

17 September 2004

**ukbetting plc**  
**Interim Results**

ukbetting plc (LSE: UKB), online sports content and gaming company, today announces its results for the six months to June 30 2004.

**Financial**

- Group turnover of £43.1 million, up 56% (H1 2003: £27.6 million)
  - Gaming turnover rose 50% to £36.0 million
  - Content turnover doubled to £7.1 million
- Gross profit rose 148% to £9.4 million (H1 2003: £3.8 million)
- Gross profit margins for the Group increased to 21.9% (H1 2003: 13.7%)
- EBITDA losses on continuing operations before exceptional items improved 79% to £0.3 million (H1 2003: loss of £1.6 million)
- Operating loss on ordinary activities before goodwill and tax of £0.7 million, improved from a loss of £2.5 million in H1 2003

**Operations**

- Gross win margin in the Gaming Division increased to 9.9% from 3.9% in H1 2003
- Gaming registered users rose 46% to 225,559 from 154,678
- Content site monthly unique users rose by 71% to 5.9 million, viewing 208 million page impressions (H1 2003: 3.44 million; 111 million)
- Advertising revenue was £1.6 million, up 140% from £0.7 million for H1 2003
- Acquisition of GoldBet takes ukbetting into the European gaming market

Peter Dubens, Vice Chairman of ukbetting plc said,

*“The first half of 2004 showed a marked improvement in performance in both the Gaming and Content Divisions, which led to a substantial reduction in losses. This is as a result of both organic and acquisitive growth, in addition to careful cost control and focus on margins, particularly in the Gaming Division. The Company now has a solid foundation for future growth.”*

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Peter Dubens, Vice Chairman

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## **Chairman's statement**

The first half of 2004 showed a marked improvement in performance in both the Gaming and Content Divisions, which led to a 79% reduction in EBITDA losses, from £1.6 million in H1 2003 to £0.3 million. This is as a result of both organic and acquisitive growth, in addition to careful cost control and focus on margins, particularly in the Gaming Division. As of the end of the period, ukbetting has over 225,000 registered users in the Gaming Division and over 5.9 million unique users on the content side, increases of 46% and 71% respectively on H1 2003.

ukbetting's network of online sports sites, built up over the last three years, remains the largest in Europe. The management now intends to focus on integrating the back end software systems to give a better service to customers and improve economies within the Group. This is expected to complete in the first half of 2005.

The Gaming Division, through a combination of tightened risk management and development of new gaming products, has seen an overall improvement in gross win margin to 9.9%, from 3.9% last year. This division is also expected to benefit from an enhanced programme of marketing support and value added services from the Content Division, including newly integrated links for casino and poker from all the Group's content sites.

This half year has been another period of solid growth for ukbetting and I am pleased to have witnessed the Company's transformation from fledgling online bookmaker into one of the UK's leading online gaming and sports content businesses. With the operational management now well prepared for future challenges, I intend to step down from the Board on 1 October 2004. Peter Dubens, Vice Chairman, will replace me as Executive Chairman and we will be strengthening the Board with the addition of Christina Kennedy as a Non-Executive Director.

Sir David Sieff  
Non-Executive Chairman  
17 September 2004

## **Operational Review**

### Gaming Division

The Gaming Division has enjoyed strong growth in its gaming products, both organically and through acquisition, with increases of 50% in turnover, and 278% in gross win in the first half of 2004. The continued success of online gaming products, in addition to the redesign and relaunch of [www.ukbetting.com](http://www.ukbetting.com) and [www.totalbet.com](http://www.totalbet.com) with a range of soft games, new features and products, delivered growth for both the UK and Europe.

The online sportsbook product redesigns were accompanied by the launch of Fixed Odds Games. These games have included fixed odds outcome casino-style products and a virtual racing product, plus games of skill allowing our customers to play against one another for cash winnings. Further expansion of the product portfolio is planned for the second half of the year, alongside a range of innovative marketing initiatives to boost the growth of customers.

The combination of revenue growth, and the continued focus on risk management increased the division's gross win margin to £3.6 million (9.9%), up from £0.9 million (3.9%) in H1 2003. We continue to focus on a range of tougher risk management procedures and policies, which should lead to a further improvement in the gross win percentage.

The total UK registered user base increased to 225,559 at the end of June 2004 (H1 2003: 154,678); an average growth of 194 customers per day or a 73% increase per day on the corresponding period last year.

Despite the prevalence of industry-wide Denial of Service (DoS) attacks and some challenging trading conditions for the Internet sports book throughout the early summer months, the underlying trends were positive and encouraging for [ukbetting](http://ukbetting.com), [Totalbet](http://Totalbet.com) and [GoldBet](http://GoldBet.com). As usual, the performance in the second half will be influenced by the outcome of sporting events during that period.

### Content Division

The Content Division saw a significant increase in revenues, up 103% to £7.1 million over the corresponding period in 2003 (£3.5 million), helped by the contribution of the Oddschecker and Rivals businesses acquired in December 2003. It also continued to provide betting, casino and poker customers to [Totalbet](http://Totalbet.com) and [ukbetting.com](http://ukbetting.com) from across its increased network of sites. These sites generated an average of 208 million monthly page impressions, up 87% from 111 million as of June 2003 with a 71% increase in average monthly users up to 5.9 million from 3.4 million.

Advertising revenue increased strongly, up 140% at £1.6 million for the half year, from £0.7 million in the corresponding period in 2003. In addition text, data and audio content sales to portals, mobile operators and the betting industry all showed encouraging growth. Particularly pleasing was the In-store Broadcast Division with three new store group accounts added in this half year.

Following the re-launch of [Attheraces](http://Attheraces.com) and the launch of the new Racing UK horserace channels, we have secured exclusive deals to continue supplying their official commentaries.

The integration of our acquisitions continues on target with the introduction of a single editorial and content delivery system across all sites and locations expected in the first quarter of 2005. The final quarter of 2004 will see the launch of new Oddschecker comparison products for on-line gaming, from which our own betting brands will of course benefit. Our latest acquisition of In The Box, has successfully launched our new video content and live action site [www.conferencefootball.tv](http://www.conferencefootball.tv) specifically designed for the growing broadband market.

### Financial overview

Group turnover in the period was £43.1 million (H1 2003: £27.6 million). Turnover in the Gaming Division was £36.0 million (H1 2003: £24.1 million) and Content Division turnover was £7.1 million (H1 2003: £3.5 million). The growth in turnover has increased gross profit to £9.4 million (H1 2003: £3.8 million). Gross margins for the Group were 21.9% (H1 2003: 13.7%).

Operating expenses incurred in the period are £11.0 million (H1 2003: £6.5 million). The Gaming Division operating expenses are £4.1 million (H1 2003: £1.7 million) reflecting the operating costs of GoldBet and the software and marketing costs of the new products, eg, Casino and Poker and continued investment in the existing business. The Content Division operating expenses are £6.4 million (H1 2003: £4.2 million) reflecting the costs of Rivals and Oddschecker (both acquired in December 2003). Central operating costs in the period are £0.5 million (H1 2003: £0.6 million).

EBITDA losses in the six months were £0.3 million (H1 2003: EBITDA losses of £1.6 million). Total operating losses were reduced to £1.6 million (H1 2003: operating loss £2.7 million). The reported loss per share fell to 1.98p, basic and diluted, (H1 2003: loss per share of 5.96p, basic and diluted); or 1.05p, before goodwill amortisation, (H1 2003: loss per share of 5.02p).

Cash outflow on the period is £2.6 million. This cash was utilised in acquisition costs of £1.5 million, capital expenditure of £0.3 million, taxation paid of £0.2 million (the pre-acquisition liability of Oddschecker) and outflow from trading operations of £0.6 million. Cash reserves at the end of the period were £2.1 million.

### Outlook

The combination of sports content and online gaming continues to demonstrate its worth, through the opportunity to provide our customers with enhanced services and the reciprocal growth in customer base which this business model provides. We are pleased and encouraged by the progress of the Company in the first half of the year, and the Board remains confident in the underlying strength of the business. The outturn for the year will partly depend on the sporting results during the second half, which for the first two months have produced a gross win level below the industry norm.

Peter Dubens  
Executive Vice Chairman  
17 September 2004

**Summarised consolidated profit and loss account**  
for the 6 months ended 30 June 2004

		6 months to 30 June 2004	6 months to 30 June 2003	12 months to 31 December 2003
	Note	£ '000	£ '000	£'000
<b>Group turnover</b>	2	43,054	27,586	54,519
Cost of sales		(33,623)	(23,788)	(45,428)
		<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		9,431	3,798	9,091
Administrative expenses		(11,020)	(6,479)	(14,349)
EBITDA*		(340)	(1,646)	(3,179)
Goodwill amortisation and depreciation		(1,218)	(754)	(1,575)
Exceptional costs	3	(31)	(281)	(504)
		<hr/>	<hr/>	<hr/>
<b>Total operating loss</b>		(1,589)	(2,681)	(5,258)
Net interest receivable / (payable)		25	(245)	(482)
		<hr/>	<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(1,564)	(2,926)	(5,740)
Taxation	5	(92)	-	-
		<hr/>	<hr/>	<hr/>
<b>Loss on ordinary activities after taxation</b>		(1,656)	(2,926)	(5,740)
Minority Interest		(134)	-	-
<b>Retained loss for the period</b>		<b>(1,790)</b>	<b>(2,926)</b>	<b>(5,740)</b>
<b>Loss per share</b>				
- Basic and diluted	4	(1.98)p	(5.96)p	(10.02)p
- Before goodwill amortisation	4	(1.05)p	(5.02)p	(8.37)p

\* Earnings before interest, tax, depreciation, amortisation and exceptional costs.

**Summarised consolidated balance sheet**  
at 30 June 2004

	<i>at 30 June 2004</i>	<i>at 30 June 2003</i>	<i>at 31 December 2003</i>
	£ '000	£ '000	£ '000
<b>Fixed assets</b>			
Intangible assets	14,269	7,657	13,822
Tangible assets	982	953	1,087
	<u>15,251</u>	<u>8,610</u>	<u>14,909</u>
<b>Current assets</b>			
Stock	27	49	57
Debtors	4,243	1,939	3,433
Cash at bank and in hand	2,094	2,618	4,581
	<u>6,364</u>	<u>4,606</u>	<u>8,071</u>
<b>Creditors</b> amounts falling due within one year			
Short term loan	-	(3,000)	-
Other creditors	(6,927)	(4,718)	(6,748)
	<u>(563)</u>	<u>(3,112)</u>	<u>1,323</u>
<b>Net current liabilities</b>			
	(563)	(3,112)	1,323
<b>Total assets less current liabilities</b>	14,688	5,498	16,232
<b>Creditors</b> amounts falling due after more than one year	(927)	(1,201)	(911)
<b>Provisions for liabilities and charges</b>			
Other provisions	(85)	(160)	(220)
<b>Net assets</b>	<u>13,676</u>	<u>4,137</u>	<u>15,101</u>
<b>Capital and reserves</b>			
Called up share capital	904	624	903
Share premium account	20,495	9,472	20,479
Shares to be issued	3,112	1,500	2,983
Other reserve	7,916	6,936	7,916
Profit and loss account	(18,862)	(14,395)	(17,180)
	<u>13,565</u>	<u>4,137</u>	<u>15,101</u>
Equity shareholders' funds			
	13,565	4,137	15,101
Minority Interest	111	-	-
<b>Net Assets</b>	<u>13,676</u>	<u>4,137</u>	<u>15,101</u>

**Summarised consolidated cash flow statement**  
for the 6 months ended 30 June 2004

		<i>6 months to 30 June 2004</i>	<i>6 months to 30 June 2003</i>	<i>12 months to 31 December 2003</i>
	Note	£ '000	£ '000	£'000
Net cash outflow from operating activities	6	(614)	(2,317)	(4,508)
Returns on investments and servicing of finance		48	(234)	(369)
Taxation		(168)	-	-
Capital expenditure and financial investment		(319)	(211)	(186)
Acquisitions and disposals		(1,566)	312	(3,641)
		<hr/>	<hr/>	<hr/>
Net cash outflow before financing		(2,619)	(2,450)	(8,704)
Financing		17	2,094	10,356
		<hr/>	<hr/>	<hr/>
(Decrease)/increase in cash for the period		(2,602)	(356)	1,652
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of net cash flow to movement in net debt**

		<i>6 months to 30 June 2004</i>	<i>6 months to 30 June 2003</i>	<i>12 months to 31 December 2003</i>
		£ '000	£ '000	£'000
(Decrease)/increase in cash for the period		(2,602)	(356)	1,652
(Increase)/decrease in debt		-	2,003	5,007
		<hr/>	<hr/>	<hr/>
Change in net (debt)/funds resulting from cash flows		(2,602)	1,647	6,659
Non cash movements		115	-	(45)
		<hr/>	<hr/>	<hr/>
Movement in net funds for the period		(2,487)	1,647	6,614
Net funds brought forward		4,581	(2,033)	(2,033)
		<hr/>	<hr/>	<hr/>
Net funds/(debt) at end of period		2,094	(386)	4,581
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Consolidated reconciliation in shareholders' funds**  
for the 6 months ended 30 June 2004

	<i>6 months to 30 June 2004 £ '000</i>	<i>6 months to 30 June 2003 £ '000</i>	<i>12 months to 31 December 2003 £'000</i>
Retained loss for the period	(1,790)	(2,926)	(5,740)
New shares issued	17	4,097	16,363
Shares to be issued	129	-	1,483
Exchange differences on retranslation of foreign subsidiaries	108	(45)	(16)
Net (reduction in)/addition to shareholders' funds	<u>(1,536)</u>	<u>1,126</u>	<u>12,090</u>
Opening shareholders' funds	15,101	3,011	3,011
Closing shareholders' funds	<u><u>13,565</u></u>	<u><u>4,137</u></u>	<u><u>15,101</u></u>

## Notes to the interim statements

### 1. Basis of preparation of interim financial information

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The unaudited consolidated financial information for the six months ended 30 June 2004 has been prepared on a basis consistent with the accounts for the period ended 31 December 2003. The financial information for the six months ended 30 June 2004 was approved by the board on 16<sup>th</sup> September 2004 and will be posted to shareholders on 22nd September 2004.

### 2. Segmental analysis

Geographical turnover has not been disclosed by origin, but arises 73% in the UK and 27% in Europe. 74% of Gaming turnover is derived from clients resident in the UK, the balance derived from Europe and Asia. 76% of Content turnover derived from clients resident in the UK the balance derived from clients resident in Europe and the USA.

	<i>6 months to 30 June 2004</i>	<i>6 months to 30 June 2003</i>	<i>Year to 31 December 2003</i>
	<i>£ '000</i>	<i>£ '000</i>	<i>£'000</i>
<u>Turnover</u>			
Gaming Division	35,988	24,068	46,795
Content Division	7,066	3,474	7,680
Discontinued Activities	-	44	44
	<u>43,054</u>	<u>27,586</u>	<u>54,519</u>
	<u><u>43,054</u></u>	<u><u>27,586</u></u>	<u><u>54,519</u></u>
	<i>6 months to 30 June 2004</i>	<i>6 months to 30 June 2003</i>	<i>Year to 31 December 2003</i>
	<i>£ '000</i>	<i>£ '000</i>	<i>£'000</i>
<u>Operating (loss)/profit</u>			
Gaming Division	(846)	(922)	(1,984)
Content Division	(242)	(989)	(1,503)
Discontinued Activities	22	(98)	(45)
Common costs	(523)	(672)	(1,726)
	<u>(1,589)</u>	<u>(2,681)</u>	<u>(5,258)</u>
	<u><u>(1,589)</u></u>	<u><u>(2,681)</u></u>	<u><u>(5,258)</u></u>

### 3. Exceptional costs

In March 2004 the Group incurred redundancy costs of £31,000 to reorganise the editorial team in the TEAMtalk Satellite business to reflect changing customer demands.

## Notes to the interim statements - continued

### 4. Loss per share

The basic and diluted loss per share is based on losses attributable to shareholders of £1,790,000 (H1 2003: £2,926,000) and weighted average number of shares of 90,338,282 (H1 2003: 49,113,163). Loss per share before goodwill amortisation has been calculated on loss before goodwill amortisation of £845,000 (H1 2003:£462,000) attributable to shareholders of £945,000 (H1 2003: £2,464,000). Diluted loss per share is the same as basic loss per share as the exercise of share options and warrants would reduce the loss per share and are therefore not dilutive.

### 5. Taxation

The Group has incurred a tax charge reflecting the profits of the European business that are not sheltered by UK losses in the period. ukbetting has UK tax losses brought forward of approximately £27.0 million.

### 6. Reconciliation of Group operating loss to operating cash flows

	<i>6 months to 30 June 2004 £ '000</i>	<i>6 months to 30 June 2003 £ '000</i>	<i>Year to 31 December 2003 £'000</i>
Group operating loss	(1,589)	(2,681)	(5,258)
Depreciation	373	292	631
Amortisation	845	462	944
Decrease in stock	30	19	33
(Increase) / decrease in debtors	(651)	441	224
(Decrease)/increase in creditors	378	(850)	(1,082)
<b>Net cash outflow from operating activities</b>	<b>(614)</b>	<b>(2,317)</b>	<b>(4,508)</b>

## 7. Acquisition of GoldBet Sportwetten GmbH

51% of GoldBet Sportwetten GmbH was acquired on 19 March 2004. The consideration payable consists of cash and shares and is contingent upon the achievement of certain EBITDA target in 2004. ukbetting has the option to acquire the remaining 49% in March 2006, for consideration determined by the achievement of EBITDA target in 2005.

Under the principles of FRS2 ukbetting exercised control over GoldBet from 1 January 2004 and therefore has included the trading of GoldBet from that date. The deferred contingent consideration has been assessed in the light of the forecasts presented by the business and will be review in the light of actual performance.

	<i>Net Assets</i> £'000's	<i>Fair Value</i> <i>Adj's</i> £'000's	<i>Provisional Fair</i> <i>Value</i> £'000's
Fixed Assets	19		19
Debtors	180	(59)	121
Cash	77		77
Creditors	(264)		(264)
Net Assets	<u>12</u>	<u>(59)</u>	<u>(47)</u>
Minority share			23
Consideration Payable - 51%			
Cash (including costs)			1,139
Shares			129
			<u>1,268</u>
Goodwill			<u>1,292</u>

## 8. Post balance sheet events

On 29 July 2004 the Group acquired In The Box Media Limited, for a maximum consideration of £900,000, payable in shares. The consideration is an initial payment of £300,000 with a further payment of up to £600,000 depending on the EBITDA profit in the year ending 31 December 2004.