

9 April 2014

**bwin.party digital entertainment plc**

**Interim Management Statement  
and Q1 2014 Key Performance Indicators**

- Average daily net revenue up 4% versus the previous quarter but down 9% versus the prior year primarily reflecting the shift from 'volume to value', ISP blocking in Greece, migration losses and a challenging poker market in Europe
- Total revenue<sup>1</sup> up 1% versus the previous quarter despite two less days in the quarter but down 8% to €165.7m year-on-year (2013: €180.2m)
- Nationally regulated and/or taxed markets represented 56% of total revenue (2013: 51%)
- Mobile/touch represented 17% of total gross gaming revenue (2013: 8%)
- Additional cost savings of €20m per annum on-track to be delivered in 2014, with further savings in 2015 following platform integrations in France and Italy
- Maintained leadership position in New Jersey; pursuing opportunities in other states
- Philip Yea joins the Board and will succeed Simon Duffy as Chairman

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

"The business has continued to deliver sequential growth since Q3 2013 that we predicted would be the low point in terms of revenue performance.

"Whilst we are investing in growing our share in nationally regulated markets, the €20m of additional cost savings should help to drive higher Clean EBITDA margins in 2014.

"We remain optimistic about new market opportunities in the United States with online poker bills currently being reviewed in California and New York. On the back of our early success in New Jersey, together with our partners, we are determined to secure leading positions in all eligible states that represent a significant business opportunity.

"I am delighted to welcome Philip Yea's appointment to the Board as detailed in a separate announcement today. Philip brings a wealth of experience that I am sure will prove invaluable as we continue our transition to nationally regulated markets. Whilst we are now moving into the seasonally quiet trading period, with the roll-out of new products, more mobile extensions and the FIFA World Cup to come, the Board remains confident about the Group's full year prospects."

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

## Consolidated Key Performance Indicators (excluding Other Revenues)

Three months to 31 March	2014	%	%	2013
		change versus Q4 2013	change versus Q1 2013	
Active player days (m)	14.0	(12%)	(23%)	18.3
Daily average players (000)	155.6	(10%)	(23%)	203.3
Yield per active player day (€)	11.1	16%	18%	9.4
Yield per unique active player in the quarter (€)	135.9	5%	15%	118.6
Real money sign-ups (000)	219.0	(4%)	(23%)	284.4
Unique active players during the period (000)	1,143.5	(3%)	(21%)	1,444.6
Average net daily revenue (€000)	1,726.6	4%	(9%)	1,903.3

Net revenue was down 9% year-on-year primarily reflecting the tactical shift from 'volume to value' and ISP blocking in Greece, as well as continued competitive pressures in European poker and migration losses. While average daily revenues for all verticals declined year-on-year for the reasons outlined above, all verticals saw an increase versus Q4 2013, continuing the sequential growth seen since the third quarter of 2013.

### Sports betting

The total amount wagered fell by 10% versus 2013 primarily due to the shift from 'volume to value' and ISP blocking in Greece. Whilst this was offset somewhat by a higher gross win margin of 10.3% (2013: 9.9%), this increase was not enough to prevent a year-over-year decline in net revenue. Lower player activity was primarily driven by declines in certain dotcom markets where we have ceased acquiring new customers and also by the introduction of ISP blocking in Greece that was imposed in August 2013. However, our focus on more valuable players, as well as a higher gross win margin, resulted in an 11% increase in average yield per active player day to €7.0 (2013: €6.3) that helped to offset the impact at the net revenue line.

We have continued to make good progress on expanding our mobile footprint with the launch of native mobile apps in Belgium and Spain as well as the launch of our new HTML5 browser based sports product in Spain. While revenues through mobile and touch grew by 58% year-on-year, the factors outlined above meant that overall net revenue fell by 3% year-on-year to €64.7m (2013: €67.0m); versus the previous quarter average daily net revenue increased by 5% to €718,900 (2013: €744,400).

We are focused on delivering innovative and engaging features and products for our customers across a variety of channels. We plan to roll-out several new products and features this year as well as launch of a series of World Cup promotions that we hope will drive additional volumes.

### Casino & other games

Amounts wagered declined by 5% to €1,707.2m (2013: €1,805.5m) reflecting the factors outlined above as well as reduced cross-sell volumes from poker that continued to face difficult trading conditions in a number of continental European markets. While increased wagering on bwin.com and maiden contributions from newly regulated markets in Belgium and New Jersey helped to partially offset the impact, total new player sign-ups fell by 18% and daily average players fell by 14%. Again, the focus on more valuable players meant that the flow through to revenue was partially offset by an 8% increase in average yield per active player day. In mobile and touch we launched our mobile casino in Belgium and added live dealer to our dotcom mobile product. In March 2014 mobile and touch represented 8% of total casino & games gross gaming

revenue, up from 5% in March 2013. Overall, net revenue fell by 8% to €52.6m (2013: €57.0m); versus the previous quarter average daily net revenue increased by 4% to €584,400 (2013: €633,300).

We will add over 100 new games before the end of June 2014, 40 of which will also be on mobile. The games will include well-known slots from IGT, Amaya and WMS as well as seven of our own games (five games converted from Slots Craze, our social gaming casino portal, and two new proprietary games, including new progressive jackpot types). By fully integrating our casino product into our native mobile sports and poker apps, we will also aim to increase the level of cross-sell on mobile and touch.

## **Poker**

Despite the year-over-year decline in most KPIs due to the reasons outlined above, our poker business delivered a relatively robust performance versus the market in the first quarter of 2014: active player days were down 8% and daily average players down 6% versus the previous quarter whilst the dotcom poker market declined by over 15% since the beginning of 2014<sup>2</sup>. Our performance was assisted by our early success in New Jersey and increased focus on more valuable players that both helped to mitigate the impact of market declines and resulted in an increase in yield per active player day. The strength of our poker network in New Jersey shows that the investment in our new poker product was worthwhile and whilst the same product is only available to 65% of our total poker customer base currently, that will increase with the migration of our French customers onto our single platform, as well as our Italian migration that is scheduled to take place around the end of 2014. Average daily players fell by 33% year-on-year and 6% quarter-on-quarter to 41,100 (2013: 61,100). However, with a higher yield per active player day, total net revenue fell by 26% to €24.4m (2013: €33.1m); versus the previous quarter average daily net revenue increased by 2% to €271,100 (2013: €367,800).

Over the coming weeks we will launch further feature enhancements to our poker product in New Jersey and new mobile poker products in Belgium, Denmark and Spain. We will also upgrade our existing mobile poker clients for iOS and Android in the dotcom, New Jersey and French markets to include sit'n'go tournaments. With further product innovations and new tournaments scheduled for later in the year, we are focused on improving our poker performance.

## **Bingo**

While the bingo markets in both the UK and Italy remain highly competitive, our own labels delivered a solid performance in the period. Market declines in Italy during 2013 and aggressive competitive behaviour in the UK meant that active player days fell by 17% year-on-year and new player sign-ups fell by 15%. However, versus the previous quarter daily average players increased by 2% and new player sign-ups grew by 24%, driven by strong take-up of our new native iOS mobile app for Foxy Bingo and a new UK marketing campaign. A 15% increase in yield per active player day versus the prior year meant that total net revenue fell by 4% year on year to €13.7m (2013: €14.2m); average net daily revenue increased by 7% versus the previous quarter to €152,200 (2013: €157,800).

## **Other revenue**

Other revenue increased by 16% to €10.3m (2013: €8.9m) driven by Kalixa, our B2B sports activities, growth from our B2B partners and InterTrader.

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<sup>2</sup> *Pokerscout.com*

## Material Events, Transactions and Financial Position

A summary of the net cash position as at 31 March 2014 and a comparison with the position as at 31 December 2013 is shown below.

### Net cash

	As at 31 March 2014 €million	As at 31 December 2013 €million
Cash and cash equivalents	183.8	173.3
Short-term investments	11.7	12.7
Loans and borrowings	(28.5)	(46.1)
<b>Net cash</b>	<b>167.0</b>	<b>139.9</b>
Payment service providers (less chargeback provision)	42.6	48.7
<b>Net cash including amounts held by processors</b>	<b>209.6</b>	<b>188.6</b>
Less: Client liabilities and progressive prize pools	(123.4)	(124.8)
<b>Net cash including amounts held by processors less client liabilities</b>	<b>86.2</b>	<b>63.8</b>

There have been no material events, transactions or changes in the financial position of the Group since the 2013 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

#### Wednesday 9 April 2014

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

### Key Performance Indicators

#### Sports Betting

Three months to 31 March	2014	% change versus Q4 2013	% change versus Q1 2013	2013
Active player days (m)	9.2	(8%)	(13%)	10.6
Daily average players (000)	102.2	(6%)	(13%)	117.8
Yield per active player day (€)	7.0	11%	11%	6.3
Yield per unique active player in the quarter (€)	88.2	8%	14%	77.3
Real money sign-ups (000)	127.1	(8%)	(25%)	168.7
Unique active players during the period (000)	733.8	(4%)	(15%)	866.5
Total net revenue (€m)	64.7	3%	(3%)	67.0
Average net daily revenue (€000)	718.9	5%	(3%)	744.4

#### Casino & Games

Three months to 31 March	2014	% change Versus Q4 2013	% change versus Q1 2013	2013
Active player days (m)	1.8	0%	(14%)	2.1
Daily average players (000)	20.0	2%	(14%)	23.3
Yield per active player day (€)	29.2	1%	8%	27.1
Yield per unique active player in the quarter (€)	204.0	5%	16%	176.4
Real money sign-ups (000)	13.5	(2%)	(18%)	16.5
Unique active players during the period (000)	257.9	(4%)	(20%)	323.2
Total net revenue (€m)	52.6	1%	(8%)	57.0
Average net daily revenue (€000)	584.4	4%	(8%)	633.3

#### Poker

Three months to 31 March	2014	% change Versus Q4 2013	% change versus Q1 2013	2013
Active player days (m)	3.7	(8%)	(33%)	5.5
Daily average players (000)	41.1	(6%)	(33%)	61.1
Yield per active player day (€)	6.6	8%	10%	6.0
Yield per unique active player in the quarter (€)	76.5	7%	17%	65.5
Real money sign-ups (000)	43.2	(12%)	(25%)	57.7
Unique active players during the period (000)	318.8	(7%)	(37%)	505.0
Total net revenue (€m)	24.4	(0%)	(26%)	33.1
Average net daily revenue (€000)	271.1	2%	(26%)	367.8

#### Bingo

Three months to 31 March	2014	% change versus Q4 2013	% change versus Q1 2013	2013
Active player days (m)	1.5	0%	(17%)	1.8
Daily average players (000)	16.7	2%	(17%)	20.0
Yield per active player day (€)	9.1	5%	15%	7.9
Yield per unique active player in the quarter (€)	86.2	1%	11%	77.9
Real money sign-ups (000)	35.2	24%	(15%)	41.4
Unique active players during the period (000)	159.0	4%	(13%)	182.4
Total net revenue (€m)	13.7	5%	(4%)	14.2
Average net daily revenue (€000)	152.2	7%	(4%)	157.8