



## Sportingbet Plc

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### Unaudited results for the first quarter ended 31 October 2011

Sportingbet Plc, a leading online sports betting and gaming group, announces its results for the first quarter ended 31 October 2011.

### Group Financial Highlights for the quarter

	Q1 2011 £m	Q1 2010 £m
Amounts wagered	693.7	513.9
Total revenue	59.9	51.1
EBITDA*	10.2	11.3
Net Cash	30.8	22.4

\* Adjusted to exclude exceptional items, depreciation, share option charge and amortisation of other intangible assets

### Group

- Centrebet acquisition completed 31 August 2011
- Disposal of Group's Turkish language website completed 21 November 2011
- Amounts wagered up 35% to £693.7m
- Total Revenue up 17% to £59.9m but EBITDA impacted by new taxes in Greece and Spain
- 40% of NGR from regulated territories and a further 18% from territories where we are paying tax ahead of expected regulation

### Australia

- Total amounts wagered up 95%
- Total NGR up 165% (like for like up 58%)
- Centrebet has contributed £2.4m to profit before tax for the quarter
- Integration progressing well and synergies at least in line with previously stated

### Europe (incorporating the financial results for the Emerging Markets Division)

- Amounts wagered down 4.8% - Spain up 1%, Greece down 11%
- Before new betting taxes, NGR down 3.4%
- Spanish and Greek betting taxes of £4.3m in the quarter
- In:play at an industry leading margin of 10.1% (2010: 9.7%)
- Mobile penetration continues with 108% increase in actives year on year

**Andrew Mclver, Group Chief Executive, commenting on the results:**

“With Total Revenue in the first quarter up 17% to £59.9m, Sportingbet is in robust health due to our geographically diversified business model and quality sportsbook offer. With the acquisition of Centrebet in Australia and the disposal of our Turkish Language website, we are making good progress towards our goal of deriving the majority of our revenues from regulated territories. The early signs from our enlarged Australian business are very encouraging and we look forward to making further progress there during the coming year.

While trading in the eurozone territories remains subdued, we welcome regulation in this key market and the greater certainty it brings to our revenues.

The Group has made a solid start to its second quarter with trading in line with our expectations.”

**For further information please contact:**

**Sportingbet Plc**

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There is a conference call for analysts and investors at 10.00 today. Please contact Laura Dean on 020 7379 5151 or [ldean@maitland.co.uk](mailto:ldean@maitland.co.uk) for details.

## **FINANCIAL RESULTS: Quarter ended 31 October 2011**

Amounts wagered for the quarter ended 31 October 2011 grew by 35% to £693.7m (2010: £513.9m), earning total revenue of £59.9m (2010: £51.1m).

Amounts wagered on sports betting in Europe (incorporating the financial results for the Emerging Markets division) fell by 4.7% to £281.5m (2010: £295.4m), earning NGR of £23.4m (2010: £28.3m). The NGR is after deducting Spanish and Greek betting taxes of £4.3m which have been levied for the first time in this period.

Casino and gaming contributed a further £10.9m, and poker £2.5m, to both amounts wagered and NGR (2010: £10.8m and £3.5m).

Amounts wagered on Australian sports betting grew by 95% to £398.8m (2010: £204.2m), earning post betting tax NGR of £22.5m (2010: £8.5m). This includes two months of Centrebet, which was acquired in August, and contributed £9.1m NGR in the period. Excluding Centrebet, NGR was up 58%.

As a percentage of amounts wagered, the European and Australian sports NGR were 8.3% and 5.6% respectively (2010: 9.6% and 4.2%). However, amounts wagered and NGR are stated after a deduction for customer bonuses of £5.8m (2010: £5.2m). Without the bonus deduction the equivalent numbers would have been 9.0% and 5.9% (2010: 10.4% and 4.6%).

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) decreased 9.7% to £10.2m (2010: £11.3m).

Operating loss after the exceptional costs of £5.3m (2010: £nil), share option charge of £0.2m (2010: £0.3m) and amortisation of other intangible assets of £0.4m (2010: £0.4m) was £0.1m (2010: £7.5m profit).

Net finance costs were £1.1m (2010: income of £1.0m) after accruing for interest on the convertible loan.

Corporation tax increased to £0.7m (2010: £0.6m) due to the increased profitability of our Australian business that now includes Centrebet.

Exceptional costs totalled £5.3m (2010: £nil). These costs relate to corporate transactions and restructuring costs related primarily to the acquisition of Centrebet and the disposal of the Turkish language website.

As at 31 October 2011, the Group had £84.7m (2010: £53.1m) of cash and liquid resources on its balance sheet. After taking into account £36.3m (2010: £22.8m) of customer liabilities, £4.0m (2010: £4.0m) of bank loans secured on residential properties in the Channel Islands, £11.0m (2010: £nil) GST refunded to Centrebet to be passed on to former shareholders, and £2.6m (2010: £3.9m) of finance leases, net cash at the period end stood at £30.8m (2010: £22.4m).

The Group is highly cash generative, though any surplus cash generated this year will be utilised for the final payments to the US Department of Justice (£12m) and exceptional costs relating to the Australian integration and Turkish language website disposal. Looking forward the Group intends to use surplus cash to either invest in the business or return the money to shareholders through whatever mechanism most enhances the company's value.

## **REVIEW OF OPERATIONS**

### **Sportingbet Group**

Sportingbet is one of the world's leading online gaming operators with divisions focused on Europe (which includes Emerging Markets) and Australia. Betting on sports is at the heart of the Sportingbet business, accounting for 76% (2010: 72%) of Group gross gaming revenue. The growth in sports betting of 36% has primarily been driven by our Australian operation which has continued to see strong organic growth aided by the acquisition of Centrebet.

During this quarter, we derived 40% of our revenues from regulated territories and 48% if Turkey is excluded. This will increase further as Spain, Denmark and Greece regulate.

While sports betting remains the focus of the business, we provide a complete range of other gaming products to our customers including casino, games and poker. Casino and games contribute 18% of Group gross gaming revenue whilst poker makes up the remaining 6%. These products are not offered to our Australian customers due to regulatory constraints.

### **Australia**

Amounts wagered in Australia (now including two months of Centrebet results) increased by 95% from £204.2m to £398.8m resulting in an increase in NGR of 165% to £22.5m (2010: £8.5m). The Australian business now accounts for 38% of Group revenue. Excluding Centrebet the Australian operation increased amounts wagered by 24% to £253.9m and NGR by 58% to £13.4m.

The sports margin in Australia was above the long term average for the quarter at 5.6% (2010: 4.2%) as certain horseracing results favoured the bookmaker.

In line with our strategy of expanding the higher margin internet business, the online operations performed very strongly with the number of actives up 24% and the number of bets up 30% (figures excluding Centrebet). Centrebet increased the number of actives by 39% compared to the prior year.

Our Australian mobile platform was successfully launched last year. The proprietary owned product continued to perform strongly this quarter with NGR up substantially to over 11% of divisional NGR (excluding Centrebet). As in other countries, the mobile product is increasing the frequency of customer bets and producing a higher margin as it tends to have been used to supplement existing betting opportunities.

The acquisition of Centrebet was completed on 31 August 2011. We are very excited by the prospects for both businesses. Although it is relatively early in the integration process the signs are very promising. We expect the synergy levels to at least match those we planned at the time of the acquisition. Our intention remains to keep both brands operating on one platform, thereby targeting maximum revenue upside through diversification whilst also extracting the largest possible cost savings from synergies. The combined business has around one third of the Australian internet gambling market which is regulated, taxed and fast growing. In addition there is the medium term possibility of significantly increasing the profitability of the company if the Australian Government regulates to allow in:play betting, online casino, games and poker.

## Europe

The European business (incorporating the financial results for the Emerging Markets Division) performed well in difficult economic conditions. The amount wagered on sports decreased by 4.7% to £281.5m (2010: £295.4m), generating NGR of £23.4m (2010: £28.3m) down 17%. Currency had no effect on NGR results during this period.

Our in:play product continues to produce industry leading margins of 10.1% (2010: 9.7%) and now accounts for 67% of European amounts wagered. We continue to expand the product and now trade up to 900 (2010: 600) football matches in:play per week from 450 (2010: 415) distinct football divisions.

As European markets move towards regulation, in Spain and Greece we have paid or accrued betting taxes of £4.3m in the period.

After the period end, we disposed of our Turkish language website business. We will receive the first monthly payment for this in December 2011.

Our two largest markets in Europe are Spain and Greece which account for 10% and 8% of total Group gross gaming revenue respectively. These markets continued to be affected by particularly challenging economic conditions. Spain saw amounts wagered rise by 1% whilst Greece saw a fall of 11%. This impacted the number of total sports actives, which fell across Europe by 3.9%. However, by providing markets to bet on every minute of every day we saw the number of sports bets placed fall by only 2.2% to 19.6m (2010: 20.1m) while the number of bets per customer increased to 98 (2010: 97). The average bet size decreased marginally to £14.46 (2010: £14.85) and yield per sports customer also decreased from £149 to £128.

The Emerging Markets division again saw strong NGR growth up 29% to £3.1m.

Casino and games NGR grew by 0.9% to £10.9m (2010: 10.8m). Our industry leading product range led to a 6.8% increase in the number of bets per active customer, but the difficult economic conditions in markets such as Spain and, in particular, Greece caused a 2.2% decrease in the total number of bets.

Poker NGR decreased to £2.5m (2010: £3.5m) in challenging market conditions, despite the recent closure of the US facing businesses of some of our competitors. Our casino and games and poker product remain an essential part of our offering, creating a 'one stop shop' which has been proven to increase customer loyalty.

## REGULATORY UPDATE

The Group welcomes the moves towards regulation across Europe as it provides greater certainty for the continuity of future income streams, increased consumer protection and greater certainty for future marketing activities.

Over the last quarter the Group has applied for licences in Italy, Denmark and Spain. With Greece and Germany likely to move forward with their regulation in 2012 the Group is confident that it will see the majority of its markets regulated towards the end of this financial year.

Whilst there is no certainty what the overall impact of regulation on profitability will be in the short term, we are confident that in the medium term the Group will be able to overcome the

immediate increases in operating costs from both tax and through increased marketing activities as we have proven in the Australian market.

## **OUTLOOK**

The Group has had a solid start to Q2, with trading in line with management's expectations.

With regulatory change well under way in Europe we are confident that the increased advertising opportunities, improved payment processing and stable business platform this provides will drive profitable growth in the medium term.

Whilst the economic outlook remains challenging, our diversified business model across the different economic cycles of Europe, Australia and South America gives us confidence for the current financial year.

**Sportingbet Plc**  
**Directors' Responsibility Statement**

The Directors confirm that to the best of their knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. The Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This statement is in accordance with DTR 4.

**Sportingbet Plc**  
**Unaudited Consolidated Statement of Comprehensive Income**  
**Quarter ended 31 October 2011**

	Notes	Quarter ended 31 October 2011 £m	Quarter ended 31 October 2010 £m
<b>Amounts wagered</b>	3	<b>693.7</b>	513.9
<b>Net gaming revenue</b>	3	<b>59.3</b>	51.1
Other operating revenue		<b>0.6</b>	-
<b>Total revenue</b>	3	<b>59.9</b>	51.1
Administrative expenses excluding exceptional items, share option charge, depreciation and amortisation of other intangible assets		<b>(49.7)</b>	(39.8)
<b>EBITDA (before exceptional items)</b>		<b>10.2</b>	11.3
Other administrative expenses:			
Exceptional items	4	<b>(5.3)</b>	-
Depreciation		<b>(4.4)</b>	(3.1)
Share option charge		<b>(0.2)</b>	(0.3)
Amortisation of other intangible assets		<b>(0.4)</b>	(0.4)
<b>Total administrative expenses</b>		<b>(60.0)</b>	(43.6)
<b>Group operating (loss) / profit</b>		<b>(0.1)</b>	7.5
Finance income		<b>0.6</b>	1.0
Finance costs		<b>(1.7)</b>	-
<b>(Loss) / Profit before taxation</b>		<b>(1.2)</b>	8.5
Taxation		<b>(0.7)</b>	(0.6)
<b>(Loss) / Profit for the quarter</b>		<b>(1.9)</b>	7.9



**Sportingbet Plc**  
**Unaudited Notes to the Financial Information**  
**Quarter ended 31 October 2011**

**1. Basis of preparation**

The unaudited financial information provided is for the quarter and half year ended 31 October 2011.

The unaudited financial information has been prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full accounts within the meaning of section 434 of the Companies Act 2006.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 July 2011, as described in those financial statements, which can be found on the Group's website.

**2. Seasonality of operations**

The Group's profitability is particularly sensitive to sporting events that attract a large volume of stakes. Revenues in the online betting industry in the second and third quarter of the financial year are generally stronger than revenues in the first and fourth. The Group's operating results generally reflect this seasonality, but have also been impacted by other factors that are not necessarily seasonal including, the imposition of new regulatory taxes and general economic conditions. Consequently, the Group's quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results in a quarterly or annual period are not necessarily indicative of future performance.

**Sportingbet Plc**  
**Unaudited Notes to the Financial Information (Continued)**  
**Quarter ended 31 October 2011**

**3. Operating segments**

For management purposes, the Group is currently organised into three geographical regions – Europe, Australia and Emerging Markets. These operating regions are the basis on which the Group reports its operating segments.

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the quarters to 31 October 2011 and 31 October 2010.

Emerging Markets refer to the Group's operations in Canada, Brazil, Chile and South Africa.

<b>2011</b>	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	<b>Total £m</b>
Amounts wagered	268.7	398.8	26.2	-	<b>673.7</b>
<u>Total revenue</u>	<u>34.3</u>	<u>22.5</u>	<u>3.1</u>	-	<b><u>59.9</u></b>

<b>2010</b>	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	<b>Total £m</b>
Amounts wagered	284.1	204.2	25.6	-	<b>513.9</b>
Total revenue	40.2	8.5	2.4	-	<b>51.1</b>

**Sportingbet Plc**  
**Unaudited Notes to the Financial Information (Continued)**  
**Quarter ended 31 October 2011**

**3. Operating segments (continued)**

Management also review revenue according to its three principal products: sports betting, casino gaming and poker.

<b>2011</b>	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	<b>Total £m</b>
Amounts wagered	683.8	11.9	3.8	-	<b>699.5</b>
Promotional bonuses	(3.5)	(1.0)	(1.3)	-	<b>(5.8)</b>
<b>Net amounts wagered</b>	<b>680.3</b>	<b>10.9</b>	<b>2.5</b>	-	<b>693.7</b>
Revenue	49.4	11.9	3.8	0.6	<b>65.7</b>
Promotional bonuses	(3.5)	(1.0)	(1.3)	-	<b>(5.8)</b>
<b>Total revenue</b>	<b>45.9</b>	<b>10.9</b>	<b>2.5</b>	<b>0.6</b>	<b>59.9</b>

<b>2010</b>	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	<b>Total £m</b>
Amounts wagered	503.1	11.7	4.3	-	519.1
Promotional bonuses	(3.5)	(0.9)	(0.8)	-	(5.2)
<b>Net amounts wagered</b>	<b>499.6</b>	<b>10.8</b>	<b>3.5</b>	-	<b>513.9</b>
Revenue	40.3	11.7	4.3	-	56.3
Promotional bonuses	(3.5)	(0.9)	(0.8)	-	(5.2)
<b>Total revenue</b>	<b>36.8</b>	<b>10.8</b>	<b>3.5</b>	-	<b>51.1</b>

**4. Exceptional items**

	<b>As at 31 October 2011 £m</b>	As at 31 October 2010 £m
Centrebet acquisition costs (a)	<b>2.8</b>	-
Costs associated with the disposal of the Turkish language website (b)	<b>0.6</b>	-
Restructuring costs	<b>1.9</b>	-
	<b>5.3</b>	-

(a) The costs related to the fees incurred in relation to the acquisition of Centrebet International Limited ("Centrebet").

(b) Legal and professional fees relating to the strategic review of the Turkish language website.

## **5. Share capital**

At 31 October 2011, the group's had 660,543,128 shares in issue (fully diluted 805,871,555)

## **6. Post balance sheet events**

On 20 November 2011, we completed the disposal of our Turkish language website business.

## **7. Contingencies**

(a) From time to time the Group is subject to legal claims and actions. The Group takes legal advice as to the likelihood of success of the claims and actions and no provision or disclosure is made where the Directors feel, based on that advice, that action is unlikely to result in a material loss.

As part of the ongoing operational risk assessment process adopted by the Group, there is continued monitoring of the legal and regulatory developments and their potential impact on the business. Appropriate advice continues to be taken in respect of these developments.

There is uncertainty as to what actions, if any, may occur from the Group's regulatory history, and any impact as such action may have on the Group. However, the Board does not consider it likely that a material liability or a material impairment in the carrying value of assets will arise as a result of any potential action.

(b) The Group has been paying betting taxes in the form of product fees to various states of Australia to the three racing codes. The Group's management believes the legal bases of these taxes is flawed and have been making payments under protest. The Group has paid A\$13m to the state of New South Wales this financial year, which may be recoverable if legal action is successful.