GALA CORAL GROUP

RESULTS FOR THE 16 WEEKS ENDED 18 JANUARY 2014

KEY FINANCIALS

Quarter 1	FY14	FY13	Change
	£m	£m	**%**
Continuing Opco Turnover {1}	**356.1**	318.3	**12%**
Continuing Opco Gross Profit {1}	**255.1**	241.3	**6%**
Continuing Opco EBITDA {1/2}	**60.5**	59.3	**2%**
Propco rent	**8.6**	8.5	**1%**
Total Retained Group EBITDA {2/3}	**69.1**	67.8	**2%**
Discontinued operations EBITDA {2}	**0.2**	5.8	**-**
Total Group EBITDA {2/4}	**69.3**	73.6	**(6%)**

{1} Results include all revenue and expenses for the continuing "Opco" Group and exclude the disposed casinos
{2} Pre-exceptional items
{3} Results include all revenue and expenses for the continuing "Opco" Group and Propco rental income
{4} Results include all revenue and expenses for the continuing "Opco" Group, Propco rental income and disposed casinos

HIGHLIGHTS

The key trading highlights for the Continuing Operations {1/2} for the sixteen weeks ended 18 January 2014 were as follows:

- Turnover was 12% ahead of last year and gross profit was £13.8m or 6% ahead, reflecting growth in our Online business.
- EBITDA (pre-exceptionals) was £60.5m, 2% ahead of last year, despite being significantly depressed by poor football results.
- Adjusting EBITDA (pre-exceptionals) for the adverse impact of exceptional football losses (£11.6m), the annualisation of MGD (£3.5m) and increased shop content costs (£2.1m), as well as the year-on-year benefits of weather (£1.1m) and the phasing of machine costs in Coral Retail (£5.5m), results in excellent underlying year on year growth of £11.8m or 20%.
- Despite the worst football results on record, Coral Retail's gross profit was £5.3m or 4% ahead of last year, driven by new shop openings and continued market leading machines performance, with gross win per machine per week reaching £960 (2013: £916).
- Sports stakes in Eurobet Retail were £22.4m or 41% higher than last year, driven by the rollout of the new tender licences. However, poor football results this year versus exceptionally strong football margins last year, meant gross profit was £0.9m or 14% behind.
- The Online business demonstrated continued strong gross profit growth, up £11.1m or 43% versus last year, with excellent active customer growth across all websites: Coral.co.uk +60%, Eurobet.it +18%, Galabingo.com +19% and Galacasino.com +142%.
- Admissions in Gala Retail, which were running 8% down during quarter 4 FY13, have recovered strongly as a result of 'Price Smash' and were up 2%, representing a +10pp swing quarter on quarter. The business also grew EBITDA (pre-exceptionals) year-on-year by £1.3m.
- The Group delivered strong unlevered free cashflow in the quarter of £34.0m (2013: £31.1m) primarily as a result of the sale of the remaining 4 UK Casinos to the Double Diamond Group and the Gala Casino in Gibraltar to Gryphon AG. These disposals complete the Group's exit from the Casino retail segment of the gaming market.

Carl Leaver, Group Chief Executive of Gala Coral Group, commented:

"The Group delivered strong underlying EBITDA (pre-exceptionals) growth in the quarter, as we continued to leverage the investments we have made over the last two years, particularly in Online and in Italy. Active customer numbers are increasing strongly across all our online websites and spend per head is exceeding our expectations. This clearly demonstrates that, with market leading brands and technology, we can achieve significant growth from this business in the years to come. I am also pleased with the continued underlying growth in Coral Retail and with the initial results from 'Price Smash' and the Genesis concept clubs in Gala Retail, with admissions in growth for the first time in over 12 months."

GROUP PERFORMANCE

Following the completion of the second phase of divisionalisation at the end of FY13, costs that were previously managed centrally are now managed and reported by the trading divisions. Divisional EBITDA (pre-exceptionals) is now stated on a stand-alone basis inclusive of Propco rental charges and divisionalised costs. The FY13 comparative has been adjusted on the same basis and the figures quoted are consistent with the restatement outlined last quarter.

QUARTER 1: CONTINUING OPERATIONS{1}	Gross profit FY14 £m	Gross profit FY13 £m	EBITDA{2} FY14 £m	EBITDA{2} FY13 £m
RETAIL				
Coral Retail	152.5	147.2	40.0	42.1
Eurobet Retail	5.7	6.6	3.6	4.9
	158.2	153.8	43.6	47.0
ONLINE				
Online	37.0	25.9	10.3	7.2
GALA				
Gala Retail Bingo	59.9	61.6	7.3	6.0
CORPORATE				
Corporate costs	-	-	(0.7)	(0.9)
TOTAL	**255.1**	**241.3**	**60.5**	**59.3**

{1} Results include all revenue and expenses for the continuing "Opco" Group and exclude the disposed casinos (FY14: £0.2m and FY13:£5.8m) and Propco rental income (FY14: £8.6m and FY13:£8.5m)
{2} Pre-exceptional items

The main factors impacting year on year movements in EBITDA (pre-exceptionals) and Gross Profit were as follows:

CONTINUING OPERATIONS QUARTER 1{1/2}	Underlying £'m	One offs £'m	Reported £'m
FY13 EBITDA (pre-exceptionals)	**59.3**		**59.3**
Gross Profit Movements:			
Underlying Improvements	17.3		17.3
MGD		1.5	1.5
Weather Adjustment		1.1	1.1
Machine Cost Phasing		5.5	5.5
Football Margin		(11.6)	(11.6)
Total Gross Profit Movements	**17.3**	**(3.5)**	**13.8**
Cost Movements:			
Underlying Costs Increase	(5.5)		(5.5)
MGD		(5.0)	(5.0)
LBO Content Costs		(2.1)	(2.1)
Total Cost Movements	**(5.5)**	**(7.1)**	**(12.6)**
FY14 EBITDA (pre-exceptionals)	**71.1**	**(10.6)**	**60.5**
Year-on-year increase £'m	11.8		1.2
Year-on-year increase %	20%		2%

{1} Results include all revenue and expenses for the continuing "Opco" Group and exclude the disposed casinos (FY14: £0.2m and FY13: £5.8m) and Propco rental income (FY14: £8.6m and FY13: £8.5m)
{2} Pre-exceptional items

Gross Profit Movements

Underlying gross profit improved by £17.3m or 7.2% in the quarter, reflecting growth in the Online businesses. However, after the adverse impact of poor football results (£11.6m) and certain one-off positive effects, including the impact of MGD on gross profit (£1.5m), the year-on-year impact of weather (£1.1m) and the phasing of certain costs in Coral Retail (£5.5m), reported gross profit improved by £13.8m or 5.7%.

Adverse football results on the weekend of 10/11th January and an earlier round of the Champions League significantly impacted football margins for the quarter, with Coral Retail behind expectations by £6.4m, Coral.co.uk by £3.8m and Eurobet Retail by £1.4m. Gross profit progression in Italy was further affected by the strong margins in the prior year.

The cost phasing within Coral Retail's gross profit that resulted in £5.5m of additional cost being recognised in the prior year will fully reverse during the remainder of the financial year.

Cost Movements

Underlying costs increased by £5.5m or 3% as a result of higher marketing costs in the Online businesses (£6.3m) and costs associated with estate development (£2.9m), offset by tight cost control particularly in the retail businesses. However, reported costs increased by £12.6m or 7% as a result of increased irrecoverable VAT (due to the introduction of MGD) in Coral Retail of £3.5m and in Gala Retail of £1.5m, and Coral Retail content costs which were £2.1m higher than the previous year.

MGD annualises early in the second quarter and the step-up in content costs has now fully annualised with future cost increases in line with RPI.

CORAL RETAIL – QUARTER 1

	16 weeks ended 18 January 2014	16 weeks ended 19 January 2013	Year on Year variance
KPIs {1}			
OTC			
Gross win margin (%)	17.1%	18.4%	(1.3pp)
Average number of LBOs	1,803	1,744	3%
Machines			
Average number of machines	7,177	6,955	3%
Gross win/machine/week (£)	960	916	5%
P&L {1}			
OTC amount staked	521.5	520.8	0%
Machines amount staked	2,911.0	2,776.7	4%
Total stakes	**3,432.5**	**3,297.6**	**4%**
OTC gross win	88.9	95.8	(7%)
Machines gross win	110.3	101.8	8%
Total gross win	**199.2**	**197.6**	**1%**
Divisional gross profit	**152.5**	**147.2**	**4%**
Operating costs	(112.5)	(105.1)	(7%)
EBITDA {2}	**40.0**	**42.1**	**(5%)**

{1} Results are for the total estate unless otherwise stated
{2} EBITDA is stated pre-exceptional items

Coral Retail's EBITDA (pre-exceptionals) of £40.0m was £2.1m or 5% lower than last year as a result of poor football results, increased content costs and the impact of MGD.

OTC gross win was £6.9m or 7% lower than last year. The worst football margins on record during the weekend of 10th and 11th January, along with poor margins in an earlier round of the Champions League, adversely impacted OTC gross win by £7.5m (GP impact: £6.4m).

Machines gross win of £110.3m was £8.5m or 8% ahead of last year due to the roll-out of the new Infinity machines. Gross win per machine increased by 5% in the quarter, driven by B3 slots which were 12% ahead.

Overall gross profit increased by £5.3m or 4% versus last year, assisted by the positive year-on-year phasing of machine costs (£5.5m).

Underlying operating costs increased by £1.8m or 2% as a result of estate development (£2.9m) which were offset by tight cost control. However, increased irrecoverable VAT as a result of the introduction of MGD (£3.5m) and higher content costs (£2.1m), both of which will fully annualise early in Q2, resulted in an overall increase in costs of £7.4m or 7%.

Our differentiated content and service strategy is starting to deliver benefits through innovative new products such as the Health Lottery and the Football Jackpot. In the last few weeks the trial of a multichannel service offering has commenced, enabling customers to use their online accounts in retail shops.

On average there were 59 more shops open in the quarter compared to last year and 21 shops opened in the quarter. The total number of shops at the end of the quarter was 1,812.

	16 weeks ended 18 January 2014	16 weeks ended 19 January 2013	Year on Year variance
KPIs{1}			
LBO sports gross win margin (%)	19.4%	24.2%	(4.8pp)
Average number of licences	623	376	66%
P&L{1}			
LBO sports stakes	76.6	54.2	41%
Other stakes	50.3	41.0	23%
Total amounts staked	**126.9**	**95.2**	**33%**
LBO sports gross win	14.8	13.1	13%
Other gross win	3.5	2.5	40%
Total gross win	**18.3**	**15.6**	**17%**
Total gross profit	**5.7**	**6.6**	**(14%)**
Operating costs{2}	(2.1)	(1.7)	(24%)
EBITDA{3}	**3.6**	**4.9**	**(27%)**

{1} Results are for the total estate unless otherwise stated
{2} FY13 operating costs have been restated to include costs that were previously managed centrally (including employee bonus costs
{3} EBITDA is stated pre-exceptional items

Eurobet Retail EBITDA (pre-exceptionals) was £1.3m behind last year.

Gross profit was £0.9m or 14% behind last year despite very strong sports stakes growth. Sports gross win margin was 19.4%, 4.8pp behind last year, driven by poor football results this year (£1.4m behind expectations) against very strong football margins in the prior year.

Of the 500 licences successfully applied for in FY13, a further 179 were opened during the quarter, bringing the total number of active new licences to 355. The rollout will be completed by the end of quarter 2. As a result, sports stakes were £22.4m or 41% ahead. Market share increased to 10.8%, representing growth of 3.0pp in the last twelve months.

Other stakes (VLTs / AWPs and virtual) increased by £9.3m or 23% as a result of the launch, late in the quarter, of the new virtual betting product which has performed well. A strong margin on gaming products left other gross win £1.0m or 40% ahead of last year.

Operating costs were £0.4m higher than last year as a consequence of increased payroll costs to support the larger retail estate.

During the quarter 63% of all Eurobet.it deposits were made through the retail estate emphasising the strength of the multi-channel offer, and the increasing size of the retail estate will further support our drive to grow online market share.

	16 weeks ended 18 January 2014	16 weeks ended 19 January 2013	Year on Year variance
KPIs			
Actives – Coral.co.uk ('000)	232.7	145.0	60%
Actives – Eurobet.it ('000)	80.1	68.0	18%
Actives – Galabingo.com ('000)	169.9	142.8	19%
Actives – Galacasino.com ('000)	42.9	17.8	142%
Sports Gross Win Margin - Coral.co.uk (%)	5.8%	4.8%	1.0pp
Sports Gross Win Margin – Eurobet.it (%)	13.1%	15.2%	(2.1pp)
P&L{1}			
Total amounts staked	**1,305.1**	**771.5**	**69%**
Total gross win	**62.9**	**41.8**	**51%**
Total gross profit	**37.0**	**25.9**	**43%**
Operating costs	(11.9)	(10.2)	(17%)
Marketing	(14.8)	(8.5)	(74%)
EBITDA{2}	**10.3**	**7.2**	**43%**

{1} Online businesses include Coral.co.uk, Eurobet.it, Galabingo.com, Galacasino.com and Coral Telebet
{2} EBITDA is stated pre-exceptional items

Online EBITDA (pre-exceptionals) of £10.3m was £3.1m or 43% ahead of last year, primarily as a result of the significant increase in the number of active players. Coral.co.uk actives increased by 60%, Eurobet.it by 18%, Galabingo.com by 19% and Galacasino.com by 142%. Gross profit was £11.1m or 43% ahead at £37.0m. This was offset by the continuation of substantial investment in marketing, which increased by £6.3m or 74% to £14.8m in the quarter, and a 17% increase in other operating costs.

Coral.co.uk sports stakes were £55.6m or 92% ahead of last year driven by new TV advertising and other high profile marketing campaigns. Despite the adverse impact of recent football results (estimated to have reduced gross profit by £3.8m), sports gross win margin was 1.0pp ahead of last year at 5.8% following the removal of unprofitable customer accounts, resulting in sportsbook gross win £3.7m or 124% ahead.

Gaming stakes in Coral.co.uk were 124% ahead of last year and a 0.3pp improvement in margin resulted in gross win £8.7m or 146% ahead at £14.7m. Mobile penetration in Coral.co.uk increased by 24.6pp to 62% of actives and is expected to increase further following the launch of a new iPad-specific application at the end of February.

Eurobet.it total gross win was £2.0m or 23% ahead of last year, despite sports margin being 2.1pp behind as a result of poor football results. Sports stakes were £7.6m or 28% ahead and gaming stakes were £64.4m or 51% ahead, driven by poker and casino games. Mobile penetration grew, with 45% of actives accessing the site through a mobile device, helping drive an increase in sports-betting market share to 9.8%.

The increase in Galabingo.com actives (19% ahead of last year), resulted in a £56.2m or 20% increase in stakes and a £2.9m or 15% increase in gross win. Mobile penetration also increased by 27.4pp to 45%. The increase in Galacasino.com actives (142% ahead of last year) drove a 165% increase in stakes and a £4.1m or 140% increase in gross win. Mobile penetration increased by 11.2pp to 28%. Across the two Gala branded websites gross win totalled £29.4m.

Total marketing spend in the Online business was £6.3m higher in the first quarter, and operating costs (excluding marketing) were £1.7m or 17% higher, which was in-line with expectations and reflects the increased size of the new business.

	16 weeks ended 18 January 2014	16 weeks ended 19 January 2013	Year on Year variance
KPIs {1}			
Admissions ('000)	4,778	4,704	2%
Spend per head (£)	33.99	36.04	(6%)
P&L{2}			
Net income	**87.2**	**85.0**	**3%**
Total gross profit	**59.9**	**61.6**	**(3%)**
Operating costs {3}	(40.4)	(42.4)	5%
Rent (including propco rent) {4}	(12.2)	(13.2)	8%
EBITDA {5}	**7.3**	**6.0**	**22%**

{1} KPIs are stated on a like for like basis due to the number of closures year on year
{2} P&L results are for the total estate
{3} FY13 operating costs have been restated to include costs that were previously managed centrally and propco rent. Operating costs also include sub-let rental income
{4} Propco Rent: FY14: £7.3m and FY13: £7.3m
{5} EBITDA is stated pre-exceptional items

EBITDA (pre-exceptionals) of £7.3m was £1.3m or 22% ahead of the prior year as a result of a significant improvement in admissions and tight cost control. Last year quarter 1 results were adversely impacted by severe weather. This year, whilst flooding had an adverse impact on trading, the overall year-on-year impact of weather on results is a benefit of £0.6m, leaving an underlying improvement in EBITDA (pre-exceptionals) of £0.7m or 12%.

The decline in admissions, seen throughout the previous year, was arrested following the full roll-out of 'Price Smash', with admissions up 2% over the previous year. The full impact of 'Price Smash' has not yet been seen as the initiative only went live in the majority of clubs during the quarter. Spend per head, as anticipated, reduced by 6% on the prior year, and margins were accordingly lower. Machines gross profit was ahead by £1.1m or 5% driven by the improving admissions over the previous year, and total gross profit was down only 3% at £59.9m.

Continued tight cost control saw an overall £3.0m or 5% reduction in operating costs, most notably in payroll due to more efficient staffing. This improvement was achieved despite the £1.5m adverse impact on the irrecoverable VAT charge as a result of the introduction in MGD (which will annualise during the next quarter).

CORPORATE COSTS

Central overheads (before depreciation and amortisation) were £0.2m lower than in FY13 at £0.7m following the receipt of some VAT repayments. Central costs are expected to be between £4m - £5m for the full year.

EXCEPTIONAL ITEMS

Exceptional items in the quarter amounted to a £0.6m charge (FY13: £5.9m).

There was a £4.8m charge relating to corporate re-structuring, focused on ensuring the businesses can operate on a stand-alone basis, and a share-based payments charge for the quarter of £1.0m (non-cash) (FY13: £1.9m).

These charges were offset by credits of £1.6m (FY13: £7.3m) due to Conde Naste VAT claim receipts and a non-cash onerous lease credit of £3.9m (FY13: £0.2m) associated with the release of various property provisions.

FINANCING

Net debt for covenant purposes was £1,169.3m (net of issue costs). The increase since the year end is primarily due to the anticipated Opco cash outflow in the period, driven by the timing of bond interest costs and rental payments. Total Group net debt of £2,189.9m (19 January 2013: £2,291.0m) also includes the Gala Propco Three Limited debt of £334.8m (net of issue costs) and GCGL loan notes of £745.4m. The Gala Propco Three Limited debt is ring-fenced from the trading Group.

Cash at bank and in hand of £198.0m includes cash for covenant purposes of £177.1m.

RESPONSIBLE GAMING

The industry has been working closely together to improve player protection in conjunction with the Government. However, there has been a deliberate campaign of mis-information against bookmakers and the Group is pleased to see that the Government continues to focus on the facts and to pursue an evidence-based policy. We therefore note the following:

- Problem gambling rates have not increased since the introduction of fixed odds betting terminals (FOBTs). In 1999, prior to the first FOBT appearing in a betting shop, the Government's Gambling Prevalence Survey recorded a problem gambling rate of 0.6% of the adult population. In December 2013, the Government published its English Health Survey which recorded a rate of 0.5%.

- Bookmakers do not target deprived areas. The distribution of licenced betting offices is clearly weighted towards areas of lowest deprivation:

Deprivation Index*	% of all betting shops
0-20	30%
20-30	26%
30-40	23%
40-50	13%
50+	8%

* The Government's official index of deprivation [lower index indicates lower deprivation]

  The profitability of betting shops (and the performance of FOBTs) is closely correlated to affluence, not deprivation, with the most profitable shops located in the most affluent areas and the least profitable shops located in the most deprived areas. It is true that there are more betting shops per square mile in more deprived areas, but that is because the population density is higher. This distribution is exactly the same for pubs, except there are 9 pubs per square mile in the most deprived areas (index of 50+) versus only 2 betting shops.

- The £100 maximum stake permitted in B2 games is often compared directly to the £2 maximum for B3 (slots). However, the speed of play of B3 games is 8 times faster than B2, and the margin (or 'hold') is 3 times higher. This means that the theoretical customer loss per minute at maximum stake for B2 games is £8 versus £4 for B3; double, rather than the 50x multiple suggested by the simple and misleading comparison of maximum stake.

  In 2013, B2 gross win per terminal declined across the industry, while gross win from B3 games on the same terminals increased. Customers are choosing B3 games over B2 in increasing numbers, which challenges claims that B2 games are highly addictive.

- Problem gambling is about the individual, not the product. There are approximately 300,000 problem gamblers in the UK. For context, there are 3 million alcoholics and 10 million smokers. Of these 300,000 problem gamblers, only 10% use machines in betting shops. Even then, the vast majority of problem gamblers use more than one product, so focussing purely on betting shop gaming machines will not solve the problem gambling issue in the UK.

- Coral, and all major bookmakers, are committed to help not only people with a gambling problem, but also people at risk of developing a gambling problem. We are co-operating fully with an unprecedented independent research project being undertaken by the Responsible Gambling Trust. This will help identify people with a problem sooner, enabling us to educate them on the risks.

We are also launching a suite of tools to help customers to control their gambling better. This includes self-managed limits, where customers can set the amount they want to gamble, or the time they want to gamble, before they start. Mandatory warnings will pop up on the screens when the loss exceeds £250 or the play time exceeds 30 minutes.

- Most importantly, all of our employees have been through extensive training to better equip them to offer support and advice when it is needed.

These are just some of the measures that bookmakers are taking to minimise the harm that can, in a very small minority of cases, affect some of our customers. Millions of people enjoy gambling every week and we are committed to ensuring that they are able to continue to do so in safe licenced environments.

VAT CLAIMS

The Group notes the recent guidance provided by HMRC with regards the ruling against Rank by the Court of Appeal in respect of certain VAT "slots" claims. Whilst we remain confident that an appeal will ultimately find in favour of the gaming operators we provided against the potential exposure of £59.1m within the 2013 financial statements and based on the HMRC published guidance we would expect to have to pay this amount back to HMRC during the second quarter. This payment will have no adverse impact on our available financial headroom under our Term Loan banking covenants as the facility agreement includes a specific carve out for this issue.

PROPCO

Anchorage recently purchased Deutsche Bank's commitment under the Propco loan. Anchorage is also a significant shareholder in the Group. The Propco Facility matures on 22 April 2014. The Propco debt is totally ring-fenced from the Opco trading Group and the forthcoming maturity will have no bearing on the Going Concern of the Group.

CURRENT TRADING

Trading in the four weeks since the end of the quarter has been positive, although another very poor weekend of football results affected margins in the UK. Coral OTC and Machine stakes are ahead of last year, while "Price Smash" continues to drive a year-on-year improvement in Gala Retail admissions. All websites continue to show positive year-on-year growth in active users and stakes.

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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 16 weeks ended 18 January 2014 have been prepared at the level of Gala Coral Group Limited. From a profit and loss account 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.