



Sportingbet Plc

Unaudited results for the first quarter ended 31 October 2010

Sportingbet Plc, a leading online sports betting and gaming group, announces its results for the quarter ended 31 October 2010.

Key Highlights

- Amounts wagered up 11% to £513.9m
- EBITDA up 17% to £11.3m
- Mobile phone launch proving successful
- In:play growth of 27% - now 66% of European sports revenue (2009: 58%)
- Joint venture announced with First International Bookmakers Company, Russia's second largest licensed bookmaker
- Non Prosecution Agreement reached with the US

Financial Highlights

	Q1 2010 £m	Q1 2009 £m	%
Amounts wagered	513.9	463.2	10.9
Net gaming revenue	51.1	48.6	5.1
EBITDA*	11.3	9.7	16.5
Adjusted operating profit*	8.2	7.1	15.5
Group operating profit	7.5	6.3	19.0
Adjusted diluted EPS* (p)	1.7	1.3	24.4
Diluted EPS (p)	1.5	1.2	26.6
Net cash**	22.4	21.7	3.2

* Adjusted to exclude share option charge and amortisation

** Net of long term debt and customer liabilities

Andrew McIver, Group Chief Executive, commented:

"I am pleased to report a strong set of results for the first quarter of the new financial year. Sportingbet continues to capture the growth opportunity in our industry which is ultimately being driven by ever increasing broadband penetration, continuing customer confidence in transacting over the internet and a greater customer awareness of the exciting opportunities presented by online sports betting. These compelling fundamentals underpin the long term growth potential of the business. Moreover, entry into new geographic markets, such as our recently announced Russian joint venture, demonstrate the additional opportunities that are available to the Group."

For further information please contact:

Sportingbet plc

Andrew McIver, Group Chief Executive
Jim Wilkinson, Group Finance Director

Tel: 020 7184 1800

Maitland

George Hudson
Daniel Yea

Tel: 020 7379 5151
Mob: 07595 270877
Mob: 07595 270691

There is a conference call for analysts and investors at 8.30 today. Please contact Sian Stanley on 020 7379 5151 or sstanley@maitland.co.uk for details.

FINANCIAL RESULTS: Quarter ended 31 October 2010

Amounts wagered for the quarter ended 31 October 2010 were up 11% at £513.9m (2009: £463.2m), earning net gaming revenue ("NGR") up 5% at £51.1m (2009: £48.6m). Following the Group's withdrawal from France and Norway the underlying NGR growth rate at constant currency was 9%.

Amounts wagered on sports betting grew by 12% to £499.6m (2009: £447.9m), earning NGR of £36.8m (2009: £33.3m), up 11% for the quarter. Casino and gaming contributed a further £10.8m, and poker £3.5m, to both amounts wagered and NGR (2009: £11.1m and £4.2m).

As a percentage of amounts wagered, the European and Australian sports NGR, after deducting customer bonuses, was 9.6% and 4.2% respectively (2009: 10.3% and 3.3%).

Costs (excluding exceptional items, share option charge and amortisation) in the quarter were £42.9m (2009: £41.5m), accounting for 84.0% of NGR (2009: 85.4%). The operating margin has improved to 16% (2009: 14.6%).

Operating profit (before exceptional items, share option charge and amortisation) for the quarter was £8.2m (2009: £7.1m).

Earnings before interest, tax, depreciation and amortisation (before share option charge and listing costs) increased 17% to £11.3m (2009: £9.7m).

Operating profit after the share option charge of £0.3m (2009: £0.3m) and amortisation of other intangible assets of £0.4m (2009: £0.5m) was £7.5m (2009: £6.3m).

Interest income amounted to £1.0m (2009: £0.2m). Net finance income was £1.0m (2009: £0.2m).

Corporation tax increased to £0.6m (2009: £0.4m) as a result of higher profits from Australia.

Adjusted basic earnings per share (before share option charge and amortisation), was 1.7p (2009: 1.4p). Diluted earnings per share (before share option charge and amortisation), was 1.7p (2009: 1.3p). Basic Group statutory earnings per share was 1.6p (2009: 1.3p).

As at 31 October 2010, the Group had £53.1m (2009: £47.4m) of cash and liquid resources on its balance sheet. After taking into account £22.8m (2009: £18.4m) of customer liabilities, £4.0m (2009: £4.0m) of bank loans secured on residential properties in the Channel Islands and £3.9m (2009: £3.3) of finance leases, net cash at the period end stood at £22.4m (2009: £21.7m). During the period \$15m was paid to the US Authorities, being the first instalment due under the Non-Prosecution Agreement.

REVIEW OF OPERATIONS

Europe

The European business (incorporating the financial results for the Emerging Markets Division) continues to grow strongly with the amount wagered on sports increasing by 12% to £295.4m (2009: £263.8m). At constant currency and removing France and Norway from the comparatives, the European business saw underlying growth of 17%.

Sports NGR rose by 4% to £28.3m (2009: £27.2m). The relatively low rise in NGR compared to amounts wagered is due to the lower sports margin (after deducting customer bonuses) of 9.6% (2009: 10.3%), as the results favoured customers in the quarter and particularly in October.

The rollout of the region's mobile phone offering has been very encouraging with actives up ten fold since the launch six months ago and the product now accounts for over 7% of active customers in the regions largest geographic markets. The take up of the mobile product is expected to continue to grow significantly as smart phone penetration is expected to reach over 50% in the core European markets over the next three years.

Casino and Games revenue fell by 3% to £10.8m (2009: £11.1m) due to the difficult economic conditions in markets such as Spain and in particular Greece.

During the period the European region generated poker rake, post customer bonus deductions, of £3.5m, down 17% (2009: £4.2m). Poker now accounts for 7% of Group revenues. The poker market remains challenging as the environment is very competitive, as large US-facing companies continue to utilise their significant US cash flows and high liquidity to aggressively target the European region.

In November an exclusive five year joint venture with First International Bookmakers Company ("FIBC"), was announced. FIBC are Russia's second largest licensed bookmaker, trading under one of the country's most recognised betting brands, Liga Stavok. Sportingbet will provide online services to complement Liga Stavok's existing and fast growing retail operation. Liga Stavok has unparalleled access to the Russian sports betting market as a result of its exclusive betting partnership with the Russian Football Premier League.

The fast growing Russian market is an exciting opportunity and is a perfect fit with the Group's strategy of building geographical diversity.

Australia

Amounts wagered in Australia increased by 11% from £184.1m to £204.2m.

The NGR rose 39% to £8.5m (2009: £6.1m), which at constant currency was a 26% rise. The sports margin rose from 3.3% to 4.2% as the sports results normalised compared to the prior year when they favoured the customer.

Since the relaxation of advertising rules in September 2008, the Group has been able to significantly grow the proportion of its business derived from the internet as opposed to its historic high-roller telephone business. The internet business, being more recreational in nature, has an inherently higher margin. Consequently the underlying average margin earned by the Australian division has progressively

climbed over that period. Year on year the internet business grew by 27% and now accounts for 45% of turnover, compared to 22% pre the change in regulation in 2007.

REGULATORY UPDATE

There have been no substantive changes in the regulatory environment since the Group reported its year end results on 6 October 2010.

UNITED STATES

During the quarter, the Group entered into a Non-Prosecution Agreement with the Office of the United States Attorney for the Southern District of New York ("SDNY"), acting on behalf of the United States Department of Justice, with respect to the Group's previous activities in the United States. Under the terms of the Agreement, SDNY will not seek to prosecute the Group for activities related to its internet gambling business with customers in the United States from 1998 to 2006. The Group ceased to offer online gambling to United States customers on 12 October 2006.

As part of the Agreement, the Group has agreed to pay a total of \$33m (£21.3m) to SDNY, payable in three instalments: (i) \$15m (£9.7m) payable no later than 30 September 2010, (ii) \$12m (£7.7m) no later than 30 September 2011 and (iii) \$6m (£3.9m) no later than 31 March 2012.

In addition to the above, the Group has agreed to cooperate with SDNY and disclose information to SDNY relating to the Group's former internet gambling business in the United States and adhere to certain further obligations from the date of the Agreement with respect to its future conduct in the United States. The Group has also acknowledged and accepted certain details regarding its former business activities in the United States which are set out in the Statement of Facts which form part of the Agreement.

CURRENT TRADING AND OUTLOOK

Trading since the start of the second quarter has remained robust with margins in line with their historic average. The Board remains confident with regard to the remainder of the financial year.

Sportingbet Plc
Unaudited Consolidated Income Statement
Quarter ended 31 October 2010

	Notes	Quarter ended 31 October 2010 £m	Quarter ended 31 October 2009 £m
Amounts wagered	4	513.9	463.2
Net gaming revenue	3,4	51.1	48.6
Administrative expenses share option charge and amortisation of intangible assets		(42.9)	(41.5)
Group operating profit before share option charge and amortisation of intangible assets		8.2	7.1
Other administrative expenses:			
• Share option charge		(0.3)	(0.3)
• Amortisation of intangible assets		(0.4)	(0.5)
Total administrative expenses	4	(43.6)	(42.3)
Group operating profit	4	7.5	6.3
Finance income		1.0	0.2
Profit before taxation		8.5	6.5
Taxation		(0.6)	(0.4)
Profit after tax		7.9	6.1
Profit for the period		7.9	6.1
Profit attributable to the Owners of the parent		7.9	6.1
Profit per ordinary share			
Basic		1.6p	1.3p
Diluted		1.5p	1.2p

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 October 2010

	As at 31 October 2010 Unaudited £m	As at 31 October 2009 Audited £m	As at 31 July 2010 Audited £m
Non-current assets			
Goodwill	41.6	41.4	41.5
Other intangible assets	22.8	17.0	21.8
Property, plant and equipment	27.3	25.5	27.1
Deferred tax asset	2.1	1.6	2.0
	93.8	85.5	92.4
Current assets			
Trade and other receivables	17.1	17.3	13.9
Cash and cash equivalents	53.1	47.4	58.9
	70.2	64.7	72.8
Current liabilities			
Trade and other payables	(46.0)	(43.0)	(54.4)
Interest bearing loans and borrowings	(5.7)	(5.2)	(5.3)
	(51.7)	(48.2)	(59.7)
Net current assets	18.5	16.5	13.1
Non-current liabilities			
Trade and other payables	(11.3)	-	(11.6)
Obligations under finance leases	(2.2)	(2.1)	(1.2)
Long-term provisions	-	(0.1)	-
	(13.5)	(2.2)	(12.8)
Net assets	98.8	99.8	92.7
Equity			
Issued share capital	0.5	0.5	0.5
Share premium	59.9	59.4	59.9
Retained earnings	36.8	39.0	30.8
Foreign exchange reserve	1.6	0.9	1.5
Total equity	98.8	99.8	92.7

Sportingbet Plc
Unaudited Consolidated Cash Flow Statement
Quarter ended 31 October 2010

	Quarter ended 31 October 2010 £m	Quarter ended 31 October 2009 £m
Group profit after taxation	7.9	6.1
Depreciation	1.1	1.2
Software amortisation	2.0	1.4
Other amortisation	0.4	0.5
Share option charge	0.3	0.3
Finance income	(1.0)	(0.2)
Taxation	0.6	0.4
Operating cash flows before movements in working capital	11.3	9.7
(Increase)/ decrease in receivables	(4.6)	(5.0)
(Decrease)/ increase in other payables	-	3.2
Payment to US department of Justice	(9.7)	-
Cash generated by operations	(3.0)	7.9
Income tax paid	(0.1)	(0.8)
Net cash from operating activities	(3.1)	7.1
Purchases of property, plant and equipment	(1.2)	(4.8)
Purchases of software	(3.4)	(2.6)
Acquisitions	-	(0.5)
Interest received	0.1	0.2
Cash used in investing activities	(4.5)	(7.7)
Exercise of share options	(0.5)	-
Issue of shares	0.1	-
Obligation under finance leases	1.4	3.3
Net cash used in financing activities	1.0	3.3
Net (decrease)/ increase in cash and cash equivalents in the period	(6.6)	2.7
Cash and cash equivalents at beginning of period	58.9	44.3
Effect of foreign exchange rate changes	0.8	0.4
Cash and cash equivalents at end of period	53.1	47.4

Sportingbet Plc
Unaudited Notes to the Financial Information
Quarter ended 31 October 2010

1. Basis of preparation

The unaudited financial information provided is for the quarter ended 31 October 2010.

The unaudited financial information has been prepared in accordance with applicable International Financial Reporting Standards ('IFRSs') as adopted by the European Union that are effective for the quarter ending 31 October 2010.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended July 31, 2010, as described in those financial statements.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this financial information.

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.

3. Net gaming revenue

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

	Quarter ended 31 October 2010 £m	Quarter ended 31 October 2009 £m
Gaming revenue	56.3	53.4
Promotional bonuses	(5.2)	(4.8)
	51.1	48.6

4. 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 operating segments for the quarter to 31 October 2010 and 31 October 2009.

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

Sportingbet Plc
Unaudited Notes to the Financial Information (Continued)
Quarter ended 31 October 2010

4. Operating segments (continued)

2010	Europe £m	Australia £m	Emerging Markets £m	Unallocated central items £m	Total £m
Amounts wagered	284.1	204.2	25.6	-	513.9
Net gaming revenue	40.2	8.5	2.4	-	51.1
Depreciation and software amortisation	(2.7)	(0.4)	-	(0.1)	(3.2)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(27.4)	(7.4)	(1.2)	(3.7)	(39.7)
Group operating profit/ (loss) before exceptional items, share option charge and other amortisation	10.1	0.7	1.2	(3.8)	8.2
Other administrative expenses:					
> Exceptional items	-	-	-	-	-
> Share option charge	(0.1)	-	-	(0.2)	(0.3)
> Other amortisation	(0.4)	-	-	-	(0.4)
Total administrative expenses	(30.6)	(7.8)	(1.2)	(4.0)	(43.6)
Operating profit/(loss)	9.6	0.7	1.2	(4.0)	7.5
Finance income	-	0.1	-	0.9	1.0
Taxation	(0.1)	(0.5)	-	-	(0.6)
Profit/ (loss) for the period	9.5	0.3	1.2	(3.1)	7.9
Balance sheet information					
Total assets	138.1	25.9	-	-	164.0
Total liabilities	(54.4)	(10.8)	-	-	(65.2)
Expenditure incurred to acquire property, plant and equipment and intangible assets	4.1	0.5	-	-	4.6

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

Sportingbet Plc
Unaudited Notes to the Financial Information (Continued)
Quarter ended 31 October 2010

4. Operating segments (continued)

2010	Sports betting £m	Casino gaming £m	Poker rake £m	Total £m
Amounts wagered	503.1	11.7	4.3	519.1
Promotional bonuses	(3.5)	(0.9)	(0.8)	(5.2)
Net amounts wagered	499.6	10.8	3.5	513.9
Gaming revenue	40.3	11.7	4.3	56.3
Promotional bonuses	(3.5)	(0.9)	(0.8)	(5.2)
Net gaming revenue	36.8	10.8	3.5	51.1

2009	Europe £m	Australia £m	Emerging Markets £m	Unallocated central items £m	Total £m
Amounts wagered	267.3	184.1	11.8	-	463.2
Net gaming revenue	41.2	6.1	1.3	-	48.6
Depreciation and software amortisation	(2.3)	(0.2)	-	(0.1)	(2.6)
Administrative expenses excluding exceptional items, share option charge and other amortisation	(30.0)	(5.3)	(1.4)	(2.2)	(38.9)
Group operating profit/ (loss) before exceptional items, share option charge and other amortisation	8.9	0.6	(0.1)	(2.3)	7.1
Other administrative expenses:					
> Exceptional items	-	-	-	-	-
> Share option charge	0.2	(0.1)	-	(0.4)	(0.3)
> Other amortisation	(0.5)	-	-	-	(0.5)
Total administrative expenses	(32.6)	(5.6)	(1.4)	(2.7)	(42.3)
Operating profit/(loss)	8.6	0.5	(0.1)	(2.7)	6.3
Finance (cost)/income	-	-	-	0.2	0.2
Taxation	(0.1)	(0.3)	-	-	(0.4)
Profit/ (loss) for the period	8.5	0.2	(0.1)	(2.5)	6.1

Sportingbet Plc
Unaudited Notes to the Financial Information (Continued)
Quarter ended 31 October 2010

4. Operating segments (continued)

2009 (continued)	Europe £m	Australia £m	Emerging Markets £m	Unallocated central items £m	Total £m	
Balance sheet information						
Total assets	129.6	20.6	-	-	150.2	
Total liabilities	(38.9)	(11.5)	-	-	(50.4)	
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Expenditure incurred to acquire property, plant and equipment and intangible assets	7.1	0.3	-	-	7.4	
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2009			Sports betting £m	Casino gaming £m	Poker rake £m	Total £m
Amounts wagered			451.3	11.7	5.0	468.0
Promotional bonuses			(3.4)	(0.6)	(0.8)	(4.8)
Net amounts wagered			447.9	11.1	4.2	463.2
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Gaming revenue			36.7	11.7	5.0	53.4
Promotional bonuses			(3.4)	(0.6)	(0.8)	(4.8)
Net gaming revenue			33.3	11.1	4.2	48.6