

21 May 2013

**bwin.party digital entertainment plc**

**Interim Management Statement  
and Q1 2013 Key Performance Indicators**

- Clean EBITDA in the first quarter was in line with the Board's expectations due to cost savings generated on the back of our 'volume' to 'value' approach despite total revenue<sup>1</sup> down 17% to €180.2m (2012: €215.9m)
- Revenue performance reflects the introduction of a 5% turnover tax on sports betting in Germany, a significant reduction in acquisition marketing in several dotcom countries and lower than expected player activity on poker and casino following the dotcom migration
- Total savings of €70m per annum to be delivered in 2013, with further savings in 2014 and 2015; The Board remains comfortable with previous guidance on Clean EBITDA margins
- First phase of our new poker product, new social sports betting product and new bingo product are all expected to launch as planned
- Nevada and New Jersey lead the opening of the US market with other states expected to follow
- The Board believes that the Company is very well positioned to take a market leading position as and when other states regulate
- Given the planned launch of a number of new products, the progress already made on reducing costs and the opening of the US online gaming market, the Board remains confident about the Group's prospects

Commenting on today's announcement, Norbert Teufelberger, CEO said:

"The drop in revenue in the first quarter reflects our tactical shift from 'volume' to 'value' that we announced at the time of the full year results, as well as lower than expected player activity in poker and casino following the dotcom migration in December 2012.

"As previously announced, our shift in tactics will see us optimise the shape and size of our business, a process that is expected to reduce total revenue in 2013 by up to 10% compared with 2012. However, our programme to reduce costs is on-track and we remain comfortable with our previous guidance on Clean EBITDA margins having identified total savings of approximately €70m per annum to be delivered in 2013 with more to come in 2014 and 2015.

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<sup>1</sup> Includes net revenue from network services, payment services, software services, domain sales, World Poker Tour, Winners (retail) and InterTrader.com

“Whilst seasonality and the absence of a major football tournament this year mean that revenue trends are unlikely to improve until the second half of the year, a series of new product launches and the anticipated opening of poker and casino in New Jersey coupled with a detailed programme of cost savings and a greater focus on regulated markets mean we remain confident about the Group’s prospects.”

### Consolidated Key Performance Indicators (Excluding Other Revenues)

Three months to 31 March	2013	%	%	2012
		change versus Q4 2012	change versus Q1 2012	
Active player days (m)	18.3	(9%)	(21%)	23.2
Daily average players (000)	203.3	(7%)	(20%)	254.9
Yield per active player day (€)	9.4	(4%)	4%	9.0
Yield per unique active player in the quarter (€)	118.6	(4%)	5%	112.6
Real money sign-ups (000)	284.4	(15%)	(37%)	449.2
Unique active players during the period (000)	1,444.6	(10%)	(22%)	1,860.1
Average net daily revenue (€000)	1,903.3	(11%)	(17%)	2,301.1

Total revenue was down 17% year-on-year reflecting the introduction of a 5% turnover tax on sports bets in Germany with effect from 1 July 2012, our shift in tactics from ‘volume’ to ‘value’, continued competitive pressures in poker and a reduced level of cross-sell revenue from sports into poker and casino following the dotcom platform migration in December 2012.

#### Sports betting

The introduction of a 5% turnover tax in Germany on 1 July 2012 resulted in a sharp reduction in live betting activity in our largest market and amounts wagered on sports betting in Germany fell by 52% year-on-year. This was the primary driver of a 31% fall in the amount wagered to €749.2m (2012: €1,083.4m). The impact on net revenue however was partially offset by an increase in gross win margin to 9.9% (2012: 7.8%) reflecting increased wagering on combination bets together with the partial recovery of the tax from winning German customers. Overall, net revenue fell by 5% to €67.0m (2012: €70.6m) and average daily net revenue fell by 4% to €744,400 (2012: €775,800).

#### Casino & other games

Amounts wagered declined by 17% to €1,805.3m (2012: €2,164.7m) primarily reflecting reduced marketing in non-core dotcom markets, reduced cross-sell from sports betting customers following the dotcom platform migration, ISP blocking in Belgium and the closure of slots in Spain following regulation of the market in June. Our decision to cease acquisition marketing in certain dotcom territories had a significant impact on new player sign-ups that fell by 61% although the impact on net revenue was partially mitigated by a marked improvement in player yield that increased by 12%. Overall, net revenue fell by 20% to €57.0m (2012: €71.0m) and average daily net revenue fell by 19% to €633,300 (2012: €780,200).

#### Poker

The recent revenue trends in poker were compounded by reduced player acquisition marketing in a number of dotcom countries as well as reduced cross-sell on bwin.com following player migration. Average daily players fell by 37% year-on-year and 15% quarter-on-quarter to 61,100 (2012: 96,700). As a result net revenue fell by 37% year-on-year and by 18% versus the previous quarter to €33.1m (2012: €52.2m) and average daily net revenue fell by 36% to €367,800 (2012: €573,600). With the impending launch

of our revised poker product, we plan to improve the revenue trajectory of our poker business in the second half that should also benefit our casino performance.

## **Bingo**

The phasing of our Foxy Bingo marketing campaigns meant that new player sign-ups increased by 34% versus the previous quarter and by 6% year-on-year. However, the associated bonus costs that tend to precede the full revenue benefit contributed to a 9% fall in revenue year-on-year. Italy remains a challenging market but Gioco Digitale is maintaining its market leadership with an approximate 26% market share, while in the UK, Foxy Bingo also continues to command a market-leading position. In Spain, our Binguez brand has performed well despite challenging macroeconomic conditions. Overall, net revenue fell by 9% to €14.2m (2012: €15.6m) and average daily net revenue fell by 8% to €157,800 (2012: €171,400)

## **Other revenue**

Other revenue increased by 37% to €8.9m (2012: €6.5m) with another strong growth performance by our B2B partners together with support from InterTrader, Kalixa, WPT and a small but inaugural contribution from our social gaming activities.

## **Current trading**

Since the end of March, revenues have followed a similar path to that in the first quarter, driven by the first phase of our shift from 'volume' to 'value' and the associated reduction in player acquisition spend in dotcom countries, a particularly weak gross win margin in sports betting during April, a low hold in casino as well as seasonality. Overall, average daily net revenue in the 6 weeks to 12 May (excluding other revenue) totalled €1,611,800 (Q1 13: €1,903,300), a 15% decrease over the previous quarter and a 22% decrease over the same period in 2012. Average daily net revenue for sports betting was €598,700 (Q1 13: €744,400), for casino & other games it was €574,700 (Q1 13: €633,300), for poker it was €298,400 (Q1 13: €367,800) and for bingo it was €140,000 (Q1 13: €157,800).

## **Regulatory update**

In Germany the picture remains unclear with the authorities expected to have announced the next steps in the new State Lottery Treaty licensing process during April. We understand that the *Glücksspielkollegium* (commission of the representatives of gambling of each *Länder*) may be re-examining all applications – a process that is likely to delay the whole process. Having applied for a licence, we remain optimistic that in the event that licences are issued in a transparent and EU compliant manner, we will be one of the operators approved to operate under the new regime.

In the United States, we are finalising preparations so that we can be eligible to launch several branded services in New Jersey as soon as the market opens - currently expected to be at the end of November 2013. Meanwhile, in Nevada the Group's preliminary finding of suitability process is continuing and we remain confident of being found suitable for future business opportunities in the state. In California, several proposals for a regulatory framework are currently being circulated in an effort to build consensus among the land-based operators. Several other states are continuing to review the possibility of expanding their regulatory frameworks to permit online gaming including Pennsylvania, Illinois, Massachusetts and New York.

## Material Events, Transactions and Financial Position

A summary of the net cash position and a comparison with the position as at 31 December 2012 is shown below.

### Net cash

	As at 31 March 2013 €million	As at 31 December 2012 €million
Cash and cash equivalents	196.3	169.7
Short-term investments	30.3	31.5
Loans and borrowings	(35.1)	(36.4)
<b>Net cash</b>	<b>191.5</b>	<b>164.8</b>
Payment service providers (less chargeback provision)	62.5	68.6
<b>Net cash including amounts held by processors</b>	<b>254.0</b>	<b>233.4</b>
Less: Client liabilities and progressive prize pools	(136.3)	(136.7)
<b>Net cash including amounts held by processors less client liabilities</b>	<b>117.7</b>	<b>96.7</b>

There have been no material events, transactions or changes in the financial position of the Group since the 2012 annual results were announced other than outlined in this statement. Full details of all of the Group's latest quarterly KPI data by segment will be made available for download at the Group's website at <http://www.bwinparty.com> later today.

### Conference call

#### Tuesday 21 May 2013

For analysts and investors there will be an opportunity to put questions to Norbert Teufelberger, CEO, and Martin Weigold, CFO, by way of a conference call at 09.30 (British Summer Time). The details of the call are as follows:

Dial-In No: +44 (0) 20 3003 2666  
Replay (available for 1 week): +44 (0) 20 8196 1998  
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## Appendix I Key Performance Indicators

### Sports Betting – Key Performance Indicators

Three months to 31 March	2013	% change versus Q4 2012	% change versus Q1 2012	2012
Active player days (m)	10.6	(7%)	(17%)	12.7
Daily average players (000)	117.8	(5%)	(16%)	139.6
Yield per active player day (€)	6.3	(6%)	13%	5.6
Yield per unique active player in the quarter (€)	77.3	(3%)	21%	64.0
Real money sign-ups (000)	168.7	(4%)	(29%)	237.8
Unique active players during the period (000)	866.5	(9%)	(21%)	1,103.6
Average net daily revenue (excluding skins) (€000)	744.4	(10%)	(4%)	775.8

### Casino & Other Games

Three months to 31 March	2013	% change versus Q4 2012	% change versus Q1 2012	2012
Active player days (m)	2.1	(19%)	(22%)	2.7
Daily average players (000)	23.3	(18%)	(22%)	29.7
Yield per active player day (€)	27.1	10%	3%	26.3
Yield per unique active player in the quarter (€)	176.4	30%	12%	158.2
Real money sign-ups (000)	16.5	(43%)	(61%)	42.8
Unique active players during the period (000)	323.2	(31%)	(28%)	448.8
Average net daily revenue (excluding skins) (€000)	633.3	(9%)	(19%)	780.2

### Poker

Three months to 31 March	2013	% change versus Q4 2012	% change versus Q1 2012	2012
Active player days (m)	5.5	(17%)	(38%)	8.8
Daily average players (000)	61.1	(15%)	(37%)	96.7
Yield per active player day (€)	6.0	(2%)	2%	5.9
Yield per unique active player in the quarter (€)	65.5	(3%)	(2%)	67.1
Real money sign-ups (000)	57.7	(42%)	(56%)	129.7
Unique active players during the period (000)	505.0	(15%)	(35%)	777.9
Average net daily revenue (excluding skins) (€000)	367.8	(16%)	(36%)	573.6

### Bingo – Key Performance Indicators

Three months to 31 March	2013	% change versus Q4 2012	% change Versus Q1 2012	2012
Active player days (m)	1.8	0%	0%	1.8
Daily average players (000)	20.0	2%	1%	19.8
Yield per active player day (€)	7.9	(18%)	(9%)	8.7
Yield per unique active player in the quarter (€)	77.9	(5%)	(4%)	81.1
Real money sign-ups (000)	41.4	34%	6%	38.9
Unique active players during the period (000)	182.4	(13%)	(5%)	192.3
Average net daily revenue (excluding skins) (€000)	157.8	(16%)	(8%)	171.4