



## Sportingbet Plc

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### Unaudited results for the third quarter ended 30 April 2012

Sportingbet Plc, a leading online sports betting and gaming group, announces its results for the third quarter ended 30 April 2012.

### Group Financial Highlights for the quarter

	Q3 2012 £m	Q3 2011 £m
Amounts wagered	555.9	507.3
Net Gaming Revenue	43.4	54.7
EBITDA*	10.8	16.1
Net Cash	24.8	31.4

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

### Group

- Total amounts wagered up 10% to £555.9m
- 52% of NGR from regulated territories and a further 24% from territories where we are paying tax ahead of expected regulation

### Australia

- Total amounts wagered up 78% to £369.1m
- Total NGR up 116% to £18.1m (like for like up 46% to £12.3m)
- Mobile accounted for 34% of online NGR in April
- Integration progressing well and synergies at least in line with previously stated

### Europe and Emerging Markets

- Total amounts wagered down 38% to £186.8m (like for like down 4%)
- NGR down 47% from £45.7m to £24.2m (like for like down 7%)
- Spanish business suspended 27 March 2012 due to an injunction. Spanish license expected early June 2012 followed by anticipated lifting of the injunction
- Annualised fixed costs reduced by £15m
- In:play at an industry leading margin of 10.1%
- Mobile actives increase in excess of 150% year on year in largest domains

**Andrew McIver, Group Chief Executive, commenting on the results said:**

“Our Australian business, which accounts for over 90% of our profits, continues to go from strength to strength. The integration of Centrebet is nearly complete and our combined Australian business grew NGR by 116% in the quarter. Europe continues to be impacted by the recession and the effects of regulation. As we have demonstrated in Australia, the long term benefits of regulation are clear but take time to manifest themselves.”

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There is a conference call for analysts and investors at 09.30 today. Please contact Laura Dean on 020 7379 5151 or [ldean@maitland.co.uk](mailto:ldean@maitland.co.uk) for details.

## OVERVIEW

Sportingbet is one of the world's leading online gaming operators with divisions focused on Australia and Europe (which includes Emerging Markets). Betting on sports is at the heart of the Sportingbet business, accounting for 76% (2011: 72%) of Group gross gaming revenue. The growth in sports betting of 11% 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 52% of our revenues from regulated territories. This will increase further as Spain and Greece fully regulate.

Australia, which currently represents over 90% of Group profits, goes from strength to strength. Last year's acquisition of Centrebet cemented our position as the market leading provider of fixed odds betting in the region. The integration with our existing business is ahead of plan and so far exceeds our expectations.

The non Australian business is currently operating at around breakeven as the European region faces underlying recession and regulatory uncertainty. This position is unlikely to change in the near term, as any increase in profitability will be reinvested in newly regulated markets. It remains a core part of the Group and provides support for Emerging Markets, and for expansion into any new territories such as the US. Similar services would also be provided to Australia if there were to be a regulated introduction of in:play or non sports products in that region. In due course, the recession will pass and Europe will emerge from its current regulatory turmoil. It should be remembered that it took three years for the benefits of regulation to flow through to profitability in Australia.

In the meantime, the Group will continue to adjust the European cost base to mitigate both recessionary forces and the impact of new taxes. Since the disposal of the Group's Turkish language facing business in November 2011, the non-Australian fixed cost base has been reduced by 22% (£15m per annum). The Group will continue to review its European cost base to ensure that it at least breaks even.

The Group will continue to explore new countries, products or partners for growth.

## **FINANCIAL RESULTS: Quarter ended 30 April 2012**

Amounts wagered for the quarter ended 30 April 2012 were up by 9.6% to £555.9m (2011: £507.3m), earning total revenue of £43.4m (2011: £54.7m).

The European results were affected by the sale of the Turkish language website in November, the imposition of new betting taxes and the suspension of our Spanish business.

Amounts wagered on sports betting in Europe (incorporating the financial results for the Emerging Markets division) fell by 38% (like for like down 4%) to £177.8m (2011: £285.9m), earning sports NGR of £15.2m (2011: £31.7m).

Casino and gaming fell 31% to £7.5m from £10.8m (like for like down 7%), and poker 53% to £1.5m from £3.2m (like for like down 40%).

Amounts wagered on Australian sports betting grew by 78% to £369.1m (2011: £207.4m), earning post betting tax NGR of £18.1m (2011: £8.4m), up 116%. This includes Centrebet, which was acquired in August, and contributed £5.8m NGR in the period. Excluding Centrebet, NGR was up 46%.

As a percentage of amounts wagered, the European and Australian sports NGR were 8.5% and 4.9% respectively (2011: 11.1% and 4.1%).

Earnings before interest, tax, depreciation and amortisation (before exceptional items and share option charge) decreased 33% to £10.8m (2011: £16.1m).

Operating profit after the exceptional costs of £9.4m (2011: £nil), share option charge of £0.1m (2011: £0.2m), amortisation of other intangible assets of £0.4m (2011: £0.4m) and other income of £3.1m (2011: £nil) was £1.6m (2011: £12.0m).

Net finance costs were £1.3m (2011: income of £0.1m) after accruing for interest on the convertible bond.

Corporation tax income rose to £1.9m (2011: cost of £0.4m). The 2011 tax number benefited from a refund from the Australian business.

Exceptional costs totalled £9.4m (2011: £nil). These costs relate to restructuring costs associated with the integration of Centrebet, the disposal of the Turkish language website and Group restructuring.

As at 30 April 2012, the Group had £57.9m (2011: £57.5m) of cash and liquid resources on its balance sheet. After taking into account £33.1m (2011: £26.1m) of customer liabilities, net cash at the period end stood at £24.8m (2011: £31.4m).

## **REVIEW OF OPERATIONS**

### **Australia**

Amounts wagered in Australia increased by 78% from £207.4m to £369.1m resulting in an increase in NGR of 116% to £18.1m (2011: £8.4m). The Australian business now accounts for 43% of Group revenue and over 90% of profits. On a like for like basis the Australian operation increased NGR by 46% to £12.3m.

The sports margin in Australia was above the long term average for the quarter at 4.9% (2011: 4.1%) as certain results favoured the bookmaker.

On a like for like basis the number of actives were up 40% and the number of bets rose 26%.

Our Australian mobile platform was successfully launched last year. The Sportingbet owned product continued to perform strongly with mobile revenue up substantially to over 34% of online NGR in April. The mobile product is increasing the frequency of customer bets and producing a higher margin as it tends to be used to supplement existing betting opportunities.

The integration of the Centrebet and Sportingbet operations is proceeding very well and is planned to be completed by the end of June. Thereafter the Centrebet customers will start to benefit from the superior Sportingbet mobile platform and rich online offering.

The Australian Government is reviewing the Interactive Gaming Act 2001. The interim report published on 29 May 2012 indicates that betting in:play and some forms of poker may be permitted. As with all legislation the timing of any change is uncertain but the current indication is that the new law may be introduced by the calendar year end.

### **Europe and Emerging Markets**

The European results were adversely affected by the disposal of the Turkish language website in November 2011 and the suspension of the Spanish language website for part of the quarter. These two businesses had accounted for 50% of the division's revenue in the previous financial year. In addition new betting taxes in Greece, Spain and Denmark have further reduced NGR by £1.4m.

The Spanish business was subject to an injunction and therefore suspended on 27<sup>th</sup> March 2012. In addition, in May 2012 the Group paid €14m in Spanish taxes following an approach from the Spanish tax authorities to all online gaming operators. It was made clear that in the opinion of the Spanish tax authorities, any operator who had accepted revenues from Spanish customers had an obligation to pay Spanish taxes under 1966 and 1977 laws. We expect this payment to qualify the company for a Spanish licence which is expected to be issued in early June 2012. On receipt of a licence the Group will apply to Commercial Court No.10 in Madrid to have the injunction cancelled. The timing of the Court hearing will be dependent on the Spanish judicial process.

The amount wagered on sports decreased by 38% to £177.8m (2011: £285.9m), generating sports NGR of £15.2m (2011: £31.7m) down 52% (like for like 4%). Our in:play product continues to produce industry leading margins of 10.1% (2011: 10.8%) and now accounts for 68% of European amounts wagered. We continue to expand the product and now trade up to 900 (2011: 850) football matches in:play per week from almost 470 (2011: 400) distinct football divisions.

Our two largest markets in Europe are Spain and Greece which accounted for 7% and 13% respectively of total Group gross gaming revenue in this quarter. These markets continued to be affected by particularly challenging economic conditions. Spain NGR fell by 14% prior to the suspension of the website, whilst Greece saw a fall of 19%. The number of sports actives fell by 6% due to the economic conditions and the closure of the Spanish website. Although we saw the number of bets per customer increase to 57 (2011: 51), the economic conditions saw the average bet size decrease to £9 (2011: £14) and yield per sports customer decrease from £157 to £88.

The decrease in sports margin was primarily driven by the payment of betting duty in Denmark, Greece and Spain. In addition the run of sporting results favoured the customer in the quarter.

The Emerging Markets division saw NGR decrease 12% to £2.5m reflecting the timing of sporting events. Our newest start ups in South Africa and Chile continue to grow strongly.

Casino and games NGR fell by 31% to £7.5m (2011: £10.8m) due to the factors mentioned earlier. The number of bets decreased by 8% per active customer and the difficult economic conditions in markets across Europe caused a 11% decrease in the total number of bets.

Poker NGR decreased to £1.5m (2011: £3.2m) in challenging market conditions. Our casino and games and poker product remain a key part of our overall offering, creating a 'one stop shop' which has been proven to increase customer loyalty.

## **OUTLOOK**

The Group remains well placed to drive value through its strong brand presence in its regulated and newly regulating markets.

Spain is a significant part of the Group's European operations and the closure of the website has significantly affected the results. We expect Spanish licences to be issued in early June 2012 which will allow the Group to request the Court lift the injunction. There is no certainty around the timing of any Court consideration of the matter as it is subject to Spanish legal process.

Results in May to date have been in line with our expectations and we remain confident of the outcome for the year.

**Sportingbet Plc**  
**Unaudited Income Statement**  
**Quarter ended 30 April 2012**

	Notes	Quarter ended 30 April 2012 £m	Quarter ended 30 April 2011 £m	9 months 30 April 2012 £m	9 months 30 April 2011 £m
<b>Amounts wagered</b>	3	<b>555.9</b>	507.3	<b>1,822.1</b>	1,576.5
<b>Net gaming revenue</b>	3	<b>42.3</b>	54.1	<b>151.7</b>	160.9
Other operating revenue		<b>1.1</b>	0.6	<b>2.6</b>	1.7
<b>Total revenue</b>	3	<b>43.4</b>	54.7	<b>154.3</b>	162.6
Administrative expenses excluding exceptional items, share option charge, depreciation and amortisation of other intangible assets		<b>(32.6)</b>	(38.6)	<b>(118.3)</b>	(120.7)
<b>EBITDA (before exceptional items)</b>		<b>10.8</b>	16.1	<b>36.0</b>	41.9
Other income		<b>3.1</b>	-	<b>5.7</b>	-
Other administrative expenses:					
Exceptional items	4	<b>(9.4)</b>	-	<b>(33.4)</b>	-
Depreciation		<b>(2.4)</b>	(3.5)	<b>(10.2)</b>	(9.7)
Share option charge		<b>(0.1)</b>	(0.2)	<b>(0.4)</b>	(0.7)
Amortisation of other intangible assets		<b>(0.4)</b>	(0.4)	<b>(1.3)</b>	(1.3)
<b>Total administrative expenses</b>		<b>(44.9)</b>	(42.7)	<b>(163.6)</b>	(132.4)
<b>Group operating profit/ (loss)</b>		<b>1.6</b>	12.0	<b>(3.6)</b>	30.2
Finance income		<b>1.1</b>	0.1	<b>2.0</b>	1.6
Finance costs		<b>(2.4)</b>	-	<b>(5.3)</b>	(0.1)
<b>Profit/ (loss) before taxation</b>		<b>0.3</b>	12.1	<b>(6.9)</b>	31.7
Taxation		<b>1.9</b>	(0.4)	<b>(1.2)</b>	(2.1)
<b>Profit/ (loss) for the period</b>		<b>2.2</b>	11.7	<b>(8.1)</b>	29.6

**Sportingbet Plc**  
**Unaudited Notes to the Financial Information**  
**Quarter ended 30 April 2012**

**1. Basis of preparation**

The unaudited financial information provided is for the quarter and nine months ended 30 April 2012.

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 30 April 2012**

**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 30 April 2012 and 30 April 2011.

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

**Quarter ended 30 April 2012**

	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	<b>Total £m</b>
Amounts wagered	162.2	369.1	24.6	-	<b>555.9</b>
Total revenue	22.3	18.6	2.5	-	<b>43.4</b>
Group operating profit/(loss) before Turkey sale, exceptional items, share option charge and amortisation of other intangible assets	2.3	6.3	0.9	(1.1)	<b>8.4</b>

**Quarter ended 30 April 2011**

	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	<b>Total £m</b>
Amounts wagered	274.5	207.4	25.4	-	<b>507.3</b>
Total revenue	43.6	8.3	2.8	-	<b>54.7</b>
Group operating profit/(loss) before Turkey sale, exceptional items, share option charge and amortisation of other intangible assets	11.9	3.6	0.5	(3.4)	<b>12.6</b>

**9 months 30 April 2012**

	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	<b>Total £m</b>
Amounts wagered	623.4	1,125.3	73.4	-	<b>1,822.1</b>
Total revenue	81.6	64.7	8.0	-	<b>154.3</b>
Group operating profit/(loss) before Turkey sale, exceptional items, share option charge and amortisation of other intangible assets	5.7	23.3	2.8	(6.0)	<b>25.8</b>

**Sportingbet Plc**  
**Unaudited Notes to the Financial Information (Continued)**  
**Quarter ended 30 April 2012**

**3. Operating segments (continued)**

<b>9 months 30 April 2011</b>	Europe £m	Australia £m	Emerging Markets £m	Unallocated central costs £m	<b>Total £m</b>
Amounts wagered	885.0	613.9	77.6	-	<b>1,576.5</b>
Total revenue	127.7	27.7	7.2	-	<b>162.6</b>
Group operating profit/(loss) before Turkey sale, exceptional items, share option charge and amortisation of other intangible assets	32.5	8.1	1.9	(10.3)	<b>32.2</b>

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

<b>Quarter ended 30 April 2012</b>	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	<b>Total £m</b>
Amounts wagered	549.8	8.3	2.5	-	<b>560.6</b>
Promotional bonuses	(2.9)	(0.8)	(1.0)	-	<b>(4.7)</b>
Net amounts wagered	<b>546.9</b>	<b>7.5</b>	<b>1.5</b>	-	<b>555.9</b>
Revenue	36.2	8.3	2.5	1.1	<b>48.1</b>
Promotional bonuses	(2.9)	(0.8)	(1.0)	-	<b>(4.7)</b>
Total revenue	<b>33.3</b>	<b>7.5</b>	<b>1.5</b>	<b>1.1</b>	<b>43.4</b>

<b>Quarter ended 30 April 2011</b>	Sports betting £m	Casino gaming £m	Poker rake £m	Other operating revenue £m	<b>Total £m</b>
Amounts wagered	497.3	11.6	4.5	-	513.4
Promotional bonuses	(4.0)	(0.8)	(1.3)	-	(6.1)
Net amounts wagered	<b>493.3</b>	<b>10.8</b>	<b>3.2</b>	-	<b>507.3</b>
Revenue	44.1	11.6	4.5	0.6	60.8
Promotional bonuses	(4.0)	(0.8)	(1.3)	-	(6.1)
Total revenue	<b>40.1</b>	<b>10.8</b>	<b>3.2</b>	<b>0.6</b>	<b>54.7</b>

**Sportingbet Plc**  
**Unaudited Notes to the Financial Information (Continued)**  
**Quarter ended 30 April 2012**

**4. Exceptional items**

	<b>Quarter to 30 Apr 2012</b>	<b>Quarter to 30 Apr 2011</b>	<b>Nine months 31 Jan 2012</b>	<b>Nine months 31 Jan 2011</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Property, plant & equipment and software impairments	-	-	<b>19.0</b>	-
Corporate transactions	<b>6.1</b>	-	<b>11.7</b>	-
Redundancy costs	<b>3.3</b>	-	<b>8.6</b>	-
GST refund	-	-	<b>(5.9)</b>	-
	<b>9.4</b>	-	<b>33.4</b>	-

**5. Share capital**

At 30 April 2012, the group's had 666,971,448 shares in issue (fully diluted 825,328,459)

**6. Post balance sheet events**

In May 2012 the Group paid €14m in Spanish taxes following an approach from the Spanish tax authorities to all online gaming operators

**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.