

7 September 2005

**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 2005.

Financial

- Group turnover of £55.5 million, up 30% (H1 2004: £43.1 million)
- Gross profit rose 21% to £11.4 million (H1 2004: £9.4 million)
- EBITDA profit on continuing operations before exceptional items improved 369% to £0.9 million (H1 2004: loss of £0.3 million)
- Profit on ordinary activities before goodwill and tax of £0.4 million, improved from a loss of £0.8 million in H1 2004
- Pre goodwill EPS rose 127% to 0.26p (H1 2004: loss of 0.96p)

Operations

- Gaming gross win margin increased to 12.3% from 9.9% in H1 2004 due to greater contribution from poker and casino
- Poker and casino revenue grew by 106%
- Gaming registered users rose 37% to 308,000 from 225,559
- 7,300 average monthly gaming registrations, up from 5,900
- Content site monthly users rose by 44% to 8.5 million, viewing 282 million page impressions (H1 2004: 5.9 million; 208 million)
- 60% gaming customers originating from content network
- Affiliate revenue strengthened through casino and poker checker launch

Post Period-end

- “Click throughs” to own gambling sites have increased by 140% since period end
- Like for like customer registrations from our own network up 10% per month
- Monsternob joint venture signed to sell mobile products to our content customers

Peter Dubens, Chairman of ukbetting plc said,

“As the cost of gaming customer acquisition and retention continues to rise, ukbetting’s position of originating its own customers from its sports content network becomes more and more valuable. We have seen a significant increase in “click-throughs” to our own gaming sites as we have taken competitors off, as well as an increase in average spend per user.

“The content network delivers 60% of our gaming customers who spend twice as much as those customers that come from outside the network as they use our sites to obtain information they use for gaming, namely, scores, editorial, video, teach ins, live audio commentary, form and tips. We are now generating over 7,300 registrations per month to our gaming sites and with the broadband growing throughout our customer base the amount wagered on our poker, casino and games products now represents 64% of gross win, leading to an

increase in margin from 9.9% to 12.3%. In order to maximise the potential of the content network we will remain focused on growing our substantial user base that now reaches 8.5 million per month.”

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Financial Dynamics

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Chairman's statement

Overview

I am pleased to report trading for the first half 2005 has been strong across all areas of our business, and we are starting to see the benefits of taking over more advertising space on our content network for the Group's own gaming brands.

The period saw a further improvement in turnover and profitability, with particular growth in gaming gross win as a result of increased contribution from higher yield non-sports products, namely, poker, casino and fixed odds games.

The combination of strong growth in the number of visitors to our content network and the reduction of our competitors' advertising has produced a marked increase in the number of directly referred customers to our betting sites. As a result, the cost of customer acquisition has been reduced further and the average spend per customer has increased in the beginning of the second half, further reinforcing the evidence that customers from our network have a higher propensity to bet more with us.

These benefits flowed from our management decision to fully integrate what had previously been two divisions, gaming and content, so that all areas of the business are working together.

Operational review

Total sales have increased 30% to £55.5m (H1 2004: £43.1m). Users of the content sites during this period grew 44% to 8.5m from 5.9m in the corresponding period, viewing 282m pages against 208m this time last year, growth of 36%.

Total gambling registrations increased 37% to 308,000 at the end of June 2005 (H1 2004: 225,559). Average gaming customer growth for the period was 7,300 customers per month, an increase of 24% on the corresponding period last year (H1 2004: 5,900). This increase is due to higher user numbers on the content sites and a reduction in gaming competitors advertising on the sites, down from 9 to 4. This combined with increased presence for our own gaming brands has led to higher gaming conversions and an increased average spend per new customer. With the increasing growth in broadband among the customer base, making the gaming products faster and easier to use, the contribution from products such as poker, casino and fixed odds games increased to 60% of gross win, and gross win margin improved to £6.0m (12.3%) up from £3.6m (9.9%) in H1 2004.

We continue to strengthen our gaming product offering with the introduction of backgammon and 'instant play' casino, which have been integrated into our single wallet currently used by the sports betting customers. Currently our casino and poker customers have to re-register and deposit funds to play these games. Consequently, the integration of our downloadable casino and poker into this single wallet remains a key priority for the second half of the year.

Advertising revenue declined in comparison to H1 2004 due in part to strong advertising around Euro 2004 and to the conscious decision to reduce competitors from our sites. This has resulted in the percentage of bookmaker revenue in the first half reducing from 36% in H1 2004 to 28% of total advertising revenues in this period, and post period end, this is now down to 18%. Encouragingly, we have experienced growth in FMCG advertising revenues and see this continuing as the general online advertising market strengthens. Affiliate revenues through our oddschecker brand were strong, helped by the launch of comparison sites CasinoChecker and PokerChecker. We anticipate further strengthening of the Oddschecker site following the allocation of more space on our content sites.

We began actively promoting our brands on mobile networks, successfully launching football365 on the Hutchison 3 network as well as concluding (post period end) a deal with Monsternob to offer a range of mobile sports content for our customers. In addition, the content network was strengthened with the availability of video footage of the BBC's Match of the Day and Football Focus footage, free of charge and on a non-exclusive basis.

Financial Review

Group turnover in the period was £55.5 million (H1 2004: £43.1 million). Turnover in the Gaming Division was £48.9 million (H1 2004: £36.0 million) and Content Division turnover was £6.6 million (H1 2004: £7.1 million). The growth in turnover has increased gross profit to £11.4 million (H1 2004: £9.4 million). Gross margins for the Group were 20.5% (H1 2004: 21.9%) due to the growth in the lower margin gaming revenue altering the mix.

Operating expenses incurred in the period are £11.6 million (H1 2004: £11.1 million). The Gaming Division operating expenses are £5.3 million (H1 2004: £4.2 million) reflecting the operating costs of Campbells (Bookmakers) Ltd (acquired October 2004) and the software and marketing costs of the increase revenues of casino and poker. The Content Division operating expenses are £5.8 million (H1 2004: £6.4 million) reflecting the extra costs of In The Box (acquired in July 2004) offset by the £1.3 million of annualised costs removed following the integration of the Rivals business late last year. Central operating costs in the period are £0.5 million (H1 2004: £0.5 million).

EBITDA profit in the six months was £0.9 million (H1 2004: EBITDA losses of £0.3 million). Total operating losses were reduced sharply to £0.2 million (H1 2004: operating loss of £1.7 million). The reported loss per share fell to 0.40p, basic and diluted, (H1 2004: loss per share of 2.00p, basic and diluted). Before goodwill amortisation, a profit per share of 0.37p was earned (H1 2004: loss per share of 0.96p), this dilutes to 0.26p per share (H1 2004: loss per share 0.96p)

Cash outflow on the period is £1.1 million. This cash was utilised in deferred consideration payment on GoldBet of £0.4 million, capital expenditure of £0.4 million, interest paid of £0.1 million and outflow from trading operations of £0.2 million. Net debt at the end of the period was £2.2 million, representing the term loan of £1.2m and £1m utilisation of the £3m working capital facility.

Outlook

With the ever increasing cost of customer acquisition and the more competitive environment, the Group will continue to focus on growing revenues and maximising return per customer from within our own content network.

We intend to build and retain our gaming customer base with new products, easier systems, such as a single wallet, as well as greater geographical presence.

As we enter the second half of the year, we are already seeing an increase in gaming customers coming from the content network. We generated 60% of gaming customers from Group sites in the first half and post period end this percentage has continued to grow. We expect this to continue for the remainder of the year, adding to the growth we are seeing as a result of the spread of consumer broadband use. Our progress in the first half gives us confidence of further development in the second half of the year, notwithstanding our second half performance remaining dependent on favourable sports results.

Peter Dubens
Chairman

Summarised consolidated profit and loss account
for the 6 months ended 30 June 2005

		<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>12 months to 31 December 2004</i>
	<i>Note</i>	<i>£ '000</i>	<i>£ '000</i>	<i>£'000</i>
Group turnover	2	55,486	43,054	85,557
Cost of sales		(44,108)	(33,623)	(66,581)
		<hr/>	<hr/>	<hr/>
Gross profit		11,378	9,431	18,976
Administrative expenses		(11,559)	(11,121)	(25,669)
EBITDA*		915	(340)	(1,268)
Goodwill amortisation and depreciation		(1,096)	(1,319)	(2,666)
Exceptional costs		-	(31)	(2,759)
		<hr/>	<hr/>	<hr/>
Group operating profit / (loss)	2	(181)	(1,690)	(6,693)
Loss on termination of operations		-	-	(141)
Profit / (loss) on ordinary activities before interest and taxation		(181)	(1,690)	(6,834)
Net interest receivable / (payable)		(149)	(27)	(34)
		<hr/>	<hr/>	<hr/>
Loss on ordinary activities before taxation		(330)	(1,717)	(6,868)
Taxation	4	(58)	(92)	(145)
		<hr/>	<hr/>	<hr/>
Retained profit / (loss)		(388)	(1,809)	(7,013)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(Loss) / profit per share				
- Basic and diluted	3	(0.40)p	(2.00)p	(7.66)p
- Before goodwill amortisation – basic	3	0.37p	(0.96)p	(1.24)p
- Before goodwill amortisation - diluted	3	0.26p	(0.96)p	(1.24)p

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

Summarised consolidated balance sheet
at 30 June 2005

	<i>at 30 June 2005</i>	<i>at 30 June 2004</i>	<i>at 31 December 2004</i>
	£ '000	£ '000	£ '000
Fixed assets			
Intangible assets	12,321	16,184	13,065
Tangible assets	1,314	982	1,185
	<u>13,635</u>	<u>17,166</u>	<u>14,250</u>
Current assets			
Stock	11	27	19
Debtors	4,611	4,243	3,805
Cash at bank and in hand	1,091	2,094	1,271
	<u>5,713</u>	<u>6,364</u>	<u>5,095</u>
Creditors: amounts falling due within one year	(10,538)	(6,927)	(8,725)
Net current liabilities	<u>(4,825)</u>	<u>(563)</u>	<u>(3,630)</u>
Total assets less current liabilities	8,810	16,603	10,620
Creditors: amounts falling due after more than one year	(975)	(2,325)	(2,329)
Provisions for liabilities and charges			
Other provisions	-	(85)	(57)
Net assets	<u>7,835</u>	<u>14,193</u>	<u>8,234</u>
Capital and reserves			
Called up share capital	959	904	956
Share premium account	20,520	20,495	20,503
Shares to be issued	613	3,759	713
Other reserve	10,392	7,916	10,294
Profit and loss account	(24,649)	(18,881)	(24,232)
Equity shareholders' funds	<u>7,835</u>	<u>14,193</u>	<u>8,234</u>

Summarised consolidated cash flow statement
for the 6 months ended 30 June 2005

		<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>12 months to 31 December 2004</i>
	Note	£ '000	£ '000	£'000
Net cash outflow from operating activities	5	(249)	(614)	(1,371)
Returns on investments and servicing of finance		(115)	48	(94)
Taxation		(36)	(168)	(187)
Capital expenditure and financial investment		(383)	(319)	(716)
Acquisitions and disposals		(357)	(1,566)	(3,180)
		<hr/>	<hr/>	<hr/>
Net cash outflow before financing		(1,140)	(2,619)	(5,548)
Financing		19	17	1,200
		<hr/>	<hr/>	<hr/>
Decrease in cash for the period		<u>(1,121)</u>	<u>(2,602)</u>	<u>(4,348)</u>

Reconciliation of net cash flow to movement in net debt

		<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>12 months to 31 December 2004</i>
		£ '000	£ '000	£'000
Decrease in cash for the period		(1,121)	(2,602)	(4,348)
(Increase)/decrease in debt		-	-	(1,200)
		<hr/>	<hr/>	<hr/>
Change in net (debt)/funds resulting from cash flows		(1,121)	(2,602)	(5,548)
Non cash movements		(36)	115	(53)
		<hr/>	<hr/>	<hr/>
Movement in net funds for the period		(1,157)	(2,487)	(5,601)
Net funds brought forward		(1,020)	4,581	4,581
		<hr/>	<hr/>	<hr/>
(Net debt) / funds at end of period		<u>(2,177)</u>	<u>2,094</u>	<u>(1,020)</u>

Consolidated reconciliation in shareholders' funds
for the 6 months ended 30 June 2005

	<i>6 months to 30 June 2005 £ '000</i>	<i>6 months to 30 June 2004 £ '000</i>	<i>12 months to 31 December 2004 £'000</i>
Retained loss for the period	(388)	(1,809)	(7,013)
New shares issued	118	17	2,455
Shares to be issued	(100)	776	(2,270)
Exchange differences on retranslation of foreign subsidiaries	(29)	108	(39)
Net reduction in shareholders' funds	<u>(399)</u>	<u>(908)</u>	<u>(6,867)</u>
Opening shareholders' funds	8,234	15,101	15,101
Closing shareholders' funds	<u><u>7,835</u></u>	<u><u>14,193</u></u>	<u><u>8,234</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 2005 has been prepared on a basis consistent with the accounts for the period ended 31 December 2004. The June 2004 comparatives have been restated to reflect the treatment adopted in the accounts for the period ending 31 December 2004 in relation to the acquisition of Goldbet Sportwetten GmbH. The financial information for the six months ended 30 June 2005 was approved by the board on 6th September 2005 and will be posted to shareholders on 15th September 2005.

2. Segmental analysis

Geographical turnover has not been disclosed by origin, but arises 71% in the UK, 24% in Europe and 5% in the rest of the world. 66% of Gaming turnover is derived from clients resident in the UK, the balance derived from Europe and Asia. 80% of Content turnover is derived from clients resident in the UK, the balance derived from clients resident in Europe and the USA.

	<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year to 31 December 2004</i>
<u>Turnover</u>	<i>£ '000</i>	<i>£ '000</i>	<i>£'000</i>
Gaming Division	48,856	35,988	71,720
Content Division	6,630	7,066	13,837
Discontinued Activities	-	-	-
	<hr/>	<hr/>	<hr/>
	55,486	43,054	85,557
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<i>6 months to 30 June 2005</i>	<i>6 months to 30 June 2004</i>	<i>Year to 31 December 2004</i>
<u>Operating (loss)/profit</u>	<i>£ '000</i>	<i>£ '000</i>	<i>£'000</i>
Gaming Division	183	(947)	(4,540)
Content Division	74	(242)	493
Discontinued Activities	-	22	-
Common costs (incl non-recurring)	(438)	(523)	(2,646)
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	(181)	(1,690)	(6,693)
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Notes to the interim statements - continued

3. Loss per share

The basic and diluted loss per share is based on losses attributable to shareholders of £388,000 (H1 2004: £ 1,809,000) and weighted average number of shares of 95,719,380 (H1 2004: 90,338,282). Profit per share before goodwill amortisation has been calculated on the profit before goodwill amortisation of £356,000 (H1 2004: loss of £863,000). The diluted basic 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. Profit per share before goodwill is diluted by the potential exercise of share options and warrants and the fully diluted average number of shares of 136,526,190.

4. 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 £25.0 million.

5. Reconciliation of Group operating loss to operating cash flows

	<i>6 months to 30 June 2005 £ '000</i>	<i>6 months to 30 June 2004 £ '000</i>	<i>Year to 31 December 2004 £'000</i>
Group operating loss	(181)	(1,690)	(6,693)
Depreciation	352	373	716
Amortisation (incl impairment charge)	744	946	4,272
Decrease in stock	8	30	38
(Increase) / decrease in debtors	(806)	(651)	(46)
(Decrease) / increase in creditors	(309)	378	505
(Decrease) / increase in provisions	(57)	-	(163)
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Net cash outflow from operating activities	(249)	(614)	(1,371)
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