

Sportingbet Plc

Results for the nine months ended 31 December 2002

Sportingbet, the world's leading online sports betting company, announces its unaudited results for the third quarter and cumulative results for the nine months to 31 December 2002.

Highlights

Third Quarter to 31 December 2002

- Gross profit of £26.5m (2001: £23.5m), representing 7.5% of turnover (2001: 6.7%).
- Operating profit of £8.3m before goodwill (2001: £7.6m).
- Profit before tax of £5.6m (2001: £4.8m).
- Earnings per share pre goodwill were 4.9p (2001: 4.9p).
- Using the third quarter 2001 exchange rate of US \$1.453: £1, turnover would have been £375.1m (2001:£352.5m); gross profit £28.3m (2001:£23.5m), operating profit £9.1m (2001:£7.6m) and earnings per share 5.4p (2001:4.9p).
- £23.2m of cash and cash deposits on the balance sheet (2001: £20.4m).
- Further progress in the quarter in development of the business:
 - Organic customer numbers up 84,725 to 837,431.
 - Number of sport bets up 2,307,485 to 8,454,599.
 - Strong growth in US, turnover up 24.4% in dollar terms.
 - European business into profit in October 2002, five months ahead of plan.
 - Business taking an average of 92,000 bets a day.

Sportingbet Plc Chairman, Peter Dicks said:

"The third quarter of the financial year is an important quarter for Sportingbet. The Group's key performance indicators have progressed well and the Board is pleased with the advances made. In the three months to 31 December 2002, Sportingbet has achieved a record quarter's operating profit of £8.3 million and a record quarter's profit before tax of £5.6 million. The growth in this quarter's profit over the same period last year has been achieved despite a weaker US dollar which has reduced operating profit by £0.8 million.

The Board is encouraged by the progress that Sportingbet has made and looks to the future with confidence."

Financial Results – third quarter to 31 December 2002

Turnover for the three months to 31 December 2002 was £354.3m (2001: £352.5m). Gross profit was £26.5m (2001: £23.5m), representing 7.5% of turnover (2001: 6.7%), a record for the Group.

Turnover for the three months to 31 December 2002 comprised £289.9m on sports betting, £59.7m on casino betting and £4.7m from fee, or “white label”, services. The gross margin on sports betting was £20.4m (2001: £18.9m), £1.4m on casino betting (2001: £0.8m) and £4.7m on white labels (2001: £3.8m). This represented 7.0%, 2.3% and 100% of their respective turnovers (2000: 6.1%, 2.0% and 100%).

Administration costs of £18.2m (2001: £15.9m), before amortisation of goodwill, represented 5.1% of turnover (2001: 4.5%). Major items of administration costs included: marketing £4.1m (2001: £3.9m), information technology £3.1m (2001: £2.7m), banking fees £4.9m (2001: £3.6m) and employee costs £2.7m (2001: £2.5m). The Board reported at the half year that the cost of processing funds into the American market had increased by 30% towards the end of the second quarter. The Group continues to take steps to reduce these costs and some success has been achieved in the third quarter. The Board expects to make further progress in the fourth quarter.

Operating profit before amortisation of goodwill was £8.3m (2001: £7.6m), representing 2.3% of turnover (2001: 2.2%). Profit before tax was £5.6m (2001: £4.8m) after deducting goodwill amortisation of £2.2m (2001: £2.2m), and net finance costs of £0.5m (2001: £0.1m) which includes £0.4m (2001: nil) of non cash charges in respect of the FRS7 requirement to discount deferred consideration.

Using the 2001 exchange rate, turnover would have been £375.1m (2001: £352.5m), gross profit £28.3m (2001: £23.5m) and operating profit £9.1m (2001: £7.6m).

Earnings per share before amortisation of goodwill were 4.9p (2001: 4.9p).

Financial Results – nine months to 31 December 2002

Turnover for the nine months to 31 December 2002 was £848.8m (2001: £645.6m). Gross profit was £54.0m (2001: £38.5m), representing 6.4% of turnover (2001: 6.0%).

Turnover for the nine months to 31 December 2002 comprised £706.0m on sports betting, £131.1m on casino betting and £11.7m from “white label” services. The gross margin on sports betting was £39.6m (2001: £30.7m), £2.7m on casino betting (2001: £1.8m) and on £11.7m on white labels (2001: £6.0m). This represented 5.6%, 2.1% and 100% of their respective turnovers (2001: 5.5%, 2.3% and 100%).

Administration costs were £43.5m versus £30.5m last year. The prime reason for this increase is that the current year includes nine months ownership of the US business compared with only five months last year. Major items of administration costs were: marketing £9.5m (2001: £7.3), information technology £6.8m (2001: £4.7m), banking fees £10.0m (2001: £6.0m) and employee costs £8.3m (2001: £4.3m).

Operating profit before amortisation of goodwill was £10.5m (2001: £8.0m). Profit before tax was £1.8m (2001: £3.2m) after deducting goodwill of £7.2m (2001: £3.6m), and net finance costs of £1.5m (2001: £0.3m), which includes £1.1m (2001: nil) non cash charges in respect of the FRS7 requirement to discount deferred consideration.

For the nine months the US \$/£ exchange rate has depreciated by 6.5% year on year. On a constant exchange rate basis, turnover would have been £904.0m (2001: £645.6m), gross margin £58.5m (2001: £38.5m) and operating profit £11.6m (2001: £8.1m).

Earnings per share before amortisation of goodwill were 5.6p (2001: 6.3p). Basic earnings per share were 1.1p (2001: 2.6p).

Review of Operations

In the three months ended 31 December 2002, customer numbers increased by 84,725 (11%) to 837,431. All of this growth was organic.

Over the nine months to 31 December 2002 customer numbers have increased by 278,844 (50%) from 558,587 at 31 March 2002. Of this 50% growth in the nine months to 31 December 2002, 63,533 (11%) arose from the acquisition of Sporting Odds in July 2002, 15,592 (3%) from a new European white label deal with Sportwetten and 199,719 (36%) from organic growth.

CUSTOMER NUMBERS					
Region	30 Dec 01	31 Mar 02	30 Jun 02	30 Sep 02	31 Dec 02
AMER	411,573	468,429	503,220	552,939	605,786
EMEA	49,282	59,884	73,568	167,443	198,358
AA	27,602	30,274	31,423	32,324	33,287
Total	488,457	558,587	608,211	752,706	837,431

In the three months ended 31 December 2002, the number of sports bets placed increased by 2,307,485 (38%) compared with the three months to 31 December 2001:

SPORTS BETS PLACED		
Region	3 mths to Dec 01	3 mths to Dec 02
AMER	5,641,135	6,824,451
EMEA	302,366	1,345,747
AA	203,613	284,401
Total	6,147,114	8,454,599

AMER

In the Americas, the Group has performed ahead of management's expectations during the quarter. Margin performance has been particularly strong.

Customer numbers have increased in the quarter by 52,847 (10%), all from organic growth. The number of sports bets taken has increased by 1,183,316 (21%) compared with the three months to 31 December 2001. In US dollar terms, spend per head for the three months to 31 December 2002 has remained on a par with the level last year, though in sterling terms has fallen because of the movement in the exchange rate.

EMEA

In Europe, the Group has performed ahead of management's expectation during the quarter. Margin has been strong, and Europe made its first operating profit in October 2002, some five months earlier than previously anticipated.

Customer numbers have increased in the quarter by 30,915 (19%), all from organic growth. The number of sports bets taken has increased by 1,043,381 compared with the three months to 31 December 2001. On a like for like basis, allowing for the acquisition of Sporting Odds this year, the increase was 411,201 (44%). Spend per head for the three months to 31 December 2002 has fallen by 21% compared with the corresponding period last year. This fall is consistent with the Group's expansion into new, lower spending EMEA markets.

AA

In Asia and Australia, the trading performance has been below management's expectations for the three months to 31 December 2002. Whilst margin performance in Asia has improved following the planned exit from the wholesale, or agency, market, the margin performance in Australia, has, in common with the rest of the industry been disappointing, as a result of the sustained drought during the summer horse racing season.

Customer numbers have increased in the quarter by 963 (3%), all from organic growth. The number of sports bets taken has increased by 80,788 (40%) compared with the three months to 31 December 2001. The exiting from the wholesale market in Asia and the high rolling market in Australia has had the effect of reducing turnover by £40 million in the quarter. This reduction has reduced spend per head by 55%.

Regulatory developments

Regulatory compliance remains, as ever, a core focus for the Board. Strong emphasis continues to be placed on ensuring that Sportingbet conducts its affairs appropriately in the jurisdictions where the Group operates.

In the US, the regulatory outlook remains unclear. At a Federal level, a newly drafted Bill, by Representative Conyers, was introduced at the close of the last session designed to create a commission to resolve how to regulate internet gambling. This was the first time that permissive legislation at a Federal level has been proposed in the United States. The Board believes, however, that certain politicians will seek to introduce or re-introduce restrictive Bills in the forthcoming legislature session. Accordingly, the Board expects the political debate on internet gambling to be particularly active during the current session of Congress.

At a State level, there is evidence that individual States are becoming more supportive of the industry. The New Jersey Assembly has recently unanimously passed a Bill that would establish a commission to study the feasibility of making online gambling legal in their State. A senior ranking member of the Massachusetts Gambling Commission has gone on record suggesting that the time has come to reap the benefits of the industry. The U.S. Virgin Islands have announced that they intend to introduce legislation allowing the issuing of online gaming licences.

The Board continues to believe that a proper regulatory framework for internet gaming in the US will eventually emerge, but that this is unlikely in the short term.

Management

The Company is pleased to announce that Brian Harris has agreed to join the Board as a non-executive Director. Brian (56) brings to the Board wide ranging legal experience, including founding Brian Harris & Co. in 1973, a London legal practice covering most areas of the law. Brian's areas of expertise include international joint ventures in Australia and the USA, and he is the legal advisor to one of the member states of the CIS. Brian is a member of the International Bar Association and the Board believes that Brian's international legal experience will be of benefit to the Company. Brian has held no other directorships over the past five years.

Corporate Governance

In line with the report published by Derek Higgs in January 2003 on the role and effectiveness of non-executive directors, the Board has set up a Nominations Committee, in addition to its existing Audit and Remuneration Committees.

Outlook

During the nine months to 31 December 2002, Sportingbet's key performance indicators have progressed well. America continues to deliver strong results. Europe has improved markedly and made its first operating profit in October 2002. There remains more work to be done in Asia and Australia and these markets will be focused upon during the coming months.

Notwithstanding the challenge of a weak US dollar, the Board is encouraged by the progress that Sportingbet has made and looks to the future with confidence.

Further inquiries:

Sportingbet Plc

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Sportingbet Plc
Unaudited Consolidated Profit and Loss Account
Nine months ended 31 December 2002

	Notes	3 months 31 Dec 2002 £'000	3 months 31 Dec 2001 £'000	9 months 31 Dec 2002 £'000
TURNOVER	1	354,326	352,486	848,834
Cost of sales		(327,866)	(329,015)	(794,767)
GROSS PROFIT		26,460	23,471	54,067
Gross profit %		7.5%	6.7%	6.4%
Exceptional costs		-	(446)	-
Goodwill amortisation		(2,201)	(2,232)	(7,222)
Other administration expenses		(18,152)	(15,848)	(43,539)
Total administration expenses		(20,353)	(18,526)	(50,761)
Group operating profit before exceptional items and goodwill amortisation		8,308	7,623	10,528
Exceptional costs		-	(446)	-
Goodwill amortisation		(2,201)	(2,232)	(7,222)
GROUP OPERATING PROFIT		6,107	4,945	3,306
Finance costs: Interest receivable		14	53	97
Interest payable		(177)	(163)	(503)
Discounting of deferred consideration		(376)	-	(1,130)
Total finance costs		(539)	(110)	(1,536)
PROFIT BEFORE TAXATION		5,568	4,835	1,770
Taxation		-	(37)	(82)
PROFIT FOR THE FINANCIAL PERIOD		<u>5,568</u>	<u>4,798</u>	<u>1,688</u>
EARNINGS PER ORDINARY SHARE		3.5p	3.2p	1.1p
EARNINGS PER SHARE (PRE EXCEPTIONALS AND GOODWILL)		4.9p	4.9p	5.6p
EBITDA PER SHARE		<u>5.5p</u>	<u>5.1p</u>	<u>7.4p</u>

All recognised gains and losses are included in the profit and loss account.

Sportingbet Plc
Unaudited Consolidated Balance Sheet
As at 31 December 2002

	31 Dec 2002 £'000	31 Dec 2001 £'000	31 Mar 2002 £'000
FIXED ASSETS			
Intangible fixed assets – goodwill	156,715	158,119	184,184
Tangible assets	3,705	2,795	3,114
Investments in associated companies	473	-	-
	<u>160,893</u>	<u>160,914</u>	<u>187,298</u>
CURRENT ASSETS			
Debtors	7,220	5,819	7,484
Cash at bank and in hand	23,226	20,367	21,455
TOTAL CURRENT ASSETS	<u>30,446</u>	<u>26,186</u>	<u>28,939</u>
CREDITORS:			
Amounts falling due within one year	<u>20,321</u>	<u>16,896</u>	<u>23,500</u>
NET CURRENT ASSETS	<u>10,125</u>	<u>9,290</u>	<u>5,439</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>171,018</u>	<u>170,204</u>	<u>192,737</u>
CREDITORS:			
Amounts falling due after more than one year			
Provisions for liabilities and charges	46,686	50,925	48,306
Convertible loan notes	15,579	13,555	13,552
NET ASSETS	<u>108,753</u>	<u>105,724</u>	<u>130,879</u>
CAPITAL AND RESERVES			
Called up share capital	168	151	152
Shares to be issued	47,971	63,932	87,644
Share premium	59,188	48,425	43,179
Other reserves	5,105	258	5,105
Profit and loss account	(3,679)	(7,042)	(5,201)
SHAREHOLDERS' FUNDS – EQUITY	<u>108,753</u>	<u>105,724</u>	<u>130,879</u>

Sportingbet Plc
Unaudited Consolidated Cash Flow statement
Nine months to 31 December 2002

	3 months ended 31 Dec 2002 £'000	3 months ended 31 Dec 2001 £'000	9 months ended 31 Dec 2002 £'000
Net cash inflow from operating activities	6,665	9,152	10,174
Cash inflow in respect of EBITDA	8,620	7,564	11,656
Net working capital movement	(1,955)	1,588	(1,482)
	<u>6,665</u>	<u>9,152</u>	<u>10,174</u>
Returns on investment and servicing of finance	(326)	(274)	(406)
Capital expenditure	(250)	(435)	(344)
Taxation	-	(37)	-
Acquisitions	(2,479)	(3,987)	(7,653)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	3,610	4,419	1,771
Management of liquid resources	(1,199)	-	(2,068)
Financing	-	-	-
INCREASE/(DECREASE) IN CASH IN THE PERIOD	<u>2,411</u>	<u>4,419</u>	<u>(297)</u>
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash in the period	2,411	4,419	(297)
Cash outflow from increase in liquid resources	1,199	-	2,068
Cash (inflow)/outflow from (increase)/decrease in debt	209	3,748	3,529
MOVEMENT IN NET FUNDS RESULTING FROM CASH FLOWS IN PERIOD	<u>3,819</u>	<u>8,168</u>	<u>5,300</u>
Loan notes issued to fund acquisition	-	-	(2,083)
Movement in net funds in period	<u>3,819</u>	<u>8,168</u>	<u>3,217</u>
Net funds at start of period	<u>3,873</u>	<u>(6,213)</u>	<u>4,475</u>
NET FUNDS AT END OF PERIOD	<u><u>7,692</u></u>	<u><u>1,955</u></u>	<u><u>7,692</u></u>

Sportingbet Plc
Notes
Nine months to the 31 December 2002

1.

	3 months to 31 December 2002	3 months to 31 December 2001	9 months to 31 December 2002
a) Analysis of revenue by activity	£'000	£'000	£'000
Sports Betting	289,856	309,573	706,003
Casino Betting	59,750	39,156	131,085
Fee Income	4,720	3,757	11,746
	354,326	352,486	848,834
b) Analysis of revenue by region			
AMER	254,323	231,889	573,868
EMEA	50,233	27,621	112,136
AA	49,770	92,976	162,830
	354,326	352,486	848,834

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 profit on ordinary activities after taxation of £1.7m (2001: £3.2m), and on the weighted average number of shares in issue of 157,791,700 (2001:146,066,465).