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# Interim Report 2007

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888 Holdings Public Limited Company

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# Chief Executive Officer's Review

I am pleased to report that we have delivered strong Interim results for the six months to 30 June 2007. This proves clearly that in spite of the signing into law of the Unlawful Internet Gaming Enforcement Act (UIGEA) in October last year, which saw the business lose the majority of our 26 million registered customers and 55% of our revenues, the turnaround we had begun to achieve at the full year has been successful and we have maintained our track record of profitability.

While our overall numbers clearly suffered when we ceased all activity in the US market, these results show a record performance of our continuing business: Profit before tax\* in H1 2007 was \$19 million (H1 2006: \$5 million), an increase of 298% over H1 2006. Net Gaming Revenue ("NGR") was also up substantially at \$97 million (H1 2006: \$78 million), an increase of 24% and our basic earnings per share\* was 5.2 cents (H1 2006: 1.0 cents).

These are excellent results and in accordance with the policy set out at the time of flotation we will be paying an interim dividend of 1.8 cents per share.

## Delivering on our strategy

Our success in the first half of 2007 was based on the same strategic principles that have made us successful in the past: our focus will always be on acquiring and retaining customers by delivering a compelling, localised, innovative, unique and entertaining customer experience while being mindful of the complex regulatory environment in which we operate and the necessary social responsibilities that come with our industry.

In the first half of 2007 we continued to pursue the strategic elements which are the cornerstones of our strategy. We continued our investment in our Enhanced and Innovative Offering – and offered for the first time in the industry a single software client encompassing all casino games, poker, backgammon and bingo, enabling us to easily cross sell between our different products and expand the customer segments we serve.

We continued delivering on our commitment for at least one new game each month with our video slots, our recent introduction of backgammon and our bingo product, based on the integration of the Bingo acquisition into our offering.

We upgraded and launched our innovative 3D Poker client with avatars, chat tools and its unique "rotating table" feature, which became an immediate hit with customers.

We secured the award of a sports betting license in Italy and will continue working towards launching sports betting in additional markets. Our integrated offering is already best in class today and the addition of a sports betting product will give us a full, unrivalled proposition.

Our marketing refocus in the first half of 2007 was invaluable in our efforts to turn the Company around, based on our focus of delivering State-of-the-art Integrated Marketing. We have activated more marketing campaigns outside the US than ever before, with a strategic focus on key local target markets. These include the extremely successful brand-building Sevilla and World Snooker Championship sponsorships. The success of these sponsorship activities is demonstrated in a recent survey showing 888.com with the highest level of brand awareness of any gaming and betting websites in the UK\*\*, which continues to be the industry's most important market. The first half of 2007 has seen a concerted drive to test and evaluate many new and innovative marketing campaigns including blogs, viral marketing and user generated content resulting in a broader approach to new segments. We continue to leverage our unique propositions to leading affiliates and have enhanced our extensive broadcasting of 888 TV content in various markets. This is all complemented with great rankings in search engine results for key words around the world.

The most significant strategic advance in the period is our move into white-labelling with a select group of strategic partnerships. The first, announced in February, with Riley's snooker halls in the UK where we partnered to create in-hall live poker tournaments and on-line, powering [www.rileyspoker.com](http://www.rileyspoker.com). We have followed this recently with Tower Torneos, one of the leading gaming operators in Latin America. These marketing achievements and innovative activities helped us grow in the first half of 2007 and will continue pushing us forward in future.

Our withdrawal from the US, meant that our principle of Thinking Global while Acting Local became more important than ever. With customers all around the world and a need to grow in a number of markets simultaneously, we had to enhance our local focus quickly. Through the first half of the year we introduced new casino games in all of the 12 languages we support and completed our new language infrastructure which will enable us to launch all future casino and poker versions concurrently in 12 languages. We have also implemented a module in our payments system which allows quick introduction of new payment methods and real time optimisation for a localised deposit and cash-out experience as well as optimal deposit approval rates. With several partnerships in place to introduce local games as an integral part of our offering, the first half of the year sets a new standard in terms of our ability to act locally in our target markets.

Throughout the period we kept providing our Market-Leading customer service. While the reduced headcount stretched our abilities, we were able to maintain our unique service level and received better than ever results in customer satisfaction surveys. This is a great achievement given the need to expand support in non-English languages.

Ensuring our commitment to Customer Intimacy, we have continued our practice of meeting our customers in the first half of 2007 as well

\* Excluding share benefit charges of US\$4.1 million (H1 2006: \$3.9 million)

\*\* 2007 Marketing, brand and sector review – Millward Brown

as conducting extensive market research. With our new Data Warehouse and analytical tools in place, we continue to analyse customer behaviours and needs, providing us the insight required to make the right marketing and customer retention decisions. These capabilities continue to be pivotal to our success.

To meet our targets, our 2007 budget called for us to continue being a Focused, Efficient and Effective Organisation. We have continued our cost reduction plans and enhanced our budget control, both aimed to ensure we can maintain high profitability levels.

Last but not least, we continue being thankful to our employees for delivering on our commitments and turning the Company around and remain committed to our Employer of Choice philosophy. The great employees who remained with us through this difficult crisis as well as the top talent we recruited in the past few months prove the success of this philosophy.

### Bingo acquisition

Our first ever acquisition was completed in May and we are glad to report that the acquired assets were successfully integrated into the 888 group. With NGR of US\$2 million during the six weeks ended 30 June 2007 the bingo business we acquired is doing phenomenally well and coupled with the immediate successful introduction of our own bingo proposition this is proving to be a very lucrative acquisition for us. The current outlook is for the acquired business to continue delivering above our expectations also in the second half of 2007, as we plan to extend Bingo offering to additional markets.

### Our H2 focus

Aiming to be a global multi-channel entertainment and community destination, in H2 we will continue developing new and innovative elements to our offering. H2 plans include additional games with a focus on local games, a content delivery platform which will provide our active customers with premium content free of charge and at least one additional channel to market on top on Internet, Mobile and Airplane-entertainment (for non-real-money games) which we have already launched. We will improve our localisation with Casino and Poker upgraded versions in all languages and introduce our first non-English Bingo offering. We are confident in the success of our Italian sports betting product and continue working on the introduction of sports betting in additional markets. Marketing wise, Q4 will also see a new marketing campaign across Europe in accordance with our strategic direction and we intend to continue expanding our strategic partnership business.

### Regulation

While the regulatory landscape remains unstable in some regions, the first six months of 2007 saw some positive developments from the regulatory perspective. In Europe, the Placanica ruling restated the importance of EU regulations to our industry; coupled with the recent infringement warnings and position letters from the EC this

marks a very positive turn in the ability of EU licensed operators like us to work openly in the EU. Outside of Europe we see initial signs of positive regulation both in Asia Pacific and Latin America, where the newly formed regulation in some jurisdictions could permit us to work in a properly-licensed environment. These are all positive developments, as we witness the formation of a regulatory framework as the most sensible evolution for this highly popular form of online entertainment. We will continue monitoring the regulatory landscape and look for opportunities to operate in regulated markets.

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.

### Outlook

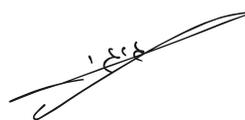
H2 has started strongly with record turnover in July 2007. This strong result, for what is traditionally one of the seasonally weakest months of the year, leads us to believe that we will see additional growth in H2.

While the conversion of players is far from over, the recently introduced second strategic partnership deal with Tower Torneos, a major player in the Latin American poker market, is already contributing to our poker liquidity. We expect our strategic partnership business to continue growing in the coming months.

As stated earlier this year, we are on track to introduce our first sports betting proposition in Italy and continue working on introducing sports betting in additional markets.

Finally, as previously mentioned, our acquired Bingo business has been growing rapidly based both on the growth in the core acquired business and on the growth of the 888 Bingo product.

Given the good start to Q3, the continuous growth in Bingo, our strategic partnership deals, current trading and our clear business strategy, we remain confident of delivering further growth in 2007.



**Gigi Levy**  
Chief Executive Officer

# Consolidated Income Statement

## for the period ended 30 June 2007

	Note	Six months ended 30 June 2007 US\$'000 (unaudited)	Six months ended 30 June 2006 US\$'000 (unaudited)	Year ended 31 December 2006 US\$'000 (audited)
<b>Continuing operations</b>				
Net Gaming Revenue	2	96,816	78,206	157,000
Operating expenses		27,110	24,212	49,448
Research and development expenses		11,498	9,165	19,381
Selling and marketing expenses		34,290	27,519	51,037
Administrative expenses		11,800	18,079	28,653
Operating profit before share benefit charges		16,264	3,112	17,310
Share benefit charges		4,146	3,881	8,829
Operating profit (loss)	3	12,118	(769)	8,481
Finance income		2,600	1,622	4,883
<b>Profit before tax</b>		<b>14,718</b>	<b>853</b>	<b>13,364</b>
Taxation		1,337	1,431	3,117
<b>Profit (loss) from continuing operations</b>		<b>13,381</b>	<b>(578)</b>	<b>10,247</b>
<b>Profit from discontinued operations</b>	4	<b>152</b>	<b>43,280</b>	<b>64,254</b>
<b>Profit after tax for the period attributable to equity holders of parent</b>		<b>13,533</b>	<b>42,702</b>	<b>74,501</b>
<b>Earnings per share from continuing operations</b>				
Basic	5	4.0¢	(0.1)¢	3.0¢
Diluted		3.9¢	(0.1)¢	3.0¢
<b>Earnings per share from discontinued operations</b>				
Basic		0.0¢	12.8¢	19.1¢
Diluted		0.0¢	12.6¢	18.8¢
<b>Total earnings per share</b>				
Basic	5	4.0¢	12.7¢	22.1¢
Diluted		3.9¢	12.5¢	21.8¢

The notes on pages 9 to 16 form part of this report.

# Consolidated Balance Sheet

## at 30 June 2007

	30 June 2007 US\$'000 (unaudited)	30 June 2006 US\$'000 (unaudited)	31 December 2006 US\$'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	41,746	–	–
Property, plant and equipment	15,526	9,449	13,033
Deferred taxes	672	461	546
	57,944	9,910	13,579
<b>Current assets</b>			
Cash and cash equivalents	87,285	116,874	114,356
Trade and other receivables	12,847	11,746	9,669
	100,132	128,620	124,025
<b>Total assets</b>	<b>158,076</b>	<b>138,530</b>	<b>137,604</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	3,084	3,068	3,073
Share benefit reserve	9,191	6,028	9,332
Retained earnings	62,324	69,817	74,597
<b>Total equity attributable to equity holders of the parent</b>	<b>74,599</b>	<b>78,913</b>	<b>87,002</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	60,584	29,589	27,931
Member deposits	22,893	30,028	22,671
<b>Total liabilities</b>	<b>83,477</b>	<b>59,617</b>	<b>50,602</b>
<b>Total equity and liabilities</b>	<b>158,076</b>	<b>138,530</b>	<b>137,604</b>

Approved by the Board and authorised for issue on 10 September 2007.



**Gigi Levy**  
Chief Executive Officer



**Aviad Kobrine**  
Chief Financial Officer

The notes on pages 9 to 16 form part of this report.

# Consolidated Statement of Changes in Equity

## for the period ended 30 June 2007

	Share capital US\$'000	Share benefit reserve US\$'000	Retained earnings US\$'000	Total US\$'000
<b>Balance at 1 January 2005</b>	3,066	–	27,113	30,179
Profit for the year	–	–	48,015	48,015
Dividend paid	–	–	(63,100)	(63,100)
Redemption of preference share capital	(1)	–	–	(1)
Share benefit charge	–	17,234	–	17,234
Transfer of shares granted on IPO	–	(15,087)	15,087	–
Redenomination translation effect	3	–	–	3
<b>Balance at 1 January 2006</b>	<b>3,068</b>	<b>2,147</b>	<b>27,115</b>	<b>32,330</b>
Profit for the year	–	–	74,501	74,501
Dividend paid	–	–	(28,658)	(28,658)
Issue of shares	5	(5)	–	–
Lapsed share benefit charge	–	(1,639)	1,639	–
Share benefit charge	–	8,829	–	8,829
<b>Balance at 31 December 2006</b>	<b>3,073</b>	<b>9,332</b>	<b>74,597</b>	<b>87,002</b>
Profit for the period	–	–	13,533	13,533
Dividend paid	–	–	(30,082)	(30,082)
Issue of shares	11	(11)	–	–
Lapsed share benefit charge	–	(4,276)	4,276	–
Share benefit charge	–	4,146	–	4,146
<b>Balance at 30 June 2007</b>	<b>3,084</b>	<b>9,191</b>	<b>62,324</b>	<b>74,599</b>

The notes on pages 9 to 16 form part of this report.

# Consolidated Statement of Cash Flows

## for the period ended 30 June 2007

	Six months ended 30 June 2007 US\$'000 (unaudited)	Six months ended 30 June 2006 US\$'000 (unaudited)	Year ended 31 December 2006 US\$'000 (audited)
<b>Cash flows from operating activities</b>			
Profit before tax	14,870	44,133	77,618
<b>Adjustments for</b>			
Depreciation	1,864	1,883	3,801
Loss on sale of property, plant and equipment	–	–	29
Interest received	(2,959)	(1,551)	(4,879)
Share benefit charges	4,146	3,881	8,829
	17,921	48,346	85,398
(Increase) decrease in trade receivables	(1,669)	5,144	6,346
Decrease in related party balances	–	1,331	1,331
Increase in other accounts receivable	(1,509)	(1,877)	(1,002)
Increase (decrease) in trade payables	1,508	7,172	(1,439)
Increase (decrease) in member deposits	222	703	(6,654)
Increase (decrease) in other accounts payable	464	(2,903)	3,527
<b>Cash generated from operations</b>	<b>16,937</b>	<b>57,916</b>	<b>87,507</b>
Tax paid	(1,424)	(1,804)	(3,052)
<b>Net cash generated from operating activities</b>	<b>15,513</b>	<b>56,112</b>	<b>84,455</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles on business acquisition	(11,104)	–	–
Purchase of property, plant and equipment	(4,357)	(2,991)	(8,621)
Proceeds from sale of property, plant and equipment	–	–	99
Interest received	2,959	1,551	4,879
<b>Net cash used in investing activities</b>	<b>(12,502)</b>	<b>(1,440)</b>	<b>(3,643)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(30,082)	–	(28,658)
<b>Net cash used in financing activities</b>	<b>(30,082)</b>	<b>–</b>	<b>(28,658)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(27,071)</b>	<b>54,672</b>	<b>52,154</b>
Cash and cash equivalents at the beginning of the period	114,356	62,202	62,202
<b>Cash and cash equivalents at the end of the period</b>	<b>87,285</b>	<b>116,874</b>	<b>114,356</b>

The notes on pages 9 to 16 form part of this report.

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# Notes to the Consolidated Financial Statements

## 1 Basis of preparation

The consolidated interim 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.

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 ended 31 December 2007 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 2006 with the exception of the following matters:

- Emerging games is a new segment added during the period which comprises mainly of 888's Backgammon offering and the newly acquired Bingo business;
- Net Gaming Revenue from Emerging games is defined as the commission charged from winnings or entry fees charged for participation in a tournament. In the case of White label activity, Revenue is the net commission charged.

The Group has not adopted IAS 34 in the preparation of the interim 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 2006 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 7.

The financial information contained in this interim announcement is unaudited and does not constitute statutory accounts.

### Presentation of continuing and discontinued operations

As a result of enactment of the Unlawful Internet Gambling Enforcement Act ("UIGEA") in October 2006, the Group withdrew from offering real-money activity to the US facing market.

Although the Group did not operate the US facing business as a separate business, it was a separate geographical segment of the Group's business and in accordance with IFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations" the income statement and related notes are required to show continued and discontinued operations separately.

Net Gaming Revenue and certain direct costs associated with the discontinued operations, which are of distinct nature, were allocated accordingly. Other costs (such as R&D expenses, IT expenses, Share benefit charges, office rent and associated cost, depreciation of fixed assets, gaming duty, Directors and Officers insurance, Directors' fees and tax), which are not distinguishable, were all allocated to the continuing operations and not to the discontinued business. In allocating the rest of the costs of the Group between the two operations, management has applied reasonable estimates in accordance with applicable accounting standards. However, as estimates have necessarily been used in disclosing a geographical segment as a discontinued operations, the results do not necessarily reflect the financial performance which would have been achieved had the discontinued operations been managed as a stand-alone business.

## 2 Segment information

### Business segments – continuing operations

	Six months ended 30 June 2007			Consolidated US\$'000 (unaudited)
	Emerging games US\$'000 (unaudited)	Casino US\$'000 (unaudited)	Poker US\$'000 (unaudited)	
Net Gaming Revenue	2,156	53,852	40,808	96,816
<b>Result</b>				
Segment result	1,494	33,051	21,547	56,092
Unallocated corporate expenses <sup>1</sup>				43,974
Operating profit				12,118
Finance income				2,600
Tax expense				(1,337)
Profit for the period – continuing operations				13,381
Profit for the period – discontinued operations				152
Profit for the period				13,533
<b>Assets</b>				
Unallocated corporate assets				158,076
Total assets				158,076
<b>Liabilities</b>				
Segment liabilities – Poker				16,608
Segment liabilities – Casino				6,215
Segment liabilities – Emerging games				70
Unallocated corporate liabilities				60,584
Total liabilities				83,477

<sup>1</sup> Including share benefit charges of US\$4,146,000.

# Notes to the Consolidated Financial Statements continued

## 2 Segment information continued

### Business segments – continuing operations

	Six months ended 30 June 2006		
	Casino US\$'000 (unaudited)	Poker US\$'000 (unaudited)	Consolidated US\$'000 (unaudited)
Net Gaming Revenue	44,027	34,179	78,206
<b>Result</b>			
Segment result	24,387	20,331	44,718
Unallocated corporate expenses <sup>1</sup>			45,487
Operating loss			(769)
Finance income			1,622
Tax expense			(1,431)
Loss for the period – continuing operations			(578)
Profit for the period – discontinued operations			43,280
Profit for the period			42,702
<b>Assets</b>			
Unallocated corporate assets			138,530
Total assets			138,530
<b>Liabilities</b>			
Segment liabilities – Poker			20,432
Segment liabilities – Casino			9,596
Unallocated corporate liabilities			29,589
Total liabilities			59,617

<sup>1</sup> Including share benefit charges of US\$3,881,000.

## 2 Segment information continued

### Business segments – continuing operations

	Year ended 31 December 2006		
	Casino US\$'000 (audited)	Poker US\$'000 (audited)	Consolidated US\$'000 (audited)
Net Gaming Revenue	88,760	68,240	157,000
<b>Result</b>			
Segment result	52,101	41,374	93,475
Unallocated corporate expenses <sup>1</sup>			84,994
Operating profit			8,481
Finance income			4,883
Tax expense			(3,117)
Profit for the period – continuing operations			10,247
Profit for the period – discontinued operations			64,254
Profit for the period			74,501
<b>Assets</b>			
Unallocated corporate assets			137,604
Total assets			137,604
<b>Liabilities</b>			
Segment liabilities – Poker			15,445
Segment liabilities – Casino			7,226
Unallocated corporate liabilities			27,931
Total liabilities			50,602

<sup>1</sup> Including share benefit charges of US\$8,829,000.

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

### Geographical segments

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

	Six months ended	Six months ended	Year ended
	30 June 2007 US\$'000 (unaudited)	30 June 2006 US\$'000 (unaudited)	31 December 2006 US\$'000 (audited)
UK	41,199	36,593	70,562
Europe (excluding UK)	40,062	27,093	57,056
Americas (excluding US)	8,100	9,328	17,601
Rest of World	7,455	5,192	11,781
Net Gaming Revenue – continuing operations	96,816	78,206	157,000
Net Gaming Revenue – discontinued operations (US)	–	85,305	132,907
Net Gaming Revenue	96,816	163,511	289,907

# Notes to the Consolidated Financial Statements continued

## 3 Operating profit (loss) from continuing operations

	Six months ended 30 June 2007 US\$'000 (unaudited)	Six months ended 30 June 2006 US\$'000 (unaudited)	Year ended 31 December 2006 US\$'000 (audited)
Operating profit (loss) is stated after charging:			
Staff costs	28,307	27,195	52,131
Depreciation	1,864	1,883	3,801
Chargebacks and returned e-cheques	998	1,275	2,507
Exchange gains	(741)	(14)	(4,742)
Payment service providers' commissions	5,737	4,440	9,140
Share benefit charges – all equity settled	4,146	3,881	8,829

## 4 Discontinued operations

### Consolidated Income Statement

	Six months ended 30 June 2007 US\$'000 (unaudited)	Six months ended 30 June 2006 US\$'000 (unaudited)	Year ended 31 December 2006 US\$'000 (audited)
Net Gaming Revenue	–	85,305	132,907
Operating expenses	–	17,605	28,086
Selling and marketing expenses	–	21,489	33,283
Administrative expenses (income)	(152)	2,931	7,284
Operating profit before reorganisation costs	152	43,280	68,287
Charges in respect of reorganisation costs	–	–	4,033
Profit before tax	152	43,280	64,254
Taxation	–	–	–
Profit from discontinued operations	152	43,280	64,254

## 5 Earnings per share

### Basic earnings per share from continuing operations

Basic earnings per share have been calculated by dividing the profit (loss) 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 therefore are anti-dilutive.

	Six months ended 30 June 2007 US\$'000 (unaudited)	Six months ended 30 June 2006 US\$'000 (unaudited)	Year ended 31 December 2006 US\$'000 (audited)
Profit (loss) from continuing operations attributable to ordinary shareholders	13,381	(578)	10,247
Weighted average number of Ordinary Shares in issue	338,097,734	337,096,320	337,223,724
Weighted average number of dilutive Ordinary Shares	344,209,550	342,886,703	341,834,214
<b>Continuing operations</b>			
Basic	4.0¢	(0.1)¢	3.0¢
Diluted	3.9¢	(0.1)¢	3.0¢
<b>Discontinued operations</b>			
Basic	0.0¢	12.8¢	19.1¢
Diluted	0.0¢	12.6¢	18.8¢
<b>Total</b>			
Basic	4.0¢	12.7¢	22.1¢
Diluted	3.9¢	12.5¢	21.8¢

### Earnings per share excluding share benefit charges

	Six months ended 30 June 2007 US\$'000 (unaudited)	Six months ended 30 June 2006 US\$'000 (unaudited)	Year ended 31 December 2006 US\$'000 (audited)
Profit (loss) from continuing operations attributable to ordinary shareholders	13,381	(578)	10,247
Share benefit charges	4,146	3,881	8,829
Profit excluding share benefit charges	17,527	3,303	19,076
Weighted average number of Ordinary Shares in issue	338,097,734	337,096,320	337,223,724
Weighted average number of dilutive Ordinary Shares	344,209,550	342,886,703	341,834,214
<b>Continuing operations</b>			
Basic earnings per share excluding share benefit charges	5.2¢	1.0¢	5.7¢
Diluted earnings per share excluding share benefit charges	5.1¢	1.0¢	5.6¢
<b>Discontinued operations</b>			
Basic earnings per share excluding share benefit charges	0.0¢	12.8¢	19.1¢
Diluted earnings per share excluding share benefit charges	0.0¢	12.6¢	18.8¢
<b>Total</b>			
Basic earnings per share excluding share benefit charges	5.2¢	13.8¢	24.8¢
Diluted earnings per share excluding share benefit charges	5.1¢	13.6¢	24.4¢

# Notes to the Consolidated Financial Statements continued

## 6 Acquisitions made during the period

### Online Bingo business of Globalcom Limited

On 16 May 2007 the Group acquired the online Bingo business of Globalcom Limited by way of assets acquisition for an all cash consideration.

In calculating the goodwill arising on acquisition, the fair value of the net assets of the online Bingo business of Globalcom Limited has been recognised in accordance with IFRS 3 and adjustments from book value have been made where necessary. These adjustments are summarised as follows:

	Book value on acquisition US\$'000	Fair value adjustments US\$'000	Fair value US\$'000
Tangible assets	81	–	81
Intangible assets	200	4,114	4,314
Net assets	281	4,114	4,395

The fair value adjustments relate to the recognition of customer lists, royalty agreements, licensing agreements and other intangible assets acquired as part of the acquisition. These intangibles are being amortised over their estimated useful economic lives of between one month and four years.

	US\$'000
Fair value of net assets acquired	4,395
Goodwill	37,432
Fair value of consideration including expenses	41,827
Which is represented by:	
Cash consideration to Globalcom Limited	10,723
Deferred cash consideration to Globalcom Limited (included with other payables)	21,593
Potential earn-out payment (included with other payables) <sup>1</sup>	9,050
Expenses	461
Total cash consideration	41,827

<sup>1</sup> A further earn-out payment of up to US\$11.05 million may be payable in cash 12 months from completion on the basis of actual performance during financial year 2007, of which \$9.05 million has been recognised at 30 June 2007.

## **7 Contingent liabilities**

From time to time the Group is subject to legal claims and actions against it. The Group takes legal advice as to the likelihood of success of such claims and actions.

### **Regulatory issues**

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. 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.

## **8 Interim dividend**

The directors have declared an interim dividend of 1.8 cents per share payable on 31 October 2007 to shareholders on the registrar at 12 October 2007.

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# Independent Review Report to 888 Holdings Public Limited Company

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related notes 1 to 8. We have read the other information contained within the financial information and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the 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.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in a format equivalent to the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the financial information should be consistent with those applied in preparing the annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Emphasis of matter – Regulatory issues

In forming our review conclusion, which is not qualified, we have considered the adequacy, and drawn attention to, the disclosures made in note 7 to the financial information 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 7 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 2007.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.



**BDO Stoy Hayward LLP**  
Chartered Accountants

8 Baker Street  
London W1U 3LL  
United Kingdom  
10 September 2007

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# Shareholder Information

## Group websites

A range of shareholder information is available in the Investor Relations area of the Group's website, [www.888holdingsplc.com](http://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 also be accessed through the Group's main web portal [www.888.com](http://www.888.com).

## Casino

888's Casino games are offered through its Casino-on-Net and Reef Club Casino offerings.

- [www.Casino-on-Net.com](http://www.Casino-on-Net.com)
- [www.ReefClubCasino.com](http://www.ReefClubCasino.com)

## Poker

888's Poker offering is through Pacific Poker.

- [www.PacificPoker.com](http://www.PacificPoker.com)

## Bingo

888's Bingo offering can be accessed through:

- [www.bingo.888.com](http://www.bingo.888.com)
- [www.bingoballroom.com](http://www.bingoballroom.com)
- [www.ksbingo.com](http://www.ksbingo.com)

## Backgammon

888's Backgammon offering can be accessed through:

- [www.888.com/backgammon](http://www.888.com/backgammon)

## Betmate

Offers access to a betting exchange including sporting and non-sporting betting.

- [www.Betmate.com](http://www.Betmate.com)

## 888.tv

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

- [www.888.tv](http://www.888.tv)

## 888.info

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

- [www.888.info](http://www.888.info)

## Strategic partnerships

Riley's snooker halls – in-hall live and online poker tournaments powered by:

- [www.rileyspoker.com](http://www.rileyspoker.com)

Tower Torneos – one of the leading gaming operators in Latin America.

- [www.towertorneos.com](http://www.towertorneos.com)

## Shareholder services

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

### Capita Registrars

The Registry, 34 Beckenham Road  
Beckenham, Kent BR3 4TU  
Tel: 0870 162 3100  
[www.capitaregistrars.com](http://www.capitaregistrars.com)

## Further information

For further information please contact:

### Company Secretary

888 Holdings Public Limited Company  
Suite 601/701  
Europort, Europort Road  
Gibraltar  
[info@888holdingsplc.com](mailto:info@888holdingsplc.com)

## Principal bankers

The Royal Bank of Scotland plc  
280 Bishopsgate, London EC2M 4RB

## Solicitors

Freshfields Bruckhaus Deringer  
65 Fleet Street, London EC4Y 1HS

## Hassans

57/63 Line Wall Road  
Gibraltar

## Auditors

BDO Stoy Hayward LLP  
Chartered Accountants  
8 Baker Street  
London W1U 3LL

## BDO Orion Chartered Accountants Limited

Chartered Accountants  
Montagu Pavilion  
8-10 Queensway  
Gibraltar

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