


**EMPIRE ONLINE LIMITED MAIDEN INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2005**

Empire Online Limited (the "Company" or "Empire Online"), a leading provider of marketing services to the online gaming industry, today announces its interim results for the six months ended 30 June 2005.

**OPERATING AND FINANCIAL HIGHLIGHTS:**

- Successful listing on AIM raising approximately \$222m before expenses of \$13.7m.
- Interim dividend of US 3.4 cents per Ordinary Share.

**Pro forma:**

- Net gaming revenues up 97.2% to \$49.7m (H1 2004: \$25.2m).
- Gross profit up 75.7% to \$25.3m (H1 2004: \$14.4m).
- Profit before taxation up 87.5% to \$25.5m (H1 2004: \$13.6m).
- Number of New Real Money Players acquired by the Company during  
H1 2005 (Poker and Casino) rose by 101% to 92,213 (H1 2004: 45,862).
- Increase of 222% in Poker Active Player Days 2,846,549 (H1 2004: 885,339)

Pro forma is defined as the aggregation of the results of the company for the six months till 30 June 2005 and the results of Tradal Limited till May 31, 2005.

Commenting on the results, Noam Lanir, CEO of Empire Online Limited, said:  
'Empire Online has experienced a strong half-year and remains focused on rapid growth while containing costs. The resource for the half-year show that these two core objectives have been achieved despite investing in operations to support continued growth and management's focus on successfully taking the Company public. 2005 is shaping up to be a landmark year for the Company'.

There will be a presentation to analysts at 9.00am today at Citigate Dewe Rogerson, 3 London Wall Buildings, London EC2M 5SY. For further investor information please go to <http://investors.ep.com/>

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**FINANCIAL RESULTS**

The "pro forma" statements refer to the aggregated results of the company and Tradal Limited as if they were one operating company for the entire period under review.

**POKER:** The Group's poker revenues have grown rapidly in H1 2005, with all elements meeting the Board's expectations.

- Pro Forma Poker revenue up 180.6% to US\$39.0m (H1 2004: US\$13.9m).

**CASINO:** Casino net revenues have dropped off a little from last year's levels due to an extraordinary series of Jackpots won by the Company's players in excess of, US\$1 million, in aggregate.

- Pro Forma Casino revenue down 6.1% to US\$10.7m (H1 2004: US\$11.4m).

**Pro Forma Financial Results for the Group. See note (6)**

Revenue up 97.2% to US\$49.7m (H1 2004: US\$25.2m).

Cost of sales for the six months ended 30 June 2005 up 125.9% to \$24.4m (H1 2004: \$10.8m).

Gross profit of US\$25.3m, up 75.7% (H1 2004: US\$14.4m).

Gross margin decreased to 50.9% (H1 2004: 57.0%).

The increase in the cost of sales is due to the Company investing in further strong future growth and relates to, inter alia, an increase in offline activities.

Administrative expenses grew to \$1.1m (H1 2004 US\$1.0m).

The percentage of administrative expenses to revenue decreased from 4% at H1 2004 to 2% at H1 2005.

Operating profit for 2005 H1 was up 83.6% to US\$24.6m (2004: US\$13.4m).

Net finance income increased 312.9% to \$0.9m (H1 2004 \$0.2m).

Profit before taxation increased by 87.6% to \$25.5m (2004: US\$13.6m).

Basic and diluted earnings per share were \$0.09 (H1 2004: US\$0.05).

During the six months ended 30 June 2005, the group generated cash from operating activities of \$21.8 (2004 US\$37.4).

In H1 2004 the company granted the shareholders loans of US\$16.4m.

These loans were set against dividend in 2005.

**Q2 2005 SUMMARY****FINANCIAL RESULTS**

During the second quarter of 2005 the Company has continued its planned offline marketing scheme, which has delivered positive results. The Company is planning to launch offline campaigns in four more countries during the next six months.

Key highlights pro forma for Q2 2005 include:

- Strong net gaming revenues at US\$25.3m.
- Poker revenue of US\$20.3m and casino revenue of US\$ 5.0m.

The casino revenue decrease is explained by an extraordinary series of Jackpots won by the Company's players in excess of US\$1 million.

- Net profit of US\$13.1m.

**KEY PERFORMANCE INDICATORS (KPIs)**

- Number of New Real Money Players acquired by the Company during the second quarter was 42,772 (Poker 32,934 and Casino 9,838). The decrease is explained by seasonality in the business.
- Number of Active Players (players who played for real money during the last 90 days) increased to 126,507 (Poker 102,698 and Casino 23,809).
- Average Number of Active Players per day (Average real money players playing during a day for Poker and Casino) increased to 17,555 (Poker 16,229 and Casino 1,326).

**PUBLIC SHARE OFFERING**

On June 15, 2005 the company successfully floated its shares on AIM. The Placing comprised a total of 70,555,556 shares, representing 24.1 per cent of the enlarged issued share capital of the company, at 175p per Ordinary Share.

Following admission, the number of Ordinary shares in issue was 292,777,772.

Based on the Placing Price, the market capitalisation of Empire Online on commencement of dealings in the Ordinary Shares was £512m.

Gross proceeds of the Placing was approximately £123.47m (US\$222.3m.) Flotation expenses were approximately US\$13.7m.

On 1 June 2005, the Group purchased certain trade and assets of Tradal Limited, a company involved in the provision of marketing services for e-gaming activities over the Internet for £97.2m.

Although Empire Online and Tradal Limited had essentially the same controlling shareholders and management and have effectively operated as sister companies, they have not and do not form part of the same corporate group.

**DIVIDEND**

As set out in the AIM Admission document issued by the Company dated 10 June 2005, it is the Directors' intention that the Company should pay dividends to Shareholders in respect of the year ending 31 December 2005 of approximately US\$30 million.

The Directors have pleasure in declaring a dividend in respect of the six months ended 30 June 2005 of US\$10 million, being 3.4 cents per Ordinary Share.

The dividend will be paid on September 12, 2005 to Shareholders on the register at the close of business on August 10, 2005.

**REVIEW OF OPERATIONS**

Empire Online Limited

**KEY PERFORMANCE INDICATORS (KPIs)**

In the six months ended 30 June 2005, Empire Online Limited has made strong progress across the business. The number of registered customers has increased by 92,213 to 496,213.

<b>Key performance indicators (KPIs)</b>		<b>H1 2005</b>	<b>H1 2004</b>	<b>Change %</b>
(1) Number of New Real Money Players acquired	Company	92,213	45,862	101
	Poker	70,567	27,680	155
	Casino	21,646	18,182	19
(2) Number of Active Players (players who played for real money during the last 90 days)	Company	126,507	51,367	146
	Poker	102,698	32,147	219
	Casino	23,809	19,220	24
(3) Average number of Active Players per day (Average Real Money players playing during a day)	Company	17,120	6,037	184
	Poker	15,724	4,865	223
	Casino	1,396	1,172	19
(4) Number of New Real Money Players acquired outside the USA	Company	30,739	12,072	155
	Poker	21,808	5,075	330
	Casino	8,931	6,997	28
(5) Poker Active Player Days – (i.e the number of days each player generates rake)		2,846,549	885,339	222

#### TRADING OUTLOOK

Trading has been strong during the first month following the World Series of Poker. This level of activity is consistent with the Board's expectations.

#### STRATEGIC UPDATE

The Company aims to pay particular attention to expanding its player base in targeted European countries in the medium term, with the intention of raising its profile and reducing the Group's reliance on the North American market.

However, Empire Online will also continue to pursue its existing strategies in relation to its primary markets of the United States and Canada to maintain its strong position in these markets.

The Company intends to increase its offline activity and branding campaigns in targeted European countries.

The Company intends to use a part of the proceeds of the Placing to fund the acceleration of its plans to penetrate these identified countries by the end of the year.

The Group is reviewing its strategy going forward and may also seek agreements with online gaming operators with which it is not already working to allow Empire Online to direct players to those operators' gaming websites.

The company is planning to launch, in the near future, an online multi player backgammon platform. The platform will allow players to play with other players for fun and real money.

The company is planning to use the platform developed for other multi player games.

The company has appointed Mr. Andrew Burnett, a leading leisure and gaming analyst and latterly corporate financier at Numis Securities as a consultant to lead its mergers and acquisitions drive.

Andrew Burnett was a member of the team at Numis Securities, which advised the company during its recent placing in London. He will also play an active role in Investor Relations advice and support.

#### Financial results

##### Empire Online Limited consolidated Income Statements for six months 30 June 2005

	<b>Period ended 30 June 2005</b>	<b>Period ended 30 June 2004</b>	<b>Year Ended 31 December 2004</b>
	<b>\$000 Unaudited</b>	<b>2004 \$000 Unaudited</b>	<b>\$000 Audited</b>
<b>Net gaming revenue</b>	41,953	17,344	48,319
Cost of sales	(20,838)	(7,993)	(20,716)
<b>Gross profit</b>	21,115	9,351	27,603
Other income	415	-	-
Administrative expenses	(1,028)	(863)	(1,643)
<b>Operating profit</b>	20,502	8,488	25,960
Net finance income	695	112	266
<b>Profit before taxation</b>	21,197	8,600	26,226
Taxation	(3)	-	-
<b>Profit after taxation for the period</b>	21,194	8,600	26,226
	-	-	-
<b>Earnings per share</b>			
Basic	\$0.86	\$79.96	\$243.85
Diluted	\$0.86	\$79.96	\$243.85

#### Empire Online Limited

##### Consolidated balance Sheet as at 30 June 2005

	<b>As at 30 June 2005</b>	<b>As at 30 June 2004</b>	<b>As at 31 December 2004</b>
	<b>\$000 Unaudited</b>	<b>\$000 Unaudited</b>	<b>\$000 Audited</b>

<b>Assets</b>			
<b>Non-current assets</b>			
Intangibles	175,750	381	794
<b>Current assets</b>			
Trade and other receivables	7,413	12,080	18,331
Cash and cash equivalents	43,958	1,748	14,830
	<u>51,371</u>	<u>13,828</u>	<u>33,161</u>
<b>Total assets</b>	<u>227,121</u>	<u>14,209</u>	<u>33,955</u>
<b>Equity</b>			
Share capital	-	1	1
Share premium	210,251	604	604
Retained earnings	12,317	12,540	30,166
<b>Total equity</b>	<u>222,568</u>	<u>13,145</u>	<u>30,771</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,550	1,064	3,184
Current tax payable	3	-	-
<b>Total liabilities</b>	<u>4,553</u>	<u>1,064</u>	<u>3,184</u>
<b>Total equity and liabilities</b>	<u>227,121</u>	<u>14,209</u>	<u>33,955</u>

**Consolidated statement of changes in equity for the period ended 30 June 2005**

Note	Share capital \$000	Share premium \$000	Retain Earnings \$000	Total \$000
<b>Balance at 1 January 2004</b>	1	-	3,940	3,941
Net profit for the period	-	-	26,226	26,226
Issue of Share Capital	-	604	-	604
<b>Balance at 31 December 2004</b>	1	604	30,166	30,771
Net profit for the period	-	-	21,194	21,194
Issue of Share Capital	-	209,646	-	209,646
Adjustment *	(1)	1	-	-
Dividends Paid	-	-	(39,043)	(39,043)
<b>Balance at 30 June 2005</b>	-	210,251	12,317	222,568

\* Shares in issued of 31 December 2004, had a par value of US \$0.01 each. On 15 June 2005 these shares were converted and reclassified to 2,066.222427 each to ordinary shares of no par value.

**Empire Online Limited****Consolidated Cash Flow statement of cash flows for the six months ended 30 June 2005**

	Period ended 30 June 2005 \$000 Unaudited	Period ended 30 June 2004 \$000 Unaudited	Year Ended 31 December 2004 \$000 Audited
<b>Cash flows from operating activities</b>			
Profit before taxation	21,197	8,600	26,226
<b>Adjustments for</b>			
Depreciation and amortisation	242	127	173
Interest income	(712)	(130)	(309)
Interest expense	17	18	-
	<u>20,744</u>	<u>8,615</u>	<u>26,090</u>
<b>Changes in working capital</b>			
(Increase)/Decrease in trade and other receivables	(6,795)	1,416	881
Increase in trade and other payables	1,230	510	2,630
Increase/(decrease) in related party balances	5,345	(383)	(4,739)
	<u>(220)</u>	<u>1,543</u>	<u>(1,228)</u>
<b>Net cash generated from operating activities</b>	20,524	10,158	24,862

<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(175,198)	(508)	(967)
Interest income received	712	130	309
<b>Net cash used in investing activities</b>	<b>(174,486)</b>	<b>(378)</b>	<b>(658)</b>
<b>Cash flows from financing activities</b>			
Repayments/(advance) of loans by/to shareholders	12,504	(9,779)	(11,139)
Dividends paid	(39,043)	-	-
Proceeds from issue of shares	209,646	-	-
Interest paid	(17)	(18)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>183,090</b>	<b>(9,797)</b>	<b>(11,139)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>29,128</b>	<b>(17)</b>	<b>13,065</b>
Cash and cash equivalents at the beginning of the period	14,830	1,765	1,765
<b>Cash and cash equivalents at the end of the period</b>	<b>43,958</b>	<b>1,748</b>	<b>14,830</b>

Empire Online Limited

Notes to the financial information

Six months ended 30 June 2005

#### 1. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are companies controlled by Empire Online Limited. Control exists where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date the parent gained control until such time as control ceases.

The financial statements of the subsidiaries are included in the consolidated financial statements using the acquisition method of accounting. On the date of the acquisition the assets and liabilities of a subsidiary are measured at their fair values and any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Intercompany transactions and balances are eliminated on consolidation.

#### 2. Basis of preparation

These results have been prepared on the basis of the accounting policies expected to be adopted in the Company's full year financial statements, and are not expected to be significantly different from those set out in the Group's audited financial statements for the quarter ended 31 March 2005, with the exception of goodwill which was not present at 31 March 2005.

Goodwill is initially measured at cost, being the excess of the consideration paid over the net fair value of the assets acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

Goodwill is reviewed, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The results are in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS") and interpretations adapted by the International Accounting Standards Board ("IASB").

The financial information for the period ending 30 June 2004 is extracted from the Group's financial statements for the year ended 31 December 2004.

#### 3. Earnings per share

##### Basic earnings per share

Basic earnings per share have been calculated by dividing the net profit attributable to ordinary shareholders (profit for the year) by the weighted average number of shares in issue during the year.

	<b>Period ended</b>	<b>Period ended</b>	<b>Year Ended 31 December 2004</b>
	<b>30 June</b>	<b>30 June</b>	
	<b>2005</b>	<b>2004</b>	
Net profit attributable to ordinary shareholders (\$000)	21,194	8,600	26,226
Weighted average number of ordinary shares/ (number)	24,505,698	107,550	107,550
Basic earnings per share (\$)	\$0.86	\$79.96	\$243.85
Weighted average number of ordinary shares/ (number)	24,564,494	107,550	107,550
Diluted earnings per share (\$)	\$0.86	\$79.96	\$243.85

There are potentially dilutive shares in existence at the period end. Diluted earnings per share have been calculated by dividing the net profit attributable to ordinary shareholders (profit for the year) by the weighted average number of shares in issue during the period.

## 4. Acquisition of trade and certain assets from Tradal Limited.

With effect from 1 June 2005 the Group purchased certain trade and assets of Tradal Limited, a company incorporated in St Vincent and the Grenadines, a company involved in the provision of marketing services for e-gaming activities over the Internet. The cash consideration for the purchase of approximately £97.2 million being considered by both parties to be the fair value of the assets acquired at the acquisition date. The goodwill generated represents the difference between the fair market value of the assets acquired as at the date of acquisition and the consideration paid. Full consideration was paid on the date of acquisition.

The assets acquired are summarised in the following table:

	\$'000
Intangible assets including software and website design cost	83
Net assets	83
Fair value of assets acquired	83
Consideration	175,000
Goodwill	174,917

## 5. Dividend

On 9 June 2005, the Company declared dividends totaling \$39m, representing \$363.02 per share. Of the total amount declared, \$7m was paid in cash and the balance of \$32m was applied to settle outstanding shareholder loan balances.

## 6. Pro Forma aggregation of the income statements and statements of cash flows for both Empire Online Limited and Tradal Limited

To provide comparable financial information with that included within the prospectus, the aggregation of the income statements for both Empire Online Limited and Tradal Limited are shown below. This aggregation has been prepared from the audited financial statements for the year ended 31 December 2004 and quarter ended 31 March 2005, and the unaudited results for the quarter to 30 June 2005. The financial statements of the Company and Tradal Limited have been prepared for the same reporting period, using consistent accounting policies.

	3 months ended 30 June 2005	3 months ended 30 June 2004	6 months ended 30 June 2005	6 months ended 30 June 2004	12 Months ended 31 December 2004
	2005 \$000 Unaudited	2004 \$000 Unaudited	\$000 Unaudited	\$000 Unaudited	\$000 Audited
<b>Net gaming revenue</b>	25,330	13,814	49,744	25,203	65,186
<b>Cost of sales</b>	(12,516)	(5,489)	(24,439)	(10,837)	(26,192)
<b>Gross profit</b>	12,814	8,326	25,305	14,366	38,994
Other income	415	-	415	-	-
Administrative expenses	(537)	(685)	(1,134)	(992)	(1,827)
<b>Operating profit</b>	12,692	7,640	24,586	13,374	37,167
Net finance income	436	107	925	224	531
<b>Profit before taxation</b>	13,128	7,747	25,511	13,598	37,698
Taxation	(8)	(4)	(15)	(8)	(16)
<b>Profit after taxation</b>	13,120	7,743	25,496	13,590	37,682
<b>Earnings per share</b>	-	-	-	-	-
Basic	\$0.04	*\$0.03	\$0.09	* \$0.05	* \$0.13
Diluted	\$0.04	*\$0.03	\$0.09	* \$0.05	* \$0.13

\* Calculated as for the number of shares after the June 2005 placing.

	<b>6 months ended 30 June</b>	<b>12 months ended 31 December 2004</b>
	<b>2005 \$000 Unaudited</b>	<b>\$000 Audited</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	25,511	37,698
<b>Adjustments for</b>		
Depreciation and amortisation	299	317
Interest income	(951)	(625)
Interest expense	22	
Non cash item: aggregation adjustments	-	(3,384)
	<u>24,881</u>	<u>34,006</u>
<b>Changes in working capital</b>		
Decrease/(increase) in trade and other receivables	(6,715)	855
(Decrease)/increase in trade and other payables	2,311	2,386
Taxation (paid)/received	(26)	1
(Increase)/decrease in trading investments	-	104
Change in related party balances	1,377	-
	<u>(3,053)</u>	<u>3,346</u>
<b>Net cash (used in)/generated from operating activities</b>	21,828	37,352
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(48)	(152)
Purchase of intangible assets	(175,253)	(1,037)
Interest income received	951	627
<b>Net cash used in investing activities</b>	<u>(174,350)</u>	<u>(562)</u>
<b>Cash flows from financing activities</b>		
Advance of loans to shareholders	12,533	(16,413)
Dividends paid	(39,043)	(5,004)
Proceeds from issue of shares	209,646	-
Interest paid	(22)	-
<b>Net cash used in financing activities</b>	<u>183,114</u>	<u>(21,417)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	30,592	15,373
Cash and cash equivalents at the beginning of the period	21,835	6,462
<b>Cash and cash equivalents at the end of the period</b>	<u>52,427</u>	<u>21,835</u>