

16 October 2014

bwin.party digital entertainment plc
(‘bwin.party’ or the ‘Company’ and, together with its subsidiaries, the ‘Group’)

**Interim Management Statement and
Third Quarter 2014 Key Performance Indicators**

This is an interim management statement for the period from 1 July 2014 until 15 October 2014.

Key points

- **Total revenue¹ in Q3 2014 up 2% to €148.7m (2013: €145.7m); excluding the loss of Greece, total revenue would have increased by 4%**
- **Revenue from nationally regulated and/or taxed markets was up 10% year-on-year, representing 56% of total revenue (2013: 53%); revenue from other markets was down 6% year-on-year**
 - **Sports betting – net revenue up 11% driven by higher gross win margins, mobile growth and the World Cup, partially offset by a later start to European football leagues, ‘volume to value’ shift and the loss of Greece**
 - **Casino – net revenue down 3% with higher cross-sell from sports offset by a soft poker performance and the loss of Greece**
 - **Poker – net revenue down 25% although there has been sequential growth since the end of July**
 - **Bingo – net revenue down 1% with solid UK performance offset by weakness in Italy**
 - **Other revenue up 64% with strong performances by Kalixa, network services, WPT and InterTrader**
- **Operational and strategic developments:**
 - **Mobile and touch represented 23% of gross gaming revenue (2013: 13%)**
 - **Successful integration of our technology platforms in France**
 - **Launch of our ‘Combi+’ sports betting product**
- **Current trading in-line with the Board’s expectations**

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

“Our overall revenue performance in the third quarter was in-line with our expectations whilst Clean EBITDA margins have benefited from our previously announced cost savings. We continue to make good progress on expanding our mobile footprint and our presence in nationally regulated and/or taxed markets and we remain confident about the full year outlook.

“Our transition to a label-led organisation structure is well-advanced and we remain on course to achieve our target of €15m of incremental savings next year.

“As we enter the seasonally strong fourth quarter we are continuing to launch a number of new products including the latest version of our mobile sports product that will also include embedded casino games.”

¹ Includes €11.8m (2013: €7.2m) of revenue from network services, Kalixa, software services, social gaming, World Poker Tour, Winners (retail) and InterTrader.com

Consolidated Key Performance Indicators (based on net revenue)

Three months to 30 September	2014	%	%	2013
		change versus Q2 2014	change versus Q3 2013	
Active player days (m)	11.7	(20%)	(11%)	13.2
Daily average players (000)	127.2	(21%)	(11%)	143.5
Yield per active player day (€)	11.7	22%	11%	10.5
Yield per unique active player in the quarter (€)	124.5	11%	(1%)	125.9
Real money sign-ups (000)	155.9	(42%)	(13%)	179.3
Unique active players during the period (000)	1,099.8	(12%)	-	1,099.7
Average net daily revenue (€000)	1,488.0	(4%)	(1%)	1,505.5
Net revenue (€m)	136.9	(2%)	(1%)	138.5
Total revenue (€m)	148.7	(2%)	2%	145.7

Total revenue increased by 2% driven by a strong performance in sports betting and other revenue. Net revenue declined by 1% with a decline in poker that also impacted casino and which together offset double digit growth in sports betting. If Greece is excluded, total revenue would have increased by 4% and net revenue by 1%.

Other revenue increased to €11.8m (2013: €7.2m) reflecting a particularly strong performance by Kalixa that included PXP as well as strong increases in network services, World Poker Tour and InterTrader.

Total average net daily revenue, including other revenue, increased by 2% year-on-year to €1,616,300 (2013: €1,583,700).

Sports betting

Sports betting revenues increased by 11% versus the prior year to €58.8m (2013: €52.9m) assisted by the final stages of the FIFA World Cup together with a higher gross win margin of 10.6% (2013: 9.1%). The amount wagered fell slightly to €620.7m (2013: €645.2m) reflecting the loss of revenue from customers in Greece that began ISP blocking in August 2013, our tactical shift from 'volume to value' and a delayed start to both the German Bundesliga and La Liga in Spain.

The higher gross win margin reflected an increase in the proportion of betting from regulated and taxed markets, an effort to increase the proportion of combination bets, our shift from 'volume to value' and a favourable run of sporting results in the period. The launch of *Combi+*, a series of pre-packaged accumulator bets with enhanced odds tailored around an individual customer's preferences, is proving popular and we are now introducing it across all of our key markets.

The net outcome was that average daily revenue in sports betting was up 11% year-on-year to €639,100 (2013: €575,000). However, if Greece is excluded, net revenue would have increased by 15%.

Casino and games

We are continuing to expand our portfolio with 26 new games added in the third quarter, six of which are available on mobile. While ISP blocking in Greece and continued declines in poker adversely impacted overall volumes, the amount wagered increased by 8% to €1,784.2m (2013: €1,650.3m), driven by increased cross-selling from sports-betting. A drop in the average gross win margin to 3.5% (2013: 3.8%) reflected a shift in games mix towards table games and this meant that average daily revenue was down 3% to €527,200 (2013: €544,600).

Poker

In poker, net revenue fell by 25% to €17.5m (2013: €23.3m) reflecting year-on-year declines earlier in the year. However, since the end of July 2014, poker trends have improved, driven by a series of product upgrades with the focus on mobile as well as measures to improve the overall player mix and a more attractive tournament schedule. More recently, revenues have benefited from the integration of our technology platforms in France during September. The integration was accompanied by the launch of the latest version of our poker software for bwin customers as well as the launch of new mobile extensions on both Android and iOS. Approximately 7% of poker's gross gaming revenue came through mobile and touch in September 2014 versus 3% a year earlier and whilst we have seen good growth through this channel, year-on-year declines elsewhere meant that average net daily revenues fell by 25% in the third quarter to €190,200 (2013: €253,300).

Bingo

In bingo, net revenue was flat at €12.1m (2013: €12.2m) with a solid performance in the UK, our largest market, offset by weakness in Italy. We continue to make good progress on mobile and this channel contributed 26% of total bingo gross gaming revenue ('GGR') in the period up from 9% a year ago. The net result was that average net daily revenues fell by 1% to €131,500 (2013: €132,600).

Regulatory update

The regulatory landscape continues to evolve both in Europe and the United States. Whilst the position in Germany, the Group's largest market, remains unclear, we were pleased to have been approved to receive a licence for sports betting, although it is not yet possible to operate using this licence as the whole licensing process as well as the regulatory framework itself are subject to legal challenge. Elsewhere, an attractive commercial regulatory framework in Bulgaria represents a potential new market opportunity for the Group and we are actively reviewing a number of other possible market entries.

From 1 January 2015 changes to the VAT rules on the place of supply mean that all of the Group's French poker revenues are now expected to become subject to VAT and that this would result in a reduction of gross revenue of approximately €0.5m per annum. Whilst we do not currently foresee any other changes, we continue to monitor the tax rules and their application to e-commerce across all of the markets where we have customers.

Current trading and outlook

Trading in the two weeks to 14 October 2014 has been in-line with our expectations and we remain confident about the full year outlook.

Material Events, Transactions and Financial Position

As at 30 September 2014, the Group had cash (and cash equivalents) plus short-term investments of €187.0m, processor receivables of €32.0m, less bank borrowings of €69.5m and client liabilities (including progressive prize pools) of €114.2m, resulting in net Company cash of €35.3m (30 June 2014: €50.9m).

The movement in net Company cash versus the previous quarter included the pre-payment of sponsorship contracts, some longer-term investments in technology, reorganisation costs as well as deferred consideration associated with the acquisition of PXP and share buy-backs. The Group purchased a total of 1,056,867 shares during the period for an aggregate consideration of approximately €1.3m.

A half year dividend amounting to €19.7m (2013: €17.4m) was paid to shareholders on 10 October 2014.

There have been no material events, transactions or changes in the financial position of the Group since the 2014 half year results were announced on 29 August 2014 other than as outlined in this statement.

Full details of all of the Group's 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

Thursday 16 October 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 (BST). The details of the call are as follows:

<i>Dial-In No:</i>	<i>+44 (0) 20 3003 2666</i>
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Appendix I

Key Performance Indicators – three months to 30 September 2014

Sports betting

Three months to 30 September	2014	% change versus Q2 2014	% change versus Q3 2013	2013
Active player days (m)	6.9	(30%)	(12%)	7.8
Daily average players (000)	75.0	(30%)	(12%)	84.8
Yield per active player day (€)	8.5	37%	25%	6.8
Yield per unique active player in the quarter (€)	80.7	20%	6%	76.4
Real money sign-ups (000)	95.3	(53%)	(14%)	110.8
Unique active players during the period (000)	729.0	(19%)	5%	692.2
Bet amount (€m)	620.7	(8%)	(4%)	645.2
Gross revenue (€m)	65.7	(6%)	12%	58.6
Gross margin	10.6%	3%	16%	9.1%
Net revenue (€m)	58.8	(3%)	11%	52.9
Average net daily revenue (excluding skins) (€000)	639.1	(4%)	11%	575.0

Casino and games

Three months to 30 September	2014	% change versus Q2 2014	% change Versus Q3 2013	2013
Active player days (m)	1.8	-	6%	1.7
Daily average players (000)	19.6	(1%)	6%	18.5
Yield per active player day (€)	26.9	-	(9%)	29.5
Yield per unique active player in the quarter (€)	175.0	1%	(12%)	199.5
Real money sign-ups (000)	9.8	(17%)	(20%)	12.3
Unique active players during the period (000)	277.2	(1%)	10%	251.1
Bet amount (€m)	1,784.2	5%	8%	1,650.3
Gross revenue (€m)	61.7	3%	(2%)	63.1
Gross margin	3.5%	-	(8%)	3.8%
Net revenue (€m)	48.5	-	(3%)	50.1
Average net daily revenue (excluding skins) (€000)	527.2	(1%)	(3%)	544.6

Poker

Three months to 30 September	2014	% change versus Q2 2014	% change versus Q3 2013	2013
Active player days (m)	2.6	(13%)	(26%)	3.5
Daily average players (000)	28.3	(14%)	(26%)	38.0
Yield per active player day (€)	6.7	10%	-	6.7
Yield per unique active player in the quarter (€)	72.9	8%	2%	71.8
Real money sign-ups (000)	24.4	(4%)	(22%)	31.2
Unique active players during the period (000)	240.0	(12%)	(26%)	324.5
Net revenue (€m)	17.5	(4%)	(25%)	23.3
Average net daily revenue (excluding skins) (€000)	190.2	(5%)	(25%)	253.3

Bingo

Three months to 30 September	2014	% change versus Q2 2014	% change Versus Q3 2013	2013
Active player days (m)	1.4	(7%)	(7%)	1.5
Daily average players (000)	15.2	(8%)	(7%)	16.3
Yield per active player day (€)	8.6	1%	6%	8.1
Yield per unique active player in the quarter (€)	93.8	5%	10%	85.5
Real money sign-ups (000)	26.4	(6%)	6%	24.9
Unique active players during the period (000)	129.0	(9%)	(10%)	142.7
Net revenue (€m)	12.1	(5%)	(1%)	12.2
Average net daily revenue (excluding skins) (€000)	131.5	(6%)	(1%)	132.6