

INTERIM RESULTS

For six months ended 31 December 2013

Contents

	Page
Interim Key Highlights	3
Chief Executive Report	4
Consolidated Income Statement	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to interim financial statements	13-19

Six Month Key Highlights

- Revenues from continuing operations up 32.5% to £7.6m from £5.7m
- Monthly recurring revenues from dotMailer's Software as a Service ("SaaS") based usage charges up 29% to £5.8m
- Email related creative and managed service up 164% to £0.8m
- Group operating profit before tax and exceptionals up 17.8% to £2.1m
- Net cash generated from operating activities of £2.0m
- Strong net cash position of £7.3m as at 31st December 2013

dotMailer

- 426 new clients signed in the period including Skanska, Santander, GFK, Fujifilm, Harley Davidson, Metapack and Fraser Hart
- Average monthly recurring spend per client increased from £238 to £284

Magento connector

- Over 75 clients on the newly launched Magento connector
- Average recurring spend from clients of £700 per month

International Initiatives

- Revenue from the US region grew from \$88k to \$456k reflecting good initial progress

dotDigital Group Plc

Chief Executive Statement For the six months ended 31 December 2013

Overview

As announced in the trading update on 8 January 2014, dotDigital continued to deliver strong revenue growth and profits in line with forecasts for the six months ended 31 December 2013.

	DOTMAILER			DISCONTINUED			CENTRAL COSTS			CONSOLIDATED		
	Dec-13 £'m	Dec-12 £'m	% Inc*	Dec-13 £'m	Dec-12 £'m	% Inc*	Dec-13 £'m	Dec-12 £'m	% Inc*	Dec-13 £'m	Dec-12 £'m	% Inc*
Sales	7.6	5.7	32.5%	0.2	1.1	(84.1)%				7.8	6.8	13.9%
Cost of Sales	0.5	0.4	28.2%	0.1	0.6	(82.0)%				0.6	1.0	(37.8)%
Gross Profit	7.1	5.3	32.8%	0.1	0.5	(88.0)%				7.2	5.8	23.5%
Administrative Expenses	4.5	3.1	46.0%	0.1	0.6	(82.0)%	0.5	0.3	52.9%	5.1	4.0	26.7%
Operating Profit before tax and exceptionals	2.6	2.2	17.4%	0.0	(0.1)	(60.6)%	(0.5)	(0.3)	52.9%	2.1	1.8	17.8%

* Actual % increase is based on unrounded numbers

The table above shows the performance in the core business division under the brand dotMailer and the trailing revenue of circa £30k per month from the discontinued 'Services' operation (Web Design and Search marketing) that was announced in the full year accounts ending 30 June 2013. As the ecommerce clients re-platform their websites this revenue line will continue to reduce over the next 12 – 24 months.

dotMailer: Email Marketing & Marketing Automation Software – SaaS Products

The performance from the high margin SaaS product based email marketing platform continues to go from strength to strength with revenue growth for the six month period of 32.5% to £7.6m (2012: £5.7m) with strong recurring revenue continuing to form a significant part of this total. Profit before tax grew by 17.4% to £2.6m and reflects the ongoing investment the Company is making in the business in order to accelerate future organic growth.

This strong growth was helped by the focus on winning higher value clients, as well as growth in recurring spend from existing clients and improved client retention driven by clients signing up longer term contracts. The average monthly billing from all clients increased by 19% from £238 per month to £284. Following the strategy to focus on high value corporates and mid-sized clients, the monthly commitment from new clients increased by 36%. In the interim period we signed up 426 clients with an average monthly committed spend of £295. Client numbers were lower than in the corresponding period last year reflecting the company's strategy to focus on fast growing mid-size businesses and enterprise clients with a significantly higher lifetime value. The average monthly commitment in the pipeline suggests that this will trend upwards. Notable client wins included Harley Davidson, Metapack, OFGEM, Fraser Hart, Payzone, Skanska, GFK, Santander, Fujifilm and Fruit of the Loom.

With the Board's strategy of continued investment in the business to capitalise on long term organic growth, an additional 24 people in Sales and Account management have been recruited. The addition of this headcount has already started to pay off generating £200k of incremental revenue since the start of the investment program in August 2013. Further investment will continue to be made in marketing of the dotMailer platform and adding further revenue generating personnel. At the half year end, dotMailer had committed to £1.2m of annualised spend in sales, account management and marketing salaries.

Revenues from the US region have started well increasing from \$88k to \$456k, a five-fold increase compared to the same period in 2012. The New York sales office continues to focus on sector niches and higher value corporate clients that it has identified which are the most attractive for the dotMailer product platform. The pipeline is continuing to grow with prudent additional investment in headcount and marketing activities.

Our email creative and managed services revenue more than doubled from £0.3m to £0.7m during the period. There is further revenue growth potential that can be unlocked from these new services. This offering helps generate positive return on investment (ROI) for our clients and helps time poor marketers to outsource their creative and campaign management/strategy to email marketing experts.

New SaaS products

The Company has launched two new additions to its core email marketing automation platform. It has now fully launched the Magento connector, which will allow ecommerce customers that use the Magento platform to synchronise their data between the two platforms. This will also enable customers to segment their data and send targeted campaigns to prospects and customers. Some recent client users include Heals, World Duty Free, Vax and Paperchase.

The first half of the year also saw the beta launch of the customer insight module, which allows a customer to build complex, behavioural based customer segments for hyper personalisation in minutes using dotMailer's drag and drop query building technology. This allows our customers to send relevant and targeted content to recipients delivering significant email marketing ROI. The company expects to launch this to the full user base in March 2014.

Financial Summary

Consolidated EBITDA

Overall group EBITDA rose from £2.2m to £2.6m, an increase of 18%, reflecting the strong performance in the core products division.

Balance Sheet & Cash Position

The Company continues with its strong cash generation from operations with the interim end net cash balance growing to £7.3m after capital expenditure of £0.1m, hardware/software upgrades of £0.2m and research and product development of £0.6m. This has also been partly due to further efficiencies in the cash collection process and a decrease in debtor turnover ratio. The Company also continues not to have any debt finance. These highly efficient internal accounting practices contributed to the Company having an even stronger balance sheet at the six months end.

Dividend Policy

A maiden dividend of 0.1p per ordinary share was proposed by the Company at the time of the annual results in October last year demonstrating a clear commitment from the Board to delivering value by focusing on total shareholder return in the future. This dividend was approved by shareholders at the Annual General Meeting on the 17 December 2013 and paid on 31 January 2014. The Company's current ongoing policy will be to review dividends at the time of the year end. The Board is therefore not proposing an interim dividend.

Current Trading & Outlook

The core email marketing business continues to perform very strongly and the strategy to continue to invest in the business is delivering pleasing results.

The client take up of the new Magento product has been strong with the average monthly spend of new customers increasing to over £700 per month. The product has been well received as evidenced by feedback gained from both clients and Magento implementation partners.

Whilst the International revenues are still at an early stage we have confidence from existing prospects and the pipeline that has been built up in the US. Our analysis shows that we have more potential customers with larger email databases in the US which should translate into greater client by client revenue values/spends. With continued good hiring and carefully managed investment we are confident of revenues from the US region building over the next 12 months.

I am delighted that the strategy of focusing on fast growing medium sized businesses and corporate clients has driven average monthly spend up by 19%. This combined with a focus on longer term contracts and client retention is leading to significantly higher client lifetime values.

The initiatives to accelerate organic growth that we announced in August 2013 are already starting to deliver increased sales although as a Software as a Service business with monthly recurring revenues, the full impact will not be seen in our results until future periods.

Based on the strong performance at the half year to 31 December 2013 and the forward pipeline, the Board remains confident of achieving both revenue and profit expectations for 2014 and of delivering long term shareholder value.

dotDigital Group Plc

Consolidated Income Statement
For the six months ended 31 December 2013

		6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s (restated)	12 months to 30 June 2013 Audited £'000s
Continuing operations	<i>note</i>			
Revenue		7,570	5,714	12,197
Cost of sales		(491)	(383)	(887)
Gross profit		7,079	5,331	11,310
Administrative expenses		(4,926)	(3,364)	(7,338)
Operating profit		2,153	1,967	3,972
Finance income		9	1	13
Profit before tax from continuing operations		2,162	1,968	3,985
Loss from discontinuing operations	4	(54)	(1,757)	(3,023)
Profit before income tax		2,108	211	962
Income tax expense		(304)	(87)	(220)
Profit for the period from continuing and discontinuing operations attributable to shareholders		1,804	124	742
Earnings per share:				
Basic (pence)	5	0.65	0.04	0.27
Diluted (pence)	5	0.63	0.04	0.26
Adjusted excluding exceptional items (pence)	5	0.65	0.60	1.11
Adjusted diluted excluding exceptional items (pence)	5	0.63	0.59	1.07

dotDigital Group Plc

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2013

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s (restated)	12 months to 30 June 2013 Audited £'000s
Profit for the period	1,804	124	742
Exchange differences on translating foreign operations	<u>5</u>	<u>-</u>	<u>(2)</u>
Total comprehensive income attributable to:			
Owners of the parent	<u>1,809</u>	<u>124</u>	<u>740</u>

dotDigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2013

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
Assets			
<i>Non current assets</i>			
Goodwill	609	1,395	609
Intangible assets	2,742	2,104	2,449
Property, plant and equipment	514	519	472
	<u>3,865</u>	<u>4,018</u>	<u>3,530</u>
<i>Current assets</i>			
Trade and other receivables	3,164	2,634	2,893
Cash and cash equivalents	7,290	4,617	6,072
	<u>10,454</u>	<u>7,251</u>	<u>8,965</u>
Total assets	<u>14,319</u>	<u>11,269</u>	<u>12,495</u>
Equity attributable to the owners of the parent			
Called up share capital	7 1,396	1,379	1,387
Share premium	4,953	4,781	4,863
Reverse acquisition reserve	(4,695)	(4,695)	(4,695)
Other reserves	43	98	11
Retained earnings	10,596	8,326	9,071
Total equity	<u>12,293</u>	<u>9,889</u>	<u>10,637</u>

dotDigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2013

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
<i>note</i>			
Liabilities			
<i>Non current liabilities</i>			
Trade and other payables			
Deferred tax	14	25	14
	<u>14</u>	<u>25</u>	<u>14</u>
<i>Current liabilities</i>			
Trade and other payables	1,612	1,240	1,681
Tax payable	400	115	163
	<u>2,012</u>	<u>1,355</u>	<u>1,844</u>
Total liabilities	<u>2,026</u>	<u>1,380</u>	<u>1,858</u>
Total equity and liabilities	<u>14,319</u>	<u>11,269</u>	<u>12,495</u>

dotDigital Group Plc

**Consolidated Statement of Changes in Equity
For the six months ended 31 December 2013**

	Share capital	Share premium	Retained earnings	Other reserves	Reverse acquisition reserve	Retranslation Reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July 2012	1,377	4,755	8,202	127	(4,695)	-	9,766
Profit after tax for the period	-	-	124	-	-	-	124
Issue of share capital	2	26	-	-	-	-	28
Share based payment	-	-	-	(29)	-	-	(29)
As at 31 December 2012	1,379	4,781	8,326	98	(4,695)	-	9,889
As at 1 July 2012	1,377	4,755	8,202	127	(4,695)	-	9,766
Profit after tax for the year	-	-	742	-	-	-	742
Reclassification of reserves	-	-	127	(127)	-	-	-
Retranslation reserve	-	-	-	-	-	(2)	(2)
Issue of share capital	10	108	-	-	-	-	118
Share based payment	-	-	-	13	-	-	13
As at 30 June 2013	1,387	4,863	9,071	13	(4,695)	(2)	10,637
As at 1 July 2013	1,387	4,863	9,071	13	(4,695)	(2)	10,637
Profit after tax for the period	-	-	1,804	-	-	-	1,804
Retranslation reserve	-	-	-	-	-	5	5
Dividends	-	-	(279)	-	-	-	(279)
Issue of share capital	9	90	-	-	-	-	99
Share based payment	-	-	-	27	-	-	27
As at 31 December 2013	1,396	4,953	10,596	40	(4,695)	3	12,293

- Share capital is the amount subscribed for shares at nominal value.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value net of the share issue expenses.
- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.
- The reverse acquisition reserve relates to the adjustment required to account the reverse acquisition in accordance with International Financial Reporting Standards.
- Other reserves relate to the charge for the share based payments in accordance with International Financial Reporting Standard 2.
- Retranslation reserve relates to the retranslation of a foreign subsidiary into the functional currency of the Group.

dotDigital Group Plc

Consolidated Statement of Cash Flows
For the six months ended 31 December 2013

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
	<i>note</i>		
Cash flow from operating activities	6 2,024	1,561	3,817
Tax paid	(66)	(159)	(253)
Net cash generated from operating activities	1,958	1,402	3,564
Cash flow from investing activities			
Purchase of intangible fixed assets	(690)	(615)	(1,352)
Purchase of tangible fixed assets	(165)	(220)	(292)
Sale of tangible fixed assets	7	-	-
Interest received	9	1	13
Net cash used in investing activities	(839)	(834)	(1,631)
Cash flows from financing activities			
Share issue	99	28	118
Net cash generated from financing activities	99	28	118
Increase in cash and cash equivalents	1,218	596	2,051
Cash and cash equivalents at beginning of period	6,072	4,021	4,021
Cash and cash equivalents at end of period.	7,290	4,617	6,072

dotDigital Group Plc

Notes to interim financial statements For the six months ended 31 December 2013

1. GENERAL INFORMATION

dotDigital Group Plc is a company incorporated in England and Wales and quoted on the AIM market.

2. BASIS OF INFORMATION

These consolidated interim financial have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 June 2013. The interim financial information for the six months to 31 December 2013, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 11 February 2014.

The unaudited interim financial information for the period ended 31 December 2013 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 June 2013 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2013, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2013

4. DISCONTINUED OPERATIONS

Analysis of continuing and discontinuing operations is as follows:

	6 months to 31 Dec 2013		6 months to 31 Dec 2012		12 months to 30 June 2013	
	Continued £'000	Discontinued £'000	Continued £'000	Discontinued £'000	Continued £'000	Discontinued £'000
Revenue	7,570	173	5,714	1,085	12,197	1,651
Cost of sales	(491)	(113)	(383)	(588)	(887)	(1,033)
Gross profit:	7,079	60	5,331	497	11,310	618
Administrative expenses	(4,926)	(114)	(3,364)	(715)	(7,338)	(1,315)
Operating profit before exceptional items:	2,153	(54)	1,967	(218)	3,972	(697)
Exceptional items: Impairment of goodwill	-	-	-	(1,539)	-	(2,326)
Finance income	9	-	1	-	13	-
Corporation tax	(304)	-	(87)	-	(220)	-
Profit for the year attributable to owners:	1,858	(54)	1,881	(1,757)	3,765	(3,023)

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2013

5. EARNINGS PER SHARE

	6 months to 31 Dec 2013 Unaudited	6 months to 31 Dec 2012 Unaudited	12 months to 30 June 2013 Audited
Continuous operations and discontinuing operations			
Earnings per Ordinary share:			
Basic (pence)	0.65	0.04	0.27
Diluted (pence)	0.63	0.04	0.26
Adjusted excluding exceptional items (pence)	0.65	0.60	1.11
Adjusted diluted excluding exceptional items (pence)	0.63	0.59	1.07
Discontinuing operations			
Earnings per Ordinary share:			
Basic (pence)	(0.02)	(0.08)	(0.01)
Diluted (pence)	(0.02)	(0.08)	(0.01)

Adjusted earnings represents earnings normalised for unique charges and income in the period:

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
Profit attributable to shareholders	1,804	124	742
Impairment of goodwill	-	1,539	2,326
Profit figure utilised for adjusted EPS	1,804	1,663	3,068

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
Weighted average number			
Basic	279,172,065	275,932,065	275,839,565
Diluted	286,365,836	282,567,459	285,687,852
Adjusted excluding exceptional items (pence)	279,172,065	275,932,065	275,839,565
Adjusted diluted excluding exceptional items (pence)	286,365,836	282,567,459	285,687,852

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2013

6. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
Profit before income tax	2,108	211	962
Adjustments for:			
Exceptional items: impairment of goodwill	-	1,539	2,326
Depreciation and amortisation	512	371	831
Loss on disposal of fixed assets	-	-	50
Share based payments	27	(29)	13
Finance costs	-	64	-
Finance income	(9)	(1)	(13)
Retranslation reserve	5	-	(2)
Increase in trade and other receivables	(271)	(436)	(696)
Increase in trade and other payables	(348)	(94)	346
Net cash from operating activities	2,024	1,625	3,817

7. CALLED UP SHARE CAPITAL

The issued share capital as at 31 December 2013 was 279,172,065, Ordinary Shares of £0.005 per share (30 June 2013: 277,472,065 Ordinary Shares of £0.005 per share as per the audited accounts).

8. SHARE BASED PAYMENTS

The measurement requirements of IFRS2 have been implemented in respect of the share options that were granted after 7 November 2002. The expense recognised for share based payments made during the period is £27,000, (31 Dec 2012: £29,000 credit, 30 June 2013: £13,000 expense).

In addition to the options issued up to 30 June 2013, as outlined in the statutory financial statements, The Board of Directors also granted 3,555,000 options to employees of the Group exercisable on or after 01 November 2015 until 31 October 2018. Vesting conditions of the options dictate that the employee must remain part of the Group up to the date they choose to exercise their options to qualify.

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2013

9. SEGMENTAL REPORTING

IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision making. The operating segments represent those assessed by the board and relate to the Group's services and products sold to the open market.

Period ended 31 December 2013	Products £'000s	Services £'000s	Central costs £'000s	TOTAL £'000s
Sales	7,570	173	-	7,743
Cost of sales	(491)	(113)	-	(604)
Gross profit	7,079	60	-	7,139
Overheads	(4,553)	(114)	(419)	(5,086)
Finance income	9	-	-	9
Profit before tax and exceptional items	2,535	(54)	(419)	2,062
Period ended 31 December 2012	Products £'000s	Services £'000s	Central costs £'000s	TOTAL £'000s
Sales	5,714	1,085	-	6,799
Cost of sales	(383)	(588)	-	(971)
Gross profit	5,331	497	-	5,828
Overheads	(3,118)	(634)	(327)	(4,079)
Finance income	1	-	-	1
Profit before tax and exceptional items	2,214	(137)	(327)	1,750
Year ended 30 June 2013	Products £'000s	Services £'000s	Central costs £'000s	TOTAL £'000s
Sales	12,197	1,651	-	13,848
Cost of sales	(887)	(1,033)	-	(1,920)
Gross profit	11,310	618	-	11,928
Overheads	(6,807)	(1,116)	(731)	(8,654)
Finance income	13	-	-	13
Exceptional items	-	(2,325)	-	(2,325)
Profit before tax and exceptional items	4,516	(2,823)	(731)	962

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2013

10. RELATED PARTY NOTE

Transactions between the company and its subsidiaries, who are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management remuneration:

Key management includes, Directors, Associate Directors, Members of the Executive Committee and the Company Secretary. The remuneration paid for key management employee services are as follows:

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
Remuneration and other short term benefits	310	301	931
Share based payments	(5)	(1)	-
	<u>305</u>	<u>300</u>	<u>931</u>

Directors & Non-Executive Directors

Aggregate emoluments	298	272	588
Company contributions to pension scheme	8	13	38
	<u>306</u>	<u>285</u>	<u>626</u>

The following transactions were carried out with related parties

Sale of services

Entities controlled by non - executive directors of the Group:

Cadence Performance Ltd - Email marketing services	<u>1</u>	<u>-</u>	<u>1</u>
	<u>1</u>	<u>-</u>	<u>1</u>

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2013

10. RELATED PARTY NOTE (cont....)

	6 months to 31 Dec 2013 Unaudited £'000s	6 months to 31 Dec 2012 Unaudited £'000s	12 months to 30 June 2013 Audited £'000s
Purchase of services			
Entities controlled by non - executive directors of the Group:			
F Beechinor Collins - Consultancy services	-	7	6
Barretts of Old Limited	<u>16</u>	<u>-</u>	<u>12</u>
	<u>16</u>	<u>7</u>	<u>18</u>

11. SUBSEQUENT EVENTS TO 31 DECEMBER 2013

As at the date of these statements and the date they were approved by the Board of Directors there were no such events to report.

12. COPIES OF INTERIM FINANCIAL STATEMENTS

Copies of this interim statement are available from the Company at its registered office at, Finsgate, 5-7 Cranwood Street, London EC1V 9EE. The interim financial information document will also be available on the Company's website www.dotdigitalgroup.com.