3 December 2013

**Betfair Group plc**

**("Betfair")**

# Interim results for the six months ended 31 October 2013

## Summary

| | Underlying [1, 2] | | | Reported [2] | | |
|---|---|---|---|---|---|---|
| | **H1** | **H1** | | **H1** | **H1** | |
| | **FY14** | **FY13** | ***Change*** | **FY14** | **FY13** | ***Change*** |
| *Unaudited* | **£m** | **£m** | ***%*** | **£m** | **£m** | ***%*** |
| Total revenue | 188.0 | 200.6 | *-6%* | 188.0 | 200.6 | *-6%* |
| EBITDA | 48.9 | 42.3 | *+16%* | 48.9 | 38.5 | *+27%* |
| Profit / (loss) before tax | 32.5 | 20.9 | *+56%* | 31.7 | (64.1) | *N/A* |
| Basic earnings / (loss) per share | 26.2p | 17.4p | *+51%* | 25.9p | (58.9)p | *N/A* |
| Dividend per share | 6.0p | 4.0p | *+50%* | 6.0p | 4.0p | *+50%* |

### Focus on sustainable revenues

- Sustainable revenues up 11% in Q2 and now represent 77% (H1 FY13: 71%) of total revenues
- Overall revenue declined 6% in H1, reflecting the recently lapped FY13 market exits

### Broadening our addressable market

- Sportsbook-led customer acquisition strategy is working: UK & Ireland active customers up 25% in H1
- Exchange / Sportsbook combination is showing signs of early success:
  - 38% of sports betting customers used both products in H1
  - 32% of new UK&I Exchange customers initially joined via the Sportsbook in H1
  - Automated integration of Exchange and Sportsbook expected in Q4
- Mobile revenue up 70% in H1 and now more than half of Sportsbook revenue

### International opportunities

- Strong revenue and margin performance in Betfair US
- Online casino launched in New Jersey

### Financial highlights

- Underlying EBITDA up 16% to £48.9m and underlying EBITDA margin up 5ppts to 26%
- Underlying free cash flow up 52% to £23.5m
- Interim Dividend up 50% to 6.0 pence per share
- Expecting full year underlying EBITDA of between £82m and £87m in FY14, including combined start-up losses of between £5m and £10m in Italy and New Jersey.

**Commenting on today's announcement, Breon Corcoran, Betfair's Chief Executive Officer, said:**

"Betfair has continued to make progress against the strategic objectives we set out in December 2012 and has delivered a good first half performance.

Our focus on regulated jurisdictions and Sportsbook-led acquisition continues to be successful. In the 12 months since we implemented this approach, the number of new customers acquired in the UK and Ireland is up 77%.

We continue to see evidence that our Exchange and Sportsbook products are complementary, with 38% of sports betting customers using both products. This overlap is set to increase in the coming months following innovative developments to our bet matching technology, bringing the benefits of Exchange-based pricing to Sportsbook customers.

Following cost reductions in the past twelve months we now operate as a leaner and fitter business, which means we can reinvest to generate revenue growth. Our sales and marketing budget is over £100m this year. This enables a top tier presence on Sky Sports, major investment in our online marketing capability and an exciting new partnership with Channel 4 Racing for 2014.

We are also investing in international opportunities. Our online casino launched in New Jersey on 21st November and, while regulatory processes are always uncertain, we have made good progress towards launching an Exchange in Italy.

Notwithstanding this incremental investment, the progress we have made in the first six months means we expect underlying EBITDA for the full year to be between £82m and £87m".

1 Underlying figures are stated after making a number of adjustments in order to aid comparability between periods. These adjustments involve the exclusion of separately disclosed items and net foreign exchange losses, along with the associated tax effect of these adjustments.

2 Continuing operations (FY13 excludes LMAX)

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***Analyst and investor results webcast***

*There will be a live webcast of the results presentation at 10 a.m. GMT. Please pre-register for access to the webcast by visiting the Group website (http://corporate.betfair.com). A copy of the webcast and slide presentation given at the meeting will be available on the Group's website later today.*

## BUSINESS REVIEW

### Strategy Update

We have made good progress towards delivering our strategic goal of achieving sustainable growth by:

- Focusing on regulated jurisdictions;
- Broadening our addressable market to include more recreational bettors;
- Becoming a leaner, more dynamic organisation; and
- Investing in international opportunities.

Focus on sustainable revenues

We have responded to regulatory uncertainty by switching investment away from markets where we are not confident there is sufficient near-term regulatory visibility.

Over the past 12 months, the business has realigned its marketing activities towards licenced operations and as a result faces substantially less regulatory risk. Sustainable markets (defined as the UK, Ireland, Denmark, Malta, Gibraltar and US) now contribute 77% of Group revenues (H1 FY13: 71%).

Broadening our addressable market

In the UK & Ireland, our marketing investment and product strategy have led to strong customer acquisition (up 63% year on year) and strong growth in the number of actives (up 25%). This, in turn, was reflected in sustainable revenue growth, which was up 11% in Q2.

We believe that the combination of the Exchange and Sportsbook gives us a unique advantage. In the first half of the year, 38% of sports betting customers used both products, compared to 30% and 32% respectively who used only the Exchange or Sportsbook. To further exploit this advantage and bring the benefits of the Exchange to more recreational customers, we are developing an integrated bet matching engine that will enable Sportsbook bets to be automatically redirected into the Exchange. We believe this will be a compelling proposition for customers, who will benefit from the better odds often available on the Exchange, while continuing to enjoy the familiar interface and promotions available on the Sportsbook.

This will also further increase Exchange liquidity by introducing bets from customers who may otherwise not use the Exchange, perhaps due to the perceived complexity of the product.

Becoming a leaner, more dynamic organisation

In FY13, we undertook a thorough review of our cost base and identified a number of areas where the business could become leaner.

Operating costs in the first half were down £18m, primarily as a result of these savings. This led to improved margins and is enabling us to invest in product and marketing to drive revenue growth.

International opportunities

We are focused on achieving sustainable international expansion. Markets that we believe will be attractive in the longer term include the USA and Italy.

Accordingly, we have recently launched an online gaming site in New Jersey and are making progress towards launching an Exchange in Italy. The start-up losses associated with these investments are expected to be between £5m and £10m in the second half of the year.

## Operating Review

| **Revenue (£m)**<br>Unaudited | **Q1**<br>**FY14** | **Q2**<br>**FY14** | **H1**<br>**FY14** | **Q1**<br>**FY13** | **Q2**<br>**FY13** | **H1**<br>**FY13** |
|---|---|---|---|---|---|---|
| - Exchange | 60.0 | 62.5 | 122.5 | 68.9 | 63.2 | 132.1 |
| - Sports | 4.0 | 7.4 | 11.4 | 3.4 | 4.8 | 8.2 |
| - Gaming | 13.7 | 15.5 | 29.2 | 19.8 | 19.2 | 39.0 |
| - Management of customer funds | 0.2 | 0.4 | 0.6 | 0.5 | 0.4 | 0.9 |
| Core revenue | 77.9 | 85.8 | 163.7 | 92.6 | 87.6 | 180.2 |
| US | 12.5 | 11.8 | 24.3 | 11.2 | 9.2 | 20.4 |
| **Total revenue** | **90.4** | **97.6** | **188.0** | **103.8** | **96.8** | **200.6** |
| **YoY** | | | | | | |
| - Exchange | -13% | -1% | -7% | | | |
| - Sports | +18% | +54% | +39% | | | |
| - Gaming | -31% | -19% | -25% | | | |
| - Management of customer funds | -60% | +0% | -33% | | | |
| Core revenue | -16% | -2% | -9% | | | |
| US | +12% | +28% | +19% | | | |
| **Total revenue** | **-13%** | **+1%** | **-6%** | | | |

Exchange

Exchange revenues in the period were down 7%, due to the £7.4m boost to prior year revenues from Euro 2012 and the withdrawal of the product from Greece, Germany and Spain following regulatory changes. From December, we have lapped these market exits, thereby removing this drag on growth.

While revenue growth was also affected by the decision taken to cease investment in jurisdictions with unsatisfactory regulatory outlooks, this impact was lower than expected. Indeed, Q2 Exchange revenues in these countries were unchanged against the prior year, which is testament to the high degree of customer loyalty towards the product.

The lack of a major international tournament led to football revenues being lower year on year, while horseracing benefited from a lower level of cancellations due to better weather conditions during the summer (5, down from 55 in H1 FY13). Cricket has also performed well in this Ashes summer and tennis benefited from the interest created by Andy Murray's Wimbledon success.

Sports

Sports revenue was up 39% to £11.4m (FY13: £8.2m). This resulted from a 108% increase in betting volumes, partly offset by lower gross win margins due to the increasing proportion of singles bets since the launch of the new Sportsbook.

Much of this growth came from the mobile channel which accounted for the majority of new activations and contributed 50% of revenue in the period. In October, 57% of revenue was from mobile.

The Sportsbook acts as our primary acquisition channel for new customers due to the simplicity of the product and the additional promotional capability it provides. Our promotions include free bet sign up offers that are widely used in the market as well as innovative offers such as 'select your own money back specials', which allow customers to choose a refund trigger.

Since launching the Sportsbook in February, we have continued to expand the number of events and markets offered. For instance, in the last six months we have increased the number of in-play football matches offered from c.550 to c.800 per week, introduced greyhound betting and international horseracing, and significantly increased our coverage of US sports.

Gaming

Gaming revenues were down 25%, driven by a 48% decline in unregulated jurisdictions. Sustainable revenues were down 10% following a very weak Poker performance.

The number of UK&I sports betting customers trying Gaming products increased substantially, driven by the more recreational customer base of the Sportsbook and the introduction of a seamless wallet between Exchange, Sportsbook and Casino. This represents encouraging progress, but our performance still lags behind competitors. Gaming represented just 19% of the total revenue from our Sportsbook customers in H1, which is significantly below the level which we believe is achievable.

Poker revenue was down 60% and now contributes just 2% of total revenues after the impact of the network migration from Ongame to iPoker and the poor market environment.

Betfair US

Handle, which is the volume of wagers placed, increased by 32% (constant currency) and revenue increased by 17% (constant currency). This was helped by the launch of advanced deposit wagering in New Jersey following the exclusive agreement to operate the 4NJbets platform on behalf of the State of New Jersey and the racing industry. Since taking over the responsibility for the platform, TVG has modernised the product offering, helping to drive a 54% increase in wagering volumes.

We are investing to upgrade the distribution of the TVG cable channel to High Definition, which we believe will further strengthen our viewing share.

The revenue growth and management of costs resulted in substantial margin expansion. Underlying EBITDA was £5.2m (FY13: £1.5m), equating to 21% of revenue (FY13: 7%).

**Regulation**

UK

The Government is expected to change the basis of licensing and taxation to a point of consumption basis so that all operators selling into the UK market, whether based domestically or overseas, will be required to hold a Gambling Commission licence to transact and advertise within the UK and to pay betting duty on UK gross gaming revenue (GGR) generated from UK persons. The new regime is expected to come into effect in late 2014. If the envisaged tax rate of 15% had been in place in H1, we estimate that the cost would have been approximately £17m.

Betfair continues to engage with the Government to stress the requirement for effective enforcement of any new rules to ensure player protection and fair competition in the marketplace.

International

The regulatory environment for online betting continues to evolve internationally, with Betfair continuing to engage when there is the prospect of fair and workable regulation.

The most notable recent developments have come in New Jersey, with the state recently opening its market for online gaming to sites run by partnerships between online operators and local casinos. Betfair has partnered with the Trump Plaza Casino and was recently one of several operators to be awarded a 'Transactional Waiver', which allowed us to launch our new site www.betfaircasino.com on 21 November. The initial signs have been promising however it is still very early stages in the market.

In Italy, Exchange regulation has been finalised and we are now in the final stages of a rigorous testing process for our product with the Italian regulator. Although we cannot control the timing of this process, we currently anticipate being able to launch an Italian Exchange in Q4. We have been seeking to build our presence in the Italian market in the interim period, and launched a new Italian Sportsbook in November, featuring a major update to the site's design and functionality.

We expect a licensing system for sports betting to be in place in Ireland before the end of FY15, although exact timings remain uncertain.

## FINANCIAL REVIEW

Summary

Revenue was £188.0m (FY13: £200.6m) and included significant adverse impacts from market exits (£11.5m) and the absence of a major international football tournament (£7.8m), partly offset by strong growth in Sportsbook and Betfair US revenues.

Underlying EBITDA was up 16% to £48.9m (FY13: £42.3m). This was primarily driven by the cost savings announced in FY13, which have now been delivered. This, along with lower depreciation and amortisation, resulted in underlying basic earnings per share increasing by 51% to 26.2 pence (H1 FY13: 17.4 pence).

The Group ended the period with a cash balance, excluding customer funds, of £171.3m (H1 FY13: £117.9m) and no debt.

| **Six months ended 31 October**<br>Unaudited | **H1<br>FY14<br>£m** | **H1<br>FY13<br>£m** | ***Change<br>%*** |
|---|---|---|---|
| **Revenue** | | | |
| Core Betfair | 163.7 | 180.2 | *-9%* |
| Betfair US | 24.3 | 20.4 | *+19%* |
| **Total** | **188.0** | **200.6** | ***-6%*** |
| **Underlying EBITDA** [3] | | | |
| Core Betfair | 43.7 | 40.8 | *+7%* |
| Betfair US | 5.2 | 1.5 | *+247%* |
| **Total** | **48.9** | **42.3** | ***+16%*** |
| Operating profit / (loss) | 33.0 | (64.8) | *N/A* |
| Underlying operating profit [3] | 33.0 | 19.6 | *+68%* |
| Profit / (loss) before tax | 31.7 | (64.1) | *N/A* |
| Underlying profit before tax [3] | 32.5 | 20.9 | *+56%* |
| Earnings / (loss) per share | 25.9p | (58.9p) | *N/A* |
| Underlying earnings per share [3] | 26.2p | 17.4p | *51%* |

[3] Underlying figures are stated after making a number of adjustments in order to aid comparability between periods. These adjustments involve the exclusion of separately disclosed items and net foreign exchange losses, along with the associated tax effect of these adjustments. A reconciliation of reported figures to underlying figures is set out in appendix 1.

Revenue

| **Revenue (£m)**<br>Unaudited | **Q1<br>FY14<br>£m** | **Q2<br>FY14<br>£m** | **H1<br>FY14<br>£m** | **Q1<br>FY13<br>£m** | **Q2<br>FY13<br>£m** | **H1<br>FY13<br>£m** |
|---|---|---|---|---|---|---|
| Sustainable markets | 69.9 | 75.4 | 145.3 | 75.5 | 67.7 | 143.2 |
| Other markets | 20.5 | 22.2 | 42.7 | 28.3 | 29.1 | 57.4 |
| **Total revenue** | **90.4** | **97.6** | **188.0** | **103.8** | **96.8** | **200.6** |

Revenue from sustainable markets (UK, Ireland, Denmark, Malta, Gibraltar and US) was up 1% despite the absence of a major international football tournament, aided by strong growth in Sports and Betfair US. Revenue from other markets was down 26%, driven by regulatory changes in Greece, Germany, Cyprus and Spain, as well as the decision to focus investment on sustainable markets.

| **Actives (k)** | **Q1<br>FY14** | **Q1<br>FY13** | **Change<br>%** | **Q2<br>FY14** | **Q2<br>FY13** | **Change<br>%** |
|---|---|---|---|---|---|---|
| Sustainable markets | 396 | 359 | +10% | 393 | 307 | +28% |
| Other markets | 134 | 195 | -31% | 147 | 181 | -19% |
| **Total actives** | **530** | **554** | **-4%** | **540** | **488** | **+11%** |

The number of active customers in the second quarter of FY14 increased by 11% to 540,000 (FY13 Q2: 488,000), mostly driven by Sports growth which was boosted by the launch of the Sportsbook. The number of active customers in sustainable markets increased significantly, up 28% to 393,000, while the number of actives in other markets was down 19% to 147,000.

| Core products per active | Q1 FY14 | Q1 FY13 | Change % | Q2 FY14 | Q2 FY13 | Change % |
|---|---|---|---|---|---|---|
| Rolling 12 months | 1.58 | 1.52 | +4% | 1.56 | 1.54 | +1% |

Core products per active over a rolling 12 month period continued to increase year on year up from 1.54 in Q2 FY13 to 1.56 in Q2 FY14. The increase was driven by enhancements to our fixed odds sports product.

### Administrative expenses [4]

| **Six months ended 31 October** Unaudited | H1 FY14 £m | H1 FY13 £m | *Change %* |
|---|---|---|---|
| Sales and marketing | 47.8 | 56.2 | *-15%* |
| Technology | 27.9 | 28.0 | *0%* |
| Operations | 11.2 | 15.2 | *-26%* |
| G&A | 13.5 | 19.9 | *-32%* |
| Betfair US | 15.2 | 14.7 | *+3%* |
| **Total** | **115.6** | **134.0** | ***-14%*** |

4 In line with the FY13 Annual Report, Product costs have been reclassified from Technology to Sales and marketing (£5.0m) while Trading costs have been transferred from Operations to Sales and marketing (£1.9m). Facilities costs have also now been reclassified from G&A to Operations (£5.3m).

Average headcount during the period of 1,681 was 516 lower than the prior year (H1 FY13: 2,197). Headcount was lower in all areas of the business, reflecting the reductions made during H2 FY13.

Sales and marketing spend reduced by 15% primarily due to phasing, with prior year investment concentrated around the football European Championships in H1. Therefore as a proportion of total revenue, sales and marketing spend decreased to 25% (28% in H1 FY13).

Technology costs before capitalisation of internal development expenditure were down 21% on the prior year following headcount reductions, a shift of development activity to Romania and Portugal and savings from external suppliers. In H1 FY14, £2.5m of internal development expenditure was capitalised compared with £10.3m in H1 FY13. Technology costs after this capitalisation were broadly in line with the prior year.

Operations spend was down 26% in the period primarily due to lower headcount and reduced office costs. Savings were partly offset by increased investment in customer services resources to support the growing customer base.

G&A costs were down 32%, primarily driven by employment cost savings.

Betfair US costs before capitalisation of internal development expenditure were down 10% on the prior year. In H1 FY14, £0.1m of internal development expenditure was capitalised compared with £2.3m in H1 FY13. Betfair US costs after this capitalisation were 3% higher than the prior year.

### Depreciation and amortisation

| **Six months ended 31 October** Unaudited | H1 FY14 £m | H1 FY13 £m | *Change %* |
|---|---|---|---|
| Core Betfair | 13.9 | 20.5 | *-32%* |
| Betfair US | 2.0 | 2.2 | *-9%* |
| **Total depreciation and amortisation** | **15.9** | **22.7** | ***-30%*** |

Depreciation and amortisation was lower than prior year as a result of lower capital expenditure and the impairment of intangible assets in H1 FY13.

### Finance income and expenses

Net interest expenses from corporate funds were £0.3m (H1 FY13: £0.2m). Total finance income and expenses include a net foreign exchange loss of £0.8m (H1 FY13: loss of £0.6m).

### Share of profit from equity accounted investments – Betfair Australia

Our share of operating losses in Betfair Australia was £1.0m (H1 FY13: profit of £0.9m), predominantly driven by increased investment in brand marketing which was weighted towards the first half of the year.

### Taxation

The Group had a tax charge of £4.8m in the period (H1 FY13: credit of £4.3m). The Group's effective underlying tax rate was 16.3% (H1 FY13: 16.0%) and the underlying tax charge was £5.3m (H1 FY13: £3.4m). We continue to expect the long-term sustainable tax rate to remain around this level.

### Dividend

The Board has declared an interim dividend of 6.0 pence per share (H1 FY13: 4.0 pence). This will be paid on 17 January 2014 to holders of relevant shares on the register at 11 December 2013.

### Capital expenditure

| **Six months ended 31 October** | | **H1 FY14** | | | **H1 FY13** | |
|---|---|---|---|---|---|---|
| | **Core** | **Betfair US** | **Total** | **Core** | **Betfair US** | **Total** |
| External capex | 4.0 | 1.3 | 5.3 | 6.5 | 0.8 | 7.3 |
| Internal devex | 2.5 | 0.1 | 2.6 | 10.3 | 2.3 | 12.6 |
| **Total capex** | **6.5** | **1.4** | **7.9** | **16.8** | **3.1** | **19.9** |

Capital expenditure (capex) totalled £7.9m (FY13: £19.9m), primarily reflecting lower capitalisation of development spend as a higher proportion of this spend was expensed in the period.

### Cash and cash flow

Free cash flow was £14.2m in the period (H1 FY13: £8.1m). This included £9.3m relating to separately disclosed items recognised in the prior year. Excluding these items, underlying free cash flow increased by £8.0m to £23.5m.

Cash at 31 October 2013, excluding customer funds which are held off-balance sheet, was £171.3m (31 October 2012: £117.9m; 30 April 2013: £168.1m).

| **Six months ended 31 October**<br>Unaudited | **H1 FY14 £m** | **H1 FY13 £m** |
|---|---|---|
| Underlying free cash flow | 23.5 | 15.5 |
| Cash flow from separately disclosed items | (9.3) | (7.4) |
| Free cash flow | 14.2 | 8.1 |
| | | |
| Dividends paid | (9.3) | (7.1) |
| Other [5] | (1.3) | (2.0) |
| **Net increase / (decrease) in cash and cash equivalents** | **3.6** | **(1.0)** |

[5] Other is comprised of the net purchase of own shares and proceeds from the issue of share capital

**Responsibility statement of the directors in respect of the half-yearly financial report:**

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the board of Betfair Group Plc

Breon Corcoran
Chief Executive Officer

Alexander Gersh
Chief Financial Officer

3 December 2013

# Condensed Consolidated Income Statement

| | Note | **Six months ended 31 October 2013 (Unaudited)** | Six months ended 31 October 2012 (Unaudited) | Year ended 30 April 2013 (Audited) |
|---|---|---|---|---|
| | | **£m** | £m | £m |
| **Continuing operations** | | | | |
| Revenue | | **188.0** | 200.6 | 387.0 |
| Cost of sales | | **(23.5)** | (24.3) | (49.8) |
| **Gross profit** | | **164.5** | 176.3 | 337.2 |
| Administrative expenses | | **(131.5)** | (241.1) | (406.2) |
| **Group operating profit / (loss)** | | **33.0** | (64.8) | (69.0) |
| Analysed as: | | | | |
| **Underlying EBITDA* (excluding separately disclosed items)** | | **48.9** | 42.3 | 73.3 |
| Separately disclosed items - restructuring | 3 | **-** | (3.8) | (22.1) |
| **EBITDA*** | | **48.9** | 38.5 | 51.2 |
| Separately disclosed items - impairment of goodwill and other assets | 3 | **-** | (80.6) | (82.4) |
| Depreciation and amortisation | | **(15.9)** | (22.7) | (37.8) |
| **Group operating profit / (loss)** | | **33.0** | (64.8) | (69.0) |
| Profit on disposal of available-for-sale financial asset | | - | - | 16.8 |
| Net finance (expense) / income | | **(0.3)** | (0.2) | 1.4 |
| Share of (loss) / profit of equity accounted investments | | **(1.0)** | 0.9 | 1.4 |
| **Profit / (loss) before tax** | | **31.7** | (64.1) | (49.4) |
| Tax | 4 | **(4.8)** | 4.3 | 4.2 |
| **Profit / (loss) for the period / year from continuing operations** | | **26.9** | (59.8) | (45.2) |
| **Discontinued operations** | | | | |
| Loss for the period / year from discontinued operations, net of tax | | **-** | (15.0) | (21.1) |
| **Profit / (loss) for the period / year** | | **26.9** | (74.8) | (66.3) |
| **Attributable to:** | | | | |
| Equity holders of the Parent | | **26.9** | (74.7) | (66.3) |
| Non-controlling interest | | **-** | (0.1) | - |
| **Profit / (loss) for the period / year** | | **26.9** | (74.8) | (66.3) |

**Earnings / (loss) per share**
**From continuing operations**

| | | | |
|---|---|---|---|
| Basic | **25.9p** | (58.9)p | (44.4)p |
| Diluted ** | **25.7p** | - | - |

**From continuing and discontinued operations**

| | | | |
|---|---|---|---|
| Basic | **25.9p** | (73.7)p | (65.1)p |
| Diluted ** | **25.7p** | - | - |

* EBITDA is defined as Group operating profit before net finance (expense) / income, tax, impairment, depreciation and amortisation. It excludes amounts in respect of the Group's equity accounted investments and is considered by the Directors to be a key measure of its financial performance. Underlying EBITDA is defined as EBITDA before separately disclosed items.

** Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive; hence diluted earnings per share has not been disclosed for the period ended 31 October 2012 and the year ended 30 April 2013.

# Condensed Consolidated Statement of Comprehensive Income

| | **Six months ended 31 October 2013 (Unaudited) £m** | Six months ended 31 October 2012 (Unaudited) £m | Year ended 30 April 2013 (Audited) £m |
|---|---|---|---|
| **Profit / (loss) for the period / year** | **26.9** | (74.8) | (66.3) |
| **Other comprehensive (expense) / income**<br>*Items that will be reclassified to profit or loss:* | | | |
| Available-for- sale investments gain arising during the period | **-** | 16.8 | - |
| Foreign exchange differences arising on consolidation | **(1.6)** | 0.9 | 1.8 |
| **Other comprehensive (expense) / income for the period / year** | **(1.6)** | 17.7 | 1.8 |
| **Total comprehensive income / (expense) for the period / year** | **25.3** | (57.1) | (64.5) |
| **Attributable to:** | | | |
| Equity holders of the Parent | **25.3** | (57.0) | (64.5) |
| Non-controlling interest | **-** | (0.1) | - |
| **Total comprehensive income / (expense) for the period / year** | **25.3** | (57.1) | (64.5) |

# Condensed Consolidated Balance Sheet

| | Note | **31 October 2013 (Unaudited) £m** | 31 October 2012 (Unaudited) £m | 30 April 2013 (Audited) £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | | **15.1** | 28.8 | 20.6 |
| Goodwill and other intangible assets | | **51.2** | 46.9 | 54.6 |
| Investments | | **6.1** | 7.1 | 7.9 |
| Available-for-sale financial assets | 6 | **1.3** | 19.0 | 1.3 |
| Deferred tax assets | | **5.9** | 2.5 | 5.1 |
| | | **79.6** | 104.3 | 89.5 |
| **Current assets** | | | | |
| Trade and other receivables | | **29.2** | 21.5 | 18.7 |
| Assets held for sale | | **-** | 29.7 | - |
| Cash and cash equivalents | 7 | **171.3** | 117.9 | 168.1 |
| | | **200.5** | 169.1 | 186.8 |
| **Total assets** | | **280.1** | 273.4 | 276.3 |
| **Current liabilities** | | | | |
| Trade and other payables | | **100.7** | 97.3 | 109.6 |
| Tax payable | | **25.0** | 21.0 | 21.5 |
| Provisions | 8 | **3.2** | - | 11.6 |
| Liabilities directly associated with assets classified as held for sale | | **-** | 20.8 | - |
| | | **128.9** | 139.1 | 142.7 |
| **Non-current liabilities** | | | | |
| Provisions | 8 | **0.7** | - | 1.6 |
| **Total liabilities** | | **129.6** | 139.1 | 144.3 |
| **Net assets** | | **150.5** | 134.3 | 132.0 |
| | | | | |
| Share capital | 9 | **0.1** | 0.1 | 0.1 |
| Share premium | | **21.1** | 13.1 | 19.4 |
| Other reserves | | **(9.1)** | 5.0 | (7.6) |
| Retained earnings | | **138.4** | 115.9 | 120.1 |
| **Equity attributable to equity holders of the Parent** | | **150.5** | 134.1 | 132.0 |
| Non-controlling interest | | **-** | 0.2 | - |
| **Total equity** | | **150.5** | 134.3 | 132.0 |

# Condensed Consolidated Statement of Changes in Equity
## For the six month period ended 31 October 2013

Attributable to equity holders of the Company

| | Share capital £m | Share premium £m | Other reserves £m | Foreign currency translation reserve £m | Retained earnings £m | Total parent equity £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 May 2013** | 0.1 | 19.4 | 0.9 | (8.5) | 120.1 | 132.0 | - | **132.0** |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit for the period | - | - | - | - | 26.9 | 26.9 | - | **26.9** |
| **Other comprehensive expense** | | | | | | | | |
| Foreign exchange differences | - | - | - | (1.6) | - | (1.6) | - | **(1.6)** |
| **Other comprehensive expense** | - | - | - | (1.6) | - | (1.6) | - | **(1.6)** |
| **Total comprehensive income / (expense) for the period** | - | - | - | (1.6) | 26.9 | 25.3 | - | **25.3** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Issue of shares | - | 1.7 | - | - | - | 1.7 | - | **1.7** |
| Equity-settled share-based payments | - | - | - | - | 3.6 | 3.6 | - | **3.6** |
| Purchase of own shares by EBT* | - | - | - | - | (2.9) | (2.9) | - | **(2.9)** |
| Dividend paid | - | - | - | - | (9.3) | (9.3) | - | **(9.3)** |
| Tax on equity-settled share-based payments | - | - | 0.1 | - | - | 0.1 | - | **0.1** |
| **Total transactions with owners** | - | 1.7 | 0.1 | - | (8.6) | (6.8) | - | **(6.8)** |
| **Balance at 31 October 2013** | **0.1** | **21.1** | **1.0** | **(10.1)** | **138.4** | **150.5** | **-** | **150.5** |

* Employee Benefit Trust is defined as EBT.

# Condensed Consolidated Statement of Changes in Equity
## For the six month period ended 31 October 2012

Attributable to equity holders of the Company

| | Share capital £m | Share premium £m | Other reserves £m | Foreign currency translation reserve £m | Retained earnings £m | Total parent equity £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 May 2012** | 0.1 | 12.0 | 1.0 | (10.3) | 193.3 | 196.1 | - | 196.1 |
| **Total comprehensive expense for the period** | | | | | | | | |
| Loss for the period | - | - | - | - | (74.7) | (74.7) | (0.1) | (74.8) |
| **Other comprehensive income / (expense)** | | | | | | | | |
| Available-for-sale investments gain arising during the period | - | - | 16.8 | - | - | 16.8 | - | 16.8 |
| Foreign exchange differences | - | - | - | (2.0) | 2.9 | 0.9 | - | 0.9 |
| **Other comprehensive income / (expense)** | - | - | 16.8 | (2.0) | 2.9 | 17.7 | - | 17.7 |
| **Total comprehensive expense for the period** | - | - | 16.8 | (2.0) | (71.8) | (57.0) | (0.1) | (57.1) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Issue of shares | - | 1.1 | - | - | - | 1.1 | - | 1.1 |
| Equity-settled share-based payments | - | - | - | - | 4.7 | 4.7 | - | 4.7 |
| Purchase of own shares by EBT* | - | - | - | - | (3.2) | (3.2) | - | (3.2) |
| Dividend paid | - | - | - | - | (7.1) | (7.1) | - | (7.1) |
| Tax on equity-settled share-based payments | - | - | (0.5) | - | - | (0.5) | - | (0.5) |
| **Total transactions with owners** | - | 1.1 | (0.5) | - | (5.6) | (5.0) | - | (5.0) |
| **Changes in ownership interests in subsidiaries that do not result in a loss of control** | | | | | | | | |
| Issue of shares by subsidiary to non-controlling interest | - | - | - | - | - | - | 0.3 | 0.3 |
| **Total changes in ownership interests in subsidiaries** | - | - | - | - | - | - | 0.3 | 0.3 |
| **Balance at 31 October 2012** | 0.1 | 13.1 | 17.3 | (12.3) | 115.9 | 134.1 | 0.2 | 134.3 |

* Employee Benefit Trust is defined as EBT.

# Condensed Consolidated Statement of Changes in Equity
## For the year ended 30 April 2013

Attributable to equity holders of the Company

| | Share capital £m | Share premium £m | Other reserves £m | Foreign currency translation reserve £m | Retained earnings £m | Total parent equity £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 May 2012** | 0.1 | 12.0 | 1.0 | (10.3) | 193.3 | 196.1 | - | 196.1 |
| **Total comprehensive expense for the year** | | | | | | | | |
| Loss for the year | - | - | - | - | (66.3) | (66.3) | - | (66.3) |
| **Other comprehensive income** | - | - | - | 1.8 | - | 1.8 | - | 1.8 |
| **Total comprehensive (expense)/ income for the year** | - | - | - | 1.8 | (66.3) | (64.5) | - | (64.5) |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Issue of shares | - | 7.4 | - | - | - | 7.4 | - | 7.4 |
| Dividend paid | - | - | - | - | (11.2) | (11.2) | - | (11.2) |
| Equity-settled share-based payments | - | - | - | - | 7.5 | 7.5 | - | 7.5 |
| Purchase of own shares by EBT* | - | - | - | - | (3.2) | (3.2) | - | (3.2) |
| Tax on equity-settled share-based payments | - | - | (0.1) | - | - | (0.1) | - | (0.1) |
| **Total transactions with owners** | - | 7.4 | (0.1) | - | (6.9) | 0.4 | - | 0.4 |
| **Balance at 30 April 2013** | 0.1 | 19.4 | 0.9 | (8.5) | 120.1 | 132.0 | - | 132.0 |

* Employee Benefit Trust is defined as EBT.

# Condensed Consolidated Statement of Cash Flow

| | Note | **Six months ended 31 October 2013 £m** | Six months ended 31 October 2012 £m | Year ended 30 April 2013 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit / (loss) for the period / year | | **26.9** | (74.8) | (66.3) |
| Adjustments for: | | | | |
| Depreciation and amortisation | | **15.9** | 24.9 | 40.1 |
| Equity-settled share-based payments and associated costs | 10 | **4.2** | 5.0 | 9.3 |
| Profit on disposal of available-for-sale financial asset | | **-** | - | (16.8) |
| Loss on disposal of subsidiary undertaking | | **-** | - | 5.3 |
| Impairment loss in respect of goodwill and other assets | | **-** | 88.7 | 90.1 |
| Share of loss / (profit) of equity accounted investments | | **1.0** | (0.9) | (1.4) |
| Net finance expense / (income) | | **0.3** | 0.1 | (1.5) |
| Tax | | **4.8** | (3.9) | (3.8) |
| Increase in trade and other receivables | | **(10.9)** | (1.0) | (1.1) |
| (Decrease) / increase in trade and other payables | | **(9.4)** | (1.0) | 20.7 |
| (Decrease) / increase in provisions | 8 | **(9.3)** | - | 13.2 |
| **Cash generated from operations** | | **23.5** | 37.1 | 87.8 |
| Tax paid | | **(2.0)** | (3.0) | (4.7) |
| **Net cash from operating activities** | | **21.5** | 34.1 | 83.1 |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | | **(1.8)** | (5.5) | (7.2) |
| Acquisition of other intangible assets | | **(3.5)** | (3.1) | (12.0) |
| Capitalised internal development expenditure | | **(2.6)** | (14.1) | (18.9) |
| Finance income received | | **0.5** | 0.4 | 0.9 |
| Disposal of discontinued operation, net of cash disposed | | **-** | - | (24.5) |
| Disposal of available-for-sale financial assets | | **-** | - | 18.8 |
| **Net cash used in investing activities** | | **(7.4)** | (22.3) | (42.9) |
| **Cash flows from financing activities** | | | | |
| Proceeds from the issue of share capital | | **1.7** | 1.1 | 7.4 |
| Dividends paid | | **(9.3)** | (7.1) | (11.2) |
| Purchase of own shares by the EBT | | **(2.9)** | (3.2) | (3.2) |
| **Net cash used in financing activities** | | **(10.5)** | (9.2) | (7.0) |
| Net increase in cash and cash equivalents | | **3.6** | 2.6 | 33.2 |
| Cash and cash equivalents at the beginning of the period / year | | **168.1** | 135.4 | 135.4 |
| Reclassification of cash as held for sale | | **-** | (20.5) | - |
| Effect of exchange rate fluctuations on cash held | | **(0.4)** | 0.4 | (0.5) |
| **Cash and cash equivalents at period / year end** | 7 | **171.3** | 117.9 | 168.1 |

# Notes to the condensed consolidated interim financial statements

## 1 Accounting policies

### Reporting entity

Betfair Group plc (the 'Company') is a company incorporated and domiciled in the UK.

The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 October 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's investments and jointly controlled entities. The Group is involved in the provision of betting services and online gaming products.

The audited consolidated financial statements of the Group as at and for the year ended 30 April 2013 are available upon request from the Company's registered office at Waterfront, Hammersmith Embankment, Chancellors Road, London W6 9HP.

The condensed consolidated interim financial statements for the six months ended 31 October 2013 are unaudited and do not constitute statutory accounts, but have been reviewed by the auditors and their report is on page 29 of this statement.

### Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted for use in the European Union and the Disclosure and Transparency Rules (DTR) of the Financial Services Authority. They do not include all the statements required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 April 2013.

The comparative figures for the financial year ended 30 April 2013 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters in which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements were approved by the Board of Directors on 3 December 2013.

### Basis of preparation

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- financial instruments classified as available-for-sale are measured at fair value.

### Financial instruments

The carrying value of the Group's financial instruments is equal to the fair value for each class of financial asset and financial liability.

The Group holds certain financial assets, being the available-for-sale financial asset of £1.3m (31 October 2012: £19.0m; 30 April 2013 £1.3m), which are classified using the IFRS 7 fair value hierarchy as Level 2. There have been no transfers in the period (31 October 2012 and 30 April 2013: none). The fair value of these financial assets, the valuation techniques and the inputs used remain unchanged from the prior reported period.

### Going concern

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore they continue to adopt the going concern basis in the condensed consolidated interim financial statements.

### Basis of consolidation

The condensed consolidated interim financial statements incorporate the net assets and results of the Company and entities controlled by the Company (its subsidiaries) made up to the period and year end presented. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

## **Notes to the condensed consolidated interim financial statements** (continued)

### **1 Accounting policies** (continued)

**Basis of consolidation** (continued)

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the net assets and results of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

*Business combinations*

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to income statement in the period of acquisition.

**Significant accounting policies**

These condensed consolidated interim financial statements are unaudited and have been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 April 2013.

**Principal risks and uncertainties**

The Board continuously assesses and monitors the key risks of the business. Despite the current uncertainty in the global economy, the key risks that could affect the Group's performance and the factors that mitigate those risks, have not significantly changed from those set out on pages 28 and 29 in the Group's annual report for 2013 (which is available for download at http://corporate.betfair.com). The principal risks facing the Group, together with the Group's risk management process in relation to these risks, continue to be monitored, reviewed and re-assessed.

**Accounting estimates and judgements**

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated interim financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 30 April 2013, with the exception of those disclosed below.

**Changes in accounting policy**

The Group has adopted the following accounting policies, standards, interpretations and amendments to existing standards during the period ended 31 October 2013:

*IFRS 13 'Fair Value Measurement'*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

## **Notes to the condensed consolidated interim financial statements** (continued)

### 1 **Accounting policies** (continued)

**Changes in accounting policy** (continued)

*Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'*

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be so reclassified. Comparative information has been re-presented accordingly. The adoption of the Amendments to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

The new standards and interpretations did not have a material impact on the results or the financial position of the Group as at 31 October 2013 or on any disclosures.

### 2 Operating segments

The Group's continuing operating businesses are organised and managed as reportable business segments according to the information which is used by the Group's Chief Operating Decision Maker (CODM) by which financial information is regularly reviewed in making decisions about operating matters. These segments are:

- Core Betfair
  - – Exchange
  - – Sports
  - – Gaming
  - – Management of customer funds
- Other
  - – Betfair US

Exchange consists of the Exchange sports betting product and includes Timeform. Sports consists of the Sportsbook and Multiples. Gaming consists of various casino products and bespoke exchange games products. Tradefair Spreads and Poker are also classified within Gaming. All of these gaming activities are played by customers in a number of geographical areas.

Exchange and Gaming meet the quantitative thresholds required by IFRS 8 as reportable segments. While Sports and revenue from the management of customer funds do not meet these requirements, these segments are separately disclosed as they are closely monitored by the CODM.

The Group's US operations (including the TVG Network) meet the quantitative threshold to be disclosed separately.

The results of the Australian joint venture are consolidated in the Group accounts on an equity accounting basis. As such only the net assets and the share of gains and losses are presented in the operating segment note below. If proportional consolidation was applied the Group's share of the Australian joint venture would have increased revenue by £7.8m (six month period ended 31 October 2012: £8.6m; year ended 30 April 2013: £18.0m) and decreased EBITDA by £0.6m (six month period ended 31 October 2012: increased by £1.1m; year ended 30 April 2013: increased by £2.1m).

The revenue from Exchange, Sports, Gaming and the management of customer funds represents the developed and integrated parts of the Group's business and has been grouped together as Core Betfair.

The Group focuses its internal management reporting predominantly on revenue, as the products' potential to generate revenue is the chief driver of the Group's business and the allocation of resources. The Group's cost base is to a large extent fixed in nature. Corporate expenses, assets and liabilities cannot readily be allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. However, expenses are allocated and reviewed by the CODM between Core Betfair and the US operating segment. The analysis of EBITDA is summarised below.

Segmental information for the six months ended 31 October 2013, 31 October 2012 and the year ended 30 April 2013 for continuing operations is as follows:

## Notes to the condensed consolidated interim financial statements (continued)

### 2 Operating segments (continued)

**Six months ended 31 October 2013 (unaudited)**

| | Exchange £m | Sports £m | Gaming £m | Management of customer funds £m | **Core Betfair £m** | US £m | **Group £m** |
|---|---|---|---|---|---|---|---|
| **Revenue** | 122.5 | 11.4 | 29.2 | 0.6 | **163.7** | 24.3 | **188.0** |
| **Underlying EBITDA** | | | | | **43.7** | 5.2 | **48.9** |
| Separately disclosed items | | | | | **-** | - | **-** |
| **EBITDA** | | | | | **43.7** | 5.2 | **48.9** |
| Depreciation and amortisation | | | | | | | **(15.9)** |
| Net finance expense | | | | | | | **(0.3)** |
| Share of loss of equity accounted investments | | | | | | | **(1.0)** |
| **Profit before tax** | | | | | | | **31.7** |
| Tax | | | | | | | **(4.8)** |
| **Profit after tax** | | | | | | | **26.9** |
| **Total assets** | | | | | | | **280.1** |
| **Total liabilities** | | | | | | | **129.6** |

**Notes to the condensed consolidated interim financial statements** (continued)

## 2 **Operating segments** (continued)

Six months ended 31 October 2012 (unaudited)

| | Exchange £m | Sports £m | Gaming £m | Management of customer funds £m | Core Betfair £m | US £m | Group £m |
|---|---|---|---|---|---|---|---|
| Revenue* | 132.1 | 8.2 | 39.0 | 0.9 | 180.2 | 20.4 | 200.6 |
| Underlying EBITDA | | | | | 40.8 | 1.5 | 42.3 |
| Separately disclosed items | | | | | (3.4) | (0.4) | (3.8) |
| EBITDA | | | | | 37.4 | 1.1 | 38.5 |
| Depreciation and amortisation | | | | | | | (22.7) |
| Impairment | | | | | | | (80.6) |
| Net finance expense | | | | | | | (0.2) |
| Share of profit of equity accounted investments | | | | | | | 0.9 |
| Loss before tax | | | | | | | (64.1) |
| Tax | | | | | | | 4.3 |
| Loss for the period from discontinued operations | | | | | | | (15.0) |
| Loss after tax and discontinued operations | | | | | | | (74.8) |
| Total assets | | | | | | | 273.4 |
| Total liabilities | | | | | | | 139.1 |

** The amount previously disclosed has been amended to reflect the new organisational structure of reportable segments.*

**Notes to the condensed consolidated interim financial statements** (continued)

## 2 **Operating segments** (continued)

Year ended 30 April 2013 (audited)

| | Exchange £m | Sports £m | Gaming £m | Management of customer funds £m | Core Betfair £m | US £m | Group £m |
|---|---|---|---|---|---|---|---|
| Revenue | 247.5 | 24.1 | 75.9 | 1.5 | 349.0 | 38.0 | 387.0 |
| Underlying EBITDA | | | | | 70.4 | 2.9 | 73.3 |
| Separately disclosed items | | | | | (21.9) | (0.2) | (22.1) |
| EBITDA | | | | | 48.5 | 2.7 | 51.2 |
| Depreciation and amortisation | | | | | | | (37.8) |
| Impairment | | | | | | | (82.4) |
| Profit on disposal of available-for-sale financial asset | | | | | | | 16.8 |
| Net finance income | | | | | | | 1.4 |
| Share of profit of equity accounted investments | | | | | | | 1.4 |
| Loss before tax | | | | | | | (49.4) |
| Tax | | | | | | | 4.2 |
| Loss for the period from discontinued operations | | | | | | | (21.1) |
| Loss after tax and discontinued operations | | | | | | | (66.3) |
| Total assets | | | | | | | 276.3 |
| Total liabilities | | | | | | | 144.3 |

## **Notes to the condensed consolidated interim financial statements** (continued)

### 3 Separately disclosed items

| | **Six months ended 31 October 2013 (Unaudited) £m** | Six months ended 31 October 2012 (Unaudited) £m | Year ended 30 April 2013 (Audited) £m |
|---|---|---|---|
| Restructuring costs | **-** | 3.8 | 19.4 |
| Costs incurred on corporate projects | **-** | - | 2.7 |
| | **-** | 3.8 | 22.1 |

During the year ended 30 April 2013, the Group incurred costs of £19.4m, which related to restructuring and cost optimisation initiatives, and £2.7m in relation to professional fees resulting from the rejected takeover approach by CVC and partners. Of the total restructuring and cost optimisation initiatives, £3.8m was incurred in the six months ended 31 October 2012.

**Impairment of goodwill and other assets**

| | **Six months ended 31 October 2013 (Unaudited) £m** | Six months ended 31 October 2012 (Unaudited) £m | Year ended 30 April 2013 (Audited) £m |
|---|---|---|---|
| Impairment recognised of goodwill and other assets | **-** | 80.6 | 82.4 |

During the year ended 30 April 2013, following the announcement of the Group's strategic priorities during the first six months of that financial year, management undertook a review of the carrying value of all intangible assets, including goodwill and capitalised development expenditure. As a result of this review, an impairment charge of £82.4m was recorded in the income statement, with £80.6m incurred in the six months ended 31 October 2012.

### 4 Tax

Income tax is recognised based on management's best estimate of the underlying effective income tax rate for the full financial year and this income tax rate is then applied to the underlying profit before tax of the six month period. In the period to 31 October 2013 the Group's underlying estimated effective rate is 16.3% (six month period ended 31 October 2012: 16.0%; year ended 30 April 2013: 16.4%).

The Group's consolidated effective tax rate for the period was 15.1% based on a tax charge of £4.8m on a Group consolidated profit before tax of £31.7m (six month period ended 31 October 2012: 5.0%; year ended 30 April 2013: 8.5%). This is lower than the underlying estimated effective rate due to the impact of foreign exchange movements.

The income tax expense for continuing operations for the six month period ended 31 October 2013 is a charge of £4.8m (six months ended 31 October 2012: credit of £4.3m; the year ended 30 April 2013: credit of £4.2m)

With effect from 1 April 2014, the UK Statutory rate of Corporation tax will be reduced to 21%. This has resulted in a blended standard statutory rate of 22.8% in the year ending 30 April 2014, and will be incorporated into the effective tax rate calculation.

## Notes to the condensed consolidated interim financial statements (continued)

## 5 Earnings / (loss) per share

### Basic earnings / (loss) per share

The calculation of basic earnings per share for the six month period ended 31 October 2013 was based on the profit attributable to ordinary shareholders of £26.9m (six month period ended 31 October 2012: loss of £74.7m and the year ended 30 April 2013: loss of £66.3m) and a weighted average number of ordinary shares outstanding of 103,708,225 (six months ended 31 October 2012: 101,331,971 and year ended 30 April 2013: 101,854,246), calculated as follows:

| | **Six months ended 31 October 2013 (Unaudited)** | Six months ended 31 October 2012 (Unaudited) | Year ended 30 April 2013 (Audited) |
|---|---|---|---|
| Profit / (loss) for the period / year (£m) | 26.9 | (74.7) | (66.3) |
| Weighted average number of shares | 103,708,225 | 101,331,971 | 101,854,246 |
| Basic earnings per share (*) | 25.9p | (73.7)p | (65.1)p |
| Diluted earnings per share (*) | 25.7p | - | - |

(*) The earnings per share calculations in comparative periods include the results of the discontinued operations.

Please see page 11 for the separately disclosed basic and diluted earnings per share for the continuing operations of the Group for the six month period ended 31 October 2012 and the year ended 30 April 2013. All earnings in the current period relate to continuing operations.

### Diluted earnings per share

The calculation of diluted earnings per share for the six month period ended 31 October 2013 was based on the profit attributable to ordinary shareholders of £26.9m (six months ended 31 October 2012: loss of £74.7m and the year ended 30 April 2013: loss of £66.3m) and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares of 104,621,801 (31 October 2012: 103,527,925 and 30 April 2013: 103,378,698).

Where any potential ordinary shares would have the effect of decreasing a loss per share, they have not been treated as dilutive; hence diluted earnings per share have not been disclosed for the period ended 31 October 2012 and the year ended 30 April 2013.

***Profit used for diluted earnings per share***

| | **Six months ended 31 October 2013 (Unaudited) £m** | Six months ended 31 October 2012 (Unaudited) £m | Year ended 30 April 2013 (Audited) £m |
|---|---|---|---|
| Profit / (loss) for the period / year used to determine diluted earnings per share | 26.9 | (74.7) | (66.3) |

***Weighted average number of shares (diluted)***

| | **Six months ended 31 October 2013 (Unaudited)** | Six months ended 31 October 2012 (Unaudited) | Year ended 30 April 2013 (Audited) |
|---|---|---|---|
| Weighted average number of ordinary shares (basic) | 103,708,225 | 101,331,971 | 101,854,246 |
| Effect of share options on issue | 913,576 | 2,195,954 | 1,524,452 |
| Weighted average number of ordinary shares (diluted) | 104,621,801 | 103,527,925 | 103,378,698 |

## **Notes to the condensed consolidated interim financial statements** (continued)

### 5 **Earnings per share** (continued)

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on the market value (31 October 2012 and 30 April 2013: market value) of the Company's shares for the period that the options were outstanding.

### 6 Available-for-sale financial assets

| | **31 October 2013 (Unaudited) £m** | 31 October 2012 (Unaudited) £m | 30 April 2013 (Audited) £m |
|---|---|---|---|
| Available-for-sale financial assets | **1.3** | 19.0 | 1.3 |

At 31 October 2013 and 30 April 2013, the available-for-sale financial assets comprised the Group's 8.9% (fully diluted holdings of 9.9%) non-controlling interest in Featurespace Limited (£0.1m) and non-controlling interest in LMAX Limited of 33% (£1.2m). On 20 November 2012 the Group sold its shares held in Kabam for $30m (£18.8m).

### 7 Cash and cash equivalents

| | **31 October 2013 (Unaudited) £m** | 31 October 2012 (Unaudited) £m | 30 April 2013 (Audited) £m |
|---|---|---|---|
| Cash and cash equivalents | **171.3** | 117.9 | 168.1 |

As at 31 October 2013 £267.4m (31 October 2012: £291.2m and 30 April 2013: £284.1m) was held on trust in The Sporting Exchange (Clients) Limited on behalf of the Group's customers and is equal to the amounts deposited into customer accounts.

The above cash and cash equivalent includes £8.6m (31 October 2012: £7.5m and 30 April 2013: £8.9m) of client funds that are not held on trust in The Sporting Exchange (Clients) Limited in accordance with local regulations. These client funds that are not held on trust are matched by liabilities of an equal value. The cash and cash equivalents also include an additional £5.1m of restricted cash relating to the Group's financial guarantees (31 October 2012: £8.0m and 30 April 2013: £5.1m).

**Notes to the condensed consolidated interim financial statements** (continued)

## 8 Provisions

| | Restructuring provision £m | Onerous contracts £m | Total £m |
|---|---|---|---|
| **Current provisions** | | | |
| Balance at 1 May 2012 and 1 November 2012 | - | - | - |
| Provision accounted for in the year | 9.7 | 1.9 | 11.6 |
| Current provisions 30 April 2013 | 9.7 | 1.9 | 11.6 |
| Utilised in the period | (8.4) | (0.9) | (9.3) |
| Reclassification from non-current* | - | 0.9 | 0.9 |
| **Current provision 31 October 2013** | **1.3** | **1.9** | **3.2** |
| **Non-current provisions** | | | |
| Balance at 1 May 2012 and 1 November 2012 | - | - | - |
| Provision accounted for in the year | - | 1.6 | 1.6 |
| Non- Current provisions 30 April 2013 | - | 1.6 | 1.6 |
| Reclassification to current* | - | (0.9) | (0.9) |
| **Non-current provision 31 October 2013** | **-** | **0.7** | **0.7** |

*Non-current provisions reflect contractual obligations that will be settled more than 12 months after the balance sheet date. During the period, £0.9m has been reclassified from non-current provisions to current provisions.

## 9 Equity

**Share capital**

| | Ordinary shares | | |
|---|---|---|---|
| | **31 October 2013 (Unaudited) No.** | 31 October 2012 (Unaudited) No. | 30 April 2013 (Audited) No. |
| As at 1 May | **104,221,610** | 102,328,826 | 102,328,826 |
| Issued by the Group in relation to: | | | |
| Exercised share options and restricted shares | **559,092** | 400,349 | 1,864,890 |
| Exercised SAYE options | **30,023** | - | 27,894 |
| Total fully paid, ordinary shares of £0.001 each | **104,810,725** | 102,729,175 | 104,221,610 |

| | **31 October 2013 (Unaudited) £m** | 31 October 2012 (Unaudited) £m | 30 April 2013 (Audited) £m |
|---|---|---|---|
| *Authorised* | | | |
| 200,000,000 ordinary shares of £0.001 each (31 October 2012 and 30 April 2013: 200,000,000) | **0.2** | 0.2 | 0.2 |

## Notes to the condensed consolidated interim financial statements (continued)

### 10 Share-based payments

The Group had the following share-based payment schemes in operation as at 31 October 2013:

- Share option plans
- Save-As-You-Earn scheme
- Restricted shares scheme
- Long term incentive plan (LTIP), Short term incentive plan (STIP), Management incentive plan (MIP) & Deferred share incentive plan (DSIP)
- Long term Senior Executives' Incentive Plan
- Stakeholder award scheme

The total expense recognised in respect of these schemes for the six month period ended 31 October 2013 was £4.2m (six month period ended 31 October 2012: £5.0m and year ended 30 April 2013: £9.3m).

Employer's National Insurance costs have been included in the charge, which total £0.6m (six month period ended 31 October 2012: £0.3m and year ended 30 April 2013: £0.8m).

During the six months ended 31 October 2013, the Group granted 500,126 (six month period ended 31 October 2012: 574,502 and year ended 30 April 2013: 597,043) share options under the share-based payments schemes.

### 11 Related parties

**Group**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Betfair Pty Limited**

During the period the Group recharged the Australian joint venture, Betfair Pty Limited, the following costs:

- Operational costs amounting to £2.1m (31 October 2012: £0.6m and 30 April 2013: £1.5m)

During the period the Australian joint venture recharged the Group the following costs:

- Salary costs amounting to £nil (31 October 2012: £0.2m and 30 April 2013: £0.3m)
- Operational costs amounting to £1.2m (31 October 2012: £0.7m and 30 April 2013: £2.7m)

The outstanding balance as at 31 October 2013 of loans receivable from the Australian joint venture is £6.9m (31 October 2012: £7.5m and 30 April 2013: £7.8m). The loans are not interest bearing.

In addition to the recharges detailed above, the Group collects revenue on behalf of the joint venture and to a lesser extent the Australian joint venture collects revenue on behalf of the Group.

As at 31 October 2013, the Group owed £2.3m (31 October 2012: £3.4m and 30 April 2013: £3.2m) to the Australian joint venture.

**Featurespace Limited**

During the period, the Group was charged £0.1m (31 October 2012: £0.2m and 30 April 2013: £0.2m) for consultancy services by Featurespace Limited in which the Group has a non-controlling interest.

**LMAX Limited**

There have been no transactions with LMAX Limited in the current period (31 October 2012 and 30 April 2013: the Group recharged LMAX Limited costs amounting to £0.4m and were recharged costs amounting to £0.2m prior to the disposal).

## Notes to the condensed consolidated interim financial statements (continued)

### 11 Related parties (continued)

**Transactions with key management personnel**
Key management personnel compensation, excluding the Group's Directors, is shown in the table below:

| | **Six months ended 31 October 2013 (Unaudited) £m** | Six months ended 31 October 2012 (Unaudited) £m | Year ended 30 April 2013 (Audited) £m |
|---|---|---|---|
| Short-term benefits | 1.7 | 1.6 | 3.5 |
| Equity-settled share-based payment expense | 0.7 | 1.2 | 2.7 |
| Total | 2.4 | 2.8 | 6.2 |

Transactions between the Group and its Directors in the period to 31 October 2013 were limited to those relating to remuneration, previously disclosed as part of the Director's Remuneration Report within the Group's Annual Report and Accounts for the year ended 30 April 2013.

### 12 Dividends proposed and paid

The directors have approved an interim dividend of 6.0p per qualifying ordinary share (31 October 2012: 4.0p) to be paid on 17 January 2014. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these interim results.

The final dividend for the year ended 30 April 2013 of 9.0p per qualifying ordinary share (£9.3m) was paid in the period ended 31 October 2013.

## INDEPENDENT REVIEW REPORT TO BETFAIR GROUP PLC

### Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 31 October 2013 which comprises the condensed consolidated balance sheet and the condensed consolidated interim income statement, condensed statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six month period then ended and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 October 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Michael Harper**
**Senior Statutory Auditor**
for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL
3 December 2013

## Appendix 1: Reconciliation of adjustments

| **Six months ended 31 October 2013**<br>Unaudited | **Revenue**<br>**£m** | **EBITDA**<br>**£m** | **Operating profit**<br>**£m** | **Profit before tax**<br>**£m** | **Profit after tax**<br>**£m** |
|---|---|---|---|---|---|
| **Reported** | **188.0** | **48.9** | **33.0** | **31.7** | **26.9** |
| Adjustments for: | | | | | |
| – Net foreign exchange loss | – | – | – | 0.8 | 0.8 |
| – Tax effect of adjustments | – | – | – | – | (0.5) |
| **Underlying** | **188.0** | **48.9** | **33.0** | **32.5** | **27.2** |
| Basic earnings per share (underlying) | | | | | **26.2p** |
| Diluted earnings per share (underlying) | | | | | **26.0p** |

| **Six months ended 31 October 2012**<br>Unaudited | **Revenue**<br>**£m** | **EBITDA**<br>**£m** | **Operating (loss) /profit**<br>**£m** | **(Loss) /profit before tax**<br>**£m** | **(Loss) /profit after tax**<br>**£m** |
|---|---|---|---|---|---|
| **CONTINUING AND DISCONTINUED** | **202.4** | **34.0** | **(79.5)** | **(78.8)** | **(74.8)** |
| – Discontinued operations | (1.8) | 4.5 | 14.7 | 14.7 | 15.0 |
| **Reported-CONTINUING** | **200.6** | **38.5** | **(64.8)** | **(64.1)** | **(59.8)** |
| Adjustments for: | | | | | |
| – Separately disclosed items | – | 3.8 | 3.8 | 3.8 | 3.8 |
| – Impairment loss recognised in respect of goodwill and other intangible assets | – | – | 80.6 | 80.6 | 80.6 |
| – Net foreign exchange loss | – | – | – | 0.6 | 0.6 |
| – Tax effect of adjustments | – | – | – | – | (7.7) |
| **Underlying adjusted** | **200.6** | **42.3** | **19.6** | **20.9** | **17.5** |
| Basic earnings per share (underlying) | | | | | **17.4p** |
| Diluted earnings per share (underlying) | | | | | **17.0p** |

| **Twelve months ended 30 April 2013**<br>Audited | **Revenue**<br>**£m** | **EBITDA**<br>**£m** | **Operating (loss)/profit**<br>**£m** | **(Loss)/profit before tax**<br>**£m** | **(Loss)/profit after tax**<br>**£m** |
|---|---|---|---|---|---|
| **CONTINUING AND DISCONTINUED** | **391.1** | **45.7** | **(84.5)** | **(70.1)** | **(66.3)** |
| – Discontinued operations | (4.1) | 5.5 | 15.5 | 20.7 | 21.1 |
| **Reported-CONTINUING** | **387.0** | **51.2** | **(69.0)** | **(49.4)** | **(45.2)** |
| Adjustments for: | | | | | |
| – Separately disclosed items | – | 22.1 | 22.1 | 22.1 | 22.1 |
| – Impairment loss recognised in respect of goodwill and other assets | – | – | 82.4 | 82.4 | 82.4 |
| – Net foreign exchange gain | | | | (0.3) | (0.3) |
| – Profit on disposal of investment | | | | (16.8) | (16.8) |
| – Tax effect of adjustments | | | | | (10.4) |
| **Underlying Adjusted** | **387.0** | **73.3** | **35.5** | **38.0** | **31.8** |
| Basic earnings per share (underlying) | | | | | **31.2p** |
| Diluted earnings per share (underlying) | | | | | **30.8p** |