



## Unibet Group plc Interim Report January – June 2004

- Turnover for the second quarter amounted to GBP 48.9 (34.1) million and for the first half year to GBP 92.7 (68.0) million.
- Gross Winnings amounted to GBP 5.2 (1.5) million for the second quarter and GBP 10.4 (5.2) million for the first half year. Gross Winnings Margin was 10.6 (4.4) per cent and 11.2 (7.6) per cent for the same periods.
- Profit after tax for the second quarter increased to GBP 1.4 (–0.6) million. Profit after tax for the first half year increased to GBP 3.5 (0.6) million.
- Earnings per share were GBP 0.249 (–0.105) for the second quarter and GBP 0.616 (0.109) for the first half year.
- Continued strong positive cash flow from operations in second quarter of GBP 2.3 (–1.0) million.
- Strong performance continued into second quarter with record highs in daily turnover and number of customers betting.

*“The second quarter of the year was an exciting period in the company’s history. We saw a strong result in gross winnings mainly due to the Euro 2004 Football Championships, where there were many unexpected results. However, the gross winnings margins can vary between the quarters.”*

*“During the quarter, we experienced the highest daily turnover in our history, at over GBP 1 million. We also saw a record number of customers placing bets, with over 92,000 bets in one day.”*

*“Following the first half year of brand building, strengthening of the organisation and a successful IPO, we are now well placed for further expansion,” comments Pontus Lesse, CEO of Unibet Group plc.*

Today, Friday 20 August, a telephone conference with Unibet’s CEO Pontus Lesse will start at 9.00 CET. Please call in at telephone number +46 8 500 500 92.

On Tuesday 24 August, a presentation will be held at FinancialHearings, Operaterrassen in Stockholm at 12.00 CET.

	Q 2		Jan-June	
	2004	2003	2004	2003
<b>Turnover, GBPm</b>	<b>48.9</b>	<b>34.1</b>	<b>92.7</b>	<b>68.0</b>
<b>Gross Winnings, GBPm</b>	<b>5.2</b>	<b>1.5</b>	<b>10.4</b>	<b>5.2</b>
<b>Profit after tax, GBPm</b>	<b>1.4</b>	<b>–0.6</b>	<b>3.5</b>	<b>0.6</b>
<b>Earnings per share<sup>1)</sup>, GBP</b>	<b>0.249</b>	<b>–0.105</b>	<b>0.616</b>	<b>0.109</b>
<b>Registered customers</b>	<b>298,000</b>	<b>204,000</b>	<b>298,000</b>	<b>204,000</b>

<sup>1)</sup> The number of shares has been re-stated to reflect the consolidation of the nominal value per share to GBP 0.02, and the new numbers of options in existence.

### About Unibet

Unibet was founded in 1997 and is a Swedish owned gambling company with its headquarters in London. In June 2004, Unibet Group plc listed on Stockholmsbörsen's O-list. Today Unibet, being the only publicly-listed, and one of the largest privately owned gambling operators in the Nordic market, provides services in 12 languages through [www.unibet.com](http://www.unibet.com). Unibet has more than 298,000 customers in over 100 countries. Unibet is a member of the EBA, European Betting Association.

Unless otherwise stated, the following information is for the Group as a whole.

### **Significant events during the second quarter 2004**

On 20 April Unibet launched the new European pool betting product, Supertoto, together with joint partners Expekt.com, Globet and BetandWin.

On 8 June Swedish Depositary Receipts, SDRs, in Unibet Group plc were listed on Stockholmsbörsen's O-list. The offering price was SEK 135 per SDR. In total, the offering amounted to approximately SEK 119 million, equivalent to approximately 14.1 per cent of share capital and votes in Unibet. The offering comprised 883,700 SDRs, of which 703,700 were newly issued SDRs and 180,000 were existing SDRs. One SDR represents one Ordinary share. The offering was oversubscribed by approximately 12 times and provided the company with approximately 2,200 depositary receipt holders. Of the total offering, approximately 50 percent has been placed with Swedish and international institutions. After the offering, Unibet's share capital will consist of 6,262,798 ordinary shares, each with a nominal value of GBP 0.02.

On 10 June Unibet entered into a partnership agreement with 24hBet to develop a new poker product for its customers. Unibet expects to benefit from both its own customers playing poker as well as an increase in the value of the joint venture when new partners are signed to the network. The product will be tailored specifically for the European marketplace and will be launched during the third quarter.

### **Significant events after the period end**

No significant events occurred after the period end.

### **Court case**

In December 2003, the Company filed a claim under Swedish private law against the Swedish Government, claiming that the Company should be allowed to promote its online business in Sweden. The case is planned for a preliminary hearing in September 2004, where the Court will set out a timetable and determine the practical arrangements for the case.

### **Market**

Gambling can be divided into games of skill (Sports betting, Horse racing, Poker, etc.) and games of chance (Roulette, Black Jack, Slot machines, Lotto, etc.) The gambling market can also be divided into online (Internet) and offline (betting shops, casinos) gambling. Online gambling is now billed as one of the most important Internet businesses.

Sports betting has enjoyed first mover advantage in the online arena and been the driver of online gambling. However, other areas such as casino games, poker and lotteries are expanding into this area.

### **Current products**

#### **Sports betting**

Unibet's sports betting service offers a comprehensive range of odds on a variety of international and local sports events, to a worldwide customer base 24 hours a day, 7 days a week. Bets are placed via Unibet's site, [www.unibet.com](http://www.unibet.com).

The major part of this business is largely determined by the seasons for key sports such as the major football leagues in Europe, major golf and tennis tournaments as well as ice hockey leagues in the Nordic countries and North America. The seasonality of these events results in fluctuations in the Group's quarterly performance, especially in terms of turnover. However, quarterly results can also vary widely, due to the volatility of gross margins.

In April Unibet launched a new sports betting product, Supertoto, which is a pool betting game where customers can bet on 14 different football matches from the best leagues in Europe. Customers can win on 14, 13, 12 and 11 correct matches and 80 per cent of the stakes are returned to the winners, which is considerably more than the monopolies normally provide.

The Euro 2004 Championships in June were a great success for Unibet. The match between France and Greece had the highest turnover of more than GBP 700,000. During the tournament Unibet saw two new records broken with the number of unique customers in one day exceeding 22,000 and the number of bets in one day exceeding 92,000. Almost all of the games were offered as "live betting" opportunities, in addition to the traditional fixed odds.

### **Non-sports betting**

At present, non-sports betting comprises only casino products. Unibet's non-sports betting consists of 17 different online products including table games such as Roulette, Black Jack, Caribbean Stud and Baccarat as well as video poker. During the third quarter Internet Poker is planned to be launched.

### **Financial review**

The financial statements have been presented in accordance with International Financial Reporting Standards, and the Accounting policies remain unchanged from last year.

The core sports betting business of Unibet has grown continually over the past three financial years. The growth is largely experienced across all Unibet's geographical markets.

The recent introduction of non-sports betting products has strongly contributed to Unibet's results and has helped to smooth out the seasonal effect and volatility of sports betting.

### **January- June 2004**

#### **Turnover**

Turnover from Unibet's core sports betting business has continued to grow in the second quarter and amounted to GBP 47.2 (34.1). For the first half year 2004 sports betting turnover amounted to GBP 89.3 (68.0) million.

The non-sports betting, introduced in November 2003, saw a strong turnover amounting to GBP 1.7 million for the quarter and GBP 3.5 million for the first half year.

Total turnover for the second quarter amounted to GBP 48.9 (34.1) million and for the first half year to GBP 92.7 (68.0) million. In Sweden, total turnover grew by 16 per cent compared to the same period last year, and there was also a strong improvement in the rest of the Nordic countries of 28 per cent. In addition, Unibet has strengthened its trading department and been more active in managing risk and higher value bets, resulting in the improvement in 'other'.

Following the first half year of brand building, strengthening of the organisation and a successful IPO, Unibet is now well placed to focus on customer acquisition in Sweden.

### **Turnover by market and business segment**

GBP thousand

	Q2 2004			Q2 2003	Jan - June 2004			Jan - June 2003	Full year 2003		
	Sports Betting	Non-Sports Betting	Total	Total*	Sports Betting	Non-Sports Betting	Total	Total*	Sports Betting	Non-Sports Betting	Total
Sweden	16 992	949	17 941	15 519	33 994	2 072	36 066	32 447	66 192	760	66 952
Rest of Nordic	10 981	506	11 487	9 004	19 952	983	20 935	16 468	35 392	313	35 705
Other	19 193	230	19 423	9 590	35 316	409	35 725	19 093	40 752	133	40 885
Total	47 166	1 685	48 851	34 113	89 262	3 464	92 726	68 008	142 336	1 206	143 542

\* All turnover relates wholly to Sports Betting

### Gross winnings

Gross winnings on sports betting represent the net receipt of bets and payouts within the consolidated entity for the financial period. The business segments are sports betting and non-sports betting. For the non-sports betting segment, gross winnings equate to turnover less transaction costs and commissions payable to the operator.

### Gross winnings by market and business segment

GBP thousand

	Q2 2004			Q2 2003	Jan - June 2004			Jan - June 2003	Full year 2003		
	Sports Betting	Non-Sports Betting	Total	Total*	Sports Betting	Non-Sports Betting	Total	Total*	Sports Betting	Non-Sports Betting	Total
Sweden	1 925	841	2 766	1 128	4 260	1 836	6 096	3 361	7 315	684	7 999
Rest of Nordic	1 146	448	1 594	454	2 136	871	3 007	1 346	3 170	282	3 452
Other	626	204	830	-137	794	542	1 336	454	1 433	120	1 553
Total	3 697	1 493	5 190	1 445	7 190	3 249	10 439	5 161	11 918	1 086	13 004

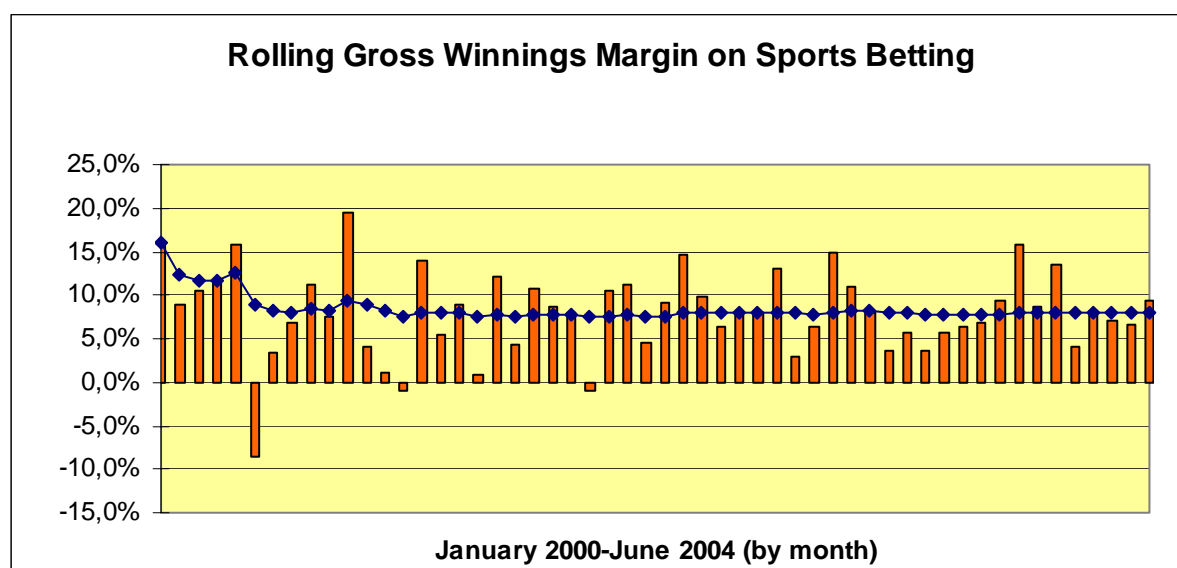
\* All gross winnings relate wholly to Sports Betting

### Customers

The total number of registered customers exceeded 298,000 at 30 June 2004, when at 31 March 2004, 275,000 customers were registered. The number of active customers amounted to 72,407 at 30 June 2004, to be compared with 62,315 active customers at 31 March 2004.

### Gross winnings margin sports betting

The gross winnings margin for the second quarter 2004 was 10.6 (4.2) per cent. Gross winnings margins can vary quite significantly from one quarter to the next, depending on the outcome of sporting events, i.e. not always as predicted. However, over time these margins will even out and calculated from January 2000 to June 2004 demonstrates 8 per cent. This can be seen in the table below. The bars show gross winnings margin by month.



**Gross profit**

Gross profit for the second quarter increased by 290 per cent to GBP 5.0 (1.3) million. Gross profit for the first half year increased by 106 per cent to GBP 10.0 (4.9) million.

**Administrative expenses**

Administrative expenses include all indirect costs of running the business and are a combination of activity related costs and fixed costs such as marketing, salaries etc.

During the second quarter 2004, administrative expenses were GBP 3.0 (2.1) million and during the first half year GBP 5.2 (4.1) million. Of the administrative expenses in the second quarter, GBP 1.0 (0.7) million were marketing costs and GBP 1.0 (0.7) million were salaries. In the first half year, marketing expenses were GBP 1.7 (1.4) million, and salaries were GBP 1.7 (1.3) million.

**Profit from operations**

Profit from operations for the second quarter increased to GBP 2.0 (–0.8) million. Profit from operations for the first half year increased to GBP 4.8 (0.8) million.

**Capitalised development expenditure**

These results have been prepared under International Financial Reporting Standards, which require the capitalisation of certain development costs. In the second quarter 2004, expenditure of GBP 0.3 (0.2) million, has been capitalised, bringing the first half year total to GBP 0.5 (0.3) million.

**Profit after tax**

Profit after tax for the second quarter increased to GBP 1.4 (–0.6) million. Profit after tax for the first half year increased to GBP 3.5 (0.6) million.

**Financial position and cash flow**

The cash in hand position at the end of the second quarter stood at GBP 20.0 (5.3) million while at the beginning of the period it was GBP 12.2 (6.5) million. The Group is completely free of debt. The cash inflow for the second quarter was GBP 7.8 (–1.2) million, of which GBP 2.3 (–1.0) million came from operations.

**Employees**

Unibet had 91 employees at the end of the second quarter 2004, compared to 80 at 31 December 2003.

**Forthcoming financial reporting timetable**

Interim Report January – September 2004	2 November 2004
Year End Report	16 February 2005
Interim Report January – March 2005	11 May 2005
Interim Report January – June 2005	17 August 2005
Interim Report January – September 2005	2 November 2005

London, 20 August 2004

Pontus Lesse  
CEO

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*This report has not been reviewed by Unibet's auditors.*

*Unibet Group plc  
Company number 04049409  
A company registered in England and Wales*

**CONSOLIDATED INCOME  
STATEMENT  
GBP 000**

	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>Jan - June 2004</b>	<b>Jan - June 2003</b>	<b>Full year 2003</b>
<b>REVENUE</b>	48 851	34 113	92 726	68 008	143 542
Cost of sales	-43 842	-32 829	-82 727	-63 153	-131 554
<b>Gross profit</b>	5 008	1 284	9 999	4 855	11 988
Administrative expenses	-3 035	-2 094	-5 160	-4 070	-8 214
<b>PROFIT FROM OPERATIONS</b>	1 973	-810	4 840	785	3 774
Finance costs	0	0	0	-25	-25
Income from investments	89	26	156	57	113
<b>Profit before tax</b>	2 063	-784	4 996	818	3 862
Income tax expense	-619	198	-1 499	-210	-982
<b>PROFIT AFTER TAX</b>	1 444	-585	3 497	608	2 880
Earnings per share (GBP)	0.249	-0.105	0.616	0.109	0.518
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	5 793 665	5 559 098	5 676 381	5 559 098	5 559 098
Fully diluted earnings per share (GBP)	0.241	-0.102	0.595	0.104	0.475
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	5 991 140	5 756 573	5 873 856	6 019 730	6 107 449

The number of shares has been re-stated to reflect the consolidation of the nominal value per share to GBP 0.02, and the new numbers of options in existence.

**KEY RATIOS**

	<b>Q2 2004</b>	<b>Q2 2003</b>	<b>Jan - June 2004</b>	<b>Jan - June 2003</b>	<b>Full year 2003</b>
Operating margin, % (Profit from operations/revenue for the period)	4,04%	-2,37%	5,22%	1,15%	2,63%
Return on equity, % (Profit after tax/average of opening and closing equity for the period)	13,8%	-19,0%	37,0%	24,5%	82,1%
Return on total assets, % (Profit after tax/average of opening and closing assets for the period)	8,0%	-7,4%	21,4%	8,8%	34,2%
Equity/assets ratio, %	63%	38%	63%	38%	47%
Employees at period end	91	79	91	79	80
Earnings per share (GBP)	0,249	-0,105	0,616	0,109	0,518
Fully diluted earnings per share (GBP)	0,241	-0,102	0,595	0,104	0,475
Number of shares at period end	6 262 798	5 559 098	6 262 798	5 559 098	5 559 098
Fully diluted number of shares at period end	6 460 273	5 756 573	6 460 273	5 756 573	5 756 573
Average number of shares	5 793 665	5 559 098	5 676 381	5 559 098	5 559 098
Average number of fully diluted shares	5 991 140	5 756 573	5 873 856	6 019 730	6 107 449

The number of shares has been re-stated to reflect the consolidation of the nominal value per share to GBP 0.02, and the new numbers of options in existence.



**CONSOLIDATED BALANCE SHEET**  
**GBP 000**

	<b>30 June 2004</b>	<b>30 June 2003</b>	<b>31 Dec 2003</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	736	906	835
Intangible assets	927	568	657
Deferred tax assets	0	47	9
	<u>1 663</u>	<u>1 522</u>	<u>1 500</u>
<b>Current assets</b>			
Trade and other receivables	585	484	330
Cash and cash equivalents	19 977	5 313	8 555
	<u>20 562</u>	<u>5 797</u>	<u>8 885</u>
<b>TOTAL ASSETS</b>	<u>22 225</u>	<u>7 319</u>	<u>10 385</u>

**EQUITY AND LIABILITIES**

**Capital and reserves**

Share capital	124	111	111
Share premium	7 174	1 650	1 421
Translation reserve	3	5	9
Merger reserve	1 533	1 533	1 533
Accumulated profits	5 259	-510	1 762
	<u>14 093</u>	<u>2 789</u>	<u>4 836</u>

**Non-current liabilities**

Deferred tax liabilities	1 638	438	872
	<u>1 638</u>	<u>438</u>	<u>872</u>

**Current liabilities**

Trade and other payables	5 569	4 091	4 443
Tax liabilities	925	0	234
	<u>6 494</u>	<u>4 091</u>	<u>4 677</u>

**TOTAL EQUITY AND LIABILITIES**

	<u>22 225</u>	<u>7 319</u>	<u>10 385</u>
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Customer balances	3 608	3 076	2 781
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**Reconciliation of movements in equity**  
**GBP 000**

	<b>6 months 2004</b>	<b>6 months 2003</b>	<b>Full year 2003</b>
Opening balance	4 836	2 178	2 178
Movement in Share Premium	5 753	-	-228
Increase in Share Capital	13	-	-
Translation differences	-6	3	6
Profit and loss account	3 497	608	2 880
Closing balance	<u>14 093</u>	<u>2 789</u>	<u>4 836</u>

**CASH FLOW STATEMENT**  
**GBP 000**

	Q2 2004	Q2 2003	Jan - June 2004	Jan - June 2003	Full year 2003
<b>OPERATING ACTIVITIES</b>					
Profit/(Loss) from operations	1 973	-810	4 840	785	3 774
Adjustments for:					0
Depreciation of property, plant and equipment	119	145	261	280	616
Amortisation of intangible assets	121	70	227	152	340
Loss on disposal of property, plant and equipment	0	0	0	0	1
Operating cashflows before movements in working capital	2 213	-595	5 328	1 217	4 731
(Increase)/decrease in receivables	-292	144	-255	-242	-87
Increase/(decrease) in payables	352	-504	1 126	956	1 308
Cash generated by operations	59	-954	871	1 932	5 952
Income taxes paid	0	-8	-33	48	-18
Interest paid	0	0	0	-25	-25
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2 272</b>	<b>-962</b>	<b>6 166</b>	<b>1 954</b>	<b>5 909</b>
<b>INVESTING ACTIVITIES</b>					
Interest received	89	26	156	57	113
Sale of trade investment	0	0	0	0	41
Proceeds of disposal of property, plant and equipment	0	0	0	0	0
Purchases of property, plant and equipment	-62	-96	-164	-344	-582
Costs of intangible assets	-290	-138	-496	-277	-553
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-263</b>	<b>-208</b>	<b>-504</b>	<b>-563</b>	<b>-981</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of borrowings including equity element	0	0	0	-1 000	-1 000
Proceeds from issue of ordinary share capital	5 766	0	5 766	0	-228
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>5 766</b>	<b>0</b>	<b>5 766</b>	<b>-1 000</b>	<b>-1 228</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7 775</b>	<b>-1 170</b>	<b>11 428</b>	<b>391</b>	<b>3 700</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>12 201</b>	<b>6 452</b>	<b>8 555</b>	<b>4 917</b>	<b>4 917</b>
Effect of foreign exchange rate changes	1	31	-6	4	-62
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>19 977</b>	<b>5 313</b>	<b>19 977</b>	<b>5 313</b>	<b>8 555</b>