

EMPIRE ONLINE LIMITED MAIDEN PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2005

Empire Online Limited (the "Company" or "Empire Online"), a leading multi-channel online gaming and marketing services company, today announces its maiden preliminary results for the year ended 31 December 2005.

OPERATING HIGHLIGHTS:

- Successful acquisitions of Club Dice casino and bingo platforms and Noble Poker, the largest poker operator on the iPoker network
- Final dividend of US6.8cents (3.9pence) per Ordinary Share
- Successful listing on AIM market raising \$222m in gross proceeds
- Assignment of Empire Online's PartyGaming related 'skin' operations to PartyGaming for \$250 million cash

FINANCIAL HIGHLIGHTS:

- Reported net gaming revenues up 102% to \$97.4m (2004: \$48.3m.) Reported profit after amortisation and non recurring charges before taxation up 57% to \$41.2m (2004: \$26.2m)
- Pro forma* net gaming revenues up 61% to \$105.2m (2004: \$65.2m)
- Pro forma* gross profit up 33% to \$51.9m (2004: \$38.9m)
- Pro forma* profit before amortisation and non recurring charges up 33% to \$50.1m (2004: \$37.7m)
- Active Real Money Players at the end of 2005 rose by 59% to 165,310 (2004: 104,177)

Commenting on the results, Noam Lanir, CEO of Empire Online Limited, said: "2005 was an extremely busy year for Empire with our successful listing on the AIM market of the London Stock Exchange and our evolution from a marketing services provider to a successful online gaming platform. We are extremely pleased with the performance of the Company during the period, and are very encouraged with the growth in both our poker and casino offerings globally and in particular in geographical territories outside of the USA.

The Company added around 450 new real money sign ups per day in the first 4 weeks of March in the new financial year. The Board reiterates its confidence in achieving an EBITDA of \$37m for the year to 31 December 2006."

*The pro-forma financial information has been prepared so as to provide comparable information for the transitional year of 2005 during which certain assets were acquired by the Group from Tradal Ltd, a related company incorporated in St. Vincent and the Grenadines. Further details are disclosed within this statement.

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/company_information.htm

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Sarah Gestetner
Ged Brumby
Chairman's Statement

I would like to welcome all shareholders and investors to Empire Online's maiden preliminary results.

This has been a big year of change for all at Empire Online and I would like to express my gratitude to Noam Lanir and the rest of the directors and staff for all of their efforts during this period. Noam has a great understanding of this sector and I believe that with his ongoing enthusiasm and experience the Company is extremely well placed to meet the challenges ahead.

Following the settlement from PartyGaming, Empire Online is in a very strong position financially. The \$250m received is currently on deposit and is available to finance the acquisition of complementary businesses that can be acquired at a sensible price. The sector is widely expected to go through a period of consolidation and the Company is uniquely placed to emerge as one of the key players in the industry.

Opportunities for organic growth also remain strong and are being achieved with admirable geographic diversity. At the same time we have significant downside protection to the Company in the unlikely event of any disruption to our US business through any regulatory activities.

Diluted earnings per share after amortisation and non recurring charges were US16.0cents per share for the year. The Board is pleased to recommend a final dividend of \$20m which is US 6.8cents (3.9pence) per share. Subject to approval at the Company's AGM, the Company anticipates that the final dividend will be paid in early June.

Together with the interim dividend of \$10m or US3.4cents (1.9pence) per share, this takes the dividends paid to shareholders since the IPO to \$30m or US10.2cents (5.8pence) per share. The Board reiterates its intention to continue with a 50% dividend payout ratio going forward.

The opportunities that lie ahead are excellent and the Board remains extremely confident about the future business and profitability of Empire Online.

Lord Steinberg
Chairman

Chief Executive's Review

2005 has been a year of considerable change for the Company. We end the year in a strong and secure position with the last six months in particular seeing a remarkable transformation in the Company. At the time of our IPO in June we were principally a provider of marketing services to two of the largest online gaming companies in their respective fields: CasinoOnNet

and PartyPoker. Now, we have an established and fast growing Licensed Gaming business which operates its own platforms (Club Dice and Noble Poker) and have \$250m cash at our disposal to pursue acquisitions which will enable us to play a leading part in industry consolidation.

Operating Review

The twelve months to 31st December 2005 has seen further continued growth across all aspects and areas of the Company, albeit in a manner different to that anticipated at the time of the Company's IPO in June 2005. The number of registered customers across the Group has risen over the course of the twelve months ending 31st December 2005, by 185,456 (2004: 121,257).

Growth in our casino business has led to a total number of active players at the end of the year of 42,304 (2004: 32,711). Total pro-forma revenues for the division were \$31.4m (2004: \$21.8m) for the year which generated a pro-forma gross profit of \$16.6m (2004: \$14.7m) for the year on a pro-forma gross profit margin of 51% (2004: 67%).

In addition, growth in our poker business has led to a total number of active players at the end of the year of 123,006 (2004:71,466). Total pro-forma revenues for the division were \$73.8m (2004: \$43.3m) for the year which generated a pro-forma gross profit of \$35.3m (2004: \$24.3m) for the year on a pro-forma gross profit margin of 48% (2004: 56%).

We have seen growth across Key Performance Indicators (KPI's) at our Club Dice casino suite and our Noble Poker brand. Both of these platforms were acquired in August 2005, with the aim of reducing our reliance on our two technology providers at the time and to establish our move into licensed gaming, where we own and operate our own gaming license.

This growth has been achieved along with a relentless focus on cost containment. The average cost of acquiring a new real money player across the group during 2005 was \$230 (2004: \$220). The Board believes that the stability of this metric, along with the Company's ability to sustain a high level of player acquisition emphasises the deliverability of future incremental profits.

Club Dice Casino

Empire Online completed the acquisition of the Club Dice Casino suite in August. The cost of the acquisition was \$46.6m.

Club Dice has seen substantial growth in revenues and new sign ups since inception. At the end of 2005, the Club Dice platforms in aggregate had 26,790 active players. The net revenue per day averaged \$79,946 during the fourth quarter (Q4) of 2005, compared to an average daily income of \$65,334, an increase of 22.4% on the third quarter (Q3) of 2005.

Noble Poker

Empire Online completed the acquisition of the player database, brand and intellectual property of Noble Poker in August 2005. Noble Poker is the largest poker operator on the Playtech iPoker network, one of the fastest growing poker networks on the internet. The cost of the acquisition was \$3.6 million.

The Company has implemented strategies to help drive the rate of growth in new daily signups. This has been successfully executed with Noble Poker achieving an average of 138 new real money signups per day during the fourth quarter of 2005 against 118 new real money player signups during the third quarter of 2005. The number of active players was 29,585 at the end of the fourth quarter of 2005, against 21,809 at the end of the third quarter.

Industry Consolidation / Mergers and Acquisitions

For many years, the industry has talked of consolidation. Now, we are starting to see that talk become reality. Empire Online has always seen its role at the centre of this consolidation, believing that our core expertise in marketing is better leveraged across a larger platform. The Company has always expressed its intention to pursue industry-consolidating deals as and when they become available. The large number of online gaming sites and the increasingly higher barriers to profitable scale mean that consolidation will be seen by many operators as an attractive exit going forward.

I believe that the cash reserves available to the Company, along with the ability to use its equity give the Company considerable flexibility in pursuing merger and acquisition activity over the remainder of the year. Our focus is to extend the range of the products that we can offer our customers, including a sportsbook. We will assess areas of geographical acquisition in-line with regulatory and legislation trends.

Industry Regulation

Since the beginning of the year there has been renewed activity in the US Congress to bring forward bills that seek to either ban the use of financial instruments for online gaming or extend existing federal laws to prohibit US citizens from online gaming completely. Having established this Company in 1998, I am used to US regulatory threats as an ever present 'soundtrack' to the industry.

I cannot offer investors any certainty that prohibitive legislation will not pass Congress, but as CEO of Empire Online, it is my duty to take all actions necessary to position this Company so that it maximises its exposure to the upside from this industry and minimises the risks. Our Mergers and Acquisitions function will seek to exploit, from a position of strength, any opportunities that may arise from adverse legislation being passed.

Financial Review

Pro-forma net gaming revenue for the year ended 31 December 2005 was \$105.2m (12 months to December 2004: \$65.2m), earning a pro-forma gross margin of \$51.9m (2004: \$39.0m) at 49.3% of turnover (2004: 59.8%). The reduction in pro-forma gross margin has arisen from additional marketing costs incurred in order to stabilise the EmpirePoker platform following the separation from PartyPoker on 8th October 2005. Additionally, significant offline campaigns were undertaken throughout 2005, which initially yield a lower gross margin than the Company's main online marketing activities.

Pro-forma profit before tax was \$50.1m (2004: \$37.7m), before amortization and non recurring costs of \$4.5m (2004: nil.)

Pro-forma diluted earnings per share before amortisation and non-recurring costs were 19cents (2004: \$350). Pro-forma diluted earnings per share after amortisation and non-recurring costs were 17cents (2004: \$350).

During the year ended 31 December 2005, the Company generated pro-forma cash from operating activities of \$77.2m (2004: \$37.4m). As at 31 December 2005 the Company had \$16.3m (2004: \$21.8m) of cash and liquid resources on its balance sheet.

Trading Outlook

During the first 4 weeks of March in the new financial year the rate of new real money player growth was around 450 per day. The Company continues to believe that growth opportunities for all its platforms remain strong. In particular, the Company is pleased to note that more than 50% of new daily signups originate from outside of the USA. The cost of acquiring new customers continues to fall on a quarter by quarter basis.

On the current rate of growth, the Company reiterates its confidence in achieving an EBITDA of \$37 million for the current year.

Noam Lanir

Chief Executive

Consolidated Income Statement

for the year ended 31 December 2005

	Pre-amortisation and non recurring items 2005	Amortisation and non recurring items 2005	2005	2004
Note	2005			
	\$000	\$000	\$000	\$000

Net gaming revenue		97,389	-	97,389	48,319
Cost of sales		(49,644)	-	(49,644)	(20,716)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross profit		47,745	-	47,745	27,603
Administrative expenses	2	(3,171)	(4,581)	(7,752)	(1,643)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit	3	44,574	(4,581)	39,993	25,960
Finance expenditure		(55)	-	(55)	(43)
Finance income		1,246	-	1,246	309
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit before taxation		45,765	(4,581)	41,184	26,226
Taxation		(10)	-	(10)	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit after taxation for the period		45,755	(4,581)	41,174	26,226
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings per share					
Basic earnings per share (\$)	4	\$0.18		\$0.16	\$ 243.85
		<u> </u>		<u> </u>	<u> </u>
Diluted earnings per share (\$)	4	\$0.17		\$0.16	\$ 243.85
		<u> </u>		<u> </u>	<u> </u>

Dividends

Proposed final dividend per share (\$)			\$0.07	-
			<u> </u>	<u> </u>
Proposed final dividend (\$000)			20,000	-
			<u> </u>	<u> </u>
Dividends paid during the period per share (\$)			\$0.10	-
			<u> </u>	<u> </u>
Dividends paid during the period (\$000)			49,043	-
			<u> </u>	<u> </u>

The notes on pages 10 to 11 form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2005

	Note	2005 \$000	2004 \$000
Assets			
Non-current assets			
Property, plant and equipment		119	-
Intangible assets		224,628	794
		<u>224,747</u>	<u>794</u>
Current assets			
Trade and other receivables		11,431	18,331
Cash and cash equivalents	5	16,297	14,830
		<u>27,728</u>	<u>33,161</u>
Total assets		<u>252,475</u>	<u>33,955</u>
Equity			
Share capital		-	1
Share premium		209,807	604
Share option reserve		277	-
Retained earnings		22,297	30,166
Total equity		<u>232,381</u>	<u>30,771</u>
Liabilities			
Current liabilities			
Trade and other payables		20,088	3,184
Current tax payable		6	-
Total liabilities		<u>20,094</u>	<u>3,184</u>
Total equity and liabilities		<u>252,475</u>	<u>33,955</u>

These Financial Statements were approved by the Board of Directors on the 3rd of April 2006.

The notes on pages 10 to 11 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

Share Share Share Accumulated

	capital	premium	Option reserve	profits	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2004	1	-	-	3,940	3,941
Share capital issued	-	604	-	-	604
Net profit for the year	-	-	-	26,226	26,226
Balance at 31 December 2004	1	604	-	30,166	30,771
Net profit for the period	-	-	-	41,174	41,174
Issue of new share capital	(1)	222,601	-	-	222,600
IPO expenses	-	(13,398)	-	-	(13,398)
Share option reserve	-	-	277	-	277
Dividends paid	-	-	-	(49,043)	(49,043)
Balance at 31 December 2005	-	209,807	277	22,297	232,381

The notes on pages 10 to 11 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2005

	Note	2005 \$000	2004 \$000
Cash flows from operating activities			
Profit before tax		41,184	26,226
Adjustments for			
Depreciation and amortisation		2,898	173
Interest income		(1,159)	(309)
Interest expense		55	-
Equity settled share options		277	-
		43,255	26,090
Changes in working capital			
Decrease in trade and other receivables		6,900	881
Increase/ (decrease) in trade and		16,904	(2,109)

	Note	2005 \$000	2004 \$000
other payables			
Taxation paid		(4)	-
		-----	-----
		23,800	(1,228)
		-----	-----
Net cash generated from operating activities		67,055	24,862
		-----	-----
Cash flows from investing activities			
Purchase of property, plant and equipment		(131)	-
Purchase of intangible assets		(5,528)	(967)
Acquisition of business		(221,192)	-
Interest income received		1,159	309
		-----	-----
Net cash used in investing activities		(225,692)	(658)
		-----	-----
Cash flows from financing activities			
Advance of loans to shareholders		-	(11,139)
Dividends paid		(49,043)	-
Proceeds from issue of shares		209,203	-
Share capital cancellation		(1)	-
Interest paid		(55)	-
		-----	-----
Net cash from/(used in) financing activities		160,104	(11,139)
		-----	-----
Net increase in cash and cash equivalents		1,467	13,065
		-----	-----
Cash and cash equivalents at the beginning of the year	5	14,830	1,765
		-----	-----
Cash and cash equivalents at the end of the year	5	16,297	14,830
		-----	-----

The notes on pages 10 to 11 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation

The audited financial statements of Empire Online have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The significant accounting policies applied in the Financial Statements of the Group in the prior years have been applied consistently in these Financial Statements. The Group adopted for the first time IFRS 2 Share Based Payments and IFRS 3 Business Combinations in 2005. The adoption of the above had no impact on prior years.

The financial information is presented in US dollars because that is the currency in which the Group primarily operates.

2. Amortisation and non recurring items

Amortisation and non recurring items refer to:

2.

	2005 \$000	2004 \$000
Amortisation of intangible assets	2,266	-
Amortisation of share options	277	-
IPO related expenses	587	-
Non recurring expenses	1,451	-
	<u>4,581</u>	<u>-</u>

3. Operating Profit

3.

	2005 \$000	2004 \$000
Operating profit is stated after charging:		
Administration services	936	1,460
Depreciation	12	260
Amortisation	2,886	173
Operating leases	18	-
Auditors' remuneration	90	37
	<u>90</u>	<u>37</u>
Auditor's remuneration is analysed as:		
Audit fees	<u>90</u>	<u>37</u>

4. Earnings per share

Basic earnings per share has 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 relevant financial periods.

Diluted earnings per share is calculated after taking into consideration the potentially diluted shares in existence as at the year ended 31 December 2005. For the year ended 31 December 2004 there were no potentially diluted shares.

	Pre- amortisation and non recurring items 2005	Post amortisation and non recurring items 2005	2004
Net profit attributable to ordinary shareholders (\$000)	45,755	41,174	26,226
Weighted average number of ordinary shares in issue	260,689,492	260,689,492	107,550
Basic earnings per share (\$)	0.18	0.16	243.85
Weighted average number of ordinary shares including the effect of potentially diluted shares	261,862,570	261,862,570	107,550
Diluted earnings per share (\$)	0.17	0.16	243.85
<u>Number of Shares</u>			
Weighted average number of ordinary shares in issue	260,689,492	260,689,492	107,550
Effect of dilutive potential ordinary shares:			
Share options	1,173,078	1,173,078	-
Weighted average number of ordinary shares including the effect of potentially diluted shares	261,862,570	261,862,570	107,550

5. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following at the balance sheet date:

	2005 \$000	2004 \$000
Short term deposits	14,607	12,495
Cash at bank	1,690	2,335
	16,297	14,830

Unaudited Pro-Forma Financial Information

General Information

The pro-forma financial information has been prepared so as to provide comparable information for the transitional year

of 2005 during which certain assets were acquired by the Group from Tradal Ltd, a related company incorporated in

St. Vincent and the Grenadines.

Tradal Ltd will continue to play an important role for the Group as some of the key members of staff are employed by

this Company. This Company charges a service fee for the services provided by its staff members.

Balance Sheet

The aggregated balance sheet as at 31 December 2005 is actually the same as the Group Balance Sheet as Tradal Ltd's operations that related to the Group have, by the end of the year, been integrated into the group via the acquisition of Tradal Ltd's assets.

Basis of aggregation

The pro-forma results of the Group are an aggregation based on Empire Online Group results for the year ended 31 December 2005 incorporating the trading results of the acquired business from Tradal Ltd for the first five months of 2005. These results were aggregated so as to provide comparable information.

Unaudited pro-forma Income Statement

for the year ended 31 December 2005

	Pre-amortisation and non recurring items 2005	Amortisation and non recurring items 2005	2005	2004
	\$000	\$000	\$000	\$000
Net gaming revenue	105,181	-	105,181	65,186
Cost of sales	(53,244)	-	(53,244)	(26,192)
	-----	-----	-----	-----

Gross profit	51,937	-	51,937	38,994
Administrative expenses	(3,249)	(4,581)	(7,830)	(1,827)
Operating profit	48,688	(4,581)	44,107	37,167
Net finance income	1,392	-	1,392	531
Profit before taxation	50,080	(4,581)	45,499	37,698
Taxation	(22)	-	(22)	(16)
Profit after taxation for the period	50,058	(4,581)	45,477	37,682
Earnings per share				
Basic earnings per share (\$)	\$0.19		\$0.17	\$350
Diluted earnings per share (\$)	\$0.19		\$0.17	\$350

Dividends

Proposed dividend per share (\$)	\$0.07	-
Proposed dividend (\$000)	20,000	-
Dividends paid during the period per share (\$)	\$0.10	-
Dividends paid during the period (\$000)	49,043	-

Unaudited pro-forma Cash Flow Statement

for the year ended 31 December 2005

	2005 \$000	2004 \$000
Cash flows from operating activities		
Profit before income tax	45,499	37,698
Adjustments for		
Depreciation and amortisation	2,928	317
Equity settled share options	277	-

	2005	2004
	\$000	\$000
Interest income	(1,395)	(625)
Interest expense	90	-
Non cash item: aggregation adjustments	-	(3,384)
	<u>47,399</u>	<u>34,006</u>
Changes in working capital		
Decrease in trade and other receivables	14,039	855
Increase in trade and other payables	15,793	2,386
Taxation (paid)/received	(4)	1
Decrease in trading investments	-	104
	<u>29,828</u>	<u>3,346</u>
Net cash generated from operating activities	<u>77,227</u>	<u>37,352</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(131)	(152)
Purchase of intangible assets	(5,558)	-
Acquisition of business	(221,192)	(1,037)
Elimination of Tradal Ltd assets and liabilities	216	-
Interest income received	1,395	627
	<u>(225,270)</u>	<u>(562)</u>
Cash flows from financing activities		
Advance of loans to shareholders	-	(16,413)
Dividends paid	(49,043)	(5,004)
Proceeds from issue of shares	209,203	-
Decrease in Capital Account	(18,010)	-
Decrease in Treasury Shares	445	-
Interest paid	(90)	-
	<u>142,505</u>	<u>(21,417)</u>
Net cash used in financing activities	<u>142,505</u>	<u>(21,417)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(5,538)</u>	<u>15,373</u>
Cash and cash equivalents at the beginning of the year	21,835	6,462
Cash and cash equivalents at the end of the year	<u>16,297</u>	<u>21,835</u>

2005	2004
\$000	\$000

The financial information of the Group set out above does not constitute statutory accounts. The results for the year ended 31 December 2005 are based on the audited annual report and consolidated financial statements of Empire Online Limited which have been reported on by the auditors. The report of the auditors was unqualified.

Copies of the 2005 annual report and accounts will be sent to shareholders in due course.