GALA CORAL GROUP

RESULTS FOR THE 16 WEEKS ENDED 19 JANUARY 2013

KEY FINANCIALS

Quarter 1	Total results{1}		
	FY13 £m	FY12 £m	**Change %**
Turnover{2}	**359.7**	352.8	**2%**
Gross profit {3}	**276.3**	274.1	**1%**
EBITDA{4}	**73.6**	78.4	**(6%)**

{1} Total results include all revenue and expenses for the group for the 16 weeks ended 19 January 2013
{2} Definitions of turnover differ by business. For definitions see individual business sections
{3} Management Accounts Gross Profit differs from statutory format Gross Profit due to adjustments for free bets, certain machine costs and vending machines income
{4} Pre-exceptional items

HIGHLIGHTS

The key trading highlights for the sixteen weeks ended 19 January 2013 were:

- Turnover and gross profit are ahead of prior year by 2% and 1% respectively. EBITDA (pre-exceptionals) decreased by £4.8m compared to last year, as a result of poor weather conditions during the quarter (£2.2m) and the phasing of certain costs compared to the prior year (£6.0m). This phasing impact is expected to unwind over the remainder of the year.
- Coral Retail OTC gross win was 8% ahead of the prior year, with favourable football results driving a strong gross win margin of 18.4%, 2.8pp above that of last year. Machines gross win was 1% ahead year on year.
- Coral Interactive's first quarter of trading following the launch of the new online and mobile sites was encouraging, with a 31% increase in active player numbers, a 43% increase in amounts staked and a 44% increase in gross win.
- Italy retail and online sports stakes increased by 20%, with EBITDA (pre-exceptionals) up 18%. Market share increased by 1.0pp in Retail to 7.0% and 0.6pp in Online to 7.0%.
- Gala Retail gross profit declined by 5%, primarily due to reduced admissions, feeding through to a 17% decline in EBITDA (pre-exceptionals) (13% decline excluding the impact of poor weather).
- Growth in Gala Interactive active player numbers (+28%) and staking levels (+29%) resulted in a 28% increase in EBITDA (pre-exceptionals).
- Covenant net debt of £1,364.8m has increased by £42.7m since the year end primarily due to the seasonal cash outflow of £24.2m for the quarter and the issue of additional letters of credit (€10.0m) in respect of the Italian tender.
- Discussions continue with Rank regarding the sale of 19 Casinos. We expect to make a further announcement shortly.

Carl Leaver, Group Chief Executive of Gala Coral Group, commented:

"We have delivered a satisfactory performance in the first quarter, with gross profit ahead in all of our continuing businesses with the exception of Gala Retail where admissions have been soft. Excluding the impact of adverse weather and the timing of certain costs, performance was in line with the prior year. We launched Coral.co.uk at the beginning of the quarter and all new websites are starting to show good growth in active player numbers and revenue, which bodes well for the months ahead."

GROUP PERFORMANCE

QUARTER 1	Divisional gross profit[1] FY13 £m	Divisional gross profit[1] FY12 £m	EBITDA (pre-exceptionals) FY13 £m	EBITDA (pre-exceptionals) FY12 £m
BOOKMAKING				
Coral Retail	147.2	146.5	44.4	48.8
Coral Interactive	5.3	4.2	(3.0)	(0.1)
Coral Telebet	1.4	1.8	0.4	0.9
Italy	10.3	8.8	5.8	4.9
	164.2	**161.3**	**47.6**	**54.5**
BINGO				
Gala Retail	61.6	64.8	14.9	18.1
Gala Interactive	15.5	12.0	8.9	7.0
	77.1	**76.8**	**23.8**	**25.1**
CASINOS				
Gala Casino	**35.0**	**36.0**	**7.0**	**7.2**
CENTRAL				
Central costs	-	-	(4.8)	(6.3)
Bonus	-	-	-	(2.2)
Unallocated other operating income	-	-	-	0.1
GROUP TOTAL	**276.3**	**274.1**	**73.6**	**78.4**

{1} Divisional gross profit is stated after the cost of certain free bets

The main factors impacting year on year movements in EBITDA (pre-exceptionals) and Gross Profit were as follows:

	£'m	Quarter 1 £'m
FY12 EBITDA (pre-exceptionals)		**78.4**
Gross Profit Movements:		
Underlying Improvements	10.4	
Adverse Weather	(2.2)	
Cost Phasing	(6.0)	
		2.2
Cost Movements:		
Interactive Marketing	(3.2)	
Underlying Cost Increases	(3.8)	
		(7.0)
FY13 EBITDA (pre-exceptionals)		**73.6**

Underlying gross profit improvements totalled £10.4m, reflecting growth in all bookmaking divisions and a strong performance in Gala Interactive. Heavy snow and ice in mid-January 2013 had a negative impact on admissions in Gala Retail and fixture cancellations in Coral Retail. This is estimated to have reduced gross profit by £2.2m compared to the milder weather experienced during Quarter 1 of last year. The phasing of certain costs within gross profit in Coral Retail resulted in £6.0m of additional cost being recognised in this quarter compared to the same period last year. This impact is expected to reverse fully within the financial year.

The launch of Galabingo.com and Galacasino.com during the second half of last year, and the launch of Coral.co.uk at the beginning of this financial year, has resulted in a year on year increase in marketing expenditure (£3.2m) in support of the growth of these new businesses. This investment will drive future gross profit improvement and will continue at these increased levels of expenditure through the year.

Underlying costs increased by £6.0m primarily as a result of estate development and other cost inflation in Coral Retail.

	16 weeks ended 19 January 2013	16 weeks ended 14 January 2012	Year on Year variance
KPIs {1}			
OTC			
Gross win margin (%)	18.4%	15.6%	2.8pp
Average number of LBO's	1,744	1,715	2%
Machines			
Average number of machines	6,955	6,837	2%
Gross win/machine/week (£)	916	918	(0%)
P&L {1}	**£m**	**£m**	
OTC amount staked	520.8	568.6	(8%)
Machines amount staked	2,776.7	2,856.8	(3%)
Total stakes	**3,297.6**	**3,425.4**	**(4%)**
OTC gross win	95.8	88.8	8%
Machines gross win	101.8	100.4	1%
Total gross win	**197.6**	**189.2**	**4%**
Turnover {2}	*183.4*	*176.0*	*4%*
Divisional gross profit	**147.2**	**146.5**	**0%**
Operating costs	(103.5)	(98.4)	(5%)
Other operating income {3}	0.7	0.7	0%
EBITDA {4}	**44.4**	**48.8**	**(9%)**

{1} Results are for the total estate unless otherwise stated
{2} Turnover is defined as gross win minus free bets and VAT
{3} Other operating income represents sub-let income
{4} EBITDA is stated pre-exceptional items

Turnover in the quarter was £7.4m or 4% higher than last year at £183.4m, whilst EBITDA (pre-exceptionals) of £44.4m was £4.4m or 9% lower as a result of:

- The impact of the adverse weather experienced during January which is estimated to have reduced EBITDA (pre-exceptionals) by £1.3m. There were 41 racing fixtures cancelled, which was 23 more than during the same period last year.

- The phasing of certain costs resulting in £6.0m of additional cost above gross profit being recognised in Quarter 1 this year compared to the same period last year. This impact is expected to fully reverse within the full financial year.

Excluding the impact of these items, EBITDA (pre-exceptionals) would have been £7.3m higher at £51.7m (FY12: £48.8m).

OTC stakes were £47.8m or 8% lower than last year as a result of management action to withdraw ineffective concessions (enhanced pricing) that were being offered in Quarter 1 of the prior year. Whilst these offers drove higher stakes, they damaged profitability.

As a result of removing the concessions and the introduction of new products, particularly in football, margin improvements were seen across all sports, although it is fair to say that results were in bookmakers' favour as well. Overall margin performance was up by 2.8pp, leaving OTC gross win up £7.0m or 8% year on year.

Machines gross win was 1% ahead of the prior year. This was supported by a strong gross win margin due to the introduction of a range of higher margin games in the quarter. Gross win per machine was in line with the prior year. We are now in the process of rolling out new Infinity cabinets which will be installed across the estate by Quarter 2.

Operating costs were £5.1m or 5% higher than last year, primarily as a result of increased payroll costs and the timing of irrecoverable VAT. The average number of LBOs increased by 29 units compared to the same quarter last year, and this accounted for £1.7m of the cost increase.

	16 weeks ended 19 January 2013	16 weeks ended 14 January 2012	Year on Year variance
KPIs{1}			
Actives ('000)	145.0	110.5	31%
Coral.co.uk sports gross win margin (%)	4.8%	6.3%	(1.5pp)
P&L{1}			
Amounts staked – Coral.co.uk sports	60.4	32.9	83%
Amounts staked – Coral.co.uk gaming	180.9	135.5	33%
Total amounts staked	**241.3**	**168.4**	**43%**
Gross win – Coral.co.uk sports	2.9	2.1	39%
Gross win – Coral.co.uk gaming	6.0	4.1	44%
Total gross win	**8.9**	**6.2**	**44%**
Turnover {2}	*6.2*	*5.2*	*17%*
Total gross profit	**5.3**	**4.2**	**25%**
Operating costs	(8.3)	(4.3)	(89%)
EBITDA{3}	**(3.0)**	**(0.1)**	**N/A**

{1} Coral Interactive consists of online and mobile (but does not include the telephone betting operation, Telebet)
{2} Turnover is defined as gross win minus free bets. Turnover for Telebet in the quarter is £1.7m (FY12: £2.5m)
{3} EBITDA is stated pre-exceptional items. EBITDA (pre-exceptionals) for Telebet in the quarter is £0.4m (FY12: £0.9m)

Coral Interactive launched its new website and mobile applications on 11th October 2012 after a delay of several months. The first six weeks were difficult with a number of technical issues, but since then the site has started to perform well.

Actives increased by 34.5k or 31%, resulting in an increase in stakes of £72.9m or 43%. Overall gross win increased by £2.7m or 44% to £8.9m. This represents an encouraging first quarter for the newly launched business. A successful TV campaign was launched in December driving a significant increase in new depositors, up 18.6k or 58% to 50.9k over the quarter. The business also saw strong growth in its mobile offering, with more than 40% of actives now using this channel.

The increased cost base of the growing business has resulted in an EBITDA (pre-exceptionals) loss of £3.0m. This is in line with expectations and reflects the "bow-wave" of marketing investment, necessary to create the platform for growth into subsequent years.

KPIs{1}	16 weeks ended 19 January 2013	16 weeks ended 14 January 2012	Year on Year variance
LBO sports gross win margin (%)	24.2%	24.3%	(0.1pp)
Online sports gross win margin (%)	15.2%	16.5%	(1.3pp)
Total sports gross win margin (%)	21.2%	22.0%	(0.8pp)
P&L{1}	**£m**	**£m**	
LBO sports stakes	54.2	47.6	14%
Online sports stakes	27.4	20.5	34%
Other stakes	166.5	173.2	(4%)
Total amounts staked	**248.0**	**241.3**	**3%**
LBO sports gross win	13.1	11.6	14%
Online sports gross win	4.2	3.4	23%
Other gross win	7.1	7.1	(0.1%)
Total gross win	**24.4**	**22.1**	**11%**
Turnover (Gross win) {2}	*24.4*	*22.1*	*11%*
Total gross profit	**10.3**	**8.8**	**17%**
Operating costs	(4.6)	(3.9)	(15%)
EBITDA{3}	**5.8**	**4.9**	**18%**

{1} Results are for the total estate unless otherwise stated
{2} Turnover is defined as gross win
{3} EBITDA is stated pre-exceptional items

Eurobet Italia has had a strong quarter in both its retail and online channels. Turnover was ahead of last year by £2.3m or 11%. Combined sports stakes were £13.5m or 20% ahead of last year at £81.6m with gross win margin down 0.8pp at 21.2%, leaving sports gross win £2.3m or 16% up at £17.3m. Other gross win was in line with last year. Operating costs increased slightly less than gross profit, leaving EBITDA (pre-exceptionals) up by £0.9m or 18% at £5.8m.

The business was quick to capitalise on the opportunity to relocate underperforming licences following a change in the regulations around licence portability, and this has resulted in stakes growth of 130% for these licences. The online business has shown another strong quarter of growth, increasing market share to 7% (prior year, 6.4%). Online now accounts for one-third of Eurobet's total sports betting stakes.

A decision on the legal position regarding the tender process for 2,000 new licences was announced on the 20th February with the judge declaring that the tender process has been correctly administered. Eurobet will be told how many licences it has won by the middle of March.

	16 weeks ended 19 January 2013	16 weeks ended 14 January 2012	Year on Year variance
KPIs {1}			
Admissions ('000)	4,564	5,022	(9%)
Spend per head (£)	36.04	36.04	0%
P&L {2}	**£m**	**£m**	
Net income	**85.0**	**91.8**	(7%)
Turnover {3}	*85.0*	*91.8*	*(7%)*
Total gross profit	**61.6**	**64.8**	**(5%)**
Operating costs	(46.9)	(47.1)	(0%)
Other operating income {4}	0.2	0.4	(50%)
EBITDA {5}	**14.9**	**18.1**	**(17%)**

{1} KPIs are stated on a like for like basis because of a higher number of closures during the quarter
{2} P&L results are for the total estate
{3} Turnover is defined as net income
{4} Other operating income represents sub-let income
{5} EBITDA is stated pre-exceptional items

Turnover for the quarter was 7% below last year due to there being, on average, 5 fewer clubs trading and poor LFL admissions which were 9% lower. Whilst poor weather and the planned removal of free bingo contributed materially to the admissions trend, there is no doubt that the market has been softer since the summer of 2012. In response, the core ("Mainstage") bingo product was re-launched in January and the promotional strategy has been comprehensively reviewed. Early indications are promising and this is expected to contribute to a recovery in admission levels over subsequent periods.

Spend per head was flat year on year, however, machines spend per head grew by 12%. This was as a result of the roll out of new machines formats in some clubs. Margins continued to improve for Mainstage Bingo and Party Xtra, resulting in gross profit £3.2m or 5% behind the prior year.

Operating costs were in line with the prior year, such that EBITDA (pre-exceptionals) was £3.2m or 17% lower. The adverse weather experienced during January impacted admissions post-Christmas and this is estimated to have reduced EBITDA (pre-exceptionals) by £0.9m. Adjusting for this, EBITDA (pre-exceptionals) was 13% below that of the prior year.

	16 weeks ended 19 January 2013	16 weeks ended 14 January 2012	Year on Year variance
KPIs{1}			
Actives ('000)	160.6	125.4	28%
P&L{1}	£m	£m	
Amounts staked – Galabingo.com	279.3	239.2	17%
Amounts staked – Galacasino.com	77.3	36.4	112%
Total amounts staked	**356.6**	**275.6**	**29%**
Gross win – Galabingo.com	19.4	14.2	37%
Gross win – Galacasino.com	2.9	1.1	175%
Total gross win	**22.3**	**15.3**	**46%**
Turnover {2}	*17.6*	*13.1*	34%
Gross profit – Galabingo.com	13.7	11.2	22%
Gross profit – Galacasino.com	1.8	0.8	123.%
Total gross profit	**15.5**	**12.0**	**29%**
Operating costs{3}	(6.6)	(5.0)	(30%)
EBITDA{3}	**8.9**	**7.0**	**28%**

{1} Gala Interactive consists of the Galabingo.com and Galacasino.com websites
{2} Turnover is defined as gross win minus free bets
{3} EBITDA is stated pre-exceptional items

Turnover increased by £4.5m or 34% to £17.6m. EBITDA (pre-exceptionals) increased by £1.9m or 28% to £8.9m. Having launched in the second half of the last year, this represents strong growth and a very positive start to the financial year.

The number of unique active players increased by 35.2k or 28% to 160.6k. Galabingo.com stakes increased by £40.1m or 17% to £279.3m and Galacasino.com stakes more than doubled to £77.3m. Strong margins resulted in a gross win of £22.3m, which was a £7.0m or 46% improvement on the prior year.

Operating costs increased by 30% as a result of the increased investment in marketing to support the growth of the newly launched sites, and the different structural costs of the new business. There has been a strong response to the Christmas marketing campaign, demonstrated by the significant improvements in stakes and gross profit. Further high profile marketing is planned during the next quarter.

	16 weeks ended 19 January 2013	16 weeks ended 14 January 2012	Year on Year variance
KPIs {1}			
Admissions ('000)	909	1,020	(11%)
Gaming drop per head (£)	197.25	176.68	12%
Gaming cash Drop (£'m)	179.4	180.2	(0%)
Gaming gross win margin (%)	17.0%	16.7%	0.3pp
P&L{1}	**£m**	**£m**	
Net income	**43.6**	**44.1**	**(1%)**
Turnover {2}	*41.4*	*42.1*	*(2%)*
Total gross profit	**35.0**	**36.0**	**(3%)**
Operating costs{3}	(28.1)	(28.9)	3%
Other operating income{3}	0.1	0.1	0%
EBITDA{4}	**7.0**	**7.2**	**(3%)**

{1} Results are for the total estate unless otherwise stated
{2} Turnover is defined as net income minus complimentary sales
{3} Other operating income represents sub-let income
{4} EBITDA is stated pre-exceptional items

Turnover decreased by £0.7m or 2% to £41.4m. A 3% reduction in operating costs resulted in EBITDA (pre-exceptionals) £0.2m or 3% lower at £7.0m.

Admissions were 11% lower at 909k, offset by a 12% increase in gaming drop per head to £197.25, reflecting the continued focus on higher value players. This resulted in gaming cash drop broadly in line with last year which, combined with an improved gaming gross win percentage of 17.0%, left net income broadly flat.

This was a solid performance by the Casino division given the prolonged disruption caused by the Competition Commission review and discussions around the potential disposal of the business.

GROUP ADMINISTRATIVE COSTS

Central overheads (before depreciation and amortisation) were £1.5m lower than in FY12 at £4.8m.

EXCEPTIONAL ITEMS

Exceptional items in the quarter amounted to a charge of £5.9m (FY12: £50.3m). The primary drivers of this expense were costs associated with corporate simplification projects, current year share based payments charge, the write-down on two Bingo clubs which closed during the period, costs associated with the launch of our new online businesses and casino disposal costs. These costs have been partly offset by VAT refunds associated with successful 'Conde Nast' claims. Exceptional cash outflows in the period were £16.0m (FY12: £13.8m). This is higher than the P&L charge of £5.9m due to the VAT refunds only being received after the quarter had ended and because there were two rental payment dates in the quarter.

FINANCING

The Group's funding and liquidity position is in line with expectations. Net debt for covenant purposes was £1,364.8m (net of issue costs) versus £1,322.1m as at 29 September 2012, mainly as a result of a seasonal net outflow of cash in the quarter and the issuance of additional letters of credit (€10.0m) associated with the Italian tender process for new licences.

Total net debt of £2,291.0m (29 September 2012: £2,241.2m) has increased since the year end due to the roll up of non-cash interest on subordinated loans from the ultimate parent company and the timing of cash movements, which has resulted in a £24.2m outflow for the year to date. Total net debt includes shareholder loan notes of £646.3m and the Propco Three Limited loan of £343.8m.

Cash at bank and in hand of £111.7m includes cash for covenant purposes of £73.9m.

CURRENT TRADING

Trading in the five weeks since the end of the quarter has been disrupted by poor weather, particularly in Gala Bingo Retail and Gala Casino Retail. However, cost efficiencies in both businesses have helped mitigate the admissions shortfall. OTC margins have remained strong, more than offsetting the impact of a high level of cancelled race meetings. Gala Interactive continues to show positive year on year growth and Italy has traded well with stakes and margin still strong.

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Forward Looking Statements

This press release may include forward looking statements. All statements other than statements of historical facts included in this release, including those regarding Gala Coral's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Gala Coral, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

The words "believe," "anticipate," "expect," "predict," "intend," "estimate," "plan," "aim," "assume," "forecast," "project," "will," "may," "should," "risk," "probable" and similar expressions, which are predictions or indications of future events and future trends, which do not relate to historical matters, identify forward-looking statements. All statements other than statements of historical facts included in this release including, without limitation, in relation to the Group's investment performance, results of operations, financial position, liquidity, prospects, growth potential, strategies and information about the macro-economic, industry and regulatory environment in which the Group operates are forward-looking. Readers of this release should not rely on forward-looking statements because, by their nature, such forward-looking statements involve known and unknown risks and uncertainties that could cause the Group's actual results, performance or achievements and the development of the industry in which it operates to be materially different from those expressed in, or suggested by, the forward-looking statements contained in this release.

These forward-looking statements are made as of the date of this release and are not intended to give any assurance as to future results. Neither the Group nor any of the Group's Directors or other officers undertake any obligation, except as required by law or by any appropriate regulatory authority, to release publicly any revisions or updates to these forward-looking statements to reflect events that occur, circumstances that arise or new information of which they become aware after the date of this release.

Notice

The accounts for the 16 weeks ended 19 January 2013 have been prepared at the level of Gala Coral Group Limited. From a profit and loss account perspective, the difference between accounts consolidated at Gala Coral Group Limited and those at Gala Electric Casinos plc is an immaterial amount of group interest payable. The differences between balance sheets consolidated at Gala Coral Group Limited and Gala Electric Casinos plc are an immaterial difference in net assets relating to the amount due in respect of subordinated group debt and immaterial classification differences in capital and reserves.