

What products does the Group supply?

The Group supplies a suite of online gaming products including:

Sports betting
Casino
Poker
Skill games

Where legislation permits, we can provide our products in shops where customers can interact with other customers and receive sports related news or play in the privacy of their home.

Sports betting is the largest activity, particularly betting on the outcome of European soccer matches, which historically accounted for about 85% of bets placed on all of our products, however, since online poker was regulated in Italy in November 2008, sports betting has reduced to about 65% of the total activity.

Most customers in Italy and Cyprus visit the shops to place a bet, usually having enjoyed a coffee or discussion with other customers.

Which countries are the products supplied in?

The Group's main market is Italy with Cyprus and Greece growing rapidly. The Greek offering is currently only online but as soon as legislation permits, the Group intends to open land-based outlets with a local partner who has already been identified. We are led to believe that the relevant gaming legislation will be passed by the Greek government after their next elections which are expected to occur in March 2010.

The Group's intention is to operate in 5 countries over the medium term, where no country contributes more than 40% of the total business. We believe that our ability to be innovative and adaptable allows us to meet this objective.

Why does the Group only have a minimal presence in the UK market?

The UK market is well served by many operators including Ladbrokes and William Hill, and is therefore very competitive and well developed. The Group sees few opportunities in this market because of the competition, high betting taxes and high cost of entry. The Group has concentrated on new or emerging betting markets, where a land-based presence compliments an online offering

Why do the main UK based gaming operators only have a minimal presence in Italy?

The UK high street betting shop model is not necessarily transferable to Italy because of the different culture and attitude to betting. This manifests itself in the location and type of premises, betting options offered and business model. Our offering through a partner network has succeeded and means our employment and infrastructure expenditure is minimised, whilst appealing to the small business owner mentality in Italy.

Who is your main target customer?

The Group targets the recreational gaming customers and has about 40,000 regular customers, meaning there is no significant reliance on small groups of customers or on "high rollers".

What is Betshop?

In Italy and Cyprus, the Group operates through a partner network of shops which are branded "Betshop", where the Group provides the betting operating system, betting and gaming infrastructure, 24/7 odds, payment processing channels, an operating manual, marketing literature and regular communication on business opportunities. The shop owner provides computers with access to the internet and the "Betshop" web site and usually operates as a coffee shop or bar, providing sports news papers and possibly slot machines.

We have built a stable group of partners with over 80% having been with the Group for over 3 years and with 60% of volumes deriving from 30% of partners.

Typically, a customer will visit the shop and can load their account by handing over cash over the betting counter. The average amount deposited by customers is €20. This will be credited to their account and then they can bet or play games from a shop terminal or from home. In the shop

environment, they will enjoy watching sports events taking place on a bank of TVs, be able to look at the latest sports press and the current odds as well as have refreshments.

Our business model is to aim for “high volume, low stakes” revenue, meaning that we focus our marketing, our product development and our customer relationship management activity on less volatile regular players with smaller budgets.

What’s the average bet size?

The average bet size across all products is about €9.

On sports betting, about 80% of bets placed are multiple bets which have more than 5 propositions, (being the outcome of sports events), with over 75% of bets placed on the major European football leagues. Obviously, June, July and early August are usually the quiet months unless there is a European or World Cup tournament.

Whilst it is very difficult to give an example of a “typical” win, a €5 bet would win €75, however, every other month or so, we pay out about €10,000 on a €5 stake.

In poker, all customers are required to join tournaments in Italy at the present time, which involves entry fees ranging from 50cents to €10. There is no exposure to the Group as we simply earn a percentage (“rake”) of the amount our customers have paid to enter tournaments.

Who sets the odds on your sports?

We have an odds compilation and risk management team of 15 staff based in Cyprus who are responsible for setting the odds on all sports betting events for each of the markets we operate in. The team also monitors the bets as they are placed and changes the odds on a real time basis depending on betting patterns. Clearly, our odds cannot be vastly different to our competitors. As a policy, we do not “lay off” our exposure as this would reduce our net win, but we will amend our odds where appropriate.

Who supplies your operating software?

The Group owns and operates its own proprietary betting software which is used in the online business and for the Cyprus retail outlets. This software continues to be developed by a team of dedicated IT staff based in Greece to allow it to be used in Italy, to integrate further games (casino and skill gaming products) and to enhance the customer experience through ease of use (we try to allow the customer to be only two clicks from what they want).

The betting platform and poker software used in Italy is supplied by Microgame S.p.A., a privately owned Italian company, which is one of three multi license software providers who are approved by AAMS (Amministrazione Autonoma Dei Monopoli Di Stato – see below under regulation for an explanation of their functions) and connected with Sogei S.p.A., (Societa Generale d’Informatica) which is the technical arm of the Italian Regulator and responsible for the collection of betting duties in Italy.

The Group licenses specialist gaming software for casino products.

What is Goalslive (www.goalslive.com)?

As a by product of our odds compilation activities, we realised we had created a superb database of results and these are provided through our www.goalslive.com web site, which is translated into 10 languages and contains the full results and league tables of all major worldwide football leagues since 1995/6 covering 70 different leagues.

The web site achieves 100m page impressions every month during the football season and has 1.6m unique users who are mainly from Italy, UK, Germany, Greece, Thailand and Turkey.

The Group has attracted over 5,000 subscribers receiving real time short message services (SMS) on live scores with half time and final results with over 10,000 subscribers also receiving the service through e-mail.

We are looking to increase the advertising opportunities and revenue generated by this web site.

Where are you regulated and licensed?

Since 2004, the Italian government's regulatory authority AAMS has controlled gaming products and monitored their use.

All operators are required to connect their transactions through Sogei S.p.A. which validates the transaction with a view to calculating the betting duty due to the Italian treasury. Betting duty equates to about 5% of gross bets placed, it has steadily reduced over the years from an initial rate of 20%. As part of the licensing process, operators must provide guarantees with AAMS to cover betting duties and customer monies. Betshop currently has €1.5million lodged as security with Monte dei Paschi di Siena Bank for a guarantee of a similar amount to AAMS.

In addition, the Group has a Curacao licence covering casino products.

How do you stop problem and underage gambling?

The Group takes its responsibilities seriously. In Italy, all customers have to register with AAMS with details of their national security number and can only play through one account. This controls usage. In addition, as the Group does not offer credit directly to customers who have to load their accounts with funds before playing any games which helps to prevent the build up of debt.

In other counties, the Group has a stringent registration process that requires photo ID. In addition, customer activity is regularly monitored with limits on bets placed.