

FINANCIAL RESULTS

FOR THE SIXTEEN WEEKS ENDED 17 JANUARY 2015

Strong Online and Multichannel Growth

HIGHLIGHTS

- Total Group Opco EBITDA^{1/2} £6.8m or 11% ahead of last year
- Online EBITDA^{1} 19% ahead (53% ahead pre Point of Consumption tax) with Coral.co.uk stakes 74% ahead, Galabingo.com stakes 34% ahead and Eurobet.it sports stakes 44% ahead.
- Coral Retail EBITDA^{1} in line with last year
- Volume growth in Eurobet Retail (sports stakes +22%) offset by weak sports margins
- Gala Retail EBITDA^{1} 66% ahead – driven by the bingo duty benefit and 4% increase in spend-per-head
- Disposal of Propco properties completed and Propco rents adjusted to market levels

Carl Leaver, Gala Coral Group CEO commented:

"The Group has continued to leverage the investments it has made in its key drivers of growth: Online, Multichannel and Italy, delivering an increase in EBITDA of £6.8m or 11% compared to the same quarter last year. This was despite some very poor football margins in both the UK and Italy.

We continued to see very strong growth in our Online division with actives 49% ahead in Coral.co.uk and 39% ahead in Eurobet.it driven by successful marketing campaigns. Spend-per-head was 17% ahead in Coral.co.uk and 33% ahead in Galabingo.com, due to product improvements and effective CRM.

Coral Connect continues to drive sign-ups to Coral.co.uk in our shops. Connect customers are cheaper to acquire and significantly more valuable than single-channel customers, demonstrating the value of our multichannel platform.

On the regulatory front we have continued to work constructively with Government and the regulator. However, the forthcoming election brings a degree of uncertainty."

CONTACTS

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{1} Pre-exceptional items

{2} Results include all revenue and expenses for the continuing Opco Group and exclude the Casinos disposed of in FY14

KEY FINANCIALS

QUARTER 1 CONTINUING OPERATIONS ^{2/3}	GROSS PROFIT				EBITDA ^{1}			
	FY15	FY14	+/-	+/-	FY15	FY14	+/-	+/-
	£'m	£'m	£'m	%	£'m	£'m	£'m	%
Coral Retail	151.5	152.5	(1.0)	(1%)	40.1	40.0	0.1	-
Eurobet Retail	5.4	5.7	(0.3)	(5%)	2.2	3.6	(1.4)	(39%)
Total Retail	156.9	158.2	(1.3)	(1%)	42.3	43.6	(1.3)	(3%)
Online	45.6	35.9	9.7	27%	12.9	10.8	2.1	19%
Coral Telebet	1.2	1.1	0.1	9%	0.5	(0.5)	1.0	200%
Gala Retail	63.7	59.9	3.8	6%	12.1	7.3	4.8	66%
Corporate Costs	0.0	0.0	-	-	(0.5)	(0.7)	0.2	-
Total	267.4	255.1	12.3	5%	67.3	60.5	6.8	11%

OVERVIEW

Gross profit for the 16 weeks ended 17 January 2015 of £267.4m was £12.3m or 5% ahead of last year primarily driven by Online. EBITDA^{1/2} of £67.3m was £6.8m or 11% up, with all businesses well ahead with the exception of Coral Retail and Eurobet Retail which (alongside Coral.co.uk and Eurobet.it) were adversely impacted by very poor football results during the quarter:

- In the UK, a large number of winning favourites throughout the English leagues on both 26th December and 17th January had an estimated adverse EBITDA impact of £14.1m (Coral Retail: £10.7m and Coral.co.uk £3.4m).
- In Italy, a very high volume of adverse football results throughout the quarter resulted in football margins around 8pp behind expectations for Eurobet Retail and 3pp for Eurobet.it, adversely impacting EBITDA by £7.5m (Eurobet Retail: £5.6m and Eurobet.it: £1.9m).

Adverse football results in the same quarter last year are estimated to have impacted EBITDA by £11.6m (Coral Retail: £6.4m, Coral.co.uk: £3.8m and Eurobet Retail: £1.4m).

Coral Retail

Coral Retail EBITDA^{1} of £40.1m was £0.1m ahead of last year, despite the increased level of adverse football results (2015 impact: £10.7m, 2014 impact: £6.4m). Machines gross win was 4% ahead of last year, with gross win per machine per week reaching £975, helped by exclusive B3 content.

Penetration of Connect continues to increase across all age groups and demographics. Connect customers' overall spend is twice that of non-Connect customers.

Eurobet Retail

Eurobet Retail EBITDA^{1} was £1.4m or 39% behind last year following the adverse football results during the quarter (2015 impact: £5.6m, 2014 impact: £1.4m). Sports stakes were 22% ahead of last year, primarily due to the increased estate size (2015: 834, 2014: 623), with retail sports market share increasing to a record 13.7% (2014 Q1: 11.1%), and the share of retail virtual betting increasing quarter-on-quarter by 1.0pp to 18.1%. We continue to review the performance of the enlarged shop estate with a view to optimising the location of around 140 less profitable units.

{1} Pre-exceptional items

{2} Results include all revenue and expenses for the continuing Opco Group and exclude the Casinos disposed of in FY14 (FY15: £0.0m and FY14: £0.2m and Propco rental income (FY15: £5.7m and FY14: £8.6m))

{3} Quarter 1 represents the 16 week period ending 17 January in 2015 and the 16 week period ending 18 January in 2014

Key financials continued:

Online

Online EBITDA^{1} of £12.9m was £2.1m or 19% ahead of last year despite the adverse football results (2015 impact: £5.3m, 2014 impact: £3.8m) and the implementation of Point of Consumption ('PoC') tax on 1st December 2014 (£3.6m). Pre-PoC EBITDA growth was £5.7m or 53%.

During the quarter we successfully merged the back-office functions of Coral Interactive and Gala Interactive, and positioned the combined business under one management structure. The merged division will enable us to bring together our collective knowledge and experience to ensure that the Coral and Gala online brands develop more strongly than they would have done on their own. Whilst this was not primarily an exercise in cost cutting, there will be some marginal in-year benefit (circa £1m).

Coral.co.uk actives were 49% ahead of the same quarter last year and spend-per-head was 17% ahead. Ongoing improvements to both the sportsbook product offering and the mobile user experience were well received by customers. Mobile represented 61% of both sports and gaming stakes, an increase of 13pp in sports from the prior year, and an increase of 11pp in gaming, demonstrating the ever-increasing importance of this channel.

Coral Connect was also a key contributor to the higher actives and spend-per-head levels in Coral.co.uk, with Connect customers beginning to embrace the benefits of accessing their single wallet across all channels.

Galabingo.com spend-per-head was 33% ahead, primarily driven by improvements to the VIP programme. The "Play Happy" TV campaign has helped drive customer acquisition and reactivation. More sophisticated CRM has led to a significant improvement in retention levels, with churn levels improving by 8pp compared to the same period last year. Mobile represented 45% of stakes, an increase of 17pp from the prior year, and is driving an increase in player days^{2} of 14% as customers use a range of different devices.

In Italy, a successful cross-channel marketing campaign, which for the first time included major television airtime, helped drive an increase in Eurobet.it actives of 39%, with both acquisition and retention levels ahead of last year. Eurobet.it has significantly outperformed the market and reached number 2 in the Italian online sports betting market. Eurobet.it's online sports market share of 10.1% in January was 0.2pp ahead of the prior year despite the entry of Bet365 into the regulated Italian online market in October which increased the size of the online market by 40% overnight; all other major operators saw their share decline significantly as a result.

Gala Retail

Gala Retail EBITDA^{1} was £4.8m or 66% ahead of the prior year with the reduction in bingo duty (£4.0m) a major contributor to the year-on-year growth. Post the introduction of Price-Smash in FY14, the business has continued to re-invest in its customer experience through the continuation of 'everyday low pricing' and fixed prize boards, as well as pursuing its strategy of increasing the number of customers using electronic tablets to play bingo. These measures have helped drive Mainstage spend-per-head 13% ahead of last year. However, as a consequence of this strategy we have experienced a decline in the frequency of visits of low value paper players. Growth in Machines has also been very encouraging with spend-per-head up 9% primarily due to the introduction of improved content on B3 machines.

{1} Pre-exceptional items

{2} The count of unique days upon which a site is visited

RESPONSIBLE GAMBLING AND REGULATORY

Over the last quarter the Group, alongside other major operators, has continued to engage constructively with government and regulators in particular around the publication of the Responsible Gambling Trust (RGT) research in late December 2014. The research, which looked in depth at gaming machines, provided valuable data to guide the industry in developing solutions to reduce gambling related harm.

In January, the Senet Group, of which the Group is one of the four founders, formally launched with the appointment of its Independent Chair and Directors. New responsible gambling messages featuring the line "When the Fun Stops, Stop" started to appear across Senet members advertising from early January and the full advertising campaign to promote responsible gambling went live on TV on 23 January 2015.

January 2015 also saw the Group and other operators introduce new software on gaming machines to encourage customers to set time or money limits and the move was supported by Gamble Aware Week from 26 January to 2 February 2015.

In April new measures to improve the supervision of high-staking customers will be introduced, further improving the industry's protection of vulnerable customers.

FINANCING

Opcos external net debt (net of issue costs and excluding shareholder loan notes) of £1,103.5m (September 2014: £1,063.4m) has increased by £40.1m primarily as a result of Opcos cash outflow for the quarter of £38.2m, which was in line with expectations and includes the payment of £30.1m (£29.4m to Propco) to restructure the Propco leasing arrangements. Cash at bank and in hand of £177.5m includes cash for covenant purposes of £164.3m.

PROPCO

Following the end of the quarter 2005 Propco Three Limited sold its last remaining properties and used the proceeds to repay its loan, £69.1 million of which remains outstanding. A meeting of the shareholders of 2005 Propco Three Limited is scheduled for the 3rd March 2015 in order to approve the decision to put the company into a Creditors Voluntary Liquidation, once in liquidation the company will no longer be consolidated in the Gala Coral Group Limited accounts.

CURRENT TRADING

Trading in the six week period to 2nd March has been positive with continued strong growth in our Online division. Sports margins in Eurobet Retail and Eurobet.it have remained disappointing but volumes remain strong.

Galabingo.com and Galacasino.com have performed well with strong increases in player acquisitions and retention whilst Gala Retail continues to benefit from the reduction in bingo duty, lower rents in the former Propco clubs and ongoing growth in spend-per-head.

APPENDIX 1: DIVISIONAL KPIs

CORAL RETAIL	QUARTER 1 ^{2}			EUROBET RETAIL	QUARTER 1 ^{2}		
	FY15	FY14	Var %		FY15	FY14	Var %
KPIs^{3}				KPIs^{3}			
OTC gross win margin (%)	16.7%	17.1%	(0.4pp)	LBO sports gross win margin (%)	11.8%	19.4%	(7.6pp)
Average number of LBOs	1,834	1,803	2%	Average number of licences	834	623	34%
Average number of Machines	7,317	7,177	2%				
Gross win / machine / week (£)	975	960	2%				
P&L^{3}	£'m	£'m		P&L^{3}	£'m	£'m	
OTC amount staked	502.8	521.5	(4%)	LBO sports amount staked	93.5	76.6	22%
Machines amount staked	2,981.3	2,911.0	2%	Other amounts staked	119.9	50.3	138%
Total amounts staked^{4}	3,484.1	3,432.5	2%	Total amounts staked	213.4	126.9	68%
OTC gross win	83.7	88.9	(6%)	LBO sports gross win	11.0	14.8	(26%)
Machines gross win	114.2	110.3	4%	Other gross win	12.1	3.5	248%
Total gross win^{4}	197.9	199.2	(1%)	Total gross win	23.1	18.3	26%
Gross profit	151.5	152.5	(1%)	Gross profit	5.4	5.7	(5%)
Operating Costs	(111.4)	(112.5)	1%	Operating Costs	(3.2)	(2.1)	(48%)
EBITDA^{1}	40.1	40.0	-	EBITDA^{1}	2.2	3.6	(39%)
ONLINE	QUARTER 1^{2}			GALA RETAIL	QUARTER 1^{2}		
	FY15	FY14	Var %		FY15	FY14	Var %
KPIs				KPIs^{3}			
Actives - Coral.co.uk ('000)	346.4	232.7	49%	Admissions ('000)	4,486	4,778	(6%)
Actives - Eurobet.it ('000)	111.6	80.1	39%	Spend per head (£)	35.40	33.99	4%
Actives - Galabingo.com ('000)	171.3	169.9	1%				
Actives - Galacasino.com ('000)	35.7	42.9	(17%)				
Sports GW% - Coral.co.uk (%)	4.9%	5.8%	(0.9pp)				
Sports GW% - Eurobet.it (%)	9.6%	13.1%	(3.5pp)				
P&L	£'m	£'m		P&L^{3}	£'m	£'m	
Amounts staked	1,768.7	1,285.8	38%	Net Income	87.8	87.2	1%
Gross win - Coral.co.uk	36.6	21.4	71%	Gross profit	63.7	59.9	6%
Gross win - Gala websites	35.8	29.4	22%	Operating Costs	(39.5)	(40.4)	2%
Gross win - Eurobet.it	11.9	10.8	10%	Rent (including propco rent)	(12.1)	(12.2)	1%
Total gross win	84.3	61.6	37%				
Gross profit	45.6	35.9	27%				
Operating Costs	(15.3)	(10.4)	(47%)				
Marketing	(17.4)	(14.7)	(18%)				
EBITDA^{1}	12.9	10.8	19%	EBITDA^{1}	12.1	7.3	66%

{1} EBITDA is stated pre-exceptional items

{2} Quarter 1 represents the 16 week period ending 17 January in 2015, and the 16 week period ending 18 January in 2014

{3} Results are for the total estate

{4} Excludes Stadia and vending income