

QUARTER 3 RESULTS

FOR THE TWELVE WEEKS ENDED 2 JULY 2016

Q3 EBITDA growth of 13% and Q3 Year-to-Date EBITDA Growth of 15%

OPERATIONAL HIGHLIGHTS – QUARTER 3

- **Coral Group** Net revenue^{1} of £264.0m: +£23.0m (+10%)
- **Coral Group** EBITDA^{2/3} of £57.7m: +£6.5m (+13%). Regulatory impacts have now annualised
- **Coral Retail** EBITDA^{2} of £31.9m: -£0.5m (-2%). OTC GW% up 1.3pp and machines net revenue +10%
- **Coral Connect**: Another strong quarter with 74k sign ups
- **Eurobet Retail** EBITDA^{2} of £5.3m: +£1.7m (+47%). Sports stakes +38%
- **Online** EBITDA^{2} of £21.6m: +£4.5m (+26%). Online net revenue +19%: Coral.co.uk net revenue +26%, Eurobet.it net revenue +25%

OPERATIONAL HIGHLIGHTS – YEAR TO DATE

- **Coral Group** Net revenue^{1} of £868.9m: +£93.5m (+12%)
- **Coral Group** EBITDA^{2/3} of £182.3m: +£23.7m (+15%)
- **Online** EBITDA^{2} of £58.7m: +£19.0m (+48%). Online net revenue +30%: Coral.co.uk net revenue +46%, Eurobet.it +34%, both websites benefitting from the reversal of poor results in the first half of the prior year

Carl Leaver, Group CEO, commented:

"EBITDA for the quarter was 13% ahead of last year, driven by continued strong growth in Coral.co.uk and Eurobet.it, a good machines performance in Coral Retail and a positive Euro 2016 football championship. Year-to-date, EBITDA was up 15%, or 32% ahead on an underlying basis (adjusting for incremental regulatory costs).

Online customer acquisition volumes during the Euro 2016 football championships were encouraging. As in the 2014 World Cup, Coral did not advertise on TV, instead focussing marketing investment on channels where we see a positive return. Our predictive models indicate that the value of customers acquired during the Euros is around double the levels achieved in the 2014 World Cup. Combined with very competitive costs of acquisition, this will drive impressive returns on our marketing investment.

Whilst we were pleased with our ongoing online net revenue growth of 19%, it is worth noting, as highlighted at our H1 results, this growth rate was held back by new regulatory requirements, including teething problems around the introduction of new player protection measures. We estimate that net revenue would have grown by 28% absent these factors. OTC staking in Coral Retail was also impacted by these new requirements.

Coral Connect continues to go from strength to strength, with 74k new sign-ups during the quarter. Connect customers contributed 48% of Coral.co.uk net revenue, while use of Connect in our shops has also increased in both machines and OTC.

Current trading in the 8 weeks post the quarter end has been positive, with continued machines growth in Coral Retail, and strong volume growth in Online. Sports gross win margins are, however, behind last year's levels primarily due to very poor UK horse racing results in the week commencing 15th August.

On July 26th, the Competition and Markets Authority released its final report into the proposed merger between the Coral Group and Ladbrokes PLC, approving the merger subject to the sale of between 350 and 400 shops. A number of parties have expressed interest in purchasing these shops, and the disposal process is well under way. As previously guided, we expect to complete the merger during the Autumn."

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (Q3 FY16: £0.0m and Q3 FY15: £11.9m, Q3 YTD FY16: £9.9m and Q3 YTD FY15: £38.1m), High Rollers (Q3 FY16: £0.0m and Q3 FY15: -£8.5m, Q3 YTD FY16: £0.0m and Q3 YTD FY15: -£7.6m) and Propco rental income (Q3 FY16: £0.0m and Q3 FY15: £0.0m, Q3 YTD FY16: £0.0m and Q3 YTD FY15: £5.8m)

{4} FY15 YTD EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8m, of which Online -£5.6m) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5m), calculated as if all changes had been in existence for the corresponding periods in FY15

{5} All numbers are now stated under IFRS for FY16 and FY15

FINANCIAL RESULTS

Total Coral Group ^{3} Q3 (£m)	FY16			FY15		
	Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
Net Revenue ^{1}	264.0	-	264.0	241.0	-	241.0
EBITDA	57.7	(5.6)	52.1	51.2	(4.7)	46.5
EBIT	48.3	(26.2)	22.1	37.5	(6.1)	31.4
Profit / (loss) <u>before</u> non cash interest on shareholder loans and before tax	33.8	(26.2)	7.6	14.4	(6.1)	8.3
Profit / (loss) <u>after</u> non cash interest on shareholder loans and before tax	0.6	(26.2)	(25.6)	(14.4)	(6.1)	(20.5)

Total Coral Group ^{3} Q3 Year-to-date (£m)	FY16			FY15		
	Before Exceptional Items	Exceptional Items	Total	Before Exceptional Items	Exceptional Items	Total
Net Revenue ^{1}	868.9	-	868.9	775.4	-	775.4
EBITDA	182.3	(7.3)	175.0	158.6	(10.7)	147.9
EBIT	144.3	(27.9)	116.4	116.4	78.8	195.2
Profit / (loss) <u>before</u> non cash interest on shareholder loans and before tax	83.7	(50.2)	33.5	26.2	151.4	177.6
(Loss) / profit <u>after</u> non cash interest on shareholder loans and before tax	(25.2)	(50.2)	(75.4)	(68.5)	151.4	82.9

- Year-to-date pre-exceptional Group profit before non-cash interest on shareholder loans and before tax was £83.7m, an increase of £57.5m from the prior year, driven by improvements in EBITDA and external interest costs.
- Non cash interest on shareholder loans was a cost of £108.9m compared to a cost of £94.7m in the prior year. As this cost reflects a non-cash charge relating to loans from shareholders, the Group deems PBT before this cost as a more relevant measure of profitability (enabling comparison with industry peers) than PBT after this cost.
- Exceptional costs were £50.2m, compared to a £151.4m credit last year as the prior year included a £159.5m credit reflecting one-off profits associated with the disposal of the Gala Bingo Propco business. The current year charge reflects non-cash impairment charges and merger related deal costs.
- The post-exceptional loss after non-cash interest on shareholder loans and before tax was £75.4m, a reduction of £158.3m from the £82.9m profit in the prior year. This variance is more than accounted for by the one-off profit on the disposal of the Gala Bingo Propco business last year.

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{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} Includes all revenue and expenses for the continuing Coral Group and excludes: Gala Retail, High Rollers and Propco rental income

{4} FY15 YTD EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8m, of which Online -£5.6m) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5m), calculated as if all changes had been in existence for the corresponding periods in FY15

{5} All numbers are now stated under IFRS for FY16 and FY15

FORWARD-LOOKING STATEMENTS

This press release may include forward-looking statements. All statements other than statements of historical facts included in this release, including those regarding Gala Coral's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Gala Coral, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The words "believe," "anticipate," "expect," "predict," "intend," "estimate," "plan," "aim," "assume," "forecast," "project," "will," "may," "should," "risk," "probable" and similar expressions, which are predictions or indications of future events and future trends, which do not relate to historical matters, identify forward-looking statements. All statements other than statements of historical facts included in this release including, without limitation, in relation to the Group's investment performance, results of operations, financial position, liquidity, prospects, growth potential, strategies and information about the macro-economic, industry and regulatory environment in which the Group operates are forward-looking. Readers of this release should not rely on forward-looking statements because, by their nature, such forward-looking statements involve known and unknown risks and uncertainties that could cause the Group's actual results, performance or achievements and the development of the industry in which it operates to be materially different from those expressed in, or suggested by, the forward-looking statements contained in this release.

These forward-looking statements are made as of the date of this release and are not intended to give any assurance as to future results. Neither the Group nor any of the Group's Directors or other officers undertake any obligation, except as required by law or by any appropriate regulatory authority, to release publicly any revisions or updates to these forward-looking statements to reflect events that occur, circumstances that arise or new information of which they become aware after the date of this release.

NOTICE

The accounts for the 12 weeks ended 2 July 2016 have been prepared at the level of Gala Coral Group Limited. From an income statement perspective, the difference between accounts consolidated at Gala Coral Group Limited and those at Gala Electric Casinos PLC is an immaterial amount of Group interest payable. The differences between balance sheets consolidated at Gala Coral Group Limited and Gala Electric Casinos PLC are an immaterial difference in net assets relating to the amount due in respect of subordinated group debt and immaterial classification differences in capital and reserves.

QUARTER 3 OVERVIEW

QUARTER 3	NET REVENUE ^{1}			GROSS PROFIT			EBITDA ^{2}		
	FY16	FY15	+/-	FY16	FY15	+/-	FY16	FY15	+/-
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Coral Retail	165.0	157.6	7.4	122.8	115.9	6.9	31.9	32.4	(0.5)
Eurobet Retail	21.3	18.4	2.9	7.6	6.3	1.3	5.3	3.6	1.7
Online	76.3	63.9	12.4	53.1	42.6	10.5	21.6	17.1	4.5
Coral Telebet	1.4	1.1	0.3	1.1	1.0	0.1	0.6	0.3	0.3
Corporate Costs	-	-	-	-	-	-	(1.7)	(2.2)	0.5
Total Coral Group^{3}	264.0	241.0	23.0	184.6	165.8	18.8	57.7	51.2	6.5

FY15 Q3 Reported EBITDA to FY16 Q3 EBITDA (£'m)^{2/3}



Net revenue^{1} of £264.0m was £23.0m or 10% ahead of last year and EBITDA^{2/3} of £57.7m was £6.5m or 13% ahead. Regulatory impacts (MGD increase to 25%, DCMS high stakes FOBT restrictions and Point of Consumption Tax) had all annualised prior to Quarter 3.

EBITDA^{2/3} was ahead in all divisions with the exception of Coral Retail. Growth in Coral Retail and Online was dampened by new regulatory requirements implemented during Q2, including teething problems around the introduction of new player protection measures which are now fully resolved.

{1} Net revenue is calculated as gross win less free bets and customer bonuses

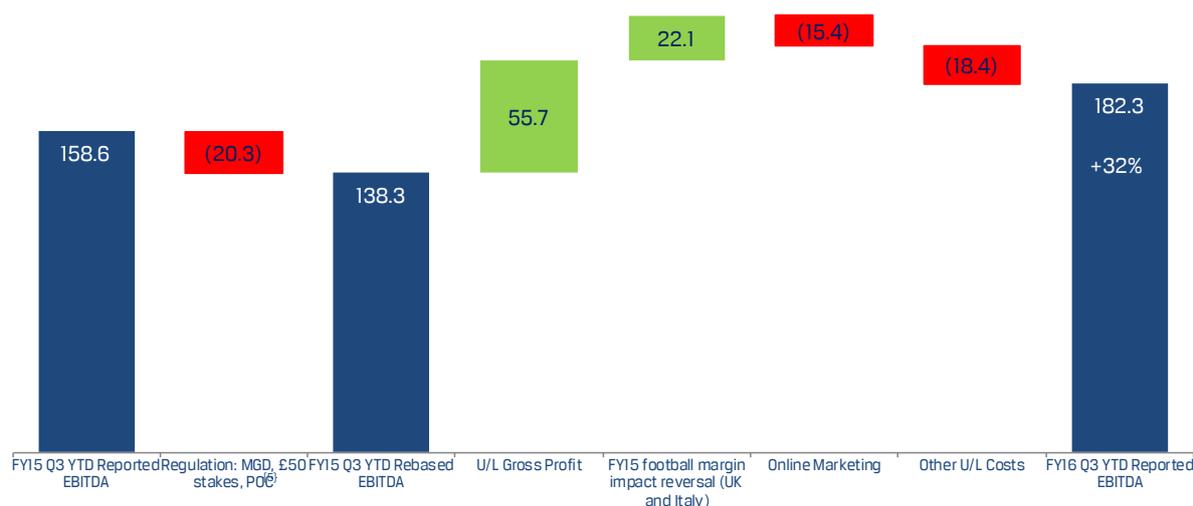
{2} EBITDA is stated pre-exceptional items

{3} The Coral Group excludes Gala Retail (Q3 FY16: £0.0m and Q3 FY15: £11.9m), High Rollers (Q3 FY16: £0.0m and Q3 FY15: -£8.5m). Quarter 3 represents the 12 week periods ending 2 July 2016 and 4 July 2015

QUARTER 3 YEAR TO DATE OVERVIEW

QUARTER 3 YTD	NET REVENUE ⁽¹⁾			GROSS PROFIT			EBITDA ⁽²⁾		
	FY16	FY15	+/-	FY16	FY15	+/-	FY16	FY15	+/-
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Coral Retail	547.2	523.9	23.3	402.5	391.0	11.5	111.2	111.3	(0.1)
Eurobet Retail	76.2	60.9	15.3	25.6	19.0	6.6	17.1	10.5	6.6
Online	242.5	186.8	55.7	167.1	126.9	40.2	58.7	39.7	19.0
Coral Telebet	3.0	3.8	(0.8)	2.5	3.3	(0.8)	0.7	1.3	(0.6)
Corporate Costs	-	-	-	-	-	-	(5.4)	(4.2)	(1.2)
Total Coral Group⁽³⁾	868.9	775.4	93.5	597.7	540.2	57.5	182.3	158.6	23.7

FY15 Q3 YTD Reported EBITDA to FY16 Q3 YTD EBITDA (£'m)^(2/3)



Net revenue⁽¹⁾ of £868.9m was £93.5m or 12% ahead of last year and EBITDA^(2/3) of £182.3m was £23.7m or 15% ahead, with strong growth in both Eurobet Retail and Online. Adjusting FY15 for the impact of regulation⁽⁴⁾ underlying EBITDA^(2/3) increased by £44.0m or 32% versus last year. UK football margins improved significantly year-on-year, having annualised against the exceptionally adverse football margins experienced on Boxing Day 2014 and the weekend of 17/18th January 2015 (estimated EBITDA impact of £17.0m). Football margins in Italy were also ahead of last year (estimated EBITDA impact of £5.1m), albeit still around 2.5pp behind expectations.

{1} Net revenue is calculated as gross win less free bets and customer bonuses

{2} EBITDA is stated pre-exceptional items

{3} The Coral Group excludes Gala Retail (Q3 YTD FY16: £9.9m and Q3 YTD FY15: £38.1m), High Rollers (Q3 FY16: £0.0m and Q3 FY15: -£7.6m) and Propoco rental income (Q3 YTD FY16: £0.0m and Q3 YTD FY15: £5.8m). Quarter 3 YTD represents the 40 week periods ending 2 July 2016 and 4 July 2015

{4} FY15 YTD EBITDA (pre-exceptionals) has been rebased for the estimated impact of Point of Consumption Tax (-£5.8m, of which Online -£5.6m) and the increase in rate of MGD to 25% and DCMS FOBT higher staking restrictions (Coral Retail -£14.5m), calculated as if all changes had been in existence for the corresponding periods in FY15

DIVISIONAL SUMMARY

CORAL RETAIL

£m	Quarter 3			Quarter 3 YTD		
	FY16	FY15	%	FY16	FY15	%
OTC stakes	379.7	405.9	(6%)	1,285.2	1,324.9	(3%)
OTC gross win margin %	18.8%	17.5%	1.3pp	18.6%	17.3%	1.3pp
OTC gross win	71.3	71.1	0%	238.5	229.7	4%
OTC net revenue	70.7	70.8	(0%)	236.4	228.5	3%
Machines net revenue	92.9	84.5	10%	302.2	287.2	5%
Stadia and other net revenue	1.4	2.3	(39%)	8.6	8.2	5%
Net revenue^{1}	165.0	157.6	5%	547.2	523.9	4%
Gross profit	122.8	115.9	6%	402.5	391.0	3%
EBITDA^{2}	31.9	32.4	(2%)	111.2	111.3	(0%)
EBIT^{2}	25.9	25.9	0%	90.1	90.5	(0%)

- OTC stakes were 6% behind last year driven by a smaller LBO estate (average of 1,819 LBOs in the quarter compared to 1,848 in the prior year – a 2% reduction), higher levels of recycling in the prior year due to lower margins, the impact of more stringent customer "source of funds" checks (estimated to account for 2 percentage points of the decrease) and weaker underlying horse racing stakes.
- Strong non-festival horse racing margins and a bookmaker-friendly Euro 2016 Championship drove a 1.3pp increase in OTC gross win margin to 18.8%.
- Machines net revenue was 10% ahead driven by a strong slots performance, with slots now accounting for 40% of gross win (FY15: 38%).
- Only 8% of Machines net revenue was driven by high stakes (>£50) play.
- Operating costs were 9% higher due to increased opening hours, salary reviews, staff bonuses following record Connect sign-ups and investment in staff training on enhanced player protection measures. Full year guidance for operating costs increase is now 4-5%.
- Connect sign-ups totalled 74k during the quarter, with Connect customers contributing 48% of coral.co.uk net revenue.
- Q3 EBITDA of £31.9m was £0.5m or 2% behind last year. EBITDA per shop was flat year-on-year while EBIT per shop grew 2%.
- Year-to-date EBITDA of £111.2m was broadly in-line with the prior year.

EUROBET RETAIL

£m	Quarter 3			Quarter 3 YTD		
	FY16	FY15	%	FY16	FY15	%
Sports stakes	86.8	63.0	38%	291.5	233.4	25%
Sports gross win margin %	15.9%	18.5%	(2.6pp)	17.9%	15.8%	2.1pp
Sports net revenue	13.8	11.7	18%	52.3	36.9	42%
Virtual and other net revenue	7.5	6.7	12%	23.9	24.0	(0%)
Net revenue^{1}	21.3	18.4	16%	76.2	60.9	25%
Gross profit	7.6	6.3	21%	25.6	19.0	35%
EBITDA^{2}	5.3	3.6	47%	17.1	10.5	63%
EBIT^{2}	4.3	0.3	n/m	9.8	1.2	n/m

- Sports stakes were 38% ahead driven by the Euro 2016 Championships, shop relocations (completed in Q1 FY16) and growth in Retail Bet-in-Play.
- Sports market share (gross win) was 15.4% (+1.8pp) – number 2 in the market.
- Q3 EBITDA of £5.3m was £1.7m or 47% ahead of last year.
- Year-to-date EBITDA of £17.1m was £6.6m or 63% ahead of last year, primarily due to sports stakes growth and football margins ahead of last year (but still behind expectations).

{1} Net revenue is calculated as gross win less free bets and customer bonuses
 {2} EBITDA and EBIT are stated pre-exceptional items

ONLINE

£m	Quarter 3			Quarter 3 YTD		
	FY16	FY15	%	FY16	FY15	%
Coral.co.uk net revenue	42.3	33.5	26%	128.4	88.0	46%
Gala websites net revenue	22.9	21.5	7%	75.9	70.3	8%
Eurobet.it net revenue	11.1	8.9	25%	38.2	28.5	34%
Net revenue^{1}	76.3	63.9	19%	242.5	186.8	30%
Point of consumption tax	(10.8)	(8.7)	(24%)	(34.0)	(20.5)	(66%)
Cost of sales	(12.4)	(12.6)	2%	(41.4)	(39.4)	(5%)
Gross profit	53.1	42.6	25%	167.1	126.9	32%
Marketing costs	(15.8)	(11.7)	(35%)	(59.2)	(43.8)	(35%)
Operating costs	(15.7)	(13.8)	(14%)	(49.2)	(43.4)	(13%)
EBITDA^{2}	21.6	17.1	26%	58.7	39.7	48%
EBIT^{2}	19.2	13.2	45%	49.1	27.6	78%

- Net revenue of £76.3m: +£12.4m or 19%.
- Marketing costs in Q3 increased by £4.1m or 35% and now equate to 21% of online net revenue, an increase of 2pp from the prior year (Q3 YTD: 24%, +1pp).
- Q3 EBITDA of £21.6m was £5.5m or 26% ahead of last year.
- Year-to-date EBITDA of £58.7m was £19.0m or 48% ahead of last year. Adjusting for Point of Consumption Tax, underlying EBITDA was 72% ahead.

Coral.co.uk:

- Net revenue of £42.3m: +£8.8m or 26%:
 - Sports net revenue of £19.4m: +£5.2m or 37%.
 - Gaming net revenue of £22.9m +£3.6m or 19%.
- Actives were 35% ahead, with high levels of customer acquisition during the Euro 2016 Championships despite the decision not to advertise on TV.
- A very strong sports gross win margin of 9.4% (+1.0pp) was driven by both favourable results, including the Euro 2016 Championships, and the structural improvements to customer management implemented at the end of FY15 and start of FY16. Normal sports gross win margin expectations are now c.8.0%.
- Mobile stakes represented 80% of sports stakes (+12.0pp) and 73% of gaming stakes (+14.4pp). The marked acceleration in mobile penetration reflects the positive customer response to the relaunched proprietary coral.co.uk app.

Gala websites:

- Galabingo.com net revenue of £20.1m: + £1.4m or 7%. Mobile stakes represented 60% of total stakes, with growth driven by new exclusive gaming content and advances to CRM capabilities.
- Galacasino.com net revenue of £2.8m: +£0.2m or 8%.

Eurobet.it:

- Net revenue of £11.1m: +£2.2m or 25%:
 - Sports net revenue of £5.6m: +£1.2m or 27%
 - Gaming net revenue of £5.5m +£1.0m or 22%
- Actives were 33% ahead of last year and first-time depositors 41% ahead, driven by high levels of direct acquisition throughout the Euro 2016 Championships, and multi-channel acquisition through the shop estate.

{1} Net revenue is calculated as gross win less free bets and customer bonuses
 {2} EBITDA and EBIT are stated pre-exceptional items

RESPONSIBLE GAMBLING AND REGULATORY

The Group continues to work closely with the wider industry, Regulator and Government on responsible gambling. Gala Coral was an active participant in the second 'Gamble Aware' week in July; all Coral stores dedicated 100% of their shop window advertising and in-shop advertising to responsible gambling messages for the week, focusing on the "When the Funs Stops, Stop" message. During the period we also introduced new player protection measures, including new mandatory alerts based on customer spend and / or time played.

The Responsible Gambling Strategy Board (RGSB) has informed the industry that it is working on a revised strategic plan, with 12 metrics to track progress on promoting responsible gambling, and we look forward to working with the RGSB on this agenda.

There is no indication that the EU consultation on AMLD IV will be published imminently, although the formal deadline for its introduction among member states remains June 2017. In the meantime the Group has further tightened its AML processes following feedback from the UK Gambling Commission.

HMRC has launched a consultation on, "tax treatment of freeplays in Remote Gaming Duty", with a deadline of 17 October 2016. Gala Coral will be submitting a formal response.

The industry is still awaiting the Government's Triennial Review of Stakes and Prizes, but anticipates that this will now be launched in the fourth quarter of the year. The DCMS is expected to make the final ruling on the new horseracing levy in September; we understand that secondary legislation will be brought forward to enact any changes before the end of 2016 and will take effect in April 2017.

IFRS

For years beginning on or after 1 January 2015, companies are no longer able to report under UK GAAP, the accounting standards under which the Gala Coral Group used to report. Rather than report under FRS 102, the new standards released by the FRC, the Group has elected to transition to and report all future results under IFRS. The preliminary IFRS transition statement is available on the company website.

EXCEPTIONAL COSTS

The year-to-date exceptional expense before tax of £50.2m relates to a £20.6m impairment of closed LBOs and other assets no longer used by the Group, £22.8m of costs associated with the early repayment of the senior notes and senior secured notes and £7.3m of other costs which predominantly relate to merger related deal costs. During the prior year the exceptional credit of £151.4m primarily reflected one-off profits associated with the disposal of the Gala Bingo Propco business.

FINANCING

Net debt for accounting purposes (excluding shareholder loan notes) was £785.2m as at 2 July 2016 (26 September 2015 £1,031.8m). The decrease in net debt from the year end was as a result of the disposal of Gala Retail and the operating cash inflow, partially offset by interest, bond redemption fees and the amortisation of issue costs.

Unlevered free cashflow for the Coral Group (excluding transaction costs and discontinued operations) in the year to date was £125.8m. This represented a 69% conversion from EBITDA.

During the period the Group used the net proceeds of the sale of the Gala Bingo clubs to repay £227.0m of the senior secured notes, and excess cash to repay £100.0m of the senior notes, incurring £15.8m of fees.

CURRENT TRADING

For the 8 weeks ending 28th August:

Current trading in the 8 weeks post the quarter end has been positive, with continued machines growth in Coral Retail, sports stakes well ahead in Eurobet Retail and good volume growth in Online. Sports gross win margins are, however, behind last year's levels primarily due to poor horse racing results in the UK (especially in the week commencing 15th August) and as a result of very strong prior year comparators in Italy.