



Results for the year ended 31 December 2005

16 March 2006

Agenda

John Anderson

Highlights

Aviad Kобрine

Financial review
KPI's

John Anderson

Operating review
Marketing review
Regulatory Environment

Summary and Q&A

Financial highlights

- ◆ Profit before tax up **56%** to **\$67.4m*** (2004: \$43.1m)
- ◆ Net Gaming Revenues up **52%** to **\$271m** (2004: \$178m)
- ◆ PBT* / NGR up to **25%** (2004: 24%)
- ◆ Operating expenses / NGR down to **27%** (2004: 28%)
- ◆ Cash generated from operations up **58%** to **\$88m** (2004: \$51m)
- ◆ Basic EPS* up **58%** to **19.3 ¢** (2004: 12.2 ¢)

KPIs - highlights

Casino

- ✦ NGR in 2005 up **16%** to **\$161m** (2004: \$139m)
- ✦ Active members in Q4 2005 up **48%** to **98,000** (Q4 2004: 66,000)
- ✦ NGR per active member is **\$419** in Q4 2005 (Q4 2004: \$521)

Poker

- ✦ NGR in 2005 up **179%** to **\$110m** (2004: \$39m)
- ✦ Active members in Q4 2005 up **89%** to **233,000** (Q4 2004: 123,000)
- ✦ NGR per active member is **\$156** in Q4 2005 (Q4 2004: \$124)



Operating highlights

- ◆ Introduction of an entirely **new Casino** product
- ◆ Introduction of an upgraded Poker version - **multi language**
 - ◆ Live: English, German, Italian and Swedish
 - ◆ March 2006: French and Danish
- ◆ Upgraded affiliates IT platform including multilingual support
- ◆ Members made a total of **1.6 billion** Casino bets and Poker hands
- ◆ Support centre responded to **2 million** contacts via phone, email and chat

Marketing highlights

- ◆ Marketing investment of **\$100 million** optimised by comprehensive multi-channel approach
- ◆ Resulted in **2,500** real money registrations per day in 2005
- ◆ The most recognised online gambling brand in the UK *
- ◆ Maintained industry leadership through sports sponsorships
 - ◆ 888.com World Snooker Championship
 - ◆ Middlesbrough FC, for the **2nd** consecutive season
- ◆ Innovative televised Poker tournaments

Financial review



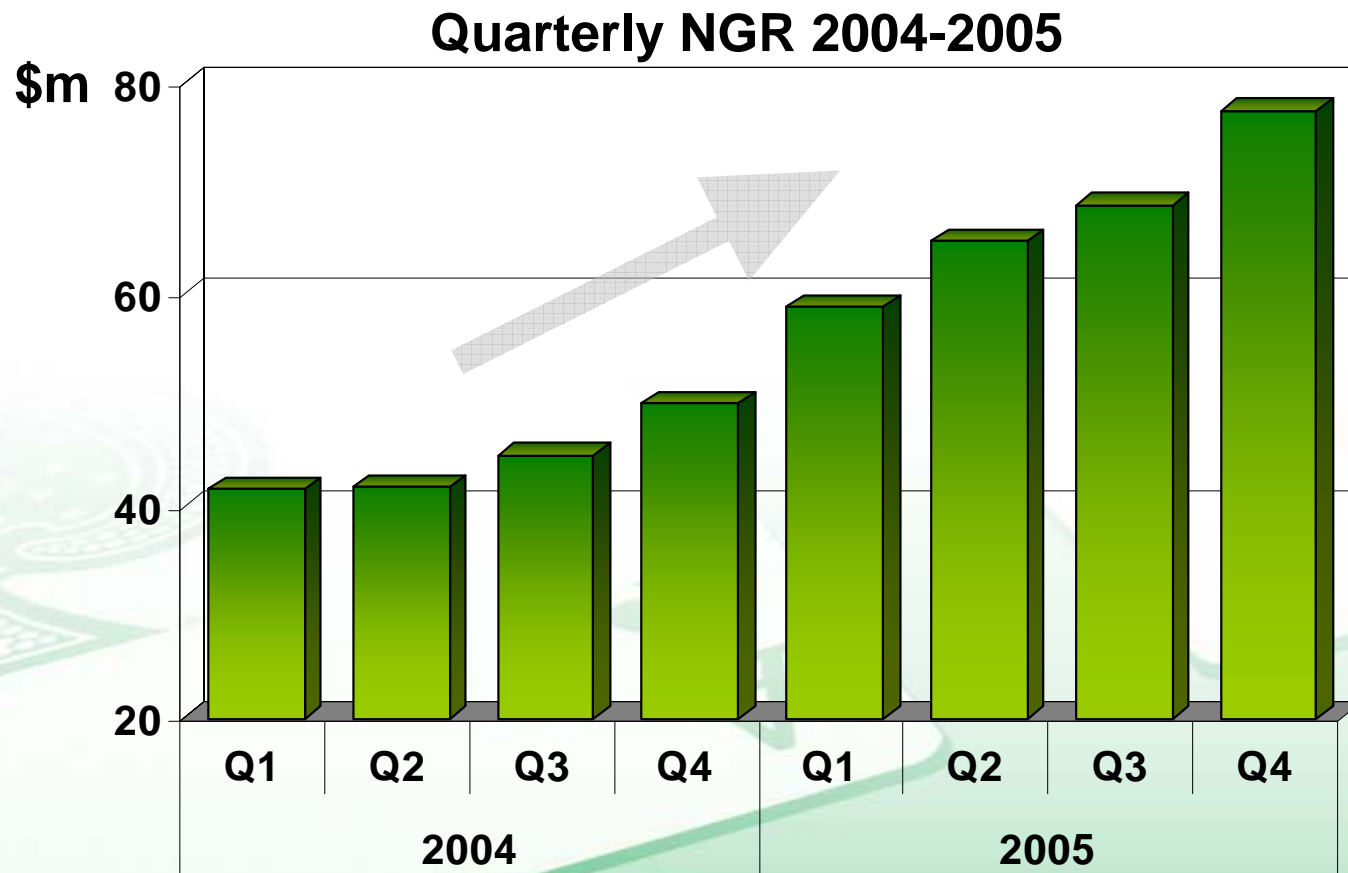
Profit and loss account

	2005	2004	<i>% Change</i>
	\$m	\$m	
Net Gaming Revenue	271.0	177.9	52%
Operating expenses	73.0	50.1	46%
Research and development expenses	11.3	6.9	64%
Selling and marketing expenses	100.0	64.5	55%
Administrative expenses*	<u>20.1</u>	<u>13.6</u>	48%
Operating profit*	66.7	42.8	56%
Finance income	<u>0.7</u>	<u>0.3</u>	133%
Profit before tax*	67.4	43.1	56%
Taxation	(2.1)	(2.0)	8%
Profit after tax*	65.2	41.1	59%
<u>Earnings per share</u>			
Basic*	19.3¢	12.2¢	58%

* 2005 excluding share benefit charges

Quarterly NGR

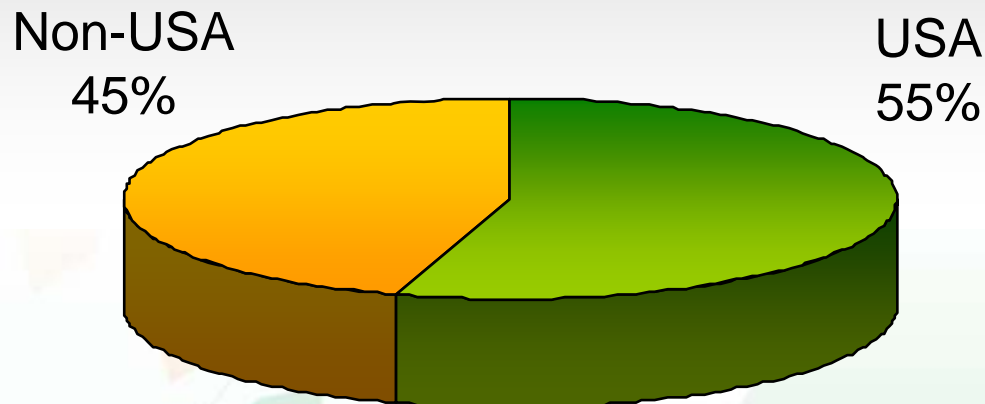
- ◆ NGR in Q4 2005 up **56%** to **\$77m** (Q4 2004: \$50m)
- ◆ Quarterly CAGR of **9.3%** from Q1 2004 to Q1 2005



Geographic segmentation

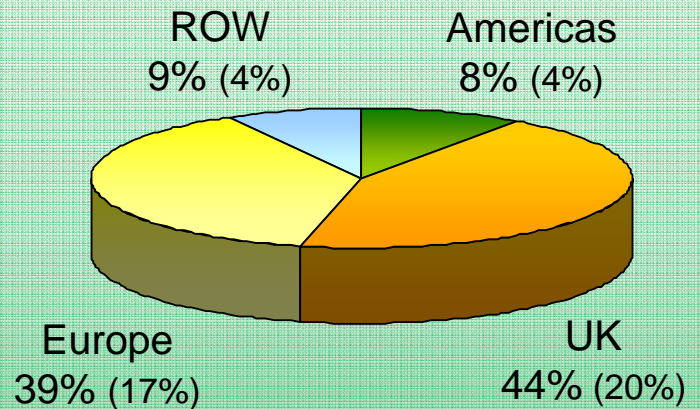
- ◆ USA NGR comprises **55%** of total NGR (2004: 58%)
- ◆ UK NGR comprises **44%** of non-USA NGR (2004: 35%)

Geographic segmentation, NGR 2005



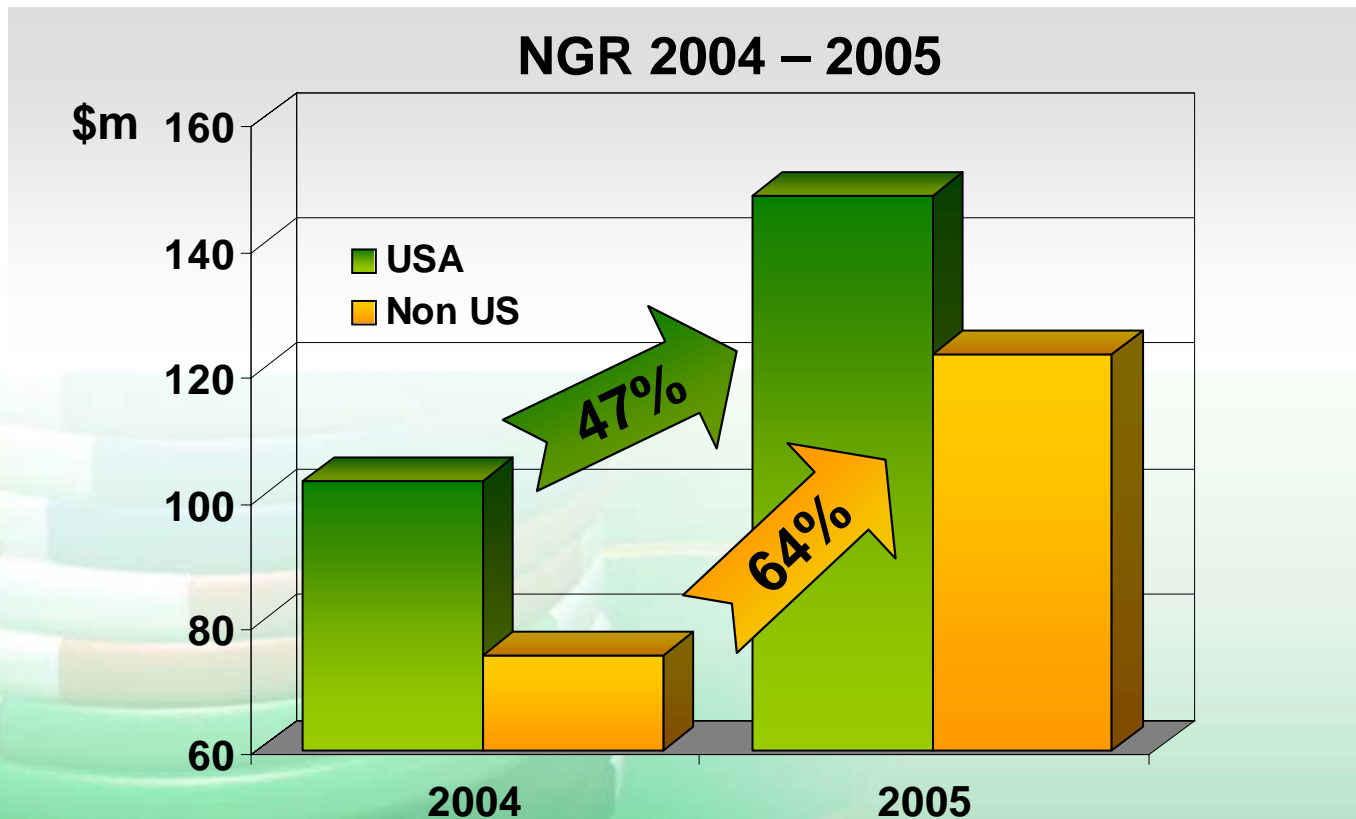
Non-USA breakdown

In brackets percentage of total



Geographic segmentation

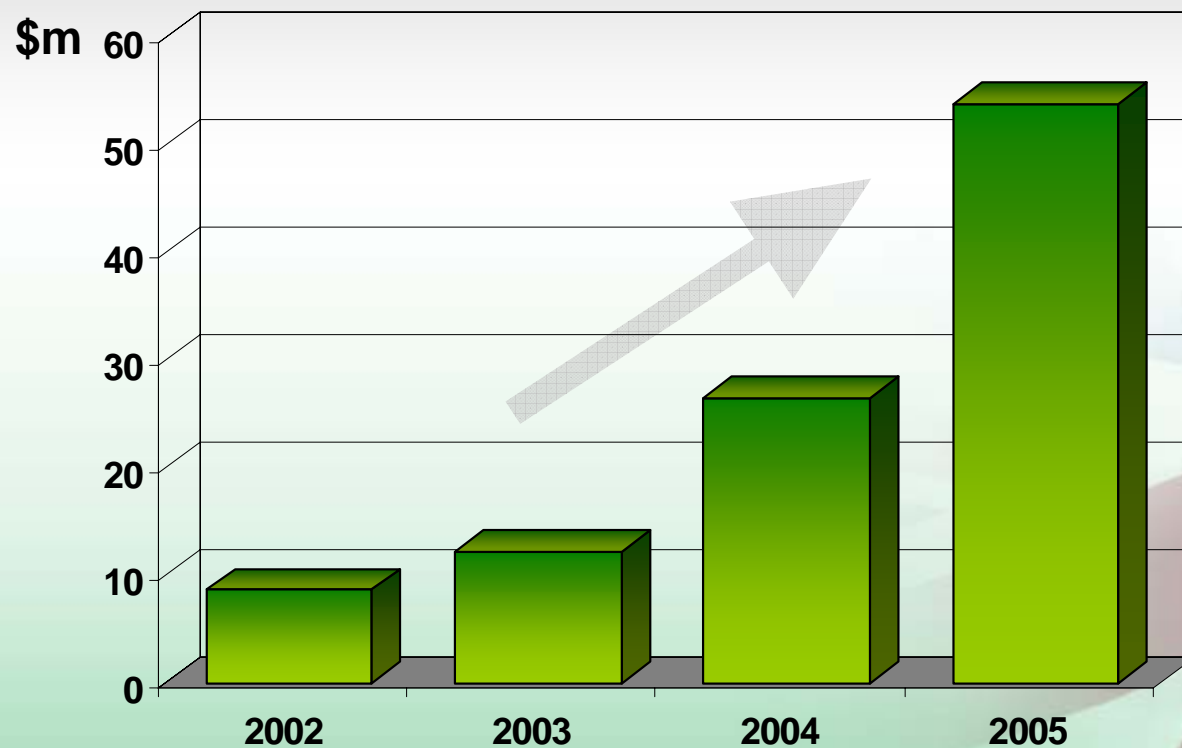
- ◆ Non-USA NGR up **64%** to **\$123m** (2004: \$75m)
- ◆ Europe is the main driver for growth
- ◆ USA is still the largest market with NGR of **\$151m** in 2005 (2004: \$103m)



The UK

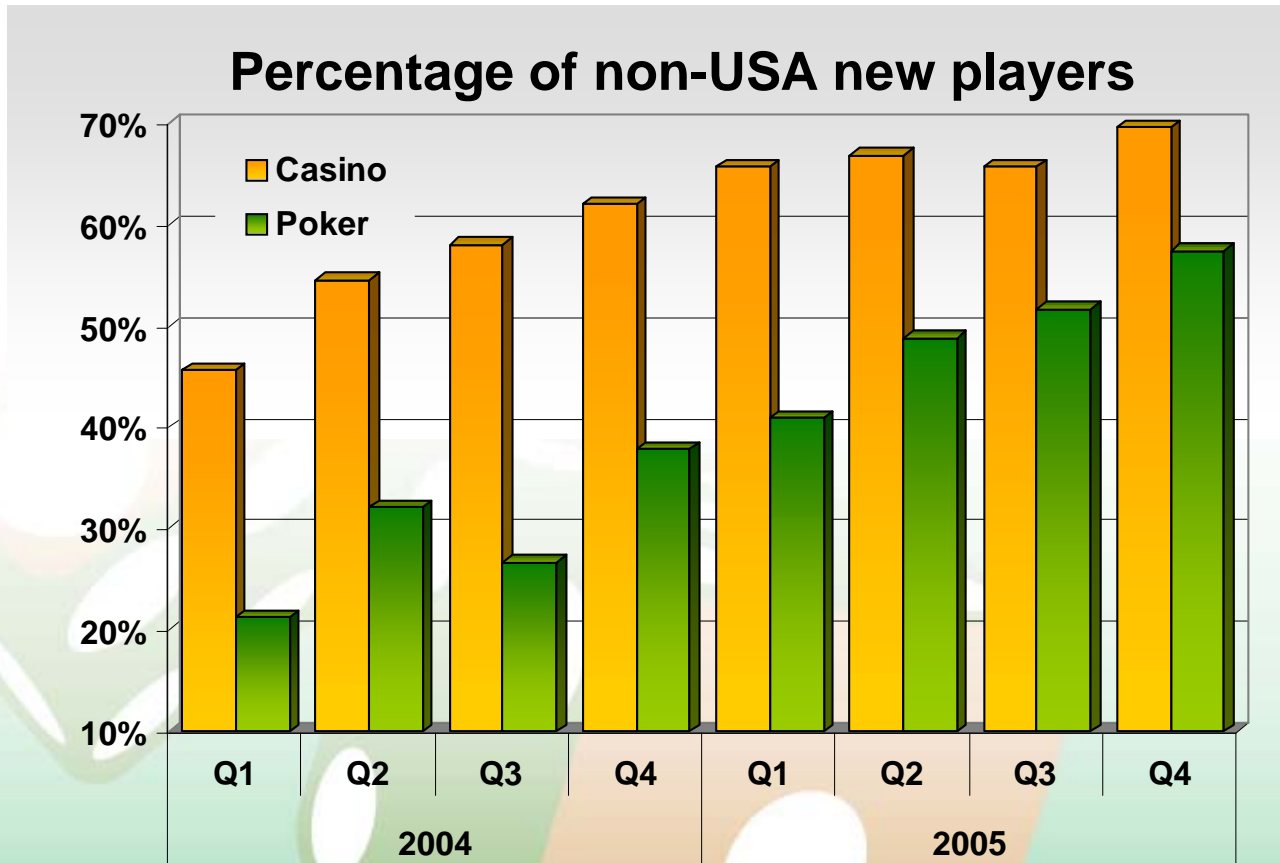
- ◆ UK NGR grew **103%** in 2005 to **\$54m**
- ◆ CAGR 2002 – 2005 of **84%**
- ◆ UK results demonstrate the impact of a multi channel marketing approach, template for further expansion

The UK, NGR 2002 - 2005



Non-USA new player growth

- ◆ **50%** of new players* in 2005 are non-USA players, (2004: 38%)
- ◆ **62%** of new players in Q4 2005 are non-USA players
- ◆ Percentage of non-USA new members is rising in both Poker and Casino

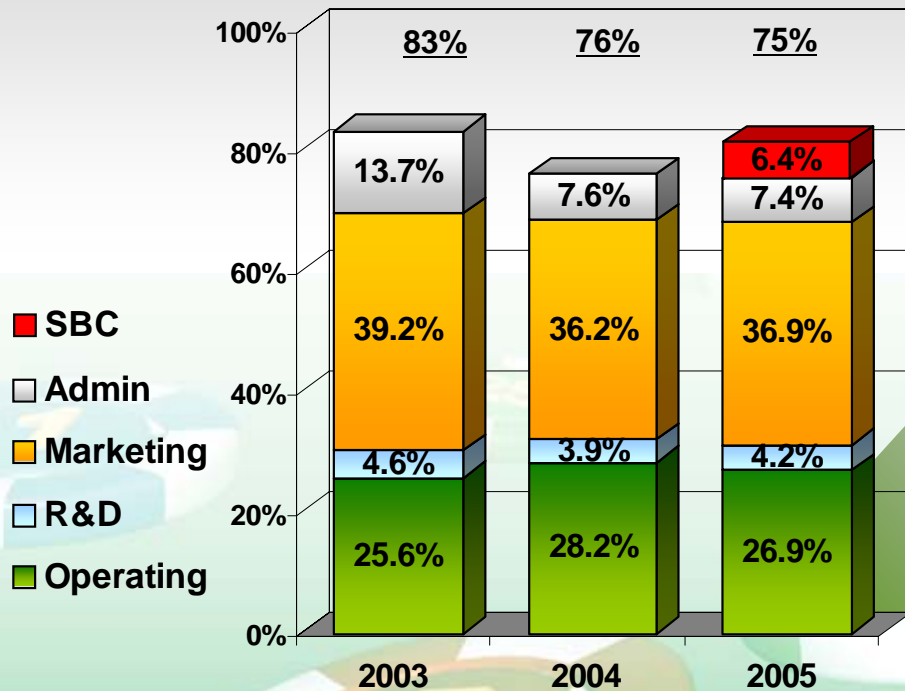


* New players are those who deposited money for the first time during the relevant period

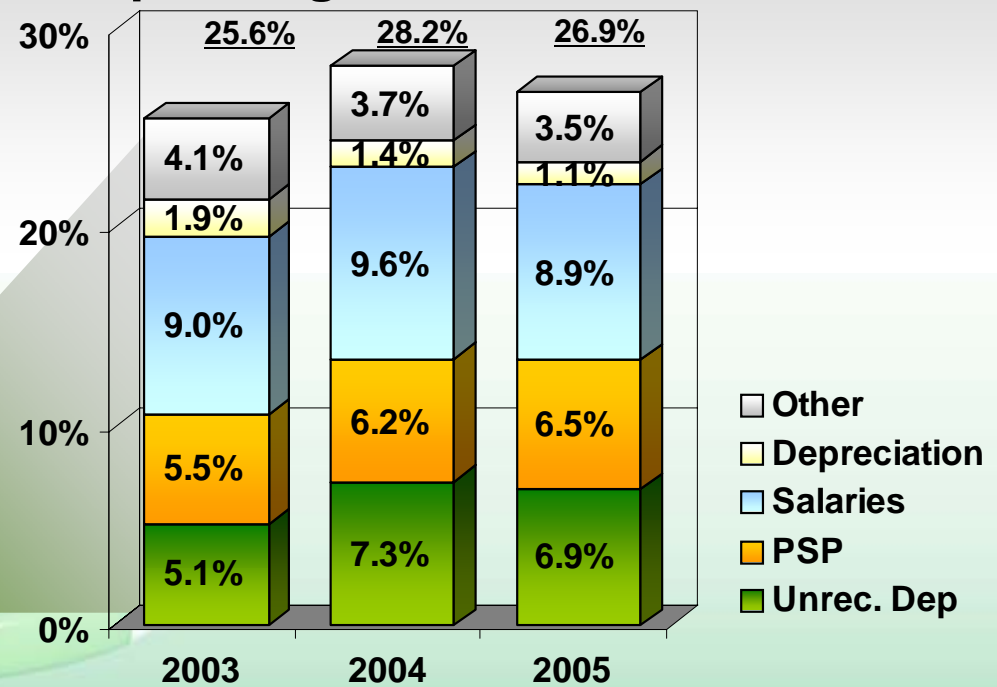
Costs

- Overall expenses % of NGR reduced since 2003*
- Largest expense in 2005 was marketing, **36.9%** of NGR, down from **39.2%** in 2003
- Administrative expense* was **7.4%** of NGR (2004: 7.6%, 2003: 13.7%)
- Operating expense was **26.9%** of NGR (2004: 28.2%, 2003: 25.6%)

Costs % of NGR



Operating Costs % of NGR



* 2005 excluding share benefit charges

CPA

- ◆ **Our choice – a variable under control**
- ◆ CPA varies according to:
 - ◆ products
 - ◆ marketing channel (online, offline, affiliates, etc.)
 - ◆ geographical area
 - ◆ profile of target audience (age, gender, etc.)
 - ◆ timing
- ◆ 888.com utilises a set of rigorous quantitative methods to ensure high return on investment and to control CPA

Minimising CPA is not the objective. Maximising Value (LTV-CPA) is

- ◆ On average, CPA in 2005 was **\$183*** (2004: \$192)

Share benefit charges - IFRS2

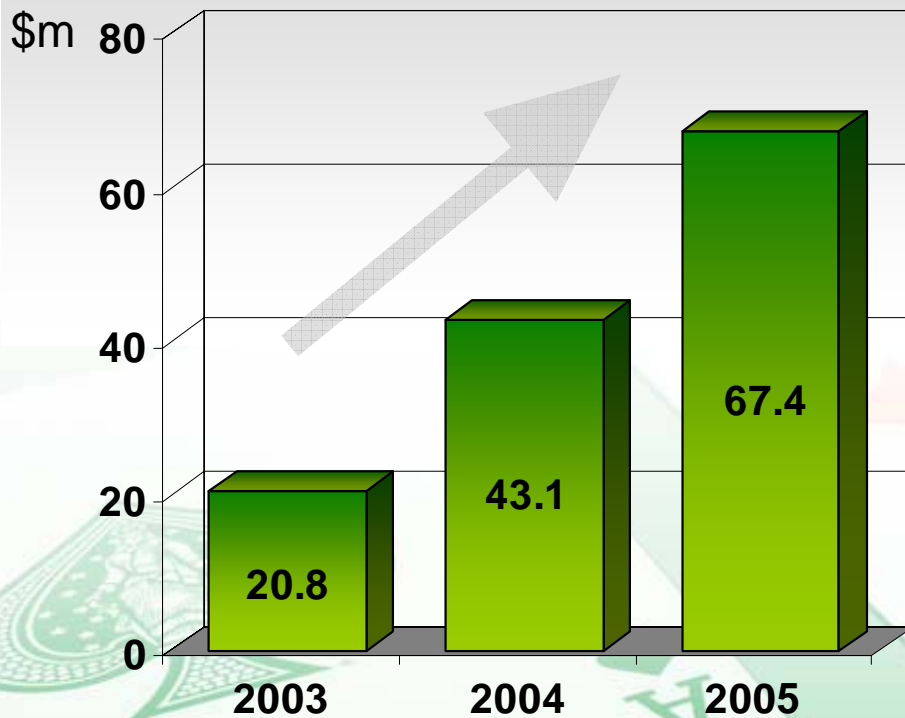
- ◆ Investment in human capital
- ◆ At IPO controlling shareholders granted free shares to employees – “Admission Grant”
- ◆ At IPO grant of shares and options under the All Employee Share Option Plan
- ◆ No cash effect
- ◆ The majority of the charge already released to distributable reserves
- ◆ IFRS2 – accounting charge to the P&L:

Admission Grant – one off	\$15.1m
All Employee Share Option grant	<u>\$ 2.1m</u>
Total	<u>\$17.2m</u>

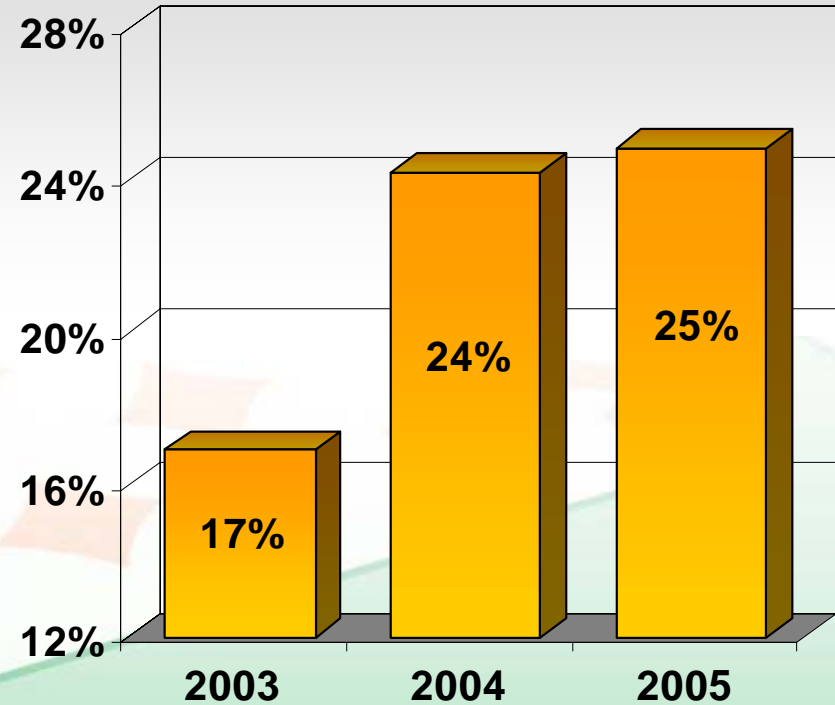
Profit before tax

- ◆ Profit before tax in 2005 was **\$67.4m*** , (2004: \$43.1m, 2003: \$20.8m)
- ◆ Profit margin in 2005 up to **25%*** (2004: 24%, 2003:17%)
- ◆ Profit before tax* CAGR from 2003 to 2005 was **82%**

Profit before tax*



Profit before tax* % of NGR



* 2005 excluding share benefit charges

Balance sheet

	<u>2005</u>	<u>2004</u>
	\$m	\$m
<u>Non-current assets</u>		
Property, plant and equipment	8.3	7.2
Deferred tax	0.4	----
	<u>8.7</u>	<u>7.2</u>
<u>Current assets</u>		
Cash and cash equivalents	62.2	40.3
Trade and other receivables	15.0	15.2
Amounts due from related parties	1.6	2.2
	<u>78.9</u>	<u>57.8</u>
<u>Total Assets</u>	<u>87.6</u>	<u>65.0</u>
<u>Equity</u>		
Share capital	3.1	3.1
Share benefit reserve	2.1	----
Retained earnings	27.1	27.1
	<u>32.3</u>	<u>30.2</u>
<u>Liabilities</u>		
<u>Current liabilities</u>		
Trade and other payables	25.6	15.3
Members deposits	29.3	19.1
Amounts due to related parties	0.3	0.4
	<u>55.2</u>	<u>34.9</u>
<u>Total equity and liabilities</u>	<u>87.6</u>	<u>65.0</u>

Debt free balance sheet

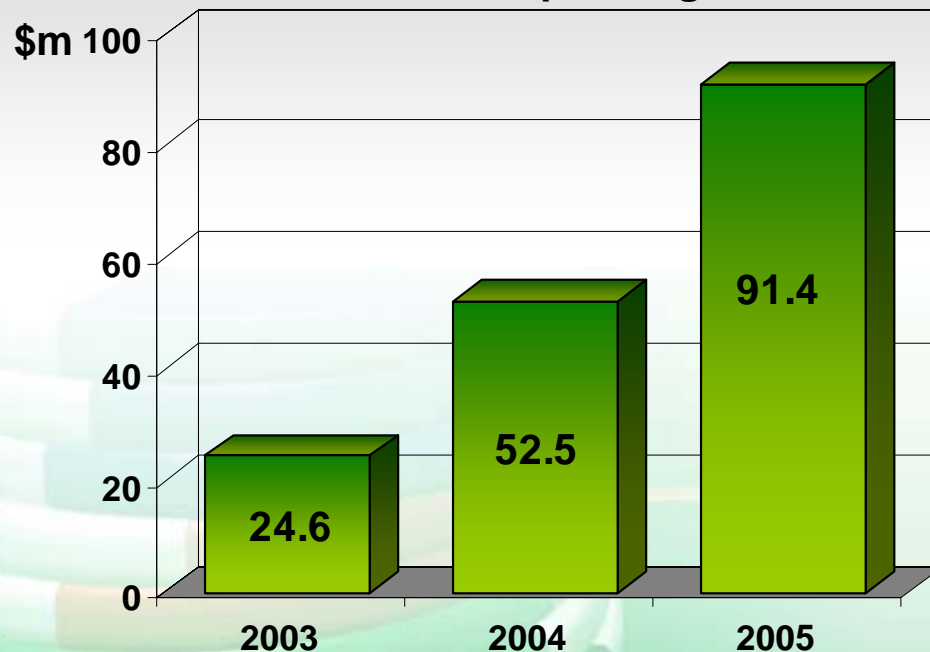
Cash flow statement

	<u>2005</u> \$m	<u>2004</u> \$m
<u>Cash flows from operating activities</u>		
Profit before tax	50.2	43.1
Share benefit charges	17.2	
Profit before tax and SBC	<u>67.4</u>	<u>43.1</u>
Depreciation and Amortization	3.6	2.4
Interest received	(0.7)	(0.3)
Change in current assets and liabilities	21.2	7.2
	<u>91.4</u>	<u>52.4</u>
Tax paid	(3.2)	(1.0)
Net cash generated from operating activities	88.3	51.4
Capex	(3.3)	(2.1)
Financing activities		
Reduction in share capital	0.0	(12.4)
Dividends paid	(63.1)	(26.1)
	<u>(63.1)</u>	<u>(38.5)</u>
Net increase in cash and cash equivalents	21.9	10.7
Cash and cash equivalents - beginning of year	40.3	29.6
Cash and cash equivalents - end of year	62.2	40.3

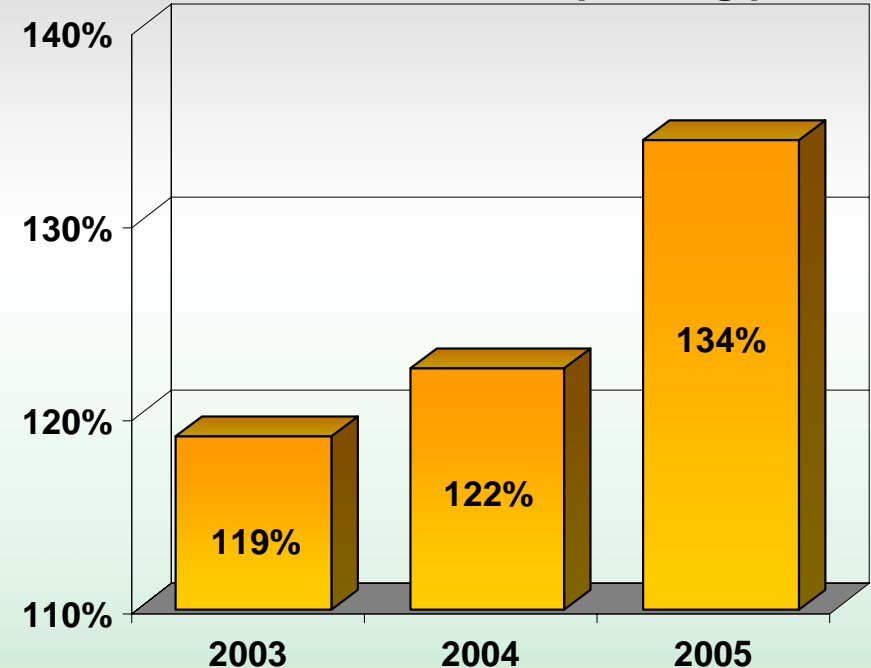
Cash flow from operating activities

- ◆ Cash flow from operating activities grew by **74%** in 2005 to **\$91.4m** (2004: \$52.5m, 2003: \$24.6m)
- ◆ Cash flow from operating activities as percentage of operating profit* grew in 2005 to **134%** (2004: 122%, 2003: 119%)

Cash flow from operating activities



Cash flow as % of operating profit



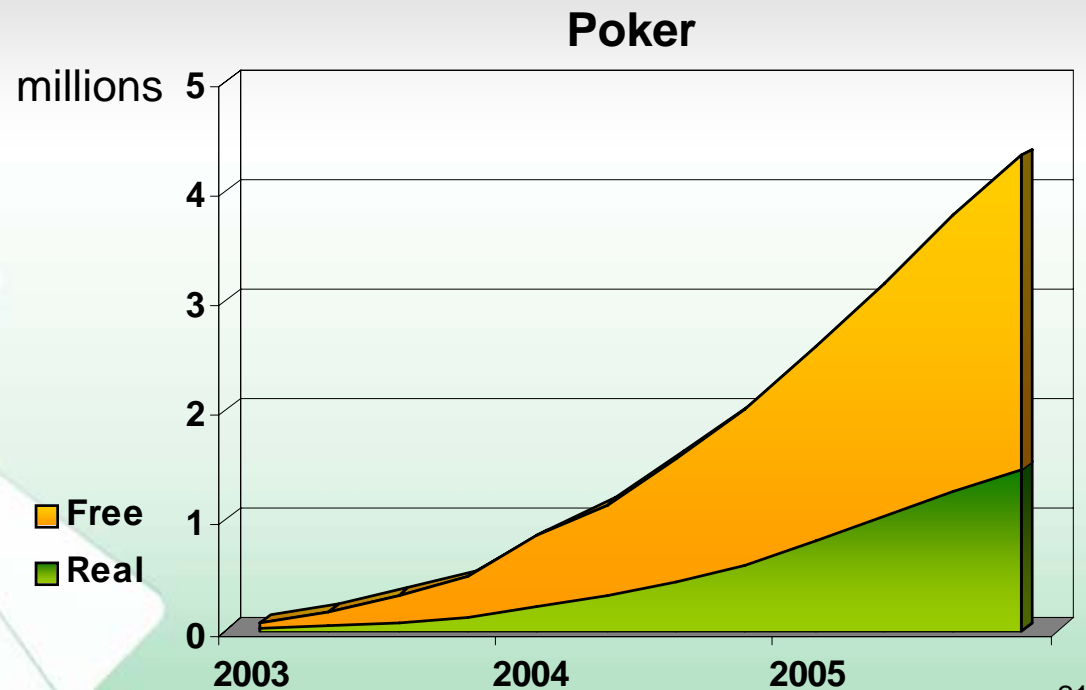
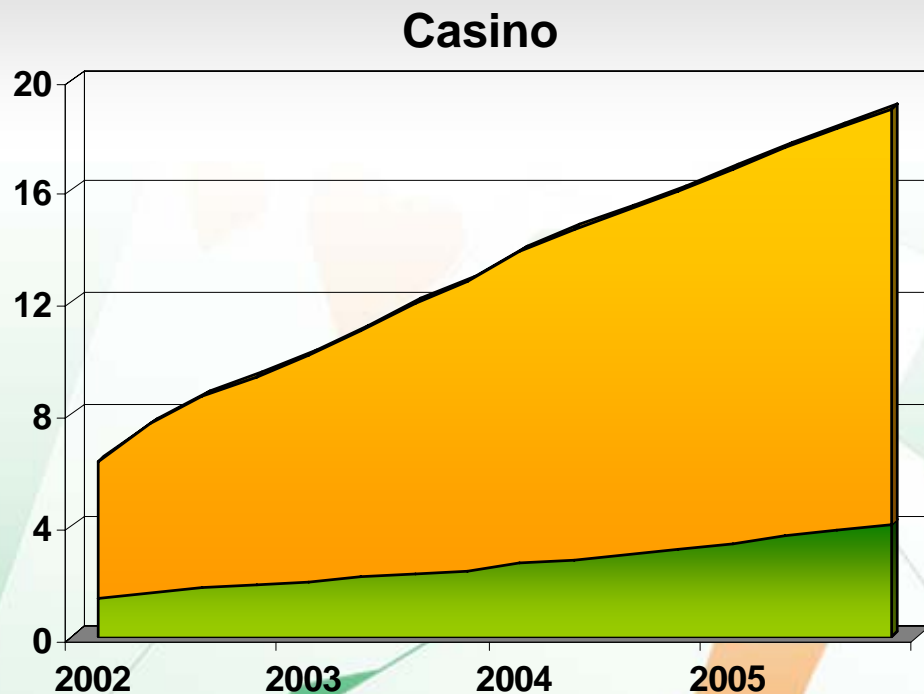
* 2005 excluding share benefit charges

KPI's



Registrations

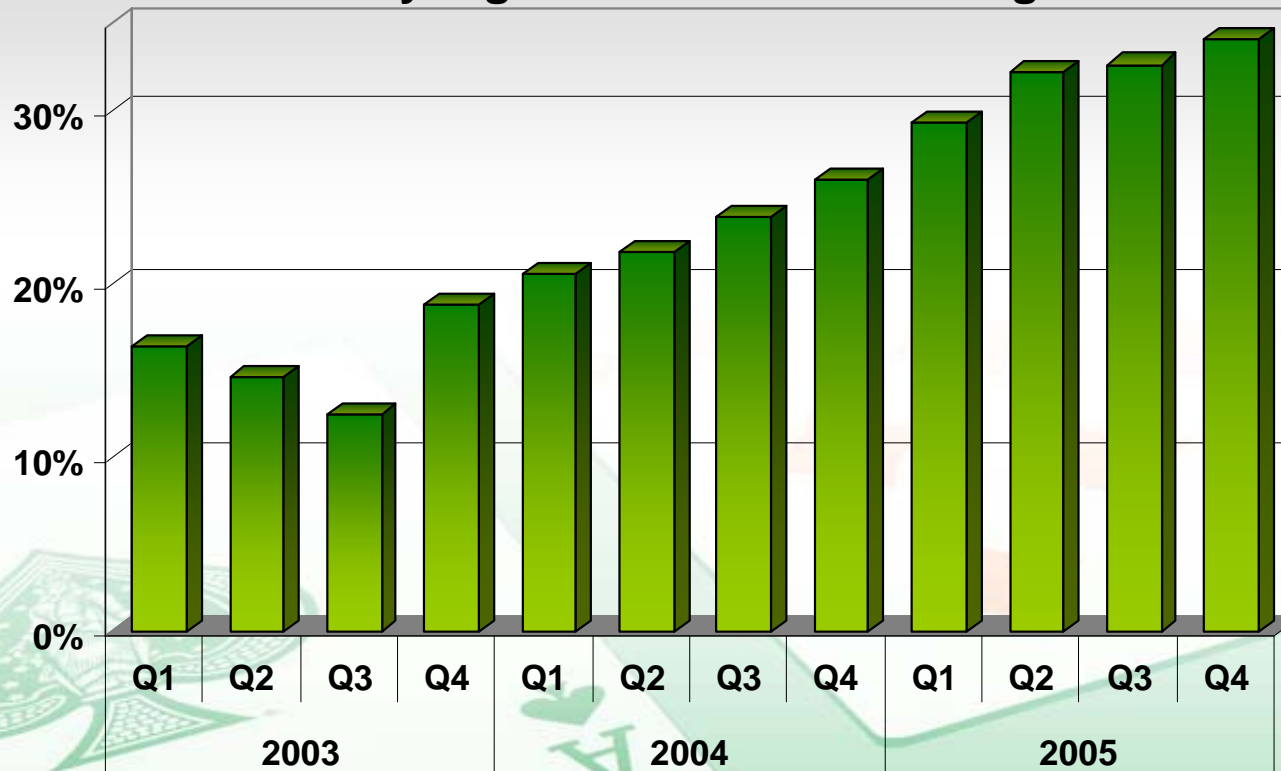
- Member registrations have increased consistently and reached **23.2 million** at year end 2005
- Includes **4.3 million** Poker registered member accounts and **18.9 million** Casino registered member accounts
- In 2005, Casino real money registrations exceeded **0.9 million** and Poker real money registrations exceeded **0.8 million**



Real money registrations

- ◆ In Q4 2005, more than **one third** of all new registrations were real money registrations
- ◆ This percentage has risen consistently since Q3 2003:

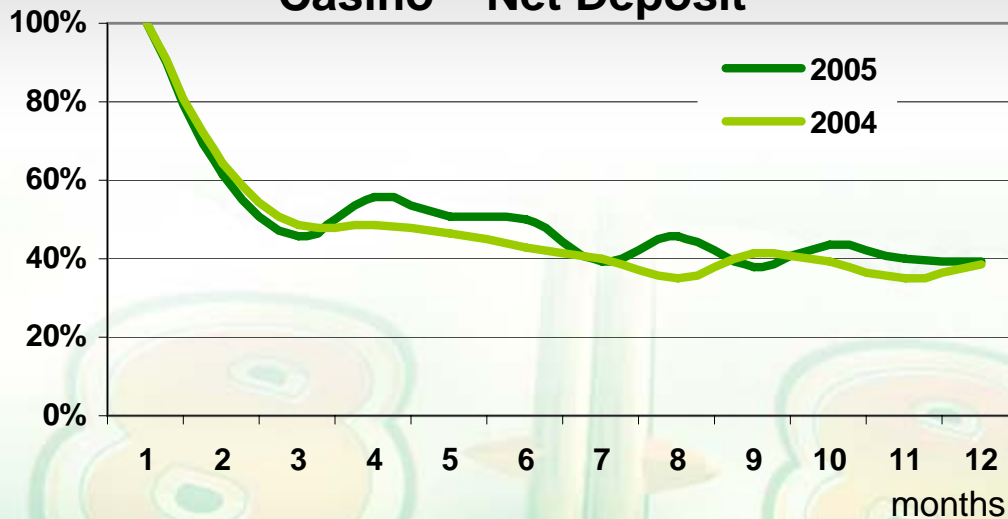
Real money registration out of total registrations



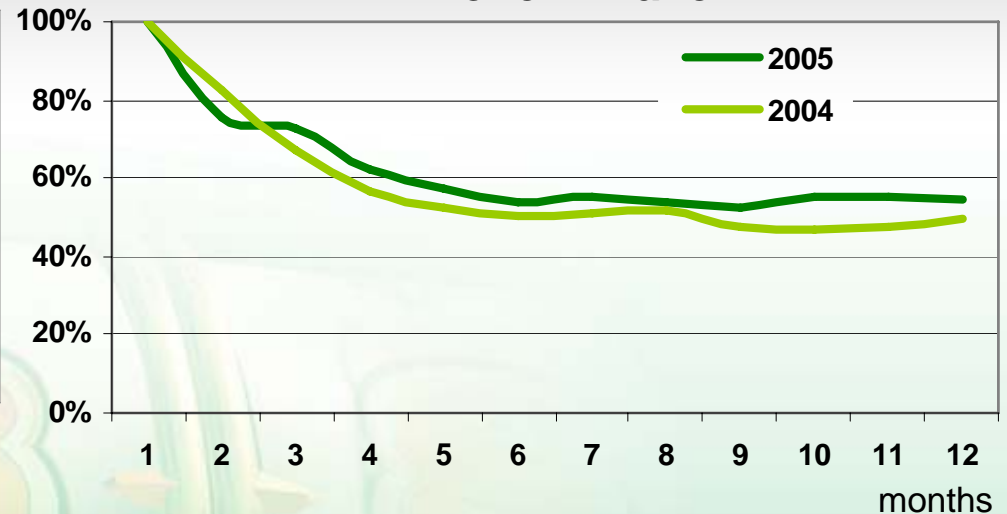
Retention

- ◆ **Population** – January active members of 2004 and 2005
- ◆ **Casino:** Net deposits* in USD of January active members, in subsequent months as a percentage of January net deposits
- ◆ **Poker:** Rake** in USD of January active members in subsequent months , as a percentage of January rake

Casino – Net Deposit



Poker - Rake



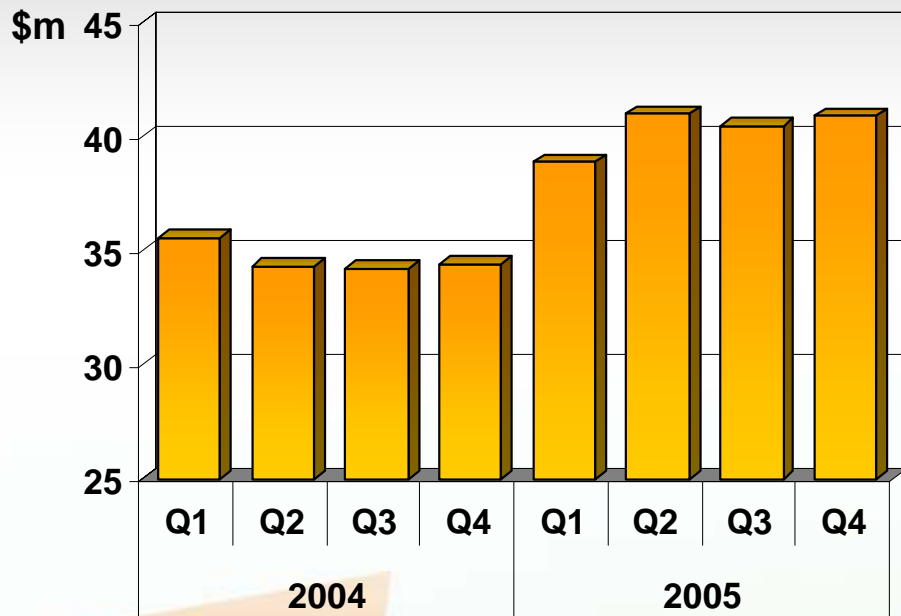
* Net Deposit is defined as deposit less cash-out

** Poker rake include tournament fees, in USD

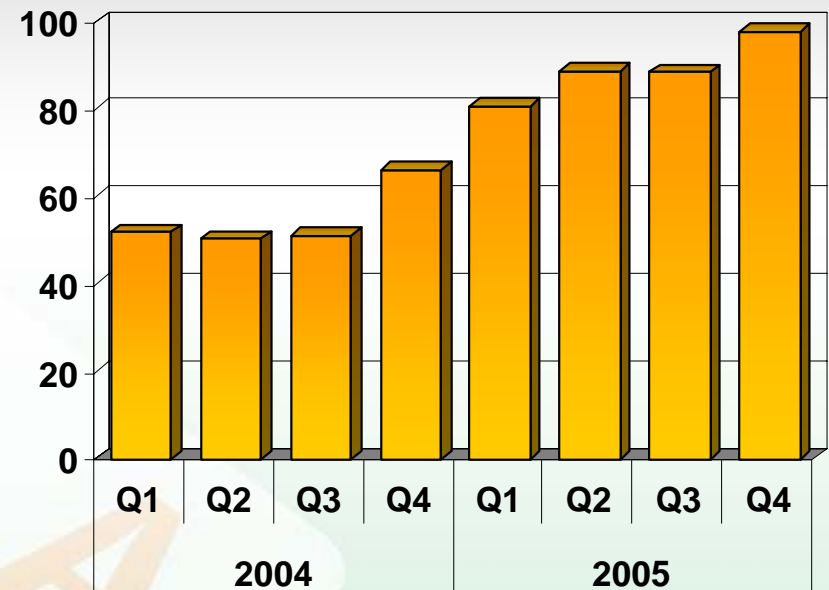
Casino KPI's

- ◆ Casino NGR in 2005 up **16%** to **\$161m** (2004: \$139m)
- ◆ Casino active members in Q4 2005 up **48%** to **98,000** (Q4 2004: 66,000)

Casino NGR

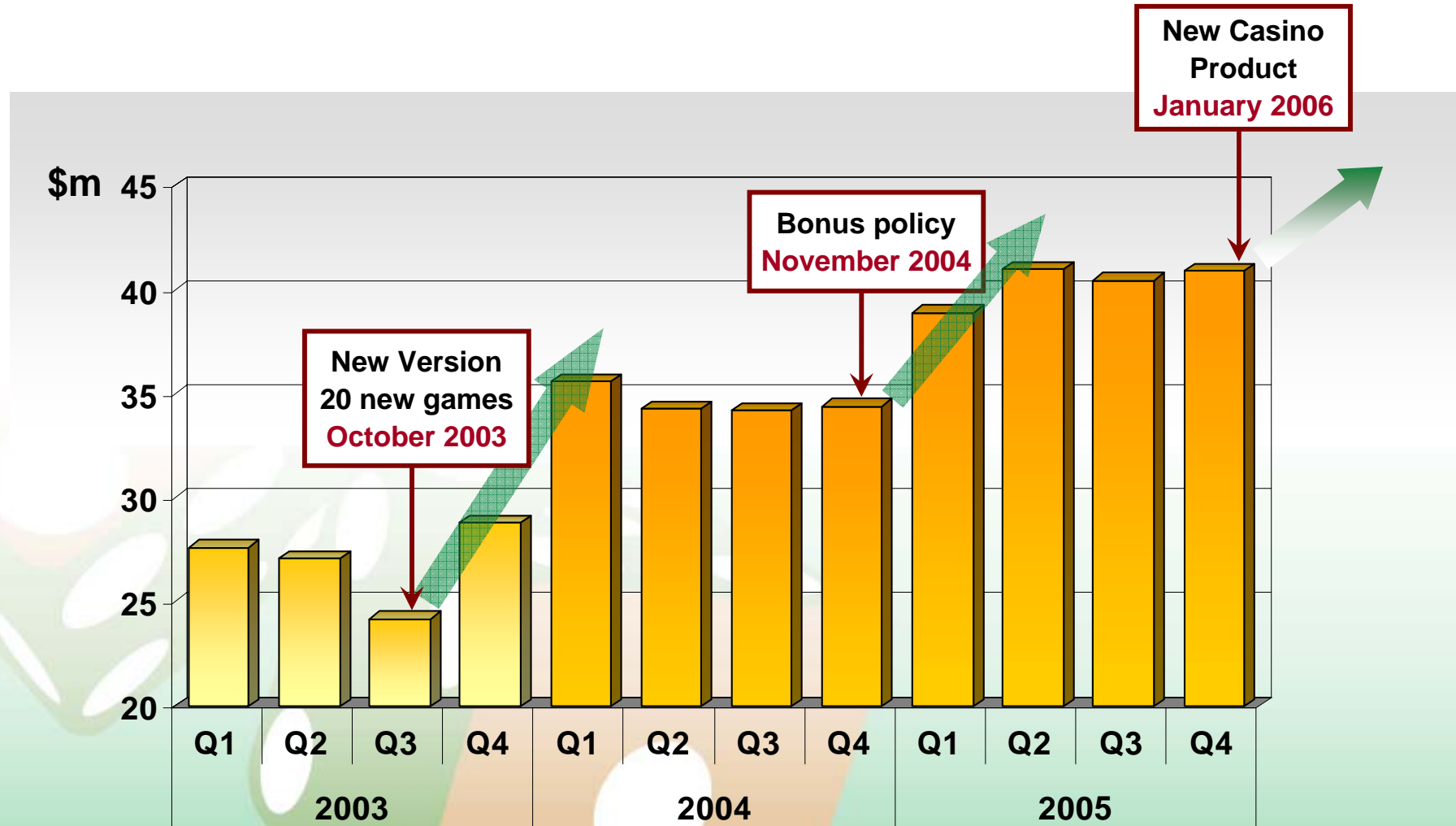


Casino active members



Casino NGR – a closer look

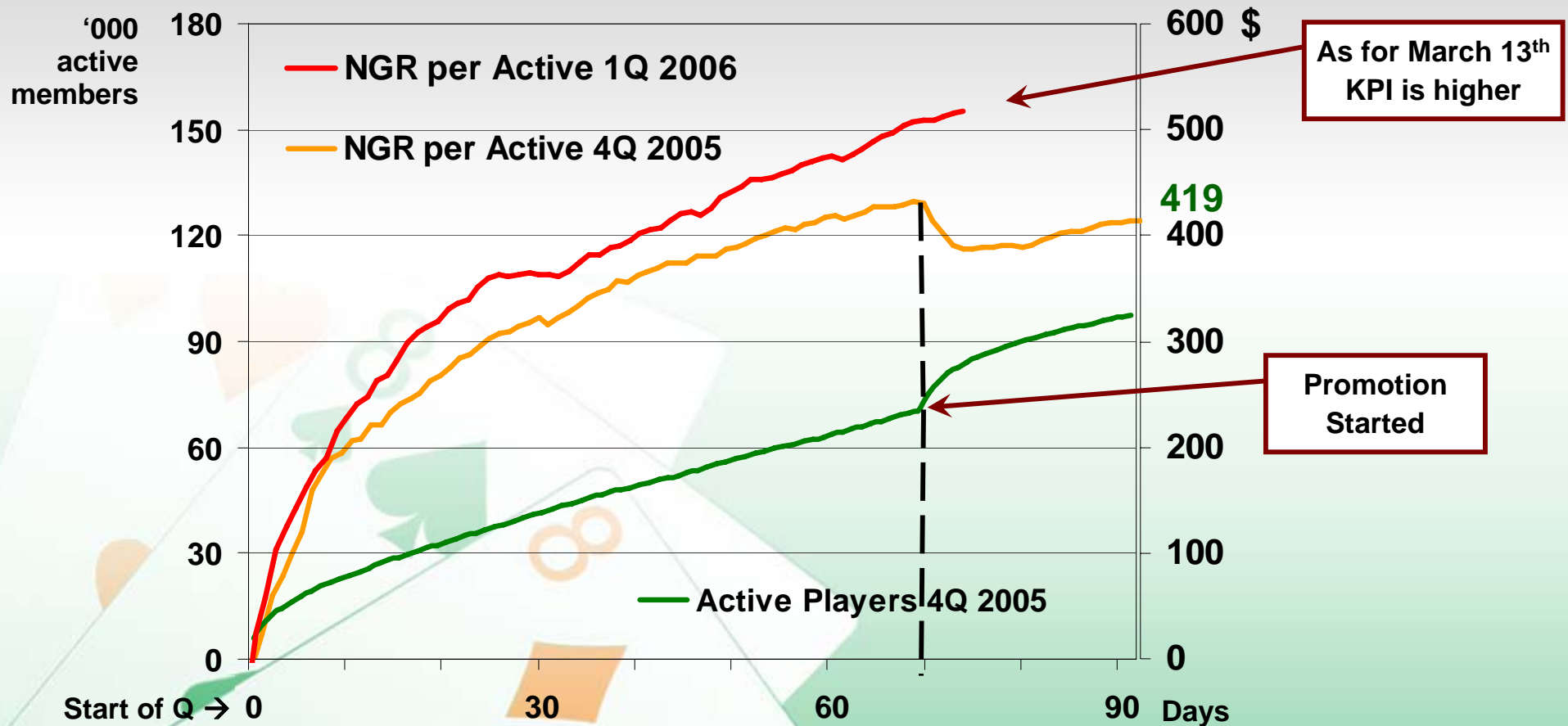
- ◆ Casino NGR responds positively to innovations and promotions
- ◆ New Casino product development completed in December 2005, and went live in early 2006



* 2003 data is deposit less cash-out - un-audited data, based on company's internal records

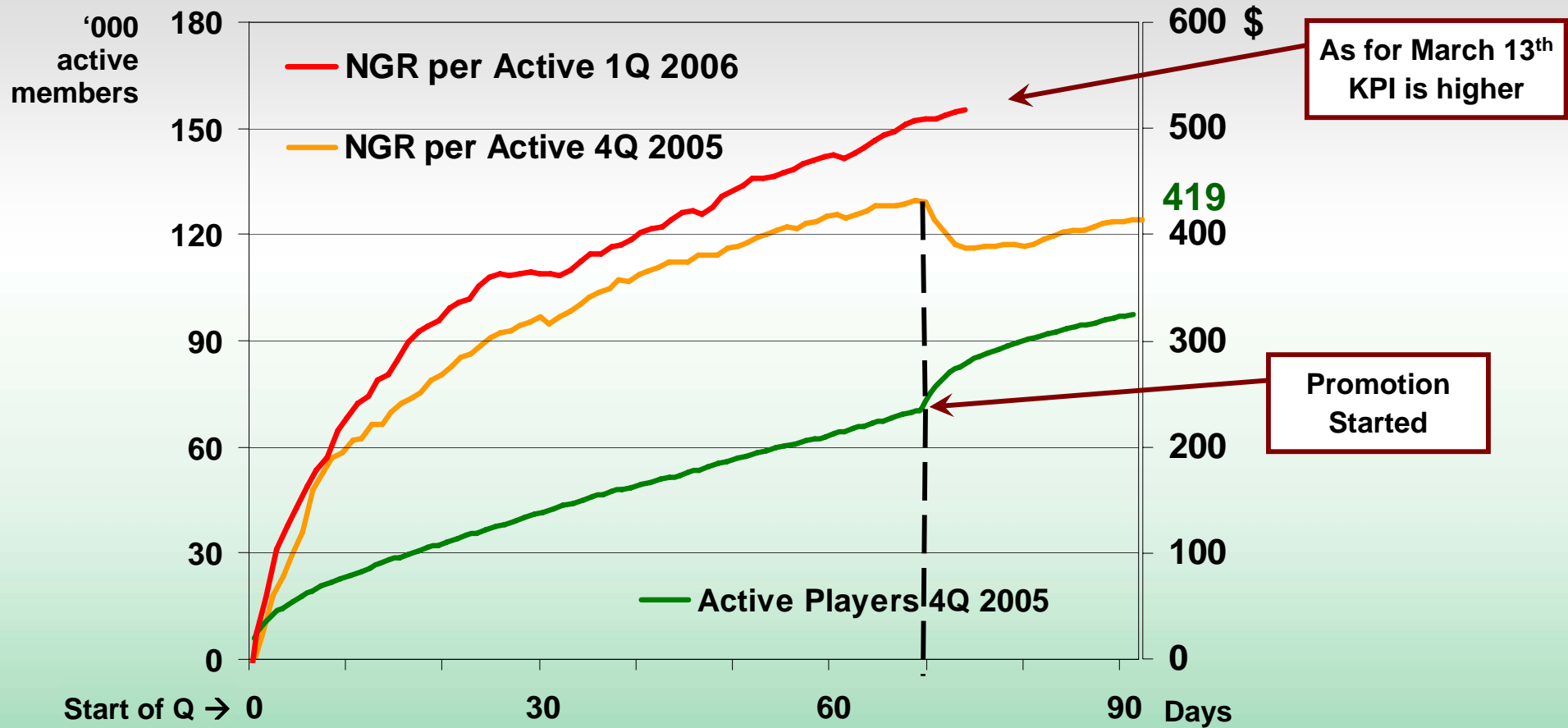
Casino NGR per active member

- ◆ Casino NGR per active member was **\$419** in Q4 2005. This KPI can fluctuate as a result of promotion initiatives. For example:
 - ◆ December 2005 promotion caused a significant **increase** in active members
 - ◆ The promotion has added profit, but caused a decrease in “NGR per Active”



Casino NGR per active member

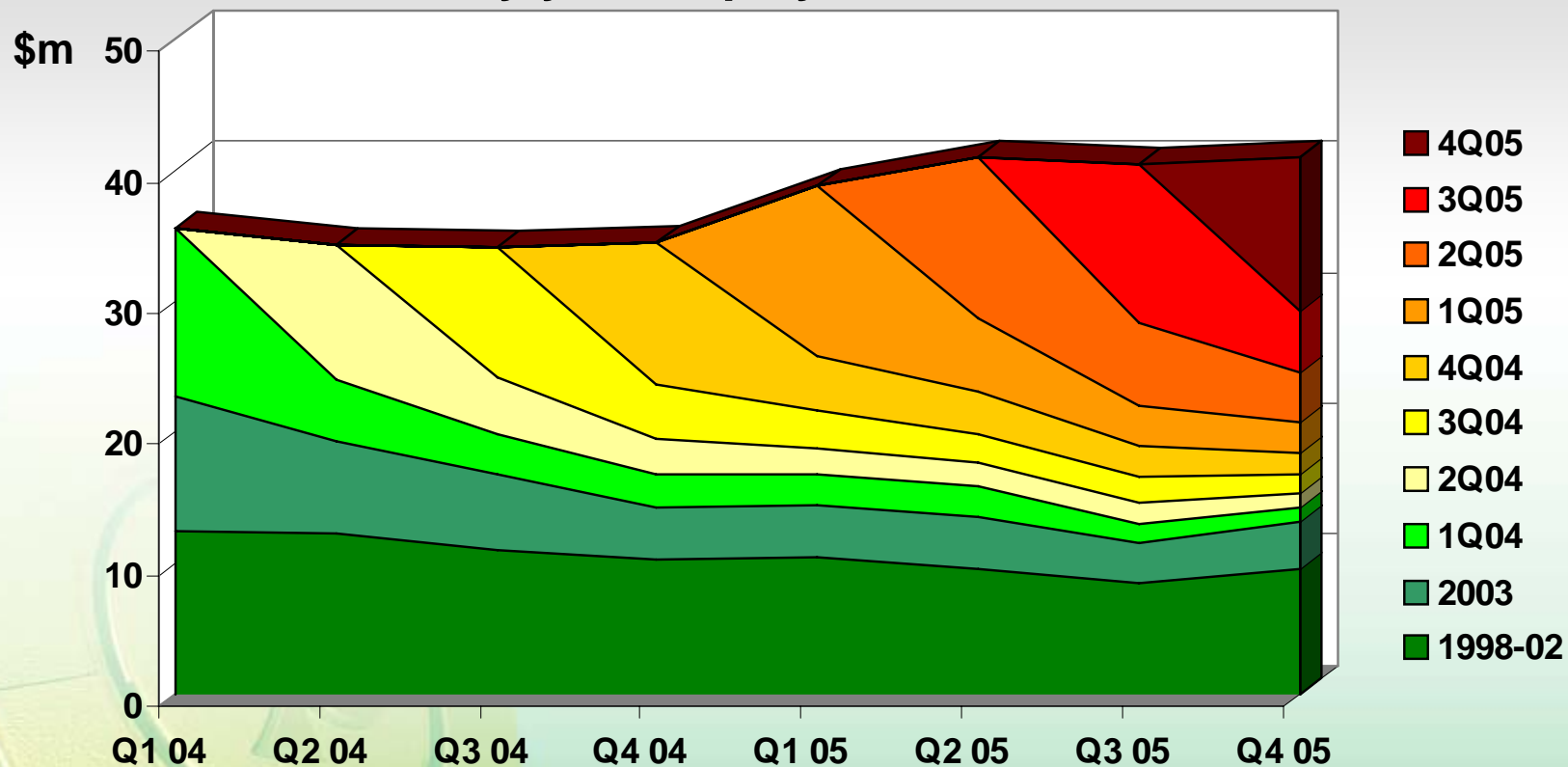
Q1 2006 NGR increase, but not in the same proportion to the KPI



New & long-term players

- ◆ **53%** of 2005 Casino NGR, is generated from players recruited in 2004 or earlier
- ◆ Strong long-term core membership

NGR by year of players' recruitment



* Source: un-audited management estimates

Poker KPI's

- ◆ Poker NGR in 2005 up **79%** to **\$110m** (2004: \$39m)
- ◆ Poker active members in Q4 2005 up **89%** to **233,000** (Q4 2004: 123,000)

Poker NGR



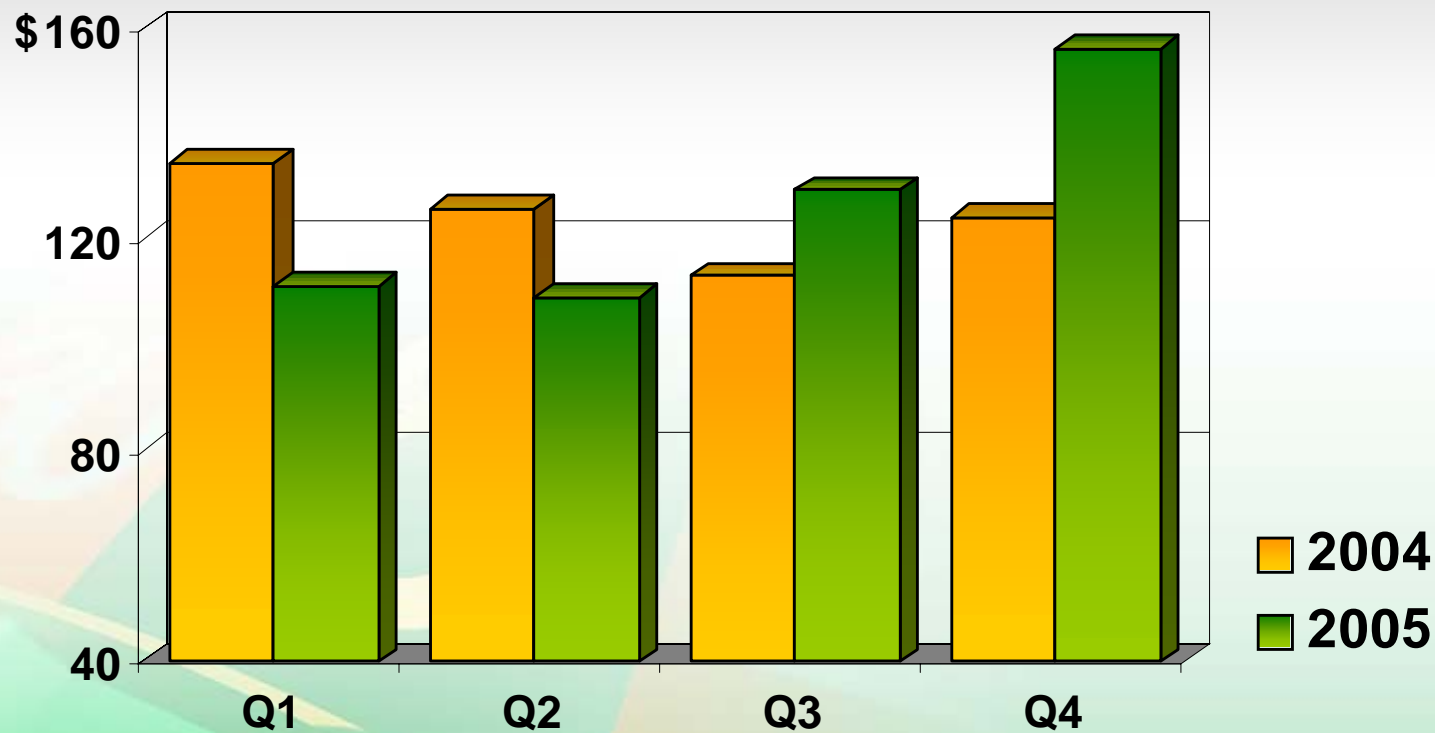
Poker active members in '000



Poker KPI's

- ◆ Poker quarterly NGR per active member in Q4 2005 reached **\$156**
- ◆ An increase of **26%** over Q4 2004 (Q4 2004: \$124)

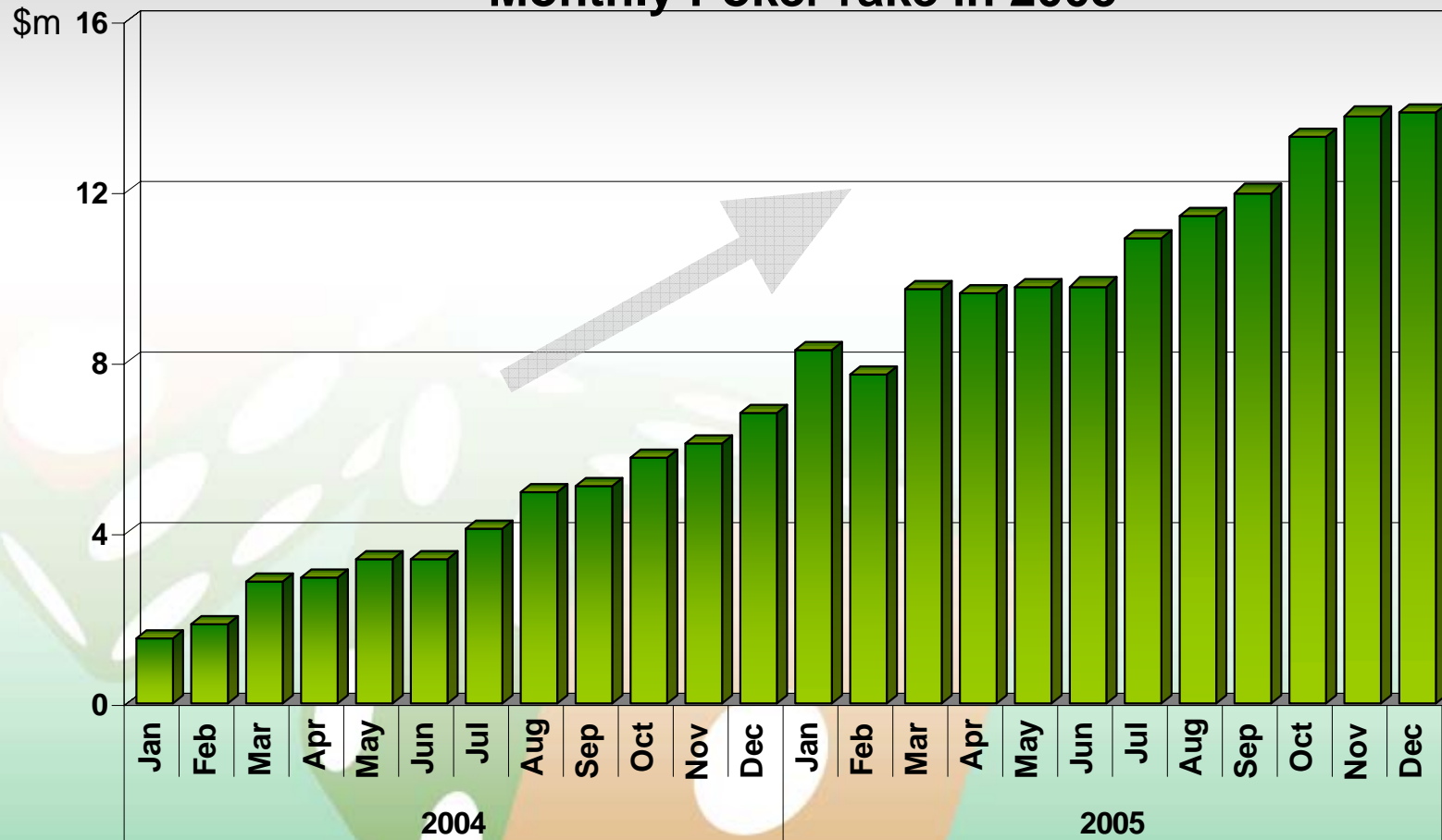
NGR per active member 2004 - 2005



Poker monthly rake

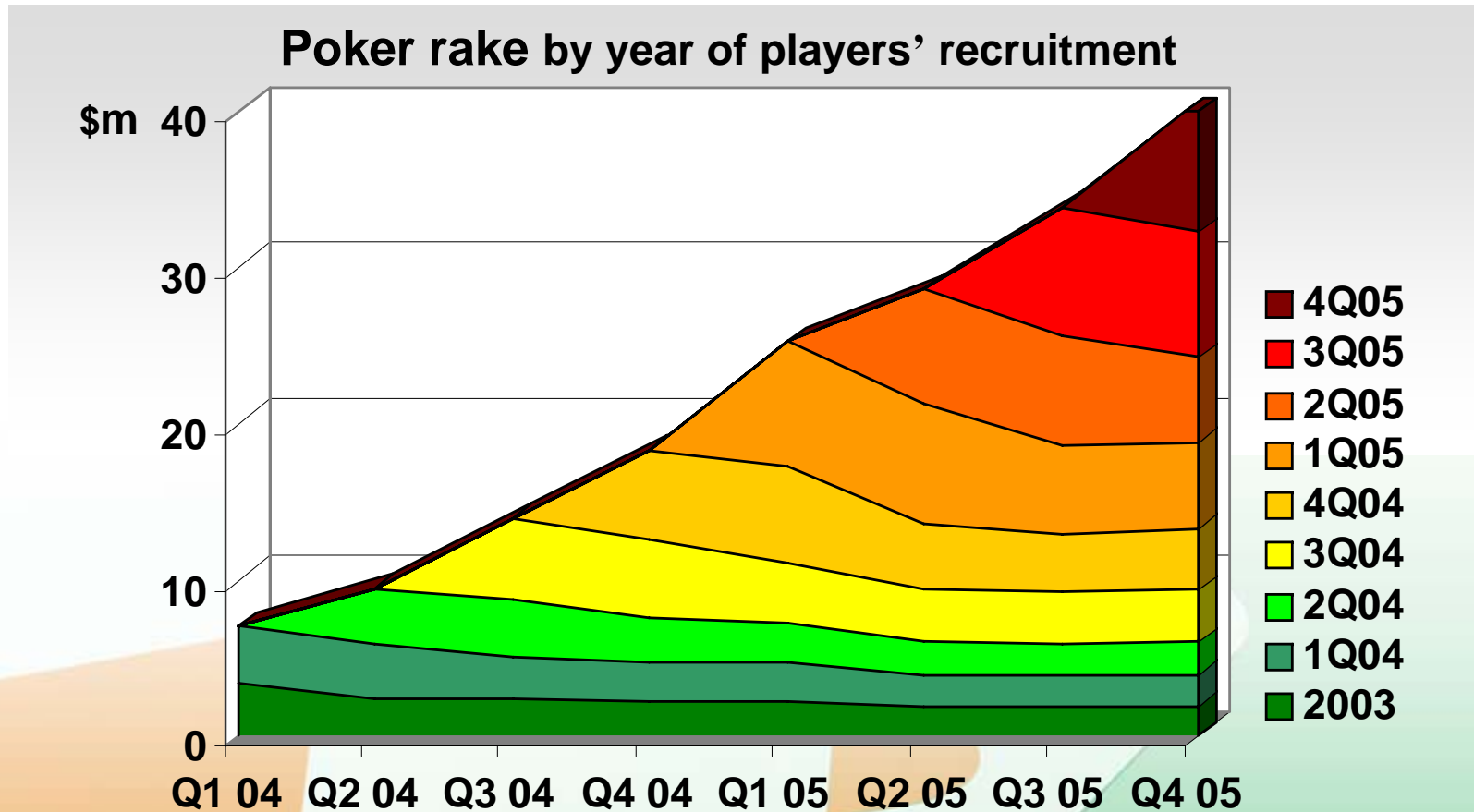
- ◆ Poker rake has increased consistently since launch
- ◆ Monthly CAGR 2004-2005 of **10%**

Monthly Poker rake in 2005



New & long-term players

- ◆ **44%** of 2005 Poker rake*, is generated from players recruited in 2004 or earlier
- ◆ While the new members join, the prior members stay



* Poker rake includes tournament fees, in USD

Operating review



Casino new product

Features

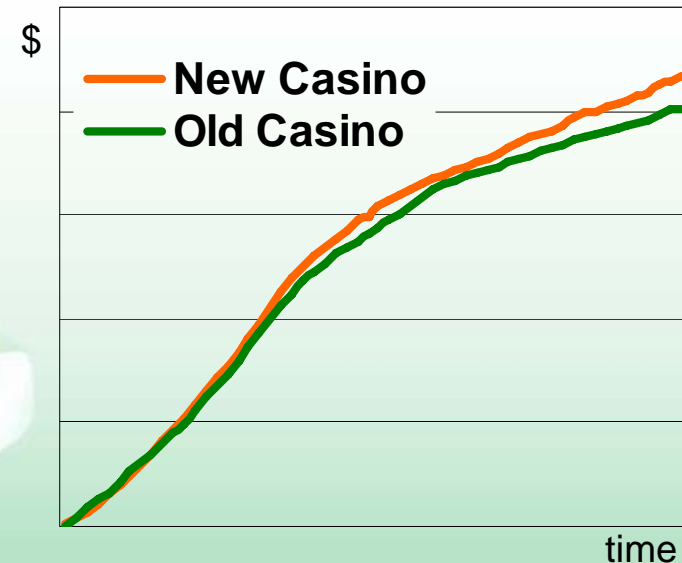
- ◆ Complete redesign
- ◆ Expanded games offering
- ◆ Integration of Video capabilities
- ◆ Upgraded infrastructure, enabling easy launch of future games
- ◆ Development completed in December 2005 and product went live in January 2006

First results – based on internal tests

Our prediction model shows Improvement in all measurable parameters:

- ◆ Higher conversion rates
- ◆ More deposits
- ◆ More players
- ◆ More people stay longer
- ◆ Increasing player value and profitability

Casino deposit - 2 months test



Operational statistics

Gaming

- ◆ Every second in 2005, there were **27** Casino bets and **23** Poker hands
- ◆ A new poker tournament started every **6** seconds
- ◆ Resulting in total of **5 million** tournaments and **1.6 billion** bets/hands, growth of **45%**

Support

Every single minute in 2005 → **4** customers were supported

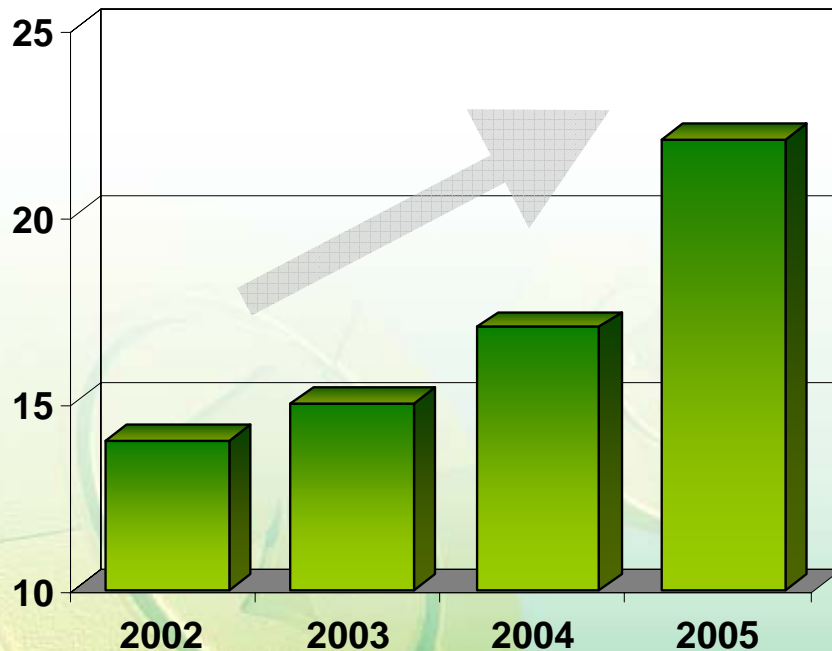
- ◆ over **1 million** e-mails answered
- ◆ over **1 million** phone calls answered
- ◆ over **100 thousand** chats took place



Payment methods

- ◆ Expansion of payment methods
- ◆ Over **5 million** transaction a year
- ◆ Every day in 2005 more than **10,000** deposit requests were approved
- ◆ Approved deposits of **\$30m** via methods implemented in 2005
- ◆ Currently **22** different payment methods

Number of methods 2002-2005



2005 main new payment methods



Marketing

- ◆ One international brand **888.com** not constrained by language
- ◆ Marketing strategy based on comprehensive **multi-channel** approach
- ◆ Successful UK strategy rolled out to new European markets
- ◆ Economies of scale - total marketing investment of **\$100 million** in 2005

A new registration every 11 seconds in 2005



Sports sponsorship

888.com World Snooker Championship

- ◆ A national institution in the UK
- ◆ Broadcast on and supported by the BBC (126 hours in 2005) and Eurosport (116 hours)
- ◆ 2005 final attracted **7.8 million** viewers
- ◆ Snooker is now booming in the Far East, especially China



Sponsorship of Middlesbrough FC

- ◆ English premier league attracts a global audience of **570 million in 162 countries**
- ◆ 2005 highest ever league position
- ◆ Second consecutive qualification to UEFA Cup
- ◆ Reaches customers from the rest of Europe and from Asia
- ◆ Boro vs. Roma 1:0, 1:2 (**agg: 2:2**)

Middlesbrough go through on away goals

More campaigns

Televised 888.com Poker tournaments

- ◆ **UK Open** – into its third successful year
- ◆ **Women's Poker** – the largest ever televised women-only Poker tournament
- ◆ **Poker Nations Cup** – innovative team format. Roll out to new markets: Ireland, Germany, Sweden, Denmark and USA



Brand awareness

888.com is the best known online gambling brand in the UK

- ◆ **888.com** is the **3rd** best known gambling brand in the UK
- ◆ **888.com** has in a short time established its brand in the face of long-established land based competitors



2/3

of gamblers in the UK are familiar with **888.com** brand

Regulation

Current situation

- ◆ USA – latest legislation attempts
- ◆ Italy – latest developments

888.com's approach

- ◆ Working with industry bodies
- ◆ Constant monitoring of developments worldwide

Lobbying efforts

- ◆ Lead industry lobbying efforts towards regulation of the industry



Product & development rollout

Casino

- ◆ An entirely new product – Q1 2006
- ◆ New 5~6 video slots and card games – Q3/4 2006

Poker

- ◆ Jackpot – Q1 2006
- ◆ Blackjack into Poker – Q3 2006
- ◆ New client platform – Q4 2006

Other initiatives

- ◆ Mobile phone – Q2 2006
- ◆ One / two more games – Q3/4 2006
- ◆ Unified wallet – Q3/4 2006
- ◆ Technology upgrade – Ongoing

Current trading

- ◆ 2006 started well
- ◆ Continued growth in:
 - ◆ New member recruitment
 - ◆ Average daily deposits
 - ◆ Poker rake
- ◆ Positive start in Casino, following new product roll out
- ◆ Confident in the outlook for the year



Trading in line with management's expectations

Summary

- ◆ Outstanding 2005 results
- ◆ Record profits and cash generation
- ◆ The best known online gambling brand in the UK
- ◆ Continuous growth
- ◆ Strong core of long-term members
- ◆ Continuous innovation
- ◆ Strong balance sheet
- ◆ New Casino product well received, performing well
- ◆ Multi-hand Poker product in final stages of testing
- ◆ Trading inline with management's expectations

Q&A

