

## Chairman's statement

Peter Erskine considers business performance, the role of corporate governance and how Board changes position Ladbrokes for 2013.



**Peter Erskine**  
Chairman

### Dear Shareholder

2012 has seen Ladbrokes continue on its upward path with record revenues in our UK Retail business, continued improvement in our Digital offering, some advances internationally and the continued strengthening of our balance sheet.

Over the years many have questioned the sustainability of high street betting, so to secure a record year in terms of revenues is a real highlight. This is the third consecutive year of growth in profit per shop and we owe a particular note of thanks to our shop colleagues for their dedication and hard work. With our new operational structure, an increased focus on local competition and continued improvements in our machine offering, we are confident of further progress and we will continue to invest in new shops in 2013.

In addition to growth in the UK our retail businesses in Ireland, Belgium and Spain posted a combined 51% increase in operating profit<sup>(1)</sup>. This reinforces the sustainability of these often unsung parts of our business and there is good future potential too with the possibility of increased opening hours in Ireland, the addition of machines to our shops in Belgium and ongoing expansion into new regions for our Spanish joint venture, Sportium.

Moving to our Digital business, whilst experiencing a frustrating delay to the launch of our new sportsbook website in the summer, we end 2012 having taken significant steps forward. Our investment in new trading technology is starting to pay back through significant progress in our trading and liability management, which has contributed to an underlying increase in our sportsbook margin and improvement in the quality of our earnings. We expect to sustain this improvement going forward.

We have also continued to expand our product range with more Bet in Play events and markets, new slots and more gaming opportunities. We have a clear road map of further product improvements going forward and are increasingly focusing on improved customer relationship management.

It is also pleasing to begin 2013 with a genuine opportunity to further differentiate our customer offer from that of our competitors, with the acquisition of the Betdaq exchange business allowing us to offer the full spectrum of sports betting opportunities to customers.

Ladbrokes remains highly cash generative and we are pleased to see a further reduction in debt this year as well as an increased dividend.

### Board Changes

Christopher Rodrigues has decided to retire at the 2013 Annual General Meeting having served nine years as an independent non-executive director. We thank Christopher for his considerable contribution over the years and wish him well for the future.

During 2012 we further strengthened the skills and diversity of the Board, with the appointment of two new non-executive directors, Richard Moross and Christine Hodgson. Richard's experience in online businesses and Christine's knowledge in the technology

field have added to the expertise of the Board and we value their input to our deliberations and decision making.

### Corporate Governance

The Board strives to provide the right leadership, strategic oversight and control environment to sustain delivery of value to our shareholders over the long term. The Board receives a detailed operational update on key strategic priorities at every meeting and holds the executive team accountable for the execution of these.

We remain committed to high standards which is fundamental to ensuring the confidence and support of our shareholders, with whom I maintain an ongoing and open dialogue, meeting with many of them over the course of the year.

Full details on how the Board and its committees apply the principles of good corporate governance can be found in the Corporate governance report on pages 30 to 36.

### Dividend

The Group recommends paying a final dividend of 4.6 pence per share taking the full year dividend to 8.9 pence per share, an increase of 14.1%. This is in line with our policy of a target dividend cover of approximately 2.0 times underlying earnings.

The dividend will be payable on 9 May 2013 to shareholders on the register on 22 March 2013.

### Summary

Ladbrokes is showing clear and pleasing signs of improved performance as we deliver against our strategy and goals.

With the reinvigoration of our Digital business gathering pace we look forward to making further advances in 2013.

**Peter Erskine**  
Chairman

<sup>(1)</sup> Before exceptional items.