

Sportingbet Plc

Unaudited Results for the three months ended 31 October 2008

Sportingbet Plc, a leading online sports betting and gaming group, announces its first quarter results for the three months ended 31 October 2008.

Key Highlights

- Net gaming revenue growth up 28% to £38.9m
- Operating profit* up by 45% to £6.1m
- Sports betting net gaming revenue growth of 34%
- Successful launch of live sports streaming to enhance in-running product
- Relaxation of Australian advertising restrictions
- Net cash** of £19.5m

Financial Highlights

	2008 £m	2007 £m	Growth %
Amounts Wagered	364.9	290.9	25.4
Net Gaming Revenue	38.9	30.4	28.0
EBITDA	8.0	5.6	42.9
Adjusted Operating Profit*	6.1	4.2	45.2
Profit Before Tax/(Loss)	4.9	(1.4)	-
Diluted EPS (p)	0.7	(0.4)	-
Adjusted Diluted EPS* (p)	1.0	0.8	22.2
Net cash**	19.5	20.3	-

* Adjusted to exclude exceptional items, share option charge and amortisation

** Net of long term debt and customer liabilities

Andrew McIver, Group Chief Executive, commented:

“Performance during August, September and October has provided a solid start to the new financial year with Net Gaming Revenue growing by 28% and operating profit by 45% to £6.1m.

As the business enters its busiest two quarters, our focus will continue to be on the provision of quality and value sports betting services to a globally diversified customer base. This core revenue stream will continue to be supplemented by our additional casino, poker and games offer.

Whilst sports betting has historically shown itself to be ‘recession hardy’, no industry is ‘recession proof’. Unfortunately there is also no empirical data with regard to the online casino and poker industry to estimate what the impact of an economic downturn may or may not be on these products. That said, customer metrics remained very robust both

during the quarter and in the four weeks since it ended. As such the Board remains cautiously optimistic in achieving the Group's full year forecast."

For further information please contact:

Sportingbet Plc

Andrew McIver, Group Chief Executive
Jim Wilkinson, Group Finance Director
Simon Gregory, Director of Business Development

Tel: 020 7184 1800

Maitland

George Hudson

Tel: 020 7379 5151
Mob: 07595 270877

There is a presentation for analysts and investors today at 9.30 at 10 Aldersgate Street, London, EC1A 4HJ. In addition, there will be a live audio webcast available at www.sportingbetplc.com. Registration will be made available 10 minutes prior to the presentation start time.

OVERVIEW

The Group continued its strong operating performance throughout the first quarter (August, September and October) of its new financial year. This quarter is characterised by being one of the quieter periods for sports betting in Europe, with most football leagues not commencing until late August. With many customers still enjoying the holiday season, full volumes are not reached until mid September. In Australia, the first quarter has a full horse racing calendar encompassing much of the Spring Carnival.

The European sports betting business grew strongly exhibiting Net Gaming Revenue ("NGR") growth of 19% year on year. In Australia, the sports betting business performed extremely well, showing NGR growth of 97% through a combination of increased customer numbers and stronger sports betting margins. In casino and games, the Group continues to see a strong throughflow of customers from the sports sites with NGR up 34%. Poker continues to struggle in the highly competitive European landscape resulting in NGR down 4% year on year. Of the Groups 28% total growth in NGR, 9% is attributable to the weakening sterling exchange rate against its major trading currencies during the quarter.

FINANCIAL RESULTS:

Three months ended 31 October 2008

Amounts wagered for the three months ended 31 October 2008 were £364.9m (2007: £290.9m), earning NGR of £38.9m (2007: £30.4m).

Amounts wagered on sports betting in Europe grew by 14% to £193.6m (2007: £169.6m), earning NGR of £17.7m (2007: £14.9m). Casino and gaming contributed a further £9.9m, and poker £4.4m, to both amounts wagered and NGR (2007: £7.4m and £4.6m). Amounts wagered on Australian sports betting grew by 44% to £157.0m (2007: £109.3m), earning NGR of £6.9m (2007: £3.5m).

As a percentage of amounts wagered, the European and Australian sports NGR were 9.1% and 4.4% respectively (2007: 8.8% and 3.2%). Amounts wagered and NGR are stated after a deduction for customer bonuses of £3.6m (2007: £3.5m). Without the bonus deduction the equivalent numbers would have been 10.3% and 4.5% (2007: 9.8% and 3.4%).

Costs (excluding exceptional items, share option charge and amortisation) in the three months were £32.8m (2007 £26.2m), accounting for 84.3% of NGR (2007: 86.2%).

Operating profit (before exceptional items, share option charge and amortisation) for the three months was £6.1m (2007: £4.2m).

EBITDA, that is earnings before interest, tax, depreciation and amortisation (excluding exceptional items and share option charge), was up 43% to £8.0m (2007: £5.6m).

Profit before tax, after charging exceptional items of £nil (2007: £2.9m), share option charge of £0.9m (2007: £1.8m), amortisation of other intangible assets of £0.4m (2007: £1.1m) and crediting interest income of £0.1m, was £4.9m (2007: loss of £1.4m).

As at 31 October 2008, the Group had £41.8m (2007: £38.5m) of cash and liquid resources on its balance sheet, of which £16.8m (2007: £12.9m) related to customer liabilities. Gross financial liabilities amounted to £9.0m (2007: £5.4m) which comprised £5.6m (2007: £5.3m) bank loans secured on residential properties in the Channel Islands and £3.4m (2007: £0.1m) deferred consideration.

REVIEW OF OPERATIONS

Europe

The Group's core sports betting product saw a 4% increase in the number of active customers to 204,295 (2007: 197,306). This relatively low rate of growth compared to what has been achieved historically reflects a change in marketing strategy that was implemented last year, to move from 'quantity at any cost' to 'quality and value'. The marketing focus is now prioritised on those customer segments that provide a significant contribution to Group performance. This has resulted in a move away from the mass recruitment of customers towards the recruitment and yield management of more highly profitable players.

The number of bets placed rose by 4% to 12.3m (2007: 11.8m) at a constant rate of 60 bets per active customer per quarter (2007: 60 bets), with an average bet size of £15.97 (2007: £14.58). As a result of a materially higher bet size coupled with a slightly stronger margin percentage, yield per customer increased by 15% from £85.73 to £98.61.

The Group's in-running betting product ("in:play"), allowing customers to bet throughout the game on a wide variety of outcomes, continues to capture the interest of our customers and accounted for 49% of all sports bets within this region. To build further on this success, at the end of the quarter, the Group launched an enhanced in:play product offering, which includes the live streaming of sport. Early signs from this upgrade are encouraging. Further developments of the in:play application are currently scheduled to allow a round-the-clock in-running betting service on an ever wider variety of events, irrespective of an event's location or time-zone.

The Group continues to derive its revenues from a broad geographical base. The Group's core markets of Spain and Greece continue to perform well with gaming revenues for these regions up 34% and 85% respectively.

Gaming revenues from the Turkish business have fallen 42% year on year, equivalent to £2.8m, as a result of the Group downsizing the importance of this market. Turkey accounted for approximately 9.0% of Group revenues during the quarter compared to 19.6% last year and 26.0% during quarter two last year. Subsequent to quarter two last year, the Group ceased marketing the Turkish business in order to bring it in line with its stated strategy of no individual geography representing more than 20% of the total NGR.

Eastern Europe continues to be a significant growth market, growing in aggregate by 63% to account for 14.3% of Group revenues (2007: 11.8%).

The UK and Italy continue to be difficult markets for the Group, both being significantly overserved, and in the case of the UK, with a relatively expensive media environment. The Group has consequently focused its resources in other markets that yield a greater return and as such the UK and Italian markets have declined, in aggregate by almost 30% year on year.

Europe's casino and games offering, which accounted for 25% of the Group's NGR, performed well through the quarter. The number of casino bets placed rose by 12% to 40.8m (2007: 36.3m) at an average bet size of £4.77 (2007: £4.60). The casino margin percentage was 3.7% (2007: 3.6%).

During the quarter the European region generated poker rake of £5.1m (2007: £5.5m), pre bonus deductions, down 7.3% year on year. Poker now accounts for just 12% of the Group's NGR, down from 16% in quarter one 07/08. Poker remains difficult as the

environment remains very competitive with large US-focused poker companies, in particular, using their significant cash flow and high liquidity to target European customers.

Australia

Sportingbet Australia continues its very strong performance with gaming revenue nearly doubling to £7.1m for the quarter. This has been driven by a significant increase in both customer numbers and a strong sports margin performance (4.5% vs 3.4%).

During the quarter, New South Wales and Victoria relaxed their restriction on sports betting advertisements. Sportingbet Australia, which is Australia's largest independent bookmaker, took advantage of this to promote its offering during what was left of the important Spring Carnival of horse racing. Sign-ups have duly increased, with active customer numbers growing by 41% from 15,164 to 21,327 year on year. However, whilst Sportingbet Australia intends to continue to take advantage of the new advertising regime, in due course both States will be looking to introduce taxes as a quid pro quo for the liberalisation.

REGULATORY DEVELOPMENTS

There have been no substantive changes in the regulatory environment since the Group reported its year end results on 15 October 2008.

CURRENT TRADING AND OUTLOOK

Trading in the first four weeks of November has been in line with management expectations.

During the second quarter, further product developments, specifically with regard to the Group's sports betting product are expected. These developments will allow for further coverage of in-running betting events to complement the current schedule, and to expand further the breadth of markets covered, primarily in European football. In addition the Group expects to launch a licensed sports betting operation into the South African market early in 2009.

Whilst sports betting has historically shown itself to be 'recession hardy', no industry is 'recession proof'. Unfortunately there is also no empirical data with regard to the online casino and poker industry to estimate what the impact of an economic downturn may or may not be on these products. That said, customer metrics remained very robust both during the quarter and in the first four weeks since it ended. As such the Board therefore remains cautiously optimistic in achieving the Group's full year forecast.

Sportingbet Plc
Unaudited Consolidated Interim Income Statement
Three months ended 31 October 2008

	Notes	3 months to 31 October 2008 £m	3 months to 31 October 2007 £m
Amounts wagered	3	364.9	290.9
Net gaming revenue	2, 3	38.9	30.4
Administrative expenses excluding exceptional items, share option charge and amortisation of other intangible assets		(32.8)	(26.2)
Group operating profit before exceptional items, share option charge and amortisation of other intangible assets		6.1	4.2
Other administrative expenses:			
• Exceptional items	4	-	(2.9)
• Share option charge		(0.9)	(1.8)
• Amortisation of other intangible assets		(0.4)	(1.1)
Total administrative expenses		(34.1)	(32.0)
Group operating profit/(loss)		4.8	(1.6)
Finance income		0.2	0.3
Finance costs		(0.1)	(0.1)
Profit/(loss) before taxation		4.9	(1.4)
Taxation		(1.0)	(0.3)
Group profit/(loss) for the period		3.9	(1.7)
Earnings/(loss) per ordinary share	5		
Basic		0.8p	(0.4)p
Diluted		0.7p	(0.4)p

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 October 2008

	Notes	31 October 2008 £m	31 October 2007 £m
Non-current assets			
Goodwill		52.0	51.8
Other intangible assets		15.0	9.1
Property, plant and equipment	6	20.5	15.9
		<u>87.5</u>	<u>76.8</u>
Current assets			
Trade and other receivables		7.3	8.2
Cash and cash equivalents		41.8	38.5
		<u>49.1</u>	<u>46.7</u>
Current liabilities			
Trade and other payables		(41.5)	(34.9)
Interest bearing loans and borrowings		(5.6)	(5.3)
Contingent consideration		(3.4)	-
		<u>(50.5)</u>	<u>(40.2)</u>
Net current (liabilities)/assets		<u>(1.4)</u>	6.5
Non-current liabilities			
Deferred consideration		-	(0.1)
Long-term provisions		(0.1)	(1.2)
		<u>(0.1)</u>	<u>(1.3)</u>
Net assets		<u>86.0</u>	<u>82.0</u>
Equity			
Issued share capital		0.5	0.4
Shares to be issued		8.0	22.1
Share premium		56.8	42.9
Own shares		(2.1)	-
Retained earnings	7	24.9	19.4
Foreign exchange reserve		(2.1)	(2.5)
Equity attributable to equity holders of the parent		<u>86.0</u>	<u>82.3</u>
Minority interest		-	(0.3)
Total equity		<u>86.0</u>	<u>82.0</u>

Sportingbet Plc
Unaudited Consolidated Cash Flow Statement
Three months ended 31 October 2008

	3 months to 31 October 2008 £m	3 months to 31 October 2007 £m
Group profit/(loss) after tax	3.9	(1.7)
Depreciation	1.4	0.7
Software amortisation	0.5	0.7
Other amortisation	0.4	1.1
Bad debt provision movement	0.9	-
Share option charge	0.9	1.8
Finance income	(0.1)	(0.2)
Taxation	1.0	0.3
Operating cash flows before movements in working capital	8.9	2.7
Decrease in receivables	0.5	1.2
(Decrease)/increase in payables	(10.8)	1.7
Cash (used in)/from operations	(1.4)	5.6
Income tax paid	(1.5)	-
Net cash (used in)/from operating activities	(2.9)	5.6
Purchases of property, plant and equipment	(1.0)	(3.8)
Purchases of software	(0.5)	(0.5)
Acquisitions	(1.1)	-
Interest received	0.1	0.2
Cash used in investing activities	(2.5)	(4.1)
Purchase of own shares	(2.3)	-
Net cash used in financing activities	(2.3)	-
Net (decrease)/increase in cash and cash equivalents in the period	(7.7)	1.5
Cash and cash equivalents at beginning of period	49.4	37.0
Effect of foreign exchange rate changes	0.1	-
Cash and cash equivalents at end of period	41.8	38.5

Sportingbet Plc
Unaudited Consolidated Statement of Recognised Income and Expense
Three months ended 31 October 2008

	3 months to 31 October 2008 £m	3 months to 31 October 2007 £m
Exchange differences on translation of foreign operations	(0.6)	0.1
Net (loss)/income recognised directly in equity	(0.6)	0.1
Profit/(loss) for financial period	3.9	(1.7)
Total recognised income and expense for the period	3.3	(1.6)

Sportingbet Plc
Unaudited Notes
Three months ended 31 October 2008

1. Basis of preparation

The financial information provided is for the three months ended 31 October 2008, the first quarter of the Group's financial year ending 31 July 2009.

The financial information has been prepared in accordance with the accounting policies set out in the Group's Annual Report and Accounts for the year ended 31 July 2008, which are based on the recognition and measurement principles of IFRSs in issue as adopted by the European Union (EU). The Group has chosen not to adopt IAS 34 in the preparation of this financial information in accordance with the AIM rules. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

The Group's statutory financial statements for the year ended 31 July 2008 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified, however they included a reference to an emphasis of matter with regard to regulatory uncertainty consistent with the prior year, and the reports did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Net gaming revenue

Net gaming revenue for the period has been calculated as follows:

	3 months to 31 October 2008 £m	3 months to 31 October 2007 £m
Gaming revenue	42.5	33.9
Promotional bonuses	(3.6)	(3.5)
	38.9	30.4

Sportingbet Plc
Unaudited Notes (Continued)
Three months ended 31 October 2008

3. Primary and secondary segmental information

The following table presents revenue and profit information for the Group's primary business segments for the three months ended 31 October 2008:

	Europe £m	Australia £m	Americas £m	Unallocated central costs £m	Total £m
Amounts wagered	201.4	157.0	6.5	-	364.9
Net gaming revenue	31.2	6.9	0.8	-	38.9
Depreciation	(0.9)	(0.1)	-	(0.8)	(1.8)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(20.0)	(4.2)	(0.7)	(6.1)	(31.0)
Group operating profit before exceptional items, share option charge and other amortisation	10.3	2.6	0.1	(6.9)	6.1
Other administrative expenses:					
› Share option charge	(0.3)	(0.1)	-	(0.5)	(0.9)
› Other amortisation	(0.4)	-	-	-	(0.4)
Total administrative expenses	(21.6)	(4.4)	(0.7)	(7.4)	(34.1)
Operating profit/(loss)	9.6	2.5	0.1	(7.4)	4.8

The following table presents revenue information for the Group's secondary business segments for the three months ended 31 October 2008:

	Sports betting £m	Casino and gaming £m	Poker rake £m	Total £m
Amounts wagered	350.6	9.9	4.4	364.9
Net gaming revenue	24.6	9.9	4.4	38.9

Sportingbet Plc
Unaudited Notes (Continued)
Three months ended 31 October 2008

3. Primary and secondary segmental information (continued)

The following table presents revenue and profit information for the Group's primary business segments for the three months ended 31 October 2007:

	Europe £m	Australia £m	Americas £m	Unallocated central costs £m	Total £m
Amounts wagered	180.6	109.3	1.0	-	290.9
Net gaming revenue	26.3	3.6	0.5	-	30.4
Depreciation	(1.0)	(0.1)	-	(0.3)	(1.4)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(16.8)	(2.4)	(0.5)	(5.1)	(24.8)
Group operating profit before exceptional items, share option charge and other amortisation	8.5	1.1	-	(5.4)	4.2
Other administrative expenses:					
› Exceptional items	(2.9)	-	-	-	(2.9)
› Share option charge	(0.5)	(0.3)	-	(1.0)	(1.8)
› Other amortisation	(1.1)	-	-	-	(1.1)
Total administrative expenses	(22.3)	(2.8)	(0.5)	(6.4)	(32.0)
Operating profit/(loss)	4.0	0.8	-	(6.4)	(1.6)

The following table presents revenue information for the Group's secondary business segments for the three months ended 31 October 2007:

	Sports betting £m	Casino and gaming £m	Poker rake £m	Total £m
Amounts wagered	278.9	7.4	4.6	290.9
Net gaming revenue	18.4	7.4	4.6	30.4

Sportingbet Plc
Unaudited Notes (Continued)
Three months ended 31 October 2008

4. Exceptional items

The following exceptional costs were incurred during the quarter:

	3 months to 31 October 2008	3 months to 31 October 2007
Notes	£m	£m
Reorganisation costs relating to UIGEA	(a) -	0.2
Transfer of licensable activities to the Channel Islands	(b) -	2.7
	<u>-</u>	<u>2.9</u>

- (a) The impact of the passing of the UIGEA and the subsequent decision to close the US-facing part of ParadisePoker and dispose of the remaining US-facing operations resulted in a number of reorganisation costs amounting to £nil (2007: £0.2m).
- (b) The costs relating to the transfer of the licensable activities to Alderney and Guernsey of £nil (2007: £2.7m) included redundancy, recruitment, training, temporary accommodation and other related costs.

5. Earnings per share

	3 months to 31 October 2008	3 months to 31 October 2007
Earnings/(loss) per ordinary share		
Basic	<u>0.8p</u>	(0.4)p
Diluted	<u>0.7p</u>	(0.4)p
Adjusted earnings per ordinary share (before exceptional items, share option charge and amortisation of other intangible assets)		
Basic	<u>1.1p</u>	0.9p
Diluted	<u>1.0p</u>	0.8p

The calculation of basic earnings per share is based on the profit on ordinary activities after taxation and minority interests attributable to shareholders of Sportingbet Plc and the weighted average number of shares in issue during the year.

Due to the size of non-cash items the Group has adjusted its earnings per ordinary share to exclude exceptional items, share option charge and amortisation:

	3 months to 31 October 2008	3 months to 31 October 2007
	£m	£m
Basic earnings	3.9	(1.7)
Exceptional items	-	2.9
Share option charge	0.9	1.8
Amortisation	0.4	1.1
Adjusted earnings	<u>5.2</u>	<u>4.1</u>

Sportingbet Plc
Unaudited Notes (Continued)
Three months ended 31 October 2008

5. Earnings per share (continued)

During the quarter the Group had the following weighted average number of shares in issue and potentially dilutive shares:

	2008	2007
	No.	No.
Weighted average number of shares in issue	472,101,332	433,732,138
Employee share schemes	37,435,735	34,808,886
Contingent consideration	20,355,934	36,544,118
Fully diluted number of weighted average number of shares in issue	529,893,001	505,085,142

As at 31 October 2008 the Group had the following shares in issue and potentially dilutive shares:

	2008	2007
	No.	No.
Number of shares in issue	468,335,340	443,267,845
Employee share schemes	37,435,735	34,808,886
Contingent consideration	20,355,934	36,544,118
Fully diluted number of shares in issue	526,127,009	514,620,849

6. Property, plant and equipment and software

Additions to property, plant and equipment and software were £1.0m and 0.5m respectively during the quarter (2007: £3.8m and £0.5m).

7. Movement in retained earnings

The movement in retained earnings comprises the Group profit for the quarter of £3.9m and the share option reserve movement of £0.9m, which is not presented separately in equity.