

Sportingbet Plc

Results for the three months ended 30 June 2002

Sportingbet, the world's leading online sports betting company, is pleased to announce its results for the first quarter of the financial year ending 31 March 2003.

Highlights

- Turnover of £248.1m (2001: £111.5m).
- Gross profit of £13.3m (2001: £3.8m), at 5.4% of turnover (2001: 3.4%).
- Operating profit of £1.4m before amortisation of goodwill (2001: loss £0.2m).
- Loss before tax of £1.5m (2001: loss of £1.0m) after finance costs and amortisation of goodwill.
- Earnings per share pre amortisation of goodwill of 0.5p (2001: loss per share 0.2p).
- £17.7m of cash and cash deposits on the balance sheet (2001: £6.0m).
- Further progress in the quarter in development of the business:
 - Customer numbers up by 49,624 on previous quarter to 608,211.
 - Acquisition of Sporting Odds completed on 2nd July 2002, will provide a further 68,000 customers.
 - Integration of Sportsbook now complete.
 - £20 million Bank Facility established with Barclays Bank PLC to cover Sportsbook earnout payments expected in Autumn 2003.

Sportingbet Plc Chairman, Peter Dicks said:

“Due to the seasonality of the sporting calendar, this is the quietest quarter of Sportingbet's financial year. It is therefore gratifying that Sportingbet achieved an operating profit of £1.4m compared to a loss last year of £0.2m. The three months to 30 June 2002 represent a successful start to the new financial year and are in line with our expectations for the full year.”

Financial Results

Turnover for the three months to 30 June 2002 was £248.1m (2001: £111.5m). Gross profit was £13.3m (2001: £3.8m), representing 5.4% of turnover (2001: 3.4%).

Turnover for the three months to 30 June 2002 comprised £208.6m on sports betting, £35.4m on casino betting and £4.1m from sports and casino “white label” services. The gross margin on sports betting was £8.4m (2001: £3.5m), on casino betting £0.8m (2001: £0.3m) and on services £4.1m (2001: £nil). This represented 4.0%, 2.3% and 100% of their respective turnovers (2000: 3.5%, 0.3% and nil).

Administration costs of £11.9m (2001: £4.1m), before amortisation of goodwill, represented 4.8% of turnover (2001: 3.6%). Major items of administration costs were: marketing (£2.7m), information technology (£1.8m), banking fees (£2.3m) and employee costs (£2.7m).

Operating profit before amortisation of goodwill was £1.4m (2001: Loss £0.2m), representing 0.56% of turnover (2001: -0.18%).

Loss before tax was £1.5m after deducting goodwill amortisation of £2.4m (2001: £0.6m), and net finance costs of £0.5m (2001: £0.07m) which include £0.4m (2001: nil) in respect of the FRS7 requirement to discount deferred consideration.

Review of Operations

During the quarter, customer numbers increased by 49,624, from 558,587 at 31 March 2001 to 608,211 at 30 June 2002. All of this growth was organic. In addition to these customer numbers, the acquisition of Sporting Odds on July 2nd 2002 will add a further 68,000 customers to Sportingbet’s EMEA business.

CUSTOMER NUMBERS					
Region	30 Jun 01	30 Sep 01	31 Dec 01	31 Mar 02	30 Jun 02
AMER	47,435	363,895	411,573	468,429	503,220
EMEA	22,471	38,588	44,282	54,884	68,568
AA	28,866	29,689	32,602	35,274	36,423
Total	98,772	432,172	488,457	558,587	608,211

Sportingbet’s primary focus during the World Cup was to maximise the number of new customers acquired. The Board is pleased to report that the World Cup was very successful in this regard contributing 11,000 new customers, and over 300,000 bets placed. These customers, together with organic growth from other marketing initiatives, resulted in the three months to 30 June realising Sportingbet’s lowest ever cost of acquiring a registered customer of £54, and its lowest ever cost per active customer of £305.

Sportingbet’s American business has continued to grow strongly. Customer numbers have risen by 34,791 all of which were gained through organic growth. Sportingbet’s key performance indicators in the region have performed well and are ahead of the Board’s expectation for the quarter. Of particular note is the spend per head which has risen from

£5,373 in the three months to 30 June 2001 to £6,978 this year, with a constant average bet size of £50. This has been driven by strong betting on the World Cup, with a significant proportion of Sportingbet's American database betting on soccer for the first time, and increased activity in Sportingbet's American casino.

The Board previously reported that, since its acquisition in July 2001, the performance of Sportsbook has exceeded expectations and that the associated earnout for the vendors was likely to be payable in full in the financial year ended 31 March 2004. The Board's view remains unchanged. Consequently it is pleased to report that a £20 million bridging facility with the company's bankers, Barclays Bank PLC, is now in place to provide the additional financing required over and above internally generated funds.

Sportingbet's European business has continued the trend of improved organic growth of the last six months. Customer numbers have risen by 13,684 (25%), and this, together with the scale change from the acquisition of Sporting Odds in July 2002, will enable the region to reach profitability towards the end of this financial year. Key performance indicators in the region for the three months to 30 June 2002 were in line with the Board's expectation.

Following the acquisition of Sporting Odds, Sportingbet now has a substantial presence within the U.K. market. The U.K. is a market of increasing importance to Sportingbet, with 100,000 of its 136,568 customers in Europe (post the acquisition of Sporting Odds) being from this market. Strategically the focus on this market will increase over the coming months. In order to maximise the advertising and marketing opportunities into the U.K. market, Sportingbet has relocated its European operations from Alderney to London with all U.K. bets now being landed in London with duty payable. Currently all European bets are also being landed in the U.K. though the Board is reviewing its options in this area.

Sportingbet's retail business in Asia performed well during quarter, increasing in size by 1,000 customers. Two new retail marketing partners have been appointed in the region and initial indications are encouraging. Sportingbet has now exited from the wholesale market in Asia in order to increase its emphasis on the more profitable retail area. This action, which will have an immaterial effect on profitability, has resulted in the loss of 370 higher spending customers and is now complete. Customer accounts have been closed and refunds made where appropriate.

A number of white label opportunities, whereby Sportingbet manages the betting operation of a third party for a fee, continue to arise. The Board has recently announced that it has secured the rights to operate a sports betting and gaming facility on the Sports.com domain. Sports.com is one of the most frequently visited websites on the Internet attracting a global audience in excess of 3 million unique users per month, and is one of the most popular Internet sports destinations in Europe. This new white label site will be live in early August in time for the busy sports season. The Board continues to believe that white label business will be a significant growth area for the Group.

Regulatory Developments

There has been not been any change in the Board's view of the regulatory environment in which Sportingbet operates since the Board previously reported on June 26 2002.

Outlook

Sportingbet has made a solid start to the new financial year and the quarter is in line with the Board's expectations. The Board looks forward to achieving further good progress during the rest of the year.

Further Enquiries

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Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Three months ended the 30 June 2002

	Notes	3 months 30 June 2002 £'000	3 Months 30 June 2001 £'000
TURNOVER	1	248,132	111,500
Cost of sales		(234,875)	(107,688)
GROSS PROFIT		13,257	3,812
Gross profit %		5.4%	3.4%
Exceptional costs		-	(125)
Goodwill amortisation		(2,421)	(562)
Other administration expenses		(11,899)	(4,057)
Total administration expenses		(14,320)	(4,744)
Group operating profits/(loss) before exceptional items and goodwill amortisation		1,358	(245)
Exceptional costs		-	(125)
Goodwill amortisation		(2,421)	(562)
GROUP OPERATING PROFIT/(LOSS)		(1,063)	(932)
Finance costs: Interest receivable		63	96
Interest payable		(163)	(163)
		(100)	(67)
Discounting of deferred consideration		(377)	-
Total finance costs		(477)	(67)
PROFIT/(LOSS) BEFORE TAXATION		(1,540)	(999)
Taxation		(60)	-
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		(1,600)	(999)
EARNINGS PER ORDINARY SHARE		(1.0)p	(0.7)p
EARNINGS PER SHARE (PRE EXCEPTIONALS AND GOODWILL)		0.5p	(0.2)p
EBITDA PER SHARE		1.1p	(0.1)p

All amounts relate to continuing activities.
 All recognised gains and losses are included in the profit and loss account.

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 30 June 2002

	30 June 2002 £'000	30 June 2001 £'000
FIXED ASSETS		
Intangible fixed assets – goodwill	181,763	34,290
Tangible assets	3,173	2,723
	<u>184,936</u>	<u>37,013</u>
CURRENT ASSETS		
Debtors	8,828	7,663
Cash at bank and in hand	17,684	6,024
TOTAL CURRENT ASSETS	<u>26,512</u>	<u>13,687</u>
CREDITORS:		
Amounts falling due within one year	<u>18,143</u>	<u>7,884</u>
NET CURRENT ASSETS	<u>8,369</u>	<u>5,803</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	193,305	42,816
CREDITORS:		
Amounts falling due after more than one year		
Provisions for liabilities and charges	48,474	2,897
Convertible loan notes	13,552	6,530
	<u>62,026</u>	<u>9,427</u>
NET ASSETS	<u>131,279</u>	<u>33,389</u>
CAPITAL AND RESERVES		
Called up share capital	154	135
Shares to be issued	87,644	8,372
Share premium	50,026	35,829
Other reserves	257	258
Profit and loss account	(6,802)	(11,205)
	<u>131,279</u>	<u>33,389</u>
SHAREHOLDERS' FUNDS – EQUITY	<u>131,279</u>	<u>33,389</u>

Sportingbet Plc
Unaudited Consolidated Cash Flow statement
Three months to the 30 June 2002

	3 Months ended 30 June 2002 £'000	3 Months ended 30 June 2001 £'000
Net cash inflow/(outflow) from operating activities	(778)	(749)
Cash inflow/(outflow) in respect of EBITDA	1,759	(226)
Net working capital movement	(2,537)	(523)
	<u>(778)</u>	<u>(749)</u>
Returns on investment and servicing of finance	63	(230)
Capital expenditure	(8)	(105)
Acquisitions	(3,048)	(4,974)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(3,771)	(6,058)
Management of liquid resources	(650)	-
Financing	-	-
INCREASE IN CASH IN THE PERIOD	<u>(4,421)</u>	<u>(6,058)</u>
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS		
Increase in cash in the period	(4,421)	(6,058)
Cash outflow from increase in liquid resources	650	-
Cash outflow from decrease in debt	2,839	-
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS IN PERIOD	<u>(932)</u>	<u>(6,058)</u>
Movement in net funds in period	<u>(932)</u>	<u>(6,058)</u>
Net funds at start of period	<u>4,475</u>	<u>5,553</u>
NET FUNDS/(DEBT) AT END OF PERIOD	<u><u>3,543</u></u>	<u><u>505</u></u>

Sportingbet Plc
Notes
Three months to the 30 June 2002

1.

	3 months to 30 June 2002	3 months to 30 June 2001
	£'000	£'000
a) Analysis of revenue by activity		
Sports Betting	208,641	96,407
Casino Betting	35,380	15,094
Fee Income	4,111	-
	248,132	111,500
b) Analysis of revenue by region		
AMER	158,648	43,007
EMEA	23,916	14,909
AA	65,568	53,584
	248,132	111,500

2. The financial statements have been prepared on the basis of the accounting policies set out in the Group's 2001 statutory accounts, apart from the adoption of FRS 19 which has not had a material effect. These Accounts do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.
3. The basic loss per share is based on the loss on ordinary activities after taxation of £1.5m (2001: loss of £1.0m), and on the weighted average number of shares in issue of 157,525,509 (2001:134,858,263).