

18 October 2012

LADBROKES PLC Q3 INTERIM MANAGEMENT STATEMENT

Ladbrokes plc announces its IMS for the 3 months ended 30 September 2012 (“the period”).

	Q3 2012 v Q3 2011
Group net revenue ⁽¹⁾	+ 3.9%
Group operating profit ⁽¹⁾⁽²⁾	£49.2m
UK Retail net revenue	+ 5.4%
- Machines net revenue	+ 11.5%
- OTC net revenue	+ 0.6%
Digital net revenue	+ 6.1%

CONTINUED GROWTH IN RETAIL, SPORTSBOOK ROLLOUT ON TRACK

Group

- Net revenue⁽¹⁾ up 3.9%
- Operating profit of £49.2 ⁽¹⁾⁽²⁾ million 0.4% up year over year (2011: £49.0 million after amortisation)
- Recently implemented trading enhancements driving accuracy of pricing and reduction in unprofitable turnover
- Trading developments set to continue; Andy Wright, new trading director, now on board

UK Retail

- Continued growth in shop net revenue with machines up 11.5% and OTC ahead 0.6% in the period
- OTC gross win margin of 16.9% (Q3 2011: 16.0%)
- Reduction in OTC amounts staked of 4.9% in part reflects increase in weather affected horseracing cancellations (38 versus 2), effect of the Olympics and impact of trading enhancements
- Operating costs well controlled and within guidance

Digital

- Website development on plan, first iterations of new online sportsbook successfully released
- Transfer of active and new customers on track for end Q1 2013, in line with interims guidance
- 21.8% growth in sportsbook net revenue with stronger margin and continued growth in actives
- Bet in Play now 66%⁽³⁾ of sportsbook stakes (Q3 2011: 50%) with events now expected to exceed plan of 60,000 in 2012

⁽¹⁾ Continuing operations, excluding High Rollers

⁽²⁾ Profit before tax, net finance expense and exceptional items. Includes amortisation of customer relationships

⁽³⁾ Excluding all horseracing and greyhound product

Richard Glynn, Chief Executive, commented:

“Consistent growth of both machine and OTC net revenue, as well as a robust control of costs reinforces the resilience and strong cash generation of our UK Retail business. Despite having fully annualised last year’s launch of the Global Draw terminals, we remain confident that our focus on player and machine yields, as well as an increase in machine density, will generate further growth.

We are now delivering against a clear programme to complete the rollout of the digital sportsbook and migration of customers by the end of Q1 2013, whereupon we will focus increasingly on enhanced CRM. Enhancements in trading are leading to early signs of an improvement in the quality of turnover, with further developments in pricing and liability management still to come.

Though the economic outlook remains uncertain, we remain confident in our delivery and are in line with the Board’s expectations for 2012.”

UK RETAIL

UK Retail net revenue increased by 5.4%.

Machines continue to grow notwithstanding the annualisation of the Global Draw rollout and expected seasonal low in Q3, which was exacerbated by the impact of the Olympics. Net revenue for the period was up 11.5%. The average gross win per terminal week across the estate was £937, with the year to date average now at £943. The average number of machines per shop is now 3.87.

We are beginning to use insights drawn from Odds On to inform analysis of customer yield on machines. We will trial enhanced machine management techniques and rollout exclusive B3 games, during Q4.

OTC net revenue grew by 0.6% over the period with a comparatively strong gross win margin of 16.9% more than offsetting a 4.9% reduction in amounts staked. ⁽⁴⁾

Operating costs in UK Retail for the full year are expected to be up 6% overall, in line with previous guidance.

During the period we opened 16 new shops, acquired 12, closed 12, and refurbished 19. We expect to have opened/acquired around 80 shops over the course of the year.

EUROPEAN RETAIL

In Ireland a slightly stronger gross win margin partially offset a reduction in amounts staked. Net revenue was up 1.7% on a constant currency basis and down 5.4% unadjusted.

In Belgium, last year's positive tax change has now fully annualised. Net revenue in the period was up 8.8% on a constant currency basis but lower by 6.0% unadjusted.

In Spain a particularly low margin on football in September exacerbated the effect of a decline in like for like staking in Madrid. Overall we are continuing to expand the business which is now achieving break even EBITDA in the core regions of Madrid and Aragon.

DIGITAL

The new sportsbook website was rolled out to selected groups of customers during the period. This process, as well as additional upgrades in functionality, will continue throughout Q4. Our plan to migrate customers by the end of Q1 2013 remains on track.

Digital net revenue grew 6.1% in the period with sportsbook growing 21.8%, casino and games slightly ahead by 1.1%, bingo down 6.1% and poker declining by 25.7%.

Sportsbook growth in the period reflects continued growth of active customers and a stronger margin (2012: 7.6%⁽⁵⁾ versus 2011: 6.1%).

Mobile revenues remain strong and 40% of all digital sportsbook customers are now betting via their mobile device.

TELEPHONE

Net revenue down by 5.9% in the period with staking marginally up year over year.

HIGH ROLLERS

High Rollers generated an operating profit of £6.9 million (Q3 2011: loss of £0.7 million).

⁽⁴⁾ Includes £2.7 million gross win relating to Euro 2012 – adjusted Q3 margin 16.5%

⁽⁵⁾ Includes £0.9 million gross win relating to Euro 2012 – adjusted Q3 margin 7.3%

MATERIAL EVENTS, TRANSACTIONS AND FINANCIAL POSITION

Net debt has further reduced by £60.8 million from £397.0 million at 30 June 2012 to £336.2 million at 30 September 2012. With capital expenditure Q4 weighted and with the interim dividend still to be paid, we expect year end net debt to be above this level, though below the position at H1. There were no other material events or transactions that impacted the Group's financial position during the period.

Note: the figures in this trading update are unaudited.

A conference call for analysts and investors will be held at 9am (BST).

To participate in the conference call dial, +44 (0)20 7136 2050 (UK participants) or +1 646 254 3361 (US participants), quoting confirmation code 3944085

A recording of the call will be available for seven days on +44 (0)20 3427 0598 (UK) or +1 347 366 9565 (US), confirmation code 3944085

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