

16 May 2012

bwin.party digital entertainment plc

**Interim Management Statement
and Q1 2012 Key Performance Indicators**

First quarter highlights – pro forma revenue

- Total revenue¹ up 1% to €215.9m (2011: €214.0m) with strong growth in casino & other games as well as other revenues partially offset by a softer gross win margin in sports betting
- Amounts wagered in sports betting up 11% to €1,083.4m (2011: €973.2m); net gaming revenue down 1% to €70.6m due to exceptionally high margin in prior year and higher bonus costs
- Casino & other games revenue up 10% at €71.0m (2011: €64.8m); average daily casino revenue up 3% versus the previous quarter with an 8% increase in stakes mitigated by a small reduction in gross win margin
- Poker revenue down 3% to €52.2m (2011: €54.0m); average daily poker revenue up 1% versus the previous quarter
- Bingo revenue down 15% year-on-year at €15.6m (2011: €18.3m) following a loss of market share and cannibalisation from the newly launched casino in Italy during 2011; average daily bingo revenue down 2% versus the previous quarter due to an increase in bonus costs
- Agreement signed with United Auburn to launch poker service in California once state regulations allow
- Sports betting licence in Schleswig-Holstein expected shortly

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

"Trading performance overall in the first quarter has been as expected. Casino has continued to perform well as has our sports business that saw strong growth in both player activity and amounts wagered, albeit at a lower margin compared with last year which was particularly strong. The poker market remains challenging across Europe and while the number of unique players in our bingo business has started to grow again during the first quarter, this was not enough to reverse the impact of a drop in market share that took place in 2011.

¹ Includes net revenue from network services, payment services, domain sales, World Poker Tour and InterTrader.com

“We remain on-track to realise the €65m of merger synergies as planned and these will help to mitigate the impact of additional gaming taxes as well as the current macroeconomic challenges faced by a number of the European economies.

“With the imminent launch of our download casino product on the bwin platform, the Euro 2012 football tournament starting next month and the integration of our poker liquidity in the second half, we remain confident about the Group’s full year prospects.”

Pro Forma Consolidated Key Performance Indicators (Excluding Other Revenues)

Three months to 31 March	2012	%	%	2011
		change versus Q4 2011	change versus Q1 2011	
Active player days (m)	23.2	4%	(2%)	23.6
Daily average players (000)	254.9	5%	(3%)	262.2
Yield per active player day (€)	9.0	(5%)	2%	8.8
Yield per unique active player in the quarter (€)	112.6	(5%)	(1%)	113.7
Real money sign-ups (000)	449.2	7%	(5%)	471.7
Unique active players during the period (000)	1,860.1	4%	1%	1,835.0
Average net daily revenue (€000)	2,301.1	0%	(1%)	2,318.9

Total pro forma revenue was up 1% year-on-year and flat quarter-on-quarter with a solid performance in casino & games offset by higher bonus rates in sports and bingo.

New player sign-ups increased by 7% and overall player activity increased by 4% quarter-on-quarter reflecting strong growth in sports betting. Year-on-year traffic was down by 2% following a loss of market share in Italian bingo and the decision to reduce our reliance on third party affiliates in poker, a number of which were delivering large numbers of players to our sites that were only marginally profitable.

Sports betting

In sports betting, amounts wagered increased by 11% to €1,083.4m (2011: €973.2m) driven by strong growth in most markets mitigated by the closure of the bwin sports platform in Denmark ahead of regulation on 1 January 2012 as it could not be customised in time to meet the local Danish regulations. While encouraged by the increase in amount wagered, an unusually high margin last year and an increase in bonus costs meant that player yields were down and average daily revenue in sports betting fell 2% to €775,800 (2011: €795,600) which was 3% down versus the previous quarter.

Casino & other games

Casino & other games delivered another strong performance with total amount wagered increasing by 14% year-on-year to €2,164.7m (2011: €1,894.2m). This higher level of activity reflected the launch of casino in Italy in July 2011, the full period impact of the introduction of the no-download casino onto the bwin platform that took place in October 2011 as well as our continued focus on recruiting dedicated casino players that have a higher frequency of play. Unique active players fell by 2% reflecting lower volumes in poker that continues to be a major source of casino traffic. Yield per active player day increased by 10% to €26.3 (2011: €24.0) despite a lower hold in the period, reflecting the higher proportion of dedicated casino players and average daily revenue increased by 8% to €780,200 (2011: €720,000), a 3% increase over the previous quarter.

Poker

In poker, having adjusted our player marketing activities in 2011 away from high volume but low value affiliates towards direct marketing, average daily players fell 15% year-on-year to 96,700 (2011: 113,300), a 1% decline versus the previous quarter. While this

resulted in a marked improvement in player quality, reflected by an 11% increase in yield per active player day to €5.9 (2011: €5.3), this was not enough to increase average daily revenue that fell by 4% versus the prior year to €573,600 (2011: €600,000). Against the previous quarter, average daily revenue increased by 1%.

Bingo

In bingo, a loss of market share in Italy in 2011 as new entrants launched and eroded our first mover advantage, as well as cannibalisation from the launch of casino there and the closure of bingo in Denmark when the market regulated, meant that average daily revenue fell 16% year-on-year. Average daily revenue fell by 2% quarter-on-quarter to €171,400 (2011:€175,000) due to an increase in bonus rates and we expect to see a return to growth in revenue in 2012 on the back of operational improvements already made and the regulation of the Spanish market.

Other revenue

Other revenue increased by 23% to €6.5m (2011: €5.3m) with strong growth in fees from our B2B partners that were joined by Danske Spil for the first time and continued growth in subscription poker revenues at the World Poker Tour.

Current trading

The pattern of trading since the end of March has been broadly in line with expectations with overall revenue showing the same seasonal decline as seen in previous years, albeit with poker slightly weaker than expected. Average daily gross revenue in April (excluding other revenue) totalled €2,687,900 (Q1 12: €2,888,000) reflecting a 7% decrease over the previous quarter in line with the same period last year. Average gross daily revenue for sports betting was €860,700 (Q1 12: €923,900), for casino & other games it was €892,200 (Q1 12: €913,300), for poker it was €621,800 (Q1 12: €728,100) and for bingo it was €313,200 (Q1 12: €322,700).

Regulatory update

In Europe, the regulatory landscape is continuing to evolve. In Germany the picture remains unclear with Schleswig-Holstein having commenced the licensing process whilst the other 15 *Länder* are still seeking to ratify a revised version of the previous state lottery treaty, one that we continue to believe will fail to meet the tests set by the European Court of Justice. Whilst the political situation remains unclear, we expect more licences to be issued by Schleswig-Holstein shortly and that we will also receive a licence. In Spain where the licensing process has been delayed following the change of government, operators have now been told to expect licences to be issued from the beginning of June 2012.

In the United States, we continue to ensure we are well-positioned should regulation take place at either a state or a federal level. In New Jersey the administration there has taken further steps to pass a broader online gaming bill, including casino and other products, with that bill passing its first Assembly committee last week. In California, where we announced an agreement with United Auburn Indian Community last week, the debate over a bill to regulate intrastate online poker continues and we expect its first hearing later this month or early next.

Social gaming strategy

Our strategy to enter the social gaming market is almost complete and we plan to host an analyst briefing to present our strategy later this month when we will provide further details on how we will enter this exciting new business segment. We believe that by leveraging our core assets, we can make a meaningful inroad into this fast growing and profitable market with relatively low levels of incremental investment.

Material Events, Transactions and Financial Position

During the first quarter, the Group repurchased approximately £25m of its own shares and paid \$15m to the US authorities in accordance with the Group's non-prosecution agreement.

A summary of the net cash position and a comparison with the position as at 31 December 2011 is shown below.

Net cash

	As at 31 March 2012 €million	As at 31 December 2011 €million
Cash and cash equivalents	287.2	289.0
Short-term investments	39.7	39.7
Loans and borrowings	(30.6)	(33.2)
Net cash	296.3	295.5
Payment service providers (less chargeback provision)	57.1	59.3
Net cash including amounts held by processors	353.4	354.8
Less: Client liabilities and progressive prize pools	(155.3)	(156.2)
Net cash including amounts held by processors less client liabilities	198.1	198.6

There have been no material events, transactions or changes in the financial position of the Group since the 2011 annual results were announced other than outlined in this statement. Full details of all of the Group's quarterly KPI data by segment as well as historic pro forma financial information since Q1 2008 will be made available for download at the Group's website at <http://www.bwinparty.com> later today.

Conference call

Wednesday 16 May 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 (British Summer Time). The details of the call are as follows:

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Appendix I

Pro forma Key Performance Indicators

Sports Betting – Key Performance Indicators

Three months to 31 March	2012	% change versus Q4 2011	% change versus Q1 2011	2011
Active player days (m)	12.7	10%	11%	11.4
Daily average players (000)	139.6	12%	10%	126.7
Yield per active player day (€)	5.6	(13%)	(11%)	6.3
Yield per unique active player in the quarter (€)	64.0	(14%)	(13%)	73.3
Real money sign-ups (000)	237.8	26%	33%	178.5
Unique active players during the period (000)	1,103.6	11%	13%	976.4
Average net daily revenue (excluding skins) (€000)	775.8	(3%)	(2%)	795.6

Casino & Other Games

Three months to 31 March	2012	% change versus Q4 2011	% change versus Q1 2011	2011
Active player days (m)	2.7	0%	0%	2.7
Daily average players (000)	29.7	1%	(1%)	30.0
Yield per active player day (€)	26.3	2%	10%	24.0
Yield per unique active player in the quarter (€)	158.2	6%	12%	141.5
Real money sign-ups (000)	42.8	2%	7%	40.1
Unique active players during the period (000)	448.8	(4%)	(2%)	457.8
Average net daily revenue (excluding skins) (€000)	780.2	3%	8%	720.0

Poker

Three months to 31 March	2012	% change versus Q4 2011	% change versus Q1 2011	2011
Active player days (m)	8.8	(2%)	(14%)	10.2
Daily average players (000)	96.7	(1%)	(15%)	113.3
Yield per active player day (€)	5.9	2%	11%	5.3
Yield per unique active player in the quarter (€)	67.1	1%	7%	62.5
Real money sign-ups (000)	129.7	(17%)	(36%)	203.5
Unique active players during the period (000)	777.9	(1%)	(10%)	863.8
Average net daily revenue (excluding skins) (€000)	573.6	1%	(4%)	600.0

Bingo – Key Performance Indicators

Three months to 31 March	2012	% change versus Q4 2011	% change versus Q1 2011	2011
Active player days (m)	1.8	(5%)	(25%)	2.4
Daily average players (000)	19.8	(4%)	(26%)	26.7
Yield per active player day (€)	8.7	2%	14%	7.6
Yield per unique active player in the quarter (€)	81.1	(5%)	(10%)	90.1
Real money sign-ups (000)	38.9	23%	(22%)	49.6
Unique active players during the period (000)	192.3	2%	(5%)	203.0
Average net daily revenue (excluding skins) (€000)	171.4	(2%)	(16%)	203.3