

Sportingbet Plc

Results for the six months ended 30 September 2002

Sportingbet, the world's leading online sports betting company, is pleased to announce its results for the six months ended 30 September 2002.

Highlights

- Turnover of £494.5m (2001: £293.2m).
- Gross profit of £27.6m (2001: £15.0m), at 5.6% of turnover (2001: 5.1%).
- Operating profit of £2.2m before amortisation of goodwill (2001: £0.4m).
- Loss before tax of £3.8m (2001: loss of £1.6m) after finance costs and amortisation of goodwill.
- Earnings per share pre amortisation of goodwill of 0.7p (2001: loss 0.2p).
- £19.6m of cash and cash deposits on the balance sheet (2001: £15.9m).
- £3.5m cash inflow from trading activities (2001: £0.3m).
- Further progress in the quarter in development of the business:
 - Customer numbers up 194,119 to 752,706.
 - Number of bets placed up 185% to 8,906,902. Business now taking over 49,000 bets per day.
 - European business ahead of plan and expected to achieve profitability before the end of the financial year.
 - Integration of Sporting Odds progressing in line with management's expectations. Integration of Sportsbook complete.

Sportingbet Plc Chairman, Peter Dicks said:

"During the first six months of the current financial year, Sportingbet's key performance indicators have progressed well. The integration of Sportsbook is complete, the integration of Sporting Odds is on plan and Europe is on target to reach profitability before the end of this financial year. The third and fourth quarters of the financial year are the busiest trading quarters for Sportingbet.

Sportingbet has recently seen an increase in the cost of processing customer funds and this together with the adverse dollar/sterling currency movement during this year will have an impact on the second half of the financial year. The Board believes, however, that Sportingbet remains well placed for continued progress. The underlying growth of the business in terms of customer numbers, number of bets placed and overall revenue continues to be in line with management's expectations."

Financial Results – six months to 30 September 2002

Turnover for the six months to 30 September 2002 was £494.5m (2001: £293.2m). Gross profit was £27.6m (2001: £15.0m), representing 5.6% of turnover (2001: 5.1%).

Turnover for the six months to 30 September 2002 comprised £416.2m on sports betting, £71.3m on casino betting and £7.0m from sports and casino “white label” services. The gross margin on sports betting was £19.3m (2001: £13.3m), £1.3m on casino betting (2001: £1.0m) and £7.0m on white labels (2001: £0.7m). This represented 4.6%, 1.8% and 100% of their respective turnovers (2000: 5.4%, 2.2% and 100%).

Administration costs of £25.4m (2001: £14.6m), before amortisation of goodwill, represented 5.1% of turnover (2001: 5.0%). Major items of administration costs were: marketing (£5.4m), information technology (£3.7m), banking fees (£5.1m) and employee costs (£5.6m).

Operating profit before amortisation of goodwill was £2.2m (2001: £0.4m), representing 0.45% of turnover (2001: 0.15%). Loss before tax was £3.8m after deducting goodwill amortisation of £5.0m (2001: £1.4m), and net finance costs of £1.0m (2001: £0.2m) which includes £0.8m (2001: nil) non cash charge in respect of the FRS7 requirement to discount deferred consideration.

Earnings per share before amortisation of goodwill were 0.7p (2001: loss 0.2p). Basic loss per share was 2.4p (2001: 1.1p). Cash inflow from operating activities in the period was £3.5m (2001: £0.3m).

Financial Results – three months to 30 September 2002

Turnover for the three months to 30 September 2002 was £246.4m (2001: £181.7m). Gross profit was £14.4m (2001: £11.2m), representing 5.8% of turnover (2001: 5.1%).

Turnover for the three months to 30 September 2002 comprised £207.5m on sports betting, £36.0m on casino betting and £2.9m from sports and casino “white label” services. The gross margin on sports betting was £10.9m (2001: £9.8m), £0.5m on casino betting (2001: £0.6m) and on £2.9m on white labels (2001: £0.7m). This represented 5.3%, 1.4% and 100% of their respective turnovers (2001: 6.5%, 2.1% and 100%).

Administration costs of £13.5m (2001: £10.6m), before amortisation of goodwill, represented 5.5% of turnover (2001: 5.8%). Major items of administration costs were: marketing (£2.7m), information technology (£1.9m), banking fees (£2.9m) and employee costs (£2.9m).

Operating profit before amortisation of goodwill was £0.9m (2001: £0.7m), representing 0.35% of turnover (2001: 0.39%). Loss before tax was £2.3m after deducting goodwill amortisation of £2.6m (2001: £1.4m), and net finance costs of £0.5m (2001: £0.2m), which includes £0.4m (2001: nil) non cash charge in respect of the FRS7 requirement to discount deferred consideration.

Earnings per share before amortisation of goodwill were 0.2p (2001: loss 0.2p). Basic loss per share was 1.4p (2001: 0.4p). Cash inflow from operating activities in the period was £4.3m (2001: £0.2m).

Review of Operations

In the six months ended 30 September 2002, the low season for Sportingbet, customer numbers have risen by 194,119 (35%) from 558,587 at 31 March 2002 to 752,706 at 30 September 2002. Of this growth, 63,533 arose from the acquisition of Sporting Odds in July 2002, 15,592 from a new European white label deal with Sportwetten and 114,994 from organic growth. Of the organic growth of 114,994 customers, 65,370 (57%) were gained in the second quarter.

CUSTOMER NUMBERS					
Region	30 Sep 01	30 Dec 01	31 Mar 02	30 Jun 02	30 Sep 02
AMER	363,895	411,573	468,429	503,220	552,939
EMEA	38,588	44,282	54,884	68,568	162,443
AA	29,689	32,602	35,274	36,423	37,324
Total	432,172	488,457	558,587	608,211	752,706

The number of bets placed has risen from 3,130,608 in the six months to 30 September 2001 to 8,906,902 in the six months to 30 September 2002. This rise equates to 57% on a like for like basis assuming that the acquisitions of Sportsbook and Sporting Odds had been owned throughout both periods.

NUMBER OF SPORTS BETS		
Region	30 Sep 01	30 Sep 02
AMER	2,533,666	7,293,911
EMEA	231,251	1,180,443
AA	365,691	432,548
Total	3,130,608	8,906,902

AMER

Sportingbet's U.S. facing business continues to grow strongly. The number of sports bets taken in the six months to 30 September 2002 has risen by 188% from 2,533,666 in the six months to 30 September 2001 to 7,293,911. On a like for like basis, the increase would have been 64%. Customer numbers have risen by 84,510 (18%) during the six months, all of which has been through organic growth. The cost of acquiring an active customer has fallen from £500 in the six months to 30 September 2001 to £460 in the six months to 30 September 2002. Activity levels have remained stable at approximately 18%. Spend per head has increased to £14,239 in the six months to 30 September 2002 from £12,107 last year, on a like for like basis.

The integration of Sportsbook into Sportingbet was completed on 1 July 2002. Sportingbet's U.S. facing business now operates in one building under one management structure and on a single software platform. This integration has enabled savings to be made in labour and infrastructure costs in line with the targets set out when Sportsbook was acquired. Additionally, benefiting from the new software platform, casino revenues from SportingbetUSA have increased sharply.

Having focused its efforts on integration and organic growth during the low season, management will be concentrating during the busy season on maximising returns from Sportingbet's existing business and will not seek to add to the existing successful stable of U.S. facing white labels until after the NFL season in February 2003.

Sportingbet's cost of processing gaming related funds into the American market has, however, recently increased by 30% as suppliers have sought to maximise their own

margins. As a result of this cost increase, the Board is exploring the introduction of additional, lower cost, processing gateways, though it is unlikely that these will be in place until early in the New Year. To date, the combination of the integration benefits and strong trading in the U.S. business have offset both the increase in processing costs and the 10% adverse change in the U.S. dollar/sterling exchange rate since the beginning of the year. However, this is unlikely to be the case in the key second half trading period where the impact of higher processing costs and a less favourable exchange rate on the profitability of the U.S. business will be greater.

EMEA

Sportingbet acquired Sporting Odds in July 2002. This acquisition, which has exceeded management's expectation, has greatly strengthened Sportingbet's EMEA business. Additionally, Sportingbet signed a large white label deal in August 2002 with Sportwetten, one of Austria's most respected bookmakers, trading at www.sportwetten.at. Sportwetten will relocate to Sportingbet's platform towards the end of this financial year. All other functions have already been integrated.

As a result of these initiatives, Sportingbet's European business has grown strongly over the last six months. The number of bets taken in the six months to 30 September 2002 has risen by 410% from 231,251 in the six months to 30 September 2001 to 1,180,443. On a like for like basis, the rise would have been 110%. Customer numbers have risen by 107,559 (195%). The cost of acquiring such customers has remained broadly stable at £450, as have activity levels at approximately 20%. Spend per head has fallen from £3,619 in the six months to 30 September 2001 to £2,453 in the six months to 30 September 2002 as the business continues to penetrate lower spending retail markets such as Germany, Austria and Greece.

Sportingbet's new language sites into Greece and Scandinavia are performing in line with management's expectations. Over the next quarter, Sportingbet will be further enhancing its European product with an improved betting exchange, the launch of virtual games such as horse racing, the launch of the Sportingbet online lottery and the launch of a casino for Sporting Odds customers.

The improvement in Sportingbet's European business in the last nine months has been substantial. Strong growth in key performance indicators, together with the scale change from the acquisition of Sporting Odds in July 2002, will enable the region to reach profitability before the end of this financial year. Establishing profitability in EMEA has been a prime focus for the Board this year.

AA

In Asia and Australia the number of bets taken has increased by 18% from 365,691 in the six months to 30 September 2001 to 432,548 in the six months to 30 September 2002. Customer numbers have risen by 2,050 (7%) during the six months to 30 September 2002, all of which has been from organic growth. This relatively modest increase in net customers also reflects the closing of approximately 370 active accounts in Asia as a result of the business exiting from the wholesale market in that region. The cost of acquiring customers has fallen from an average of £520 in the six months to 30 September 2001 to £460 in the six months to 30 September 2002. Activity levels have remained stable at between 16% and 18% and spend per head has fallen from £29,344 in the six months to 30 September 2001 to £26,442 in the six months to 30 September 2002. This spend per head is expected to fall much further as the first quarter effect of the World Cup and the exiting from the Asian wholesale market work through.

Since Sportingbet has concentrated solely on retail business in Asia, Sportingbet's gross margin has doubled to 4.4%. With its European activities now reorganised and moving into profit, the Board will be focusing on increasing the size of Sportingbet's retail operations in Asia and are presently considering a number of expansion opportunities.

Sportingbet's margin in Australia in the first half has been below expectations, with a greater percentage of favourites winning than the long term average. This is expected to recover during the busier second half of the sports calendar when traditionally the Australian racing calendar is of higher quality and more open.

When Sportingbet acquired the Australian facing Number One Betting Shop in 2001, the business had eight large staking telephone customers. In line with Sportingbet's stated strategy of operating in the retail end of the market, none of these accounts are now active. One of these former customers has recently been charged with embezzling funds from his employer and using such funds for personal uses. His employer is presently seeking, through the Australian courts, to recover the element of funds that were used for gambling purposes with Sportingbet Australia during the period it has operated onshore. If this action is successful, Sportingbet will need to provide for an exceptional charge of £1.3m this financial year.

Regulatory developments

Regulatory compliance is an increasing area of focus for the industry. The Board places strong emphasis on ensuring that Sportingbet conducts its affairs appropriately within the jurisdictions that the Company operates in.

In Europe there is an established regulatory framework for the industry with regulated licences existing in countries such as the U.K., Alderney, Isle of Man, Germany, Austria, Italy, Cyprus, Czech Republic, Malta, and Gibraltar. The Board believes that the U.K. regulatory model leads the way in Europe. Sportingbet has a duty paying onshore licence in the U.K.

In Australia there is an established regulatory framework for the industry with regulated sports betting licences available for businesses that apply and meet the required criteria. Sportingbet has such a licence. The regulatory framework in Australia does not, however, allow casino betting to be provided to Australian citizens.

In Asia the general trend towards regulation continues with the Philippines issuing its first online gaming licence in the summer of 2002. Macau is also considering issuing regulated online sports betting licences to supplement its existing online and land based casino licences. Other Asian economies such as China and Thailand have established working parties to examine the feasibility of offering online licences. The former has already launched an online terminal based soccer lottery. Hong Kong introduced prohibitive legislation immediately prior to the World Cup, though this appears to have had little effect to date upon the number of Hong Kong citizens who gamble.

In the U.S. the regulatory environment remains unclear. A recent attempt in Congress to prohibit internet gaming by American citizens is likely to fail with the Bill receiving little support in the Senate. The Board continues to believe that the overall political and legislative trend in the U.S. continues to be positive for Sportingbet and that the only viable position for the authorities to take, in due course, is one of proper regulation. Sportingbet's lobbying and advertising campaign in the U.S. has set out the merits of a liberalised but regulated environment and this campaign continues to attract interest from politicians.

Management

Sportingbet operates a decentralised structure with an operating management board in place in each region, reporting into a small London based central team. Now that the decentralised structure is well established and integrated where appropriate, it has become clear that the role of Group Director of Operations is no longer required. Accordingly, this role is to be made redundant with effect from 31 October 2002 and Colin Walker will stand down as a Director of Sportingbet with effect from 31 October 2002. The Directors would like to thank Colin for his hard work and services to the Board. Sportingbet is in discussions with Colin with regard him entering into a consultancy agreement with Sportingbet.

Outlook

The Board has previously reported that the economies of scale and profitability from increased scale in the industry should lead to the industry consolidating at an accelerated pace and be likely to cause smaller companies to cease trading. During the first half of the current financial year, a number of companies in the industry operating into the U.K. and U.S. markets have ceased trading, and a few others have been acquired to provide their acquirers with critical mass. The Board believes that such consolidation will continue.

During the first six months of the current financial year, Sportingbet's key performance indicators progressed well. The integration of Sportsbook is complete, the integration of Sporting Odds is on plan and Europe is on target to reach profitability before the end of this financial year. The third and fourth quarters of the financial year are the busiest trading quarters for Sportingbet. The rise in customer numbers in the first half of the year has provided the foundation for strong turnover growth in the busy season and this has been borne out in October.

Whilst the increase in processing costs and the adverse currency movement will have an impact on the important trading season in the second half of the financial year, the Board believes that Sportingbet is well placed for continued progress. The underlying growth of the business in terms of customer numbers, number of bets placed and overall revenue continues to be strong and in line with management's expectations.

Further inquiries:

Sportingbet Plc

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Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Six months ended 30 September 2002

	Notes	3 months 30 Sept 2002 £'000	6 months 30 Sept 2002 £'000	6 months 30 Sept 2001 £'000
TURNOVER	1	246,376	494,509	293,154
Cost of sales		(232,026)	(466,902)	(278,109)
GROSS PROFIT		14,350	27,607	15,045
Gross profit %		5.8%	5.6%	5.1%
Exceptional costs		-	-	(501)
Goodwill amortisation		(2,601)	(5,021)	(1,364)
Other administration expenses		(13,487)	(25,387)	(14,615)
Total administration expenses		(16,088)	(30,408)	(16,480)
Group operating profit before exceptional items and goodwill amortisation		863	2,220	430
Exceptional costs		-	-	(501)
Goodwill amortisation		(2,601)	(5,021)	(1,364)
GROUP OPERATING LOSS		(1,738)	(2,801)	(1,435)
Finance costs: Interest receivable		20	83	128
Interest payable		(163)	(326)	(326)
Discounting of deferred consideration		(377)	(754)	-
Total finance costs		(520)	(997)	(198)
LOSS BEFORE TAXATION		(2,258)	(3,798)	(1,633)
Taxation		(22)	(82)	-
LOSS FOR THE FINANCIAL PERIOD		(2,280)	(3,880)	(1,633)
EARNINGS PER ORDINARY SHARE		(1.4p)	(2.4p)	(1.1p)
EARNINGS PER SHARE (PRE EXCEPTIONALS AND GOODWILL)		0.2p	0.7p	0.2p
EBITDA PER SHARE		0.8p	1.9p	0.3p

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 September 2002

	30 Sept 2002 £'000	30 Sept 2001 £'000	31 Mar 2002 £'000
FIXED ASSETS			
Intangible fixed assets – goodwill	156,187	160,185	184,184
Tangible assets	3,426	2,849	3,114
Investments in associated companies	428	-	-
	<u>160,041</u>	<u>163,034</u>	<u>187,298</u>
CURRENT ASSETS			
Debtors	6,366	7,815	7,484
Cash at bank and in hand	19,615	15,947	21,455
TOTAL CURRENT ASSETS	<u>25,981</u>	<u>23,762</u>	<u>28,939</u>
CREDITORS:			
Amounts falling due within one year	<u>20,729</u>	<u>17,515</u>	<u>23,500</u>
NET CURRENT ASSETS	<u>5,252</u>	<u>6,247</u>	<u>5,439</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	165,293	169,281	192,737
CREDITORS:			
Amounts falling due after more than one year			
Provisions for liabilities and charges	49,053	55,015	48,306
Convertible loan notes	<u>12,889</u>	<u>13,555</u>	<u>13,552</u>
NET ASSETS	<u>103,351</u>	<u>100,711</u>	<u>130,879</u>
CAPITAL AND RESERVES			
Called up share capital	162	152	152
Shares to be issued	53,860	63,930	87,644
Share premium	53,304	48,210	43,179
Other reserves	5,105	258	5,105
Profit and loss account	<u>(9,080)</u>	<u>(11,839)</u>	<u>(5,201)</u>
SHAREHOLDERS' FUNDS – EQUITY	<u>103,351</u>	<u>100,711</u>	<u>130,879</u>

Sportingbet Plc
Unaudited Consolidated Cash Flow statement
Six months to 30 September 2002

	3 months ended 30 Sept 2002 £'000	6 months ended 30 Sept 2002 £'000	6 months ended 30 Sept 2001 £'000
Net cash inflow from operating activities	4,288	3,509	293
Cash inflow in respect of EBITDA	1,277	3,036	1,029
Net working capital movement	3,011	473	(736)
	<u>4,288</u>	<u>3,509</u>	<u>293</u>
Returns on investment and servicing of finance	(143)	(80)	(35)
Capital expenditure	(87)	(94)	(457)
Acquisitions	(2,126)	(5,174)	(3,737)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	1,932	(1,839)	(3,936)
Management of liquid resources	(218)	(869)	-
Financing	-	-	7,800
INCREASE/(DECREASE) IN CASH IN THE PERIOD	<u>1,714</u>	<u>(2,708)</u>	<u>3,864</u>
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash in the period	1,714	(2,708)	3,864
Cash outflow from increase in liquid resources	218	869	-
Cash (inflow)/outflow from (increase)/decrease in debt	481	3,321	(6,250)
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS IN PERIOD	<u>2,413</u>	<u>1,482</u>	<u>(2,386)</u>
Loan notes issued to fund acquisition	(2,083)	(2,083)	-
Movement in net funds in period	<u>330</u>	<u>(601)</u>	<u>(2,386)</u>
Net funds at start of period	<u>3,543</u>	<u>4,475</u>	<u>5,553</u>
NET FUNDS AT END OF PERIOD	<u>3,873</u>	<u>3,874</u>	<u>3,167</u>

Sportingbet Plc
Notes
Six months to the 30 September 2002

1.

	6 months to 30 September 2002	6 months to 30 September 2001
a) Analysis of revenue by activity	£'000	£'000
Sports Betting	416,148	247,047
Casino Betting	71,335	45,358
Fee Income	7,026	749
	494,509	293,154
b) Analysis of revenue by region		
AMER	319,546	134,344
EMEA	61,903	28,637
AA	113,060	130,173
	494,509	293,154

2. The financial statements have been prepared on the basis of the accounting policies set out in the Group's 2002 statutory accounts. 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 £3.9m (2001: loss of £1.6m), and on the weighted average number of shares in issue of 161,391,462 (2001:146,066,465).