

Betfair Group plc ("Betfair")**Q1 FY12 Interim Management Statement****"Robust Exchange performance against a record comparative period"**

Betfair (LSE:BET), the world's biggest betting community and one of the world's leading online betting and gaming operators, today announces its Interim Management Statement together with key performance indicators for the three month period ended 31 July 2011 ("Q1 FY12").

Highlights

- Core Betfair revenue down 7% to £80.8m against a record comparative period
- Robust Exchange performance: Revenue flat despite the significant World Cup uplift in Q1 FY11
- Strong Mobile growth: 7.4 million bets (up 94%) and £4.2m of revenue (up 78%)
- Encouraging current trading: Core Betfair revenue up 12% in August
- Buy-back programme underway: 1.7 million shares repurchased to date for £11 million

David Yu, Betfair's Chief Executive Officer, commented:

"I am pleased with our performance in the quarter. Betting Exchange revenue was flat compared to Q1 FY11, which was significantly boosted by the World Cup, and is up 19% over the last two years. Our unique business model means that Betfair continues to offer customers superior value and this resulted in our best ever Royal Ascot, Wimbledon and Open Golf Championship. The Exchange continues to be vibrant and, importantly, we have started to deliver on our plan to improve the monetisation of this activity through the dual levers of more customer education and targeted pricing changes. Overall Sports revenue was impacted, however, by lower revenue from our risk products due to adverse sporting results in May as previously reported. Since May, margins in risk products have returned to historical levels.

"Our mobile products have seen particularly strong customer traction in the quarter, with around one third of Sports customers using a mobile device to place a bet. The 7.4 million mobile bets placed in the quarter was almost double the number made in the same period last year. The broad reach of our mobile products across 17 languages and multiple platforms gives us a strong base for continued growth.

"Trading has been encouraging in the second quarter, including a good start to the football season. Consequently, Core Betfair revenue in August was up 12% versus the same period last year and, whilst it is still early in the financial year and the economic environment remains uncertain, we remain comfortable with the outlook for FY12."

Core Betfair

Core Betfair includes Betfair's unique Betting Exchange and its portfolio of other sports betting, games and poker products.

Revenues

Period <i>Unaudited</i>	Q1 FY12 £m	Q1 FY11 £m
Core Betfair revenue		
- Non-risk Sports	59.5	59.6
- Risk Sports	0.3	3.9
- Sports	59.8	63.5
- Games	14.7	16.7
- Poker	5.4	6.1
Core Betfair Net Gaming Revenue	79.9	86.3
Revenue from management of customer funds	0.9	0.7
Core Betfair revenue	80.8	87.0
Change		
- Sports	-6%	
- Games	-12%	
- Poker	-12%	
Core Betfair Net Gaming Revenue	-7%	
Revenue from management of customer funds	+31%	
Core Betfair revenue	-7%	

Core Betfair revenue decreased by 7% against a tough comparative period for all products. Our focus on attracting and retaining higher value customers has resulted in a 13% increase in ARPU to £186. Actives in the quarter fell by 18% to 430,000, reflecting this higher value focus and the increased customer activity during the World Cup last year.

Non-risk Sports revenue, which is predominantly commission earned on the Betting Exchange, was flat at £59.5m (Q1 FY11: £59.6m), and is up 19% over the last two years. As expected, football revenue was down versus last year, but this was offset by growth in other sports, particularly tennis, cricket and golf. Horse racing revenue also increased in the period. Activity on the Exchange has remained strong. Towards the end of the period, we introduced targeted pricing changes for a very small number of customers which we believe will improve the balance of the Exchange ecosystem and ultimately lead to higher revenue growth. Whilst the impact will be assessed over the longer term, we are pleased with initial results.

Revenue from risk Sports products was lower at £0.3m (Q1 FY11: £3.9m) following adverse sporting results in May. Margins have since returned to historical levels.

Mobile is a key element of our growth strategy and we have invested heavily to create a broad range of products from which we can drive mobile usage from both our existing base and new customers. We have native apps for iPhone, iPad, Android and J2ME alongside our Mobile Web Application. We have products in 17 languages and a presence in 13 different Apple iTunes stores globally, representing significantly greater international reach than our competitors. Furthermore, we made significant updates to our mobile product range during the quarter, with enhancements to the in-play experience, including live scores, faster response times and an improved visual design. The new iPad app now displays our full market depth and is proving popular with higher value customers. The new iPhone release allows deposits and withdrawals for the first time and we are already seeing a rise in deposits through the mobile channel. These changes have proved popular with customers, demonstrated by greater uptake of in-play betting and an increase in the average time spent on the product, leading to 78% growth in Mobile revenue to £4.2m.

Games revenue of £14.7m was 6% higher than the previous quarter (Q4 FY11: £13.9m), but lower on a year-on-year basis due to the higher levels of activity we saw last year during the World Cup period (Q1 FY11: £16.7m). We have continued to refresh the product portfolio, adding 15 new games during the period.

Poker revenue of £5.4m was slightly higher than the previous quarter (Q4 11: £5.3m), representing a fourth quarter of stability following the migration to the Ogame network in July 2010. Q1 FY12 was the final quarter to be affected by year-on-year comparisons to the pre-migration period.

We have continued our efforts to achieve sensible regulatory outcomes in a number of European markets. In Italy, we are working closely with the gaming regulator, AAMS, to be able to operate our Exchange on our Betfair.it site under our existing betting licence. In the meantime, we continue to take wagers on our Italian sportsbook. Following the introduction of a licensing framework for Games and Poker in Italy, we agreed with AAMS to cease offering these products on the Betfair.com site in the country from July. We are planning to introduce these products to the Betfair.it site in early 2012. In Spain, we look forward to applying for an operating licence in the coming months and started to pay gross profits tax from June in anticipation of this. We continue to monitor the on-going regulatory developments in other countries, particularly Greece and Germany, and will take appropriate steps where we believe proposed national regulations are inconsistent with European laws.

KPIs by product

Period <i>Unaudited</i>	Q1 FY12	Q1 FY11	Change %
Sports KPIs			
- Actives ('000)	381	472	-19%
- ARPU (£)	157	134	+17%
- Net Gaming Revenue (£m)	59.8	63.5	-6%
Games KPIs			
- Actives	83	102	-19%
- ARPU	177	163	+8%
- Net Gaming Revenue	14.7	16.7	-12%
Poker KPIs			
- Actives	63	71	-12%
- ARPU	86	86	-1%
- Net Gaming Revenue	5.4	6.1	-12%

KPIs by geography

Period <i>Unaudited</i>	Q1 FY12	Q1 FY11	Change %
UK			
- Actives ('000)	239	291	-18%
- ARPU (£)	177	163	+9%
- Net Gaming Revenue (£m)	42.3	47.4	-11%
Europe			
- Actives	181	225	-20%
- ARPU	182	152	+20%
- Net Gaming Revenue	33.0	34.1	-3%
Rest of World			
- Actives	10	10	+2%
- ARPU	443	475	-7%
- Net Gaming Revenue	4.6	4.8	-5%

Other investments and financial position

Betfair US continues to prepare for exchange licensing in California from May 2012. TVG again increased its share of the Advanced Deposit Wagering (ADW) market, delivering handle and revenue growth of 6% (in US Dollar terms) against a decline in the market.

LMAX has continued to refocus its product portfolio towards liquid foreign exchange, index and commodity markets and has enhanced its distribution capability by strengthening its sales channel. In recent weeks, there are some signs of improved customer traction.

The financial position of the Group remains strong with substantial net cash balances.

A complete analysis of KPIs on an annual, semi-annual and quarterly basis since the start of FY08 is available on the Group website (<http://corporate.betfair.com>).

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Conference call

David Yu, Chief Executive Officer and Stephen Morana, Chief Financial Officer, will be hosting a conference call for investors and analysts at 9.00 a.m. (BST) today. Access details for the call are as follows:

UK Access Number: +44 (0)20 3140 0668
UK Toll Free: 0800 368 1950
Participant PIN Code: 505938#

Replay Access Number: + 44 (0)20 3140 0698
Conference Reference: 379116#

The above replay facility will be available for one week. Alternatively, a recording of the conference call will be available on the Betfair Group website (<http://corporate.betfair.com>) later today.

About Betfair

Betfair is the world's biggest betting community and one of the world's leading online betting and gaming operators.

At the heart of Betfair is its pioneering Betting Exchange, where customers come together in order to bet at odds set by themselves or offered by other customers, instead of with a traditional bookmaker. The Betting Exchange provides customers with better pricing and more choice and flexibility than competing products, which has resulted in Betfair's customers showing greater levels of loyalty than its competitors with significantly higher customer satisfaction rates.

Betfair additionally offers a range of other sports betting products, casino games and poker. As at 31 August 2011, Betfair had almost 4 million registered customers worldwide and processed, on average, more than 6 million transactions per day on the Betting Exchange, more than all European Stock Exchanges combined during the preceding 12 month period.

Betfair also owns Betfair US, which comprises TVG (a licensed US horse racing wagering and television broadcasting business) and a development office in California, and 74.8% of LMAX, which operates an exchange platform for online retail financial trading which has evolved from Betfair's exchange platform technology. In addition, Betfair has a 50% holding in Betfair Australia, a joint venture which operates a licensed betting exchange business in Australia.

The Betfair Group employs more than 2,000 people and has twice been named the UK's 'Company of the Year' by the Confederation of British Industry and has won two Queen's Awards for Enterprise, being recognised for Innovation in 2003 and most recently for International Trade in 2008.

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No statement in this announcement is intended as a profit forecast or a profit estimate 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.

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. Percentages in tables have been rounded and accordingly may not add up to 100%.