10 September 2019

888 Holdings Public Limited Company
(“888” or the “Group”)

Half Yearly Report for the six months ended 30 June 2019

Continued strategic progress and record H1 revenue

888, one of the world’s most popular online gaming entertainment and solutions providers, announces its half-yearly results for the six months ended 30 June 2019 (the “period”).

Financial Highlights

- Group revenue[1] increased 2% to US$277.3 million (H1 2018: US$273.2 million); Like for Like* Group revenue increased 7%:
    - B2C Revenue increased 6% to US$262.5 million (H1 2018: US$246.7 million); constant currency B2C revenue growth was 9%:
        - Casino revenue increased 9% to US$175.4 million (H1 2018: US$161.0 million); constant currency Casino revenue growth was 14%;
        - Sport revenue increased 19% to US$44.5 million (H1 2018: US$37.5 million); constant currency Sport revenue growth was 28%;
        - Poker revenue declined 24% year on year to US$23.1 million (H1 2018: US$30.6 million); however, H1 2019 Poker revenue was 26% higher when compared to H2 2018;
        - Bingo revenue increased 10% to US$19.5 million (H1 2018: US$17.6 million); constant currency bingo revenue increased 17% benefitting from the acquisition of a portfolio of bingo brands in March 2019; proforma bingo revenue at constant currency declined by 3%:
    - B2B revenue decreased by 44% to US$14.8 million (H1 2018: US$26.5 million) as a result of the acquisitions of AAPN and the Costa bingo brands which transferred from B2B to B2C revenue as well as the migration of Cashcade bingo.

- UK revenue increased 13% (23% increase on a Like for Like* basis) to US$97.6 million (H1 2018: US$86.5 million) reflecting the success of the Group’s focus on recreational customers.
- Italy revenue increased 17% (26% increase at constant currency) driven by the success of the Group’s *Orbit* Casino platform.
- Revenue from regulated and taxed markets represented the significant majority of Group revenue at 74% (H1 2018: 70%).
- Adjusted EBITDA[2] was US$41.8 million (H1 2018: US$52.4 million); the Adjusted EBITDA margin was 15.1% (H1 2018: 19.2%).
- Adjusted Profit before tax[2] was US$27.1 million (H1 2018: US$42.5 million); Profit before tax was US$22.2 million (H1 2018: US$60.1 million).
- Adjusted basic earnings per share was 6.7¢ (H1 2018: 10.5¢), basic earnings per share was 5.4¢ (H1 2018: 15.4¢ per share).
- Interim dividend of 3.0¢ per share (H1 2018: 4.2¢ per share).

Operational Highlights

- Strategic acquisition of a first-class sports betting platform and team behind the BetBright brand for £15m in March.
- Acquisition of a portfolio of bingo brands including the well-established Costa Bingo brand for £18m.
- Successful launch in two new European regulated markets: Sweden and Portugal.
- First time depositors (‘FTDs’) across the Group’s B2C brands increased 20% year on year reflecting increased and effective marketing investment:
    - Casino FTDs increased 49%;

  - Sport FTDs increased 13%;
  - FTDs in the UK increased 30%;
  - FTDs in Italy increased 30%.
- Orbit Casino platform and successful shift of strategy toward casual customer audience continues to drive growth with active Casino players increasing 30%.
- Commenced the roll out of *Poker 8*, a new and improved Poker platform, across several regulated markets.
- Post the period end, launch of 888poker in Portugal and, at the same time, introduction of 888's first ever interstate-poker liquidity sharing network in Europe.
- At the end of July, the Group launched the *Orbit* platform in New Jersey supported by increased marketing activity in the state.

Current trading

Trading during the second half of the financial year to date has been in line with the Board's expectations with average daily revenue 6% higher than Q3 2018. Constant currency revenue has increased 9% year on year led by a 24% revenue increase in the UK.

Itai Pazner, CEO of 888, commented:

"888 has delivered a solid performance in the first half of 2019. The Group's business in the UK has continued its recovery, which was underpinned by exciting product innovation as well as 888's successful casual customer focus, and further expanded across several regulated European markets including launching its offering in Sweden and Portugal. The Group has also completed two acquisitions including the exciting and strategic acquisition of a first-class sports betting platform and team, thereby giving 888 complete ownership for the first time of its technology and product development across the four key online gaming product verticals.

First time depositors in the Group's B2C business have shown very healthy growth of 20% driven in particular by Casino. This very encouraging trend reflects highly effective marketing investment as well as the benefits of Orbit, 888's latest Casino platform, which has delivered strong results in each market where it has been launched.

The Board continues to believe that 888 is very well positioned for the future as a result of the Group's diversification across products and markets, product leadership, and first-class team. Trading during the second half of the financial year to date has been in line with the Board's expectations with average daily revenue 6% higher year on year representing a 9% increase at constant currency. This has been led by a 24% year on year revenue increase in the UK.

888 has a number of exciting growth opportunities ahead which will leverage the Group's new product developments and marketing innovation. As a result, the Board remains confident that the outcome for the full year will be in line with its expectations."

[1] Revenue in this document is before VAT accrual release in H1 2018.
[2] As defined in the financial summary below.
* At constant currency, adjusted for the migration of Cashcade bingo and Costa Bingo brands and AAPN acquisitions.

Financial summary

	Six months ended 30 Jun 2019[1] US$ million	Six months ended 30 Jun 2018[1] US$ million	Change
Revenue - B2C			
Casino	175.4	161.0	**9%**
Sport	44.5	37.5	**19%**
Poker	23.1	30.6	**(24%)**
Bingo[2]	19.5	17.6	**10%**
Total B2C	**262.5**	**246.7**	**6%**
B2B[2]	**14.8**	**26.5**	**(44%)**
Revenue before VAT accrual release	**277.3**	**273.2**	**2%**
VAT accrual release [3]	-	10.7	
Revenue	**277.3**	**283.9**	**(2%)**
Adjustment of VAT accrual release	-	(10.7)	
Operating expenses[4]	(71.5)	(70.4)	**1%**
Gaming taxes and duties	(44.9)	(37.8)	**19%**
Research and development expenses[5]	(18.3)	(16.6)	**10%**
Selling and marketing expenses	(84.3)	(82.7)	**2%**
Administrative expenses[6]	(16.5)	(13.3)	**24%**
Adjusted EBITDA excluding IFRS 16 impact[7]	**41.8**	**52.4**	**(20%)**
IFRS 16 impact on EBITDA	3.1	-	
Adjusted EBITDA[7]	**44.9**	**52.4**	**(14%)**
Depreciation and amortisation	(15.3)	(10.1)	
Finance	(2.5)	0.2	
Adjusted profit before tax	**27.1**	**42.5**	**(36%)**
Share benefit charges	(3.3)	(5.0)	
VAT accrual release	-	10.7	
Exceptional items[8]	(1.6)	12.0	
Share of equity accounted associates loss	-	(0.1)	
Profit before tax	**22.2**	**60.1**	**(63%)**
Adjusted basic earnings per share	**6.7¢**	**10.5¢**	**(36%)**
Basic earnings per share	**5.4¢**	**15.4¢**	**(65%)**

Reconciliation of profit before tax to EBITDA and Adjusted EBITDA

	Six months ended 30 Jun 2019[1] US$ million	Six months ended 30 Jun 2018[1] US$ million
Profit before tax	22.2	60.1
Finance	2.5	(0.2)
Depreciation	6.0	2.5
Amortisation	9.3	7.6
EBITDA	**40.0**	**70.0**
Exceptional items[8]	1.6	(12.0)
VAT accrual release[3]	-	(10.7)
Share benefit charges	3.3	5.0
Share of equity accounted associates loss	-	0.1
Adjusted EBITDA[7]	**44.9**	**52.4**

1 Totals may not sum due to rounding.

2 B2B in 2018 included Costa Bingo games, which is now presented in the B2C Bingo segment due to Costa Bingo games acquisition.

3 Revenue in H1 2018 includes US$10.7 million in respect of accrual release which relates to receipt of tax assessments in respect of legacy value-added tax in Germany.

4 Excluding depreciation of US$6.0 million (H1 2018: US$2.5 million) and amortisation of US$9.3 million (H1 2018: US$7.6 million) and adding back US$1.7 million lease costs that are cancelled under IFRS 16 implementation.

5 Adding back US$1.0 million lease costs cancelled under IFRS 16 implementation.

6 Excluding share benefit charges of US$3.3 million (H1 2018: US$5.0 million) and adding back US$0.4 million lease costs that are cancelled under IFRS 16 implementation.

7 Adjusted EBITDA is the main measure the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures (including adjusted profit before tax) which differ from statutory measures due to the exclusion of exceptional items and adjustments. It does so because the Group considers that it allows for a better reflection of the underlying financial performance of the Group.

8 Exceptional charges of US$1.6 million (H1 2018: exceptional income of US$12.0 million) in respect of organizational restructuring and legal and professional costs associated with M&A efforts, as set out in note 5 to the financial statements.

Sell-side analyst presentation

Itai Pazner, Chief Executive Officer, and Aviad Kobrine, Chief Financial Officer, will host a presentation for sell-side analysts today at 10:00 (BST) at the offices of Hudson Sandler, 25 Charterhouse Square, London EC1M 6AE. To express interest in attending please contact 888@hudsonsandler.com or call +44 (0)207 796 4133.

An audio webcast of the presentation will be available from the following link: https://www.investis-live.com/888/5d5fb5d79add6d11005cb08e/djdd

A replay will be available from the investor relations section of 888's website (http://corporate.888.com/investor-relations) later today.

Enquiries and further information:

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement reflect 888's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules or the Disclosure Guidance and Transparency Rules of the UK Listing Authority, 888 undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

Chief Executive Officer's Review

Introduction

The first half of 2019 has been a period of good strategic progress for 888. The Group has continued the recovery of its business in the UK, underpinned by product innovation as well as a successful casual customer focus, and further expanded across several regulated European markets, including launching its offering in Sweden and Portugal. In addition, during the period 888 completed two acquisitions, including the strategic acquisition of a first-class sports betting platform and team, thereby giving 888 complete ownership for the first time of technology and product development across its four key online gaming product verticals.

As a result of the Group's continued momentum during the period, as well as its strengths as a diversified operator that now has the capability to develop its own technology across the four major product verticals in online gaming, the Board believes that 888 has a unique platform to deliver continued growth and further shareholder returns.

Financial review

Revenue

Group revenue increased by 2% to US$277.3 million (H1 2018[1]: US$273.2 million) representing an increase of 7% on a Like for Like basis[*]. The Group's strong momentum continued across several regulated markets including the UK and Italy. This has been driven by progress in Sport which recorded 19% revenue growth (28% at constant currency) and Casino which recorded 9% revenue growth (14% at constant currency). These positive results were partly offset by a 24% decline in Poker revenue due in part to a general decline trend in the overall Poker market and a challenging competitive environment. However, encouragingly, H1 2019 Poker revenues were 26% higher when compared to H2 2018.

Reflecting the Group's continued recovery in the UK as well as expansion in several other regulated markets, the proportion of revenue generated from regulated and taxed markets reached a record of 74% of Group revenue (H1 2018: 70%).

Operating Expenses

Operating Expenses[2] increased by 1% to US$71.5 million (H1 2018: US$70.4 million) with the ratio of Operating Expenses to revenue remaining stable at 25.8% (H1 2018: 25.8%). The slight increase in Operating Expenses is explained by the continued growth of Casino and Sport revenue which resulted in higher charges in respect of the Group's third-party Sport platform and game providers, off-set in part by a decrease of 8% in employment costs compared to H1 2018 as a result of a cost reduction and headcount optimisation plan implemented during the period. Reported Operating Expenses amounted to US$85.1 million (H1 2018: US$80.5 million).

[1] H1 2018 Revenue in this document is before VAT accrual release.
[2] As defined in the table above.
* At constant currency, adjusted for the migration of Cashcade bingo and Costa Bingo brands and AAPN acquisitions.

Gaming taxes and duties

Gaming duties substantially increased by 19% to US$44.9 million (H1 2018: US$37.8 million). This is a result of the Group's strong revenue growth in the UK coupled with the increase in the UK Remote Gaming Duty rate from 15% to 21% effective from April 2019 resulting in incremental duties of US$3.8 million. In addition, gaming duties also increased due to the Group's continued expansion in regulated markets such as Sweden and Portugal as well as strong revenue growth in both Italy and Romania where tax rates also increased in January 2019 resulting in incremental duties of US$5.3 million. This was partly offset by a reduction of duties in Spain.

Research and development expenses

Research and development ('R&D') expenses[1] increased by 10% to US$18.3 million (H1 2018: US$16.6 million) as a result of the Group's R&D investment in the BetBright Sport platform, which was acquired in March 2019, as well as the development of new products, games and features that further enhance the customer experience, with a specific emphasis on safe gaming and customer protection. As a result, the ratio of R&D expenses to revenue increased to 6.6% (H1 2018: 6.1%).

Selling and marketing expenses

Selling and marketing expenses increased by 2% to US$84.3 million (H1 2018: US$82.7 million). However, this remained broadly stable as a proportion of revenue at 30.4% (H1 2018: 30.3%). The increase in marketing investment supported a strong increase of 20% in first time depositors in B2C. At the same time, cost per new customer acquisition declined reflecting the effectiveness of the Group's strict returns-driven marketing approach.

The increased marketing investment during the period reflected: 888's focus on and recovery in the UK market; the Group's launch in the Swedish and Portuguese markets; the Group's focus on building a wider customer base in Italy ahead of the country's advertising ban; and investment in the US market following the Group's acquisition to take full control of its US facing B2C operation in late 2018.

Administrative expenses

Administrative expenses[1] amounted to US$16.5 million (H1 2018: US$13.3 million) reflecting: increases in professional and corporate costs relating to the Group's Brexit preparations; the Group's launch in new regulated markets; and legal costs related to the Group's new revolving credit facility ("RCF") with Barclays established in February 2019 in order to provide short-term finance for 888's M&A activities. Reported administrative expenses amounted to US$19.4 million (H1 2018: US$18.3 million).

[1] As defined in the table above including the amounts set out in note 7 below.

Adjusted EBITDA

Adjusted EBITDA for the period amounted to US$44.9 million (H1 2018: US$52.4 million). Adjusted EBITDA excluding the impact of IFRS 16 (which was adopted during 2019) amounted to US$41.8 million (H1 2018: US$52.4 million). Adjusted EBITDA was adversely impacted by: US$3.1 million resulting from currency exchange rates when compared to the prior year; US$7.1 million of higher gaming duties as described above; the US$1.6 million increase in marketing investment primarily in regulated markets; and costs relating to the newly acquired BetBright Sport platform. The Adjusted EBITDA margin was 16.2% and the Adjusted EBITDA margin excluding the impact of IFRS 16 was 15.1% (H1 2018: 19.2%). EBITDA for the period amounted to US$40.0 million (H1 2018: US$70.0 million).

Exceptional items

Exceptional costs of US$1.6 million (H1 2018: Exceptional income of US$12.0 million) consist of US$0.8 million in legal and professional costs associated with the acquisitions of a portfolio of bingo brands including Costa Bingo and the BetBright platform as well as US$0.8 million in restructuring costs related to employee redundancies as part of the Group's planned cost optimisation project.

Share benefit charges
The Group recorded a non-cash share benefit charge of US$3.3 million (H1 2018: US$5.0 million) mainly attributed to long-term incentive equity awards granted to eligible employees.

Finance income and expenses
Finance expenses were US$2.9 million (H1 2018: US$0.1 million). This comprised: non-cash interest expenses of US$1.4 million and a US$1.5 million non-cash charge relating to currency exchange rates as a result of revaluation of IFRS 16 liabilities explained by the strengthening of the ILS against the USD and the RCF interest. Finance income amounted to US$0.4 million (H1 2018: US$0.3 million). Net finance expenses amounted to US$2.5 million (H1 2018: net finance income of US$0.2 million).

Profit before tax
Profit before tax declined to US$22.2 million (H1 2018: US$60.1 million) as a result of exceptional expenses of US$1.6 million (H1 2018: exceptional income of US$12.0 million) coupled with lower EBITDA in the period and higher amortisation charges related to the two acquisitions of AAPN and a portfolio of bingo brands including Costa Bingo. The Group’s H1 2018 profit before tax also benefitted from a VAT accrual release of US$10.7 million. Adjusted Profit before tax was US$27.1 million (H1 2018: US$42.5 million).

Taxation
Taxation for the period was US$2.5 million (H1 2018: US$4.7 million). The decrease is primarily a result of the higher profit before tax during H1 2018 and the tax impact of foreign currency earnings in H1 2018.

Adjusted Profit after tax and Profit after tax
Adjusted profit after tax[1] was US$24.6 million (H1 2018: US$37.8 million). Profit after tax was US$19.7 million (H1 2018: of US$55.4 million).

[1] As defined in the table above.

Earnings per share
Basic earnings per share was 5.4¢ (H1 2018: 15.4¢ per share). The decline is a result of lower EBITDA and higher depreciation and amortisation in H1 2019 as well as the Exceptional items in H1 2018. Adjusted basic earnings per share was 6.7¢ (H1 2018: 10.5¢). Further information on the reconciliation of adjusted basic earnings per share is provided in Note 5 to the H1 2019 financial statements.

Dividend
The Board has declared an interim dividend of 3.0¢ per share (H1 2018: 4.2¢ per share) reflecting the solid performance of the Group, the Board’s continued confidence in the outlook as well the cash impact of the Group’s recent acquisitions.

Cash flow
Net cash generated from operating activities was US$43.7 million (H1 2018: US$16.1 million). The increase is primarily explained by higher payments in H1 2018 related to historical VAT in Germany as well as gaming duties driven by an increase in trading activity in respect of H2 2017.

Balance sheet
The Group held cash at 30 June 2019 of US$111.0 million (31 December 2018: US$133.0 million). In February 2019, 888 signed an RCF with Barclays Bank plc enabling the Group to borrow an amount of up to US$50 million. During May 2019, the Group drew down US$33 million in order to provide short term finance for its recent M&A activities.

The decline in the cash balance compared to 31 December 2018 is a result of the payment of US$29.4 million final 2018 dividend and total payments of US$53.4 million in respect of the acquisitions of AAPN, a portfolio of bingo brands including Costa Bingo, and BetBright’s Sport platform. Balances owed to customers were US$57.4 million (31 December 2018: US$57.1 million).

Strategic progress

888's growth strategy is aimed at achieving the Group's significant potential across a diverse range of products and markets by delivering organic growth as well as evaluating attractive M&A opportunities. Underpinning this strategy are 888's core strengths including world-class technology; an experienced dedicated management team; business analytics expertise; CRM capabilities and highly effective marketing. 888 made further progress against each of the key pillars of its strategy during H1 2019:

1. Continue to protect customers and act responsibly

888's objective, above all else, remains consistent: to ensure that all those who visit the Group's websites can do so with confidence and safety. The Group continues to invest significant resources into ensuring that its customers have access to a safe and secure gaming environment, its employees and suppliers enjoy an ethical and rewarding workplace, and that the wider community - including 888's shareholders - benefit from the Group's success. 888 continues to maintain a close dialogue with relevant stakeholders and is committed to working with others to continually improve operating standards across the industry.

888's approach to preventing problem gambling and keeping underage players away from its sites is underpinned by its proprietary technology as well as the expertise of its highly trained customer care team. The Group has continued to develop its unique 'Observer' software – which uses sophisticated algorithms to measure changes in an individual customer's behaviour and playing patterns - to better predict and identify problematic or potentially problematic gambling in its early stages. 888 has also invested in further training for its customer service and responsible gaming teams.

To reinforce the Group's initiatives in this area, in February 2019 the Group appointed a new Responsible Gambling Director with more than 15 years' experience within 888. The new Director is leading 888's highly experienced Responsible Gaming team with oversight of the continuous improvement of 888's responsible gaming operations, systems and processes to further enhance customer protection as well as collaborating with industry stakeholder groups, including regulators. By working together with other operators, 888 is committed to further developing safe gambling initiatives and improving industry standards.

2. Development of 888's core B2C business

888 continues to develop leading brands across the four major online gaming verticals (casino, sport, poker and bingo) by focusing on providing a first-class and safe online gaming entertainment experience for customers. The Group has ambitious targets to develop in each of its four product verticals with a strategic focus on expanding 888's presence amongst casual customers across regulated markets globally.

Underpinning 888's progress and ambitions is a keen focus on new product development which helps to drive superior user experiences and differentiates 888's proposition from competitors. The roll-out of *Orbit*, the Group's new platform initially focused on the Casino market, commenced in May 2018 and represented the Group's most exciting new product development of recent years. The impact of the high-performance platform, discussed in more detail below, has exceeded initial expectations by: enhancing the user experience through increased interface response times; increasing customer personalisation by leveraging artificial intelligence ("AI") capabilities; and improving the display of games and content to customers. The Group is seeing positive trends in customer activity across each market where Orbit has been introduced to the 888casino offering and it is in the process of importing several of Orbit's exciting features and concepts into the 888's Sport, Poker and Bingo products.

During the Period, B2C Revenue increased by 6% to US$262.5 million (H1 2018: US$246.7 million). In addition, first time depositors across the Group's B2C brand's increased 20% year on year reflecting increased and effective marketing investment. The Group's progress was driven by its recovery in the UK market, momentum in continental European regulated markets, and further progress in Casino and Sport, partially offset by a challenging performance in Poker.

Casino

Underpinned by the strength of 888's unique brand heritage developed over more than 20 years in the online Casino industry in combination with the advantages of Orbit, the Board believes that 888casino has the potential to become the world's dominant online Casino brand.

Casino revenue increased by 9% to US$175.4 million (H1 2018: US$161.0 million) representing an increase of 14% at constant currency. Casino first time depositors increased by an impressive 49% demonstrating the strengths of 888's innovative marketing, CRM and customer proposition, particularly following the introduction of Orbit across several regulated markets during the second half of the prior year. Active Casino players increased by 30% year on year while average revenue per player declined by 16% reflecting the shift of strategy toward casual customer audience.

Sport

The Group's ambition is to continue to develop 888sport as a leading online sports book operator across global regulated markets. Following the completion of the acquisition of BetBright's technology and team in March 2019, the Group has started the integration process of the acquired technology into 888's platform with the aim to commencing a phased and market-by-market roll out of the Group's proprietary sportsbook solution starting in early 2020. When complete, the integration of BetBright's sportsbook technology will give 888 complete ownership over its technology and product development across all four of its key online betting verticals for the very first time. The Board believes that this acquisition will enhance the Group's long-term prospects in the global Sports betting market by adding a first-class team of sports betting professionals to the Group and enabling 888 to fully leverage its marketing and analytics capabilities, scale and unique online gaming expertise.

888sport continued to deliver strong progress with revenue increasing by 19% to US$44.5 million (H1 2018: US$37.5 million), representing a 28% increase at constant currency. This growth reflected continued expansion across regulated markets, led by the UK where revenue increased by 50% at constant currency. This progress was supported by a 13% increase in first time depositors, which was achieved despite the strong prior year comparatives which included the impact of the FIFA World Cup during H1 2018. The Group's continued progress has been underpinned by further investments made in the product proposition with an ever-wider portfolio of events for customers to bet on, enhanced live betting options, and increased personalisation for customers.

In July, post the period end, the Group started the roll-out of its new in-house developed 888sport product interface, delivering a better customer experience and a unified look and feel between 888's brands. The new interface was deployed across most of the Group's markets ahead of the 2019/2020 football season in European markets.

Poker

Poker revenue declined by 24% to US$23.1 million (H1 2018: US$30.6 million). However, Poker revenue increased by 26% compared to H2 2018 reflecting a stabilisation in the Group's performance.

The Group's Poker results have been impacted by factors including increased competitor marketing activity in some of the Group's markets as well as the unilateral withdrawal of certain payment providers and ISP blocking in several unregulated markets. Encouragingly, in Italy, revenue increased 38% year on year in H1 2019.

Poker remained an important customer acquisition channel for the Group with 18% of the Group's B2C first time depositors during the period acquired through the Poker vertical. The flow of poker players also playing Casino and Sport continued to be an important element of the B2C business with revenue generated from customers that were acquired through Poker and "cross-sold" into other verticals declining by just 4% year on year.

Whilst active poker players declined by 11%, Poker player retention showed an improved trend during the period and active days per poker player increased by 5% year on year reflecting the quality of 888's CRM and competitiveness of its product proposition.

888 is focused on improving its performance in Poker and maintaining its established position as a top three online poker brand globally with strong appeal amongst recreational poker players. In order to achieve this, the Group has been firmly focused on investing in and delivering product enhancements that will improve the customer experience. In March, the Group commenced the roll out of *Poker 8* over its desktop product following extensive research and feedback from customers. The new platform features enhanced graphics, cleaner designs and improved functionality for players. Further upgrades to the new poker platform are planned, including improved graphics and enhancements to the lobby and mobile platform.

In addition to product enhancements, in July 2019, post the period end, 888 was pleased to launch 888poker in Portugal and, at the same time, introduce 888's first ever interstate-poker liquidity sharing network in Europe. This has enabled 888 customers in Spain and Portugal to play poker against each other, thereby increasing the availability of the games and formats that 888's customers in those markets choose to play. The Board is pleased with the initial reaction to the 888-interstate network, with good levels of new customer acquisition in Portugal and a considerable increase in liquidity available for Spanish players as well. The Board anticipates that shared liquidity will provide increased competitiveness and new opportunities for the Group's Poker product over the coming years.

Bingo

In March 2019, the Group acquired a portfolio of bingo brands including the well-established Costa Bingo brand from JPJ Group Plc for £18m. The Board believes that consolidating these brands, which were previously operated as B2B brands on the Group's Dragonfish Platform, into 888's B2C brand portfolio will deliver growth opportunities through the application of the full extent of the Group's capabilities in product development, marketing, and customer relationship management to their operations.

B2C Bingo recorded a revenue of US$19.5 million (H1 2018: US$17.6 million), representing an increase of 17% at constant currency, benefitting from the contribution of the enlarged portfolio of acquired Bingo brands since mid-March. On a like for like* basis, Bingo revenues declined 3%.

* At constant currency, adjusted for the acquisition of Costa Bingo brands.

New customer acquisition increased by 20% (a 33% increase when including the newly acquired brands) with average revenue per player also increasing. The Group is continuing to focus on effective CRM, increased personalisation and product enhancements to its Bingo proposition with new in-house developed games and the addition of fresh third-party content.

3. B2B – focus on profitable growth

B2B revenue declined by 44% to US$14.8 million (H1 2018: US$26.5 million) in part due to the previously announced migration of Cashcade bingo to their proprietary platform. In addition, Dragonfish's Bingo network has been affected by the challenges seen across the UK bingo market with increases in gaming duties resulting in some of the Group's brand partners prioritising reductions in their marketing investment and optimisations to their cost bases over investing in new customer acquisition.

Bingo customer retention on the platform has shown satisfactory trends with revenue per player, days per player and bonus per player metrics all improving year on year. This is a testament to Dragonfish's continued investment in growing its games portfolio (95 games and four new vendors were added to the platform during H1), adding new bingo features such as the successful Mystery Jackpot, and adding new skins to the platform (11 skins added during H1).

Post the period end, the Group commenced the gradual roll out of a new customer interface (known as 'SnowWhite') inspired by its Orbit concept to enhance the customer experience, integrate additional marketing functionalities, improved responsible gaming monitoring and providing better user experience. By the year end Dragonfish expect to deploy at least 50% of the brands currently operating on its platform to SnowWhite.

The Group remains confident of the global growth opportunities for its B2B division which remain underpinned by Dragonfish's relentless focus on delivering and maintaining a first-class and full-service gaming proposition for its partners. During the first half of the year, the Group initiated organisational changes at Dragonfish to bring all aspects of the B2B offer except marketing into one standalone business unit. These have enhanced the customer-focus of the Group's B2B operations in line with the Group's strategic focus for this line of business on offering an increasingly value-added proposition to a smaller number of larger customers across both the UK and international markets.

Revenue from the Group's B2B business in the US market remained in line with the Board's expectations. The Group continues to explore further partnerships and new growth opportunities in the US.

During the first half of the year, the Group launched its first B2B Bingo network in Africa supporting local currency and customer feedback has been positive at this early stage. In addition, the Group, through its Dragonfish division, has teamed with a local partner, Boldt S.A., to apply for a licence with the aim of establishing an online presence in the province of Buenos Aires, Argentina. These two milestones reflect the ability of Dragonfish to explore and develop new potential markets and opportunities outside of the UK.

4. Expansion in regulated markets

888's strategic focus remains on growing in sustainable, regulated markets where the Group can leverage its full marketing expertise to capture opportunities. Revenue from regulated and taxed markets continued to represent the significant majority of Group revenue at 74% of revenue (H1 2018: 70%). This increase reflected the Group's progress in European regulated markets as well as its continuing recovery in the UK market.

The table below shows the Group's revenue by geographical market:

	H1 2019 US$ million	**H1 2018 US$ million**	**Growth (decline) from previous year**	**Growth (decline) at Constant Currency**	**% of reported Revenue (H1 2019)**
EMEA (excluding the UK and Spain)[1]	**115.4**	119.1	***(3%)***	***1%***	***42%***
UK	**97.6**	86.5	***13%***	***19%***	***35%***
Spain	**33.3**	33.5	***(1%)***	***7%***	***12%***
Americas	**24.8**	26.5	***(6%)***	***(5%)***	***9%***
Rest of world	**6.2**	7.6	***(19%)***	***(20%)***	***2%***
Revenue before VAT accrual release	**277.3**	273.2	***2%***	***6%***	***100%***
VAT accrual release	**-**	10.7			
Total revenue	**277.3**	283.9			

1 Non-European revenue included in the segment during 2019 amount to US$20.9 million (H1 2018: US$22.1 million).

EMEA (excluding the UK and Spain)

Revenue from EMEA (excl. the UK & Spain) increased 1% at constant currency during the first half of 2019. This was driven by solid Casino and Sport performances across the major markets in the region offset in part by the Group's overall Poker performance.

Italy delivered stellar 17% revenue growth (26% at constant currency) supported by the roll out of the Group's Orbit Casino platform. 888.it delivered a 30% increase in first time depositors during the period despite the strong comparatives in H1 2018 which included the positive impact of the 2018 FIFA World Cup.

Good progress was made in the Danish market in particular with Casino following the launch of Orbit in October 2018 supporting a 19% increase in first time depositors.

Revenue from the Romanian market increased by 20% (30% at constant currency) during the first half of 2019 driven by momentum in Sport and Casino. The launch of the Orbit casino platform in the Romanian market took place at the beginning of August, post the period end.

During the period the Group successfully launched in two new regulated European markets. In January, 888 launched Sport, Casino and Poker in the regulated Swedish market and the Board has been pleased with the Group's early performance in this significant online gaming market with customer acquisition significantly ahead of initial expectations.

The Group was awarded its 13th geographic licence in Portugal at the beginning of the year and successfully launched 888casino in Portugal in January. This was followed by 888poker post the period end in July. The launch of Poker in Portugal has enabled the Group to establish its first European interstate poker network and pool poker players across the Spanish and Portuguese markets for the very first time.

Revenue from Germany declined as a result of the restrictions and/or withdrawal of certain payment providers from the market and represented 6% of Group revenue during H1 2019.

UK

The actions and changes made to the operating processes undertaken by 888 in the UK market over recent years have been aimed at providing the safest possible gambling environment for players and ensuring the Group is aligned with the market's stricter regulatory environment. Changes made include the tightening of anti-money laundering processes, increased customer due diligence and the introduction of further customer protection tools and protocols. Undertaking these changes and improvements has not only been the right thing to do in order to provide a safe environment for 888's customers but also positions the Group for long-term development in what remains the world's largest regulated online gaming market. 888 has continued to invest in improving customer safety by developing technology and continually enhancing the Group's safety-first culture in line with 888's increased customer focus on recreational players.

UK revenue increased by 13% (23% on a Like for Like* basis) compared to the same period last year to US$97.6 million (H1 2018: US$86.5 million). This was driven by a 31% Like for Like*revenue increase in the Group's B2C business reflecting constant currency revenue growth of more than 50% in both Casino and Sport during the period. 888's continuing recovery in the UK reflects the success of the Group's refined focus on recreational customers, increased and effective marketing investment, and the appeal of the Group's revamped Casino proposition on the Orbit platform.

The UK now represents 35.2% (H1 2018: 31.7%) of Group revenue. Pleasingly, in line with the Group's customer focus, UK revenue generated by recreational players is increasing. First time depositors in the UK increased by 30% year on year reflecting the Group's effective marketing investment and signalling encouraging future growth prospects for 888 in the UK.

*At constant currency, adjusted for the migration of Cashcade bingo and Cost Bingo brands acquisition and in the case of B2C no adjustment was made for the B2B migration of Cashcade bingo.

Spain
Revenue from Spain declined by 1% to US$33.3 million (H1 2018: US$33.5 million) but increased 7% at constant currency against a strong prior year comparative. Spain represented 12.0% of Group revenue during the period (H1 2018: 12.3%).

The Group's momentum in Spain was moderated during the period by weaker Poker activity, which was adversely impacted by heightened competition from operators that offered shared liquidity with France (launched in 2018), which 888 did not participate in. In addition, the Group's poker performance adversely impacted customer cross-sell into 888casino.

The Board remains confident that 888poker.es remains a highly credible destination for recreational poker players evidenced by a 10% increase in new customer acquisition during the period against H1 2018. As described above, in July, 888 launched Poker in Portugal and shared liquidity between Spain and Portugal for the first time with encouraging early signs. It is anticipated that this will inject increased momentum to 888's offering in the Spanish market during the second half of the year.

Sport revenue increased 18% in Spain against H1 2018.

The Group launched its Orbit Casino platform at the end of 2018 and this supported a strong Casino performance during the period with new customer acquisition to Casino increasing by 28% year on year.

US
The Group remains focused on investing to deliver the medium-to-long-term growth opportunities for 888 in the US market. The Board continues to appraise opportunities to provide both brand building and market access opportunities for 888 in the developing North American online gaming market.

888 is continuing to invest in its product proposition in the US to align it with the quality and flexibility of the Group's products across other regulated markets globally. The Board is encouraged by the launch of the Group's Orbit platform in New Jersey at the end of July, which has been supported by increased marketing activity in the state.

5. Enhancing efficiencies
The Board and 888's management teams have maintained focus on maximising operational efficiencies and maintaining cost control by ensuring that the Group has the right structure, teams and operations for success across its global markets. During the Period, the Board took the decision to expand 888's operations in Romania to support the Group's continued delivery against its long-term growth strategy and further enhance organisational efficiencies. The Group's team of more than 300 employees in Bucharest has been expanded through the transfer of a number of 888's technology team from Israel as well as a number of new hires.

The continued expansion of 888's Bucharest operations reflects the outstanding research and development and IT talent available to the Group in the Romanian job market. By streamlining and focusing the Group's world-class Israeli technology hub the Board believes that 888 will deliver important operational efficiencies and further improve working practices to support the Group's long-term growth.

Team
In March 888 was delighted to welcome approximately 90 new colleagues to the Group following the acquisition of the BetBright platform. The BetBright sportsbook has been developed by a fantastic team and the new colleagues joining from BetBright have already significantly strengthened 888's sports betting expertise and industry know-how.

888 has a brilliant team and culture across the business, which is led by a talented and vastly experienced operational management team. The Board would like to thank all colleagues across the world for their contributions to the Group's good progress during the first half of the financial year.
Going concern

In considering the going concern basis, the directors reviewed the Group's operations, its financial position, its forecasts and the Group's financial risk management. The directors consider that the Group has adequate resources to continue in operational existence for at least 12 months from the date these interim financial statements are authorised for issue and that it is, therefore, appropriate to adopt the going concern basis in preparing these financial statements.

Current trading and outlook

Trading during the second half of the financial year to date* has been in line with the Board's expectations with average daily revenue 6% higher year on year representing a 9% increase at constant currency. This has been led by a 24% year on year revenue increase in the UK.

888 is continuing to integrate BetBright's sports betting technology and team into the Group and is confident of launching a proprietary sportsbook operating in certain regulated markets during Q1 2020.

The Group is continuing to invest in developing 888's presence in the evolving US market and the Board is pleased with the initial impact of the migration of 888casino in New Jersey on to the Orbit platform in July.

888 has an ambitious vision and several clear growth opportunities which are underpinned by the Group's unique products and first-class marketing capabilities. The Board continues to believe that with the Group's diversification, technology leadership, and first-class team, 888 remains very well positioned to continue to deliver its strategic objectives and achieve its expectations for the full year.

Itai Pazner
Chief Executive Officer

*Period from 1st July 2019 to 7th September 2019.

Principal risks and uncertainties

In addition to the risks faced by businesses generally and online businesses in particular, the Group is exposed to specific risks arising from its operations. The key principal risks and uncertainties remain consistent with those included on pages 26-31 of the 2018 Annual Report and Accounts. The Board has reconsidered and updated the Group's key risks with those appropriate for the remaining six months period to 31 December 2019.

Regulatory risk

The risk: The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction can have a material adverse effect on business volume and financial performance in that jurisdiction. In addition, a number of jurisdictions have regulated online gaming, and in several of those jurisdictions 888 holds a licence. However, in some cases, lack of clarity in the regulations, or conflicting legislative and regulatory developments, mean that 888 may risk failing to obtain an appropriate licence, having existing licences adversely affected, or being subject to other regulatory sanctions, including internet service provider blocking, payments blocking, black-listing and fines. Furthermore, legal and other action may be taken by incumbent gaming providers in jurisdictions which are seeking to regulate online gaming, in an attempt to frustrate the grant of online gaming licences to 888. Finally, changes to either the regulatory framework or enforcement policy relating to online gaming in certain markets may effectively force the Group out of certain markets where it currently operates or compel it to change its business practices or technology in a way that would materially impact results.

Relevance to strategy: Compliance with regulatory requirements and the maintenance of regulatory relationships in multiple jurisdictions is key to maintaining 888's online gaming licences which are critical to the operation and growth of its online gaming business. In addition, 888 may be exposed to claims in jurisdictions which do not regulate online gaming, seeking to block access to 888's offering to players located in such jurisdiction. A robust understanding of the legal and regulatory position in key locations worldwide is crucial to mitigating this risk.

How the risk is managed: 888 manages its regulatory risk by routinely consulting with legal advisers in various jurisdictions where its services are marketed or which generate significant revenue for the Group. Furthermore, 888 obtains frequent and routine updates regarding changes in the law that may be applicable to its operations, working with local counsel to assess the impact of any changes on its operations. 888 constantly adapts and moderates its services to comply with legal and regulatory requirements. The Group continues to strengthen regulatory compliance oversight, as well as to improve co-operation between the different departments and streamline processes of settling any conflicts between them, ensuring that 888's regulatory requirements and duty to uphold the licensing objectives always take priority over commercial interests. Finally, 888 blocks players from certain "blocked jurisdictions" using multiple technological methods as appropriate.

What happened in H1 2019: The UKGC continued to take an increasingly strict approach towards compliance, tightening requirements, adopting more stringent policies and regulations, and increasing the level of oversight over licensees. The primary areas of focus for the UKGC continue to be responsible gambling and prevention of underage gambling, consumer protection, advertising and anti-money laundering. For example, in H1 2019 the UKGC revoked the license of a remote casino operator (Maxent Limited) for failures in its dealings with the Commission, and issued a warning and financial penalty to a remote casino operator (Bestbet Limited) for inadequate anti-money laundering controls. These follow similar enforcement actions taken during 2018. The Commission also updated the Licensing Conditions and Codes of Practice to impose stricter controls related to age and identity verification, and published a harm reduction strategy that is likely to result in stricter requirements and enhanced enforcement action. The Group continued to work closely with the UKGC on compliance matters, and also to update its policies and procedures and to strengthen internal reporting lines to ensure compliance within the business, investing significant resources in regulatory compliance measures. The UKGC conducted a "Call for Evidence" in Q1 2019 regarding the use of credit cards for gambling; subsequently the Commission has announced it will be holding a formal consultation on this matter to commence in Q3 2019. Should the Commission implement material restrictions on the use of credit cards for online gambling and betting, this could have an adverse impact on the Group's business in the UK market.

In Germany, the Company is subject to prohibition orders issued by various German states, some of which have been upheld by German courts and others which are in the process of judicial review. While the Company continues to challenge the validity of these orders (where possible) and is seeking relief on this matter from the German Constitutional Court, it has been consulting closely with its German advisers as to the appropriate operational measures to be taken by the group in light of the orders issued. 2019 to date has seen what appears to be a slight uptick in enforcement efforts by the German authorities, both in connection with the issuance and enforcement of prohibition orders against operators and in connection with efforts by the German authorities to block payments to gambling operators. A large scale processor servicing the German market has already decided to discontinue processing payments related to casino and poker in this market due to regulatory risk management. Furthermore, the Group notes a growing trend in Germany of players filing civil suits against payment processors seeking the return of funds processed for gambling purposes, such suits being based on the current regulatory landscape. Should this trend grow, it could further adversely impact the willingness of processors to continue processing gambling-related payments in this market. In light of these developments, the Group continues to assess its operations in Germany, with a view to averting legal, reputational and operational risks. The Group is also assessing the potential impact of a change to the German regulatory landscape, presently in the process of approval by the various German states, which would introduce an interim federal licensing regime for online sports betting, but could negatively impact the German casino and poker market and could result in further enhanced enforcement against operators offering these products. The particulars of the licensing process remain presently unknown, including what limitations will be applied to licensed operators' offering, however the legislation establishing the interim licensing regime requires operators to undertake not to offer "unlawful gambling" in addition to their licensed offering.

In the Netherlands, where a law was approved in February 2019 to liberalize the market, the local regulator has been taking a more aggressive approach towards enforcement of existing laws against operators whose operations are conducted in violation of the "prioritization criteria" for enforcement issued by the authorities and updated from time to time. Several operators received significant fines due to the conduct of operations in a manner violating these criteria. Draft guidance published by the regulator in 2019 suggests that operators found to have violated the "prioritization criteria" in the two-year period prior to their application will be subject to a six month "cooling off" period prior to being awarded a license. The manner in which such suitability will be evaluated, the basis for evaluation and the strictness of the authorities in applying this restriction are all presently unknown, as are the final details of the regulatory position on this matter. The regulator has, however, made public comments suggesting that many applicants may not be considered eligible for licensing, inter alia on the grounds that they were present in the market in a manner violating the existing “prioritization criteria”. The Group has been studying these developments closely.

In Sweden, where the Group holds a license, the local regulator has issued numerous hefty fines against large operators, primarily for violations of advertising and bonus rules, and for accepting bets on under 18 sporting events. It appears some of the fines issued relate to interpretations by the regulator of various discretionary regulatory provisions. Furthermore, the Swedish regulator has also taken harsher measures, revoking the license of an operator (Ninja Casino) found to be non-compliant. The Group conducts its operations in Sweden in accordance with guidance received from local counsel, and continues to closely monitor enforcement action so as to ensure that its interpretation of the regulatory requirements is consistent with the approach of the regulatory authorities.

In Spain, a regulatory change recently adopted precludes operators from offering bets on under 18 sporting events, and reports indicate that the regulator is considering the possibility of restricting (or prohibiting) the advertising of gambling. Similarly, in Italy, a sweeping advertising ban adopted through legislation in 2018, entered into force in early Q3 2019.

In June 2019 a federal court ruled against the US Department of Justice's 2018 interpretation of the Wire Act, setting aside a memorandum finding that the Act applies to all forms of gambling (not only sports betting, as was concluded in the previous opinion). The Group has received advice to the effect that the ruling, if adhered to by the federal authorities, would preclude enforcement action against operators of remote casino and poker on Wire Act grounds, however their remains some interpretive ambiguity regarding the formal application of the ruling to non-parties (such as the Group.) On 16 August 2019, the Department of Justice filed a notice of appeal with the federal court against the June ruling. The Group continues to monitor these developments closely and in conjunction with its legal advisors in the US, to ensure that its operations are consistent with updated regulatory requirements and cannot be seen as violating federal law.

Brexit-related risks

The risk: The status of Gibraltar as a result of “Brexit” remains unclear. If 888 were to remain registered, licenced and operating in Gibraltar in these circumstances, its ability to rely on EU freedom of services / establishment principles in supplying its services within the EU will be limited; furthermore, it may become ineligible to continue to hold regulatory licenses in certain EU jurisdictions. Brexit may also adversely impact economic and market conditions in the United Kingdom, and give rise to a slowdown of UK business for the Company.

Relevance to strategy: The ability to rely on EU principles underpins 888’s regulatory strategy regarding major EU markets.

How the risk is managed: 888 is not able to control political changes of this nature, however it has obtained a gaming licence in Malta, redomiciled certain of its licensed entities to Malta, and established a server farm in Ireland, so that it can continue to serve European markets with no disruption to its business. 888 also diversifies its geographical customer base so as to mitigate dependency on the UK market.

What happened in H1 19: During H1 2019, the EU agreed to extend the negotiation period from March 2019 to 31 October 2019, with the United Kingdom ceasing to be a member of the EU no later than that date. Presently, the manner of Britain’s exit from the EU remains unclear.

Information Technology and Cyber risks

The risk: IT systems may be impacted by unauthorised access, cyber-attacks, DDoS (Distributed Denial of Service) attacks, theft or misuse of data by internal or external parties, or disrupted by increases in usage, human error, natural hazards or disasters or other events. Cyber-attack and data theft incidents may expose 888 to “ransom” demands and costs of repairing physical and reputational damage. Failure of IT systems, infrastructure or telecommunications / third party infrastructure may cause significant cost and disruption to the business and harm revenues. Lengthy down-time of the site (including in transitioning to activated disaster recovery servers) could also cause 888 to breach regulatory obligations.

Relevance to strategy: As an online B2C and B2B business, the integrity of 888's IT infrastructure is crucial to the supply of its offerings and compliance with its regulatory obligations and to the maintenance of customer loyalty.

How the risk is managed: Cutting-edge technologies and procedures are implemented throughout 888’s technology operations and designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS devices and obtaining anti-virus protection from leading vendors. Physical and logical network segmentation is also used to isolate and protect 888’s networks and restrict malicious activities. The IT environment is audited by independent auditors, such as PCI DSS security audit and eCOGRA audit. These audits form part of 888’s approach to ensuring proper IT procedures and a high level of security. In order to ensure systems are protected properly and effectively, external security scans and assessments are carried out on a regular basis. 888 has a disaster recovery site to ensure full recovery in the event of disaster. All critical data is replicated to the disaster recovery site and stored off-site on a daily basis. In the event of loss of functionality of 888’s critical services, the business can be fully recovered through the resources available at the disaster recovery site. In order to minimise dependence on telecommunication service providers, 888 invests in network infrastructure redundancies whilst regularly reviewing its service providers. As a part of its monitoring system, 888 deploys set user experience tests which measure performance from different locations around the world. Network-related performance issues are addressed

by rerouting traffic using different routes or providers. 888 operates a 24/7 Network Operations Centre ("NOC"). The NOC's role is to conduct real time monitoring of production activities using state-of-the-art systems. These systems are designed to identify and provide alerts regarding problems related to systems, key business indicators and issues surrounding customer usability experience. The IT environment tracks changes, incidents and service level agreement key performance indicators in order to ensure that client experience is consistent and well managed. As part of these procedures, capacity planning takes place and infrastructure is built accordingly. System-wide availability and business-level availability is measured and logged in the IT information systems.
What happened in H1 2019: Security - Awareness training was carried out for Group personnel at all locations by the Chief Information Security Officer. New security practices and technologies were implemented with a focus on DDoS mitigation and GDPR compliance. Infrastructure – A new main data centre was launched in Dublin using advanced IT architecture and technologies. The new data centre introduces a very high standard of redundancy and performance. Operations – 888 focused on operations analytics as the next evolution of monitoring, implementing an "elastic" framework for near real-time log and KPI analysis.

Also in 2019, Apple introduced a change to its App Store Terms and Conditions (applicable to new and existing apps). Pursuant to this change, real money gambling apps built in HTML5, may not be distributed via the App Store.

Taxation risk
The risk: Heightened attention continues to be given to matters of cross-border taxation in line with the G20/OECD Base Erosion and Profit Shifting recommendations. The OECD is continuing its work on taxation of the digital economy, issuing a Programme of Work Paper on 31 May 2019 considering revised profit allocation rules, non-physical nexus rules and global anti-base erosion rules. The UK Finance Bill 2019-2020 announced a 2% digital services tax which will enter into force in April 2020, which solely and specifically targets providers of internet search engines, social media platforms and online marketplaces which derive value from UK users, and which have UK revenues exceeding GBP 25 million and worldwide revenues exceeding GBP 500 million, in addition to new rules implemented from 1 April 2019 imposing UK tax on the receipt of royalties by offshore companies deriving from business activity in the UK; other EU jurisdictions such as France have introduced similar digital services tax measures, and the EU continues to work on a harmonized proposal which may include "virtual permanent establishment" criteria as well as an interim targeted turnover-based equalisation tax and/or advertising tax. . In Gibraltar, legislation has been introduced to recover unpaid taxes following a European Commission ruling regarding illegal state aid given between 2011-2013. Due to pressure from the European Union, offshore jurisdictions including the British Virgin Islands have introduced new "substance" requirements with regard to IP companies and other entities. The likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions and the aggressiveness of tax authorities remains high. A finding of taxable presence of the Group in one or more jurisdictions (including pursuant to revised interpretations of the permanent establishment concept as mentioned above), a transfer pricing adjustment with respect to attribution of profit to such jurisdiction(s), or imposition of another form of tax as mentioned above, may have a substantial impact on the amount of tax and VAT paid by 888 or require significant payments by 888 in respect of historical tax liabilities. 888's effective tax burden also increases due to the imposition or increase of gaming duty in markets in which the group has customers, including the recently announced increase in the rate of UK remote gaming duty to 21% of GGR as from 1 April 2019, the additional Romanian gaming tax at 2% of deposits from 2019, and the increase in Italian gaming duty to 25% of GGR (24% for sports betting) from 2019. The Company's Israeli subsidiary entered into an Assessment Agreement with the Israeli Tax Authority in 2016, in which the subsidiary's transfer pricing remuneration was agreed with regard to tax years ending in 2015. The Company believes that the remuneration attributed for tax purposes to its Israeli subsidiary complies with the arm's length standard, and therefore continues to rely on the transfer pricing agreement with regard to tax years following 2015, however the agreement has not been renewed. As such, and in light of the developments in taxation rules internationally, including in the field of transfer pricing pursuant to which new methodologies are gaining prominence, in the context of the tax audit detailed below, the Israeli Tax Authority may seek to increase the level of remuneration attributed to the Israeli subsidiary for tax purposes commencing from the 2016 tax year, which could have material financial consequences to the Company.

Relevance to strategy: In addition to the financial consequences of a challenge to 888's tax structure, tax compliance – and being seen to be paying the "right amount" of tax – has become a serious reputational issue as well as being a regulatory compliance issue. As such, it is crucial that 888 has a solid basis for its tax positions taken in relevant jurisdictions.

How the risk is managed: 888 aims to ensure that each legal entity within its Group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. In addition, 888 consults with tax advisers not only in jurisdictions in which its Group companies are incorporated and in which it has personnel, but also in major markets in which it has customers, in order to comply with its legal obligations whilst taking such action as is necessary to prevent the improper imposition of unlawful or double taxation.

What happened in H1 2019: 888 continues to engage with tax authorities and obtain legal advice in order to regularise its tax position and mitigate exposures. In Israel, the local subsidiary is undergoing a tax audit with respect to years 2014-2017, which primarily focuses on transfer pricing matters. No assessment has yet been issued, and the Company has included a provision in its accounts in accordance with its assessment of the likely outcome. The Company also agreed to assessments issued in a routine periodic withholding tax audit of its Israeli subsidiary.

Data Protection risk

The risk: 888 processes a large quantity of personal customer data, including sensitive data such as name, contact information, age, copies of governmental issued IDs, payment information, bank details and gaming / betting history, and certain information regarding responsible gaming matters. Furthermore, the Company engages in a variety of activities that involve the processing of said data for a variety of purposes, including account management, risk analysis and fraud prevention, responsible gaming, identity and age verification, direct marketing and advertising activities, etc. Such data could be illegally or wrongfully accessed or used by employees, customers, suppliers or third parties, or lost, disclosed or improperly processed in breach of data protection regulations. In particular, the European General Data Protection Regulation (GDPR) entered into force in May 2018, having a significant effect on the Company's privacy and data protection practices, as it introduced various changes to how personal information should be collected, maintained, processed and secured. Non-compliance with the GDPR may result in fines of up to €20 million or 4% of the Company's annual global turnover, and the Company will be particularly exposed to enforcement action in light of the amount of customer data it holds and processes. In addition, various countries in the EU have introduced domestic data protection laws incorporating the GDPR requirements. The Company could also be subject to private litigation and loss of customer goodwill and confidence. Furthermore, the Company's compliance with its licensing conditions may also be jeopardized to the extent the Company does not meet is data protection responsibilities.

Relevance to strategy: The holding and processing of personal and sensitive data in a lawful and robust manner is central to 888's analytics-based business strategy. As an online B2C and B2B business, the integrity of 888's data protection framework is crucial to the supply of its offerings, compliance with its regulatory obligations and maintenance of the impressive customer loyalty with which 888 is entrusted.

How the risk is managed: 888 has undergone a robust and risk-oriented GDPR-preparation project, pursuant to a designated GDPR Gap Analysis that was prepared for that purpose in coordination with its legal advisers. 888 conducts ongoing discussions and reviews regarding the implementation of its data protection procedures as well as data protection challenges and risks.

What happened in H1 2019: 888 has further implemented and enhanced its policies and procedures on relevant matters including exercising user rights and data retention, data sharing with third parties, security policies, as well as reviewing necessary product and IT implementation. Such policies and procedures are reviewed and updated on an ongoing basis to align with the most up to date regulatory guidelines. 888 has also put in place adequate contractual measures with respect to sharing data with third parties, reviewing its privacy notices and other customer notifications and reviewing the current data security framework on an ongoing basis.

Reputational risk

The risk: The reputation of 888 is affected by the profile of both other online gaming and betting operators, as well as the gaming and betting industry as a whole. Various regulators, most notably the UKGC, have adopted stricter compliance and enforcement policies, conducting more in-depth reviews of operational practices and sanctioning operators found to be non-compliant. There appears to be growing sentiment in various jurisdictions that existing regulations do not sufficiently protect minors and vulnerable players or do enough to prevent the use of illictly obtained funds for gambling purposes. This could result in reputational damage to the Group, as well as in the adoption of stricter regulations and enhanced enforcement measures.

Relevance to strategy: Underage and problem gaming, as well as the use of illicit funds for gambling, are risks associated with any gaming business, and ensuring compliance with regulatory requirements for the protection of vulnerable people and the prevention of money laundering is critical to maintaining 888's online gaming licences.

How the risk is managed: Staff are trained to provide a safe gaming experience to customers and to recognise and take appropriate actions if they identify compulsive or underage activity. 888 also complies with eCOGRA guidelines to protect customers. Web links to professional help agencies are provided on 888's real money gaming sites, and 888 has a dedicated website which provides information regarding responsible gaming. Players can also limit their play pattern or request to be self-excluded. 888 furthermore – directly or via industry bodies – seeks to ensure that legislators and regulators are provided with accurate and useful information regarding protections against problem and underage gaming.

What happened in H1 2019: During H1 2019, the UKGC continued its regulatory enforcement processes and actions which resulted in several public regulatory actions against online operators, as published by the Commission. Such publications raise further concerns about the sector's compliance with regulatory requirements pertaining primarily to Anti-Money Laundering and Social Responsibility. Furthermore, there appears to be a growing sentiment, particularly in the UK, about failings by the gaming industry to protect vulnerable players (specifically underage players and problem gamblers), which could result in the imposition of stricter regulatory requirements or other restrictions on the industry. Policy makers in other jurisdictions have called for stricter limitations on marketing and advertising of gambling (possibly even the imposition of advertising bans) aimed at preventing gambling addiction. 888 continued to devote significant resources to putting in place prevention measures coupled with strict internal procedures to protect customers, and monitor and update procedures to ensure that minors are unable to access their gaming sites. 888 also completed an upgrade of the Observer responsible gambling tool, to increase the protection to players and ensure earlier and more efficient detection and prevention of instances of problem gambling, and updated its anti-money laundering policies to better detect players suspected of using illicit funds for gambling. 888 has continued its review of all its websites and those of its B2B partners in light of the UK Advertising Standards Authority and Committees of Advertising Practice's review of gaming industry practices, with a view to ensuring that content that may be particularly appealing to children, whether specific games or general creative elements on the site, have been removed or made accessible only after a robust age verification process has been completed. 888 has also integrated with the National Online Self-Exclusion Scheme (also known as "GAMSTOP") to enable its customers to self-exclude themselves on national level from all UK online gambling operators.

Partnership risk

The risk: B2B partnerships expose 888 to business risks as well as compliance and reputational risks, with increased pressure on 888 as the licence holder, particularly from the UK Gambling Commission, to monitor activities of its B2B partners.

Relevance to strategy: B2B remains a material part of 888's business, particularly for Bingo in the UK; in addition, its US B2B contracts have strategic importance for the longer term.

How the risk is managed: 888 has reduced its dependency on B2B relationships, following the acquisition of Costa Bingo and other formerly B2B bingo brands. Remaining B2B contracts are maintained commercially in terms of the functionality and technology of the B2B platform offered, competitive pricing, maintaining an ongoing relationship with B2B partners, and ensuring that 888 has a good understanding of the needs of its B2B partners and their owners.

What happened in H1 2019: In early 2019, 888 acquired Costa Bingo and other formerly B2B bingo brands from its former B2B partner Jet Management. In June 2019, 888's US B2B partner Caesars announced that it will be wholly acquired by Eldorado Resorts; the impact on the relationship with 888 (if any) is presently unknown.

Acquisition risks

The risk: 888 has made a number of acquisitions in the online gaming and betting space. Acquisitions of gaming companies carry business risks, such as overpaying for what are mainly intangible assets, as well as legal and regulatory risks, including the receipt of necessary regulatory approvals to the transaction and exposure to legacy non-compliance of the seller. Furthermore, integration of acquired entities gives rise to a financial burden and the requirement of management attention and operational resources.

Relevance to strategy: Ongoing consolidation of the online gaming market costs has increased the importance of 888 being ready to acquire smaller operators, particularly in business areas such as Sport where 888's activity has historically been smaller.

How the risk is managed: 888's legal, financial and tax advisers ensure that a comprehensive due diligence is carried out on potential acquisition targets. Generally, 888 prefers to acquire assets rather than shares of companies, in order to mitigate exposure to any past non-compliance issues on the part of the seller. 888 seeks to take into account the resources required to integrate acquired entities in its annual budgeting and planning.

What happened in H1 2019: In early 2019, 888 acquired Costa Bingo and other formerly B2B Bingo brands from its former partner Jet Management. In addition 888 acquired the BetBright Sport platform in a strategic step to strengthens 888's product and technology capabilities and support the long-term development strategy for 888sport. Both transactions were structured as asset acquisitions, and 888 is dedicating the necessary resources to effectively integrate these businesses into the group.

Credit risk

The risk: 888 has taken a revolving credit facility from Barclays Bank plc in order to finance its activities. The credit facility contains covenants by the Group regarding the maintenance of certain financial ratios, as well as various regulatory compliance matters.

Relevance to strategy: Ongoing consolidation of the online gaming market has increased the importance of 888 being ready to acquire smaller operators, requiring readily available cash resources.
How the risk is managed: 888 monitors its ongoing compliance with the relevant financial ratios. 888, in-house and via its legal counsel, also monitor changes to the regulatory landscape which may have an impact on its obligations under the credit facility.

What happened in H1 2019: In early 2019, 888 executed the revolving credit facility with Barclays.

Condensed Consolidated Income Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
Revenue before VAT accrual release	2	**277.3**	273.2
VAT accrual release		**-**	10.7
Revenue		**277.3**	283.9
Operating expenses		**(85.1)**	(80.5)
Gaming duties	3	**(44.9)**	(37.8)
Research and development expenses		**(17.3)**	(16.6)
Selling and marketing expenses	3	**(84.3)**	(82.7)
Administrative expenses		**(19.4)**	(18.3)
Exceptional items	4	**(1.6)**	12.0
Operating profit before exceptional items, VAT accrual release and share benefit charge		**29.6**	42.3
Exceptional items		**(1.6)**	12.0
VAT accrual release		**-**	10.7
Share benefit charges		**(3.3)**	(5.0)
Operating profit	3	**24.7**	60.0
Finance income		**0.4**	0.3
Finance expenses		**(2.9)**	(0.1)
Share of post-tax loss of equity accounted associates		**-**	(0.1)
Profit before tax		**22.2**	60.1
Taxation		**(2.5)**	(4.7)
Profit after tax for the period attributable to equity holders of the parent		**19.7**	55.4
Earnings per share	5		
Basic		5.4¢	15.4¢
Diluted		5.3¢	15.0¢

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
Profit for the period	**19.7**	55.4
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**-**	(0.2)
Items that will not be reclassified to profit or loss		
Remeasurement of severance pay liability	**(1.5)**	0.5
Total other comprehensive income for the period	**(1.5)**	0.3
Total comprehensive income for the period attributable to equity holders of the parent	**18.2**	55.7

The notes below form part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

At 30 June 2019

	Note	30 June 2019 US$ million (unaudited)	31 December 2018 US$ million (audited)
Assets			
Non-current assets			
Goodwill and other intangible assets	12	**242.0**	200.3
Right-of-use assets	1.2	**26.1**	-
Property, plant and equipment		**13.4**	11.0
Investments		**1.1**	1.1
Non-current receivables		**0.8**	0.8
Deferred tax assets		**1.8**	1.4
		285.2	214.6
Current assets			
Cash and cash equivalents		**111.0**	133.0
Trade and other receivables		**43.8**	33.0
		154.8	166.0
Total assets		**440.0**	380.6
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital		**3.3**	3.3
Share premium		**3.6**	3.6
Foreign currency translation reserve		**(2.0)**	(2.0)
Treasury shares		**(1.2)**	(1.2)
Retained earnings		**148.8**	156.6
Total equity attributable to equity holders of the parent		**152.5**	160.3
Liabilities			
Non-Current liabilities			
Interest-bearing loans and borrowings	11	**21.6**	-
		21.6	-
Current liabilities			
Trade and other payables	10	**140.5**	136.0
Provisions	4,6,10	**10.9**	11.3
Income tax payable		**11.4**	11.4
Deferred tax liability		**4.1**	2.3
Severance pay liability		**4.0**	2.2
Interest-bearing loans and borrowings	11	**37.6**	-
Customer deposits		**57.4**	57.1
		265.9	220.3
Total equity and liabilities		**440.0**	380.6

These condensed financial statements were approved and authorised for issue by the Board of Directors on 10 September 2019 and were signed on its behalf by:

Itai Pazner
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes below form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital US$ million	Share premium US$ million	Treasury shares US$ million	Retained earnings US$ million	Foreign currency translation reserve US$ million	Total US$ million
Balance at 1 January 2018 (audited)	**3.3**	**3.5**	**(0.7)**	**108.7**	**(1.6)**	**113.2**
Profit after tax for the period attributable to equity holders of the parent	-	-	-	55.4	-	55.4
Other comprehensive income/(loss) for the period	-	-	-	0.5	(0.2)	0.3
Total comprehensive income/(loss)	-	-	-	55.9	(0.2)	55.7
Dividend paid	-	-	-	(41.4)	-	(41.4)
Equity settled share benefit charges	-	-	-	5.0	-	5.0
Acquisition of treasury shares	-	-	(0.8)	-	-	(0.8)
Exercise of deferred share bonus plan	-	-	0.3	(0.3)	-	-
Issue of shares to cover employee share schemes	-	0.1	-	-	-	0.1
Balance at 30 June 2018 (unaudited)	**3.3**	**3.6**	**(1.2)**	**127.9**	**(1.8)**	**131.8**
Balance at 1 January 2019 (audited)	**3.3**	**3.6**	**(1.2)**	**156.6**	**(2.0)**	**160.3**
Profit after tax for the period attributable to equity holders of the parent	-	-	-	19.7	-	19.7
Other comprehensive income/(loss) for the period	-	-	-	(1.4)	-	(1.4)
Total comprehensive income/(loss)	-	-	-	18.3	-	18.3
Dividend paid	-	-	-	(29.4)	-	(29.4)
Equity settled share benefit charges	-	-	-	3.3	-	3.3
Balance at 30 June 2019 (unaudited)	**3.3**	**3.6**	**(1.2)**	**148.8**	**(2.0)**	**152.5**

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.
Share premium - represents the amount subscribed for share capital in excess of nominal value.
Treasury shares - represent reacquired own equity instruments. Treasury shares are recognised at cost and deducted from equity.
Retained earnings - represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income and other transactions with equity holders.
Foreign currency translation reserve – represents exchange differences arising from the translation of all Group entities that have functional currency different from US$.

The notes below form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
Cash flows from operating activities			
Profit (loss) before tax		**22.2**	60.1
Adjustments for:			
Depreciation		**6.0**	2.5
Amortisation		**9.3**	7.6
Interest income		**(0.4)**	(0.3)
Interest expenses		**1.4**	-
Share of post- tax loss of equity accounted associates		**-**	0.1
Exceptional items		**1.6**	(12.0)
VAT accrual release		**-**	(10.7)
Share benefit charges		**3.3**	5.0
		43.4	52.3
Decrease (increase) in trade receivables		**(8.2)**	1.3
Increase in other receivables		**(3.2)**	(4.2)
Increase (decrease) in customer deposits		**1.0**	(4.5)
Increase (decrease) in trade and other payables		**16.0**	(20.1)
Decrease in provisions		**(0.4)**	(6.7)
Cash generated from operations		**48.6**	18.1
Income tax paid		**(4.9)**	(2.0)
Net cash generated from operating activities		**43.7**	16.1
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(5.3)**	(1.9)
Investment in BetBright		**(19.3)**	-
Investment in Costa Bingo		**(15.7)**	-
Investment in AAPN Holdings LLC		**(18.4)**	-
Interest received		**0.4**	0.3
Acquisition of intangible assets		**(1.8)**	(1.5)
Internally generated intangible assets		**(4.5)**	(6.5)
Net cash used in investing activities		**(64.6)**	(9.6)
Cash flows from financing activities			
Issue of shares to cover employee share schemes		**-**	0.1
Payment of lease liabilities		**(4.0)**	-
Interest paid		**(0.5)**	-
Proceeds from loans		**33.0**	-
Acquisition of treasury shares		**-**	(0.8)
Dividends paid	9	**(29.4)**	(41.4)
Net cash used in financing activities		**(0.9)**	(42.1)
Net decrease in cash and cash equivalents		**(21.8)**	(35.6)
Net foreign exchange difference		**(0.2)**	(0.4)
Cash and cash equivalents at the beginning of the period		**133.0**	179.6
Cash and cash equivalents at the end of the period[1]		**111.0**	143.6

[1] Cash and cash equivalents includes restricted short-term deposits of US$2.6 million (H1 2018: US$1.2 million).

Included in net cash generated from operating activities are amounts paid during the period in respect of exceptional items of US$1.6 million (H1 2018: US$5.7 million).
The notes below form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation and accounting policies

1.1 Basis of preparation

The condensed consolidated half-yearly financial information of the Group has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU ('IAS 34') and with the Disclosure and Transparency Rules of the Financial Conduct Authority. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Group's annual audited consolidated financial statements and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2018.

The financial information is presented in US Dollars (US$ million) because that is the currency the Group primarily operates in.

The comparatives for the year ended 31 December 2018 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 auditor's report on those accounts was unqualified and did not contain statements under Section 257(1) (a) and Section 258(2) of the Gibraltar Companies Act.

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

1.2 New standards, interpretations and amendments adopted by the Group

The accounting policies and methods of computation adopted in the condensed consolidated half-yearly financial information are consistent with those followed in Group's full financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

The Group applies, for the first time, IFRS 16 - Leases.

Several other new and amendments to existing International Financial Reporting Standards and interpretations, issued by the IASB and adopted by the EU, were effective from 1 January 2019 and have been adopted by the Group during the period with no significant impact on the consolidated results or financial position of the Group.

IFRS 16 – Leases

IFRS 16 Leases - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for most leases. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured at cost and depreciated by the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The cost of right-of-use assets comprises of initial measurement of the lease liability, any lease payments made before or at the commencement date and initial direct costs. Right-of-use assets are also subject for impairment losses and adjusted for any remeasurement of lease liabilities. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortised cost with the interest expense recognised within finance income (expense) in the consolidated statement of income.

In accordance with the transition provisions in IFRS 16, the Group is entitled to choose to apply the modified retrospective approach. Under this approach, a lessee does not restate comparative information and recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. At date of initial application, lease liabilities for leases previously classified as an operating lease applying IAS 17 were recognised and measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Leases are mainly comprise of offices in the period between one to ten years.

The effect of adoption of IFRS 16 is as follows:

Impact on the statement of financial position as at 1 January 2019:

	US $ million
Assets	
Right-of-use assets	26.8
Liabilities	
Current Lease liabilities	(5.6)
Non-current lease liabilities	(21.2)
Net impact on equity	**-**

Movement in the right of use assets during the period:

	right-of-use assets US $ million
At 1 January 2019	26.8
Arising during the period	2.2
Disposals during the period	-
Depreciation	(2.9)
At 30 June 2019	**26.1**

Impact on the statement of profit or loss for the six months ended 30 June 2019:

	US $ million
Depreciation expense	(2.9)
Operating lease expense	3.1
Operating profit	**0.2**
Finance costs	(0.5)
Profit for the period	**(0.3)**

Impact on the statement of cash flows for the six months ended 30 June 2019:

	US $ million
Net cash flows from operating activities	4.0
Net cash flows from financing activities	(4.0)
Net impact on cash flows	**-**

Following the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

1.3 New standards that have not been adopted by the Group as they were not effective for the year:

Several new standards and amendments to existing International Financial Reporting Standards and interpretations, issued by the IASB and adopted, or subject to endorsement, by the EU, will be effective from 1 January 2020 and 2021 and have not been adopted by the EU by the Group during the period. At this stage management are still assessing the full impact on the consolidated results or financial position of the Group.

2 Segment information

The management team continues to assess the performance of operating segments based on revenue and segment result.

	B2C					B2B[1]	Consolidated
	Casino	Poker	Sport	Bingo	Total B2C		
Six months ended 30 June 2019				US$ million (unaudited)			
Segment revenue	**175.4**	**23.1**	**44.5**	**19.5**	**262.5**	**14.8**	**277.3**
Segment result[2]					103.2	6.3	109.5
Unallocated corporate expenses[3]							(83.2)
Exceptional items							(1.6)
Operating profit							**24.7**
Finance income							0.4
Finance expenses							(2.9)
Share of post-tax loss of equity accounted associates							-
Taxation							(2.5)
Profit after tax for the period							**19.7**
Adjusted profit after tax for the period[4]							**24.6**
Assets							
Unallocated corporate assets							440.0
Total assets							440.0
Liabilities							
Segment liabilities					56.4	1.0	57.4
Unallocated corporate liabilities							230.1
Total liabilities							287.5

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 5.

2 Segment information (continued)

Six months ended 30 June 2018	Casino	Poker	Sport	Bingo	Total B2C	B2B[1]	Consolidated
	B2C						
	US$ million (unaudited)						
Segment revenue before VAT accrual release	161.0	30.6	37.5	17.6	246.7	26.5	273.2
VAT accrual release					10.7	-	10.7
Segment revenue					**257.4**	**26.5**	**283.9**
Segment result[2]					115.1	12.3	127.4
Unallocated corporate expenses[3]							(79.4)
Exceptional items							12.0
Operating profit							**60.0**
Finance income							0.3
Finance expenses							(0.1)
Share of post-tax loss of equity accounted associates							(0.1)
Taxation							(4.7)
Profit after tax for the period							**55.4**
Adjusted profit after tax for the period[4]							**37.8**
Assets							
Unallocated corporate assets							360.2
Total assets							360.2
Liabilities							
Segment liabilities					62.9	2.7	65.6
Unallocated corporate liabilities							162.8
Total liabilities							228.4

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 5.

Other than where amounts are allocated specifically to the B2C and B2B segments above, the expenses, assets and liabilities relate jointly to all segments. These amounts are not discretely analysed between the two operating segments as any allocation would be arbitrary.

Geographical information

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:

Revenue by geographical market (based on location of customer)

	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
EMEA (excluding the UK and Spain)[1]	**115.4**	119.1
UK	**97.6**	86.5
Spain	**33.3**	33.5
Americas	**24.8**	26.5
Rest of world	**6.2**	7.6
Revenue before VAT accrual release	**277.3**	273.2
VAT accrual release	**-**	10.7
Total Revenue	**277.3**	283.9

[1] Non-European revenue included in the segment during H1 2019 amount to US$20.9 million (H1 2018: US$22.1 million).

3 Operating profit

	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
Operating (loss) profit is stated after charging:		
Staff costs (including executive Directors)	**49.1**	49.3
Gaming duties	**44.9**	37.8
Selling and marketing expenses	**84.3**	82.7
Exceptional items	**1.6**	(12.0)
Depreciation (within operating expenses)	**6.0**	2.5
Amortisation (within operating expenses)	**9.3**	7.6
Chargebacks	**2.1**	1.1
Payment service providers' commissions	**11.3**	12.2

4 Exceptional items

The Group classifies certain items of income and expense as exceptional, as the Group considers that it allows for a better reflection of the underlying performance of the Group. The Group considers any non-recurring items of income and expense for classification as exceptional by virtue of their nature and size.

	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
Exceptional legal and professional costs	**0.8**	-
Restructuring costs	**0.8**	
Provision - legacy regulatory matters	**-**	10.4
Potential historical VAT charge	**-**	(22.4)
Total exceptional items[1]	**1.6**	(12.0)

[1] Tax effect of the exceptional items is US$0.2 million (H1 2018: US$0.4 million)

Exceptional legal and professional costs

During the period, the Group incurred legal and professional costs of US$0.8 million (H1 2018: nil) associated with the acquisitions of Costa Bingo brands and BetBright's sports betting platform.

Restructuring costs

Restructuring costs during the period comprises with employees redundancy costs mainly in Israel, part of the Group cost optimisation project, shifting workforce from high cost locations to low cost locations.

Provision - legacy regulatory matters

During the six months ended 30 June 2018, the Group recorded a provision of US$10.4 million in respect of regulatory matters related to legacy customers' activity in prior periods. This amount represents management's best estimate of probable cash outflows related to these matters, which are closely monitored by the Group. See also note 6.

Potential historical VAT charge

During 2017, the Group recorded a provision for exceptional items of US$45.3 million in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015. During 2018, following receipt of tax assessments from the Tax Authorities in Germany, the Group paid US$24.6 million on account of this provision and released US$22.4 million of the provision.

5 Earnings per share

Basic earnings per share

Basic earnings per share ('EPS') has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue and outstanding during the period.

Diluted earnings per share

The weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 4,178,957 ordinary shares (H1 2018: 9,888,265) and 7,062 market-value options (H1 2018: 28,146).

	Six months ended 30 June 2019 (unaudited)	**Six months ended 30 June 2018**
Profit for the period attributable to equity holders of the parent (US$ million)	**19.7**	55.4
Weighted average number of Ordinary Shares in issue	**366,565,858**	359,594,601
Effect of dilutive Ordinary Shares and share options	**4,186,019**	9,916,411
Weighted average number of dilutive Ordinary Shares	**370,751,877**	369,511,012
Basic	5.4¢	15.4¢
Diluted	5.3¢	15.0¢

Adjusted earnings per share

The Directors believe that EPS excluding VAT accrual release, exceptional items, share benefit charges and share of post-tax loss of equity accounted associates ("Adjusted EPS") allows for further understanding of 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 VAT accrual release, exceptional items, share benefit charges and share of post-tax loss of equity accounted associates ("Adjusted profit"):

	Six months ended 30 June 2019 US$ million (unaudited)	**Six months ended 30 June 2018 US$ million**
Profit (loss) for the period attributable to equity holders of the parent	**19.7**	55.4
VAT accrual release	**-**	(10.7)
Exceptional items (see note 4)	**1.6**	(12.0)
Share benefit charges	**3.3**	5.0
Share of post-tax loss of equity accounted associates	**-**	0.1
Adjusted profit	**24.6**	37.8
Weighted average number of Ordinary Shares in issue	**366,565,858**	359,594,601
Weighted average number of dilutive Ordinary Shares	**370,751,877**	369,511,012
Adjusted basic earnings per share	6.7¢	10.5¢
Adjusted diluted earnings per share	6.7¢	10.2¢

6 Provisions, contingent liabilities and regulatory issues

(a) The Group operates in numerous jurisdictions. Accordingly, the Group files tax returns, provides for and pays all taxes and duties it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is also periodically subject to audits and assessments by local taxing authorities. Other than as provided in the Group financial statements, the Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments and considers it unlikely that any further liability will arise.

(b) In 2017, in response to an inquiry from the tax authorities in Germany relating to a legacy VAT matter, the Group disclosed a contingent liability of US$18.5 million, relating to issues on which the Group considered that it has strong arguments but regarding which it remained possible that there would be a cash outflow. During 2018 following further discussions with tax authorities in Germany culminating in the issuance of tax assessments, the Board, supported by their updated legal advice, considered that the risk of cash outflow in respect of these services is remote, and therefore the contingent liability no longer exists. The Board has reserved its position and all legal rights, based on the legal advice received.

(c) As part of the Board's ongoing regulatory compliance and operational risk assessment process, it 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.

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, for the majority of these matters the Board is unable to quantify reliably the outflow of funds that may result, if any. For matters where an outflow of funds is probable and can be measured reliably, amounts have been recognised in the financial statements within Provisions. Except for the regulatory matters described in note 4, these amounts are not material at 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

7 Related party transactions

The aggregate amounts payable to key management personnel, considered to be the directors of the Company, as well as their share benefit charges, are set out below:

	Six months ended 30 June 2019 US$ million (unaudited)	Six months ended 30 June 2018 US$ million
Short term benefits	1.7	1.2
Post-employment benefits	0.2	0.1
Share benefit charges – equity settled	1.2	2.6
	3.1	3.9

8 Acquisitions

Acquisition of Costa Bingo brands

On 19 February 2019, the Group announced the signing of an agreement for the acquisition of a portfolio of Bingo brands, including Costa Bingo and certain other Bingo brands of Jet Management Group Limited and Jet Media Limited (together, "Jet") for consideration of £18.0 million. Jet is part of the group of companies headed by JPJ Group plc, which owns the Jackpotjoy brands. The consideration is satisfied all in cash, with £12.0 million (US$15.7 million) paid during H1 2019 and the remainder of £6.0 million (US$7.6 million) to be paid in August 2019.

Jet has been a partner of Dragonfish, the Group's B2B Bingo division, since 2009 with brands including Costa Bingo, City Bingo and Sing Bingo. The acquisition will give the Group full control of these successful brands from a marketing perspective to support and further strengthen the Group's position in the UK online bingo market.

The provisional fair values of the identifiable assets and liabilities acquired were:

	Fair Value recognised on acquisition US $ million
Assets	
Other intangible assets[1]	21.5
Total assets	21.5
Liabilities	
Deferred tax liability	2.2
Total Liabilities	2.2
Total identifiable net assets at fair value	**19.3**
Goodwill arising on acquisition	**4.0**
Purchase consideration transferred	15.7
Liability in respect of Costa acquisition	7.6
Fair value of purchase consideration	**23.3**

[1] Other intangible assets consist of Customer list of US$19.2 million and Brand name of US$2.3 million.

Acquisition BetBright's sports betting platform

On 4 March 2019, the Group announced the acquisition of BetBright's sports betting platform for £15.0 million. The consideration was satisfied all in cash, with £15.0 million (US$19.3 million) paid during H1 2019. The acquisition strengthens 888's product and technology capabilities and will support the long-term development strategy for 888sport.

The fair values of the identifiable assets and liabilities acquired were:

	Fair Value recognised on acquisition US $ million
Assets	
Property, plant and equipment	0.2
Other intangible assets[1]	19.1
Total identifiable net assets at fair value	**19.3**
Purchase consideration transferred	19.3
Fair value of purchase consideration	**19.3**

[1] Other intangible assets consist of Sport platform technology of US$18.3 million and the right to access third party customer list of US$0.8 million.

9 Dividends

	Six months ended 30 June 2019 US $ million (unaudited)	Six months ended 30 June 2018 US $ million
Dividends paid	**29.4**	41.4

2018 final dividend of 6.0¢ per share and an additional one-off 2.0¢ was paid on 23 May 2019 (US$29.4 million).

During 2018, the 2017 final dividend of 5.9¢ per share and an additional one-off 5.6¢ per share were paid on 11 May 2018 (US$41.4 million) and the 2018 interim dividend of 4.2¢ per share was paid on 31 October 2018 (US$15.2 million).

The Board of Directors has declared an interim dividend of 3.0¢ per share, payable on 18 October 2019.

10 Trade, other payables and provisions

	30 June 2019 US $ million	31 December 2018 US $ million
Trade payables	**38.4**	30.8
Accrued expenses	**75.0**	63.6
Liability in respect of AAPN buyout[1]	**-**	18.5
Liability in respect of Costa Bingo brands acquisition[2]	**7.6**	-
Other payables	**19.5**	23.1
Total trade and other payables	**140.5**	136.0
Provisions[3]	**10.9**	11.3
	151.4	147.3

[1] In 2018, the Group acquired additional 53% interest in the voting shares of AAPN for cash consideration of US$28.5 million. US$10.0 million was paid on the day of acquisition and additional US$18.4 million was paid during H1 2019.

[2] The Group acquired a portfolio of Bingo brands, including Costa Bingo and certain assets of Jet for consideration of £18.0 million. £12.0 million (US$15.7 million) was on the day of acquisition and the remainder of £6.0 million (US$7.6 million) to be paid in September 2019.

[3] Includes mainly provisions in respect of regulatory matters related to legacy customers' activity in prior periods (2018: US$11.3 million).

The carrying value of trade and other payables approximates to their fair value given the short maturity date of these balances.

Movement in the provision during the period is as follows:

	Total US $ million
At 1 January 2019	11.3
Arising during the period	0.3
Paid during the period	(0.1)
Released to income statement during the period	(0.3)
Exchange rate	(0.3)
At 30 June 2019	**10.9**
Current	10.9
Non-current	-

11 Interest-bearing loans and borrowings

	30 June 2019 US $ million	31 December 2018 US $ million
Lease liability[1]	**26.4**	-
Interest-bearing loan – RCF[2]	**32.8**	-
Total interest-bearing loans and borrowings	**59.2**	-

1 The Group applies, for the first time, IFRS 16 – Leases, see note 1.2. The Group has recognised a lease liability of US$26.4 million which includes interest of US$0.5 million during the period. At 1 January 2019, the present value of the remaining lease payments is discounted using a weighted average borrowing rate of 3.9%.

2 During the period, 888 has finalised a revolving credit facility ("RCF") with Barclays Bank plc of up to US$50.0 million in order to finance its M&A activities in the short term. At 30 June 2019 the Group has drawn US$33 million from the RCF. Arrangement fee of US$0.5 million is deducted from the RCF balance for 30 June 2019.

	Lease liability US $ million	RCF US $ million	Total US $ million
At 1 January 2019	26.8	-	26.8
Arising during the period	2.2	32.5	34.7
Paid during the period	(4.0)	-	(4.0)
Interest	0.5	0.3	0.8
Exchange rate	0.9	-	0.9
At 30 June 2019	**26.4**	**32.8**	**59.2**
Current	4.8	32.8	37.6
Non-current	21.6	-	21.6

12 Goodwill and other intangible assets

	Goodwill US $ million	Acquired intangible assets US $ million	Internally generated intangible assets US $ million	Total US $ million
Cost or valuation				
At 1 January 2018	146.1	21.6	80.6	248.3
Additions	-	2.7	12.0	14.7
Acquisition of a subsidiary (AAPN buyout)	30.9	9.9	-	40.8
At 31 December 2018	**177.0**	**34.2**	**92.6**	**303.8**
Additions	-	1.9	4.5	6.3
Acquisition of BetBright Sport platform	-	19.1	-	19.2
Acquisition of Costa Bingo brands	4.0	21.5	-	25.5
At 30 June 2019	**181.0**	**76.7**	**97.1**	**354.8**
Amortisation and impairments:				
At 1 January 2018	20.7	16.2	51.6	88.5
Amortisation charge for the year	-	3.2	11.8	15.0
At 31 December 2018	**20.7**	**19.4**	**63.4**	**103.5**
Amortisation charge for the period	-	4.8	4.5	9.3
At 30 June 2019	**20.7**	**24.2**	**67.9**	**112.8**
Carrying amounts				
At 30 June 2019	**160.3**	**52.5**	**29.2**	**242.0**
At 31 December 2018	**156.3**	**14.8**	**29.2**	**200.3**

Goodwill - Bingo B2C and B2B business

Goodwill and intangible assets associated with the Bingo online business unit arose following the acquisition of the Bingo online business of Globalcom Limited during 2007, the acquisition of the Wink Bingo business in 2009 and the acquisition of the Costa bingo brands in H1'19. The income streams generated from the Bingo online business, comprise the B2C Bingo cash generating unit and the B2B cash generating unit. In previous years these have been considered together as the risks and rewards associated with those income streams were deemed to be sufficiently similar. In 2018 Bingo B2C and Bingo B2B revenue streams were separated following the decline in Bingo revenue mainly due to the regulatory challenges facing the UK Bingo market and the migration of Cashcade which resulted in a decreased available headroom. In addition, following the acquisition of the Costa bingo brands, revenue associated with these brands is now recognized as Bingo B2C instead of B2B.

Key assumptions and inputs used

Cash flow projections have been prepared for a five year period, following which a long- term growth rate has been assumed. Underlying growth rates, as shown in the table below for each of B2B and B2C, have been applied to revenue and are based on past experience, including the results in 2018 and H1'19 and projections of future changes in the UK online bingo gaming market. Key assumptions in preparing these cash flow projections include moderate growth in revenue, continued optimisation of costs per customer acquisition, stable exchange rate for GBP/US$ and the expectation that the Group will continue to operate and be subject to gaming duties in its core jurisdictions.

The pre-tax discount rate that is considered by the Directors to be appropriate is the Group's specific Weighted Average Cost of Capital, adjusted for tax, which is considered to be appropriate for the online Bingo cash generating units.

	Pre-tax discount rate applied[1]	Underlying growth rate year 1	Underlying short-term growth rate years 2-5	Long-term growth rate year 6+	Operating expenses increase years 1-5	Operating expenses increase year 6+	GBP/US$ exchange rate used in the model for future periods
At 30 June 2019	**9%**	**2%**	**4-6%**	**2%**	**2%**	**2%**	**1.22**
At 31 December 2018	9%	2%	3%	2%	2%	2%	1.30

1 The pre-tax discount rate is recalculated by taking into account prevailing risk free rates, equity risk premium and company beta and having regard to external data commenting upon the Weighted Average Cost of Capital applied to the Group.

The calculation of value in use for Bingo B2C and Bingo B2B units is most sensitive to the Revenue growth rate assumptions. Growth rates are based on past experience and projections of future changes in the online gaming market, the continued highly competitive UK Bingo market as well as the proactive steps 888 has taken to address the tighter regulatory environment in the UK. A reduction of the short-term growth rates to 1% for each of B2B and B2C would result in in zero headroom for Bingo B2B and Bingo B2C, respectively.

Acquisition during the period

Fair Value of acquired intangible assets recognised on the acquisition of Costa Bingo brands consist of Customer list of US$19.2 million and Brand name of US$2.3 million. The estimated remaining useful life of the acquired intangible assets is 12 years (using the sliding scale method with 70% of the value to be amortised over 5 years) and 10 years, respectively.

Fair Value of acquired intangible assets recognised on the acquisition of BetBright Sport platform consist of Sport platform of US$18.3 million and the right to access third party customer list of US$0.8 million. The estimated remaining useful life of the acquired intangible assets is 12 years and 8 years, respectively.

Goodwill - Costa Bingo brands

The recognised goodwill reflects the potentially significant opportunities in the Bingo business to create additional value for the Group.

13 Fair value measurements

At 30 June 2019 and 31 December 2018, the Group's equity investment is measured at fair value (level 2). For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

There were no changes in valuation techniques or transfers between categories in the period.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements, which has been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB and adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit of the company and the undertakings included in the consolidation as a whole.

- The interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the 2018 Annual Report and Accounts.

The Directors of 888 Holdings plc are as listed in the 888 Holdings plc Annual Report and Accounts for 31 December 2018, however Ron McMillan resigned from the Board on 4 April 2019.

A list of the current Directors is maintained on the 888 Holdings plc website: corporate.888.com.

By order of the Board of 888 Holdings plc.

Itai Pazner Chief Executive Officer	Aviad Kobrine Chief Financial Officer

Independent Review Report to 888 Holdings plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement Cash Flows, and the related notes to the financial statements 1 to 13. 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.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with 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, "Interim 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.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim 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 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London, United Kingdom
10 September 2019