Group announced that it had reached a settlement with HM Revenue and Customs which covers substantially all outstanding items in respect of tax years through to 31 December 2007. The settlement has resulted in the recognition in the 2010 Income Statement, within the tax charge, of a £262 million tax credit in relation to prior years. The finance charge in 2010 has been reduced by £20 million to reflect the interest consequences of the settlement. Our guidance for the effective accounting tax rate over the medium term remains unchanged at 19%. We anticipate that the cash tax rate over the same period will fall to about 15% to reflect the utilisation of tax losses.

On 12 April the Group also announced it has agreed to sell its Italian retail betting and gaming business to an affiliate of Cogetech S.p.A for an expected cash consideration of €5.25 million<sup>4</sup> payable on completion. The sale is subject to Italian competition authority approval.

At 12 May 2010, net debt was £515 million, down £179 million since the year end.

Following the tender for £117 million of 7.125% bonds due in 2012, and the subsequent issuance of £225 million 7.625% bonds due in 2017, the Board took the decision to unwind interest rate swaps relating to approximately £200 million of debt which are no longer required. The impact of the tender, issuance and unwinding has resulted in an £18 million non-trading finance charge in 2010.

The underlying blended interest rate guidance for 2010 will be approximately 6.5%. This underlying rate will be reduced by the £20 million tax related interest credit.

Note: the figures in this trading update are unaudited.

<sup>1</sup> at 12 May 2010

<sup>2</sup> Continuing operations

<sup>3</sup> Profit before tax, finance costs and non-trading items for continuing operations

<sup>4</sup> The net cash consideration payable is subject to adjustment based on the actual net financial position of the Italian retail business at the time of completion of the sale (taking into account the working capital and liabilities position).

### Enquiries

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A conference call for analysts and investors will be held at 8am (BST) today. To participate in the conference call, dial +44 (0)207 138 0838 ahead of 8am using the confirmation code 6344567.

A recording of the call will be available until midnight, 20 May 2010 on +44 (0)207 111 1244 (access code 6344567#).

FOR FURTHER INFORMATION ON LADBROKES PLC, PLEASE VISIT OUR CORPORATE WEBSITE AT [WWW.LADBROKESPLC.COM](http://WWW.LADBROKESPLC.COM). HIGH RESOLUTION IMAGES ARE AVAILABLE TO DOWNLOAD FROM THE MEDIA CENTRE SECTION UNDER THE HEADING 'IMAGE LIBRARY'.