

8 October 2009



LADBROKES PLC INTERIM MANAGEMENT STATEMENT

Ladbrokes plc announces the Interim Management Statement for the 3 months ended 30 September 2009 ("the period.")

Group net revenue⁽¹⁾ (excluding High Rollers) from 1 July to 30 September 2009 was down 15 per cent. in comparison with the corresponding period in 2008. The gross win margin was lower than in the corresponding period in 2008 mainly reflecting adverse horseracing margins and an exceptionally low football margin. In the first 66 English Premier League games there have only been four draws (ie. 6 per cent.) versus the five-year season average of 25 per cent. of drawn matches.

Group operating profit⁽²⁾ fell 58 per cent to £22.4 million (2008: £52.8 million). Losses from High Rollers were £2.8 million, taking the year to date profit figure for High Rollers to £55.6 million.

Chris Bell, Chief Executive, commented:

"Against a weak economic environment and a recent period of lower gross win margins, we have already announced decisive cost actions which, together with further savings recently identified, will leave Ladbrokes well positioned when the upturn comes. Whilst we have decided not to pay a final dividend in 2009 we intend to re-instate dividend payments at the interim results next year."

In addition, an equity capital raising has been launched as set out in a separate announcement issued today.

UK RETAIL

UK Retail total net revenue declined by 15 per cent.

A 3 per cent. decline in OTC amount staked was better than management expected. However, the OTC gross win margin was 14.0 per cent. versus 17.5 per cent. in the corresponding period in 2008 and therefore OTC gross win fell by 22 per cent. (OTC net revenue was also down 22 per cent.).

Average weekly gross win per gaming machine was down 1.2 per cent. at £663. Total machine gross win fell 2 per cent. over the corresponding period in 2008. The new Cyberview/IGT operating platform which includes 20 new games remains on track for delivery in the fourth quarter of 2009.

UK Retail cost guidance is being further reduced so that 2009 costs are now expected to be lower than those in 2008, delivering a further c.£5 million improvement against expectations. In addition, UK Retail OddsOn! free bets will fall by £7 million in 2010.

OTHER EUROPEAN RETAIL

Overall gross win in Ireland fell by 13 per cent. in the period in comparison with the corresponding period in 2008. The introduction of OddsOn! to the Irish estate meant that overall net revenue in Ireland declined 16 per cent. due to higher free bets. The like-for-like OTC amount staked at constant currency was down 3 per cent., which

was better than management had expected, although the disappointing margin also resulted in a like-for-like OTC constant currency gross win decline of 19 per cent.

Given the enlarged estate net revenue in Belgium has grown 15 per cent. for the period in comparison with the corresponding period in 2008, while in Madrid the performance in the Group's Spanish operations continues to be ahead of management expectations.

EGAMING

In eGaming net revenue was down 13 per cent. with the greatest decline of 31 per cent. seen in the Sportsbook business where the poor gross win margin of only 4.6 per cent. (2008: 7.5 per cent.) offset the 13 per cent. increase in amount staked. In casino, net revenue grew 5 per cent. for the period; in poker, net revenue declined 21 per cent.; in games, net revenue declined 7 per cent.; and in bingo, net revenue grew 3 per cent. Active players fell 2 per cent. for the period with sign-ups falling by 8 per cent. Whilst Sportsbook player yields have been adversely impacted by the weaker gross win margin, gaming player yields are all showing year on year growth for the period (casino up 10 per cent., poker up 9 per cent., bingo up 19 per cent., games up 7 per cent.) reflecting the improved effectiveness of our customer retention and value maximisation programmes.

In eGaming, management has identified £2.6 million of staffing and operational efficiencies deliverable in 2009, and a further £3.9 million in 2010.

TELEPHONE

Excluding High Rollers, Telephone Betting net revenue has fallen 73 per cent. for the period in comparison with the corresponding period in 2008.

2010 telephone costs will be reduced by £2.7 million through a restructuring of call handling resourcing.

HIGH ROLLERS

Losses from High Rollers were £2.8 million (2008: £9.0 million profit), taking the year to date profit figure for High Rollers to £55.6 million. High Rollers activity has been significant during the past two years but, as indicated in the past, future activity levels are unpredictable.

ADDITIONAL COST AND DEBT REDUCTION MEASURES

Since the interim results the Board has identified further savings, in addition to those stated above, as follows:

- an immediate salary freeze has been implemented across the Group until January 2011;
- Group capital expenditure in 2010 is expected to be less than £50 million; and
- the decision not to recommend payment of the 2009 final dividend.

DIVIDEND POLICY

Ladbrokes remains a highly cash generative business. Although the Board will not be recommending payment of a 2009 final dividend, following today's announcement of an equity capital raising, the Board intends to resume a progressive dividend policy, from the 2010 interim dividend onwards, with a target dividend cover of approximately

2.0 times underlying earnings excluding High Rollers thus ensuring that Shareholders continue to benefit from the strong cash flows and successful growth of the Group.

MATERIAL EVENTS, TRANSACTIONS AND FINANCIAL POSITION

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

Net debt at 30 September was £995 million up from £962 million at 30 June 2009. This position was impacted by the £31.6 million interest payments in the quarter mainly relating to the bonds.

¹ Continuing operations

² Profit before tax, finance costs and non-trading items for continuing operations excluding High Rollers (Discontinued operations comprise: Italy retail and Paddington Casino)

Note: the figures in this trading update are unaudited.

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