betinternet.com

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BETINTERNET.COM PLC
("the Company" or "betinternet")
INTERIM RESULTS FOR 26 WEEKS TO 30 NOVEMBER 2003

betinternet.com plc, the global on-line gaming group, today announces interim results for the 26 weeks to 30 November 2003.

Highlights of the results are:

- Turnover (including share of joint venture) increased 65% to £40.8m (2002: £24.8m).
- Euro Off-Track turnover increased from £314,000 to £14.6m. First time profit of £338,000 (group share £169,000) compared with 2002 loss of £296,000 (group share of loss £148,000).
- Fixed Odds betting turnover increased 7.4% to £26.2m (2002: £24.4m).
- Abnormal results at start of European soccer season caused decline in gross trading margin from 7.9% (2002) to 4.3%.
- Gross profit £1.1m (2002: £1.9m).
- Substantial cost saving programme implemented.
- Loss before tax and goodwill amortisation £1.1m (2002: loss £135,000).
- Basic and diluted loss per share 1.00p (2002: 0.12p).
- Customer accounts at period end increased 15.5% to 65,850.

Commenting on the results, Denham Eke, Chairman of betinternet, said "These results can only be described as very disappointing. However, in the last three months, our gross margin has returned to the levels previously experienced, and this should substantially improve the trading performance in the second half of the year. On a further positive note, I am pleased to report that Euro Off-Track achieved profitability during the period."

ENDS

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Notes to editors:

The following are attached:

- Interim Report
- Consolidated Profit & Loss Accounts
- Consolidated Balance Sheets
- Consolidated Cash Flow Statements
- Notes to the Accounts

N.B. Pari-mutuel (or 'tote' wagering) refers to wagering into a 'pool' where dividends are paid to winners and the operator retains a percentage of the 'pool'.

INTERIM REPORT

CHAIRMAN'S STATEMENT

In my first statement as Chairman, which followed the publication of our results for the period to 1st June 2003, I was able to report on a period of substantial progress for your company. With equal candour, I have to report that despite progress in many areas, the financial results for the 26 weeks to 30 November 2003 can only be described as very disappointing.

We were encouraged by our performance in 2002/03, and optimistic about the prospects of our Scandinavian acquisition, Oddsalive.com. As a result, we entered the new financial year in June 2003 with a cost base which assumed a similar growth in Internet turnover to our previous experience, and the attainment of a gross margin percentage in line with that achieved in the previous financial year. Fixed Odds turnover did, in fact, increase to £26.2m (2002: £24.4m). Unfortunately, following an abnormal run of results at the start of the European soccer season, the margin from fixed-odds gaming (4.3% compared with 7.9% in the same period last year), did not generate sufficient surplus to absorb our overheads, and this has resulted in the loss reported today. Accordingly, the directors do not recommend the payment of a dividend.

As a result, we have implemented a substantial cost saving programme, including a 23% reduction in our staff. Planned expenditure has been cut back in other areas; and all non-committed spend is being kept under review.

Running parallel with this, and having sought specialist external advice, we have taken a number of initiatives designed to improve our management of risk. We have continued to curtail our telephone wagering activity, thus further substantially reducing the volatility of our operations.

During the last three months, our gross margin percentage has returned to the levels previously experienced and, provided this is maintained, this should substantially improve the trading performance in the second half of the financial year.

On a further positive note, I am pleased to report that our joint venture operation, Euro Off-Track, achieved profitability during the period. We have, therefore, received, after the period-end, the first instalment of the amount due to the company under the joint venture agreement. I am confident that Euro Off- Track will contribute a steadily increasing stream of profit to your company.

Denham Eke, Chairman 30th January 2004

OPERATING REVIEW

Overview of results

During the period to 30 November 2003, group turnover, including our share of the Euro Off-Track joint venture, was 64% greater than for the similar period last year, at £40.8m (2002: £24.8m). Excluding the joint venture, the turnover increase was 7.4%.

As a result of the adverse trading conditions referred to in the Chairman's Statement, gross trading margin fell to 4.3% for the period (2002: 7.9%). This has resulted in a reduction in gross profit from £1.9m (2002) to £1.1m.

Overheads increased, in line with plan, by 23% (excluding amortisation of goodwill) compared with the same period last year. As mentioned above, overheads have now been reduced to a level commensurate with current levels of activity.

Fixed Odds Wagering

The strategy of increasing our Internet business whilst reducing our dependence on telephone wagering has continued. During the period Internet wagering increased by 11.5% to reach £23.2m and its share of fixed odds turnover was 89%. Telephone turnover was 19% less than the same period last year at £3.0m.

The trend away from telephone wagering is likely to continue as the board believes that telephone wagering is best managed as one of a number of routes to market for its core Internet customers, rather than as a 'stand-alone' operation. Internet and telephone wagering are now being managed as one operation with a common risk management approach. Back office systems are currently being adapted to reflect this.

Fixed Odds turnover has increased by 7% compared with the previous period, but, as reported above, gross margin fell to 4.3%, compared with 7.9% in the similar period last year.

The number of bets wagered over the Internet grew by 16.5% when compared with the 26 weeks to 1 December 2002, and totalled 1.05m. This is an encouraging increase considering that the corresponding period included the 2002 Soccer World Cup. Customer numbers also grew and were 65,850 at the period end, a 15.5% increase during the 26 week period.

Whilst this period has also proved tough for our competitors, your company has suffered more than most due to its specialist soccer focus. In particular, the low margin Asian Handicap proposition (i.e. eliminating the possibility of a draw) made the company vulnerable to the results from a protracted period of favourite teams winning in all the major European leagues.

Following an internal review, and with the help of external expert advice, the company has refined its trading policies and is cautiously optimistic that fixed odds margins will be restored to their previous levels. Indeed, in the 13 weeks prior to this report, the fixed odds operation achieved a gross margin of 7.9%.

The Scandinavian operations of Oddsalive.com have been fully absorbed within betinternet. The number of active customers wagering and the region's profitability have been materially below expectation, and have been a major contributory reason for our failure to absorb overheads in the first half. As a result, we no longer have any directly employed staff in the region and have scaled back our marketing expenditure to reflect a more realistic out-turn from the area. Despite this performance, Scandinavia remains our second largest market, after the Far East, and will not be ignored.

The UK is our third largest market and our market share will only grow further if we invest substantially in marketing. The board believes such action would be to the detriment of our major Far East market, where we continue to see better returns.

Pari – Mutuel Wagering

After a number of false dawns, it is pleasing to report that the Euro Off-Track operation was profitable during the period under review. A net profit of £338,000 was earned, of which the betinternet group share, was £169,000.

This business is still in a growth phase and efforts to establish a sustainable business model, although much nearer fruition, continue to be hampered by both regulatory uncertainty in the USA, and internal manoeuvrings in the US thoroughbred industry. Nevertheless, we believe that Euro Off-Track is uniquely placed to offer itself as a legitimate, recognised medium to access the vast US pari-mutuel market and provide the means by which US operators can offer their product to international customers.

Regulation

In our latest annual report we described the regulation of gaming around the world as confused. It remains so. We continue to provide a properly controlled and regulated environment for this leisure activity, and regularly review and improve our payment systems to minimise the possibility of money laundering.

The Board believes regulation will eventually coalesce and success will come to those who operate in a fully regulated jurisdiction, contribute their share of duty, and provide a safe environment for players to enjoy spending their leisure pound. We believe we already meet all these operational criteria from our Isle of Man base.

The Future

The board intends to ensure that the core sports-book business returns to profitability. The second half of the year will see the lucrative European club competitions for football reaching their climax. With a return to more usual margin levels and with the benefit from the reduction in the cost base, the company's trading performance should improve substantially.

The board also intends to build upon the success of Euro Off-Track by establishing other strategic alliances. With our partners, we are seeking ways to exploit the technical lead provided by our 'totalisator' hub, based in the Isle of Man.

Despite the disappointing nature of these results, your board, having taken appropriate corrective action, remains confident about the future prospects for the company.

Paul Doona, Managing Director 30th January 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the 26 weeks ended 30 November 2003

	Note	**Before goodwill amortisation £000**	**Goodwill amortisation £000**	**Unaudited Total £000**	Unaudited 26 weeks to 1 December 2002 £000	Audited 52 weeks to 1 June 2003 £000
Turnover including share of joint venture						
Betting stakes received						
Internet	1	**23,203**	**-**	**23,203**	20,751	50,375
Telephone	1	**2,993**	**-**	**2,993**	3,690	6,688
Joint Venture		**14,566**	**-**	**14,566**	314	1,016
		40,762	**-**	**40,762**	24,755	58,079
Less share of joint venture turnover		**(14,566)**	**-**	**(14,566)**	(314)	(1,016)
Total group turnover		**26,196**	**-**	**26,196**	24,441	57,063
Cost of sales						
Winnings paid and bets laid off	1	**(25,054)**	**-**	**(25,054)**	(22,487)	(52,826)
Betting duty paid	1	**(23)**	**-**	**(23)**	(32)	(76)
Gross profit		**1,119**	**-**	**1,119**	1,922	4,161
Administration expenses		**(2,349)**	**(109)**	**(2,458)**	(1,913)	(4,060)
Gross operating (loss)/profit		**(1,230)**	**(109)**	**(1,339)**	9	101
Share of operating profit/(loss) in joint venture		**169**	**-**	**169**	(148)	(239)
Total operating loss including share of joint venture		**(1,061)**	**(109)**	**(1,170)**	(139)	(138)
Interest		**3**	**-**	**3**	4	8
Loss on ordinary activities before and after taxation and retained loss for the period		**(1,058)**	**(109)**	**(1,167)**	(135)	(130)
Basic and diluted loss per share (pence)	3			**(1.00)**	(0.12)	(0.12)

CONSOLIDATED BALANCE SHEET
As at 30 November 2003

	Unaudited 30 November 2003 £000	Unaudited * 1 December 2002 £000	Audited 1 June 2003 £000
Fixed Assets			
Intangible Assets	**328**	-	437
Tangible Assets	**743**	817	841
	1,071	817	1,278
Current Assets			
Debtors	**1,161**	1,042	1,611
Cash at bank and in hand	**781**	1,645	1,852
	1,942	2,687	3,463
Creditors: amounts falling due within one year	**(1,484)**	(1,506)	(1,876)
Net Current Assets	**458**	1,181	1,587
Provision for Liabilities and Charges			
Investment in joint venture			
- share of gross assets	**390**	86	194
- share of gross liabilities	**(765)**	(539)	(738)
- share of net liabilities	**(375)**	(453)	(544)
Net Assets	**1,154**	1,545	2,321
Capital and Reserves			
Called up share capital	**1,167**	1,087	1,167
Share Premium	**6,928**	6,237	6,928
Profit and loss account	**(6,941)**	(5,779)	(5,774)
Equity Shareholders' Funds	**1,154**	1,545	2,321

* The unaudited balance sheet as at 1 December 2002 has been amended to reflect the reclassification of development costs, previously classified as intangible assets, as tangible assets.

CONSOLIDATED CASH FLOW STATEMENTS
For the 26 weeks to 30 November 2003

	Note	**Unaudited 26 weeks to 30 November 2003 £000**	Unaudited 26 weeks to 1 December 2002 £000	Audited 52 weeks to 1 June 2003 £000
Net cash outflow from operating activities	4	**(900)**	(513)	(995)
Returns on investments and servicing of finance		**3**	4	8
Capital expenditure	5	**(128)**	(127)	(377)
Acquisition of subsidiary		**-**	-	77
Cash outflow before use of liquid resources and financing		**(1,025)**	(636)	(1,287)
Financing	5	**-**	447	1,218
Decrease in cash in the period		**(1,025)**	(189)	(69)

Reconciliation of net cash flow to movement in net funds

	Note	**30 November 2003 £000**	1 December 2002 £000	1 June 2003 £000
Opening net funds		**1,765**	1,484	1,484
Decrease in cash in the period		**(1,025)**	(189)	(69)
Cash outflow from movement in borrowings		**-**	350	350
Closing net funds	6	**740**	1,645	1,765

NOTES TO THE ACCOUNTS

1. Segmental analysis

26 weeks to 30 November 2003	**Telephone £000**	**Internet £000**	**Total £000**
Betting stakes received	**2,993**	**23,203**	**26,196**
Winnings paid and bets laid off	**(2,896)**	**(22,158)**	**(25,054)**
Betting duty paid	**(1)**	**(22)**	**(23)**
Gross profit	**96**	**1,023**	**1,119**
Margin	**3.2%**	**4.4%**	**4.3%**

26 weeks to 1 December 2002	Telephone £000	Internet £000	Total £000
Betting stakes received	3,690	20,751	24,441
Winnings paid and bets laid off	(3,213)	(19,274)	(22,487)
Betting duty paid	(8)	(24)	(32)
Gross profit	469	1,453	1,922
Margin	12.7%	7.0%	7.9%

2. Taxation
No provision for tax is required due to the availability of losses brought forward.

3. Loss per share
The earnings per share calculation is based on the loss for the period after taxation and the weighted average number of shares in issue throughout the period.

Calculation of loss per share is based on losses of £1,167,000 (2002: £135,000) and the weighted average number of ordinary shares, being the equivalent of 116,687,027 (2002: 108,295,723) ordinary 1p shares.

The diluted loss per share is the same as the basic loss per share as the adjustment to assume conversion of dilutive ordinary shares would decrease the loss per share.

4. Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	Unaudited 26 weeks to 30 November 2003 £000	Unaudited 26 weeks to 1 December 2002 £000	Audited 52 weeks to 1 June 2003 £000
Operating (loss)/profit	**(1,339)**	9	100
Depreciation and amortisation charges	**335**	287	544
Decrease/(increase) in debtors	**450**	(219)	(787)
Decrease in creditors	**(346)**	(590)	(852)
Net cash outflow from operating activities	**(900)**	(513)	(995)

NOTES TO THE ACCOUNTS
Continued

5. Analysis of cash flows for headings netted in the cash flow statement

	Unaudited 26 weeks to 30 November 2003 £000	Unaudited 26 weeks to 1 December 2002 £000	Audited 52 weeks to 1 June 2003 £000
Capital Expenditure			
Payments to acquire tangible fixed assets	**(128)**	(127)	(382)
Receipts from sale of tangible fixed assets	**-**	-	5
	(128)	(127)	(377)
Financing			
Issue of shares including share premium	**-**	797	1,568
Repayment of borrowings	**-**	(350)	(350)
	-	447	1,218

6. Analysis of net funds

	At 1 June 2003 £000	Cash Flow £000	**At 30 November 2003 £000**
Cash in hand and at bank	1,852	(1,071)	**781**
Bank overdraft	(87)	46	**(41)**
	1,765	(1,025)	**740**

7. Basis of preparation of the financial statements

The results for the period ended 30 November 2003 are prepared in accordance with applicable accounting standards, using the same accounting policies as set out in the group accounts for the year end 1 June 2003. The interim statements are unaudited, but have been reviewed, in accordance with Auditing Practices Board guidance by the Auditors, KPMG Audit LLC, whose report is included in the interim report to be sent to shareholders.

The directors have considered the adequacy of the cash resources and working capital available to the Group for the next 12 months and, having also taken cognisance of the recent improvement in trading margins, are satisfied that the Group has adequate resources to meet its obligations as they fall due. On this basis the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

8. Other information

i) The comparative figures for the 52 weeks ended 1 June 2003 are not the company's statutory accounts for that financial period. Those accounts have been reported on by the company's auditors and delivered to the Companies Registry. The report of the auditors was unqualified.

ii) All profits derive from continuing activities.

iii) The interim statement was approved by the board on 30th January, 2004.

iv) The interim statement will be posted to shareholders on 6th February 2004. Further copies will be available for inspection from the Company's Head Office; Viking House, Nelson Street, Douglas, Isle of Man IM1 2AH; and the Company's Registered Office, Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP.

V) The Company's nominated advisor and broker is Williams de Broe, PO Box 515, 6 Broadgate, London EC2M 2RP.