

LADBROKES PLC (“Ladbrokes” or the “Group”)

22 October 2015

Q3 2015: TRADING IN LINE WITH OUR EXPECTATIONS – STRATEGY IMPLEMENTATION UNDERWAY

Ladbrokes plc (LSE:LAD) announces its trading update for the three months ended 30 September 2015 (the period or Q3):

| | Q3 2015 ⁽¹⁾ | Ex. World Cup |
|---------------------------------|------------------------|---------------|
| Group net revenue | -0.7% | +2.0% |
| - UK Retail | -1.0% | +1.1% |
| - Digital | +6.4% | +10.5% |
| - European Retail | -8.5% | -4.6% |
| Group EBIT⁽²⁾ | £14.3m | na |

UK Retail – improved OTC trends driven by football and racing:

- National launch of multi-channel, further SSBT roll-out, increased marketing to drive footfall
- OTC staking +1.6% (+3.5% adjusted for shop closures); OTC margin 15.5% (-1.5ppts); strong start to football season (season to date staking +17.5%) being offset by weak horse racing results particularly in September
- Machines revenue growth +4.1% (GWPTPW £1,006 +9.0%)

Ladbrokes.com plus Exchanges – returns to growth: net revenue +5.7%

- New desktop product launched on Mobenga; next generation of IMS; cash out product across all platforms
- Increased marketing intensity in line with strategic plan
- Sportsbook: staking +34.1%, GW margin 6.8% (-2.1ppts), net revenue -0.5%; Gaming net revenue +11.5%
- Total actives +5.6% (+18.1% excluding 2014 World Cup)

Australia⁽³⁾ (AUD) net revenue +26.3%

- Increased marketing and promotions; partial cash out products now available across all markets; cash deposit now available across over 1,000 retail outlets; Melbourne Racing Club sponsorship
- Sportsbook staking +61.4%; GW margin 8.3% (-1.2ppts); actives +88.8%

European Retail⁽³⁾ – growth in Belgium; Ireland restructuring complete:

- Belgium: growth from SSBTs/virtuals; OTC staking +55.4% and GW margin 20.1% (-5.6ppts); net revenue +21.4%
- Ireland: net revenue -16.6% reflecting expected impact of Examinership completed in July

Group EBIT⁽¹⁾⁽²⁾ – reduces to £14.3m

- Performance in line with our expectations
- EBIT impacted by increased machine gaming duty, point of consumption tax and lower comparative margins

Jim Mullen, Chief Executive, commented:

“These numbers reflect the first 68 days of activity since we announced our organic plan to aggressively invest and grow our recreational and multi-channel customer base particularly across UK Retail, Ladbrokes.com and Ladbrokes Australia.

“It is early in our journey, but today’s results reflect positive initial progress and customer traction with continued increases in staking and actives across Digital and improved staking trends in UK Retail driven by football and racing. Operating profit as expected is down reflecting continued headwinds from higher taxation as well as our increased marketing spend to build our customer base.

“With sportsbetting at our core we see customers responding well to our products, our value and to our recently launched multi-channel offer. All these initiatives are part of the long term plan for Ladbrokes with our targets based around delivery on hard financials for 2017.

“The focus now is on building on this start. Our people are responding to this challenge and we are committed to taking whatever steps necessary to keep this focus. The proposed merger with Coral is on track and, after raising £1.35 billion bank debt to finance the merged group, we will shortly be issuing the shareholder circular. The CMA work is progressing but there is no material news that we can share on this today.”

1. STRATEGY IMPLEMENTATION

Following the announcement of our new strategy on 24 July 2015, the Group has focused on implementing its plan to grow recreational scale across UK Retail, Ladbrokes.com and Australia. This growth is being driven by increasing direct and brand marketing expenditure; through offering focused value propositions to our customers; and through the continuous delivery of innovative products, including, importantly, multi-channel products and services.

In UK Retail, we have launched our multi-channel (One Ladbrokes) offer nationwide in late August following successful regional trials. We are focused on growing digital actives through the combination of digital and OTC oriented technology products, such as our bet slip tracker app, the Grid loyalty card and targeted retail staff incentivisation and training. We have already recorded over 320,000 checks on Bet Slip Tracker and generated new digital Sportsbook and Gaming actives of over 20,000 which we assess are worth more than digital accounts generated through other channels, achieved at significantly lower cost of acquisition. On SSBTs, we rolled out a further 1,350 SSBTs across the UK estate in Q3 and will complete our deployment plans during Q4 giving us an overall SSBT estate of over 6,500. SSBT staking represented c.5% of overall OTC staking (Q3 2014: c.2%), predominantly on football. In addition, SSBTs allow customers to bet in-play thereby aligning our retail offer with services our digital customers already enjoy. We continue to invest some margin in delivering value offers to our customers in key sports through Best Odds Guaranteed and Happy Hour. We have also begun to increase UK Retail marketing, with a focus on TV and call to action offers, to drive footfall over the medium-term with a particular focus on football where OTC stakes have grown 17.5% year on year in the English football season so far.

In Ladbrokes.com, we launched our new desktop product on the Mobenga platform, launched cash out options across all sportsbetting platforms and implemented the next level of IMS creating a competitive single wallet offer for customers. We have increased the quality of content available to customers on our key digital products including live scoreboards and have increased the ease of access to live streamed sporting events. In addition, we are working on the design and development of the technology powering our multi-channel offering including the recently launched bet slip tracker app. As planned, we increased our marketing intensity to over 30% of net revenue, in line with our strategic plan with a focus on pay per click and affiliate channels.

In Australia, we launched partial cash out offers across all our markets. In addition, as part of our intention to drive multi-channel growth in Australia, we have become the first betting operator to offer an innovative ‘Cash In’ feature that allows customers to instantly deposit money into their Ladbrokes account at over 1,000 participating newsagents across Australia. As a key part of our target to grow Australia revenues we have increased marketing intensity in line with our plan and increased customer service headcount, and innovation to support growth. Ladbrokes Australia has agreed a horse racing sponsorship until the end of 2016 with the newly launched racing.com channel. In Melbourne we will become the official corporate bookmaker for the Melbourne Racing Club from 1 January 2016 with Sandown Racecourse being renamed Ladbrokes Park and Ladbrokes will be official sponsor for key races including the Caulfield Classic and Caulfield Stakes.

In Belgium and Spain we are continuing our existing strategies for growth and in Ireland we were pleased to complete the Examinership process and the performance of our smaller more sustainable estate has been in line with our expectations.

2. FINANCIAL REVIEW

UK RETAIL

OTC staking trends improved again in Q3 delivering growth in staking of 1.6% (+3.5% adjusted for shop closures) with better racing trends and growth in football and sports. The Rugby World Cup performance has attracted better customer interest than we expected. As with Ladbrokes.com, OTC margins were down on last year. Strong football results across the quarter were offset by lower margins in racing during September, driven, in particular, by the St Leger meeting. Amounts staked through SSBTs rose nearly 160% year on year driven by our roll-out and continued customer adoption. Machine revenue continued to grow driven, particularly, by lower staking slots based games. Gross win per terminal per week was £1,006 (+9.0%). In Q3, we closed 8 shops (YTD: 48 shops) and at the end of the quarter we had 2,161 shops in the estate (Q3 2014: 2,231).

Retail costs remain in line with our expectations.

DIGITAL

Ladbrokes.com Sportsbook staking growth remains strong, up 34.1% with mobile staking up 69%. Sportsbook gross win margin improved on Q1 and Q2 2015 with recreational margins within our target range but, as expected, well down on Q3 2014 where the industry benefitted from a strong run of results in the final stages of the World Cup. Sportsbook net revenue was therefore broadly flat year on year. Gaming growth continued up 11.5% in Q3, our fourth sequential quarter of growth with positive trends across all products. Exchanges revenue increased by 9.4%.

Australia⁽³⁾ continued to grow well with staking up 61.4%; actives up 88.8% and net revenue up 26.3% reflecting slightly lower margins than last year and higher promotional activity. As the result of the weakening of the Australian Dollar in Q3, on a reported basis Australia revenue increased by 9.4%.

Digital operating costs remain in line with our expectations.

EUROPEAN RETAIL⁽³⁾

In Belgium we saw further growth in staking driven by SSBTs and virtual products reflecting our recent investment in a revised customer offer centred around these products. Amounts staked were up 55.4% and net revenue by 21.4%. In Spain, where we began expansion into Castilla ye Leon, amounts staked were up 37.3% and net revenue by 32.2%. In Ireland OTC amounts staked decreased by 0.9% reflecting the reduced Republic of Ireland estate following completion of the Examinership process in July. Activity in August and September in the Republic of Ireland, on a like-for-like basis, showed broadly stable gross win on higher, promotion driven staking activity. This performance is consistent with our objective of creating a sustainable business through the Examinership process where the reduction in workforce was achieved almost entirely through voluntary redundancy programme.

Operating costs in European Retail remain in line with our expectations.

Q3 EBIT⁽¹⁾

Q3 2015 EBIT decreased by 56.7% to £14.3m. This reduction reflects our increased marketing spend as we implement our strategy to increase our recreational customer base; the impact of externally imposed headwinds (UK point of consumption tax, increased Machine Games Duty and our withdrawal from unregulated digital markets); and more normalised margins relative to those achieved in Q3 2014 where we saw a strong contribution from the World Cup 2014. Operating profit from High Rollers in the quarter was £0.6m.

3. REGULATORY AND TAXATION DEVELOPMENTS

As we increase our focus on responsible gambling, we helped establish a trial cross operator self-exclusion scheme in central Glasgow, launched with the support of Glasgow City Council. The trial expanded at the start of Q4 to include c.300 shops covering the whole of Glasgow with a view to meeting the Gambling Commission call for a national scheme in Q2 next year. We also increased the operational scope of our algorithm trial to monitor loyalty card customers and assist in helping them keep gambling fun.. In an industry first, the trial also now covers OTC transactions as well as machines and is in operation in seven out of 10 regions. We expect to have it operating across the estate by the end of the year and are currently looking for external partners to help us validate the work and further improve its operation.

In Belgium we continue to have discussions with the regulator over the use of virtual products and continue to operate them within restrictions on how many hours a day they can operate. This is expected to continue through Q4 and into 2016.

4. PROPOSED MERGER WITH THE CORAL GROUP

Ladbrokes and the Coral Group are actively engaged with the Competition and Markets Authority (“CMA”) in normal course pre-notification discussions and submissions. The next step will be when the CMA accepts a formal notification as complete which the CMA will announce to the market. On 9 October we announced that we have put in place the committed financing required to complete the proposed merger and which will provide sufficient finance for the enlarged group following completion. Finally work on the circular to Ladbrokes shareholders and notice convening a general meeting to consider and approve the merger is nearing finalisation and is expected to be sent to shareholders shortly.

5. OTHER MATTERS

Net debt reduced by £107.6m to £311.6m at 30 September 2015 (31 December 2014: £419.2m) driven, predominantly, by the ordinary share placing completed on 24 July 2015 which raised £112.9m net of expenses.

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Quarterly Trends Table⁽¹⁾

| YoY (except where stated) | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q3 2015 ex. World Cup |
|---|---------|---------|---------|---------|---------|---------|--------------------------------|
| Group EBIT⁽²⁾ | £38.4m | £33.0m | £35.6m | £14.3m | £24.6m | £14.3m | na |
| Adjusted Group EBIT⁽²⁾⁽⁴⁾ | £27.3m | £21.6m | £26.9m | na | na | na | na |

| UK Retail | | | | | | | |
|-------------------------------------|---------|--------|---------|---------|---------|---------|---------|
| OTC Amounts Staked | +1.8% | (7.9)% | (6.8)% | (4.8)% | (5.6)% | +1.6% | +4.2% |
| SSBT % OTC staking | 1.8% | 2.1% | 3.1% | 3.5% | 3.6% | 5.3% | na |
| OTC Gross Win Margin | 16.5% | 17.0% | 15.6% | 15.7% | 16.2% | 15.5% | 15.5% |
| | (0.4)pp | +2.1pp | (1.5)pp | (0.5)pp | (0.3)pp | (1.5)pp | (1.1)pp |
| Machine Gross Win growth | +1.5% | +4.9% | +5.9% | +12.2% | +4.3% | +4.6% | +4.6% |
| Machine Gross Win per shop per week | +0.4% | +6.5% | +9.8% | +16.4% | +8.7% | +8.6% | +8.6% |
| Total Net Revenue | +1.5% | +6.0% | (2.4)% | +4.3% | (1.7)% | (1.0)% | +1.1% |

| Ladbrokes.com plus Exchanges⁽⁵⁾ | | | | | | | |
|---|---------|--------|---------|---------|---------|---------|---------|
| Total Net Revenue | +17.2% | +21.7% | +3.4% | (8.4)% | (5.5)% | +5.7% | +10.2% |
| Sportsbook Net Revenue | +63.1% | +58.3% | (7.0)% | (31.5)% | (23.0)% | (0.5)% | +8.4% |
| Sportsbook Amounts Staked | +41.9% | +20.9% | +29.5% | +28.8% | +12.7% | +34.1% | +40.1% |
| Mobile Sportsbook Amounts Staked | +114% | +113% | +114% | +62.7% | +66.5% | +69.0% | +76.6% |
| Sportsbook Actives | +38.6% | +33.7% | +14.3% | +18.5% | (5.4)% | +1.7% | +18.5% |
| Sportsbook Gross Win Margin | 9.1% | 8.9% | 6.5% | 4.0% | 6.3% | 6.8% | 6.8% |
| | +1.4pp | +2.2pp | (1.7)pp | (2.5)pp | (2.8)pp | (2.1)pp | (1.7)pp |
| Gaming Net Revenue | (18.6)% | - | +9.3% | +13.0% | +19.1% | +11.5% | na |
| Gaming Actives | (6.9)% | (2.3)% | +23.3% | +34.5% | +13.2% | +29.4% | na |

| Ladbrokes Australia (AUD)⁽³⁾ | | | | | | | |
|--|----|--------|--------|--------|--------|---------|---------|
| Net Revenue | na | +1650% | +253% | +132% | +73.6% | +26.3% | +27.7% |
| Sportsbook Amounts Staked | na | +432% | +38.6% | +77.8% | +52.7% | +61.4% | +62.3% |
| Sportsbook Actives | na | +274% | +144% | +138% | +65.9% | +88.8% | na |
| Sportsbook Gross Win Margin | na | +9.5% | 9.6% | 9.8% | 9.5% | 8.3% | 8.3% |
| | | +5.6pp | +4.4pp | +2.4pp | +0.8pp | (1.2)pp | (1.2)pp |

Notes:

- (1) Excluding High Rollers. Year on year performance except where stated
- (2) Profit before tax, net finance expense and exceptional items. Stated after amortisation of customer relationships and other acquisition related intangible assets
- (3) Constant currency basis; Australia quarterly data as reported, not pro forma
- (4) In order to provide a relevant comparative, FY14 quarterly EBIT has been adjusted to reflect impact of externally imposed headwinds – UK point of consumption tax, increased Machine Games Duty (from 1 March) and our withdrawal from unregulated digital markets in line with the guidelines of the UK Gambling Commission as if they had applied in FY14
- (5) Sportsbook and Gaming are related to Ladbrokes.com only