



## Sportingbet Plc

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### Unaudited Results for the Three Months Ended 31 October 2005

Sportingbet Plc (LSE: SBT), a leading online sports betting and gaming group, announces results for its first quarter, ended 31 October 2005. In order to better understand the Group's performance in this quarter, the highlights below include both the actual results for the quarter and, where appropriate, pro-forma results assuming that Paradise Poker had been owned in the corresponding quarter last year.

#### Financial Highlights – Three Months Ended 31 October 2005

- Gross margin up 167% to £64.6m (2004: £24.2m), up 82% on a pro-forma basis
- Operating profit\* up 396% to £22.3m (2004: £4.5m), up 76% on a pro-forma basis
- Profit before tax up 450% to £14.3m (2004: £2.6m), up 81% on a pro-forma basis
- Basic earnings per share\* of 6.2p (2004: 2.1p)
- Diluted earnings per share\* of 4.9p (2004: 1.5p)
- Cash generation from operating activities of £42.1m (2004: £17.5m)

(\* Stated pre goodwill and share option charge)

#### Business Highlights – Three Months Ended 31 October 2005

- New registered customers up 619% to 0.7m (2004: 0.1m), 245% on a pro-forma basis
- New real money customers up 137% to 0.17m (2004: 0.07m), 67% on a pro-forma basis
- Active real money customers acquired at an average cost of £148 (12 mths 2004: £137)
- Number of sports and gaming bets up 44% to 123.2m (2004: 85.8m)
- Average daily Paradise Poker rake up 88% to \$430,858 (pro-forma 2004: \$229,377)
- Strong introduction of US shared purse technology:
  - 17,729 (13.0%) of active US sports customers played poker during the quarter generating an average of \$26,000 rake per day throughout the quarter and \$41,000 rake per day by the end of the quarter
  - 13,296 (8.8%) of US active poker players bet on sports / casino during the quarter generating \$1m of margin



## **FINANCIAL RESULTS**

### **Three Months Ended 31 October 2005**

Turnover for the three months ended 31 October 2005 was £480.4m (2004: £355.7m), earning a gross margin of £64.6m (2004: £24.2m) at 13.4% of turnover (2004: 6.8%). Sports betting turnover was £440.6m (2004: £344.6m), earning a gross margin of £24.8m (2004: £13.1m) at a gross margin percentage of 5.6% (2004: 3.8%). Casino and gaming, poker and fee income contributed a further £13.2m, £24.3m and £2.3m respectively to both turnover and gross margin (2004: £8.5m, £0.8m and £1.8m).

Turnover and margin for the period are stated after a deduction for customer bonuses of £7.2m (2004: £2.6m). The sports gross margin % as reported was 5.6% (2004: 3.8%). Without the bonus deduction the equivalent number would have been 6.5% (2004: 4.3%).

Costs (excluding goodwill amortisation and share option charge) in the quarter of £42.3m (2004: £19.7m) represented 65.5% (2004: 81.4%) of gross profit. Costs comprised marketing £18.2m (2004: £6.4m), banking fees £9.8m (2004: £4.6m), information technology £3.9m (2004: £2.8m), employee costs £6.6m (2004: £4.0m), other administration costs £2.8m (2004: £1.4m) and depreciation £1.0m (2004: £0.5m).

Operating profit (before goodwill and share option charge) for the quarter was £22.3m (2004: £4.5m), representing a margin of 34.5% (2004: 18.6%) of gross profit. Profit before tax was £14.3m (2004: £2.6m), after expensing share option charges of £1.5m (2004: £Nil), goodwill amortisation of £5.5m (2004: £1.9m), net finance costs of £1.0m (2004: £0.2m) and adding the share of operating profit in associated undertakings of £Nil (2004: £0.2m).

On 1 August 2005 the Company introduced a new share plan whereby certain key employees will be awarded shares dependent upon the Company's performance and their continued service over the period to 31 July 2008. In accordance with FRS 20 the potential notional cost of this is to be amortised over the duration of the plan. Consequently a non-cash charge of £1.5m has been expensed in the quarter.

Basic earnings per share before share option charges and amortisation of goodwill was 6.2p (2004: 2.1p). Diluted earnings per share before share option charges and amortisation of goodwill was 4.9p (2004: 1.5p).

During the three months ended 31 October 2005, the Group generated cash from operating activities of £42.1m (2004: £17.5m). As at 31 October 2005, the Group had £85.9m (2004: £32.5m) of cash and liquid resources on its balance sheet, of which £46.8m represented customer deposits. Gross debt was £81.8m (2004: £35.3m) and comprised a bank loan of £52.9m, deferred consideration of £2.2m owed in relation to the joint venture arrangement with World Gaming, and contingent cash consideration of £26.7m (£23.7m due to the vendors of Paradise Poker and £3.0m due to the vendors of the business of ISC).

### **Dividends**

For the year ended 31 July 2005, the Directors recommended a maiden dividend of 1.0p per ordinary share, payable in January 2006. This resulted in a £3.4m dividend charge in the profit and loss account and a corresponding accrual in the year end balance sheet. On 24 November 2005, DBS Advisors Ltd, the vendor of Sportsbook.com, converted its Convertible Loan Note into 83,171,926 ordinary shares of 0.1p each. As a result of this conversion, an additional dividend charge and accrual of £0.8m is included in the results for the quarter ended 31 October 2005.

## **REVIEW OF OPERATIONS**

### **Sportingbet Group**

All of the information below assumes that Paradise Poker had been owned in the corresponding quarter last year. In the three months ended 31 October 2005, the number of registered customers rose at record pace by 701,493 (2004: 203,646) increasing the Group's database from 2,747,771 to 3,449,264. All new customers were acquired through organic growth initiatives.

Of this increase, 180,678 customers joined the Group by registering with the Group's free to play poker website (2004: nil), 614,505 joined by registering with the Group's play for money websites (2004: 173,886) and 93,690 customers lapsed off the database. The number of new customers who funded accounts in the quarter was up 67.2% to 170,322 (2004: 101,850). These customers were acquired at an average cost of acquisition of £148 (12 months 2004: £137).

This sharp increase in customer numbers, combined with a broader product range and the introduction into the US market of the Group's shared purse technology, yielded a record level of overall betting volume for the Group. The number of sports and gaming bets placed rose sharply by 44% to 123.2m (2004: 85.8m). The average number of games played per day (including free to play games) on Paradise Poker rose 96% over last year to 1.6m per day (2004: 0.8m per day) and 39% since the last reported quarter.

Margin performance has been good across the Group. The sports margin percentage gross of customer bonuses was 6.5% (2004: 4.3%). Margin from casino, gaming and fee income rose by 60% to £17.8m (2004: £11.1m). Margin from poker was £25.2m.

### **Europe**

The number of customers who bet on the region's sports betting websites rose by 54% to 142,476 (2004: 92,660). The number of sports bets placed by these customers rose by 53% to 6.7m (2004: 4.4m), the equivalent of 47 bets per active customer per quarter (2004: 47 bets). The average sports bet size was constant at £14. The sports margin percentage after betting tax was strong at 8.2% (2004: 5.7%).

The number of customers who bet on the region's gaming websites rose by 86% to 36,931 (2004: 19,895). The number of gaming bets placed by these customers rose by 132% to 34.3m (2004: 14.8m) at a constant average bet size of £5. The gaming margin percentage also remained constant at 3.8%.

Notwithstanding this significant scale change in volume, the cost of acquiring customers continues to be highly cost effective at £154 (12 months 2004: £137) per new active customer, giving a cash payback in under six months.

### **America**

The US region delivered a record quarter across all measures. As a result of significantly increased marketing activity, the number of customers who bet on the region's sports betting websites rose by 60% to 173,748 (2004: 108,803). The sports margin percentage, at 7.2% (2004: 5.1%), was above the long term average and as a result, the number of sports bets per active customers was marginally lower at 49 bets per customer (2004: 57 bets) with an average sports bet size of \$54 (2004: \$57). The total number of sports bets placed in the quarter rose by 35% to 8.5m (2004: 6.3m).

The number of customers who bet on the region's gaming websites rose by 29% to 63,028 (2004: 48,707). The number of gaming bets placed by these customers rose by 22% to 72.8m (2004: 59.7m) at an average bet size of \$12 (2004: \$10). The gaming margin percentage was constant at 1.9%. The cost of acquiring new active customers remained within normal parameters at \$349 per new active customer (12 months 2004: \$368), yielding a cash payback of less than three months.

Sportingbet introduced its shared purse technology at the end of July 2005. This allows customers of its US-facing brands to bet across sports, casino and poker platforms with one account, username and password. Since introduction, the Board has been pleased with the contribution this technology has delivered, increasing each month since its launch.

During the quarter, 17,729 (12.7%) active sports customers also played poker, generating an average of \$26,000 per day. At the end of October, the daily rake contribution had risen to \$41,000. At this early stage of development, the margin generated from this shared purse activity appears to be largely incremental. The Board looks forward to realising further benefits from this technology over the coming quarters.

## **Australia**

The significant improvement seen in the Group's Australian business in the 12 months to 31 July 2005 has continued in the first quarter of the current year. During the quarter, the percentage of bets taken over the internet rose to 69% (2004: 55%). The increased internet focus, augmented through the introduction of a new suite of sports internet products, a new website, improved risk management tools and increased marketing spend, has continued to drive the business forward. These actions, together with more normal sports results, have increased sports gross margin to 3.0% (2004: 1.5%).

The number of customers who bet on the region's sports betting business rose by 45% to 10,365 (2004: 7,137). The number of sports bets placed by these customers rose by 38% to 0.91m (2004: 0.66m) at a rate of 87 bets per customer per annum (2004: 92 bets). The average sports bet size was lower at AUS\$257 (2004: AUS\$327), reflecting the increased activity on the more leisure-oriented internet platform. The cost of acquiring a new active customer fell to AUS\$863 (12 months 2004: AUS\$917), yielding a cash payback of less than seven months.

## **Paradise Poker**

The Group's poker business continues to grow at a strong pace. Compared to the pro-forma three months ended 31 October 2004, the number of active customers who have contributed to rake at Paradise Poker rose significantly by 93% to 168,112 (2004: 87,209). The number of games of poker played per day rose by 96% to 1.58m (2004: 0.81m), generating an average daily rake of \$430,858, an increase of 88% (2004: \$229,377). The cost of acquiring new active customers to Paradise Poker was \$166 (12 months 2005: \$139), yielding a payback period of less than two months.

Since the introduction of the Group's shared purse technology, the Board has been pleased with the contribution being obtained by allowing poker customers to bet on sports. During the quarter, 13,296 (8.8%) active real money poker customers also bet on the Group's US-facing sports or casino websites generating \$1.0m of margin. At this early stage of development, the margin generated from this shared purse activity appears to be largely incremental.

## **Regulatory Developments**

The Board believes that proper regulation of the internet gaming industry is essential: regulation enhances consumer protection and mitigates social responsibility concerns.

During the three months ended 31 October 2005 the Board has continued to invest a great deal of time and resource in attempting to improve the global regulatory environment. The political will in many parts of the world to navigate through the respective needs of diverse interest groups has however failed to reach any form of agreement, resulting in little overall regulatory change. Operationally this continues to present few practical obstacles to trading whilst creating an effective barrier against some parties from entering the industry. From a consumer protection standpoint, however, the position is far from ideal.

In Europe, the pace of expansion of the industry remains high, though the potential for internal market distortion is just as high. Some governments persist with their monopolistic stance - at times seemingly in conflict with EU law. The Dutch Government, for example, is currently preparing new legislation that would legalise remote gaming within the Netherlands, but is considering providing an exclusive licence to do so to Holland Casino, the bricks and mortar monopoly operator. Increasingly the EU itself is ignoring the significant potential for internal market distortion within the EU and turning a blind eye to the issues. The European Parliament's Committee on Internal Market and Consumer Protection (IMCP) voted on 23 November to exclude gambling from the draft Service Directive.

In the US there has been little recent activity and with the 2005 political session now drawing to a close no further developments are expected this calendar year.

### **Management**

In line with the Board's policy of seeking to attract and retain the best management commensurate with the size and growth opportunities of the Group, the Board was pleased to recently announce the appointment of David Hobday as the Group's new Chief Operating Officer.

David is expected to commence his employment with the Group in March 2006.

### **Trading Outlook**

During the first four weeks of the second quarter, organic growth and trading volumes have continued at a strong pace across the Group and this has yielded further growth in sports betting volumes and, in particular, the Group's poker business.

Notwithstanding the fact that sports margin in the first four weeks of the second quarter has been below the long term average for the time of year, the above average sports margin seen in the first quarter and the strength of the Group's poker growth have been such that the Board are increasingly confident with regard to the prospects of the Group for the current financial year.

Sportingbet will report its results for the second quarter ended 31 January 2006 on 1 March 2006 and its AGM for the year ended 31 July 2005 will be on Friday 16 December 2005.

**Sportingbet Plc**  
**Unaudited Consolidated Profit and Loss Account**  
**Three Months Ended 31 October 2005**

	Notes	3 months ended 31 October 2005 £m	3 months ended 31 October 2004 Restated £m
<b>Turnover</b>	2	<b>480.4</b>	355.7
Cost of sales		<b>(415.8)</b>	(331.5)
<b>Gross profit</b>		<b>64.6</b>	24.2
Gross profit %		<b>13.4%</b>	6.8%
Share option charge		<b>(1.5)</b>	-
Goodwill amortisation		<b>(5.5)</b>	(1.9)
Other administration expenses		<b>(42.3)</b>	(19.7)
Total administration expenses		<b>(49.3)</b>	(21.6)
<b>Group operating profit before share options charge and goodwill amortisation</b>		<b>22.3</b>	4.5
Share option charge		<b>(1.5)</b>	-
Goodwill amortisation		<b>(5.5)</b>	(1.9)
Group operating profit		<b>15.3</b>	2.6
Share of operating profit in associated undertaking		-	0.2
<b>Profit before interest</b>		<b>15.3</b>	2.8
Finance costs	3	<b>(1.0)</b>	(0.2)
<b>Profit before taxation</b>		<b>14.3</b>	2.6
Taxation		<b>(0.3)</b>	-
<b>Profit after taxation</b>		<b>14.0</b>	2.6
Dividends	4	<b>(0.8)</b>	-
<b>Retained profit</b>		<b>13.2</b>	2.6
<b>Earnings per ordinary share</b>	5		
Basic		<b>4.2p</b>	1.2p
Diluted		<b>3.3p</b>	0.9p
<b>Adjusted earnings per ordinary share (pre share option charge and goodwill amortisation)</b>	5		
Basic		<b>6.2p</b>	2.1p
Diluted		<b>4.9p</b>	1.5p

**Sportingbet Plc**  
**Unaudited Consolidated Balance Sheet**  
**As at 31 October 2005**

	Notes	31 October 2005 £m	31 October 2004 £m	31 July 2005 £m
<b>Fixed Assets</b>				
Intangible assets – goodwill		372.4	128.9	386.5
Tangible assets		9.7	5.5	8.8
Investment in joint venture		8.9	-	9.0
Investments in associated companies		-	2.9	-
		<u>391.0</u>	<u>137.3</u>	<u>404.3</u>
<b>Current Assets</b>				
Debtors		19.4	7.4	22.2
Cash at bank and in hand		85.9	32.5	67.0
		<u>105.3</u>	<u>39.9</u>	<u>89.2</u>
<b>Creditors:</b>				
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts		51.9	15.0	41.5
Rescheduled earnout		-	15.7	-
Deferred consideration		2.2	3.8	12.6
Other creditors		71.5	37.0	54.5
		<u>125.6</u>	<u>71.5</u>	<u>108.6</u>
<b>Net Current Liabilities</b>		<u>20.3</u>	<u>31.6</u>	<u>19.4</u>
<b>Total Assets Less Current Liabilities</b>		<u>370.7</u>	<u>105.7</u>	<u>384.9</u>
<b>Creditors:</b>				
<b>Amounts falling due after more than one year</b>				
Bank loan		-	-	20.8
Other creditors		-	0.1	-
		<u>-</u>	<u>0.1</u>	<u>20.8</u>
<b>Provisions for liabilities and charges</b>				
Other provisions		3.2	1.0	2.8
Contingent consideration		26.7	0.8	26.5
		<u>29.9</u>	<u>1.8</u>	<u>29.3</u>
<b>NET ASSETS</b>		<u>340.8</u>	<u>103.8</u>	<u>334.8</u>
<b>Capital and Reserves</b>				
Called up share capital		0.3	0.2	0.3
Shares to be issued		53.5	26.7	73.1
Share premium		13.0	52.7	0.6
Share option reserve		1.5	-	-
Other reserves		0.3	21.3	0.3
Profit and loss account	1	272.2	2.9	260.5
<b>SHAREHOLDERS' FUNDS – EQUITY</b>		<u>340.8</u>	<u>103.8</u>	<u>334.8</u>

**Sportingbet Plc**  
**Unaudited Consolidated Cash Flow Statement**

**Three Months Ended 31 October 2005**

	<b>3 months ended 31 October 2005</b>	3 months ended 31 October 2004
	<b>£m</b>	£m
EBITDA	<b>21.8</b>	5.0
Net working capital movement	<b>20.3</b>	12.5
Net cash inflow from operating activities	<b>42.1</b>	17.5
Returns on investment and servicing of finance	<b>(0.2)</b>	(0.3)
Taxation	<b>(0.1)</b>	-
Capital expenditure	<b>(1.9)</b>	(0.8)
Acquisitions	<b>(10.6)</b>	(2.1)
<b>Cash inflow before financing</b>	<b>29.3</b>	14.3
Management of liquid resources	-	(8.8)
Financing	<b>(10.4)</b>	(1.8)
<b>Increase in cash in the period</b>	<b>18.9</b>	3.7
 <b>Reconciliation of net cashflow to movement in net funds</b>		
Increase in cash in the period	<b>18.9</b>	3.7
Cash outflow from increase in liquid resources	-	8.8
Cash outflow from decrease in debt	<b>10.7</b>	2.0
<b>Movement in net funds resulting from cash flows in period</b>	<b>29.6</b>	14.5
Other movements	<b>(0.3)</b>	-
<b>Movement in net funds in period</b>	<b>29.3</b>	14.5
Net funds at start of period	<b>4.6</b>	2.6
<b>Net funds at end of period</b>	<b>33.9</b>	17.1

**Sportingbet Plc**  
**Unaudited Notes**  
**Three Months Ended 31 October 2005**

**1. Consolidated statement of total recognised gains and losses:**

	<b>3 months ended 31 October 2005 £m</b>	3 months ended 31 October 2004 £m
Profit for financial period	<b>14.0</b>	2.6
Exchange translation differences on consolidation	<b>(1.5)</b>	-
Total recognised gains and losses for the financial period	<b>12.5</b>	2.6

**2. Analysis of turnover:**

	<b>3 months ended 31 October 2005 £m</b>	3 months ended 31 October 2004 £m
a) Analysis of revenue by activity		
Sports betting	<b>440.6</b>	344.6
Casino and gaming	<b>13.2</b>	8.5
Poker rake (including Paradise of £21.5m)	<b>24.3</b>	0.8
Fee income	<b>2.3</b>	1.8
	<b>480.4</b>	355.7
b) Analysis by geography		
Americas	<b>279.1</b>	206.1
Europe	<b>102.2</b>	64.4
Australia	<b>99.1</b>	85.2
	<b>480.4</b>	355.7

**3. Finance Costs:**

	<b>3 months ended 31 October 2005 £m</b>	3 months ended 31 October 2004 £m
Interest receivable	<b>0.2</b>	-
Interest payable	<b>(0.6)</b>	(0.2)
Amortisation of loan agreement fees	<b>(0.3)</b>	-
	<b>(0.7)</b>	(0.2)
Finance charge on discounting of deferred consideration (FRS7)	<b>(0.3)</b>	-
Total finance costs	<b>(1.0)</b>	(0.2)

**4. Dividends:**

	<b>3 months ended 31 October 2005 £m</b>	3 months ended 31 October 2004 £m
Ordinary shares		
Dividend proposed of 1.0p (2004: NIL) per share	<b>(0.8)</b>	-

On 25 November 2005, 83.2m shares were issued following the conversion of the DBS Convertible Loan Note, resulting in a £0.8m increase in the dividend accrued for the year ended 31 July 2005 from £3.4m to £4.2m.

**Sportingbet Plc**  
**Unaudited Notes Continued**  
**Three Months Ended 31 October 2005**

5. The basic earnings per share for the financial period is based on the profit on ordinary activities after taxation of £14.0m (2004: £2.6m) and on the weighted average number of shares in issue of 336,790,007 (2004: 212,557,518).

The diluted earnings per share for the financial period is based on the profit on ordinary activities after taxation of £14.0m (2004: £2.6m) and the weighted average number of shares in issue adjusted to assume the exercise of options over shares and the effect of dilutive earn-out shares to be issued, of 432,263,306 (2004: 308,222,029).

Adjusted basic and diluted earnings per ordinary share before goodwill and share option charges exclude amortisation of goodwill of £5.5m (2004: £1.9m) and share option charges of £1.5m (2004: £Nil).

6. These results have been prepared on the basis of the accounting policies set out in the Group's 2005 statutory accounts. These results do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.