888 HOLDINGS

Half-Yearly Report 2010

Welcome

888 has been at the forefront of the online gaming industry for over a decade, allowing both players and B2B partners to enjoy a world-class gaming experience.

888's consumer facing websites offer more than just online gaming. They are entertainment destinations, places where people can enjoy a truly interactive experience and be part of an online community that shares common interests.

As well as providing players with an innovative, comprehensive and enjoyable gaming experience, through Dragonfish, partners also benefit from 888's decade long industry experience. Dragonfish provides partners with Total Gaming Services — customisable solutions offering the ideal platform through which to establish an online gaming presence and monetise their brand.

888 websites provide an enjoyable customer experience in a safe and secure environment. 888 remains a leader in responsible gaming, with specialist websites dedicated to both corporate responsibility and responsible gaming.

Our strategy is to increase shareholders' value through achieving profitable growth both organically, through the acquisition and retention of valuable players and partners, and through strategic acquisitions.

Total Operating Income

118 (2009) — 130 (2010)

up **10.5%**
US$ million

Total Operating Income — B2C

94 (2009) — 110 (2010)

up **18%**
US$ million

Total Operating Income — B2B

24 (2009) — 20[1] (2010)

down **18.4%**
US$ million

Total Operating Income — B2C Casino

56 (2009) — 59 (2010)

up **6.2%**
US$ million

Total Operating Income — B2C Bingo

5 (2009) — 24 (2010)

up **363%**
US$ million

EBITDA[2]

21 (2009) — 13 (2010)

down **39%**
US$ million

Real money registered customer accounts[3]

6.4 (2009) — 7.9 (2010)

up **22%**
million

1 H1 2010 pro forma: US$27 million, up 9.5%. On the basis that Wink had remained in B2B revenue and certain licensees remained recognised on a gross basis.
2 Excluding share benefit charges of US$1.9 million (H1 2009: US$5.1 million), exchange income of US$1.4 million (H1 2009: loss of US$1.9 million) and restructuring costs of US$2.2 million.
3 Casino, Poker and Sport.

Chief Executive Officer's Review

Introduction

Our business experienced a difficult first half against the backdrop of a challenging economic environment, with trading impacted by a number of factors including general online poker weakness, adverse F/X movements and, in relation to Poker and Casino in Q2, the FIFA World Cup.

Following a record January and the first quarter seeing some improvement on a year-on-year basis, trading in the second quarter was weak across Casino and Poker in particular. Dragonfish continues to win new contracts but revenue from these deals has yet to gain significant volume, as is always the case with revenue share based deals.

Revenue was impacted by the weakness of the Euro and Sterling against the US Dollar (our reporting currency) and Total Operating Income, while higher by 10% compared to H1 2009, was lower than expected at US$130 million (H1 2009: US$118 million). Nevertheless in order to generate future growth we have increased our marketing spend in H1 2010 to US$48 million (H1 2009: US$35 million), the majority of the increase being in the area of Bingo, and expanded our investment in technology by increasing research and development cost to US$14 million (H1 2009: US$12 million). As a result EBITDA* was impacted and was 39% lower at US$13 million (H1 2009: US$21 million).

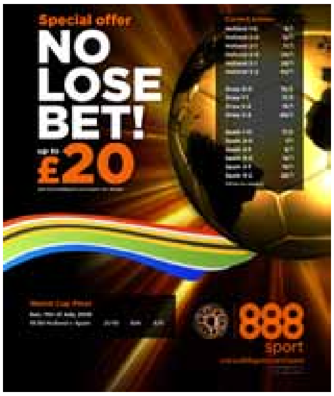
In order to address this decrease a number of steps have been implemented, including a reorganisation of the technology and product divisions, re-focusing certain aspects of the business and a cost reduction programme, which is expected to reduce overheads in H2 2010 by approximately US$5–6 million.

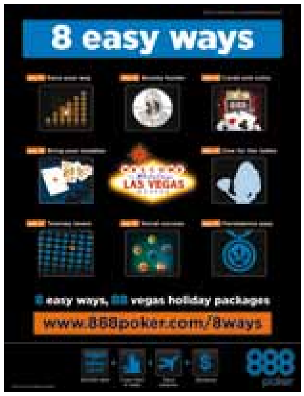
* Before share benefit charges and restructuring costs of US$1.9 million and US$2.2 million, respectively (H1 2009: share benefit charges of US$5.1 million and US$nil restructuring costs).

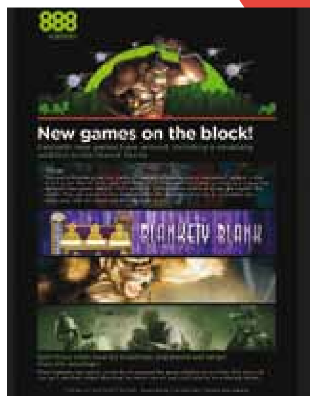
At 30 June 2010 our cash position was US$66 million. With our full service operator capabilities, strong brand, technology and unique B2B platform, we remain confident in the underlying fundamentals of the business and believe that the move of 888, and the industry, to become a locally-regulated gaming entertainment operator presents significant opportunities for growth and M&A activity.

B2C

The market has been challenging on a number of fronts, from the weak economic environment and overall Poker weakness to the impact of the World Cup on Poker and Casino activity. Trading was impacted by the ongoing deterioration of online poker as, industry sources reported that the number of daily average ring game players fell by approximately 25% during the period January to July. This was further exacerbated by the World Cup in June.







Our decline was roughly in line with general online poker trends we have taken steps to address it. We released our Poker version 6, following a complete re-coding of the software client, with a fresh new look and feel with enhanced features, game play and user experience. A brand new online store was also launched for Poker players where they can convert loyalty points into a wide range of gadgets and products.

We constantly look to innovate with our B2C offering, and in the first half of the year we completed the roll-out of our new branding for our four core offerings. The new sites all share a reinvigorated look and feel and unified logos, meaning all of the sub-brands now speak with one language and link in to one offering.

In Casino we launched a groundbreaking 3-D offering, www.888casino.com/3dcasino, the first major operator to do so. This exciting new development brings players even closer to the action on a social, stylish and interactive gaming platform. The 3-D casino, which can be played without downloading any software, allows players to customise their gaming experience in a virtual-world environment. Players logging on for the first time are able to create their very own avatars based on their mood, preferences or personal tastes. The ability to see and interact with other players' avatars also gives the site a strong social gaming aspect, and makes the 3-D casino the most realistic online gaming experience yet. 888 Staff avatars, distinguished by their uniforms and 888 badges, are on hand to assist. We also launched a new casino brand called Euro City targeted at certain European markets.

We applied for, and were awarded in July, a Poker licence in France and signed a strategic agreement to launch a joint Poker network with Microgaming. As we make the transition onto this locally regulated market it will require significant marketing investment with profitability to come longer term.

In Italy, the new licensing regime to permit cash gaming Poker and Casino has been delayed and is now not expected to occur until the fourth quarter of 2010 or early 2011. However, we are well placed to capitalise on our position when the market opens, both directly and through Dragonfish. We signed a joint venture with Endemol Italy, the prominent independent TV production company in Italy, to co-invest in the Italian market. The agreement will see the launch of a comprehensive gaming offering, operating on 888.it, which will benefit from the exclusive utilisation of Endemol's brands in Italy, including the Italian versions of Big Brother and Deal Or No Deal. This modus operandi is becoming a cornerstone of our strategy in the new locally regulated markets, where we will be seeking strong partners who will assist us by providing access to significant local assets and by investing additional funds into our activity.

Our Bingo and Emerging Offering has continued to perform well, boosted by the inclusion of Wink Bingo, with continued good performance from our 888 branded Bingo offering and an increased contribution from 888sport, especially during the World Cup. Overall in June our Sport offering outperformed our expectations and managed to offset the decline in Poker and Casino.

Chief Executive Officer's Review

Dragonfish

The strength of Dragonfish's Total Gaming Services offering has led to a number of deals being signed during H1 2010. These included material casino deals in Italy with Bwin Italia/Gioco Digitale and Microgame S.p.A, providing a significant platform for growth in the potentially huge Italian market.

Contract extensions were signed with Moon Bingo and Costa Bingo, and we were pleased to sign an extension to Dragonfish's existing agreement with Cashcade (now owned by Party Gaming). The Cashcade offering includes some of the biggest brands in the UK bingo market, such as Foxy Bingo, Cheeky Bingo and Think Bingo, all of which are standalone networks powered by Dragonfish bingo software.

The launch of two new standalone bingo networks, with Cashcade (Rollover Bingo) and Costa (Sing Bingo), emphasised Dragonfish's position as the market leader in online bingo in the UK. MTV Networks UK & Ireland also marked their entry into online gaming by selecting Dragonfish to provide a bingo product. There are now over 20 standalone bingo networks powered by Dragonfish, and the Dragonfish network bingo supports over 70 skins offering instant liquidity, industry leading software and top tier brands. We were proud to see this leading position in bingo recognised at the inaugural eGaming Review B2B Awards, as Dragonfish was named Bingo Network of the Year.

The strength of the Total Gaming Services offering also resulted in Dragonfish winning a second award at the event, the award for White Label Partner of Year.

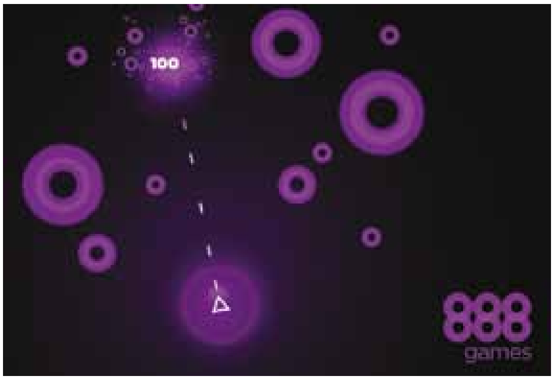
We recently appointed a new Managing Director to Dragonfish, David Zerah, who has significant B2B experience in the media industry, both broadcast and online. As the industry moves towards a greater emphasis on content and flexible solutions his experience and contacts will enable Dragonfish to capitalise on these opportunities.

Social and Mobile Gaming

The rise of social networks, now the most visited sites on the internet, and the emergence of the social gaming trend, alongside recent developments in the online gaming industry have indicated the growing importance of social networking to the future of the industry.

The acquisition of the assets comprising the Mytopia social games development studio from Real Dice Inc. in June 2010 gives us an immediate footprint in the social gaming arena, complementing our core offering and giving us access to millions of customers.

The deal saw 888 acquire a games development studio, specialising in developing cross-platform social games for smartphones, mobile handsets and social networking platforms including Facebook, along with numerous games, including 'Bingo Island 2' (one of the top Bingo applications on Facebook) and a social Poker application using the 'Pacific Poker' brand. The deal also included the acquisition of a real-time multiplayer mobile Poker application available for iPhone, Android, BlackBerry, Windows Mobile and J2ME handsets which has been installed by more than a million users.



Access to this new gaming audience provides a number of cross-selling opportunities, and ensures that we are at the forefront of what is expected to be a key trend in the habits of consumers in the online gaming industry. The acquisition will form the cornerstone of our social gaming and mobile strategy, allowing us to offer a seamless experience across different platforms. Social network and smartphone gaming applications will also be offered to Dragonfish B2B partners, allowing them to take advantage of this fast-growing area.

Outlook

Early indications of trading in the second half have seen a return to historical seasonal patterns, with an expected daily revenue decrease due to seasonality. However, thanks in part to the innovation in our B2C offering, there has been an increase in first time depositors compared to the previous quarter and some reassuring Poker KPIs.

Dragonfish continues to be in advanced dialogue with a number of potential new partners, and we expect to announce new contracts in the second half, including a number in France.

The development of new licensing regimes is under way. We were granted a Poker licence in France and have a number of strategic partnerships lined up for the Italian market when it further opens later in the year or in early 2011. We are also encouraged by the recent positive developments in the United States in connection with House Bill 2267 to regulate the offering of online gaming in the US, and we hope to be able to capitalise on our current and past assets through B2B and potentially B2C activities. Whilst these developments will create future opportunities they will take time and investment to come to fruition. This is a critical transformation of our industry, and one which we feel will be very beneficial for large operators like 888. Our strategy will enable us to make the most of these changes and hope to announce further deals in this regard in the near future.

Consolidation in our industry has begun, with the proposed merger of PartyGaming and Bwin. We look at consolidation as one of the possible routes to realising our full value and feel that longer term this is the direction the industry will take. We have always stated that we will look into all relevant deals and expect the recent merger news to accelerate such discussions in the industry.

The underlying fundamental strengths of a regulated, legitimate and safe online gaming entertainment environment remain, and with this comes a huge opportunity. Our Board remains confident about future strategy and prospects for the Group.

Gigi Levy
Chief Executive Officer
31 August 2010

Condensed Consolidated Income Statement

For the period ended 30 June 2010

	Note	**Six months ended 30 June 2010 US$'000 (unaudited)**	Six months ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Total operating income	2	**130,229**	117,878	246,703
Operating expenses		**52,601**	45,531	98,360
Research and development expenses		**13,777**	11,856	24,164
Selling and marketing expenses		**47,505**	35,275	67,329
Administrative expenses		**12,141**	15,611	29,510
Operating profit before share benefit charges and restructuring costs		**8,368**	14,750	34,352
Restructuring costs		**2,219**	—	—
Share benefit charges		**1,944**	5,145	7,012
Operating profit		**4,205**	9,605	27,340
Finance income		**80**	153	226
Profit before tax before share benefit charges and restructuring costs		**8,448**	14,903	34,578
Restructuring costs		**2,219**	—	—
Share benefit charges		**1,944**	5,145	7,012
Profit before tax		**4,285**	9,758	27,566
Taxation		**1,602**	1,697	2,733
Profit after tax for the period attributable to equity holders of parent		**2,683**	8,061	24,833
Earnings per share				
Basic		**0.8¢**	2.3¢	7.2¢
Diluted		**0.8¢**	2.3¢	7.1¢

Condensed Consolidated Balance Sheet

At 30 June 2010

	30 June 2010 US$'000 (unaudited)	30 June 2009 US$'000 (unaudited)	31 December 2009 US$'000 (audited)
Assets			
Non-current assets			
Intangible assets	**115,264**	46,529	70,832
Property, plant and equipment	**21,090**	19,407	20,984
Financial assets	**—**	490	—
Deferred taxes	**790**	729	797
	137,144	67,155	92,613
Current assets			
Cash and cash equivalents	**65,682**	102,906	87,511
Trade and other receivables	**19,755**	18,337	21,208
	85,437	121,243	108,719
Total assets	**222,581**	188,398	201,332
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	**3,140**	3,143	3,152
Share premium	**65**	65	65
Capital Redemption Reserve	**24**	—	—
Available-for-sale reserve	**—**	(270)	—
Retained earnings	**108,399**	111,899	117,883
Total equity attributable to equity holders of the parent	**111,628**	114,837	121,100
Liabilities			
Current liabilities			
Trade and other payables	**43,316**	40,578	38,851
Customer deposits	**33,103**	32,983	37,570
Contingent consideration	**24,811**	—	—
	101,230	73,561	76,421
Non-current liabilities			
Contingent consideration	**9,723**	—	3,811
Total liabilities	**110,953**	73,561	80,232
Total equity and liabilities	**222,581**	188,398	201,332

The financial statements on pages 6 to 18 were approved and authorised for issue by the Board of Directors on 31 August 2010 and were signed on its behalf by:

Gigi Levy
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 June 2010

	Share capital US$'000	Share premium US$'000	Capital Redemption Reserve US$'000	Available-for-sale reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2009	3,115	65	—	(536)	108,716	111,360
Dividend paid	—	—	—	—	(9,995)	(9,995)
Issue of shares	28	—	—	—	(28)	—
Share benefit charges	—	—	—	—	5,145	5,145
Total comprehensive income for the period	—	—	—	266	8,061	8,327
Balance at 30 June 2009 (unaudited)	3,143	65	—	(270)	111,899	114,837
Dividend paid	—	—	—	—	(12,450)	(12,450)
Issue of shares	9	—	—	—	(9)	—
Share benefit charges	—	—	—	—	1,867	1,867
Total comprehensive income for the period	—	—	—	270	16,576	16,846
Balance at 1 January 2010 (audited)	3,152	65	—	—	117,883	121,100
Dividend paid	—	—	—	—	(10,491)	(10,491)
Share benefit charges	—	—	—	—	1,944	1,944
Issue of shares	12	—	—	—	(12)	—
Share buy-back	(24)	—	24	—	(3,397)	(3,397)
Total comprehensive income for the period	—	—	—	—	2,472	2,472
Balance at 30 June 2010 (unaudited)	**3,140**	**65**	**24**	**—**	**108,399**	**111,628**

The following describes the nature and purpose of each reserve within equity.

Share capital — represents the nominal value of shares allotted, called-up and fully paid for.
Share premium — represents the amount subscribed for share capital in excess of nominal value.
Capital redemption reserve — includes amounts transferred from the share capital reserve following the buy-back and cancellation of equity shares.
Available-for-sale reserve — represents the gain or loss arising from a change in the fair value of an available-for-sale financial assets.
Retained earnings — represents the cumulative net gains and losses recognised in the consolidated income statement.

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2010

	Six months ended 30 June 2010 US$'000 (unaudited)	Six months ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Profit for the period	**2,683**	8,061	24,833
Valuation gain of available-for-sale investments	**—**	266	513
Actuarial losses on defined benefit pension plan	**(211)**	—	(196)
Disposal of available for sale asset	**—**	—	23
Total comprehensive income for the period	**2,472**	8,327	25,173

Condensed Consolidated Statement of Cash Flows

For the period ended 30 June 2010

	Six months ended 30 June 2010 US$'000 (unaudited)	Six months ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Cash flows from operating activities			
Profit before income tax	**4,285**	9,758	27,566
Adjustments for			
Depreciation	**4,139**	3,344	7,044
Amortisation	**1,446**	600	1,458
Interest received	**(86)**	(352)	(633)
Share benefit charges	**1,944**	5,145	7,012
	11,728	18,495	42,447
Decrease/(increase) in trade receivables	**3,607**	(1,451)	(4,356)
Decrease/(increase) in other accounts receivables	**(2,027)**	1,681	1,715
(Decrease)/Increase in trade payables	**(807)**	471	(868)
(Decrease)/increase in member deposits	**(4,467)**	(301)	3,681
Increase in other accounts payables	**5,272**	1,949	2,964
Cash generated from operations	**13,306**	20,844	45,583
Income tax paid	**(1,933)**	(1,413)	(4,086)
Net cash generated from operating activities	**11,373**	19,431	41,497
Cash flows from investing activities			
Acquisition of Mytopia (note 4)	**(12,320)**	—	—
Acquisition of assets comprising the online Wink bingo business	**—**	—	(18,052)
Purchase of property, plant and equipment	**(4,245)**	(3,010)	(8,288)
Interest received	**86**	352	633
Proceeds from disposal of available-for-sale assets	**—**	—	732
Acquisition of intangible assets	**—**	—	(100)
Internally generated intangible assets	**(2,835)**	(2,316)	(4,910)
Net cash used in investing activities	**(19,314)**	(4,974)	(29,958)
Cash flows from financing activities			
Share buy-back	**(3,397)**	—	—
Dividends paid	**(10,491)**	(9,995)	(22,445)
Net cash used in financing activities	**(13,888)**	(9,995)	(22,445)
Net increase/(decrease) in cash and cash equivalents	**(21,829)**	4,462	(10,933)
Cash and cash equivalents at the beginning of the period	**87,511**	98,444	98,444
Cash and cash equivalents at the end of the period	**65,682**	102,906	87,511

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

The condensed consolidated half-yearly financial information of the Group has been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards ('IAS') and Interpretations (collectively 'IFRS'), adopted by the International Accounting Standards Board ('IASB') and endorsed for use by companies listed on an EU regulated market. The half-yearly report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority. A copy of this interim announcement will be posted on the Company's website on the date of this statement at www.888holdingsplc.com

These results have been prepared on the basis of accounting policies expected to be adopted in the Group's full financial statements for the year ending 31 December 2010 which, except as disclosed below, are not expected to be significantly different to those set out in note 2 to the Group's audited financial statements for the year ended 31 December 2009.

During the period the Group has adopted IFRS 3 (revised) 'Business Combinations'. Under IFRS 3 (revised), goodwill is measured as the fair value of consideration transferred less fair value of the identified assets and liabilities assumed, all measured at the acquisition date. Transaction costs incurred by the Group on a business combination, other than those associated with the issue of equity securities, are expensed as incurred. Contingent consideration is re-measured through the income statement.

The Group complies with IAS 34 in the presentation of the half-yearly financial statements.

The financial information is presented in thousands of US dollars (US$'000) because that is the currency the Group primarily operates in. The comparatives for the year ended 31 December 2009 are not the Group's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies in Gibraltar and is also available from the Company's website. The auditors' report on those accounts was unqualified but it referred to a matter concerning the regulatory position of the Group to which the auditors drew attention by way of emphasis without qualifying their report. The details concerning this matter are given in note 6.

The condensed consolidated set of financial statements included in this half-yearly financial report is unaudited and does not constitute statutory accounts.

Other than as described in note 4, the risks and uncertainties faced by the Group have not changed significantly since the 2009 Annual Report was published and still continue to represent risk during the remaining six months of the financial year. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are unchanged from the year end.

2 Segment information

	Period ended 30 June 2010						
	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Total operating income	59,328	19,620	23,460	7,970	**110,378**	**19,851**	**130,229**
Result							
Segment result					**55,768**	**11,795**	**67,563**
Unallocated corporate expenses[1]							**63,320**
Operating profit							**4,205**
Finance income							**80**
Tax expense							**(1,602)**
Profit for the period							**2,683**
Assets							
Unallocated corporate assets							**221,581**
Total assets							**221,581**
Liabilities							
Segment liabilities — B2B							**6,367**
Segment liabilities — B2C							**26,736**
Unallocated corporate liabilities							**77,850**
Total liabilities							**110,953**

[1] Including share benefit charges of US$1,944,000 and restructuring costs of US$2,219,000.

Notes to the Condensed Consolidated Financial Statements

2 **Segment information** continued

	Period ended 30 June 2009						
	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Total operating income	55,880	26,246	5,063	6,369	**93,558**	**24,320**	**117,878**
Result							
Segment result					**55,432**	**14,406**	**69,838**
Unallocated corporate expenses[1]							**60,233**
Operating profit							**9,605**
Finance income							**153**
Tax expense							**(1,697)**
Profit for the period							**8,061**
Assets							
Unallocated corporate assets							**188,398**
Total assets							**188,398**
Liabilities							
Segment liabilities — B2B							**7,203**
Segment liabilities — B2C							**25,780**
Unallocated corporate liabilities							**40,578**
Total liabilities							**73,561**

[1] Including share benefit charges of US$5,145,000.

2 Segment information continued

	Period ended 31 December 2009						
	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Total operating income	118,693	51,592	10,659	14,457	**195,401**	**51,302**	**246,703**
Result							
Segment result					**117,815**	**31,089**	**148,904**
Unallocated corporate expenses[1]							**121,564**
Operating profit							**27,340**
Finance income							**226**
Tax expense							**(2,733)**
Profit for the period							**24,833**
Assets							
Unallocated corporate assets							**201,332**
Total assets							**201,332**
Liabilities							
Segment liabilities — B2B							**8,408**
Segment liabilities — B2C							**29,162**
Unallocated corporate liabilities							**42,662**
Total liabilities							**80,232**

[1] Including share benefit charges of US$7,012,000.

Other than where amounts are allocated specifically to the Casino, Poker, Bingo and Emerging Offerings segments above, the expenses, assets and liabilities relate jointly to all segments. Any allocation of these items would be arbitrary.

The Group's performance can also be reviewed by considering the geographical markets and geographical locations within which the Group operates. This information is outlined below:

	Total operating income Period ended 30 June 2010 US$'000 (unaudited)	Total operating income Period ended 30 June 2009 US$'000 (unaudited)	Total operating income Year ended 31 December 2009 US$'000 (audited)
Total operating income by geographical market			
UK	**61,275**	42,676	90,442
Europe	**50,616**	53,429	113,672
Americas (excluding USA)	**7,745**	10,652	19,145
Rest of World	**10,593**	11,121	23,444
Total operating income	**130,229**	117,878	246,703

Notes to the Condensed Consolidated Financial Statements

3 Operating profit

	Period ended 30 June 2010 US$'000 (unaudited)	Period ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Operating profit is stated after charging:			
Staff costs	**39,756**	35,362	71,313
Directors' remuneration	**667**	646	1,900
Audit fees	**170**	116	343
Other fees paid to auditors in respect of taxation services	**—**	4	11
Depreciation (within operating expenses)	**4,138**	3,344	7,044
Amortisation (within operating expenses)	**1,446**	600	1,458
Chargebacks	**1,036**	3,087	9,044
Exchange (gain)/loss	**(1,402)**	1,891	2,718
Payment service providers' commissions	**6,633**	6,942	13,750
Restructuring costs[1]	**2,219**	—	—
Share benefit charges — all equity-settled	**1,944**	5,145	7,012

[1] Restructuring costs — During the period the Group initiated measures designed to reduce its overheads and increase operational efficiency. These measures mainly affected employment costs and included redundancies across the Group's locations. Costs associated with these redundancies are included as per above.

4 Acquisitions made during the period

On 16 June 2010 the Group acquired the trade and assets comprising the Mytopia social games development studio ('Mytopia') from Real Dice Inc. for an all-cash consideration.

In calculating the goodwill arising on acquisition, the fair value of the assets of Mytopia was valued by a professional valuation firm and recognised in accordance with IFRS 3 (revised) and adjustments from book value have been made where necessary. These adjustments are summarised as follows:

	Book value on acquisition US$'000	Fair value adjustments US$'000	Fair value US$'000
Intangible assets	—	1,870	1,870
Assets	—	1,870	1,870

The fair value relates to the recognition of bingo online game application (US$830,000), software licence agreement (US$410,000), non-compete agreement (US$540,000) and a service agreement (US$90,000) acquired as part of the acquisition. The bingo online game application intangible asset is being amortised over its estimated useful economic life of three years. The software licence agreement intangible asset is being amortised over its estimated useful economic life of nine months. Non-compete agreement intangible asset is being amortised over its estimated useful economic life of four years. The service agreement is being amortised over its estimated useful economic life of one year. All intangible assets on acquisition have been identified and fair valued. The remaining goodwill represents the access to future trade associated with the operation of Mytopia.

4 **Acquisitions made during the period** continued

The Board consider that the Mytopia business is performing in line with expectations and there is consequently no indication of impairment at this time therefore it did not perform a detailed impairment review as at 30 June 2010.

	US$'000
Fair value of intangible assets acquired	1,870
Goodwill	20,173
Fair value of consideration	22,043
Which is represented by:	
Cash consideration to Real Dice Inc.	12,320
Contingent consideration (included with non-current liabilities)[1]	5,955
Contingent consideration (included with non-current liabilities)[2]	3,768
Total fair value of consideration	22,043

[1] Additional US$6.0 million is payable in cash upon meeting certain milestones connected to the mobile and social networking games prior to 31 December 2011.

[2] The Directors estimate that an earn-out payment of US$3.8 million is likely to become payable in the future based on projected performance during the period from January 2011 to December 2011. The earn-out payment is payable in cash during the second quarter of 2012. The earn out payment has been discounted.

Had the business been owned for the entire period, the revenue and operating loss for the period ended 30 June 2010 would have been approximately $0.8 million and $0.2 million respectively. Given that the business was acquired on 16 June 2010 there has been no significant contribution to the revenue or operating profit during the period.

Total goodwill included within intangible assets is as follows.

	Goodwill US$'000
At 1 January 2009	38,558
Acquisitions	—
At 30 June 2009	38,558
Acquisitions	20,053
At 1 January 2010	58,611
Acquisitions	20,173
Adjustment to the Wink bingo business contingent consideration[1]	21,000
At 30 June 2010	99,784

[1] Since the commencement of the earn-out period on 1 April 2010 the financial performance of the Wink bingo business has improved. As a result the Board has revised its estimate in respect of the potential contingent consideration payable by $21 million to give total potential contingent consideration payable $24.8 million. This earn-out payment has been discounted and has been recognised in current liabilities.

Notes to the Condensed Consolidated Financial Statements

5 Earnings per share

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33, 'Earnings per share', the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive shares and share options granted, which are not included in the number of shares for basic earnings per share. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted averaged share price during the period and it would not be advantageous for the holders to exercise the option. The number of options excluded from the diluted EPS calculation is 5,063,067 (2009: Half year — 4,270,906; Full year — 3,117,110).

	Six months ended 30 June 2010 US$'000 (unaudited)	Six months ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Profit from operations attributable to ordinary shareholders	**2,683**	8,061	24,833
Weighted average number of Ordinary Shares in issue	**346,216,619**	344,278,416	345,182,718
Effect of dilutive Ordinary Shares and Share options	**3,344,284**	5,067,772	3,960,938
Weighted average number of dilutive Ordinary Shares	**349,560,903**	349,346,188	349,143,656
Total			
Basic	**0.8¢**	2.3¢	7.2¢
Diluted	**0.8¢**	2.3¢	7.1¢

Earnings per share excluding share benefit charges and restructuring costs

The Directors believe that EPS excluding share benefit charges and restructuring costs better reflect the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit to profit excluding share benefit charges and restructuring costs:

	Six months ended 30 June 2010 US$'000 (unaudited)	Six months ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Profit from operations attributable to ordinary shareholders	**2,683**	8,061	24,833
Share benefit charges and restructuring costs	**4,163**	5,145	7,012
Profit excluding share benefit charges	**6,846**	13,206	31,845
Weighted average number of Ordinary Shares in issue	**346,216,619**	344,278,416	345,182,718
Weighted average number of dilutive Ordinary Shares	**349,560,903**	349,346,188	349,143,656
Total			
Basic earnings per share excluding share benefit charges and restructuring costs	**2.0¢**	3.8¢	9.2¢
Diluted earnings per share excluding share benefit charges and restructuring costs	**2.0¢**	3.8¢	9.1¢

6 Contingent liabilities and regulatory issues

(a) As part of the Board's ongoing regulatory compliance and operational risk assessment process, the Board continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.

(b) Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, the Board is unable to quantify reliably any material outflow of funds that may result, if any. Accordingly, no provisions have been made.

(c) Following the enactment of the UIGEA on 13 October 2006, the Group stopped taking any deposits from customers in the US and barred such customers from wagering real money on all of the Group's sites. Notwithstanding this, there remains a residual risk of an adverse impact arising from the Group having had customers in the US prior to the enactment of the UIGEA. The Board is not able to identify reliably at this stage what, if any, liability may arise and accordingly, no provision has been made. On 5 June 2007 the Group announced that it has initiated preliminary discussions with the United States Attorney's Office for the Southern District of New York. It is too early to assess any particular outcome of these discussions.

7 Related party transactions

During the period the Group paid US$129,357 (2009: Half year — US$123,939; Full year — US$258,506) in respect of rent and office expenses to companies of which Mr John Anderson is a Director. At 30 June 2010 the amount owed to those companies was US$nil (2009: Half year — US$nil; Full year — US$nil).

Remuneration paid to the Directors during the period totalled US$1,068,000 (2009: Half year — US$1,036,000; Full year — US$2,729,000). These figures exclude provision for performance based bonuses which depend on full year results.

Share benefit charge in respect of awards granted to the Directors totalled US$300,000 (2009: Half year — US$1,640,366; Full year — US$1,919,127).

8 Dividends

	Six months ended 30 June 2010 US$'000 (unaudited)	Six months ended 30 June 2009 US$'000 (unaudited)	Year ended 31 December 2009 US$'000 (audited)
Dividends paid	**10,491**	9,995	22,445

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of unaudited financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the half-yearly management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of 888 Holdings plc are listed in the Group's annual report and accounts for the year ended 31 December 2009 on page 27.

By order of the Board

Gigi Levy
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

Independent Review Report to 888 Holdings Public Limited Company

Introduction

We have been instructed by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and related explanatory notes 1 to 8.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the Directors.

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Half-Yearly Financial reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements in respect to half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Half-Yearly Financial Information Preformed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of half-yearly financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material aspects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Emphasis of matter — Regulatory issues

In forming our review conclusion, which is not qualified, we have considered the adequacy of, and drawn attention to, the disclosures made in note 6(c) to the condensed set of financial statements concerning the residual risk of adverse action arising from the Group having had customers in the US prior to the enactment of the Unlawful Internet Gambling Enforcement Act. Note 6(c) includes a statement that the Board has not been able to identify reliably at this stage what, if any, liability may arise and accordingly no provision has been made.

BDO LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London W1U 7EU
United Kingdom
31 August 2010

Shareholder Information

Group websites

A range of shareholder information is available in the Investor Relations area of the Group's website, www.888holdingsplc.com, including:

- Latest information on the Group's share price
- Information on the Group's financial performance
- News and events

The following websites can be also accessed through the Group's main web portal www.888.com or are available directly.

Casino:

888's Casino games are offered through:

- www.888Casino.com

Poker:

888's Poker offering is through:

- www.888Poker.com

Sportsbook:

888's Sportsbook offering is through 888sports

- www.888sport.com

Bingo:

888's Bingo offering is through Bingo

- www.888Bingo.com

888.it:

The Group's sports offering for the Italian market

- www.888.it

888.fr:

The Group's Poker offering for the French market

- www.888.fr

Mobile:

888's enable access to mobile platform through 888mobile

- www.888mobile.com

Betmate:

888 offers access to a betting exchange

- www.Betmate.com

888.tv:

A portal for skill games allowing members to download games, open accounts and play tournaments

- www.888.tv

888.info:

Allows members to practise their gaming skills for fun through a number of key Casino and Poker games

- www.888.info

888responsible:

The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

Shareholder Services

All enquiries relating to Ordinary Shares, Depository Interests, dividends and changes of address should be directed to the Group's Transfer Agent:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0870 162 3100
www.capitaregistrars.com

Further Information

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