



**sportingbet Plc**

# Quarter 1 Results

## 3 Months Ended 31 October 2006

Thursday 30 November 2006

# PROFIT AND LOSS

	Q1 2006	Q1 2005
	£m	£m
Turnover	491.5	480.4
Gross profit	66.1	64.6
Costs	(51.2)	(42.3)
Operating profit	14.9	22.3
Share option charge	(0.1)	(1.5)
Goodwill	(5.0)	(5.5)
Exceptional charge	(252.4)	-
Interest	1.2	(1.0)
Tax	(0.6)	(0.3)
Minority interest	0.2	-
Dividend adjustment	-	(0.8)
Retained (loss)/profit	(241.8)	13.2
Fully diluted EPS*	3.6p	4.9p

\* Before share option charge, goodwill amortisation and exceptional charges

# Q1 GROSS PROFIT – THE CONTINUING BUSINESS

	3 months ended October 2006	3 months ended October 2005	% chg
	£m	£m	
<b>Europe</b>			
- Sports @ 8.8% (8.2%)	13.4	7.4	81%
- Casino and gaming	7.9	6.6	20%
- Poker	4.3	2.5	72%
	<b>25.6</b>	<b>16.5</b>	<b>55%</b>
<b>Australia</b>			
- Sports @ 4.1% (3.0%)	4.0	3.0	33%
<b>Paradise (non-US)</b>	3.8	3.5	9%
<b>Customer bonus adjustment</b>	(1.7)	(1.6)	
	<b>31.7</b>	<b>21.4</b>	<b>48%</b>

# BALANCE SHEET

		October 2006	October 2005
			Restated
		£m	£m
<b>FIXED ASSETS</b>	<b>Goodwill and investments</b>	<b>82.9</b>	<b>381.3</b>
	<b>Tangible assets</b>	<b>15.3</b>	<b>9.7</b>
		<b>98.2</b>	<b>391.0</b>
<b>WORKING CAP</b>	<b>Debtors</b>	<b>20.3</b>	<b>20.4</b>
	<b>Cash</b>	<b>69.6</b>	<b>85.9</b>
	<b>Creditors</b>	<b>(49.3)</b>	<b>(74.7)</b>
		<b>40.6</b>	<b>31.6</b>
<b>DEBT</b>	<b>Bank loans</b>	<b>-</b>	<b>(52.9)</b>
	<b>Deferred consideration</b>	<b>(17.5)</b>	<b>(2.2)</b>
	<b>Contingent consideration</b>	<b>(6.5)</b>	<b>(26.7)</b>
		<b>114.8</b>	<b>340.8</b>
<b>RESERVES</b>	<b>Share capital</b>	<b>0.4</b>	<b>0.3</b>
	<b>Shares to be issued</b>	<b>4.8</b>	<b>53.5</b>
	<b>Share premium/other</b>	<b>45.3</b>	<b>15.4</b>
	<b>Profit and loss</b>	<b>64.3</b>	<b>271.6</b>
		<b>114.8</b>	<b>340.8</b>

# THE CONTINUING BUSINESS – CASH PROFILE

	£m
<b>Gross cash at 31 October 2006</b>	<b>69.6</b>
<b>Customer liabilities</b>	<b>(17.6)</b>
	<b>52.0</b>
<b>Paradise earn-out (paid 6 Nov)</b>	<b>(17.6)</b>
<b>Pro forma net cash at 31 October 2006</b>	<b>34.4</b>
<b>Reorganisation - exceptional cost</b>	<b>(12.6)</b>
<b>Future earn-out liability (Paradise)</b>	<b>(2.1)</b>
	<b>19.7</b>



# Group Reorganisation



# GROUP REORGANISATION - STRATEGIC OBJECTIVES

- Current Financial Year
  - Underpin existing revenue streams
    - Australian/European business unaffected
    - Paradise Poker stabilised since removal of US players – 13 November
  - Restructure operations
    - European business being streamlined
    - Paradise Poker operations now integrated within European business
    - Rationalisation of Paradise operations and central overhead
  - Aim to eliminate duplication
  - Focus and prioritise

# GROUP REORGANISATION - STRATEGIC OBJECTIVES

- Going forward
  - Build on year 1
  - Focus on customer experience
  - Continue product diversification
  - Continue geographic expansion into new or developing markets
  - Explore industry consolidation where there are strategic advantages
  - Brand development
  - Increased focus on affiliates and cross-sell



# COSTS – THE REVISED MODEL

	Year Ending July 2007	
	Pre UIGEA £m	Post UIGEA £m
<b>Gross Profit</b>	400	130
<b>Costs</b>	(257)	(110)
	143	20
<b>Central Costs</b>	(18)	(10)
<b>Operating profit</b>	125	10

# THE REVISED MODEL - COSTS

	<b>Costs %</b>
<b>Gross Profit</b>	<b>105</b>
<b>Tax (betting tax on UK and Australian sports betting)</b>	<b>(5)</b>
<b>Gross Profit</b>	<b>100</b>
<b>Marketing (direct marketing, affiliate and partner commissions)</b>	<b>(50)</b>
<b>Banking (credit card and other processing fees)</b>	<b>(7)</b>
<b>IT (IT maintenance and development staff, IT commissions)</b>	<b>(10)</b>
<b>Depreciation</b>	<b>(5)</b>
<b>Staff</b>	<b>(15)</b>
<b>Other Admin</b>	<b>(5)</b>
	<b>8</b>



# Europe



# EUROPE

	Q1 2006	Q1 2005	+/-
<b>Sports actives</b>	<b>186,260</b>	<b>142,476</b>	<b>+31%</b>
<b>Sports bets</b>	<b>10.3m</b>	<b>6.7m</b>	<b>+54%</b>
<b>Sports bets / active</b>	<b>55</b>	<b>47</b>	<b>+17%</b>
<b>Sports bet size</b>	<b>£14.71</b>	<b>£13.65</b>	<b>+7%</b>
<b>Sports margin %</b>	<b>8.8%</b>	<b>8.2%</b>	<b>+8%</b>
<b>Casino and gaming actives</b>	<b>57,443</b>	<b>36,931</b>	<b>+56%</b>
<b>Casino and gaming bets</b>	<b>41.2m</b>	<b>34.3m</b>	<b>+20%</b>
<b>Casino and gaming bet size</b>	<b>£4.99</b>	<b>£5.07</b>	<b>-2%</b>
<b>Casino and gaming margin %</b>	<b>3.9%</b>	<b>3.8%</b>	<b>+3%</b>
<b>CPA</b>	<b>£176</b>	<b>£201</b>	<b>-12%</b>



# Australia



# AUSTRALIA

	Q1 2006	Q1 2005	+/-
<b>Sports actives</b>	<b>11,599</b>	<b>10,365</b>	<b>+12%</b>
<b>Sports bets</b>	<b>1.62m</b>	<b>0.91m</b>	<b>+78%</b>
<b>Sports bets / active</b>	<b>140</b>	<b>87</b>	<b>+61%</b>
<b>Sports bet size</b>	<b>A\$149</b>	<b>A\$257</b>	<b>-42%</b>
<b>Sports margin %</b>	<b>4.1%</b>	<b>3.0%</b>	<b>+37%</b>
<b>CPA</b>	<b>A\$238</b>	<b>A\$439</b>	<b>-46%</b>





# Paradise Poker

# PARADISE POKER

- Closed to deposit taking from US customers prior to enactment of UIGEA
- Closed to all US players for real money play from 13 November
- Since 13 November:
  - Daily revenue relatively stable at c \$65,000 per day
  - Peak player numbers of c 6,000
- Liquidity and revenue stabilisation are key management focus





# Regulation

# REGULATION

- EU
  - Little real sign of grappling with market distortions
  - Likely to be played out in the courts over many years
- UK
  - International Conference of limited value
  - Not high up on Government's agenda
  - Still most unlikely that operators will relocate onshore
- US
  - Change in political landscape unlikely to change the regulatory picture
  - Study Commission Bill likely to appear
  - Further developments will wait until after 2008 Election



# Summary and Way Forward

# SUMMARY

- The US business has been discontinued following the UIGEA
- Europe, Paradise and PLC have been restructured and cost removed
- A platform from which to build has been established
- Business well funded to capitalise on opportunities
- Continuing operations are trading strongly