

Sportingbet Plc

Unaudited results for the third quarter and cumulative nine months ended 31 December 2001

Highlights

Sportingbet Plc, the international sports betting group, today reported its unaudited results for the third quarter and cumulative nine months to 31 December 2001.

Third quarter to 31 December 2001:

- Turnover of £352.5m (2000: £103.7m).
- Gross profit of £23.5m (2000: £5.2m), representing 6.7% of turnover (2000: 5.0%).
- Operating profit of £7.6m (2000: £0.5m) before amortisation of goodwill of £2.2m (2000: £0.2m) and exceptional costs of £0.4m (2000: £0.1m). Exceptional costs relate primarily to integration costs of the acquisition of Sportsbook in July 2001.
- After interest, amortisation of goodwill and exceptionals, profit before tax was £4.8m (2000: loss of £0.2m).
- Continued progress in development of the business:
 - Customer numbers up by 56,285 to 488,457.
 - 1.5m bets per month taken on average through the quarter.
 - Award of an on-shore Australian telephone and internet gaming licence.

Cumulative nine months to 31 December 2001:

- Turnover of £645.6m (2000: £217.8m).
- Gross profit of £38.5m, (2000: £8.7m), representing 6.0% of turnover (2000: 4.0%).
- Operating profit of £8.1m (2000: loss £3.0m) before amortisation of goodwill of £3.6m (2000: £0.6m) and exceptional costs of £0.9m (2000: £0.4m).
- After interest, amortisation of goodwill and exceptionals, profit before tax was £3.2m (2000: loss of £4.4m).
- As at 31 December, the Group had £20.4m (2000:£3.5m) of cash on its balance sheet.

Sportingbet Plc Chairman, Peter Dicks said:

"The third quarter is the most important quarter in determining the Group's annual results as it is the busiest season of the international sporting calendar, containing American NFL, European soccer and Australian horse racing. We are therefore delighted by the advances made by the Group in the three months to 31 December 2001. The business is just three years old yet in the quarter achieved underlying operating profits of £7.6m and a profit before tax of £4.8m. Given the relative immaturity of the business, this is a significant achievement and re-enforces the Board's view as to the growth potential of Sportingbet. We look to the future with confidence."

Chairman's statement

Financial Results

Third quarter to 31 December 2001

Turnover for the three months to 31 December 2001 was £352.5m (2000: £103.7m). Gross profit was £23.5m (2000: £5.2m), representing 6.7% of turnover (2000: 5.0%).

The Group has three revenue streams: sports betting, casino betting and fee income earned from providing sports betting and casino services. Turnover for the three months to 31 December 2001 comprised £309.5m on sports betting, £39.2m on casino betting and £3.8m from sports and casino services. The gross margin on sports betting was £18.9m (2000: £4.9m), on casino betting £0.8m (2000: £0.3m) and on services £3.8m (2000: nil). This represented 6.1%, 2.0% and 100% of their respective turnovers (2000: 5.8%, 2.0% and nil%).

Administration costs of £15.8m (2000: £4.7m) represented 4.5% of turnover (2000 : 5.4%). Major items of administration costs were: marketing (£3.0m) information technology (£2.5m), banking fees (£3.0m) and employee costs (£2.5m).

Operating profit was £7.6m (2000: £0.5m), representing 2.2% of turnover (2000: 0.5%). Profit before tax was £4.8m after deducting exceptional costs of £0.4m (2000: £0.1m), goodwill amortisation of £2.2m (2000 : £0.2m) and net finance costs of £0.1m (2000: £0.1m). The exceptional costs relate primarily to the integration costs following the acquisition in the Americas of Sportsbook in July 2001 and to a lesser extent Asian marketing partner.

In the three months to 31 December 2001, the Group generated operating cashflows from trading activities of £9.2m.

Nine months to 31 December 2001

Turnover for the nine months to 31 December 2001 was £645.6m (2000: £217.8m). Gross margin was £38.5m (2000: £8.7m), representing 6.0% of turnover (2000 : 4.0%).

Turnover for the nine months to 31 December 2001 comprised £560.2m on sports betting, £79.5m on casino betting and £6.0m from sports and casino services. The gross margin on sports betting was £30.7m (2000: £7.5m), on casino betting £1.8m (2000: £1.2m) and on services £6.0m (2000: nil). This represented 5.5%, 2.3% and 100% of their respective turnovers (2000: 5.0%, 1.7% and nil%).

Administration costs of £30.5m (2000: £11.7m) represented 4.7% of turnover (2000 : 5.4%). Major items of administration costs were: marketing (£7.5m), information technology (£4.8m), banking fees (£4.5m) and employee costs (£4.0m).

Operating profit was £8.1m (2000: loss £3.0m), representing 1.3% of turnover. After charging exceptional costs, amortisation of goodwill of £3.6m (2000: £0.6m), and net finance costs of £0.3m (2000: £0.5m), profit before tax was £3.2m for the nine months (2000: loss of £4.4m).

Earnings per share, pre exceptionals and goodwill, grew to 6.3p from a loss of 3.5p for the comparable period last year. After taking account of exceptionals and goodwill, earnings grew from a loss of 3.9p per share to earnings of 2.6p.

In the nine months to 31 December 2001 the Group generated operating cashflows of £15.4m and as at 31 December 2001 the Group had £20.4m (2000: £3.5m) of cash on its balance sheet.

Operating Review

In the three months to 31 December 2001 customer numbers increased by 56,285 (13.0%) to 488,457. Over the nine months to 31 December 2001 customer numbers have risen by 398,392 from 90,065 as at 31 March 2001. 311,002 new customers were acquired from the acquisition of Sportsbook at the end of July 2001 and 87,390 have been acquired through organic growth.

CUSTOMER NUMBERS					
Region	31 Dec 00	31 Mar 01	30 Jun 01	30 Sep 01	31 Dec 01
AMER	40,092	44,372	47,435	363,895	411,573
EMEA	13,918	18,388	22,471	38,588	44,282
AA	4,592	27,305	28,866	29,689	32,602
Total	58,602	90,065	98,772	432,172	488,457

In the Americas, the Group has made strong progress in the three months to 31 December 2001. Customer numbers have risen by 13.1% and customer spend per head has risen by 5% over last year. Activity levels have remained stable. The Board is pleased with all aspects of the recently acquired Sportsbook business and integration into the Group is on plan. The Group is extending the more intensive marketing strategy of Sportsbook in its other American operations.

Europe is the smallest part of the Group's business. The region is highly competitive, dominated by local languages and traditionally has a lower propensity to gamble than other parts of the world. During the quarter, the region saw good growth in customer numbers, rising by 14.7%. However, average spend per head fell by 10% as a result of introducing new lower spend per head countries into the overall mix and activity levels fell slightly. Whilst the Group has established a robust European base on which to build, the region is taking longer to reach profitability than originally anticipated. Accordingly, the Group is increasing its focus on the region through targeted initiatives. These include short term investment in IT and in establishing marketing partnerships.

In Asia, customer numbers have risen by 10% and customer spend per head has risen by 12% over last year. Activity levels have remained stable. The Group has expanded both its product offering in the region and its geographical coverage, with substantial numbers of customers now coming from: Hong Kong, Thailand, Malaysia, Taiwan and Singapore. The Group's partners in the region have performed ahead of expectation in the quarter. The one exception is Japan which the Group has not yet successfully penetrated. It remains a key target. Further developments in Asia are planned ahead of the World Cup in June 2002 which will involve greater than previously anticipated investment in the next financial year. In Australia, the Group's business has performed well with customer numbers increasing by 9% and spend per head rising by 10% over last year. The recently acquired onshore licence will facilitate the roll out of an Australian Internet offering, Sportingbet.com.au.

Regulatory Developments

The Directors believe that operating from a well-respected regulatory environment is key to achieving the Group's strategy. The Board places strong emphasis on ensuring that the Group conducts its affairs appropriately in all jurisdictions within which it operates, and seeks to comply with all route to market legislation across the world.

In America the regulatory environment remains unclear. However, over recent months the trend has been generally more favourable for the Group with an expansion in the number of proposed permissive gaming bills.

As reported with the six months results in October, the Attorney General of New Jersey filed civil actions against a number of internet-based sports betting operators, including Sportingbet. At that time the Group had not been served with any Court papers. These have now been received. The Group firmly believes that the State of New Jersey has no jurisdiction

to bring or to enforce any action. Since receiving the Court papers the Group has had no further communication from the State.

Sportingbet has no subsidiaries, no physical operations, personnel or other assets within the United States.

In January 2002, the Group was granted an on-shore Australian telephone and internet gaming licence by the government of the Northern Territories.

Management

Robert Williams, a non-executive director, has informed the Group that he intends to resign from the Board with effect of 31 January 2002 due to potential conflict of interest with another of his directorships. I would like to thank Robert on behalf of the Board for his contribution to the success of the Group. The Group is undertaking a search to find a suitable replacement.

Outlook

The Group enters the final quarter and following financial year well placed to build upon its successes over the last three years. The Group has built market leading businesses in America and Australia and will continue to seek to drive these forward. In America, Sportsbook's more intensive marketing strategy is being extended to our other American businesses. In Asia, we have built a significant customer base and the Group intends to develop this further ahead of the 2002 World Cup, which the Group views as not only a short term enhancement to trade but also a customer acquisition opportunity. In Europe, the Group is establishing a robust business on which to build, although it is likely to take longer to reach profitability in this region than we had hitherto expected.

For the first three weeks of the new quarter customer numbers continued to grow and spend levels remain strong. The Board continues to view the future with confidence.

Peter Dicks Chairman

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Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Nine months ended the 31 December 2001

	3 months 31 Dec 2001 £	9 months 31 Dec 2001 £	9 months 31 Dec 2000 £
TURNOVER	352,485,687	645,639,696	217,812,673
Cost of sales	(329,014,474)	(607,123,917)	(209,124,989)
GROSS PROFIT	23,471,213	38,515,779	8,687,684
Gross profit %	6.7%	6.0%	4.0
Administration expenses	(15,848,463)	(30,463,338)	(11,693,298)
Group operating profits (loss) before exceptional items and goodwill amortisation	7,622,750	8,052,441	(3,005,614)
Exceptional costs	(446,027)	(947,215)	(375,000)
Goodwill amortisation	(2,231,786)	(3,595,358)	(586,581)
GROUP OPERATING PROFIT/(LOSS)	4,944,937	3,509,868	(3,967,195)
Interest receivable	52,884	181,265	74,403
Finance Costs - Interest payable	(163,248)	(489,745)	(261,694)
- Amortisation of loan note issue costs	-	-	(265,222)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4,834,573	3,201,388	(4,419,708)
Taxation	(36,965)	(36,965)	(2,254)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	4,797,608	3,164,423	(4,421,962)
EARNINGS PER ORDINARY SHARE	3.2p	2.6p	(3.9p)
EARNINGS PER SHARE (PRE EXCEPTIONALS AND GOODWILL)	4.9p	6.3p	(3.5p)
	Three months to 31 Dec 2001	Nine months to 31 Dec 2001	Nine months to 31 Dec 2000
1 Analysis of revenue by activity			
Sports Betting	309,573,095	560,166,742	149,691,440
Casino Betting	39,155,383	79,449,453	68,121,233
Fee Income	3,757,209	6,023,501	-
	<u>352,485,687</u>	<u>645,639,696</u>	<u>217,812,673</u>
2 Analysis of revenue by region			
AMER	231,888,507	366,232,305	172,896,750
EMEA	27,621,397	56,258,199	17,126,752
AA	92,975,783	223,149,192	27,789,171
	<u>352,485,687</u>	<u>645,639,696</u>	<u>217,812,673</u>

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 December 2001

	9 months ended 31 Dec 2001 £	9 months ended 31 Dec 2000 £	12 months ended 31 March 2001 £
FIXED ASSETS			
Goodwill	158,119,264	8,392,458	33,996,814
Tangible assets	2,794,514	1,801,331	2,590,607
	<u>160,913,778</u>	<u>10,193,789</u>	<u>36,587,421</u>
CURRENT ASSETS			
Debtors	5,818,722	4,842,323	7,004,900
Cash at bank and in hand	20,367,207	3,466,229	12,083,348
CREDITORS:			
Amounts falling due within one year	16,895,419	7,930,260	9,122,707
	<u>9,290,510</u>	<u>378,292</u>	<u>9,965,541</u>
NET CURRENT ASSETS/(LIABILITIES)			
	<u>170,204,288</u>	<u>10,572,081</u>	<u>46,552,962</u>
CREDITORS:			
Amounts falling due after more than one year	7,349,962	-	-
Provisions for liabilities and charges	43,574,846	-	5,616,035
Convertible loan note	13,554,939	6,405,617	6,530,000
	<u>105,724,541</u>	<u>4,166,464</u>	<u>34,406,927</u>
NET ASSETS			
	<u>105,724,541</u>	<u>4,166,464</u>	<u>34,406,927</u>
CAPITAL AND RESERVES			
Called up share capital	151,322	131,130	136,244
Shares to be issued	63,931,896	2,942,482	8,371,551
Share premium	48,425,327	11,263,453	35,847,581
Other reserves	257,756	257,756	257,756
Profit and loss account	(7,041,760)	(10,428,357)	(10,206,205)
	<u>105,724,541</u>	<u>4,166,464</u>	<u>34,406,927</u>
EQUITY SHAREHOLDERS' FUNDS			
	<u>105,724,541</u>	<u>4,166,464</u>	<u>34,406,927</u>

Notes

1. The calculation of basic earnings per share is based on the profit after tax of £3.2m (2000: loss after tax £4.4 m) and on the weighted average number of ordinary shares in issue.
2. There have been no material changes to the accounting policies of the Group as set out in 31 March 2001 financial statements.

Sportingbet Plc
Unaudited Consolidated Cash Flow statement
Nine months to the 31 December 2001

	3 months ended 31 Dec 2001 £	9 months ended 31 December 2001 £
Net cash inflow from operating activities	9,152,462	15,420,449
Returns on investment and servicing of finance	(273,616)	(145,235)
Taxation	(36,965)	(36,965)
Acquisitions	(3,986,937)	(13,815,256)
Capital expenditure	(434,999)	(938,856)
CASH INFLOW BEFORE FINANCING	4,419,945	484,137
Financing	0	7,799,722
INCREASE IN CASH IN THE PERIOD	4,419,445	8,283,859
 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS		
Increase in cash in the period	4,419,945	8,283,859
Cash outflow from decrease in debt	3,747,935	3,747,935
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS IN PERIOD	8,167,880	12,031,794
Loan notes issued to fund acquisition	-	(15,630,489)
Movement in net funds in period	8,167,880	(3,598,695)
Net funds at start of period	(6,213,227)	5,553,348
NET FUNDS AT END OF PERIOD	1,954,653	1,954,653