



Unibet Group plc Interim Report January - September 2004

- Turnover for the third quarter 2004 amounted to GBP 52.1 (33.1) million and for the period January to September to GBP 144.9 (101.1) million.
- Gross Winnings amounted to GBP 6.1 (2.1) million for the third quarter and GBP 16.5 (7.3) million for the period January to September. Gross Winnings Margin was 11.7 (6.3) per cent and 11.4 (7.2) per cent for the same periods, respectively.
- Profit after tax for the third quarter increased to GBP 2.3 (0.2) million. Profit after tax for the period January to September increased to GBP 5.8 (0.7) million.
- Earnings per share were GBP 0.364 (0.028) for the third quarter and GBP 0.983 (0.131) for the period January to September.
- Continued strong positive cash flow from operations in third quarter of GBP 2.5 (0.3) million.
- Unibet's poker network was launched in September. Early results from this are encouraging.

"We are pleased to announce an extremely encouraging quarterly result. In this period, which is historically the quietest of the year, we have the highest quarterly post-tax profit so far in 2004."

"Although the Euro 2004 Football Championships were a success for Unibet, all European leagues are now back in full swing, and the demand from our customers reflects the popularity of this, our core business."

"In addition, we launched poker on the site in September, and the results from the last three weeks of the quarter are very positive, so far exceeding all expectations. We are hoping for continued growth in this area", comments Pontus Lesse CEO of Unibet.

Today, Tuesday 2 November 2004 Unibet's CEO Pontus Lesse and CFO Sue Ball will host a **telephone conference at 12.00 CET**. The telephone number is +46 8 500 500 92. The conference will be conducted in English. Please call in from 11.45 CET onwards.

	Q 3		January-September	
	2004	2003	2004	2003
Turnover, GBPm	52.1	33.1	144.9	101.1
Gross Winnings, GBPm	6.1	2.1	16.5	7.3
Profit after tax, GBPm	2.3	0.2	5.8	0.7
Earnings per share ¹⁾ , GBP	0.364	0.028	0.983	0.131
Registered customers	319 000	236,000	319 000	236,000

¹⁾ 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. Unibet has more than 300,000 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 third quarter 2004

On 7 September Unibet launched, together with its joint venture partner 24hBET AB (publ), a new poker product, tailor-made for the European market. This new poker network is the world's only network with an entirely European profile. Information is given to customers in 14 different languages, using the euro currency and offering local poker games. Also the network partners can offer efficient payment transactions through local bank payment systems. The aim of the network is to be one of the leading poker networks in Europe.

Significant events after the period end

The Swedish Supreme Administrative Court announced in a decision on 26 October 2004 that the Swedish Lottery Act is in accordance with EU-legislation. At the same time the EU Commission in a formal communication questioned the Swedish and the Norwegian State's sole right on operating slot machines. "The monopoly is against the EU treaty on free movement", says the Commission.

Court case

In December 2003, the Company filed a claim under Swedish private law against the Swedish state, claiming that the Company should be allowed to promote its online business in Sweden. On 8 October 2004, the Court of Appeal rejected Unibet's request for a provisional decision on marketing in the interim while the main claim is continuing in the District Court. A preliminary hearing took place on 26 October 2004. Main hearings are planned for first quarter of 2005, with a possible judgement by mid-2005.

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. Besides sports betting, which has enjoyed first mover advantage in the online arena and been the driver of online gambling, 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.

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. 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 winnings margins.

All the major sport leagues in Europe have now recommenced and customer demand increases all the time, mainly in playing on the Football leagues. Unibet has experienced two new records in turnover. September saw a new record in turnover for the month. The highest turnover in a single day in September was GBP 1.6 million.

Non-sports betting

Unibet's non-sports betting consists of poker and 18 different online casino products including table games such as Roulette, Black Jack, Caribbean Stud and Baccarat as well as video poker. Since the casino opened in November 2003, more than 60,000 customers have played on any of the games. On average 1,700 customers per day are playing.

On 7 September Internet poker was launched and has been a great success. By the end of the quarter over 19,000 customers had downloaded the software. The Unibet poker school has received a great interest with over 9,000 downloads during September.

Unibet Group plc has acquired 23 per cent of B2B Poker (Sweden) AB, the joint venture vehicle being used to maintain the poker network and has an option to increase its ownership in the future to approx. 36 per cent of the votes and shares.

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 experienced across all Unibet's geographical markets.

The 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-September 2004

Turnover

Turnover from Unibet's core sports betting business has continued to grow in the third quarter and amounted to GBP 49.9 (33.1) million. For the period January to September 2004 sports betting turnover amounted to GBP 139.2 (101.1) million.

The non-sports betting, primarily the casino introduced in November 2003, and poker launched on 7 September 2004 saw a strong turnover amounting to GBP 2.2 million for the quarter and GBP 5.7 million for the period January to September.

Total turnover for the third quarter amounted to GBP 52.1 (33.1) million and for the period January to September to GBP 144.9 (101.1) million.

In Sweden, total turnover grew by 32 per cent during the quarter compared to the same period last year. Total turnover for the rest of the Nordic countries grew by over 30 per cent. "Other" experienced a strong quarterly result, mainly due to Special trading.

Turnover by market and business segment

GBP thousand

	Q3 2004			Q3 2003	Jan - Sept 2004			Jan - Sept 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	18 853	1 257	20 110	15 179	52 847	3 329	56 176	47 625	66 192	760	66 952
Rest of Nordic	11 047	695	11 742	9 010	30 999	1 678	32 677	25 478	35 392	313	35 705
Other	20 034	257	20 291	8 945	55 350	666	56 016	28 039	40 752	133	40 885
Total	49 934	2 209	52 143	33 134	139 196	5 673	144 869	101 142	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. For the non-sports betting segment, gross winnings equate to turnover less transaction costs and commissions payable to the operator. Non-sports betting gross winnings have increased to GBP 2.0 million in the third quarter from GBP 1.5 million in the second quarter 2004, partly due to the launch of poker.

Gross winnings by market and business segment

GBP thousand

	Q3 2004			Q3 2003	Jan - Sept 2004			Jan - Sept 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	1 265	1 116	2 381	1 405	5 538	2 954	8 492	4 805	7 315	684	7 999
Rest of Nordic	969	624	1 593	544	3 066	1 496	4 562	1 910	3 170	282	3 452
Other	1 858	230	2 088	171	2 842	593	3 435	566	1 433	120	1 553
Total	4 092	1 970	6 062	2 120	11 446	5 043	16 489	7 281	11 918	1 086	13 004

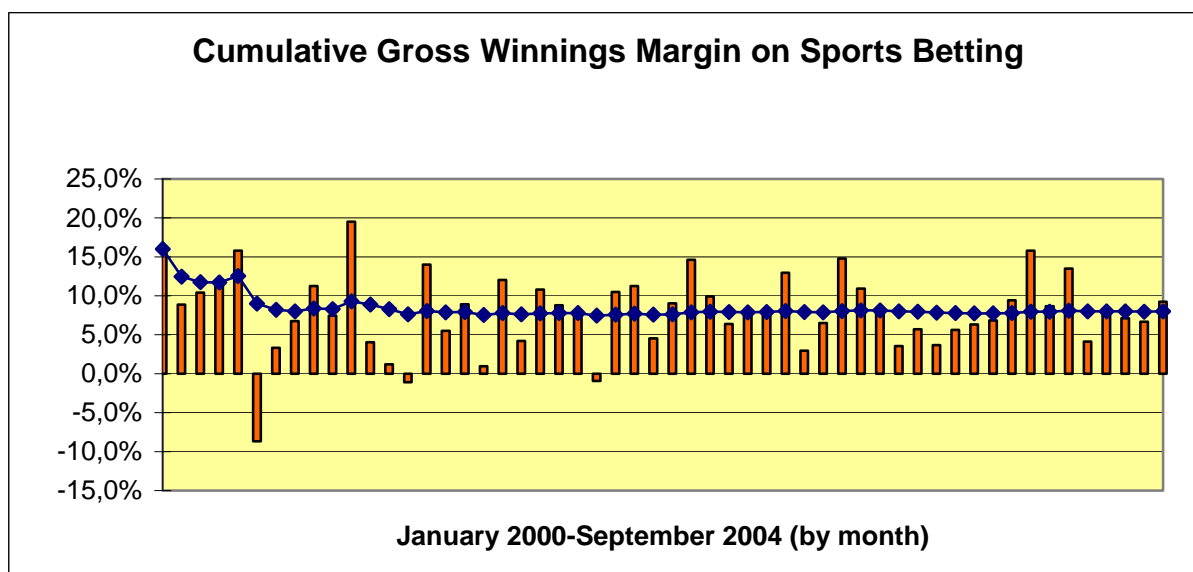
* All gross winnings relate wholly to Sports Betting

Customers

The total number of registered customers has continued to increase during the quarter and exceeded 318,000 at 30 September 2004, when at 30 June 2004, 298,000 customers were registered. At 30 September 2004, the number of active customers amounted to 68,497, compared with 72,407 active customers at 30 June 2004. An Active customer is defined as one placing a bet in the last three months. The high number of active customers seen during the second quarter is explained by the fact that the Euro 2004 championships took place during this period, which gave rise to many one-off players.

Gross winnings margin on sports betting

The gross winnings margin for sports betting for the third quarter 2004 was 8.2 (6.4) 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 September 2004 demonstrates an average of 8.2 per cent. This can be seen in the table below. The bars show gross winnings margin by month.



The gross winnings margin in Sweden on sports betting in the third quarter 2004 was 6.7 (9.3) per cent demonstrating the volatility of the margins as described above, against a background of increased turnover and numbers of active customers in the same period.

Gross profit

Gross profit for the third quarter increased three fold to GBP 5.7 (1.9) million. Gross profit for the period January to September more than doubled to GBP 15.7 (6.8) 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 third quarter 2004, administrative expenses were GBP 2.6 (1.7) million and during the period January to September GBP 7.8 (5.8) million. The administrative expenses for the quarter represented 5 per cent of turnover, an improvement over the previous quarter where they were 6.1 per cent. Of the administrative expenses in the third quarter, GBP 0.7 (0.5) million were marketing costs and GBP 1.0 (0.6) million were salaries. In the period January to September, marketing expenses were GBP 2.4 (1.9) million, and salaries were GBP 2.7 (1.9) million.

Profit from operations

Profit from operations for the third quarter was GBP 3.1 (0.2) million. Profit from operations for the period January to September was GBP 7.9 (1.0) million.

Capitalised development expenditure

These results have been prepared under International Financial Reporting Standards, which require the capitalisation of certain development costs. In the third quarter 2004, expenditure of GBP 0.2 (0.1) million, has been capitalised, bringing the period January to September total to GBP 0.7 (0.4) million.

Profit after tax

Profit after tax for the third quarter was GBP 2.3 (0.2) million. Profit after tax for the period January to September was GBP 5.8 (0.7) million.

Financial position and cash flow

The cash in hand position at the end of the third quarter stood at GBP 22.5 (5.5) million while at the beginning of the period it was GBP 20.0 (5.3) million. The Group is completely free of debt. The cash inflow for the third quarter was GBP 2.5 (0.3) million, of which GBP 3.0 (0.5) million arose from operations.

Employees

Unibet had 104 employees at the end of the quarter, compared to 80 at 31 December 2003.

Forthcoming financial reporting timetable

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, 2 November 2004

Pontus Lesse
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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****Full year**

	Q3 2004	Q3 2003	Jan - Sept 2004	Jan - Sept 2003	2003
REVENUE	52 143	33 134	144 869	101 142	143 542
Cost of sales	- 46 457	- 31 204	- 129 184	- 94 357	- 131 554
Gross profit	5 686	1 930	15 685	6 785	11 988
Administrative expenses	- 2 597	- 1 729	- 7 756	- 5 799	- 8 214
PROFIT FROM OPERATIONS	3 089	201	7 929	986	3 774
Finance costs	-	-	-	- 25	- 25
Income from investments	164	20	320	77	113
Profit before tax	3 253	221	8 249	1 038	3 862
Income tax expense	- 976	- 66	- 2 475	- 311	- 982
PROFIT AFTER TAX	2 277	155	5 774	727	2 880
Earnings per share (GBP)	0,364	0,028	0,983	0,131	0,518
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	6 262 798	5 559 098	5 871 854	5 559 098	5 559 098
Fully diluted earnings per share (GBP)	0,352	0,027	0,951	0,122	0,475
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	6 460 273	5 756 573	6 069 329	6 107 449	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

	Q3 2004	Q3 2003	Jan - Sept 2004	Jan - Sept 2003	Full year 2003
Operating margin, % (Profit from operations/revenue for the period)	5,92%	0,61%	5,47%	0,97%	2,63%
Return on equity, % (Profit after tax/average of opening and closing equity for the period)	15,0%	5,4%	54,7%	28,6%	82,1%
Return on total assets, % (Profit after tax/average of opening and closing assets for the period)	9,3%	2,1%	31,1%	10,3%	34,2%
Equity/assets ratio, %	61%	38%	61%	38%	47%
Employees at period end	104	81	104	81	80
Earnings per share (GBP)	0,364	0,028	0,983	0,131	0,518
Fully diluted earnings per share (GBP)	0,352	0,027	0,951	0,122	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	6 262 798	5 559 098	5 871 854	5 559 098	5 559 098
Average number of fully diluted shares	6 460 273	5 756 573	6 069 329	6 107 449	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.

BALANCE SHEET
GBP 000

	30 Sep	30 Sep	31 Dec
	2004	2003	2003
ASSETS			
Non-current assets			
Property, plant and equipment	1 009	973	835
Intangible assets	947	615	657
Deferred tax assets	-	-	9
	<u>1 956</u>	<u>1 588</u>	<u>1 500</u>
Current assets			
Trade and other receivables	2 319	579	330
Cash and cash equivalents	22 477	5 491	8 555
	<u>24 796</u>	<u>6 070</u>	<u>8 885</u>
TOTAL ASSETS	<u><u>26 752</u></u>	<u><u>7 658</u></u>	<u><u>10 385</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	124	111	111
Share premium	7 060	1 649	1 421
Translation reserve	6	7	9
Merger reserve	1 533	1 533	1 533
Accumulated profits	7 536	- 391	1 762
	<u>16 259</u>	<u>2 909</u>	<u>4 836</u>
Non-current liabilities			
Deferred tax liabilities	1 638	-	872
	<u>1 638</u>	<u>-</u>	<u>872</u>
Current liabilities			
Trade and other payables	6 954	4 438	4 443
Tax liabilities	1 901	311	234
	<u>8 855</u>	<u>4 749</u>	<u>4 677</u>
TOTAL EQUITY AND LIABILITIES	<u><u>26 752</u></u>	<u><u>7 658</u></u>	<u><u>10 385</u></u>
Customer balances	4 272	3 060	2 781

Reconciliation of movements in equity
GBP 000

	9 months	9 months	Full year
	2004	2003	2003
Opening balance	4 836	2 178	2 178
Movement in Share Premium	5 639	-	- 228
Increase in Share Capital	13	-	-
Translation differences	- 3	4	6
Profit and loss account	5 774	727	2 880
Closing balance	<u>16 259</u>	<u>2 909</u>	<u>4 836</u>

CONSOLIDATED CASHFLOW STATEMENT
GBP 000

	Q3 2004	Q3 2003	Jan - Sept 2004	Jan - Sept 2003	Full year 2003
OPERATING ACTIVITIES					
Profit/(Loss) from operations	3 089	201	7 929	986	3 774
Adjustments for:					-
Depreciation of property, plant and equipment	122	137	383	417	616
Amortisation of intangible assets	131	91	358	243	340
Loss on disposal of property, plant and equipment	-	1	-	1	1
Operating cashflows before movements in working capital	3 342	430	8 670	1 647	4 731
(Increase)/decrease in receivables	- 1 734	- 95	- 1 980	- 328	- 87
Increase/(decrease) in payables	1 385	201	2 511	1 293	1 308
Cash generated by operations	2 993	536	9 201	2 612	5 952
Income taxes paid	-	-	- 42	- 131	- 18
Interest paid	-	-	-	- 25	- 25
NET CASH FROM OPERATING ACTIVITIES	2 993	536	9 159	2 456	5 909
INVESTING ACTIVITIES					
Interest received	164	20	320	77	113
Sale of trade investment	-	41	-	41	41
Proceeds of disposal of property, plant and equipment	-	-	-	-	-
Purchases of property, plant and equipment	- 395	- 204	- 557	- 548	- 582
Costs of intangible assets	- 151	- 138	- 648	- 414	- 553
NET CASH USED IN INVESTING ACTIVITIES	- 382	- 281	- 885	- 844	- 981
FINANCING ACTIVITIES					
Repayment of borrowings including equity element	-	-	-	1 000	- 1 000
Proceeds from issue of ordinary share capital	- 114	-	5 652	-	- 228
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	- 114	-	5 652	- 1 000	- 1 228
NET INCREASE IN CASH AND CASH EQUIVALENTS	2 497	255	13 926	612	3 700
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19 977	5 313	8 555	4 917	4 917
Effect of foreign exchange rate changes	3	- 77	- 4	- 38	- 62
CASH AND CASH EQUIVALENTS AT END OF PERIOD	22 477	5 491	22 477	5 491	8 555