

# Annual Results

## Year Ending 31 December 2007

4 March, 2008



# Agenda

**Introduction:** Roger Withers, Chairman

**Operating Review:** Mor Weizer, CEO

**Financial Review:** Guy Emodi, CFO

**Current trading & outlook:** Mor Weizer, CEO

**Questions & Answers**



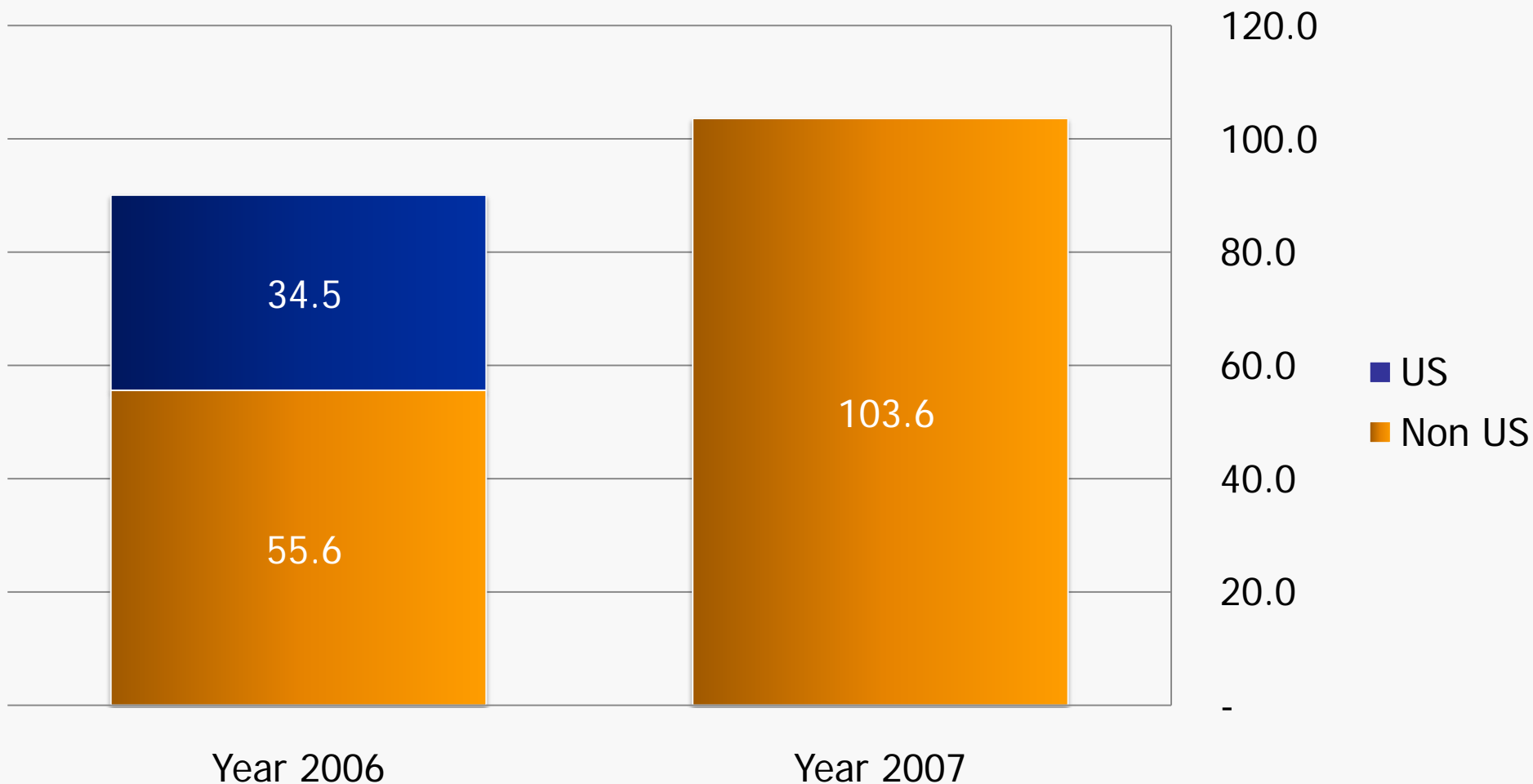
## **Introduction:** Roger Withers, Chairman

- ▶ Strong performance across all business areas
- ▶ Main challenge to recover from loss of US revenues was fully achieved
- ▶ Preparing the company for future growth in various markets through fast yet controlled growth of resources
- ▶ Growth driven by two key factors:
  - ▶ Our presence in growing markets – both geographically and product led
  - ▶ Our ability to deliver comprehensive best of breed solutions to our market
- ▶ Focus on innovation, imagination, a diversified business model & strength as software & platform provider

## Operating Review: Mor Weizer, CEO



## Revenues 2007 vs. 2006 (US\$M)



## Key Performance Indicators

- ▶ Total revenues - \$103.6M, 86% increase (2006 Non US: \$55.6M)
  - ▶ Casino Revenues - \$74.7M, 58% increase (2006 Non US: \$47.3M)
  - ▶ Poker Revenues - \$27.4M, 269% increase (2006 Non US: \$7.4M)

## Operational Highlights

- ▶ Successful completion of the migration and integration of Tribeca poker network to the iPoker network
- ▶ Leading the licensees' efforts to penetrate European markets post US legislation
- ▶ Playtech's iPoker network - the world's largest online poker network\*
- ▶ 15 new licensees added (8 migrated from Tribeca) in the rapidly expanding Asian and European markets
- ▶ Cross-selling of products to existing licensees

\* source: [www.pokersitescout.com](http://www.pokersitescout.com)

## Operational Highlights

- ▶ Significant progress in various regulated markets
- ▶ Further investment in development and management resources bringing the total number of Playtech employees to approximately 650
  - ▶ Completion of the establishment of the Bulgarian subsidiary
  - ▶ Integration of more than 100 former Tribeca employees in India and the Philippines
  - ▶ Move to product based development centres
  - ▶ Strengthening middle management

## Commitment to Market Leading Products

- ▶ Conversion of majority of downloadable casino games to flash technology
- ▶ Introduction of Bingo flash technology in addition to downloadable version
- ▶ Revamp of the Live Gaming system
- ▶ Continued development of Asian P2P games (estimated release – Q1 2008)
- ▶ Continued development of Poker flash technology (estimated release – Q2 2008)
- ▶ Continued development of Mahjong product (estimated release – Q4 2008)

## Videobet Development



- ▶ First to introduce server supported switchable technology
- ▶ Market leaders for server-based gaming & cross-selling opportunities
- ▶ Joint venture with Unicum (machines release in 2008)

## Financial Review: Guy Emodi, CFO



## Financial Highlights

**Total revenues - \$103.6M, 86% increase (2006 Non US: \$55.6M)**

**Casino** Revenues - \$74.7M, 58% increase (2006 Non US: \$47.3M)

**Poker** Revenues - \$27.4M, 269% increase (2006 Non US: \$7.4M)



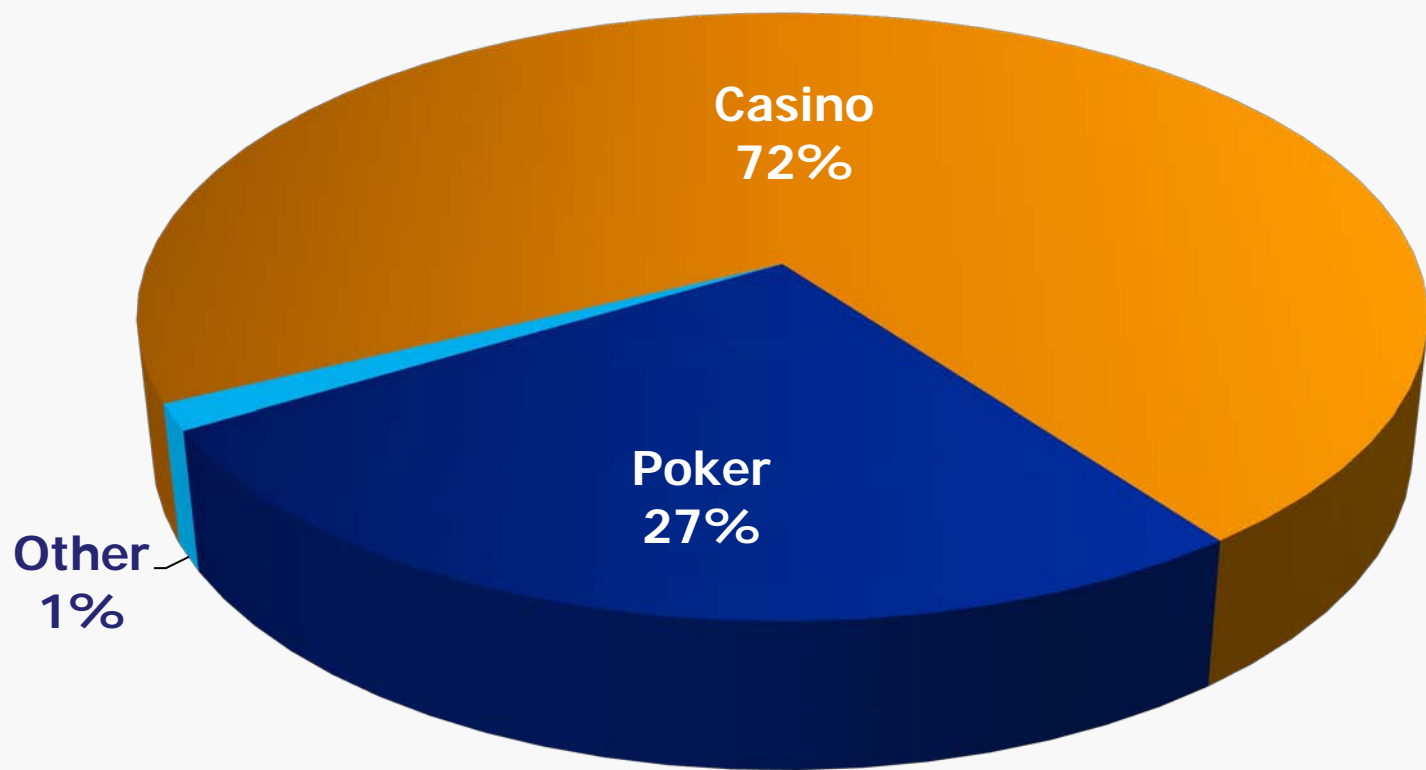
## Financial Highlights

- ▶ Successful recovery after withdrawal from US market, resulting in adjusted net profit before tax\* up by 3% to \$70M (2006: \$68M)
- ▶ Adjusted EPS\* - 32¢ US (2006: 32 cents US)
- ▶ Proposed final dividend of 9.9¢ per share – \$21.5M
- ▶ Total dividend for 2007 of 16.0¢ per share – \$34.6M (2006: 15.7¢ - \$33.5M)
- ▶ Adjusted net profit margin of 67%

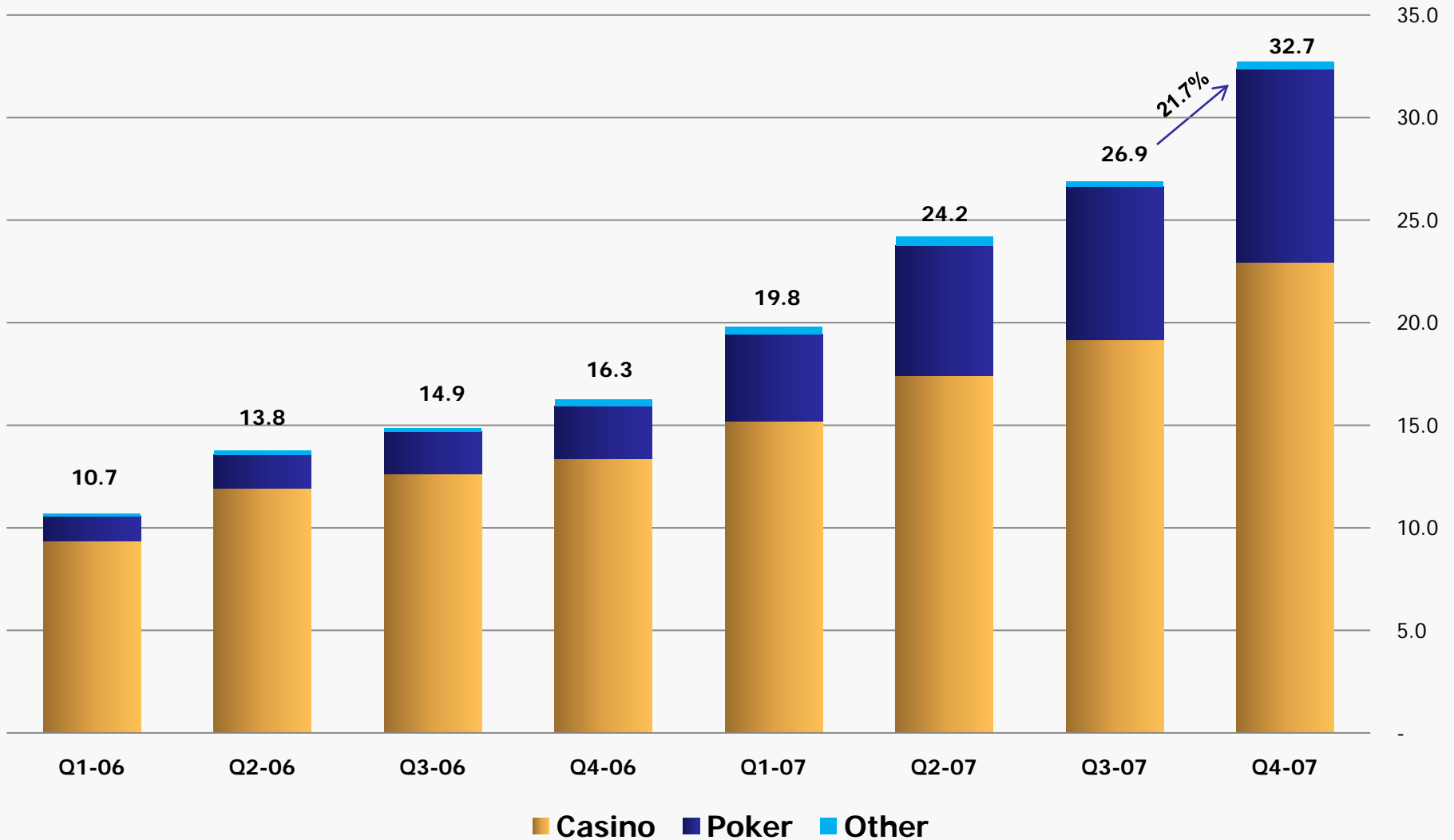


\* Excluding exceptional non-cash charges

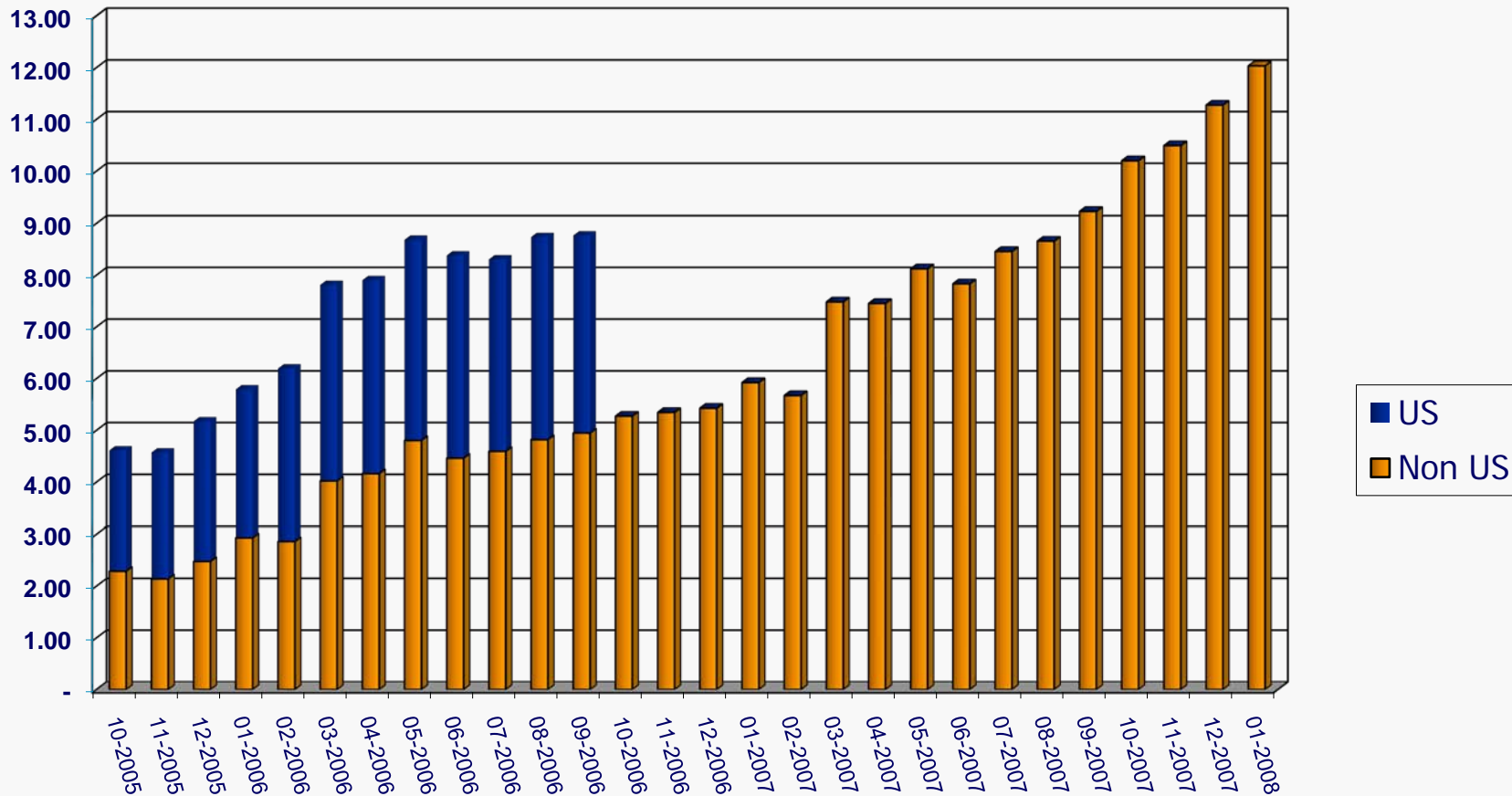
## Revenues by Products 2007



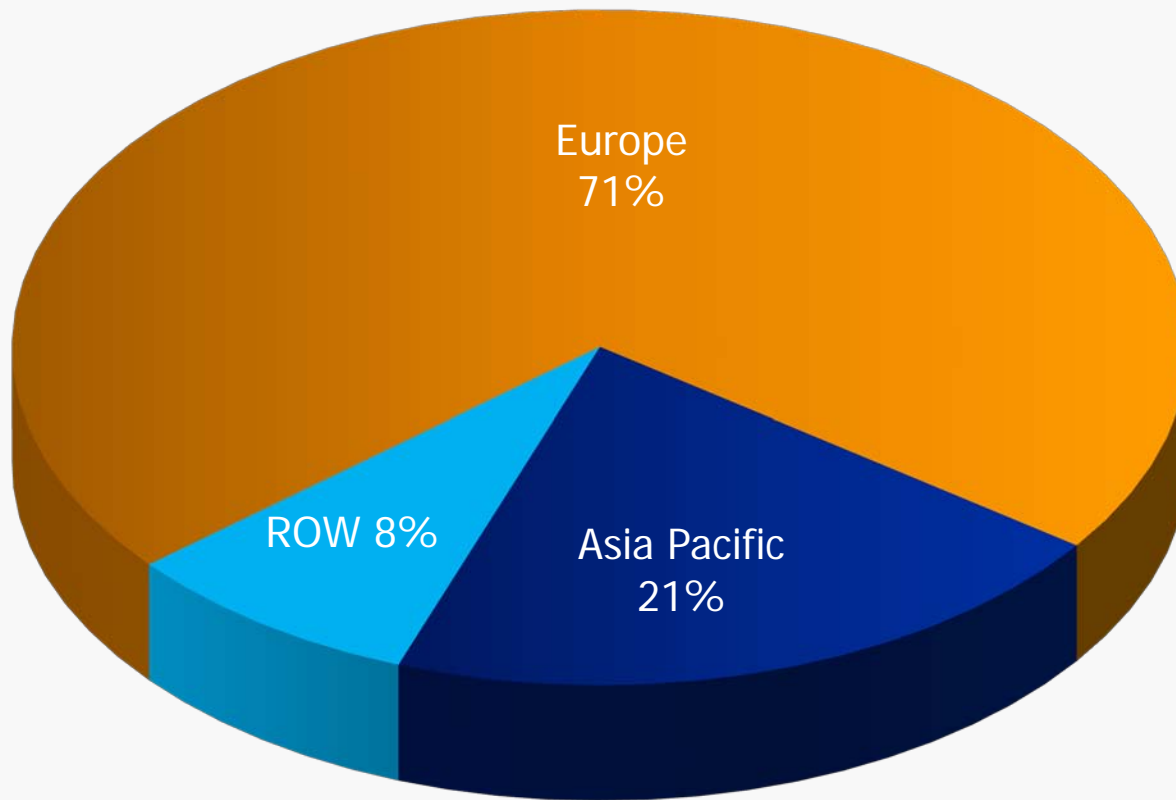
# Quarterly Revenues by Product (US\$M)



# Royalties by Month (US\$M)



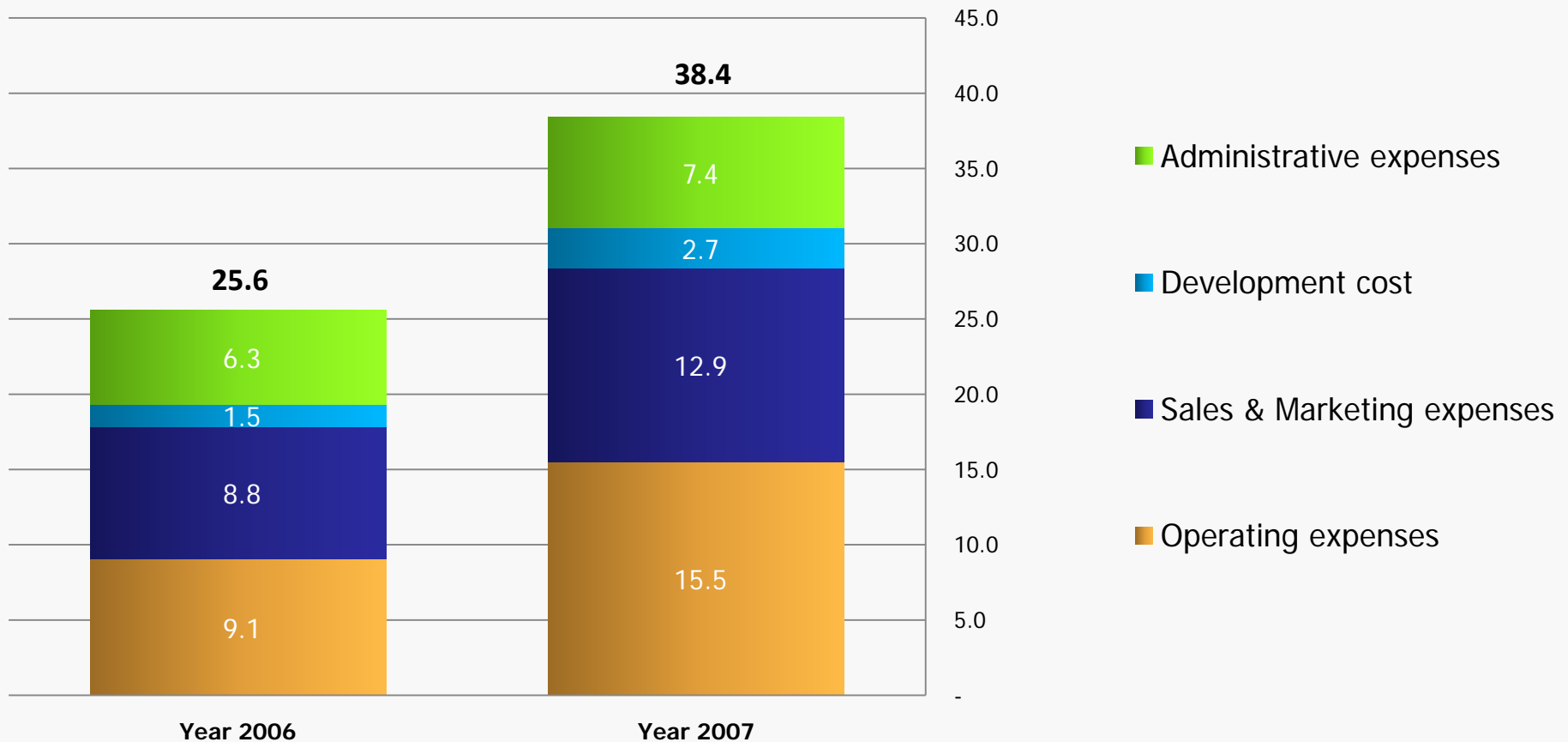
## Geographic Diversification\* in 2007



\*Player revenue generated

# Operational Expenses 2007 vs. 2006

(Excluding exceptional non cash items)



# Profit & Loss – YE 31 December 2007

		2007		2006
		US\$000		US\$000
Revenues		103,604		90,078
Operating expenses		-64,501		-32,856
<b>Operating profit before the following exceptional items</b>	<b>66,250</b>		<b>65,097</b>	
Charges from founders cash contributions to employees			(6,566)	
Loss of disposal available for sale invest' (Foundation)	(654)			
Impairment of software acquisition (Tribeca)	(275)			
Amortization of intangible assets (mainly Tribeca)	(5,304)		(606)	
Employee stock option expenses	(2,645)		(703)	
Decline in FV available for sale invest' (Foundation)	(18,269)			
Total	<b>(21,147)</b>		<b>(7,875)</b>	
<b>Operating profit</b>		<b>39,103</b>		<b>57,222</b>
Financing income	4,988		3,638	
Financing cost - deferred consideration (Tribeca)	(1,619)		-	
Other financing cost	(131)		(101)	
Total financing income, net		<b>3,238</b>		<b>3,537</b>
Profit before taxation		42,341		60,759
Tax expenses		(834)		(345)
<b>Profit for year</b>		<b>41,507</b>		<b>60,414</b>
<b>Adjusted profit for the year</b>	<b>69,202</b>		<b>67,683</b>	
Earnings per share (basic in cents)		19		29
Adjusted earnings per share (basic in cents)	32		32	

## Investment in Foundation

Foundation Group Ltd (Hong Kong) listed in HKSE Ticker: 1182.HK

- ▶ 10 year software licence agreement
- ▶ Purchased shares & convertible notes for \$10.25M
- ▶ Market value as of 31.12.07 = \$18.9M
- ▶ Economic gain as of 31.12.07 = \$8.65M
- ▶ Accounting treatment:
  - ▶ When floated, financial gains of \$27.6M recorded as deferred revenues
  - ▶ Deferred revenues to be recognised over 10 years following launch
  - ▶ Implementation of IAS39 requires full recognition of decline in FV
  - ▶ \$18.3M recorded as non cash expense in P&L

## Investment in AsianLogic (ALOG)

AsianLogic listed on AIM. Ticker: ALOG.L

- ▶ 5 year software licence agreement
- ▶ Purchased shares: \$5.0M
- ▶ Market value as of 31.12.07 = \$15.9M
- ▶ Economic gain as of 31.12.07 = \$10.9M
- ▶ Accounting treatment:
  - ▶ When floated, financial gains of \$10.6M recorded as deferred revenues and \$0.3M recorded as capital fund
  - ▶ Deferred revenues to be recognised over 5 years

## Acquisition of Non US Assets of Tribeca

November 2006, Group signed an asset purchase agreement with Tribeca Tables Europe Ltd for consideration of \$59.75M

- ▶ Customer list - amortised over 8 years
  - ▶ 2007 - \$4.2M (10 months)
  - ▶ 2008 & after - \$5.0M (12 months)
- ▶ Software valued at \$0.275M – charged as impairment
- ▶ Tribeca settlement in four cash instalments - discounted back to present value resulting in finance cost charge of \$1.6M
- ▶ \$27.9M paid in 2007, \$31.9M to be paid in 2008

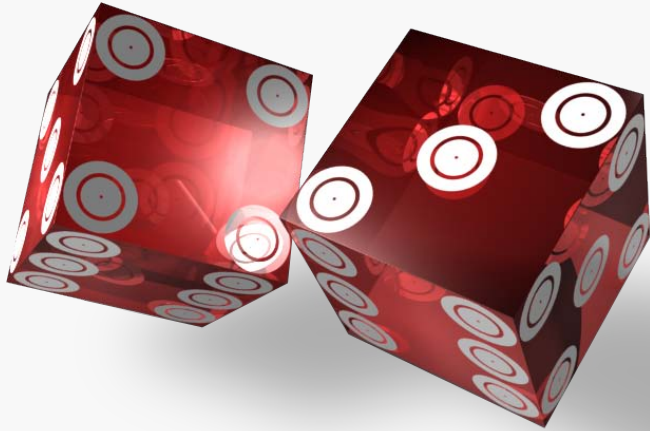
## Balance Sheet

Current Assets	December 2007 \$'000	December 2006 \$'000
Cash and Cash Equivalents	86,491	101,403
Investments (Foundation & ALOG)	34,846	-
receivables	18,118	7,537
<b>Total Current Assets</b>	<b>139,455</b>	<b>108,940</b>
Intangible assets (mainly Tribeca)	61,355	4,355
Fixed Assets & other non current Assets	5,500	3,142
<b>Total Assets</b>	<b>206,310</b>	<b>116,437</b>
Deferred Rev' (Foundation & ALOG)	39,631	2,818
Other (mainly Tribeca)	40,147	8,838
<b>Total Current Liabilities</b>	<b>79,778</b>	<b>11,565</b>
<b>Non-Current Liabilities</b>	<b>104</b>	<b>46</b>
<b>Shareholders' Equity</b>		
Share Capital and Funds	65,315	57,095
Accumulated Profit	61,113	47,731
<b>Total Liabilities and Shareholders' Equity</b>	<b>206,310</b>	<b>116,437</b>

## Cash Flow

	Dec 2007 \$'000	Dec 2006 \$'000
<b>Net profit</b>	<b>41,507</b>	<b>60,414</b>
Depreciation and Amortisation	6,971	1,272
Founders' Cash Contribution to Employees	-	6,566
Employees Stock Options Expenses	2,645	703
Impairment loss of software acquired	275	-
Decline in FV of available for sale investments & loss on disposal	18,923	-
Net change in Assets and Liability & other adjustments	(7,725)	3,672
<b>Net Cash Provided by Operating Activities</b>	<b>62,625</b>	<b>72,627</b>
<b>Net Cash Used in Investing Activities</b>	<b>(54,649)</b>	<b>(6,455)</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b><u>(22,859)</u></b>	<b><u>17,236</u></b>
<b>Increase in Cash and Cash Equivalents</b>	<b>(14,912)</b>	<b>83,408</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b><u>101,403</u></b>	<b><u>17,995</u></b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>86,491</b>	<b>101,403</b>

## **Current trading & Outlook: Mor Weizer, CEO**



## Current trading & Outlook

- ▶ Significant total revenue growth in January with 14.4% over Q4-07 average
- ▶ Six new licensees so far in 2008
  - ▶ Further penetration into Asia and Europe
  - ▶ Focus on regulated markets
  - ▶ Migrations from competitors
  - ▶ Cross selling to online operators
- ▶ Strong pipeline of potential licensees
  - ▶ Leading position attracts well established online and land based operators
  - ▶ Strong focus on regulated markets

## Current trading & Outlook

- ▶ Commitment to strong product road map:
  - ▶ Launch of new Asian P2P games – End of Q1/08
  - ▶ Flash Poker – Q2/08
  - ▶ Large number of slots, card and table games
  - ▶ Additional Asian P2P games
  - ▶ Mahjong – Q4/08
  - ▶ Software adjustments to comply with regulatory requirements



## Summary

- ▶ Strong 2007 performance with margins supported
- ▶ Consolidated position as world's leading supplier to our market
- ▶ Casino, poker, bingo and Videobet performed well
- ▶ Product development key element of success
- ▶ Advanced geographical reach into diversified markets
- ▶ Growth of regulated markets creates opportunity
- ▶ 50% dividend policy upheld
- ▶ Strong start to 2008

# Questions & Answers

