

Trading and Strategy Update

“Momentum building from early success”

Betfair Group plc (LSE:BET) is today releasing an unaudited trading update following the end of its financial year ended 30 April 2013 (“FY13”) and is providing an update on progress made in delivering its strategy.

Highlights

- Estimated results above the top end of our guidance range:
 - FY13 estimated revenue of c.£387 million¹
 - FY13 estimated underlying EBITDA² of c.£73 million¹
- Cash balance at 30 April 2013 of £168 million (2012: £118 million)¹
- Excellent progress made in the delivery of our plan:
 - Cost savings increased to c.£30m (from £20m) and full benefit now expected in FY14
 - Employee numbers reduced by c.500 following restructuring
 - Record UK customer acquisition (up 108% year on year) since sportsbook launch
 - Evidence of improved acquisition efficiency (Q4 cost per acquisition down 20%)
 - 74% year on year increase in games cross sell since sportsbook launch
 - UK customer base up 18% year on year in the last 6 months
 - 75% of Q4 revenue generated in sustainable jurisdictions (Q4 FY12: 66%)
- Strong strategic momentum
 - Recent customer acquisition and retention performance indicates that product and marketing strategies are working
 - Planning to re-invest c.£10m of the cost savings in further product and marketing investment
 - Evidence that the exchange and sportsbook are complementary: 24% of football customers are already using both products
 - Acquisition of Blue Square helps achieve scale

Breon Corcoran, Chief Executive Officer, stated:

“We have achieved much in the five months since we set out our strategy in December.

“The business has gone through significant change. A new management team is in place and a wide ranging restructuring has been completed ahead of schedule, allowing us to increase our cost savings substantially. At the same time, the pace of product delivery has accelerated, including the development and launch of a new sportsbook within three months.

“The strategy is working. We have had early success and shown that the combination of the exchange and sportsbook can deliver a sustainable competitive advantage. In the last couple of months, our sportsbook-led acquisition focus has resulted in improved marketing efficiency and a two fold increase in the number of UK customer activations. We are confident this will enable us to accelerate revenue growth in our most important market and I believe we can grow in-line with the market in the medium term.

“While we are rightly focusing on regulated jurisdictions, primarily the UK and Ireland, I firmly believe there is a significant international opportunity. We have recently seen positive regulatory momentum in Italy, Spain and the USA. In addition, revenue from the countries where we have ceased marketing is proving relatively resilient due to the uniqueness of our exchange.

“We intend to use our strong balance sheet to pursue a strategy of targeted acquisitions to add further domestic scale, achieve geographical expansion and close product gaps.

“Our progress to date is a testament to the dedication and hard work of our people. They have performed admirably in demanding circumstances.

“This is just the beginning, however. In a few short months we have made considerable progress and demonstrated the opportunity that Betfair has ahead of it. I firmly believe that Betfair’s unique technology, customer value proposition, UK scale and strong balance sheet mean it is well placed to compete in an industry facing substantial changes. I am delighted to be leading the business at this exciting time.”

FY13 trading update

We estimate that Group revenue was approximately £387 million (FY12: £388 million), ahead of our guidance³. The outperformance was driven by stronger than expected UK sportsbook revenues, particularly via the mobile channel, and revenue resilience in countries where we have ceased marketing.

We estimate that Group underlying EBITDA was also higher than our guidance³ at approximately £73 million (FY12: £86 million). This was driven primarily by the better revenue performance.

Cost savings

In December, we stated that we needed to become a leaner organisation. At the time, we had identified opportunities to reduce costs over the next two years by approximately £20 million (on an annual run-rate basis). We now expect cost savings to total approximately £30 million and have accelerated the delivery of the savings such that the full impact is now expected to benefit the current financial year (ending 30 April 2014).

Following an extensive restructuring, we have reduced the number of employees in the business by approximately 500. This is expected to reduce costs by approximately £23 million.

Approximately £7 million of further savings are expected to result from reducing spend with suppliers. Much of this is driven by the lower number of employees, such as the consolidation of office space. We have also reviewed existing supplier relationships to achieve efficiencies and are planning to spend less on public affairs and legal resources in some jurisdictions due to our new geographical focus.

We still expect the cost to achieve these savings to be approximately £20 million. These costs will be reported separately and excluded from underlying results to reflect the exceptional nature of these items.

Strategy update

Betfair’s management team is today presenting an update on the delivery of its strategic plan (the “Trading & Strategy Update Presentation”).

Highlights of the Trading & Strategy Update Presentation include how Betfair is:

- Focusing investment on regulated jurisdictions to increase sustainability of revenues and reduce the regulatory risk
- Investing in product and brand to enhance our competitive position and drive growth
- Introducing greater accountability and becoming a leaner and more dynamic business
- Looking to accelerate growth through international opportunities and its balance sheet flexibility.

There will be a live audio stream of the Strategy Update Presentation on our corporate website (<http://corporate.Betfair.com>) at 10am today. The Strategy Update Presentation materials will be made available on the website at around 9.30am today.

Contact

Betfair Group plc

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Important Information

This announcement is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction.

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as financial adviser to Betfair Group plc ("Betfair") and for no one else in relation to the matters described in this announcement and will not be responsible to anyone other than Betfair for providing the protections afforded to clients of Goldman Sachs International nor for providing advice in connection with the matters described in this announcement or any matter referred to herein.

Morgan Stanley & Co. International plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as financial adviser to Betfair and for no one else in relation to the matters described in this announcement. In connection with such matters, Morgan Stanley & Co. International plc, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to anyone other than Betfair for providing the protections afforded to their clients or for providing advice in connection with the matters described in this announcement or any matter referred to herein.

Barclays Bank PLC, acting through its investment bank ("Barclays"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as financial adviser to Betfair and for no one else in connection with the matters described herein and will not be responsible to anyone other than Betfair for providing the protections afforded to its clients or for providing advice in relation to the matters described in this announcement or any transaction or arrangement referred to herein.

Profit Estimate

The statements above under "FY 13 trading update" that estimated Group revenue for FY13 was approximately £387 million and that estimated Group underlying EBITDA² for FY13 was approximately £73 million (the "Betfair Profit Estimate") constitute a profit forecast for the purposes of Rule 28 of the City Code on Takeovers and Mergers (the "Code"). As such it is a requirement under the Code that the Betfair Profit Estimate is reported on by Betfair's reporting accountants and financial advisers. The bases and assumptions behind the Betfair Profit Estimate and the reports of KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc are set out in the Appendix to this announcement. KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc have given and not withdrawn their consent to publication of their reports in the form and context in which they are included.

Other than the Betfair Profit Estimate, no statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that earnings per Betfair share for the current or future financial years would necessarily match or exceed the historical published earnings per Betfair share.

Directors' Responsibility Statement

The directors of Betfair accept responsibility for the information contained in this announcement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Forward Looking Statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the subject matter of this announcement, and other information published by Betfair contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Betfair about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Betfair can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither Betfair, nor any of its respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules), Betfair is not under any obligation, and Betfair expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Certain data in this announcement, including financial, statistical and operating information, has been rounded. As a result of such rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data.

ADDITIONAL INFORMATION

The Trading & Strategy Update Presentation to be delivered by Betfair's management team today will include certain additional information. This is reproduced below for information:

- Free cash flow for the year ended FY13 is expected to be £37m (FY12: £44m)
- Underlying Revenue Growth, adjusting for Greece, Germany, Cyprus and Spain Exchange, was 6% in FY13
- Underlying EBITDA, adjusting for the change in capitalisation of internal development expenditure, was down £4m in FY13, having been affected by regulatory change partially offset by growth in sustainable jurisdictions,
- Monthly Core active customers is increasing and the UK proportion of the base was 67% in April 2013 vs 60% in October 2012
- UK & Ireland active customer base was up 18% year on year in the last six months
- Q4 cost per customer acquisition was down c.20% in FY13 versus FY12

- The number of in-play football matches is expected to be c.750 in August 2013 up from c.300 in March 2013 and the number of in-play markets is expected to increase from c.65 in March 2013 to c.130 in May 2013
- There is a 24% overlap between sports book and exchange football customers.
- Marketing focus is driving Games customer acquisitions and has resulted in an increase of 37% year on year
- Approximately 50% of all activations are from mobile
- There is evidence of successful cross-sell from sports to games for March and April 2013 (up 74% year on year)
- Cash Out Usage has grown from c. 10% in September 2012 to c.30% in March 2013
- TVG estimated EBITDA margin has improved from -3% in FY12 to 7% in FY13
- Betfair Australia increased its base rate price by 30% on Australian horseracing markets in April 2012, which has resulted in a c.15% increase in revenue growth
- Fourth quarter revenue in unregulated countries was down 14% on Q2 (excluding 'exited' markets in Greece, Cyprus and Germany)
- Total headcount at 30 April 2013 is 1,832.
- The cash balance at 30 April 2013 includes £13.9 million of restricted cash.

In addition to this information, as part of this strategy update presentation, the Directors of Betfair have made the following belief statements:

- The Exchange remains Betfair's USP
- Betfair has a market leading exchange position
- Sportsbook combines with UK focus to drive efficient customer acquisition
- With the 'Exchange + Sportsbook' we can achieve a real and sustainable competitive advantage
- The Company's experience in Australia regarding pricing implies a revenue opportunity
- TVG can achieve margins consistent with rest of group and still offers some optionality
- Exchange licences are expected in New Jersey and California
- Disciplined acquisition approach to achieve returns significantly ahead of cost of capital will create value for shareholders

Footnotes

¹ Results for both FY13 and F&12 are from continuing operations excluding LMAX

² Figures represent underlying results, which exclude, where relevant, separately disclosed items, including redundancy costs. EBITDA is defined as Group operating profit before impairment, depreciation and amortisation.

³ Revenue guidance range of £370 million to £385 million; underlying EBITDA guidance range of £65 million to £70 million

APPENDIX
BETFAIR PROFIT ESTIMATE

PART A - PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDED 30 APRIL 2013

The statements above that estimated Group revenue for FY13 was approximately £387 million and that estimated Group underlying EBITDA¹ for FY13 was approximately £73 million constitute a profit forecast for the purposes of Rule 28 of the Code. As such it is a requirement under the Code that the Betfair Profit Estimate is reported on by Betfair's reporting accountants and financial advisers. The bases and assumptions behind the Betfair Profit Estimate and the reports of KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc are set out below. KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc have given and not withdrawn their consent to publication of their reports in the form and context in which they are included.

This trading update does not constitute or include Betfair's preliminary statement of annual results (for the purposes of the Listing Rules) or statutory accounts for the financial year ended 30 April 2013.

The Betfair Profit Estimate is for the full year to 30 April 2013. In accordance with Rule 28.8 of the Code, your attention is drawn to the announcement issued by Betfair on 13 December 2012 containing the unaudited results of Betfair for the six month period ended 31 October 2012.

Basis and Sources of Preparation

The Betfair Profit Estimate has been prepared on a basis consistent with the accounting policies that are expected to be used in the Group's financial statements for the year ended 30 April 2013. References in this trading update to revenue and underlying EBITDA are defined on a basis consistent with the unaudited half year results to 31 October 2012.

The Betfair Profit Estimate is based on the unaudited half year results to 31 October 2012, the results included in the unaudited management accounts for the 5 months ended 31 March 2013, and an estimate of the results for the month to 30 April 2013. Results for the five months to 31 March 2012 have been taken from Balthazar's group management accounts, which were prepared using the same consolidation system as used for year end reporting. The estimate for the month to 30 April 2013 is based on the management's latest Q3 reforecast, which was undertaken in January 2013, adjusted for known items for the month of April.

Assumptions

The Betfair Profit Estimate has been prepared on the assumption that:

1. no events will arise between the date of this announcement and the date on which Betfair announces its audited results for the financial year ended 30 April 2013 which would require incorporation in the 2013 results in accordance with the Group's accounting policies; and
2. there will be no retrospective change in legislation or regulatory requirements that will have a material impact on the Group's operations.

Betfair's directors, who are solely responsible for the Betfair Profit Estimate, have received the following letters from KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc in relation to the Betfair Profit Estimate.

¹ Figures represent underlying results, which exclude, where relevant, separately disclosed items, including redundancy costs. EBITDA is defined as Group operating profit before impairment, depreciation and amortisation.

PART B – REPORTING ACCOUNTANT’S LETTER

The Directors
Betfair Group plc
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Morgan Stanley & Co. International plc
25 Cabot Square
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E14 4QA

Goldman Sachs International
Peterborough Court
133 Fleet Street
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7 May 2013

Dear Sirs

Betfair Group plc

We report on the profit estimate comprising the estimate of Revenue and Underlying EBITDA of Betfair Group plc ('the Company') and its subsidiaries ('the Group') for the year ended 30 April 2013 (the 'Profit Estimate'). The Profit Estimate and the basis on which it is prepared is set out in the Appendix of the RNS announcement dated 7 May 2013 (the 'Document'). This report is required by Rule 28.3(b) of The City Code on Takeovers and Mergers ('the City Code') and is given for the purpose of complying with that rule and for no other purpose. Accordingly, we assume no responsibility in respect of this report to any offeror or to any person connected to, or acting in concert with, any offeror, or to any other person who is seeking or may in future seek to acquire control of the Company ('an alternative offeror') or to any person connected to, or acting in concert with, an alternative offeror.

Responsibilities

It is the responsibility of the directors of the Company ('the Directors') to prepare the Profit Estimate in accordance with the requirements of the City Code.

It is our responsibility to form an opinion as required by the City Code as to the proper compilation of the profit estimate and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and to the shareholders of the Company, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 28.4 of the City Code, consenting to its inclusion in the Document.

Basis of preparation of the Profit Estimate

The Profit Estimate has been prepared on the basis stated in the Appendix of the Document and is based on the unaudited interim financial results for the six months ended 31 October 2012, the unaudited management

accounts for the five months ended 31 March 2013 and an estimate for the month to 30 April 2013. The Profit Estimate is required to be presented on a basis consistent with the accounting policies of the Company.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the eleven months to 31 March 2013 included in the Profit Estimate has been prepared and considering whether the Profit Estimate has been accurately computed using that information and whether the basis of accounting used is consistent with the accounting policies of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Estimate has been properly compiled on the basis stated.

However, the Profit Estimate has not been audited. The actual results reported, therefore, may be affected by revisions required to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the management accounts. Consequently, we can express no opinion as to whether the actual results achieved will correspond to those shown in the Profit Estimate and the difference may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion the Profit Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Company.

Yours faithfully

KPMG Audit plc

PART C – RULE 3 FINANCIAL ADVISERS’ LETTER

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the Prudential Regulation Authority*

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and regulated by the Financial Conduct Authority and
the Prudential Regulation Authority*

Board of Directors
Betfair Group plc
Waterfront
Hammersmith Embankment
Chancellors Road
London, W6 9HP

7 May 2013

Dear Sirs

Report on the Profit Estimate of Betfair Group plc (the “Company”)

We refer to the profit estimate comprising estimates of revenue and underlying earnings before interest, tax, depreciation and amortisation of the Company and its subsidiaries for the 12 months ending 30 April 2013 (the “Profit Estimate”). The material assumptions upon which the Profit Estimate is based are set out in the Appendix to the Trading & Strategy Update Announcement dated 7 May 2013.

We have discussed the Profit Estimate and the bases and assumptions on which it is made with you and with KPMG Audit plc, the Company’s reporting accountants. We have also discussed the accounting policies and bases of calculation for the Profit Estimate with you and with KPMG Audit plc. We have also considered KPMG Audit plc’s letter of 7 May 2013 addressed to you and to us on these matters. We have relied upon the accuracy and completeness of all the financial and other information discussed with us and have assumed such accuracy and completeness for the purposes of providing this letter.

On the basis of the foregoing, we consider that the Profit Estimate, for which you, as directors of the Company are solely responsible, has been made with due care and consideration.

This letter is provided to you solely in connection with Rule 28.3(b) and Rule 28.4 of the City Code on Takeovers and Mergers and for no other purpose. No person other than the directors of the Company can rely on the contents of this letter and to the fullest extent permitted by law, we exclude all liability to any other person other than to you, the directors of the Company, in respect of this letter or the work undertaken in connection with this letter.

Yours faithfully,

Goldman Sachs International

Morgan Stanley & Co. International plc