

# Sportingbet.com (UK) PLC

---

## Unaudited preliminary results for the three months ended 30 June 2001

### Highlights

- Turnover £111.5m (2000: £39.1m).
- Gross margin £3.8m (2000: £1.2m), comprising 3.6% on sports betting (2000: 3.9%) and 2.4% (1.4%) on casino.
- Administration expenses £4.1m (2000: £3.4m) at 3.6% of turnover (2000: 8.7%).
- Operating loss before non-trading and exceptional costs £0.2m (2000: £2.2m) before deduction of goodwill amortisation of £0.6m (2000: £0.1m) and exceptional costs of £0.1m (2000: £0.1m).
- Continued progress in development of the business:
  - Integration of Number One Betting Shop proceeding according to plan.
  - Marketing partnership with Ozmosa live in July 2001, one month ahead of plan
  - Sportingbet.com casino product launched in July 2001, three months ahead of plan
  - Customer numbers up by 8,707 to 98,772
  - Customer activity levels up 1% to 22% as compared to three months to June 2000
  - Customers drawn from 106 countries, active in 25 currencies.
- Equity shareholders funds of £33.8m (2000: £6.1m), net cash of £6.0m (2000: £0.2m) at 30 June 2001.

Sportingbet.com (UK) PLC chairman, Peter Dicks said: "I am pleased with the continued progress that has been made in the three months to 30 June 2001. In what is the quietest quarter for sports betting activity in all of our three operating regions, the business has generated record turnover, has recorded an improved operating performance and has further demonstrated the scalability of the business model. Looking forward, the Board continues to approach the future with confidence as we approach the busy sports season."

### Chairman's statement

#### Introduction

The three months ended 30 June 2001 represent a quarter of continued progress for Sportingbet. The Company recorded a substantial growth in turnover, increased numbers of customers, heightened customer activity levels and successfully integrated the Number One Betting Shop Limited, which was acquired in March 2001.

## Financial results

The financial results for the three months ended 31 June 2001 show an increase in turnover to £111.5m (2000: £39.1m). Gross margin for the three months to 30 June 2001 was £3.8m (2000: £1.2m), representing 3.4% of turnover (2000: 3.1%). Gross margin on sports betting was £3.5m (2000: £1.0m) at 3.6% of turnover (2000: 3.9%) and gross margin on casino betting was £0.3m (2000: £0.2m) at 2.4% of turnover (2000: 1.4%).

The cost base of the Company as a percentage of turnover has continued to fall. Administration costs (excluding exceptional costs and goodwill) of £4.1m (2000: £3.4m) in the three months to 30 June 2001 represent 3.6% of turnover as compared with 8.7% last year. In the three months to 30 June 2001 administration costs comprise wage costs of £1.6m (2000: £1.0m), marketing costs of £1.0m (2000: £0.7m), Information Technology costs of £0.4m (2000: £1.2m), payments to marketing partners of £0.4m (2000: £0.1m) and infrastructure costs of £0.7m (2000: £0.4m).

The operating loss for the three months ended 30 June 2001 was £0.2m (2000: £2.2m) before non-trading and exceptional costs, comprising £0.6m (2000: £0.1m) of goodwill and £0.1m (2000: £0.1m) of charges for payments made to Singinvests, the Company's main Asian marketing partner.

The Company's Balance Sheet showed £33.8m (2000: £6.1m) of equity shareholders funds including £6m (2000: £0.2m) of cash balances at 30 June 2001. Earnings per share on a fully diluted basis has improved from a loss of 2.2 pence per share in the three months to 30 June 2000 to 0.7 pence per share in the three months to 30 June 2001.

## Operating performance

The breakdown of customers by region:

<b>GROSS CUSTOMER NUMBERS</b>					
<b>Region</b>	<b>30 Jun 00</b>	<b>31 Sep 00</b>	<b>31 Dec 00</b>	<b>31 Mar 01</b>	<b>30 Jun 01</b>
<b>AMER</b>	31,223	35,637	40,092	44,372	47,435
<b>EMEA</b>	9,012	11,633	13,918	18,388	22,471
<b>AA</b>	2,394	3,323	4,592	27,305	28,866
<b>Total</b>	42,629	50,593	58,602	90,065	98,772

Customer numbers have risen by 8,707 from 90,065 at 31 March 2001 to 98,772 at 30 June 2001. All of the growth has arisen from organic activity. The Board has previously reported that in the twelve months to 31 March 2002 it would spend a greater portion of the Company's marketing budget on increasing the activity levels of the Company's customer database than had been the case in the twelve months to 31 March 2001. This process began in April, and the Board is pleased to report that activity levels in the three months to 30 June 2001 have risen by 1% on average to 22% as compared to the three months to 30 June 2000.

## Risk Management

The Company has maintained its policy of a controlled approach to risk management. Nevertheless, the Company has seen a rise in spend per head in each of its three operating regions as compared to the three months to 30 June 2000. This increase relates to an increase in the

number of bets placed and is encouraging given the uncertain economic circumstances in some of the world's economies.

<b>ANNUAL SPEND PER ACTIVE CUSTOMER</b>		
	<b>31 Jun 00</b>	<b>31 Jun 01</b>
<b>AMER</b>	4,161	5,373
<b>EMEA</b>	763	1,394
<b>AA</b>	4245	7,265

Operating margins in the three months to 30 June 2001 have met expectations. Margin from the recently acquired Number One Betting Shop is ahead of last year and ahead of plan. The baseball season in America was however slightly behind expectation as a result of a greater number of games being won by the favoured teams, in what is inherently a low yield sport.

### **Product development**

The Company is committed to offering its customers a premium quality product and continues to invest in its software platform. During the three months to 30 June 2001 the Company has developed a Chinese language website which is now live and is being used amongst other things as a white label product for the marketing relationship with Ozmosa. The development of Korean, Thai and Italian websites is at an advanced stage and will be launched in the near future.

The Company has strengthened its horseracing product into the United Kingdom as a deliberate policy to increase the percentage of turnover emanating from Europe. Initial signs are encouraging with UK horseracing turnover having more than doubled in the quarter as compared to the three months to 30 June 2000.

### **Marketing initiatives**

The Company continues to actively pursue strategic marketing partners as one of its primary means of organic growth. In April 2001 the Company signed an exclusive 5 year contract with Ozmosa Ltd, a substantial network of sales agents in South East Asia. This marketing partnership has begun well and has been launched into South East Asia one month ahead of plan. Initial revenue streams achieved are encouraging.

The provision of "white-label" services such as the arrangement with Ozmosa where Sportingbet's software and risk management services are provided as the back end to a marketing partner's front end branded website is increasingly becoming an attractive proposition to the market place. The Company is in discussion with a number of interested parties who are seeking to obtain similar services. The Board is increasingly of the view that the Company's in-house flexible software platform provides a unique opportunity for established brands in a wide range of industries to enter into the sports betting market with ease.

### **Regulatory developments**

The Directors continue to believe that operating from a well respected regulatory environment such as Alderney is key to attracting a global customer base. The Board places strong emphasis in ensuring that the Company conducts its affairs appropriately in those jurisdictions within which the

Company operates. On the 18<sup>th</sup> July 2001, the States of Alderney approved legislation, which will allow the issuing of casino gaming licences on the island. Sportingbet will be applying for such a licence.

The Board has previously stated that it did not believe that the report of the Gambling Review Body would have any material implications for the Company. The recent publication of this report has confirmed this belief.

Legislation was passed in Australia in June 2001. Whilst unusual in nature in that the legislation is more restrictive upon Australian owned companies than non-Australian companies, the legislation nevertheless has no impact upon the Company's ability to expand in the region. The Board has selected its preferred Australian State in applying for an online gaming licence, in anticipation of setting up an onshore business. The Company's application is in the final stages of approval.

The Board continues to believe that the regulatory position in America is moving towards a "regulation and tax" stance as opposed to a prohibitive stance. Whilst there has been little regulatory activity in the three months to 30 June 2001, what little there has been is generally positive. In particular there are now clear signs that the Nevada Corporations are setting themselves up for entry into the industry in a few years time. The launch of substantial e-mail harvesting sites and the recent move to permit online gaming in Nevada are examples of this.

## **Outlook**

The key performance indicators of the Company have progressed well and in line with expectations during the three months to 30 June 2001. The Company continues to progress well towards its stated objectives and looks forward to achieving further solid progress during the remainder of the year.

## **Peter Dicks Chairman**

The information contained herein is not for publication or distribution to persons in the United States of America. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold without registration thereunder or pursuant to an available exemption therefrom.

## **Further inquiries:**

### **Sportingbet.com:**

Mark Blandford (Chief Executive)      020 7251 7261  
Nigel Payne (Group Finance Director)      020 7251 7262

### ***ing media limited:***

Robert Pine  
Tel: 020 7743 6610  
Mobile: 07950 413 248

**Sportingbet.com (UK) plc**  
**Unaudited Consolidated Profit and Loss Account**  
**Six months ended the 30 September 2001**

	3 months ended 30 June 2001 £	3 months ended 30 Sept 2001 £	6 months ended 30 Sept 2001 £	6 months ended 30 Sept 2000 £
TURNOVER	111,500,415	122,658,141	234,158,556	44,861,183
- Acquisitions	-	58,995,451	58,995,451	69,214,327
Cost of sales	111,500,415 (107,688,393)	181,653,592 (170,421,049)	293,154,087 (278,109,442)	114,075,510 (110,553,172)
GROSS PROFIT	3,812,022	11,232,543	15,044,565	3,522,338
Administration expenses	(4,056,691)	(10,558,173)	(14,614,864)	(7,574,849)
Group Operating profits (loss) before exceptional items and goodwill amortisation	(244,669)	674,371	429,701	(3,463,583)
Exceptional costs	(125,001)	(376,187)	(501,188)	(225,000)
Goodwill amortisation	(561,983)	(801,589)	(1,363,572)	(363,928)
GROUP OPERATING LOSS	(931,653)	(503,405)	(1,435,059)	(4,052,511)
Interest receivable	89,599	38,787	128,386	63,135
Finance Costs - Interest payable	156,391	170,105	(326,497)	(99,433)
- Amortisation of loan note issue costs	-	-	-	(124,382)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(998,445)	(634,725)	(1,633,170)	(4,213,191)
Taxation	-	-	-	(511)
LOSS FOR THE FINANCIAL PERIOD	(998,445)	(634,725)	(1,633,170)	(4,213,702)
LOSS PER ORDINARY SHARE	(0.7p)	(0.4p)	(1.1p)	(3.7p)
	Three months to 30 June 2001	Three months to 30 June 2000		
1 Analysis of revenue by activity				
Sports Betting	96,406,843			
Casino Betting	15,093,572	25,010,622	14,094,444	
	111,500,415	39,105,066		
2 Analysis of revenue by region				
AMER	43,006,824	28,045,015		
EMEA	14,909,305	10,407,852		

AA

<u>53,584,286</u>	<u>652,199</u>
<u>111,500,415</u>	<u>39,105,066</u>

**Sportingbet.com (UK) plc**  
**Unaudited Consolidated Balance Sheet**  
**at 30 September 2001**

	6 months ended 30 Sept 2001 £	6 months ended 30 Sept 2000 £
<b>FIXED ASSETS</b>		
Goodwill	160,184,885	8,615,061
Tangible assets	2,894,168	1,574,384
	<u>163,079,053</u>	<u>10,189,445</u>
<b>CURRENT ASSETS</b>		
Debtors	7,814,838	3,883,037
Cash at bank and in hand	15,947,262	3,860,607
<b>CREDITORS:</b>		
Amounts falling due within one year	<u>17,514,665</u>	<u>7,277,186</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<u>6,247,435</u>	<u>466,458</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	169,281,488	10,655,903
<b>CREDITORS:</b>		
Amounts falling due after more than one year	55,014,633	6,281,233
Convertible loan note	<u>13,554,939</u>	<u>-</u>
<b>NET ASSETS</b>	<u>100,711,917</u>	<u>4,374,670</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	151,525	1,311,305
Shares to be issued	63,931,896	2,942,482
Share premium	48,210,130	10,083,278
Other reserves	257,756	257,756
Profit and loss account	<u>(11,839,391)</u>	<u>(10,220,151)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<u>100,711,917</u>	<u>4,374,670</u>

Notes

1. The calculation of loss per share is based on the loss after tax of £1.6m (2000: loss after tax £4.2 m) and on 146,066,465 (30 September 2000: 135,105,468) ordinary shares, being 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.