

**Betfair Group plc ("Betfair")****Q1 FY13 Interim Management Statement****Strong Q1 driven by a great summer of sport**

Betfair (LSE:BET), today announces its Interim Management Statement together with key performance indicators for the three month period ended 31 July 2012 ("Q1 FY13").

**Highlights**

- Core Betfair revenue up 13% to £91.6 million (Q1 FY12: £80.8m)
  - Growth led by Sports: revenue up 21%
  - Strong UK performance: revenue up 23%
- Mobile betting growth continues: number of bets up 114% and revenue up 98%
- Breon Corcoran joined as CEO on 1 August
- Stephen Morana to step down as CFO once a successor has been identified

Stephen Morana, Betfair's Chief Financial Officer, commented:

"Revenue growth in the first quarter was primarily driven by Euro 2012, improved monetisation of exchange activity, continued mobile growth and a recovery in risk-sports margins. The resulting growth was partially offset by the impact of regulation.

"The UK, our largest market, was our strongest performing region, driven by the continued success of the "Don't Settle for Less" advertising campaign and a great summer of sport.

"Mobile betting goes from strength to strength, reflecting increasing smartphone penetration, product enhancements and customer familiarity. Mobile usage and revenues doubled and half of all customers in the UK and Ireland placed a mobile bet in the first quarter. We have also continued to deliver important new product upgrades in recent months, including new Android and iPad apps that include our popular Cash Out functionality.

"Change in the regulatory environment in which we operate has brought challenges in the form of product restrictions and higher levels of taxation. This has recently been illustrated in Spain and Cyprus, which have sought to restrict the products that operators can offer, and in Germany, where a turnover tax has been implemented that purports to cover all sports betting.

"Like-for-like net gaming revenue, adjusting for the impact of regulation, was marginally higher in Q2 to date compared to the same period last year. A slower start to the football season and reduced interest in other sports during the Olympics resulted in slower revenue growth in August. After a strong Q1, this leaves year to date revenues in line with our expectations.

"Finally, I have informed the Board that I intend to step down once a successor in the CFO role has been identified. It's been a very difficult decision to make but I feel the time is now right, for both me and the company, to move on. I have been incredibly fortunate to have been part of the Betfair success story over the past 10 years and am immensely proud of our achievements. Betfair is entering into a new era under the leadership of Breon Corcoran and I believe the company has a very bright future ahead of it."

Gerald Corbett, Betfair's Chairman, said today:

"I would like to formally welcome Breon to the company. I'm confident he is going to make a difference and I look forward to working with him to help Betfair realise its potential. In his first few

weeks he has been getting to know the business, and our people, and will update the market with his plans in due course.

“We understand why, after ten years, Stephen would like to start thinking about the next stage of his career and hand the reins over to a new CFO. On behalf of the whole company I would like to convey our immense gratitude to Stephen for the work he has put in to make the business the success it is today, and in particular, the excellent job he did as Interim CEO. Stephen will continue in his current position until we find his successor and we will begin the search process immediately.”

## **Core Betfair**

<b>Period</b> <i>Unaudited</i>	<b>Q1 FY13 £m</b>	<b>Q1 FY12 £m</b>	<b>Change %</b>
<b>Core Betfair revenue</b>			
- Non-risk Sports	68.9	59.5	+16%
- Risk Sports	3.4	0.3	+952%
- Sports	72.3	59.8	+21%
- Games	13.7	14.7	-7%
- Poker	5.1	5.4	-4%
Core Betfair Net Gaming Revenue	91.1	79.9	+14%
Revenue from management of customer funds	0.5	0.9	-45%
<b>Core Betfair revenue</b>	<b>91.6</b>	<b>80.8</b>	<b>+13%</b>

Overall revenue increased by 13% to £91.6 million (Q1 FY12: £80.8 million), driven by Sports. Quarterly average revenue per user (“ARPU”) was stable at £188 (Q1 FY12: £186) and the number of active customers increased by 13% to 485,000 (Q1 FY12: 430,000). The increase in actives was driven by Euro 2012 and continued growth in new customer activations, particularly in the UK.

Non-risk Sports revenue, which is predominantly commission earned on the Exchange, was up 16% to £68.9 million (Q1 FY12: £59.5 million). Risk Sports revenue was up £3.1 million to £3.4 million against a weak comparative period (Q1 FY12: £0.3 million), although margins in the period were below expectations due to the high percentage of favourites that won at the end of the football season.

In football, Euro 2012 was the most important growth driver in the quarter, generating revenue of £7.8 million, although some of this reflects substitution away from other sporting events. Racing revenue was up 3%, although growth was affected by fixture cancellations caused by the poor weather (41 versus nil in the prior year) as well as the substitution effect of Euro 2012. In tennis, interest in Andy Murray’s first Wimbledon final led to the match becoming our biggest ever market, with over £58 million of bets.

Games and Poker continued to act as a drag on our overall growth rate, with revenue up 7% and 3% respectively excluding the impact of regulation. Reported revenues, which were affected by regulatory factors in Italy, Cyprus and Spain, were down 7% and 4% respectively.

Revenue from the management of customer funds was down 45% to £0.5 million (Q1 FY12: £0.9 million) due to lower rates of return. Average customer funds in the period were flat.

The mobile channel continues to deliver strong usage and revenue growth. The number of bets placed increased by 114% to 15.8 million and revenue was up 98% to £8.2 million. This was the first full quarter in which we offered mobile casino and the product has started to deliver meaningful revenue.

The UK and Ireland region performed well, with revenue up 23% driven by higher actives and ARPU. Revenue in Europe, excluding the impact of regulation, was up 10%. However, reported revenue in the region was flat, with a c.£3 million regulatory impact offsetting underlying growth.

## **Regulation**

In Spain, following the award of remote gaming licences in June, we have made the Exchange unavailable to customers until exchange licences are issued. In Cyprus, gaming legislation was introduced in July that seeks to limit the products that operators can offer in the country, including restrictions on betting exchanges, casino and poker. We believe that the legislation contains serious flaws and, in certain significant areas, is inconsistent with European Union law. We expect that the on-

going impact from these regulatory changes on revenue will be c.£1.5 million per month on a run-rate basis.

In addition, the regulatory and fiscal situation in Germany remains uncertain. We were disappointed to see the introduction of a 5% Federal turnover tax in July and we are in discussions with relevant authorities. A tax at this rate, if applicable, would make our current exchange model unviable, restricting the product choice of our 40,000 German customers. In FY12, approximately 4% of Core Betfair revenue came from Germany and this revenue delivered a contribution of approximately £6 million before the allocation of central costs.

#### Current trading

In the second quarter to date, net gaming revenue was down 2% compared to the same period in the prior year. Like-for-like revenue, adjusting for the impact of regulation, was marginally higher and, after a strong Q1, is in line with our expectations for the year to date.

#### ***KPIs by product***

<b>Period</b>	<b>Q1</b>	<b>Q1</b>	<b>Change</b>
<i>Unaudited</i>	<b>FY13</b>	<b>FY12</b>	<b>%</b>
<b>Sports KPIs</b>			
- Actives ('000)	445	381	+17%
- ARPU (£)	162	157	+3%
- Net Gaming Revenue (£m)	72.3	59.8	+21%
<b>Games KPIs</b>			
- Actives	91	83	+10%
- ARPU	151	177	-15%
- Net Gaming Revenue	13.7	14.7	-7%
<b>Poker KPIs</b>			
- Actives	61	63	-3%
- ARPU	84	86	-2%
- Net Gaming Revenue	5.1	5.4	-4%

#### ***KPIs by geography<sup>1</sup>***

<b>Period</b>	<b>Q1</b>	<b>Q1</b>	<b>Change</b>
<i>Unaudited</i>	<b>FY13</b>	<b>FY12</b>	<b>%</b>
<b>UK and Ireland</b>			
- Actives ('000)	280	256	+10%
- ARPU (£)	198	177	+9%
- Net Gaming Revenue (£m)	55.6	45.4	+23%
<b>Europe</b>			
- Actives	193	164	+17%
- ARPU	155	182	-15%
- Net Gaming Revenue	30.0	29.9	Flat
<b>Rest of World</b>			
- Actives	12	10	+18%
- ARPU	456	443	+3%
- Net Gaming Revenue	5.6	4.6	+21%

<sup>1</sup> Note that the historical Q1 FY12 KPIs have been restated to reflect changes in our regional management structure. In both periods Ireland has been grouped with the UK rather than being included in Europe. A complete analysis of KPIs on an annual, semi-annual and quarterly basis since the start of FY10 is available on the Group website (<http://corporate.betfair.com>).

#### **Other investments**

Betfair Australia continued to grow strongly in Q1, with revenue up 25% (in constant currency). Mobile growth has been particularly strong and 48% of customers placed a mobile bet in the quarter. Following the increase in the commission rate on Australian racing markets from 5% to 6.5% in April, the business implemented a turnover charge on 30 July to certain customers on those Australian racing markets where it faces a turnover based race fields fee. The charge is designed to reduce the impact of these fees on Betfair Australia's profitability.

TVG delivered handle growth of 6% and revenue growth of 9% (both in constant currency). On 1 August, TVG launched in Pennsylvania and is now operational in 20 states. We are disappointed that the introduction of exchange wagering has been delayed in California and Betfair is continuing to work with the US racing industry to ensure participants understand the benefits the product would bring to the sport.

LMAX continues to win new customers for its exchange product and volumes have remained robust through the seasonally quiet summer months.

### **Financial position**

The financial position of the Group remains strong with substantial cash balances and no debt.

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### **Conference call**

Breon Corcoran, Chief Executive Officer and Stephen Morana, Chief Financial Officer, will be hosting a conference call for investors and analysts at 8.00 a.m. (BST) today. Access details for the call are as follows:

International Number: +44 1296 480 100

UK Toll Free: 0800 783 0906

Participant PIN Code: 635 103 99

A replay of the call will be available for one week on the following number:

Replay Access Number: 0207 136 9233

Conference Reference: 787 010 79

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