888 HOLDINGS

Half-Yearly Report 2012

888 is one of the world's most popular online gaming entertainment companies.

888 is a global gaming entertainment destination, with localised offerings providing players the games they want in the language they speak with high functionality and interactivity.

The 888 gaming experience is now available in a total of 19 languages to over 150 countries and provides something for players of all abilities and requirements. Our highly sophisticated marketing suite identifies the best way to target people with the offering that will be of most interest to them, and our market leading technology allows us to enter new markets quickly and effectively, helping us to gain market share as new geographies are regulated.

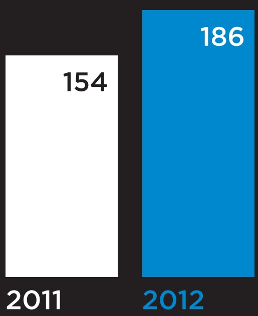
Dragonfish, 888's standalone business to business arm, continues to offer clients a best in class Total Gaming Services solution. The quality of the offering, coupled with a renewed focus has given us a strong position in which to enter newly regulating jurisdictions.

888 is a leader in corporate responsibility, with specialist websites dedicated to both responsible gaming and corporate responsibility so that customers can play in a safe and secure environment.

We continue to exceed our customers expectations both in terms of offer and customer service so that we can continue to grow the business organically and deliver value for our shareholders.

Highlights

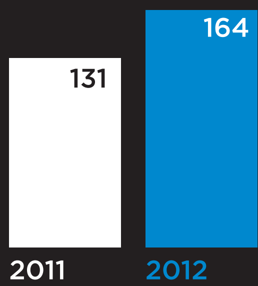
Revenue



up 21%

US$ million

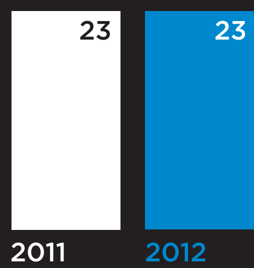
Revenue — B2C



up 25%

US$ million

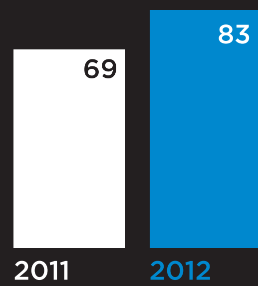
Revenue — B2B



down 1%

US$ million

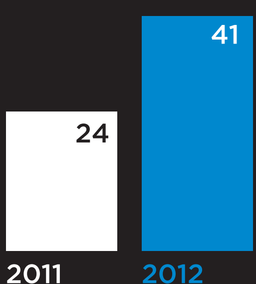
Revenue — B2C Casino



up 20%

US$ million

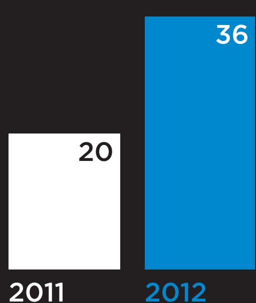
Revenue — B2C Poker



up 72%

US$ million

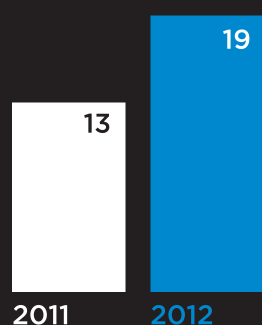
EBITDA[1,2]



up 81%

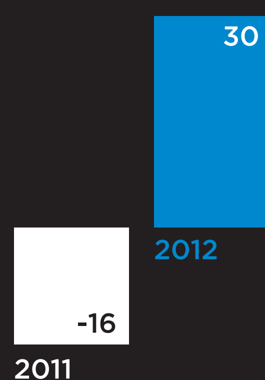
US$ million

EBITDA[1, 2] Margin



per cent

Profit Before Tax[1]



US$ million

[1] Excluding equity settled share benefit charges of US$0.8 million (H1 2011: US$1.6 million), restructuring costs of nil (H1 2011: US$4.9 million) and one-off Spanish back gaming duty of US$11.1 million (H1 2011: nil).

[2] Excluding goodwill impairment of nil (H1 2011: US$20.2 million).

02 Chief Executive's Review

Introduction

This is my first interim report as Chief Executive of 888 and I am delighted to report that we have had an outstanding first half. The renewed focus on core competencies that we have instilled throughout the business has paid off with ongoing strength in Poker and Casino helping achieve our highest ever six month revenues, and also making this the most profitable period in the history of 888 since the refocus of our business outside the US market in 2006.

We have a clear strategy in terms of the customer proposition; in B2C we are targeting high volume, recreational players with high quality products; in B2B the focus now is much more on profits than simply the volume of deals. All of this is supported by an excellent back office with superior technology, which combined are driving more customers to our sites and, in turn, higher profit.

The value of the technology and the intellectual property at the core of the business is key to our success and we remain focused on preserving our technological edge. Business analytics, using statistical modelling to drive marketing strategies and maximise player values, is a central tenet of our business model and the years of experience and data collection give us a strong competitive edge. We have increased our investment in our in-house games development capability over the last 12 months, and we will focus on product innovation including new instant games. It is the success of our platforms, coupled with the product, marketing and operations of our proposition, that attracts B2B partnerships and gives us a strong position in regulated markets.

Results

Revenue increased 21% to US$186 million (H1 2011: US$154 million) driven by strong customer acquisition, with a 48% year on year uplift in first time depositors in Poker and Casino.

EBITDA[1] increased 81% to $36 million.

The final pay-out was made to the Wink vendors and as at 30 June 2012 our cash position was US$22.9 million, net of customers' liabilities.

[1] Excluding equity settled share benefit charges of US$0.8 million (H1 2011: US$1.6 million), goodwill impairment of nil (H1 2011: US$20.2 million), restructuring costs of nil (H1 2011: US$4.9 million) and one-off Spanish back gaming duty of US$11.1 million (H1 2011: nil).

Given the strength of our financial performance the Board has therefore decided to reinstate the dividend, the payout being in accordance with our stated dividend policy set out at the time of our 2005 flotation, and we will be paying an interim dividend of 2.5 cents per share.

B2C Review

Our total B2C revenue was up 25% to US$164 million (H1 2011: US$131 million).

Poker remains the star performer of the product stable with revenue up 72% to US$41 million (H1 2011: US$24 million) and active customer numbers up 63% in Q2 2012, this is in addition to a very strong increase of 90% in active customers in the prior year. We continue to be ranked 4th in the top ten of global poker liquidity by PokerScout.com.

Early in the year we launched our new casino front end, Casino 50. Using multiple software platforms developed in-house, we believe it is now one of the most powerful and sophisticated platforms in the industry, offering a wide range of games and dazzling graphics. Casino 50 offers a huge range of online casino games including unique and innovative slot games with branded themes and progressive jackpot as well as new versions of Blackjack and Roulette which are appealing for card & table players. The video poker area offers seven variations of video poker starting up with progressive jackpots and going to 50-Hand Power Play.

Bingo continues to be challenging and in a very competitive market but we are holding our position as the largest network in the UK, and performing in line with expectations.

Our Sports offering remains an important part of our product suite, and it continues to perform in line with expectations. Targeted marketing has helped to increase revenue year on year and we have seen success in our mobile strategy, with more users now placing bets through our dedicated 888Sport app.

04 Chief Executive's Review

B2C Review continued

The first half has seen significant progress in European regulated markets. Following the conclusion of discussions with the Spanish authorities regarding gaming duty payable in respect of operations prior to May 2011, 888 made a one-off payment of US$11.1 million. On 1 June 2012 we were awarded a Spanish eGaming licence. We effectively and efficiently migrated customers to the regulated environment and have quickly built market share, with our poker offer currently number two in the Spanish market with a 24% market share for 888poker.es. In fact we have doubled our poker revenue from Spain compared to the period prior to regulation. We will look to consolidate and build upon this strong position as concerted marketing efforts step up in the second half of the year.

In Italy our market share has grown on the back of controlled investment. We will continue to increase our marketing investment throughout the second half of the year, which will also see the launch of slot machines into the Italian market.

We have also applied to receive an interactive gaming service provider licence from the Nevada Gaming Control Board, allowing us to offer our 888 brands in Nevada (in conjunction with licensed land based operators) once the market opens.

Whilst our focus has been on achieving good opening positions in regulated markets we have also been developing our mobile offering. Our products are now available on mobile with bingo due to be released during the fourth quarter.

Currently 17% of our sportsbook bets are generated on mobile, and this is something that we will look to move towards across our product offering, helping to boost both new customer acquisition and total spend. We will continue to make improvements to our mobile platform in the second half.

Mytopia, our social gaming business, has been fully integrated into 888, and the team there is now working alongside our excellent product developers. Social gaming remains a nascent industry, and one in which we are well positioned to remain ahead of the curve. We will continue to review our product suite, and expect Mytopia to continue to progress.

Dragonfish Review

As we expected, B2B revenues decreased 1% in H1, reflecting the impact of phasing out smaller unprofitable licenses as we focus on quality rather than quantity.

We are already operating Caesars Interactive Entertainment's (CIE) World Series of Poker online poker brand in the UK, a collaboration which received the approval of the Nevada Gaming Control Board (which included a finding of suitability for 888 by the Board). In addition, we announced a deal in January that extends our relationship with Caesars and will see Dragonfish power a selection of CIE's established and recognised poker brands including the "WSOP", once online gaming is permitted under the new regulatory regime.

This non-exclusive agreement marked the first strand in our US online strategy and indicated the strong platform that we can use to sign with further potential US partners.

Following on from this, just after the period end, we announced a strategic agreement with gaming content and slots supplier WMS Gaming Inc. The quoted US group is a major supplier of electronic games content and slot machines to the land based gaming industry internationally but in particular to the US. WMS has also been building up its online capability through a combination of acquisitions and strategic relationships. The deal involves us providing our online poker platform to WMS who will then market and distribute it to the group's land based casino customers. Initially the deal will involve play for fun but when the regulatory environment allows real money will be offered. Whilst the true value of the deal with WMS will only be realised if online poker legislation develops positively, the deal reflects our growing presence in the US market.

Current Trading and Outlook

Trading during the 2012 London Olympic Games was in line with expectations with revenue during the period July-August 2012 higher by approximately 5% than the corresponding period last year.

In the second half of the year, margins will be impacted by investment in marketing as we consolidate and grow our positions in Spain and Italy and investment in our technological infrastructure ahead of delivering announced deals in the United States.

We believe we are well placed for the future. We have the right product offering and superior back office capabilities to grow and sustain market share and are confident of achieving further value for shareholders.

Brian Mattingley
Chief Executive Officer
29 August 2012

06 Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Revenue	2	**186,445**	153,841	331,150
Operating expenses		**63,774**	62,726	122,634
Gaming taxes and duties		**16,604**	1,428	7,319
Research and development expenses		**13,860**	12,869	29,908
Selling and marketing expenses		**61,706**	49,892	102,262
Administrative expenses		**13,430**	40,857	54,441
Operating profit before impairment charges, Spanish back gaming duty, restructuring costs and equity settled share benefit charges		**29,009**	12,828	42,582
Impairment charges		**—**	(20,173)	(20,673)
Spanish back gaming duty		**(11,097)**	—	—
Restructuring costs		**—**	(4,949)	(4,949)
Equity settled share benefit charges		**(841)**	(1,637)	(2,374)
Operating profit (loss)		**17,071**	(13,931)	14,586
Finance income		**369**	90	233
Finance expenses		**(1,456)**	(8,300)	(13,281)
Release of deferred and contingent consideration		**2,372**	—	4,225
Share of post-tax profit of equity accounted joint ventures		**7**	41	84
Profit before tax before impairment charges, Spanish back gaming duty, release of contingent consideration, restructuring costs and equity settled share benefit charges		**27,929**	4,659	29,618
Impairment charges		**—**	(20,173)	(20,673)
Spanish back gaming duty		**(11,097)**	—	—
Release of deferred and contingent consideration		**2,372**	—	4,225
Restructuring costs		**—**	(4,949)	(4,949)
Equity settled share benefit charges		**(841)**	(1,637)	(2,374)
Profit (loss) before tax		**18,363**	(22,100)	5,847
Taxation		**2,722**	1,156	3,912
Profit (loss) after tax for the period attributable to equity holders of the parent		**15,641**	(23,256)	1,935
Earnings per share				
Basic		**4.5¢**	(6.7)¢	0.6¢
Diluted		**4.4¢**	(6.7)¢	0.6¢

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Profit (loss) for the period	**15,641**	(23,256)	1,935
Actuarial losses on defined benefit pension plan	**–**	(239)	(443)
Total comprehensive income (loss) for the period attributable to equity holders of the parent	**15,641**	(23,495)	1,492

08 Condensed Consolidated Balance Sheet

At 30 June 2012

	30 June 2012 US$'000 (unaudited)	30 June 2011 US$'000 (unaudited)	31 December 2011 US$'000 (audited)
Assets			
Non-current assets			
Intangible assets	**145,254**	142,888	141,900
Property, plant and equipment	**18,216**	19,564	17,059
Investment in equity accounted joint venture	**1,247**	1,260	1,243
Available for sale investment	**175**	175	175
Deferred taxes	**233**	690	435
	165,125	164,577	160,812
Current assets			
Cash and cash equivalents	**69,179**	60,867	81,852
Trade and other receivables	**21,776**	22,879	26,468
	90,955	83,746	108,320
Total assets	**256,080**	248,323	269,132
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	**3,177**	3,145	3,163
Share premium	**65**	65	65
Capital redemption reserve	**24**	24	24
Retained earnings	**134,535**	92,361	118,067
Total equity attributable to equity holders of the parent	**137,801**	95,595	121,319
Liabilities			
Current liabilities			
Trade and other payables	**71,351**	58,596	65,462
Customer deposits	**46,260**	40,984	44,954
Contingent and deferred consideration	**668**	53,148	37,397
	118,279	152,728	147,813
Total equity and liabilities	**256,080**	248,323	269,132

The condensed financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 29 August 2012 and were signed on its behalf by:

Brian Mattingley
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2011 (audited)	3,145	65	24	113,716	116,950
Equity settled share benefit charges	—	—	—	1,637	1,637
Equity settled share benefit charges (included within restructuring cost)	—	—	—	503	503
Total comprehensive loss for the period	—	—	—	(23,495)	(23,495)
Balance at 30 June 2011 (unaudited)	3,145	65	24	92,361	95,595
Equity settled share benefit charges	—	—	—	737	737
Issue of shares	18	—	—	(18)	—
Total comprehensive income for the period	—	—	—	24,987	24,987
Balance at 1 January 2012 (audited)	3,163	65	24	118,067	121,319
Equity settled share benefit charges	—	—	—	841	841
Issue of shares	14	—	—	(14)	—
Total comprehensive income for the year	—	—	—	15,641	15,641
Balance at 30 June 2012 (unaudited)	3,177	65	24	134,535	137,801

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.
Capital redemption reserve — represents amounts transferred from the share capital reserve following the buy-back and cancellation of equity shares.
Retained earnings — represents the cumulative net gains and losses recognised in the consolidated income statement.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Cash flows from operating activities			
Profit (loss) before income tax	**18,363**	(22,100)	5,847
Adjustments for:			
Impairment charges	**—**	20,173	20,673
Depreciation	**4,812**	4,796	9,039
Amortisation	**2,202**	2,326	3,998
Interest received	**(367)**	(90)	(221)
Interest expense	**965**	4,754	7,411
Share of post-tax profit of equity accounted joint venture	**(7)**	(41)	(84)
Foreign exchange differences on deferred consideration	**595**	2,794	1,739
Release of deferred and contingent consideration	**(2,372)**	—	(4,225)
Equity settled share benefit charges	**841**	2,140	2,877
	25,032	14,752	47,054
Decrease (increase) in trade receivables	**3,772**	(485)	(4,865)
Decrease in other accounts receivables	**921**	1,950	2,741
Increase in trade payables	**2,491**	13,934	23,128
Increase in customer deposits	**1,306**	6,259	10,229
Increase in other accounts payables	**3,113**	7,463	4,794
Cash generated from operations	**36,635**	43,873	83,081
Income tax paid	**(2,286)**	(2,037)	(4,341)
Net cash generated from operating activities	**34,349**	41,836	78,740
Cash flows from investing activities			
Consideration paid on acquisitions	**(36,343)**	(36,013)	(46,080)
Purchase of property, plant and equipment	**(5,969)**	(2,813)	(4,575)
Interest received	**367**	90	221
Acquisition of intangible assets	**(201)**	(103)	(201)
Internally generated intangible assets	**(3,834)**	(2,993)	(4,079)
Net cash used in investing activities	**(45,980)**	(41,832)	(54,714)
Cash flows from financing activities			
Interest paid	**(1,042)**	(657)	(3,694)
Net cash used in financing activities	**(1,042)**	(657)	(3,694)
Net (decrease) increase in cash and cash equivalents	**(12,673)**	(653)	20,332
Cash and cash equivalents at the beginning of the period	**81,852**	61,520	61,520
Cash and cash equivalents at the end of the period	**69,179**	60,867	81,852

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

The condensed consolidated half-yearly financial information of the Group has been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards ('IAS') and Interpretations (collectively 'IFRS'), adopted by the International Accounting Standards Board ('IASB') and endorsed for use by companies listed on an EU regulated market.

The half-yearly report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority.

These results have been prepared on the basis of accounting policies expected to be adopted in the Group's full financial statements for the year ending 31 December 2012 which are not expected to be significantly different to those set out in note 2 to the Group's audited financial statements for the year ended 31 December 2011. The Group's forecasts and projections show that the Group should be able to continue its ordinary course of business within its available financial resources.

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

The financial information is presented in thousands of US dollars (US$'000) because that is the currency the Group primarily operates in. The comparatives for the year ended 31 December 2011 are not the Group's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies in Gibraltar and is also available from the Company's website. The auditors' report on those accounts was unqualified and did not contain statements under Section 10(2) of the Gibraltar Companies Accounts Act 1999 or Section 182(1)(a) 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.

The risks and uncertainties and significant estimates and judgements faced by the Group have not changed significantly since the 2011 Annual Report was published and are not expected to change significantly during the remaining six months of the financial year.

Presentation of half year comparatives

Following the changes to presentation of the consolidated statement of income made at the 2011 year end and followed in this statement, comparative figures for the six months ended 30 June 2011 have been amended accordingly. The amendments were as follows:

(a) In light of the increased regulated markets in which the Group operates the gaming duties and taxes not directly related to profit have been separately disclosed on the face of the Consolidated Income Statement under the heading "gaming taxes and duties".

(b) Foreign exchange gains and losses arising on foreign currency denominated assets and liabilities, and settlement of forward exchange contracts are now included in finance income and finance charges as they relate to financing decisions made by the Group

Previously both items were included in administrative expenses. The effect of the changes on the comparative figures for the six months from that previously reported has been to reduce operating expenses by $1,428k and increase gaming taxes and duties by $1,428k, reduce administrative expenses by $3,054k, and increase finance expenses by $3,054k.

Notes to the Condensed Consolidated Financial Statements

2 Segment information

	Six months ended 30 June 2012						
	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Revenue	**83,070**	**41,337**	**26,939**	**12,287**	**163,633**	**22,812**	**186,445**
Result							
Segment result					**80,589**	**12,961**	**93,550**
Unallocated corporate expenses[1]							**75,824**
Operating profit							**17,071**
Financial expenses, net							**(1,087)**
Share of post-tax profit of equity accounted joint venture							**7**
Release of contingent consideration							**2,372**
Tax expense							**(2,722)**
Profit for the period							**15,641**
Assets							
Unallocated corporate assets							**256,080**
Total assets							**256,080**
Liabilities							
Segment liabilities					**43,991**	**2,269**	**46,260**
Unallocated corporate liabilities							**72,019**
Total liabilities							**118,279**

[1] Including equity settled share benefit charges of US$841,000 and Spanish back gaming duty of US$11,097,000

2 Segment information (continued)

Six months ended 30 June 2011

	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Revenue	68,980	23,989	27,562	10,230	130,761	23,080	153,841
Result							
Segment result before impairments					70,289	12,943	83,232
Impairments					(20,173)	—	(20,173)
Segment result					50,116	12,943	63,059
Unallocated corporate expenses[1]							76,990
Operating loss							(13,931)
Financial expenses, net							(8,210)
Share of post-tax profit of equity accounted joint venture							41
Tax expense							(1,156)
Loss for the period							(23,256)
Assets							
Unallocated corporate assets							248,323
Total assets							248,323
Liabilities							
Segment liabilities					34,493	6,496	40,989
Unallocated corporate liabilities							111,739
Total liabilities							152,728

[1] Including equity settled share benefit charges of US$1,637,000 and restructuring costs of US$4,949,000

Notes to the Condensed Consolidated Financial Statements

2 Segment information (continued)

Year ended 31 December 2011

	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Revenues	148,034	60,620	53,957	21,592	284,203	46,947	331,150
Result							
Segment result before impairments					151,973	27,782	179,755
Impairments					(20,673)	—	(20,673)
Segment result					131,300	27,782	159,082
Unallocated corporate expenses[1]							144,496
Operating profit							14,586
Financial expenses, net							(13,048)
Release of contingent consideration							4,225
Share of post-tax profit of equity accounted joint ventures							84
Tax expense							(3,912)
Profit for the year							1,935
Assets							
Unallocated corporate assets							269,132
Total assets							269,132
Liabilities							
Segment liabilities					39,062	5,888	44,950
Unallocated corporate liabilities							102,863
Total liabilities							147,813

1 Including equity settled share benefit charges of US$2,374,000 and restructuring costs of US$4,949,000

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 analyzed between the two operating segments as any allocation would be arbitrary.

2 Segment information (continued)

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:

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Revenue by geographical market[1]			
UK	**80,086**	74,783	153,090
Europe (excluding UK)	**70,970**	55,358	124,187
Americas	**14,740**	8,873	26,488
Rest of World	**20,649**	14,827	27,385
Total operating income	**186,445**	153,841	331,150

[1] Allocation of geographical segments is based on Net Revenue Commission received by the Group.

Notes to the Condensed Consolidated Financial Statements

3 Operating profit

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Operating profit is stated after charging:			
Staff costs	**38,400**	44,397	86,831
Directors' remuneration including total share benefit charges[1,2]	**1,898**	1,850	4,094
Audit fees	**172**	210	474
Other fees paid to auditors in respect of taxation services	**10**	—	12
Depreciation (within operating expenses)	**4,812**	4,796	9,039
Amortisation (within operating expenses)	**2,202**	2,326	3,998
Chargebacks	**1,722**	1,891	3,379
Payment service providers' commissions	**11,195**	8,417	18,769
Spanish back gaming duty	**11,097**	—	—
Restructuring costs[1]	**—**	4,949	4,949
Goodwill impairment	**—**	20,173	20,673

1 Following the departure of the former CEO on 30 April 2011, the Group restructured its management team resulting in aggregated terminated staff and related costs of US$4,949,000 for the period ended 30 June 2011 and for the year ended 31 December 2011 of which US$3,909,000 are in relation to the former CEO. Total costs include US$503,000 in respect of accelerated equity settled share benefit charges arising on termination.

2 Directors remuneration including total share benefit charges excludes termination costs included within restructuring costs.

4 Earnings per share

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33, 'Earnings per share', the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive shares and share options granted, which are not included in the number of shares for basic earnings per share. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the period and it would not be advantageous for the holders to exercise the option. The number of options excluded from the diluted EPS calculation is 3,205,587 (2011: Half year — nil, Full year — 1,305,779).

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Profit (loss) for the period attributable to equity holders of the parent	**15,641**	(23,256)	1,935
Weighted average number of Ordinary Shares in issue	**348,179,269**	345,707,313	346,385,511
Effect of dilutive Ordinary Shares and Share options	**3,402,203**	—	3,597,516
Weighted average number of dilutive Ordinary Shares	**351,581,472**	345,707,313	349,983,027
Basic	**4.5¢**	(6.7)¢	0.6¢
Diluted	**4.4¢**	(6.7)¢	0.6¢

Notes to the Condensed Consolidated Financial Statements

4 Earnings per share (continued)

Adjusted earnings per share

The Directors believe that EPS excluding impairment charges, Spanish back gaming duty, restructuring costs, equity settled share benefit charges and release of deferred and contingent consideration better reflects 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 impairment charges, Spanish back gaming duty, restructuring costs, equity settled share benefit charges and release of deferred and contingent consideration:

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Profit (loss) for the period attributable to equity holders of the parent	**15,641**	(23,256)	1,935
Impairment charges	**—**	20,173	20,673
Spanish back gaming duty	**11,097**	—	—
Restructuring costs	**—**	4,949	4,949
Equity settled share benefit charges	**841**	1,637	2,374
Release of deferred and contingent consideration	**(2,372)**	—	(4,225)
Profit excluding equity settled share benefit charges, Spanish back gaming duty, restructuring costs, impairment charges and release of deferred and contingent consideration	**25,207**	3,503	25,706
Weighted average number of Ordinary Shares in issue	**348,179,269**	345,707,313	346,385,511
Weighted average number of dilutive Ordinary Shares	**351,581,472**	349,138,105	349,983,027
Basic earnings per share excluding equity settled share benefit charges	**7.2¢**	1.0¢	7.4¢
Diluted earnings per share excluding equity settled share benefit charges	**7.2¢**	1.0¢	7.3¢

5 Contingent and deferred consideration

During the period the Group completed the settlement of the deferred consideration payable in respect of the Wink acquisition. Following negotiations with the vendors the final amount payable was reduced and as a result US$2,372k was released to the consolidated Income Statement.

The Group has also recognised consideration arising in the period following commercial negotiations between the Group and one of its former B2B white label customers under which the Group acquired the customer's domain name and brands as at 1 January 2012 for consideration of $600k, and contingent consideration estimated at $920k. All amounts have been attributed to intangible assets acquired. The acquisition is deemed immaterial in respect of IFRS 3 disclosure requirements.

6 Contingent liabilities and regulatory issues

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

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

(c) The Group operates in numerous jurisdictions. Accordingly, the Group is filing tax returns, providing for and paying all taxes it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is periodically subject to audits and assessments by local taxing authorities. The Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments. Accordingly, no additional provisions have been made.

7 Dividends

	Six months ended 30 June 2012 US$'000 (unaudited)	Six months ended 30 June 2011 US$'000 (unaudited)	Year ended 31 December 2011 US$'000 (audited)
Dividends paid	–	–	–

The Board of Directors has declared a half-yearly dividend of 2.5 cents per share payable on 18 October 2012.

Statement of Directors' Responsibilities

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

A list of the current Directors is maintained on the 888 Holdings Public Limited Company Website: www.888holdingsplc.com.

By order of the Board

Brian Mattingley
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

Independent Review Report to 888 Holdings Public Limited Company

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 2012 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and related explanatory notes 1 to 7.

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

Directors' responsibilities

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

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

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material aspects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London W1U 7EU
United Kingdom
29 August 2012

Shareholder Information

Group websites

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

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

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

Casino

888's Casino games are offered through its 888casino and live casino

- www.888casino.com
- www.Casino-on-Net.com
- www.ReefClubCasino.com

Poker

888's Poker offering is through 888poker

- www.888poker.com
- www.PacificPoker.com

Sportsbook

888's Sportsbook offering is through 888sport

- www.888sport.com

Bingo

888's Bingo offering is through 888ladies and Wink

- www.888ladies.com
- www.winkbingo.com
- www.poshbingo.co.uk
- www.tastybingo.com
- www.redbusbingo.com
- www.bingostreet.com
- www.bigbrotherbingo.com
- www.888bingo.com

Games

888's Games offering is through 888games

- www.888games.com
- www.888play.com

888responsible:

The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

Shareholder Notes

Shareholder Notes

Shareholder Services

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

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

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