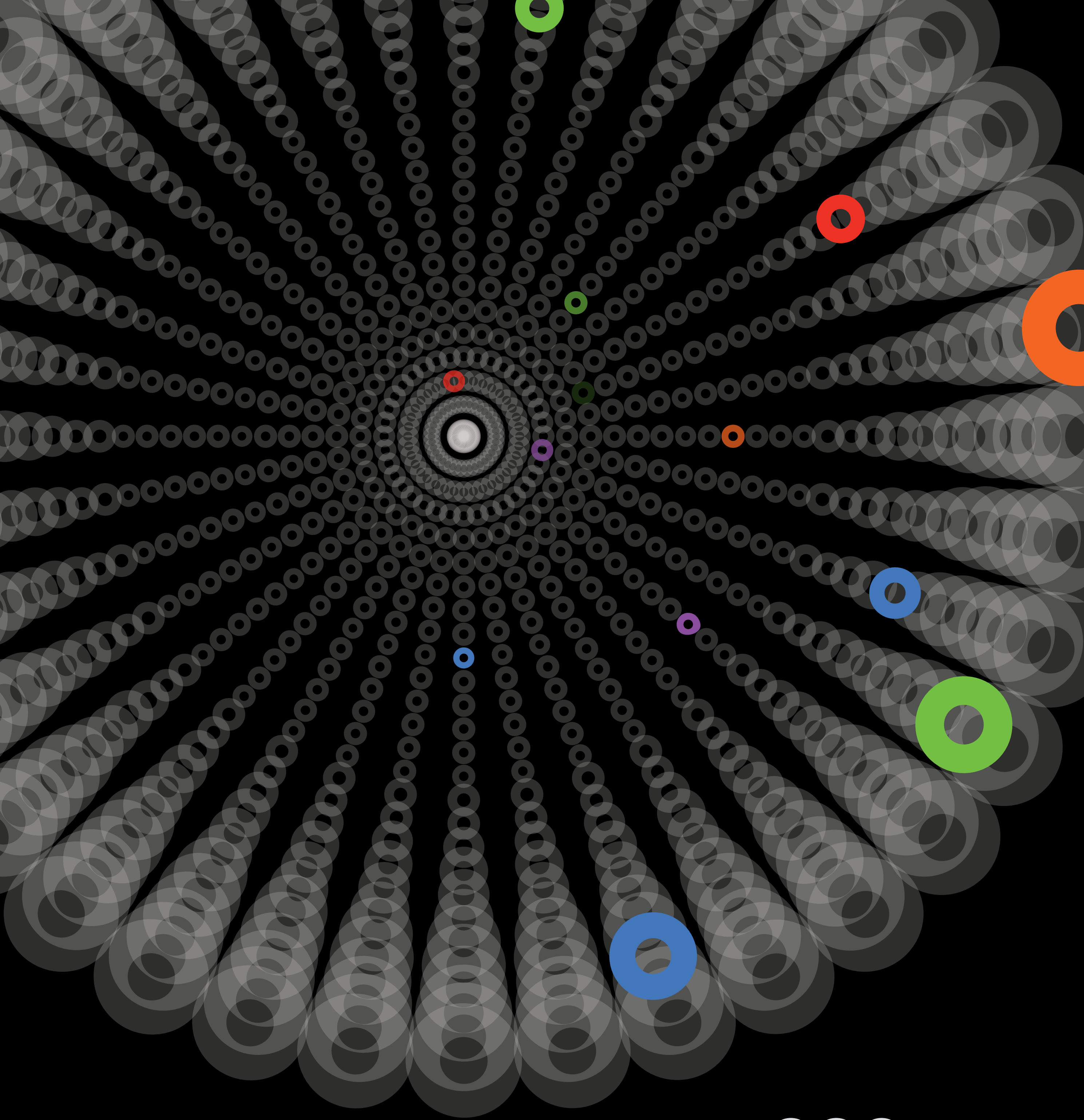


888 HOLDINGS

Half-Yearly Report 2011

Welcome to 888 one of the world's most popular online gaming entertainment and solutions providers.

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

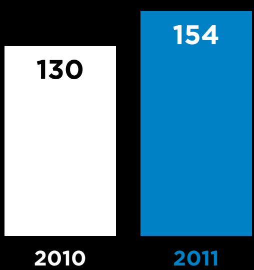
888 is a truly global gaming destination that remains at the cutting edge of the online gaming industry, offering both players and B2B partners the chance to enjoy a world class gaming experience in a personalised and localised setting.

As well as providing players with an innovative, comprehensive and enjoyable gaming experience, 888 websites provide an exciting customer experience in a safe and secure environment. It remains a leader in corporate responsibility, with specialist websites dedicated to both responsible gaming and corporate responsibility.

Our strategy is to increase shareholder value through achieving profitable growth both organically, focusing on our core strengths and acquiring and retaining valuable players and partners, and through acquisitions.

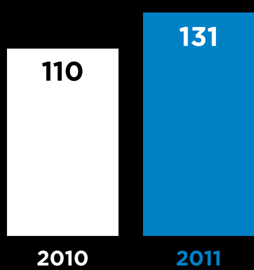
Highlights

Revenue



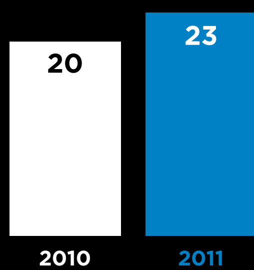
up **18%**
US$ million

Revenue — B2C



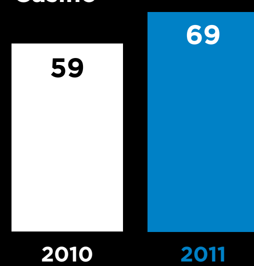
up **18%**
US$ million

Revenue — B2B



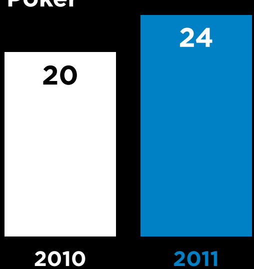
up **16%**
US$ million

Revenue — B2C Casino



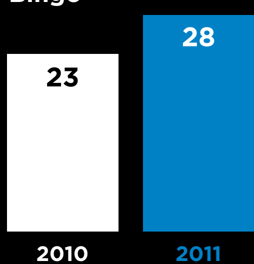
up **16%**
US$ million

Revenue — B2C Poker



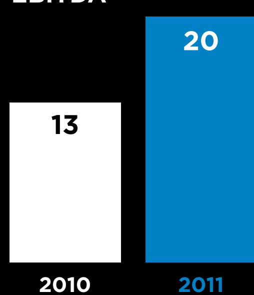
up **22%**
US$ million

Revenue — B2C Bingo



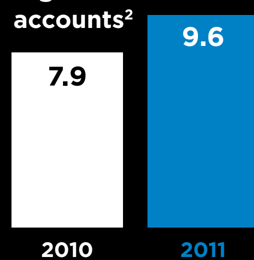
up **17%**
US$ million

EBITDA[1]



up **59%**
US$ million

Real money registered customer accounts[2]



up **21%**
US$ million

* Percentages are calculated on actual figures.
[1] Excluding share benefit charges of US$1.6 million (H1 2010: US$1.9 million), exchange loss of US$3.1 million (H1 2010: exchange income of US$1.4 million), impairment of goodwill of US$20.2 million (H1 2010: US$nil) and restructuring costs of US$4.9 million (H1 2010: US$2.2 million).
[2] Casino, Poker and Sport.

Deputy Chairman's Review

Introduction

We have enjoyed a successful six months of trading. Further improvement in our offer, and renewed focus on our core strengths, has led to two very impressive quarters of growth and this strong set of trading results that I am pleased to present.

The first half of the year has also had some challenges, but we have endeavoured to meet these head on. There has been a significant change to your Board and I want to acknowledge the contribution that Gigi Levy made to the business. Gigi stood down as Chief Executive Officer, by mutual agreement, in April this year. He remains on the Board as a non-executive director and we continue to use his experience as we move forward. At the time I was asked by the Board to take a more hands on role for which I feel very privileged.

Your Board has undertaken a review of the business requirements in terms of personnel and taken steps to restructure the senior management team. I am delighted that, as part of that restructuring, we have appointed Itai Frieberger as Chief Operating Officer. Itai has a wealth of experience in the online world and has spent the last six years with 888 in various senior management roles covering the full spectrum of disciplines within our company.

We have been focused as ever on our goals — further bolstering our B2C performance and leveraging our industry-leading offerings, while maintaining our Dragonfish brand presence and B2B deal pipeline. Our company is in a fit and healthy state and, with underlying deposit levels, new customer sign ups and activity all at record levels, we are therefore confident for the future.

* Before share benefit charges of US$1.6 million (H1 2010: US$1.9 million), restructuring costs of US$4.9 million (H1 2010: US$2.2 million), exchange loss of US$3.1 million (H1 2010: income of US$1.4 million) and goodwill impairment of US$20.2 million (H1 2010: nil).

Revenue was up 18% to US$154 million (H1 2010: US$130 million), demonstrating strong growth across our business lines and adjusted EBITDA* increased by 59% to US$20 million (H1 2010: US$13 million). As at 30 June 2011 our cash position was US$ 20 million, net of customers' liabilities. As announced on 18 March, we have successfully obtained agreement with the vendors to restructure the Wink earn out payments.

As stated at the year end, we temporarily suspended our dividends due to the higher than expected earn out payment related to the Wink acquisition. We will continue to review the dividend policy with a view to reinstating payment of dividends as appropriate.

Strategy

During the period a bottom-up review of the business was completed in order to affirm where our core competencies lie and where we see the potential for optimum returns in the future. As a result of this review we have refocused our strategy, which is designed to maximise revenues, expand profit margins, and take the company forward in an ever changing regulatory landscape. The strategy is made up of a number of key strands.

Firstly, we will concentrate on our core product groups which are Casino, Poker, Bingo, and to a lesser extent Sport, where we depend upon partners to operate a sportsbook in a highly competitive market. These will be delivered via our B2C offering and through our Dragonfish B2B clients.

Secondly, we will continue to focus our attention on our B2C customers, ensuring we deliver a 'best in class' product, excellence in customer service, and a true value for money proposition. Our back office is a key asset of the company and truly world class, ensuring maximum returns on investment from our marketing and recruitment campaigns, monitoring and improving lifetime value of our customers, and fulfilling high standards of social and corporate responsibility through fraud detection, player monitoring and excellent CRM practices. We will continue to develop this key asset as it is a true competitive advantage that benefits both customers and clients alike.

Thirdly, we will appraise our Dragonfish B2B contracts, and where they are sub optimal, will seek to renegotiate or terminate. Furthermore we will continue to develop a pipeline of new opportunities. It is likely that these will be fewer but have greater impact on our revenues and profit.

Fourthly, we will focus our attention on improving margins, not just through the cutting of costs, but through maximising operational efficiencies and driving volume. In the first half there had already been some impact of this focus, although we have yet to feel the full benefit of savings made to head count and other operational efficiencies. It is our short term goal to return to levels of margin achieved in 2009, and then to further improve on these as we achieve critical mass.

Finally, as an umbrella to these core strands, it is a clear strategic imperative that we focus on regulated territories and markets. We break these markets into three specific categories which have individual characteristics:

- Implementational — for example, in Italy and France, where regulation has been introduced and we have already commenced trading.
- Formational — Where governments have announced regulation and are working towards a framework. Here we will decide on a trading strategy, start dialogue with local partners either for B2C or B2B tie-ups, and lobby governments in an attempt to assist in shaping the framework, for example, in Spain.
- Developmental — Where there is a strong indication that at some time in the near future the market will open. Here we will talk to local enterprise with a view to forming partnerships with whom we can jointly explore opportunities and attempt to influence the regulatory framework; currently we are focusing primarily on the USA.

Deputy Chairman's Review

B2C Review

We enjoyed a strong half in our B2C offer with Revenue up 18% to US$131 million (H1 2010: US$110 million). Poker has been the strongest performing product and since the launch of our Poker 6 platform last year, we have significantly outperformed the industry. Whilst there has been some benefit from the recent action against certain US-facing poker sites, poker was performing very well prior to these developments. Revenue from Poker was up 22% to US$24 million (H1 2010: US$20 million). We have witnessed a very significant upsurge in new poker player recruitment, with a remarkable increase of 90% in active customers, compared to this time last year. 888 now enjoys fifth position in the global liquidity rankings. This surge in activity has been the result of constant investment in our poker strategy to build a platform that appeals to players of all abilities. We have developed a very technically sophisticated product that can manage a host of activities: matching marketing campaigns; monitoring product performance and delivering bespoke customer interfaces.

We are continuing to improve the offer yet further and during the period we introduced some additional features to our award-winning Poker platform including a webcam — Pokercam — and more social elements such as Teamplay.

Our casino performance was also strong with core parameters improving across the board. Total Revenue was up 16% to US$69 million (H1 2010: US$59 million) and there was a 134% increase in the number of active customers to 159,000. We have made a significant investment in our back office systems — eCRM — which has improved conversion ratios and marketing campaigns such as Free Spin and Millionaire have been highly successful.

We launched into the key Italian market with our online casino in July, and early performance has been encouraging. Powered by our own Dragonfish B2B software and services we are also working with a variety of other online casino industry players to launch sites into this newly regulated European marketplace. We are well positioned in this market, especially in respect of targeting the high value casino players. Our original joint venture deal with Endemol Italy has evolved into a brand licensing deal, as Endemol's brands are ideally suited for an online gaming platform.

We have recently signed a licensing deal with Warner Bros Digital Distribution to develop slots games based on two of Warner Bros' most popular brands, related to the box office hits Nightmare on Elm Street and Clash of the Titans. The games will be added to our ever-growing portfolio of top notch games that feature across multiple casino, sports betting, poker and bingo sites. We plan to continue to invest in further games in the coming months, and we are building dedicated teams to make integration more streamlined as we start to release more games into the market.

Whilst Bingo continues to be an important product area for us and has performed in line with expectations, Q2 saw weakness across the sector. We are now trading in a maturing and more competitive market than we once enjoyed. None the less we will continue to focus on our strengths and invest to provide our customers with a first class offer including regular promotions, attractive prizes and a host of interactive features.

Sport is still a small percentage of our total business but nevertheless important for our customers, particularly at the time of significant sport events and we will continue to invest in this offer to drive more revenue and improve margins.

Dragonfish Review

Revenue was up 16% to US$23 million (H1 2010: US$20 million) as we refocused on our core competences and more profitable deals.

Following certification of 888 products with the Amministrazione Autonoma dei Monopoli di Stato (AAMS), the Italian regulatory authority, we launched our world-leading casino offering into the Italian market. This included the Dragonfish-powered casinos of bwin.it and MicroGame. Dragonfish is set to continue the roll out of casino offerings for additional partners in the coming months, leveraging on its CasinoFlex platform. Such partners will include Gioco Digitale and King.com, with other deals in the pipeline. CasinoFlex is also powering the 888.it B2C site.

The Dragonfish offering will include both Download and No-Download (Instant Play) clients and the *Live Casino* premium product to offer one complete gaming package. We have customized and enhanced our proposition so we can present the Italian player with the most compelling and engaging gaming experience out there. We have already completed the deployment of all MicroGame skins and licenses.

As noted above, in the second half of the year we will continue to appraise our Dragonfish contracts, and where they are sub optimal will seek to renegotiate or terminate. Furthermore we will continue to develop a pipeline of new opportunities, but it is likely that these will be fewer but more enhancing to our revenue and profit.

* See note 4 to the condensed financial statements.

Social Gaming

The performance of Mytopia, the social games development business acquired last year, has not yet met our expectations. Whilst we acknowledge that the social network platform is one which is gaining popularity for gaming and could be a profitable avenue in the future, as a result of reduced expected future income growth, we took a prudent accounting decision and fully impaired the Mytopia goodwill*.

Outlook

Trading in the second half has continued to be strong in spite of it being the traditionally quieter summer period.

The company is performing well. We have a clear strategy to follow, the tools and resources to grow the company, a wealth of opportunities and leads to take the business forward and the determination to deliver results befitting a company which is as operationally, and commercially, effective as ours.

Whilst the excellent figures reported give the Board confidence of future growth, H2 will be impacted by our need to invest in regulated markets as these open up for us. We are confident, given the strength of current trading, that the Company will report a financial performance for the full year to 31 December 2011 in line with current market expectations.

Brian Mattingley
Deputy Chairman
31 August 2011

Condensed Consolidated Income Statement

For the period ended 30 June 2011

	Note	**Six months ended 30 June 2011 US$'000 (unaudited)**	Six months ended 30 June 2010 US$'000 (unaudited)	Year ended 31 December 2010 US$'000 (audited)
Revenue	2	**153,841**	130,229	262,113
Operating expenses		**64,154**	52,601	112,145
Research and development expenses		**12,869**	13,777	22,356
Selling and marketing expenses		**49,892**	47,505	91,501
Administrative expenses (including goodwill impairment of $20,173,000 2010: nil)	4	**43,911**	12,141	24,622
Operating profit before share benefit charges, restructuring costs and impairment charges		**9,774**	8,368	16,017
Impairment charges	4	**(20,173)**	—	—
Restructuring costs		**(4,949)**	(2,219)	(2,219)
Share benefit charges		**(1,637)**	(1,944)	(2,309)
Operating (loss)/profit		**(16,985)**	4,205	11,489
Finance income		**90**	86	197
Finance expenses		**(5,246)**	(6)	(1,141)
Share of post-tax profit of equity accounted joint venture		**41**	—	19
Profit before tax before share benefit charges, restructuring costs and impairment charges		**4,659**	8,448	15,092
Impairment charges	4	**(20,173)**	—	—
Restructuring costs		**(4,949)**	(2,219)	(2,219)
Share benefit charges		**(1,637)**	(1,944)	(2,309)
(Loss)/profit before tax		**(22,100)**	4,285	10,564
Taxation		**1,156**	1,602	2,701
(Loss)/profit after tax for the period attributable to equity holders of parent		**(23,256)**	2,683	7,863
(Loss)/earnings per share				
Basic		**(6.7)¢**	0.8¢	2.3¢
Diluted		**(6.7)¢**	0.8¢	2.3¢

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2011

	30 June 2011 US$'000 (unaudited)	30 June 2010 US$'000 (unaudited)	31 December 2010 US$'000 (audited)
(Loss)/profit for the period	**(23,256)**	2,683	7,863
Actuarial losses on defined benefit pension plan	**(239)**	(211)	(366)
Total comprehensive (loss)/income for the period	**(23,495)**	2,472	7,497

Condensed Consolidated Balance Sheet

At 30 June 2011

	30 June 2011 US$'000 (unaudited)	30 June 2010 US$'000 (unaudited)	31 December 2010 US$'000 (audited)
Assets			
Non-current assets			
Intangible assets	**142,888**	115,264	162,291
Property, plant and equipment	**19,564**	21,090	21,547
Investment in equity accounted joint venture	**1,260**	—	1,297
Available for sale investment	**175**	—	175
Deferred taxes	**690**	790	586
	164,577	137,144	185,896
Current assets			
Cash and cash equivalents	**60,867**	65,682	61,520
Trade and other receivables	**22,879**	19,755	24,344
	83,746	85,437	85,864
Total assets	**248,323**	222,581	271,760
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	**3,145**	3,140	3,145
Share premium	**65**	65	65
Capital redemption reserve	**24**	24	24
Retained earnings	**92,361**	108,399	113,716
Total equity attributable to equity holders of the parent	**95,595**	111,628	116,950
Liabilities			
Current liabilities			
Trade and other payables	**58,596**	43,316	37,814
Customer deposits	**40,984**	33,103	34,725
Contingent and deferred consideration	**53,148**	24,811	78,033
	152,728	101,230	150,572
Non-current liabilities			
Contingent and deferred consideration	**—**	9,723	4,238
Total liabilities	**152,728**	110,953	154,810
Total equity and liabilities	**248,323**	222,581	271,760

The financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 31 August 2011 and were signed on its behalf by:

Brian Mattingley
Deputy Chairman

Aviad Kobrine
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the period ended 30 June 2011

	Share capital US$'000	Share premium US$'000	Capital Redemption Reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2010	3,152	65	—	117,883	121,100
Dividend paid	—	—		(10,491)	(10,491)
Shares buy-back	(24)	—	24	(3,397)	(3,397)
Share benefit charges	—	—	—	1,944	1,944
Issue of shares	12	—	—	(12)	—
Total comprehensive income for the period	—	—	—	2,472	2,472
Balance at 30 June 2010 (unaudited)	3,140	65	24	108,399	111,628
Shares buy-back	—	—	—	(68)	(68)
Share benefit charges	—	—	—	365	365
Issue of shares	5	—	—	(5)	—
Total comprehensive income for the period	—	—	—	5,025	5,025
Balance at 1 January 2011 (audited)	3,145	65	24	113,716	116,950
Share benefit charges	—	—	—	1,637	1,637
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

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 buyback 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 period ended 30 June 2011

	Six months ended 30 June 2011 US$'000 (unaudited)	Six months ended 30 June 2010 US$'000 (unaudited)	Six months ended 31 December 2010 US$'000 (audited)
Cash flows from operating activities			
(Loss)/profit before income tax	**(22,100)**	4,285	10,564
Adjustments for:			
Impairment charges	**20,173**	–	–
Depreciation	**4,796**	4,139	8,480
Amortization	**2,326**	1,446	3,796
Interest received	**(90)**	(86)	(197)
Interest expense	**4,097**	–	1,141
Foreign exchange differences on deferred consideration	**2,794**	(250)	660
Share of post-tax profit of equity accounted joint venture	**(41)**	–	(19)
Share benefit charges	**2,140**	1,944	2,309
	14,095	11,478	26,734
(Increase)/decrease in trade receivables	**(485)**	3,607	1,050
Decrease/(increase) in other accounts receivables	**1,950**	(2,027)	(3,393)
Increase/(decrease) in trade payables	**13,934**	(807)	(1,060)
Increase/(decrease) in member deposits	**6,259**	(4,467)	(2,845)
Increase in other accounts payables	**7,463**	5,522	(612)
Cash generated from operations	**43,216**	13,306	19,874
Income tax paid	**(2,037)**	(1,933)	(3,659)
Net cash generated from operating activities	**41,179**	11,373	16,215
Cash flows from investing activities			
Acquisition of assets comprising the Mytopia social games development studio	**(6,000)**	(12,320)	(12,320)
Consideration paid for the online Wink bingo business	**(30,013)**	–	–
Purchase of property, plant and equipment	**(2,813)**	(4,245)	(8,610)
Investment in equity accounted joint ventures	**–**	–	(1,131)
Available-for-sale investments	**–**	–	(175)
Interest received	**90**	86	197
Acquisition of intangible assets	**(103)**	–	(341)
Internally generated intangible assets	**(2,993)**	(2,835)	(5,870)
Net cash used in investing activities	**(41,832)**	(19,314)	(28,250)
Cash flows from financing activities			
Share buy-back	**–**	(3,397)	(3,465)
Dividends paid	**–**	(10,491)	(10,491)
Net cash used in financing activities	**–**	(13,888)	(13,956)
Net decrease in cash and cash equivalents	**(653)**	(21,829)	(25,991)
Cash and cash equivalents at the beginning of the period	**61,520**	87,511	87,511
Cash and cash equivalents at the end of the period	**60,867**	65,682	61,520

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 2011 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 2010. 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 2010 are not the Group's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies in Gibraltar and is also available from the Company's website. The auditors' report on those accounts was unqualified but it referred to a matter concerning the regulatory position of the Group to which the auditors drew attention by way of emphasis without qualifying their report. The details concerning this matter are given in note 8.

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 judgments faced by the Group have not changed significantly since the 2010 Annual Report was published and are not expected to change significantly during the remaining six months of the financial year.

Notes to the Condensed Consolidated Financial Statements

2 Segment information

	Period 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
Impairment of Mytopia					(20,173)	—	(20,173)
Segment result					50,116	12,943	63,059
Unallocated corporate expenses[1]							80,044
Operating loss							(16,985)
Finance expenses, net							(5,156)
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 share benefit charges of US$1,637,000 and restructuring costs of US$4,949,000

2 Segment information continued

	Period ended 30 June 2010						
	B2C					B2B	Consolidated
	Casino US$'000 (unaudited)	Poker US$'000 (unaudited)	Bingo US$'000 (unaudited)	Emerging offerings US$'000 (unaudited)	Total B2C US$'000 (unaudited)	US$'000 (unaudited)	US$'000 (unaudited)
Revenue	59,328	19,620	23,460	7,970	110,378	19,851	130,229
Result							
Segment result before impairments					55,768	11,795	67,563
Impairments					—	—	—
Segment results					55,768	11,795	67,563
Unallocated corporate expenses[1]							63,320
Operating profit							4,205
Finance income, net							80
Tax expense							(1,602)
Profit for the period							2,683
Assets							
Unallocated corporate assets							222,581
Total assets							222,581
Liabilities							
Segment liabilities					26,736	6,367	33,103
Unallocated corporate liabilities							77,850
Total liabilities							110,953

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

Notes to the Condensed Consolidated Financial Statements

2 Segment information continued

	Year ended 31 December 2010						
	B2C					B2B	Consolidated
	Casino US$'000 (audited)	Poker US$'000 (audited)	Bingo US$'000 (audited)	Emerging offerings US$'000 (audited)	Total B2C US$'000 (audited)	US$'000 (audited)	US$'000 (audited)
Revenue	116,922	38,407	50,140	16,206	221,675	40,438	262,113
Result							
Segment result before impairment					114,470	22,993	137,463
Impairments					—	—	—
Segment result					114,470	22,993	137,463
Unallocated corporate expenses[1]							125,974
Operating profit							11,489
Finance expenses, net							(944)
Share of post-tax profit of equity accounted joint ventures							19
Tax expense							(2,701)
Profit for the year							7,863
Assets							
Unallocated corporate assets							271,760
Total assets							271,760
Liabilities							
Segment liabilities					29,142	5,547	34,689
Unallocated corporate liabilities							120,121
Total liabilities							154,810

[1] Including share benefit charges of US$2,309,000 and restructuring costs of US$2,219,000

2 **Segment information** continued

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. Analysis of revenue across the B2C segment has been presented purely as additional information and these revenue streams do not constitute separate operating segments for the purposes of IFRS8 "Operating Segments".

The Group's performance can also be reviewed by considering the geographical markets and geographical locations within which the Group operates, as follows:

	Revenue Period ended 30 June 2011 US$'000 (unaudited)	Revenue Period ended 30 June 2010 US$'000 (unaudited)	Revenue Year ended 31 December 2010 US$'000 (audited)
Revenue by geographical market[1]			
UK	**74,783**	61,275	128,216
Europe	**55,358**	50,616	96,814
Americas (excluding USA)	**8,873**	7,745	16,084
Rest of World	**14,827**	10,593	20,999
Revenue	**153,841**	130,229	262,113

[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

	Period ended 30 June 2011 US$'000 (unaudited)	Period ended 30 June 2010 US$'000 (unaudited)	Year ended 31 December 2010 US$'000 (audited)
Operating profit is stated after charging:			
Staff costs	**43,169**	39,756	73,386
Directors' remuneration	**603**	667	1,468
Audit fees	**210**	170	402
Other fees paid to auditors in respect of taxation services	**—**	—	11
Depreciation (within operating expenses)	**4,796**	4,138	8,480
Amortization (within operating expenses)	**2,326**	1,446	3,796
Chargebacks	**1,891**	1,036	2,987
Exchange loss/(gain)[1]	**3,054**	(1,402)	321
Payment service providers' commissions	**8,417**	6,633	13,882
Restructuring costs[2]	**4,949**	2,219	2,219
Share benefit charges — all equity-settled	**1,637**	1,944	2,309
Mytopia Goodwill impairment[3]	**20,173**	—	—

[1] Included in the exchange loss/(gain) is US$2,794,000 (2010: Half year — US$(250,000), Full year – US$660,000) arising on the Wink deferred and contingent consideration.

[2] Following the departure of the former CEO in early April 2011, the Group has restructured its management team resulting in aggregated terminated staff and related costs of US$4,949,000 for the period ended 30 June 2011 of which US$3,909,000 are in relation to the former CEO. Total costs include $503,000 in respect of accelerated share benefit charges arising on termination. During the full year 2010 the Group initiated measures designed to reduce its overheads and increase operational efficiency. These measures mainly affected employment costs and included redundancies across the Group's locations. Costs associated with these redundancies are reflected in the restructuring cost line for the period ended 30 June 2010 and year ended 31 December 2010.

[3] Mytopia Goodwill impairment comprise a goodwill impairment charge of US$20,173,000. Further details are given in note 4.

4 Mytopia – Impairment

The Group has performed an impairment review at the period end, on the cash generating Mytopia social games unit which was acquired in June 2010, comparing carrying value to value in use and fair value less costs to sell, adjusting the originally forecast revenue arising. Due to the overall reduced expectation of income growth from the Mytopia business, it was determined that the recoverable amount of the Mytopia business was US$957,000 based on an estimate by management of fair value less costs to sell which has resulted in a full impairment charge of US$20,173,000 against goodwill.

This review was affected, inter alia, by commercial disputes which have arisen during the period over the two new branded social games which Mytopia was developing (as noted in the financial statements for the year ended 31 December 2010) and as a result of which it is expected that one such game may no longer be available for development by Mytopia. The disputes may also affect the final amount paid for the business.

The impairment charge has been taken to administrative expenses in the consolidated Income statement and is included within the B2C operating segment

5 Earnings per share

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33, ‘Earnings per share’, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive shares and share options granted, which are not included in the number of shares for basic earnings per share. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted averaged share price during the period and it would not be advantageous for the holders to exercise the option. The number of options excluded from the diluted EPS calculation is nil (2010: Half year — 5,063,067; Full year — 781,953).

Notes to the Condensed Consolidated Financial Statements

5 Earnings per share continued

	Six months ended 30 June 2011 US$'000 (unaudited)	Six months ended 30 June 2010 US$'000 (unaudited)	Year ended 31 December 2010 US$'000 (audited)
Profit/(loss) attributable to ordinary shareholders	**(23,256)**	2,683	7,863
Weighted average number of Ordinary Shares in issue	**345,707,313**	346,216,619	345,709,869
Effect of dilutive Ordinary Shares and Share options	**—**	3,344,284	2,620,010
Weighted average number of dilutive Ordinary Shares	**345,707,313**	349,560,903	348,329,879
Basic	**(6.7)¢**	0.8¢	2.3¢
Diluted	**(6.7)¢**	0.8¢	2.3¢

Adjusted earnings per share

The Directors believe that EPS excluding share benefit charges, restructuring costs and impairment costs better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group. It is also a performance measure used internally to manage the operations of the business.

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

	Six months ended 30 June 2011 US$'000	US$'000	Year ended 31 December 2010 US$'000
	(unaudited)		(audited)
Profit/(loss) attributable to ordinary shareholders	**(23,256)**	2,683	7,863
Share benefit charges	**1,637**	1,944	2,309
Restructuring costs	**4,949**	2,219	2,219
Impairment charges	**20,173**	—	—
Profit excluding share benefit charges, restructuring costs and impairment charges	**3,503**	6,846	12,391
Weighted average number of Ordinary Shares in issue	**345,707,313**	346,216,619	345,709,869
Effect of dilutive Ordinary Shares and Share options	**3,430,792**	3,344,284	2,620,010
Weighted average number of dilutive Ordinary Shares	**349,138,105**	349,560,903	348,329,879
Total			
Basic earnings per share excluding share benefit charges, restructuring costs and impairment charge	**1.0¢**	2.0¢	3.6¢
Diluted earnings per share excluding share benefit charges, restructuring costs and impairment charges	**1.0¢**	2.0¢	3.6¢

6 Related party transactions

During the period the Group paid US$81,290 (2010: Half year — US$129,357; Full year — US$258,815) in respect of rent and office expenses to companies of which Mr John Anderson was a Director. At 30 June 2011 the amount owed to those companies was nil (2010: Half year — nil; Full year — nil).

Share benefit charge in respect of awards granted to the Directors totalled US$1,039,000 (2010: Half year — US$300,000; Full year — US$348,380).

7 Dividends

	Six months ended 30 June 2011 US$'000 (unaudited)	Six months ended 30 June 2010 US$'000 (unaudited)	Year ended 31 December 2010 US$'000 (audited)
Dividends paid	—	10,491	10,491

8 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.

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

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.

The Directors of 888 Holdings plc are listed in the Group's annual report and accounts for the year ended 31 December 2010 on page 38.

Brian Mattingley
Deputy Chairman

Aviad Kobrine
Chief Financial Officer

Independent Review Report to 888 Holdings Public Limited Company

Introduction

We have been instructed by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and related explanatory notes 1 to 8.

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

Directors' responsibilities

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

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

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

Our responsibility

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

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Half-Yearly Financial Information 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.

Independent Review Report to 888 Holdings Public Limited Company

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 2011 is not prepared, in all material aspects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Emphasis of matter — Regulatory issues

In forming our review conclusion, which is not qualified, we have considered the adequacy of, and drawn attention to, the disclosures made in note 8 to the condensed set of financial statements concerning the residual risk of adverse action arising from the Group having had customers in the US prior to the enactment of the Unlawful Internet Gambling Enforcement Act. Note 8 includes a statement that the Group has not been able to quantify any potential impact of the regulatory uncertainty on the financial information for the period ended 30 June 2011.

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

31 August 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Shareholder Notes

Shareholder Notes

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

- www.888casino.com
- www.casinoonnet.com
- www.ReefClubCasino.com

Poker

- www.888poker.com
- www.pacificpoker.com

Sportsbook

- www.888sport.com

Bingo

- www.888ladies.com
- www.winkbingo.com
- www.888bingo.com

888responsible:

The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

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