

RACING UK

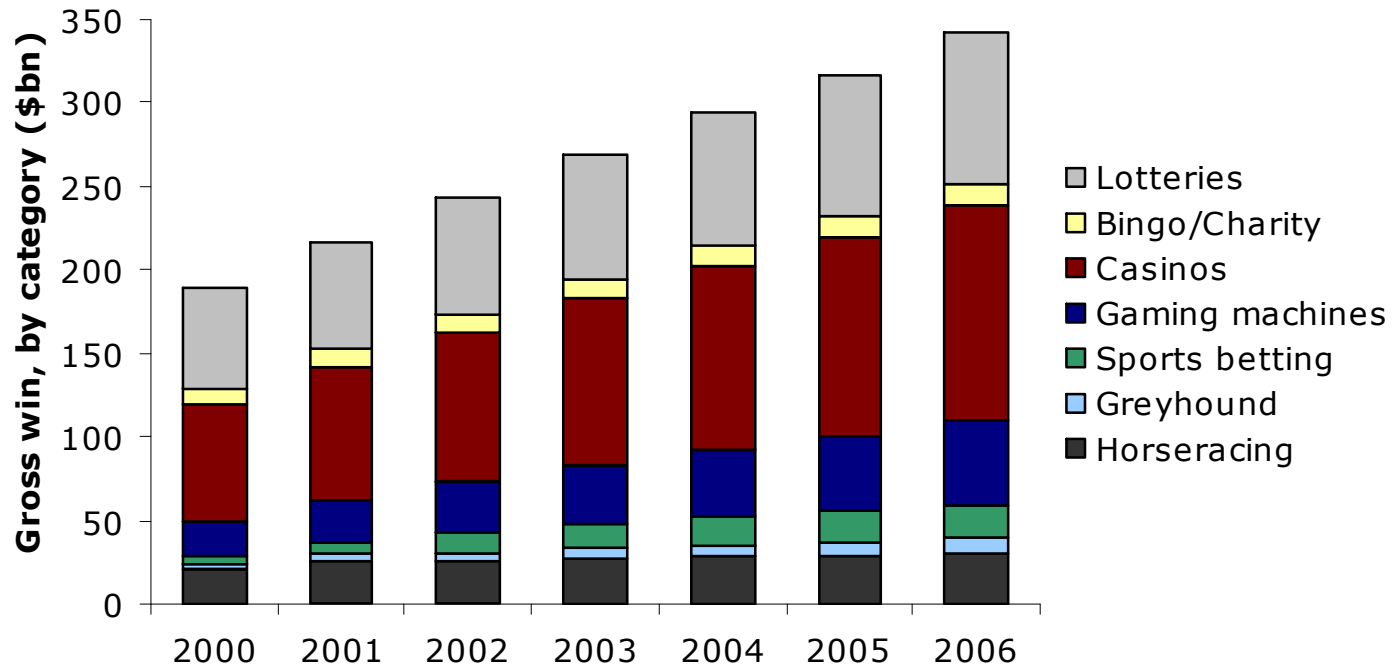
Managing Media Rights To Maximize Value

Simon Bazalgette – Executive Chairman

7 December 2005

Market Share

The market share of horserace betting is growing, but its market share is declining.



Worldwide gaming gross win, by category
Source: UBS

Horseracing has to develop a media strategy to fight back against the erosion of market share:

- Focus on the things that make racing unique and attractive
- Maximize promotion and commercial strengths

The UK market is generally thriving...

- **Growing market**
 - \$17.5bn (£10bn) bet annually on British racing
 - Second highest spectator numbers (6m in 2004)
 - Racing dates and prize money are rising
- **Wide range of television coverage**
 - Terrestrial – BBC/Channel 4
 - Basic pay cable – At The Races
 - Premium – Racing UK
 - Betting shops - SIS

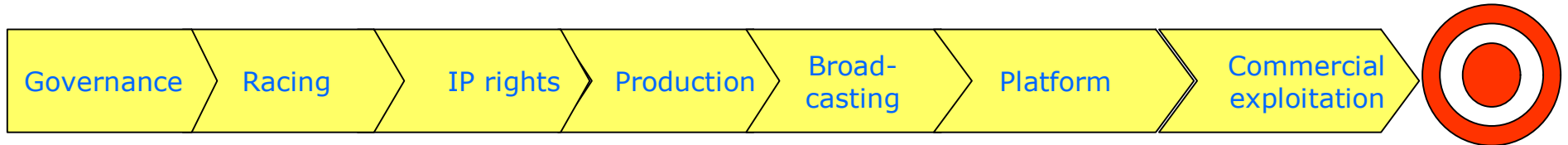
...but there are some major challenges to be overcome.

- Future funding mechanism is uncertain
 - Statutory Levy (c£100m pa) due to be abolished
 - BHB replacement data license failed
 - Media rights only viable alternative to the Levy
 - Adequate contribution from betting exchanges?
- Racing UK/ATR split
 - Litigation divides the racecourses
 - ATR is claiming up to £50m from the racecourses, the courses counterclaim is c£200m
 - Court date delayed at ATR's request until March 2006

- *Racing UK protects and maximizes the value of its owners' rights for the benefit of the racecourses and the sport of racing.*

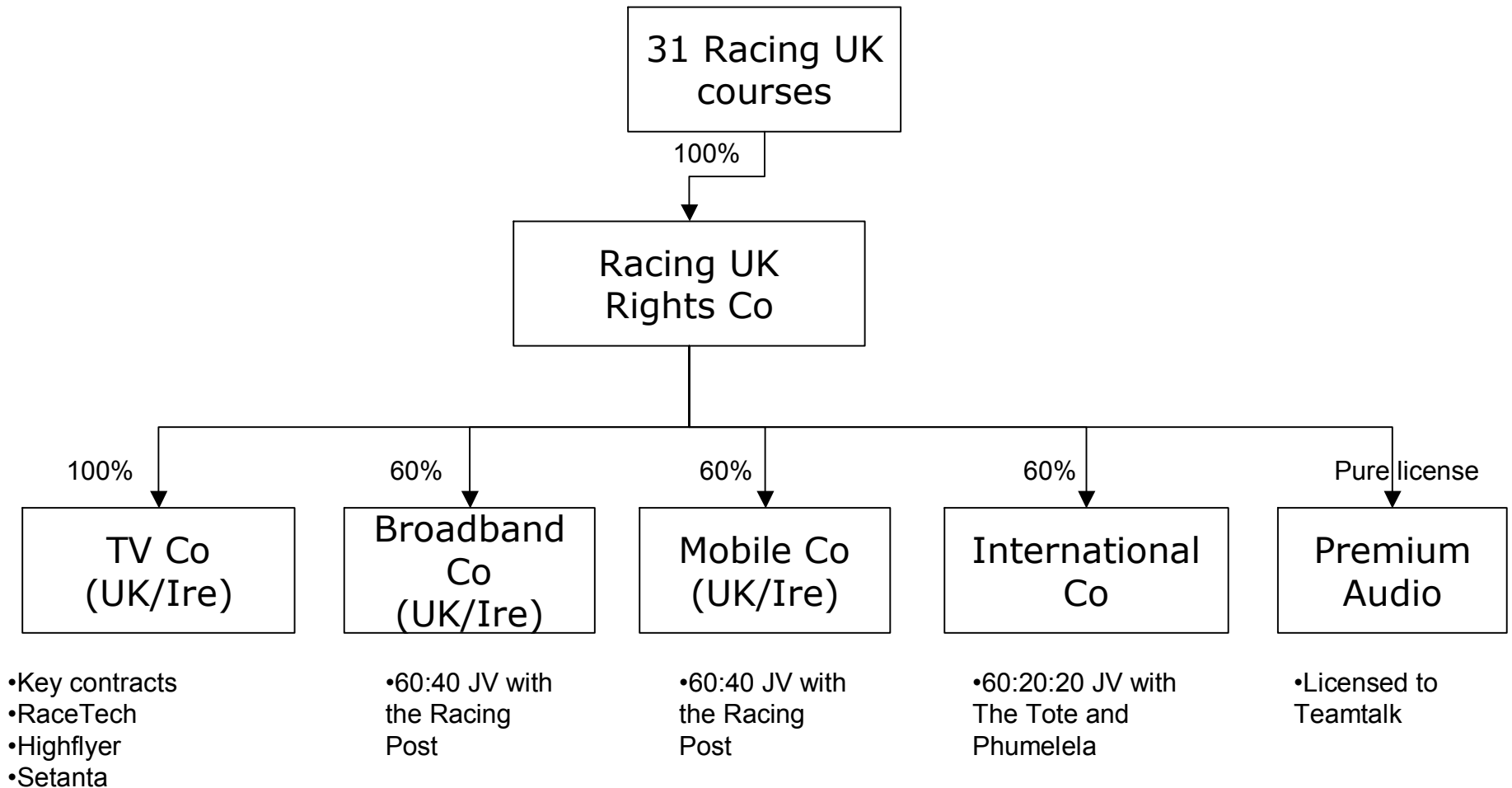
Racing UK allows racecourses to have greater involvement in and transparency of the media value chain leading to the end user.

Racing industry IP value chain



Racing UK Structure

Racing UK consists of a pure rights management company, and a series of operating/licensee companies.



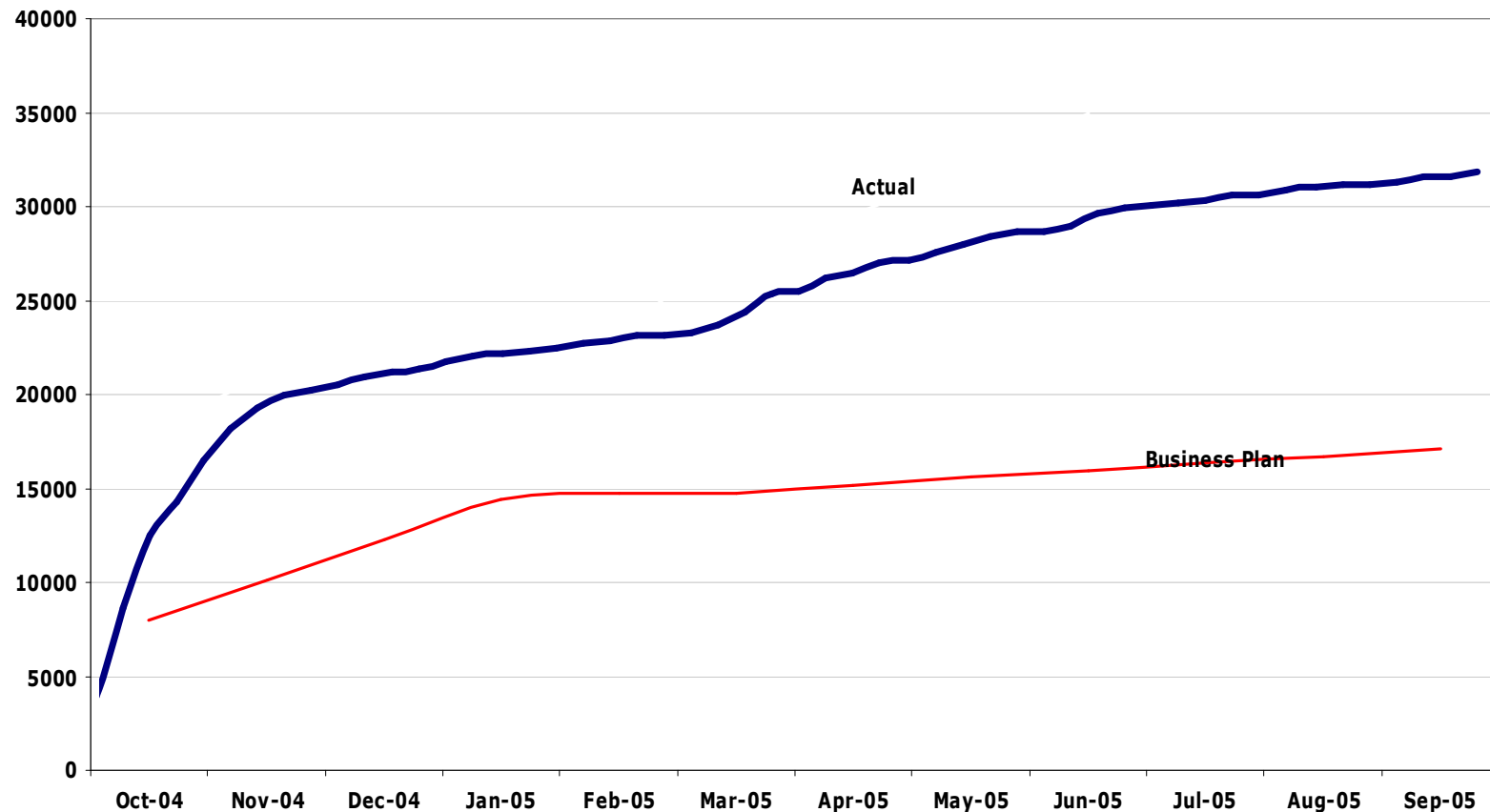
In the face of significant opposition, the Racing UK channel has established itself as an important part of the British racing industry.

- Subscription model - £20 per month/£200 annual advance
- Distribution platforms – satellite (7.8m homes) and cable (2m homes)
- Shortlisted for two awards at the Broadcast Digital Channel Awards
 - Best Channel Marketing
 - Best New Channel
- Over 95% of subscribers watch at least twice a week, 70% watch every day. Extremely high satisfaction ratings
- Program sponsors include Coral, VCBet, Racing Post, Coolmore
- Subscriber numbers...

TV Channel subscribers

Racing UK achieved its one-year subscription target after only 6 weeks, and has now reached over 35,000 paying viewers.

Satellite Subscribers



Broadband

Racing UK's joint venture with the Racing Post exploits video rights online in the UK/Ireland. The five highest bidders have become betting partners for the service, including the Tote and Ladbrokes.

1 Bookmaker.com Account ID: Password: **LOG IN**

2 LIVE RACING 1:00 Newmarket

3 Video Card Postdata Result Text Commentary

4

Bet Slip	Silks	Forecast	Tricast	Odds
Clan Royal		8	10	BET
Silver Birch		10	12	BET
Amberleigh House		16	12	BET
Hedgehunter		14	12	BET
Lord Atterbury		16	14	BET
Strong Resolve		25	16	BET
Longshanks		25	16	BET
Grey Abbey		10	16	BET
Joly Bey		7/2	20	BET
Forest Gunner		10/3	20	BET
Timbera		25	20	BET
Frenchmans Creek		33	20	BET
Just In Debt		33	20	BET
Baron Windrush		33	20	BET
Royal Auclair		40	26	BET
Innox		50	26	BET
Bindaree		33	26	BET
Montys Pass		20	26	BET
First Gold		20	33	BET
Mac's Gildoran		40	33	BET
Truckers Tavern		20	33	BET
Puntal		50	33	BET
Take The Stand		50	33	BET
Le Coudray		66	33	BET
L'Adventure		66	33	BET
Colonel Frank		33	40	BET
Celestial Gold		20	40	BET
Double Honour		50	40	BET
Baillycassidy		66	60	BET
Granit DEstruval		33	60	BET
Jurancon II		40	66	BET

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6 **Verdict** Question marks over many of these and Habitual Dancer is interesting following a good hurdling campaign, but Sue Lamyman will be keen to win the race that honours her tough campaigner Jamaican Flight and VICARS DESTINY may be able to step up on her second in this event 12 months ago. [AC]

- Spotlights
- Tips
- Jockeys
- Trainers
- Course

RACING POST.co.uk **RACING UK** www.racinguk.tv

BETTING SHOP HOME RACING GREYHOUNDS

BETTING SHOP 1:00 Newmarket

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6 **Current Prices** All bookies Price History **BETTING EXCHANGE** SPREADS

SORT	Licensee 1	Licensee 2	Licensee 3	Licensee 4	Licensee 5
Figura	5	9/2	5	5	9/2
Dodona	7/2	9/2	4	7/2	9/2
Oh So Dusty	15/2	7	7	15/2	7
Bitter Sweet	8	8	8	8	8
Beckton	9	9	9	9	9
Phoebe Buffay	14	12	14	14	12
May Queen Megan	14	16	16	14	16
Dark Delores	25	25	25	25	25
Chez Bonito	33	25	33	33	25
Flight To Tuscany	33	33	33	33	33
Sandy Ground	50	50	50	50	50
Bella Pavlina	66	66	66	66	66

- Racing UK broadcast the first ever UK live sports event to mobile (the 2005 Derby) following 3G trials for Cheltenham
- Daily mobile service to be launched before end of 2005
- Video shortcodes and one button telebetting functionality
- Revenues from call time and betting commissions



International simulcast sales are offered via Racing International, a JV between Racing UK, Phumelela and the UK Tote.

- Historically British racing has focused on fixed odds territories (via SIS)
- Racing International is developing new relationships in the pari-mutuel markets (the majority of the world)
- The on-course activities of SIS forced Racing UK to focus on protection of racecourse rights
- Phumelela a vital part of Racing UK's success to date
- Racing International has enabled British racecourses to understand the international impact of what they do (eg. standardizing the declaration period)

Global racecourse alliances to manage and exploit rights will become increasingly vital. Racing UK already works closely with Phumelela, but is actively looking to expand its strategic alliances.

Common strategic goal:

- *To protect and promote quality racing around the world.*

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- Proper control over media and data rights is vital
 - Racecourses must include media as part of their core business, and must have the necessary transparency and control to do so
 - Co-ordination of media rights windows delivers the best returns for racing
 - British racing needs a strong media arm to negotiate partnerships with bookmakers
 - Racing interests need to work better together to protect market share

RACING UK

Focused on value for racing