bwin.party digital entertainment

press release

31 August 2011

bwin.party digital entertainment plc
Half year report for the six months ended 30 June 2011

Strong current trading and higher expected synergies

- Pro forma[#] total revenue down 3% to €398.0m primarily due to competitive pressures in poker, the closure of French casino and the 2010 FIFA World Cup. Actual total revenue up 51% to €273.1m driven by the Merger*
- Pro forma Clean EBITDA from Continuing operations down 21% to €81.9m due to the reasons above and increased gaming duties from regulated markets. On a like-for-like basis, adjusting for French casino, the 2010 FIFA World Cup and increased gaming taxes, pro forma Clean EBITDA was up 8% to €98.9m. Actual Clean EBITDA from Continuing operations up 16% to €50.9m
- Net cash, taking into account client liabilities and amounts held by processors, at 30 June 2011 of €183.0m (2010: €53.5m)
- Half year dividend of 1.56 pence per share (2010: nil)
- Initiation of authorised share buy-back programme for up to €75m of Ordinary shares
- Expected annual synergies increased from €55m to €65m in 2013
- Current trading strong - Board remains confident about full year and outlook

Financial summary (unaudited)

	Pro forma		Actual	
Six months ended 30 June	**2011 €million**	2010 €million	**2011 €million**	2010 €million
Revenue				
Sports betting	**125.7**	128.1	**59.9**	10.2
Casino & Games	**124.3**	121.9	**99.1**	76.7
Poker	**104.9**	116.5	**79.8**	64.1
Bingo	**33.0**	36.0	**27.8**	25.8
Net revenue	**387.9**	402.5	**266.6**	176.8
Other revenue	**10.1**	7.6	**6.5**	4.4
Total revenue	**398.0**	410.1	**273.1**	181.2
Clean EBITDA[~] from Continuing operations	**81.9**	104.1	**50.9**	43.9
Clean EBITDA[~] from Discontinued operations[^]	**(9.5)**	(12.1)	**(5.1)**	-
Total Clean EBITDA[~]	**72.4**	92.0	**45.8**	43.9
Clean profit before tax[~] - Continuing operations	**46.8**	42.5	**77.0**	102.8
(Loss) profit after tax[§] - Continuing operations	**(29.0)**	56.4	**(42.5)**	20.3
(Loss) profit after tax	**(41.0)**	35.0	**(49.1)**	19.7

** On 31 March 2011 PartyGaming Plc merged with bwin Interactive Entertainment AG ('the Merger').*

[#] The actual results include PartyGaming's results throughout the entire period and the results of bwin Interactive Entertainment AG with effect from the Merger on 31 March 2011. Pro forma results set out the financial performance of the Group as if the Merger had always been in place.

~ Before the provision for costs associated with the Group's Non-Prosecution Agreement, reorganisation expenses, merger and acquisition expenses, exchange differences and before non-cash charges relating to share-based payments (see reconciliation of Clean EBITDA to operating profit (loss) below).

[^] Discontinued operations refers to Ongame's B2B business as well as operations located physically outside of the US but which relate to US customers that were no longer accepted following the enactment of the UIGEA.

[§] After amortisation and impairment of acquired intangibles (pro forma basis €75.3m (2010: €29.6m), actual basis €68.4m (2010: €14.0m)) and merger and reorganisation expenses (pro forma basis €19.1m (2010:€1.2m), actual basis €13.6m (2010: €nil).

Earnings per share (unaudited)

	Pro forma		Actual	
Six months ended 30 June	**2011 € cents**	2010 € cents	**2011 € cents**	2010 € cents
Basic EPS (loss per ordinary share) - Continuing operations				
Standard	**(3.2)**	6.7	**(6.6)**	4.9
Clean~	**7.5**	10.5	**5.9**	8.0
Basic EPS (loss per ordinary share) - Total operations				
Standard	**(4.6)**	4.1	**(7.6)**	4.8
Clean~	**6.4**	8.4	**5.1**	8.0

~ EPS before the provision for costs associated with the Group's Non-Prosecution Agreement, reorganisation expenses, merger and acquisition expenses, exchange differences and before non-cash charges relating to share-based payments and excluding amortisation and impairments on acquisitions (see reconciliation of Clean EPS to Basic EPS in note 7 to the Financial Information).

Commenting on today's results announcement, Jim Ryan and Norbert Teufelberger, Co-CEOs said:

"We have made excellent progress on integrating bwin and PartyGaming since the Merger was completed at the end of March 2011. The results for the first half reflect our transition to becoming a global leader in all four product verticals with strong market positions in all key regulated markets. The expansion of online gaming in newly regulating markets has delivered promising levels of revenue growth, albeit with additional costs in the form of gaming taxes and compliance costs. However, we are encouraged by a number of recent developments where governments are recognising the need to create a commercially sustainable regulated market without which consumers will simply seek out more attractive offers on the 'black market'. We expect that this will result in further favourable long-term changes to existing and future regulatory frameworks.

"The absence of the FIFA World Cup, the closure of French casino and increased gaming taxes need to be taken into account when comparing our year-on-year performance. Excluding these factors, pro forma revenue increased by 1% and Clean EBITDA increased by 8%."

On current trading and outlook they added:

"Since 30 June 2011, the Group's revenue performance has been strong. The suspension of Full Tilt Poker's gaming license at the end of June removed a major competitor in poker and consequently we have seen an improvement in player numbers and average daily revenues. In addition, our launch of cash game poker and certain casino games in Italy has started well, even though this is the seasonally weak trading period. Whilst the new regulatory regime in Spain requires gaming duties to be paid with effect from 29 May 2011, this is being met by our strong current trading performance. Whilst the regulatory picture can be expected to continue to shift against a challenging macroeconomic and competitive backdrop, our strong brands and market positions, healthy balance sheet and net cash resources mean that we remain confident about the Group's prospects for the rest of the year and beyond.

"Further to the announcement on 30 June 2011, the Board has declared an interim dividend totalling €15m and has also initiated a programme to buy up to €75m of Ordinary shares in the period ending 30 June 2012. Further announcements will be made as and when market purchases are made."

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Interviews with Jim Ryan, Norbert Teufelberger and Martin Weigold

Interviews with Jim Ryan and Norbert Teufelberger, Co-CEOs, and Martin Weigold, Chief Financial Officer, in video/audio and text will be available from 7.00am BST on 31 August 2011 on: http://www.bwinparty.com.

Analyst meeting, webcast, dial-in and conference call details: 31 August 2011

There will be an analyst meeting for invited UK-based analysts at Numis Securities, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT starting at 9.30am BST. There will be a simultaneous webcast and dial-in broadcast of the meeting. To register for the live webcast, please pre-register for access by visiting the Group website (www.bwinparty.com). Details for the dial-in facility are given below. A copy of the webcast and slide presentation given at the meeting will be available on the Group's website later today.

Dial-in details to listen to the analyst presentation at 9.30am, 31 August 2011

9.20 am	*Please call:+44 (0) 203 003 2666*
Title	*bwin.party Half Year Results*
9.30 am	*Meeting starts*

A recording of the meeting will be available for a period of seven days from 31 August 2011. To access the recording please dial the following replay telephone number:

Replay telephone number:	*+44 (0) 208 196 1988*
Replay passcode:	*2442609#*

Conference call: 2.30pm, Wednesday 31 August

For international analysts and investors there will be an opportunity to put questions to Jim Ryan and Norbert Teufelberger, Co-Chief Executive Officers, and Martin Weigold, Chief Financial Officer, on a conference call using the following number:

2.20pm	*Please call:+44(0) 203 003 2666*
Title	*bwin.party Half Year Results*
2.30pm	*Conference call starts*

A recording of the conference call will be available for seven days from 31 August on the following number:

Replay telephone number	*+44 (0) 208 196 1988*
Replay passcode:	*4632491#*

All times are British Summer Time (BST).

About bwin.party

bwin.party digital entertainment Plc is the world's largest listed online gaming company. The Company was formed from the merger of bwin Interactive Entertainment AG and PartyGaming Plc on 31 March 2011 ('the Merger'). Incorporated, licensed and regulated in Gibraltar, the Group has offices in Europe, India, Israel and the US and generated total pro forma revenue of €830.1m and pro forma Clean EBITDA of €168.2m in 2010. bwin.party is also licensed in France, Italy and Alderney, and commands leading market positions in each of its four key product verticals: online sports betting, poker, casino and bingo with some of the world's biggest online gaming brands including www.bwin.com, www.PartyPoker.com, www.PartyCasino.com and www.FoxyBingo.com. At the heart of our business, our proprietary software, online gaming platforms and a strong portfolio of games collectively differentiate our customer offer.

Business Review

Introduction

The merger of bwin Interactive Entertainment AG ('bwin') and PartyGaming Plc ('PartyGaming') was completed on 31 March 2011 ('the Merger'). For accounting purposes PartyGaming is treated as the acquirer of bwin and as a result the Group's statutory results for the first half of 2011 include a full period from PartyGaming while bwin is included from 1 April 2011 only. To assist analysts and investors in assessing the performance of the Group, we have also produced pro forma results that set out the financial performance of the Group as if the combined operations had always been in place.

While further details of the consolidated performance of Continuing and Discontinued operations are contained in the financial information and the accompanying notes, all references to financial performance or key performance indicators throughout this document refer to the Continuing operations only, unless expressly stated otherwise.

Results overview

On a pro forma basis, total revenue fell by 3% to €398.0m (2010: €410.1m) reflecting continued competitive pressures in poker, the loss of French casino revenues following the introduction of new legislation on 30 June 2010 and the 2010 FIFA World Cup. The reduction in revenue, together with the Group's launch into newly regulated markets that resulted in increased gaming taxes and marketing spend meant that pro forma Clean EBITDA also fell to €81.9m (2010: €104.1m). On a like-for-like basis excluding the impact of increased gaming duties, the closure of our French casino and the 2010 FIFA World Cup, pro forma Clean EBITDA increased by 8% to €98.9m (2010: €91.7m).

Actual total revenue for the period was up 51% to €273.1m (2010: €181.2m) primarily due to the Merger. Each of the product verticals benefited from the Merger reflecting the comprehensive portfolio of bwin's business activities. Clean EBITDA also increased as a result of the Merger by 16% to €50.9m (2010: €43.9m).

The amortisation and impairment of acquired intangibles associated with the Merger that totalled €56.7m, along with one-off deal and restructuring costs associated with the Merger meant that on a pro forma basis the Group's Continuing operations reported a loss before tax of €35.7m (2010: profit before tax of €58.0m). On an actual basis, the Group's Continuing operations reported a loss before tax of €50.8m (2010: profit before tax of €22.8m).

Discontinued operations relate to the Ongame B2B business that is in the process of being sold as well as ongoing costs associated with the Company's Non-Prosecution Agreement ('NPA') that was reached with the United States Attorney's Office for the Southern District of New York (the 'USAO') on 6 April 2009. The total loss before tax after taking Discontinued operations into account was €57.7m (2010: profit before tax of €22.2m), and the total loss after tax was €49.1m (2010: profit after tax of €19.7m).

The increased amortisation and impairment costs associated with the Merger during the first half of 2011 meant that basic loss per ordinary share from Continuing operations was 6.6 € cents (2010: EPS 4.9 € cents). Clean EPS from Continuing operations excluding amortisation and impairments on acquisitions decreased by 26% to 5.9 € cents (2010: 8.0 € cents). On a pro forma basis, Clean EPS before amortisation and impairments on acquisitions was down 29% at 7.5 € cents (2010: 10.5 € cents).

Taking into account Discontinued operations, Clean EPS excluding amortisation and impairments on acquisitions was 5.1 € cents (2010: 8.0 € cents) while basic loss per ordinary share was 7.6 € cents (2010: EPS 4.8 € cents). On a pro forma basis, Clean EPS excluding amortisation and impairments on acquisitions was 6.4 € cents (2010: 8.4 € cents).

The following table provides a reconciliation of the movements between Clean EBITDA and operating (loss) profit:

Reconciliation of Clean EBITDA to operating (loss) profit

Six months ended 30 June	Pro forma 2011 €million	Pro forma 2010 €million	Actual 2011 €million	Actual 2010 €million
Continuing operations				
Clean EBITDA	**81.9**	104.1	**50.9**	43.9
Exchange differences	**(2.1)**	1.1	**(1.9)**	4.2
Depreciation	**(7.2)**	(7.3)	**(5.2)**	(3.2)
Amortisation	**(61.5)**	(31.1)	**(54.6)**	(16.4)
Impairment losses	**(15.3)**	-	**(15.3)**	-
Share-based payments	**(7.5)**	(6.3)	**(7.0)**	(4.3)
Acquisition expenses	**(16.9)**	(1.2)	**(11.5)**	-
Reorganisation expenses	**(2.2)**	-	**(2.1)**	-
(Loss) profit from operating activities - Continuing operations	**(30.8)**	59.3	**(46.7)**	24.2
Discontinued operations				
Clean EBITDA	**(9.5)**	(12.1)	**(5.1)**	-
Exchange differences	**1.9**	(4.3)	**0.6**	-
Depreciation	**(1.4)**	(1.3)	**(0.7)**	-
Amortisation	**(2.3)**	(2.4)	**(1.3)**	-
Share-based payments	**(0.1)**	(0.5)	**-**	-
Loss from operating activities - Discontinued operations	**(11.4)**	(20.6)	**(6.5)**	-

Strategic developments

Merger update
Since completing the Merger we have been focused on integrating both businesses and on delivering the previously identified €55m per annum of financial and operational synergies. We have also continued to ensure that we are ready to enter new markets as and when regulations allow. The restructuring of the organisation along the lines of our four main product verticals to enable us to achieve our objectives is almost complete. The Merger will allow us to remove many duplicated costs, although not all of these savings can be realised immediately. As we move to a single 'best of breed' technical platform and new organisational structure, we need to ensure that the customer experience is not adversely impacted. The process of integrating our systems is progressing well and we expect it to be completed by the end of 2012. As a result of the progress made, we remain on-course to achieve approximately €40m of synergies in 2012 and now expect to realise total synergies of €65m in 2013, an increase of €10m over our original estimate at the time the Merger was announced.

Merger and acquisition-related expenses together with reorganisation expenses totalling €13.6m were incurred in the first half of 2011 (2010: €nil) while on a pro forma basis the figure was €19.1m (2010: €1.2m).

Sale of Ongame's B2B platform
We announced on 30 June 2011 that we had commenced a process to sell the B2B assets of Ongame, one of the world's leading online poker networks with a state-of-the-art technology platform. The sale process is on-track and we expect to complete the disposal by the end of 2011. We plan to migrate all of the bwin poker player base to the PartyPoker platform as soon as practicable and expect that dotcom, .fr, and .it players will be migrated by the end of the third quarter of 2012. A further announcement will be made as and when appropriate.

Focused brand architecture
Bringing together two of the world's leading online gaming companies means we have a wealth of brands across all key markets and we are now focusing our efforts on fewer brands with a view to improving the collective returns on our marketing spend. bwin and PartyPoker are now the Group's primary sports betting and poker brands respectively. While our other sports and poker brands will continue to operate from a technical and customer service perspective, they will not be the focus of our marketing effort. In casino & games, given the 28 individual casino brands we have today, we are

looking to consolidate them into a series of country-specific brands. Similarly in bingo, we recognise the importance of local brands and so our brand strategy will be tailored to local markets.

Sports sponsorships
The Group has continued to demonstrate its commitment to sports sponsorships, a pillar of our strategy, through two further deals announced in the first half of 2011: first, we extended the Group's existing marketing and media rights agreement with FIBA, the world governing body for basketball, and also entered into a three-season partnership with the Padel Pro Tour Circuit. The FIBA agreement extends our relationship until 2014 and covers live streaming rights in more than 30 countries allowing the Group's sports betting customers to view all matches for free. Padel is a relatively young sport that we believe is as exciting to play as it is to watch and bet on. Since the end of the period, we also announced that bwin had become the new sponsor of Euroleague Basketball, the most important professional club basketball competition in Europe. bwin's marketing and media rights agreement for Euroleague events runs until June 2014. This agreement significantly broadens the footprint of bwin within European basketball and also strengthens the Group's sports brand philosophy.

Launch of NewGame Capital LP
Recognising the need to remain at the vanguard of our industry, we continue to invest in the development of our core products by allocating resources to each of the product verticals. In addition in July 2011 we committed £15m as lead investor into an early stage digital entertainment investment fund called NewGame Capital LP ('NGC'). NGC will invest in early-stage, high potential companies active in monetised digital gaming (comprising real money, virtual currency and social digital games). It is advised by a team that comprises Patrick Southon and Simon Collins, the founders of Cashcade that was acquired by the Group in July 2009, as well as Newshore Partners LLP, a merchant bank exclusively focused on the media, internet and technology sector.

Operational developments

Our operational focus has been on integrating the two businesses as quickly as possible whilst ensuring we are both ready to enter new markets as soon as regulations allow and that we continue to deliver exciting gaming products through all channels. Some of the key highlights from the first six months of 2011 are summarised below.

Italy - poker cash games and casino table games
Our preparations for the launch of poker cash games and table games in Italy were rewarded with receipt of the requisite approvals in the first issue of licenses so that we were able to launch a number of our brands on 18 July 2011. Despite the fact that July and August tend to be relatively quiet months from a trading perspective, the results from the first few weeks have been encouraging with average gross daily revenue from Italy up by 22% on a pro forma basis versus the average for the second quarter of 2011. We continue to command a strong market share in Italy with approximately 17%[1] of the poker market on a combined basis.

France - continued progress
In France, we are continuing to command significant market share in both regulated products (sports betting and poker) and have been focused on optimising our marketing and operational efficiency given the challenging regulatory and fiscal environment that even ARJEL, the market's regulator, has acknowledged "does not work". We expect France to address some of the concerns after the Presidential elections in May 2012. Meanwhile, by merging bwin France with SAjOO, our local joint venture partner, we will improve the combined financial returns from this market. We continue to command an estimated combined market share of approximately 19% in poker and over 25% in sports betting[1]. Despite the fiscal and regulatory challenges, we remain on-track to become profitable in France in the fourth quarter of 2011.

Product development across all verticals
We have improved the appeal of our live betting offer by launching a new 'Multi View' live betting front-end that enables customers to bet on a number of live events simultaneously. In casino we added a total of 10 new games including *The Godfather Part 1* and *Sin City* that were both developed in-house, are exclusive to the Group and which are already among our most popular slot games. We plan to be able to offer our own in-house casino product to bwin customers by the end of the year that will help reduce third-party license fees as well as increase revenue given the superior product offer available on

[1] *Company estimates*

PartyCasino. In poker, we redesigned the gaming lobby to improve navigation and enhance the user experience.

Mobile, Touch and Video
Following the successful launch of the Group's iPhone live betting app in October 2010, we launched bwin Poker for Android in July 2011 whilst InterTrader launched the very first spread betting app for the iPad. With significant in-house expertise that has now been pulled together into a dedicated Mobile, Touch and Video business unit, we plan to continue to invest in growing our mobile business organically having delivered €10.2m of gross gaming revenue through the mobile channel in the first half of 2011 (2010: €5.4m).

Regulatory developments

There follows a review of the key regulatory developments as we see them and how they may have a bearing on our business.

Europe
In Brussels, the long-awaited green paper on online gaming was published by the European Commission ('EC') with the deadline for submissions on 31 July 2011. A large number of Member States, industry and regulatory bodies are known to have contributed and it is expected that a response from the EC will not be made public until the end of this year. Separately, the Committee on Internal Market and Consumer Protection within the European Parliament ('IMCO') is producing a report on online gambling following a hearing in the Parliament in June 2011. A number of amendments to IMCO's draft report prepared by Jürgen Creutzmann MEP are known to have been tabled and it is expected that the Committee will vote on the report next month.

Following the landmark judgments handed down by the Court of Justice of the European Union ('CJEU') in 2010, a further judgment was issued on 30 June 2011 on the *Zeturf* case. The CJEU confirmed that the sliding-scale concept of consistency that was applicable to the overall gambling sector of each Member State was also applicable to online gaming. The court further clarified the strict conditions required in order to justify gaming monopolies making it clear that the burden of proof lies with the Member State to justify having such a restrictive regime.

Germany (22% of pro forma net revenue in H1 2011)
Following the expiry of the standstill period on 18 July, the proposal for a new German State Treaty on gambling received a detailed opinion from both the European Commission and Malta as well as comments from the UK, each of which called into question whether the proposed law was compliant with EU law. As a result, the standstill period – during which the country cannot adopt the law in question – was extended until 18 August 2011. In the absence of any formal response from Germany to the concerns raised by the European Commission and other Member States, what happens next remains unclear. However, as with the previous State Lottery Treaty, failure to comply with EU law is likely to result in further infringement proceedings against Germany by the European Commission.

Separately, Schleswig-Holstein, one of Germany's 16 Länder, is continuing to consider its own new gaming law, having already been cleared to do so by the European Commission. The new law proposes, *inter alia,* to put in place a framework to regulate online sports betting, poker, casino and bingo, each with a 20% tax on gross gaming revenue. The third and final reading of the proposed law in parliament has been postponed until mid-September 2011 and the Group has already expressed interest in securing a license under such a regime.

Elsewhere in Germany, following the postponement of the German Federal Supreme Court's ruling on three separate bwin cases originally scheduled for 7 July 2011, it is now expected that this will be announced in September 2011.

Italy (10% of pro forma net revenue in H1 2011)
As noted elsewhere, Italy expanded its existing online gaming regime to include cash game poker and certain casino table games in July 2011. The Group has already launched both products under a number of its main brands including *bwin, PartyPoker* and *Gioco Digitale.*

United Kingdom (10% of pro forma net revenue in H1 2011)
Following a lengthy consultation exercise, the UK Government has announced that it is looking to amend the existing Gambling Act and extend its licensing regime to include offshore online operators. It

is unclear whether the legislation to effect such a change will be considered in the 2012 legislative programme that would normally be announced in November 2011, or at some later date. Meanwhile, the UK Treasury has announced it is reviewing the case for changing the taxation regime in line with the Department for Culture, Media and Sport's proposals and taxing operators on the basis of customer location. The Treasury will also consider the tax implications of other countries changing their taxation regimes, and in particular ways to prevent operators in the UK being subject to double taxation on remote gambling. Any changes to the basis of taxation are only expected to be introduced if and when the requisite amendments to the UK Gambling Act had already been effected.

France (7% of pro forma net revenue in H1 2011)
Monsieur Villotte, president of the French regulator, ARJEL, was quoted recently in the *Le Monde* newspaper, acknowledging that the French regulatory model was not working as effectively as it could: "Regarding taxes, we have now realised that the taxation model where a percentage of stakes is levied does not work", he said. Following the publication of a 175-page report examining the potential changes to the existing legislation by French MPs, it is widely expected that the government will look to make some changes to the current framework although these are unlikely to take place until after the Presidential election in May 2012. Whether or not this will include an expansion in the number of regulated products is unclear.

Greece (5% of pro forma net revenue in H1 2011)
In spite of the receipt of a detailed opinion from the EC, Greece has pressed ahead with its proposals for a new gaming law that was enacted earlier this month. The requirement to have a legal presence in Greece together with a proposal to impose taxes on operators from 2010 are just two aspects that may concern the EC.

Spain (4% of pro forma net revenue in H1 2011)
Having enacted new legislation on 29 May 2011, the various detailed decrees setting out how the law will be implemented in practice are beginning to emerge. As each decree must be reviewed by the EC, the law is now subject to a standstill until mid-October 2011. The legislators are looking to regulate all forms of online gaming, including live betting and bingo, with a 25% tax on gross gaming revenue.

Denmark (2% of pro forma net revenue in H1 2011)
The Danish government remains committed to opening its online gaming market in 2011 although it is currently defending a claim that the proposed tax rate under the new regime would be unduly favourable to online operators and that it is equivalent to State Aid which is being looked at by the EC. Having expected a decision regarding the State Aid case in July, there has not yet been any announcement from the EC.

United States
There have been a number of regulatory developments during the first half of 2011. The most significant was the decision by the United States Attorney's Office of the Southern District of New York ('USAO') on 15 April 2011 (so called 'Black Friday') to unseal an indictment charging 11 individuals, including the founders of three of the Group's major European poker competitors for their activities in the USA (PokerStars, Full Tilt Poker and Absolute Poker/Ultimate Bet) with up to nine counts of bank fraud, illegal gambling and money laundering offences. At the same time, the USAO issued a civil money laundering and forfeiture complaint against the same three online gaming companies, seeking a sum of at least $3 billion. Having seized more than 75 bank accounts used by the three companies and their payment processors, as at today's date, three out of the eleven indicted individuals have been arrested and Full Tilt Poker's licenses in Alderney and France have been suspended.

While Republican Congressman John Campbell's federal bill to regulate all forms of online gaming introduced in February 2011 has garnered little support, a bill introduced by Joe Barton, the Republican from Texas, seeking to strengthen the Unlawful Internet Gambling Enforcement Act whilst regulating online poker in the US, continues to attract co-sponsors. Separately, some commentators are predicting that a new federal online poker bill will be introduced after the summer recess with the support of Senators Harry Reid (Democrat, Nevada), Jon Kyl (Republican, Arizona) and the American Gaming Association.

At a state level, two competing initiatives to regulate and license intra-state online gaming in California have continued to gather momentum although a letter from Darrell Steinberg, the Senate President *Pro Tempore,* made clear that while he is supportive of intrastate internet gaming in California, there will not be sufficient time to enact legislation in 2011 and he will return to the issue at the start of the new session in January 2012. In New Jersey, Senator Raymond Lesniak (Democrat), who had previously sponsored a bill to allow all forms of online gaming in the State of New Jersey that passed both houses earlier this year but was vetoed by the Governor, has recently introduced a further online gaming bill which he hopes will address the Governor's issues. Other states are also looking at intra-state initiatives including both licensing regimes (Florida and Nevada) and special permissions for their lottery companies (Massachusetts and Washington).

The debate of whether online gaming is a matter for the federal government or states' governments continues. In an effort to clarify this matter Senators Reid and Kyl sent a joint letter to Eric Holder, the US Attorney General, on 14 July 2011 asking him to "reiterate the Department's long-standing position" that existing federal law bans all forms of online gambling, including state-approved intra-state games. The Attorney General has yet to respond.

As with any political process, the timing and prospects of any of these federal or state measures becoming law remains uncertain.

Directors

Further to the additions to the Board that became effective following completion of the Merger, Geoff Baldwin replaced Rami Lerner as a non-executive director of the Company on 15 July 2011. Mr Baldwin's appointment was made following a nomination under the terms of a relationship agreement entered into by amongst others, bwin.party digital entertainment plc, Emerald Bay Limited and Stinson Ridge Limited that was approved by shareholders on 28 January 2011.

Dividend

Further to the Group's announcement on 30 June 2011, the Board has declared an interim dividend of 1.56 pence per Ordinary share payable to shareholders on the register of shareholder interests on 9 September 2011 (the 'Record Date'). It is expected that dividends will be paid on 7 October 2011. Shareholders wishing to receive dividends in Euros rather than pounds sterling will need to file a currency election and return it to the Group's registrars on or before 23 September 2011. A separate announcement regarding the dividend payment has been issued today.

Key objectives for the rest of 2011

Since completing the Merger, our focus has been on executing our detailed integration plans as quickly as possible whilst continuing to deliver on the four pillars of our stated strategy:

- Focus on regulated and to-be-regulated markets;
- Invest in the development of our technology and brands;
- Secure long-term strategic alliances; and
- Act responsibly

Merger Integration

We established an Integration Management Office to co-ordinate the management of 24 individual projects, ensuring that each remains on-track from a timing and synergy delivery perspective. Having decided to reorganise the business along the lines of product verticals, we have identified resource requirements for all of our key projects and are already well down the path of integrating our technology platforms and systems.

The major elements of the integration plan cover sports betting, casino & games and poker. In sports betting, having already extended the Gamebookers and PartyBets live offer, drawing upon the bwin sports engine we are now working towards the delivery of a single sports betting platform that will support our main brand, bwin as well as Gamebookers and PartyBets. It is envisaged that this will be completed by the end of 2012 although we plan to have a fully integrated single platform for launch into Spain in early 2012. In casino, we will launch our no-download PartyCasino product for the bwin customer base before the end of the year – this should help to reduce third-party software costs as well as improve player yields given the broader product offering. In poker, we plan to complete the migration of the dotcom, .fr and .it bwin poker customers to the PartyPoker platform during the third quarter of 2012. Once complete, this will increase player liquidity across each network significantly for the benefit of all players.

Five months into the execution of our integration plans and in the light of the progress already made, we now expect to deliver approximately €40m of financial synergies in 2012 and €65m of financial synergies per annum in 2013, a €10m increase over the original estimate identified at the time the merger was announced.

Focus on regulated and to-be-regulated markets - The shift towards regulated markets is continuing apace. On 18 July we were among the first operators to go live with a number of our key brands in Italy, following the launch of cash game poker and casino table games. After the UK, Italy represents the first fully-fledged regulated market that allows all product verticals within a commercially viable framework. We expect other countries to follow suit and with strong market positions in both Italy and France, we are determined to establish meaningful market shares in each of our four product verticals in all of the major regulated and to-be-regulated markets. This will largely be achieved through organic development, but may also be complemented by bolt-on acquisitions. The improvements made to the framework in Spain since the first proposal was introduced some months ago is evidence that governments are now recognising the importance of striking the right balance between having a robust regulatory framework with one that is commercially attractive for regulated operators. We are preparing to enter the Spanish market in 2012 and are now also examining the newly enacted legislation in Greece to formalise our plans there.

Invest in the development of our technology and brands - bwin and PartyGaming were both founded upon the drive to innovate, supported by the commitment to invest in new technologies, new brands and marketing concepts. Remaining loyal to that heritage and in addition to maintaining an exciting and attractive customer offer through the continuous evolution of each of our products, we have made a strategic commitment to invest in two areas: mobile and social gaming.

Mobile - The mobile channel is not new for the Group with bwin having launched its first application back in 2001. However, with the advent of smartphone technology, the potential for the mobile channel has been revolutionised and we are determined to capture a meaningful share of any future revenue growth. To ensure we remain a leader in this strategically important and high-growth area, during the first half of 2011 we established a dedicated team focused on Mobile, Touch and Video. As more and more users are switching to mobile devices for their online gaming experience, this new unit combines our existing mobile expertise across the Group. We have had a very productive first six months of this year having launched an updated betting app for Android, allowing players to place live bets as well as pre-match bets and also launched an iPhone poker app in Austria, UK and France. Since the period end we also launched an Android poker app. We hope that this will build on the strong growth that we have already seen during the first half with an 89% increase in mobile pro forma gross gaming revenue that reached €10.2m (2010: €5.4m).

Social gaming - The rapid growth of social media as also spawned a similar explosion in social gaming that we estimate could reach 950 million players worldwide by 2014. Whilst founded on a different business model to our core business, we are exploring the possibility of leveraging our existing expertise to exploit opportunities in this exciting market.

Secure long-term strategic alliances - We have continued to build on the Group's already strong association with sport through new sponsorship arrangements with Euroleague Basketball and an extension of our association with FIBA, the world governing body for basketball until 2014. With the Spanish online gaming market expected to open in a matter of months we plan to exploit our existing association with Real Madrid where we remain prime sponsor until 2013. In the United States, we are continuing to work with our prospective partners to progress draft legislation that will regulate online gaming and allow us to exploit our strong brands in that market.

Act responsibly - Since completion, we have been aligning our policies on player protection tools and policies across all of our brands. This has meant that we have been able to take the very best from both former bwin and PartyGaming processes, ensuring we remain at the forefront of responsible and sustainable business practice. Following the publication of a workshop agreement on Responsible Remote Gambling Measures by the European Committee for Standardisation ('CEN'), the Group has commenced an audit of its policies and procedures to confirm that we meet or exceed all standards. As a market leader and building on our existing collaboration with the Division on Addictions, Cambridge Health Alliance, a Harvard Medical School teaching Affiliate and other initiatives, we are committed to promoting safe and secure gaming using all digital channels and hope that the CEN initiative can be extended into other areas of our business. We were pleased to once again be included as a member of the FTSE4Good Index Series.

Current trading and outlook

Since 30 June 2011, the Group has continued to perform in-line with the Board's expectations and reflects the normal seasonal pattern, offset by an encouraging performance in Italy following the launch of poker cash games and casino table games as well as increased market share in the dotcom poker market. In sports betting, the gross win margin in the period was approximately 8% (Q2 11: 6.8%).

A summary of the current trading performance relative to Q2 11 is shown below:

Gross average daily revenue (€)	Period ended 25 August 2011	Pro forma and Actual Q2 11	*Change*
Sports betting	**717,100**	677,800	*6%*
Casino & Games	**850,600**	779,600	*9%*
Poker	**718,800**	687,900	*4%*
Bingo	**335,900**	360,900	*(7%)*
Total	**2,622,400**	2,506,200	*5%*

The online gaming industry is entering an unprecedented period of regulatory change, one that will certainly present us with a number of challenges, but also significant opportunities. Given our scale, strong brands and proprietary technology, we are well-placed to seize these opportunities. Our integration plans remain on-track and will deliver significant financial synergies that will help us to continue to deliver attractive financial returns while we make the necessary investment to establish meaningful market share in newly regulated markets. We are encouraged by the current trading performance and remain confident about the outlook and the Group's prospects.

SUMMARY OF RESULTS

Total revenue Six months ended 30 June	Pro forma 2011 €million	 2010 €million	Actual 2011 €million	 2010 €million
Sports Betting	**126.1**	128.2	**60.2**	10.2
Casino & Games	**124.6**	122.2	**99.3**	76.7
Poker	**106.7**	118.0	**81.2**	64.3
Bingo	**33.6**	36.5	**28.4**	26.3
Unallocated Corporate	**7.0**	5.2	**4.0**	3.7
Continuing operations	**398.0**	410.1	**273.1**	181.2
Discontinued operations	**7.4**	8.0	**3.4**	-
Total	**405.4**	418.1	**276.5**	181.2

Clean EBITDA Six months ended 30 June	Pro forma 2011 €million	 2010 €million	Actual 2011 €million	 2010 €million
Sports Betting	**27.4**	32.6	**9.1**	3.4
Casino & Games	**37.7**	35.1	**28.6**	24.6
Poker	**13.5**	22.6	**9.6**	8.3
Bingo	**8.2**	11.7	**7.4**	7.2
Unallocated corporate	**(4.9)**	2.1	**(3.8)**	0.4
Continuing operations	**81.9**	104.1	**50.9**	43.9
Discontinued operations	**(9.5)**	(12.1)	**(5.1)**	-
Total	**72.4**	92.0	**45.8**	43.9

The actual results include PartyGaming's results throughout the entire period and the results of bwin Interactive Entertainment AG with effect from the completion of the Merger on 31 March 2011. The pro forma results set out the financial performance of the Group as if the merger had always been in place.

Pro forma results
Total revenue fell by 3% to €398.0m (2010: €410.1m) reflecting the particularly challenging competitive environment in the dotcom poker market, the absence of the FIFA World Cup that had boosted sports betting revenues in 2010 and a softer performance in bingo. These effects were mitigated by continued strong performance in casino & games that grew by 2%, despite the closure of our French casino business that generated revenue of €7.5m in the first half of 2010. As a result, pro forma Clean EBITDA fell to €81.9m (2010: €104.1m), reflecting the lower net revenue, the payment of gaming taxes in France, Austria, Spain and Italy as well as the impact of marketing campaigns in newly regulated markets and Clean EBITDA margins fell to 20.6% (2010: 25.4%).

Actual results
The actual results for the first half were dominated by the inclusion of bwin from 1 April 2011 as well as a strong performance from the casino & games vertical. While the absence of the FIFA World Cup, the closure of French casino and the continued dominance of US-facing poker sites were also factors, the Merger transformed the business and total revenue increased by 51% to €273.1m (2010: €181.2m). Despite the strong growth in revenue, actual Clean EBITDA increased only slightly to €50.9m (2010: €43.9m) on the back of lower revenues and increased gaming duties from regulated markets.

Both pro forma and actual Discontinued operations represent primarily the Ongame B2B business along with costs associated with US customers that were no longer accepted following the enactment of the UIGEA.

The underlying performance of each of our consolidated key performance indicators, which are based on net revenue, are highlighted below.

Consolidated Key Performance Indicators

Six months ended 30 June	Pro forma 2011	Pro forma 2010	Change	Actual 2011	Actual 2010	Change
Active player days (million)	**43.9**	48.5	*(9%)*	**28.3**	16.1	*76%*
Daily average players (000s)	**242.7**	267.8	*(9%)*	**156.6**	88.9	*76%*
Yield per active player day (€)	**8.8**	8.3	*6%*	**9.4**	11.0	*(15%)*
New player sign-ups (000s)	**877.4**	1,053.3	*(17%)*	**660.8**	462.6	*43%*
Average daily net revenue (€000)	**2,143.1**	2,223.8	*(4%)*	**1,472.9**	976.7	*51%*

On a pro forma basis, active player days declined by 9% reflecting the absence of the FIFA World Cup as well as continued competitive pressure in poker. Yield per active player day increased by 6% reflecting continued improvement in casino as well as sports betting that had attracted a large number of more casual sports bettors during the FIFA World Cup in 2010, a fact that was also reflected in the number of new player sign-ups: down 17% versus the prior year. The combined effect of these movements was that pro forma average daily net revenue fell by 4% to €2,143,100 (2010: €2,223,800).

On an actual basis, each of our consolidated key performance indicators benefited from the inclusion of bwin for the first time with the exception of yield per active player day that declined due to the shift in the revenue mix between products, continued competitive pressures in poker and the fact that the former bwin's casino yields are lower than those enjoyed by PartyCasino. The net effect was that actual average daily net revenue for the period increased by 51% year-on-year to €1,472,900 (2010: €976,700).

There follows a more detailed review of the Continuing operations including each of the individual product segments showing both actual and pro forma results. Full details of all of the Group's historic quarterly key performance indicators (on pro forma basis) can be downloaded from the Group's website at: www.bwinparty.com

Sports betting

Six months ended 30 June	Pro forma 2011 €million	Pro forma 2010 €million	Change	Actual 2011 €million	Actual 2010 €million	Change
Total stakes	**1,879.8**	1,947.5	*(3%)*	**1,007.4**	176.8	*470%*
Gross win margin	***7.5%***	*7.5%*		***6.8%***	*7.0%*	
Gross revenue	**141.1**	145.2	*(3%)*	**68.7**	12.3	*459%*
Bonuses and other fair value adjustments to revenue	**(15.4)**	(17.1)	*10%*	**(8.8)**	(2.1)	*(319%)*
Net revenue	**125.7**	128.1	*(2%)*	**59.9**	10.2	*487%*
Other revenue	**0.4**	0.1	*300%*	**0.3**	-	*n/a*
Total revenue	**126.1**	128.2	*(2%)*	**60.2**	10.2	*490%*
Clean EBITDA	**27.4**	32.6	*(16%)*	**9.1**	3.4	*168%*
Clean EBITDA margin	***21.7%***	*25.4%*		***15.1%***	*33.3%*	

Pro forma results

The addition of bwin's sports betting business has transformed our presence in this important product vertical and met one of our strategic objectives of becoming a global leader in online sports betting. The FIFA World Cup in 2010 meant that amounts wagered were down 3% year-on-year to €1,879.8m (2010: €1,947.5m), primarily due to lower levels of player activity that were largely mitigated through a 9% increase in yield per active player day. New player sign-ups were also down 30% primarily due to the successful promotional activity that took place around the FIFA World Cup in 2010. The overall gross win margin was in-line with the previous year at 7.5% (2010: 7.5%). Clean EBITDA was €27.4m (2010: €32.6m) reflecting the reduction in revenue and higher gaming taxes.

Actual results

The Merger meant that amounts wagered increased by 470% and gross and net revenue also increased strongly. Gross win margins at 6.8% (2010: 7.0%) reflect a higher proportion of live betting following the Merger as well as a particularly successful FIFA World Cup in 2010.

Bonuses and other fair value adjustments to revenue fell to 0.9% of the amount wagered from 1.2% in the first half of 2010, due to the lower bonus rates offered on the bwin sportsbook reflecting the strength of its brand and depth of product offering. As a result, yield per active player day increased to €5.9 (2010: €5.3). Average net daily revenue increased by 489% to €330,900 (2010: €56,200) reflecting the Merger and the scale of bwin's sports betting business. The increase in net revenue also boosted Clean EBITDA that increased to €9.1m (2010: €3.4m).

A summary of the key performance indicators for sports betting during the first half of 2011 both on a pro forma and actual basis is shown in the table below:

Sports betting - Key Performance Indicators

	Pro forma			Actual		
Six months ended 30 June	**2011**	2010	*Change*	**2011**	2010	*Change*
Active player days (million)	**20.5**	22.9	*(11%)*	**10.1**	1.9	*432%*
Daily average players (000s)	**113.3**	126.7	*(11%)*	**55.9**	10.5	*432%*
Yield per active player day (€)	**6.1**	5.6	*9%*	**5.9**	5.3	*11%*
New player sign-ups (000s)	**339.4**	485.2	*(30%)*	**180.2**	35.6	*406%*
Average daily net revenue (€000)	**694.5**	707.7	*(2%)*	**330.9**	56.2	*489%*

Since completion of the Merger we have been focused on a number of key tasks: integrating the existing sports betting platforms into a single sports betting platform, one that draws upon the best of both bwin and PartyGaming and that will further differentiate us from our competitors; continuing to invest in our product and channels so that we can deliver the products our consumers want using whichever platform they prefer; and preparing for entry into a number of newly regulating markets. We are making good progress on all fronts. Having already integrated bwin's video stream assets onto Gamebookers and PartyBets, we remain on-track to deliver the financial and operational synergies that have already been identified. From a product perspective during the first half we launched an Android version of the bwin live betting application that has already proved to be highly popular for the iPhone as well as a new 'multi-view' facility that allows live betting customers to bet on more than one live event simultaneously.

As noted elsewhere, the pace of regulatory change in a number of markets requires that we are ready to take full advantage of these changes as and when they occur. Following the enactment of a new law in Spain at the end of May 2011, we are now preparing to launch both main book and live betting products into the Spanish market using a single platform as soon as the new regulations come into force - expected at the beginning of 2012.

Casino & Games

	Pro forma			Actual		
Six months ended 30 June	**2011 €million**	2010 €million	*Change*	**2011 €million**	2010 €million	*Change*
Total stakes	**3,772.8**	4,355.5	*(13%)*	**3,084.8**	2,695.3	*14%*
Gross win margin	***3.9%***	*3.5%*		***3.9%***	*3.9%*	
Gross revenue	**147.8**	154.6	*(4%)*	**121.7**	104.2	*17%*
Bonuses and other fair value adjustments to revenue	**(23.5)**	(32.7)	*28%*	**(22.6)**	(27.5)	*18%*
Net revenue	**124.3**	121.9	*2%*	**99.1**	76.7	*29%*
Other revenue	**0.3**	0.3	*0%*	**0.2**	-	*n/a*
Total revenue	**124.6**	122.2	*2%*	**99.3**	76.7	*29%*
Clean EBITDA	**37.7**	35.1	*7%*	**28.6**	24.6	*16%*
Clean EBITDA margin	***30.3%***	*28.7%*		***28.8%***	*32.1%*	

The vertical now includes backgammon, (previously included in poker) and certain games (previously included in sports). These changes are not material and prior year comparatives have been restated accordingly.

Pro forma results

The Group's casino & games business delivered strong underlying revenue growth in 2011 as the Merger further consolidated our position as the world's largest online casino. The amounts wagered were adversely impacted by the closure of the French casino business at the end of June 2010 together with the decline in poker that remains a major source of casino customers. As a result, the total amount wagered fell 13% year-on-year to €3.8 billion (2010: €4.4 billion). However, reduced bonus costs and an improvement in the gross win margin to 3.9% (2010: 3.5%) meant that net revenue increased to €124.3m (2010: €121.9m). Excluding France, that generated €7.5m of net gaming revenue in the first half of 2010, net revenue increased by 9%. Clean EBITDA increased by 7% to €37.7m (2010: €35.1m) reflecting the growth in net gaming revenue.

Actual results

The amount wagered on casino & games in the first six months of 2011 increased by 14% to €3.1 billion (2010: €2.7 billion), gross revenue also increased strongly rising by 17% to €121.7m (2010: €104.2m) reflecting a significant increase in player activity due to the Merger. We continue to seek to increase the hold percentage through the continuous improvement of our product portfolio with the delivery of an increasing number of premium content games that are unique to our casinos.

Net revenue increased by 29% to €99.1m (2010: €76.7m) with bonus rates falling to 18.6% of gross revenue reflecting the fact that the bonus rates offered on bwin casino and games have tended to be much lower than PartyCasino due to the more casual player base. Clean EBITDA margins fell to 28.8% (2010: 32.1%) due to the prior year not including bwin casino which operates at a lower EBITDA margin.

During 2011, we added 10 new games to our portfolio, five of which were developed in-house. Our in-house games remain among the most popular games within our portfolio, helping to differentiate our casinos from those of our competitors and also allowing us to command higher yields and reduce royalties payable to third parties. Since the period end we have also launched *Loot'en Khamun and Aztec Gold* as well as *Raffle Jackpot*, a completely new jackpot game that in addition to the regular slot game also allows players to win tickets for a large prize draw.

A summary of the key performance indicators for the casino & games business during 2011 both on a pro forma and actual basis is shown in the table below:

Casino & Games - Key Performance Indicators

	Pro forma			Actual		
Six months ended 30 June	**2011**	2010	*Change*	**2011**	2010	*Change*
Active player days (million)	**5.1**	5.1	*(2%)*	**3.4**	2.0	*68%*
Daily average players (000s)	**27.9**	28.4	*(2%)*	**19.0**	11.3	*68%*
Yield per active player day (€)	**24.6**	23.7	*4%*	**28.8**	37.4	*(23%)*
New player sign-ups (000s)	**72.4**	84.7	*(15%)*	**59.9**	51.4	*17%*
Average daily net revenue (€000)	**686.7**	673.5	*2%*	**547.5**	423.8	*29%*

Active player days fell by 2% on a pro forma basis due to the closure of the French casino business on 30 June 2010 as well as lower player traffic from poker and sports betting. As noted above, on a pro forma basis player yields continued to benefit from an improving mix of higher margin games in the product portfolio – the decline on an actual basis reflects the fact that bwin casino yields have historically been significantly lower than that of PartyCasino – a potential source of synergy going forward. Casino sign-ups also fell on a pro forma basis, primarily reflecting the impact of the closure of the French casinos. The net result was that average daily revenue in the period was up 2% on a pro forma basis, despite these factors, and up 29% on an actual basis.

Since the end of the period, the Group has benefited from the launch of casino games in Italy where we have launched products under the *bwin* and *Gioco Digitale* brands. As can be seen from the recent data, these factors have had a positive impact on casino and game's current trading performance.

Poker

Six months ended 30 June	Pro forma 2011 €million	Pro forma 2010 €million	Change	Actual 2011 €million	Actual 2010 €million	Change
Gross revenue	**132.3**	150.9	*(12%)*	**102.6**	85.6	*20%*
Bonuses and other fair value adjustments to revenue	**(27.4)**	(34.4)	*20%*	**(22.8)**	(21.5)	*(6%)*
Net revenue	**104.9**	116.5	*(10%)*	**79.8**	64.1	*24%*
Other revenue	**1.8**	1.5	*20%*	**1.4**	0.2	*600%*
Total revenue	**106.7**	118.0	*(10%)*	**81.2**	64.3	*26%*
Clean EBITDA	**13.5**	22.6	*(40%)*	**9.6**	8.3	*16%*
Clean EBITDA margin	***12.7%***	*19.2%*		***11.8%***	*12.9%*	

There has been a small adjustment to 2010 numbers to reflect the fact that backgammon is now included within the casino & games vertical. Prior year comparatives have been adjusted accordingly.

Pro forma results

The Group's poker networks now command an estimated combined market share of approximately 17% in the Italian poker market and approximately 19% in the French poker market[2]. While our poker sites did see an uptick in player numbers following 'black Friday', this failed to mitigate the impact of the current and former US-facing sites in the dotcom poker market within the period, while revenues in Italy experienced some softness ahead of the launch of cash game poker in July. The result was that net revenue continued to decline, down 10% year-on-year, in line with recent trends. Lower revenue coupled with higher gaming duties meant that Clean EBITDA margins were also impacted and Clean EBITDA fell to €13.5m (2010: €22.6m).

Actual results

The impact of the Merger and a reduction in overall bonus rates to 22.2% of gross gaming revenue (2010: 25.1%) helped to increase net revenue by 24% to €79.8m (2010: €64.1m). Investment in establishing a strong market position in France, a newly regulated market, held back Clean EBITDA performance in the period and Clean EBITDA margins fell to 11.8% (2010: 12.9%).

A summary of the key performance indicators for poker during 2011 both on an actual and pro forma basis is shown in the table below:

Poker - Key Performance Indicators

Six months ended 30 June	Pro forma 2011	Pro forma 2010	Change	Actual 2011	Actual 2010	Change
Active player days (million)	**19.2**	21.6	*(11%)*	**13.7**	9.6	*42%*
Daily average players (000s)	**105.8**	119.5	*(11%)*	**75.5**	53.2	*42%*
Yield per active player day (€)	**5.5**	5.4	*2%*	**5.8**	6.7	*(13%)*
New player sign-ups (000s)	**373.7**	354.2	*6%*	**332.8**	263.5	*26%*
Average daily net revenue (€000)	**579.6**	643.6	*(10%)*	**440.9**	356.0	*24%*

While most of the actual KPIs benefited from the inclusion of bwin for the first time, the underlying dynamics of the poker market can be more clearly seen from the pro forma figures. Despite a 6% increase in new player sign-ups, active player days were down 11% and with no meaningful improvement in yield, this fed through into an 10% reduction in average net daily revenue to €579,600 (2010: €643,600).

Since the end of the period, the Group has benefited from two external factors. First on 29 June, FullTilt Poker's licenses in both Alderney and then in France were suspended. This immediately prompted a number of poker players to seek games on alternative sites, including PartyPoker and bwinpoker. As a result, the Group's combined share of the dotcom poker market has increased to approximately 12%[3] of the global online poker market, a significant increase since we last reported as at March 2011. The second factor has been the Group's launch of cash game poker in Italy using a number of key brands

[2] *Company estimates*
[3] *Based on the average number of daily real money cash game players - source: PokerScout.com.*

including *PartyPoker, bwin* and *Gioco Digitale*. As can be seen from the current trading data, these factors have had a positive impact on poker's current trading performance.

Bingo

Six months ended 30 June	Pro forma 2011 €million	2010 €million	Change	Actual 2011 €million	2010 €million	Change
Gross revenue	**71.3**	71.2	*0%*	**65.8**	59.8	*10%*
Bonuses and other fair value adjustments to revenue	**(38.3)**	(35.2)	*(9%)*	**(38.0)**	(34.0)	*(12%)*
Net revenue	**33.0**	36.0	*(8%)*	**27.8**	25.8	*8%*
Other revenue	**0.6**	0.5	*20%*	**0.6**	0.5	*20%*
Total revenue	**33.6**	36.5	*(8%)*	**28.4**	26.3	*8%*
Clean EBITDA	**8.2**	11.7	*(30%)*	**7.4**	7.2	*3%*
Clean EBITDA margin	***24.4%***	*32.1%*		***26.1%***	*27.4%*	

Pro forma results

A softer performance in the UK offset gains elsewhere and gross gaming revenue was broadly flat at €71.3m (2010: €71.2m). While player volumes remained robust thanks to successful reactivation initiatives, average spend and new player sign-ups were both down versus 2010 reflecting the highly competitive nature of the UK bingo market that may also be suffering from the challenging economic environment.

Actual results

The primary reason behind the increase in revenue was the Merger that brought with it the contribution from Gioco Digitale in Italy and as a result both gross and net revenue increased year-on-year. However, a more modest performance from Cashcade in the UK as outlined above, meant that actual Clean EBITDA was €7.4m (2010: €7.2m) and Clean EBITDA margins were slightly lower at 26.1% (2010: 27.4%). A launch into other markets including Spain is planned for 2012.

A summary of the key performance indicators for bingo during 2011 both on an actual and pro forma basis is shown in the table below:

Bingo - Key Performance Indicators

Six months ended 30 June	Pro forma 2011	2010	Change	Actual 2011	2010	Change
Active player days (million)	**4.6**	4.5	*2%*	**4.1**	3.7	*12%*
Daily average players (000s)	**25.5**	25.1	*2%*	**22.7**	20.2	*12%*
Yield per active player day (€)	**7.1**	7.9	*(10%)*	**6.8**	7.0	*(3%)*
New player sign-ups (000s)	**91.9**	129.2	*(29%)*	**88.0**	112.1	*(21%)*
Average daily net revenue (€000)	**182.3**	198.9	*(8%)*	**153.6**	142.3	*8%*

Actual player activity levels benefitted from the Merger although underlying player activity was also up with a 2% increase in active player days to 4.6m on a pro forma basis due to player reactivation campaigns. The yield per active player day fell by 10% on a pro forma basis due to intense competition in the UK reflected in increased bonus rates and a challenging economic climate. On an actual basis, the yield per active player day fell by 3% to €6.8 due to the higher yields enjoyed by the Italian bingo business. Overall, average daily net revenue increased by 8% but fell by 8% on a pro forma basis, reflecting the competitive pressures referred to above.

Other revenue

Other revenue, that includes revenue from network services, payment services, domain sales, WPT and InterTrader was up 48% to €6.5m on an actual basis in the period (2010: €4.4m) and up 33% to €10.1m on a pro forma basis (2010: €7.6m). The growth reflects the sale of certain domain names as well as a strong performance by the Group's B2B partners in the period, particularly in France.

Cost of sales

Cost of sales, primarily made up of gaming duties payable and television production costs in respect of WPT, increased to €19.0m on an actual basis (2010: €2.3m) and €32.7m on a pro forma basis (2010:

€15.1m). The primary drivers of the increase were the regulation of the French market and the introduction of gaming duty in Austria with effect from 1 January 2011. As more markets regulate, cost of sales as a proportion of total revenue can be expected to increase.

Other operating expenses

This is comprised primarily of merger and acquisition expenses of €16.9m (2010: €1.2m) on a pro forma basis, and €11.5m (2010: €nil) on an actual basis.

Distribution expenses

Six months ended 30 June	Pro forma 2011 €million	Pro forma 2010 €million	Pro forma *Change*	Actual 2011 €million	Actual 2010 €million	Actual *Change*
Customer acquisition and retention	**83.4**	91.5	*9%*	**59.5**	40.8	*(46%)*
Affiliates	**33.7**	33.9	*1%*	**28.3**	24.4	*(16%)*
Customer bad debts	**3.6**	4.0	*10%*	**3.2**	3.1	*(3%)*
Third-party content	**14.3**	17.2	*17%*	**10.6**	8.1	*(31%)*
Webhosting and technical services	**10.6**	9.0	*(18%)*	**8.8**	10.1	*13%*
Distribution expenses	**145.6**	155.6	*6%*	**110.4**	86.5	*(28%)*
Distribution expenses as a % of total revenue	***36.6%***	*37.9%*		***40.4%***	*47.7%*	

Pro forma results

Customer acquisition and retention expenses fell year-on-year both in absolute terms as well as a percentage of total revenue, representing 21.0% of total revenue in 2011 (2010: 22.3%). This reduction reflected the absence of the FIFA World Cup around which both bwin and PartyGaming had invested significant sums in 2010. However, the decline was partially mitigated by increased spend in newly regulated markets such as France and Italy where we are continuing to consolidate the position of our leading brands. To provide further transparency we have identified costs associated with third party content such as software suppliers or brand licensing. Our efforts to reduce our reliance on such suppliers resulted in a reduction in these costs to 3.6% of total revenue (2010: 4.2%). Webhosting and technical services costs increased to 2.7% of total revenue (2010: 2.2%) reflecting the entry into newly regulated markets. Changes in other distribution expenses, that are largely variable in nature, were relatively small relative to total revenue.

Actual results

Distribution expenses increased in the period as a result of the Merger. However, the shift in the revenue mix and the differences in amounts spent on marketing between product verticals meant that as a percentage of total revenue, distribution costs fell to 40.4% (2010: 47.7%).

Administrative expenses

	Pro forma			Actual		
Six months ended 30 June	**2011 €million**	2010 €million	*Change*	**2011 €million**	2010 €million	*Change*
Transaction fees	**20.9**	22.0	*5%*	**14.8**	9.9	*(49%)*
Staff costs	**67.0**	64.7	*(4%)*	**47.7**	28.5	*(67%)*
Outsourced services	**13.5**	9.5	*(42%)*	**6.7**	-	*n/a*
Other overheads	**36.4**	39.1	*7%*	**23.4**	10.1	*(132%)*
Clean EBITDA administrative expenses	**137.8**	135.3	*(2%)*	**92.6**	48.5	*(91%)*
Depreciation	**7.2**	7.3	*1%*	**5.2**	3.2	*(63%)*
Amortisation	**61.5**	31.1	*(98%)*	**54.6**	16.4	*(233%)*
Impairment losses - other intangibles	**15.3**	-	*n/a*	**15.3**	-	n/a
Reorganisation expenses	**2.2**	-	*n/a*	**2.1**	-	*n/a*
Administrative expenses before share-based payments	**224.0**	173.7	*(29%)*	**169.8**	68.1	*(149%)*
Share-based payments	**7.5**	6.3	*(19%)*	**7.0**	4.3	*(63%)*
Administrative expenses	**231.5**	180.0	*(29%)*	**176.8**	72.4	*(144%)*
Clean EBITDA administrative expenses as a % of total revenue	***34.6%***	*33.0%*		***33.9%***	*26.8%*	
Administrative expenses before share-based payments as a % of total revenue	***56.3%***	*42.3%*		***62.2%***	*37.6%*	
Administrative expenses as a % of total revenue	***58.2%***	*43.8%*		***64.7%***	*40.0%*	

Pro forma results

While transaction fees on a pro forma basis remained steady in the period at 5.3% of total revenue (2010: 5.4%), the additional scale now enjoyed by the Group should provide scope to reduce transaction fees as a proportion of revenue in future periods. Staff costs increased slightly to 16.8% of total revenue (2010: 15.8%) reflecting additional staff hired to prepare for entry into newly regulated markets. This also explains the increase in outsourced services to 3.4% from 2.3% of total revenue on a pro forma basis. However, the benefits of the reorganisation and removal of duplicated roles that is now almost complete have yet to feed through into staff costs or other overheads, but this should be seen in future periods. Other overheads have reduced in the period reflecting lower expenses incurred ahead of the launch into regulated markets in 2010. The net effect was that Clean EBITDA administrative expenses increased to 34.6% of total revenue (2010: 33.0%).

Depreciation continued to decline reflecting the fact that a number of the Group's assets have become fully depreciated in the period. As mentioned above, the largest single movement year-on-year was the amortisation charge relating to acquired intangibles that increased significantly to take account of the intangibles acquired on completion of the Merger. As a result, amortisation increased to 15.5% of total revenue (2010: 7.6%) although this charge is non-cash in nature. The impairment losses on other intangibles relate to software acquired as part of the Merger that will not be used for its normal economic life.

Actual results

Administrative expenses increased in all categories due to the Merger. The largest movement year-on-year relates to the amortisation and impairment of acquired intangibles associated with the Merger (see note 8). The underlying year-on-year movements are more easily explained using the pro forma figures above.

Taxation

The tax credit for the period is €8.3m (2010: charge of €2.5m) reflecting an effective tax rate for Continuing operations of 16.3% (2010: 11.0%). The increase from the prior period is primarily attributable to an increase in the tax rate in Gibraltar offset by deferred tax arising from increased amortisation. There is immaterial tax associated with Discontinued operations and other comprehensive income.

Net cash

	As at 30 June 2011 €million	As at 31 December 2010 €million
Cash and cash equivalents	**297.1**	193.6
Short-term investments	**31.9**	3.1
Loans and borrowings	**(34.6)**	(40.0)
Net cash	**294.4**	156.7
Payment service providers (less chargebacks)	**43.8**	22.2
Net cash including amounts held by processors	**338.2**	178.9
Less: Client liabilities and progressive prize pools	**(155.2)**	(93.1)
Net cash including amounts held by processors less client liabilities	**183.0**	85.8

Cashflow

	2011			2010		
Six months ended 30 June	Continuing €million	Discontinued €million	Total €million	Continuing €million	Discontinued €million	Total €million
Clean EBITDA	**50.9**	**(5.1)**	**45.8**	43.9	-	43.9
Exchange differences	**(1.9)**	**0.6**	**(1.3)**	4.2	-	4.2
Successful acquisition costs	**(11.5)**	**-**	**(11.5)**	-	-	-
Reorganisation costs	**(2.1)**	**-**	**(2.1)**	-	-	-
Movement in trade and other receivables	**(11.5)**	**(0.3)**	**(11.8)**	(13.7)	-	(13.7)
Movement in trade and other payables	**(26.0)**	**(7.6)**	**(33.6)**	21.6	(12.2)	9.4
Movement in provisions	**(2.3)**	**-**	**(2.3)**	0.3	-	0.3
Income taxes paid	**(4.0)**	**-**	**(4.0)**	(1.0)	-	(1.0)
Net cash inflow (outflow) from operating activities	**(8.4)**	**(12.4)**	**(20.8)**	55.3	(12.2)	43.1
Issue of ordinary shares	**1.0**	**-**	**1.0**	1.2	-	1.2
Purchase of own shares	**(3.9)**	**-**	**(3.9)**	-	-	-
Repayment of bank borrowings	**(4.2)**	**-**	**(4.2)**	-	-	-
Acquisitions	**155.5**	**2.4**	**157.9**	-	-	-
Acquisitions - deferred payment	**(5.8)**	**-**	**(5.8)**	(9.7)	-	(9.7)
Capital expenditure	**(8.2)**	**(0.2)**	**(8.4)**	(4.3)	-	(4.3)
Purchases of intangible assets	**(5.2)**	**-**	**(5.2)**	(2.3)	-	(2.3)
Other	**2.6**	**-**	**2.6**	3.1	-	3.1
Net cashflow	**123.4**	**(10.2)**	**113.2**	43.3	(12.2)	31.1

Continuing operations

The decrease in trade and other payables is largely due to payment of acquisition costs that had been accrued at the end of last year by PartyGaming and also payment of those costs that had been accrued by bwin as at the date of the Merger. Also, after the Merger the final deferred payment was made to the former shareholders of Gioco Digitale, which has been treated as a trade creditor for reporting purposes. The deferred payment shown above relates primarily to the final deferred payment to the former shareholders of Cashcade.

Discontinued operations

The decrease in trade and other payables is largely due to the ongoing semi-annual payments relating to the Non-Prosecution Agreement, netted against an increase in creditors in Ongame's B2B business.

The inflow from acquisitions relate to cash and cash equivalents held by bwin at the date of the Merger. Other than acquisition costs, no other payments were made in relation to the Merger.

Principal risks

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results

The principal risks facing the Group, together with the Group's risk management process in relation to these risks, are unchanged from those reported in the Group's Annual Report for the year ended 31 December 2010 (which is available for download at www.bwinparty.com) and relate to the following areas:

- Litigation and regulatory
- Technology
- Unlevel playing field in poker
- Taxation
- Integration of bwin and PartyGaming

The continuing uncertainty in the global economic outlook inevitably increases the trading and balance sheet risks to which the Group is exposed.

By order of the Board of Directors

Martin Weigold

Chief Financial Officer

bwin.party digital entertainment plc

31 August 2011

Statement of Directors' responsibilities

This interim management report is the responsibility of, and has been approved by, the Directors of bwin.party digital entertainment plc. Accordingly, the Directors confirm that to the best of their knowledge:

- the unaudited condensed consolidated set of financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the IASB and endorsed and adopted by the European Union;

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

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

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Annual Report for the year ended 31 December 2010.

The Directors of bwin.party digital entertainment plc are listed on the bwin.party digital entertainment plc website: www.bwinparty.com.

By order of the Board of Directors

Martin Weigold

Chief Financial Officer

bwin.party digital entertainment plc

31 August 2011

Financial information (unaudited)

Condensed consolidated statement of comprehensive income

Six months ended 30 June	Notes	2011 €million	2010 €million
Continuing operations			
Net revenue		**266.6**	176.8
Other revenue		**6.5**	4.4
Total revenue	3	**273.1**	181.2
Cost of sales		**(19.0)**	(2.3)
Gross profit		**254.1**	178.9
Other operating income		**-**	4.2
Other operating expense	4	**(13.6)**	-
Administrative expenses excluding share-based payments		**(169.8)**	(68.1)
Share-based payments		**(7.0)**	(4.3)
Administrative expenses		**(176.8)**	(72.4)
Distribution expenses		**(110.4)**	(86.5)
(Loss) profit from operating activities		**(46.7)**	24.2
Finance income		**0.9**	0.4
Finance expense		**(4.0)**	(1.8)
Share of loss of associates		**(1.0)**	-
(Loss) profit before tax		**(50.8)**	22.8
Tax credit (expense)	5	**8.3**	(2.5)
(Loss) profit after tax from Continuing operations		**(42.5)**	20.3
Loss after tax from Discontinued operations	6	**(6.6)**	(0.6)
(Loss) profit for the period		**(49.1)**	19.7
Other comprehensive (expense) income:			
Exchange differences on translation of foreign operations, net of tax		**(13.2)**	11.4
Total comprehensive (expense) income for the period		**(62.3)**	31.1
(Loss) profit for the period attributable to:			
Equity holders of the parent		**(48.0)**	19.7
Non-controlling interests		**(1.1)**	-
Total comprehensive (expense) income for the period attributable to:			
Equity holders of the parent		**(61.2)**	31.1
Non-controlling interests		**(1.1)**	-
(Loss) earnings per share (€ cents)			
Basic	7	**(7.6)**	4.8
Diluted	7	**(7.6)**	4.6
Continuing (loss) earnings per share (€ cents)			
Basic	7	**(6.6)**	4.9
Diluted	7	**(6.6)**	4.7

Condensed consolidated statement of financial position

	Notes	As at 30 June 2011 €million	As at 31 December 2010 €million
Non-current assets			
Intangible assets	8	**1,195.6**	211.9
Property, plant and equipment		**26.8**	9.5
Investments		**10.6**	1.7
		1,233.0	223.1
Current assets			
Assets held for sale	6	**28.6**	2.2
Inventories		**0.5**	-
Trade and other receivables	9	**123.2**	48.3
Short-term investments		**31.9**	3.1
Cash and cash equivalents		**297.1**	193.6
		481.3	247.2
Total assets		**1,714.3**	470.3
Current liabilities			
Trade and other payables	10	**(111.3)**	(60.9)
Income taxes payable		**(11.0)**	(8.2)
Client liabilities and progressive prize pools	11	**(155.2)**	(93.1)
Provisions	12	**(11.4)**	-
Loans and borrowings	13	**(9.7)**	(9.9)
Liabilities held for sale	6	**(24.5)**	-
		(323.1)	(172.1)
Non-current liabilities			
Trade and other payables	10	**(16.0)**	(27.7)
Provisions	12	**(78.2)**	-
Loans and borrowings	13	**(24.9)**	(30.1)
Deferred tax	14	**(66.7)**	(7.4)
		(185.8)	(65.2)
Total liabilities		**(508.9)**	(237.3)
Total net assets		**1,205.4**	233.0
Equity			
Share capital	15	**0.2**	0.1
Share premium account		**1,018.4**	49.5
Own shares	15	**(6.7)**	(2.8)
Capital contribution reserve		**24.1**	24.1
Retained earnings		**754.6**	733.5
Other reserve		**(573.7)**	(573.7)
Currency reserve		**(10.9)**	2.3
Non-controlling interests		**(0.6)**	-
Equity attributable to equity holders of the parent		**1,205.4**	233.0

Condensed consolidated statement of changes in equity

	As at 1 January 2010 €million	Issue of shares €million	Total comprehensive income for the period €million	Share-based payments €million	As at 30 June 2010 €million
Share capital	0.1	-	-	-	0.1
Share premium account	47.7	1.2	-	-	48.9
Own shares	(2.8)	-	-	-	(2.8)
Capital contribution reserve	24.1	-	-	-	24.1
Retained earnings	685.4	-	19.7	4.3	709.4
Other reserve	(573.7)	-	-	-	(573.7)
Currency reserve	(1.4)	-	11.4	-	10.0
	179.4	1.2	31.1	4.3	216.0

	As at 1 July 2010 €million	Issue of shares €million	Total comprehensive income (expense) for the period €million	Share-based payments €million	As at 31 December 2010 €million
Share capital	0.1	-	-	-	0.1
Share premium account	48.9	0.6	-	-	49.5
Own shares	(2.8)	-	-	-	(2.8)
Capital contribution reserve	24.1	-	-	-	24.1
Retained earnings	709.4	-	19.2	4.9	733.5
Other reserve	(573.7)	-	-	-	(573.7)
Currency reserve	10.0	-	(7.7)	-	2.3
	216.0	0.6	11.5	4.9	233.0

	As at 1 January 2011 €million	**Acquisition of subsidiaries and businesses €million**	**Other issue of shares €million**	**Purchase of shares €million**	**Total comprehensive expense for the period €million**	**Other share-based payments €million**	**As at 30 June 2011 €million**
Share capital	**0.1**	**0.1**	**-**	**-**	**-**	**-**	**0.2**
Share premium account	**49.5**	**967.9**	**1.0**	**-**	**-**	**-**	**1,018.4**
Own shares	**(2.8)**	**-**	**-**	**(3.9)**	**-**	**-**	**(6.7)**
Capital contribution reserve	**24.1**	**-**	**-**	**-**	**-**	**-**	**24.1**
Retained earnings	**733.5**	**62.1**	**-**	**-**	**(48.0)**	**7.0**	**754.6**
Other reserve	**(573.7)**	**-**	**-**	**-**	**-**	**-**	**(573.7)**
Currency reserve	**2.3**	**-**	**-**	**-**	**(13.2)**	**-**	**(10.9)**
Non-controlling interests	**-**	**0.5**	**-**	**-**	**(1.1)**	**-**	**(0.6)**
	233.0	**1,030.6**	**1.0**	**(3.9)**	**(62.3)**	**7.0**	**1,205.4**

Share premium is the amount subscribed for share capital in excess of nominal value.

Capital contribution reserve is the amount arising from share-based payments made by parties associated with the original Principal Shareholders and cash held by the Employee Trust.

Retained earnings represent cumulative profit / (loss) for the year, share-based payments and any other items of other comprehensive income not disclosed as separate reserves in the table above.

The other reserve of €573.7 million is the amount arising from the application of accounting which is similar to the pooling of interests method, as set out in the Group's accounting policies.

Currency reserve represents the gains/losses arising on retranslating the net assets of overseas operations into Euros.

Non-controlling interests relate to the interests of other shareholders in certain subsidiaries.

Condensed consolidated statement of cashflows

Six months ended 30 June	2011 €million	2010 €million
(Loss) profit for the period	**(49.1)**	19.7
Adjustments for:		
Depreciation of property, plant and equipment	**5.9**	3.2
Amortisation of intangibles	**55.9**	16.4
Impairment of acquired intangible assets	**15.3**	-
Share of loss of associates	**1.0**	-
Interest expense	**4.4**	2.4
Interest income	**(0.9)**	(0.4)
Increase in reserves due to share-based payments	**7.0**	4.3
Income tax (credit) expense	**(8.6)**	2.5
Operating cashflows before movements in working capital and provisions	**30.9**	48.1
Increase in trade and other receivables	**(11.8)**	(13.7)
(Decrease) increase in trade and other payables	**(33.6)**	9.4
(Decrease) increase in provisions	**(2.3)**	0.3
Cash generated from operations	**(16.8)**	44.1
Income taxes paid	**(4.0)**	(1.0)
Net cash inflow from operating activities	**(20.8)**	43.1
Investing activities		
Net cash acquired on acquisition of subsidiaries and businesses	**157.9**	-
Acquisition of subsidiaries and businesses, net of cash acquired - deferred payment	**(5.8)**	(9.7)
Purchases of intangible assets	**(5.2)**	(2.3)
Purchases of property, plant and equipment	**(8.4)**	(4.3)
Sale of property, plant and equipment	**0.5**	-
Sale of assets held for sale	**-**	1.8
Interest received	**0.9**	0.4
Decrease in short-term investments	**1.8**	1.8
Net cash generated (used) by investing activities	**141.7**	(12.3)
Financing activities		
Issue of ordinary shares	**1.0**	1.2
Purchase of own shares	**(3.9)**	-
Repayment of bank borrowings	**(4.2)**	-
Interest paid	**(0.6)**	(0.9)
Net cash generated by financing activities	**(7.7)**	0.3
Net increase in cash and cash equivalents	**113.2**	31.1
Exchange differences	**(9.7)**	9.7
Cash and cash equivalents at beginning of period	**193.6**	145.1
Cash and cash equivalents at end of period	**297.1**	185.9

Major non-cash transactions

Details of the Merger with bwin, which was an equity-based transaction, are contained in note 18.

Notes to the condensed consolidated financial information

1. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard ('IAS') 34 - *Interim Financial Reporting*, and have been prepared on the basis of International Financial Reporting Standards ('IFRSs') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union that are effective for the year ending 31 December 2011.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011, which were approved by the Board on 31 August 2011, do not comprise statutory accounts, and should be read in conjunction with the Annual Report for the year ended 31 December 2010. Those accounts have been reported upon by the Group's auditors and delivered to Companies House in Gibraltar. The report of the auditors on those accounts was unqualified. The Annual Report is published in the Investors section of the Group website at www.bwinparty.com and is available from the Company on request.

Except as described below, the unaudited interim condensed consolidated financial statements are prepared on the basis of the accounting policies stated in the Group's Annual Report 2010 which is available on the Group's website at www.bwinparty.com.

Functional currency of the parent company

Reflecting the fact that the Company has hedged its remaining US dollar exposure, the effect of the merger with bwin, and that going forward most transactions will be in pounds sterling but funded by excess Euros generated by the rest of the Group, the Company has changed its functional currency from US dollars to Euros.

In line with IAS 21 the change took effect from the date the Company determined that the characteristics required to identify the functional currency had changed. The Company determined this occurred during 2011 and for accounting purposes, this is effective from 1 January 2011.

All financial data for the Company for prior periods has been converted using the exchange rate at 1 January 2011 of 1 Euro = US dollar 1.3416.

Accounting standards and interpretations

The following relevant standards, issued by the International Accounting Standards Board ('IASB'), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

IFRIC 14 (Amended) and IAS 19 (Amended) - *Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2011).

The following relevant standards and interpretations were issued by the IASB or the IFRIC before the period end but are as yet not effective for the 2011 year end:

IAS 1 (Amended) - *Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012)

IAS 12 (Amended) - *Deferred tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012)

IAS 19 (Amended) - *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013)

IAS 27 - *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013)

IAS 28 - *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013)

IFRS 7 (Amended) - *Disclosures - Transfers of Financial Assets* (effective for annual periods beginning on or after 1 July 2011).

IFRS 9 - *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013).

IFRS 10 - *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 - *Joint arrangements* (effective for annual periods beginning on or after 1 January 2013)

1. Basis of preparation (continued)

IFRS 12 - *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 - *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)

The Group is currently assessing the impact, if any, that these standards will have on the presentation of its consolidated results.

Due to the Merger with bwin on 31 March 2011, certain accounting policies that were not previously relevant for the Group but relevant for bwin have been adopted in these unaudited condensed consolidated financial statements. None of these are material and they will be fully disclosed at the year end. All other material accounting policies and presentations of bwin have been aligned to those of the enlarged Group.

2. Seasonality of operations

Seasonality is one of many factors that affect quarter-on-quarter revenue growth. Like many other online businesses with customer bases located in the Northern hemisphere, during the winter months consumers tend to spend more time online than during the summer months. In addition, as the Group's customer base becomes more casual in nature, so seasonality can be expected to have a greater impact as customers that have a broad variety of interests, including online gaming, can be expected to take advantage of longer daylight hours and better weather conditions to enjoy other leisure pursuits.

3. Segment information

For management purposes and transacting with customers, the Group’s operations can be segmented into the following reporting segments:

> sports betting,

> casino & games,

> poker,

> bingo and

> unallocated corporate (including World Poker Tour and the payment services business)

These segments are the basis upon which the Group currently reports its segment information. Unallocated corporate expenses, assets and liabilities relate to the Group as a whole and are not allocated to individual segments. The measure of reporting segment performance is Clean EBITDA and the basis for arriving at this is the same as the Group accounts.

Following the acquisition of bwin a review is currently being undertaken of the need to change the Group’s reporting of results to the Chief Operating Decision Makers (‘CODMs’) which could have a consequential effect on the reporting of segmental information under IFRS 8. Any such changes would be reflected in the future once this exercise has been completed.

3. Segment information (continued)

Six months ended 30 June 2011	Sports betting €million	Casino & Games €million	Poker €million	Bingo €million	Unallocated corporate €million	Consolidated €million
Continuing operations						
Net revenue	**59.9**	**99.1**	**79.8**	**27.8**	**-**	**266.6**
Other revenue	**0.3**	**0.2**	**1.4**	**0.6**	**4.0**	**6.5**
Total revenue	**60.2**	**99.3**	**81.2**	**28.4**	**4.0**	**273.1**
Clean EBITDA	**9.1**	**28.6**	**9.6**	**7.4**	**(3.8)**	**50.9**
Profit (loss) before tax	**(17.5)**	**15.1**	**(16.8)**	**-**	**(31.6)**	**(50.8)**
Discontinued operations						
Net revenue	**-**	**-**	**-**	**-**	**-**	**-**
Other revenue	**-**	**-**	**3.4**	**-**	**-**	**3.4**
Total revenue	**-**	**-**	**3.4**	**-**	**-**	**3.4**
Clean EBITDA	**-**	**-**	**(5.1)**	**-**	**-**	**(5.1)**
Loss before tax	**-**	**-**	**(6.9)**	**-**	**-**	**(6.9)**
Total operations						
Net revenue	**59.9**	**99.1**	**79.8**	**27.8**	**-**	**266.6**
Other revenue	**0.3**	**0.2**	**4.8**	**0.6**	**4.0**	**9.9**
Total revenue	**60.2**	**99.3**	**84.6**	**28.4**	**4.0**	**276.5**
Clean EBITDA	**9.1**	**28.6**	**4.5**	**7.4**	**(3.8)**	**45.8**
Profit (loss) before tax	**(17.5)**	**15.1**	**(23.7)**	**-**	**(31.6)**	**(57.7)**

Six months ended 30 June 2010	Sports betting €million	Casino & Games €million	Poker €million	Bingo €million	Unallocated corporate €million	Consolidated €million
Continuing operations						
Net revenue	10.2	76.7	64.1	25.8	-	176.8
Other revenue	-	-	0.2	0.5	3.7	4.4
Total revenue	10.2	76.7	64.3	26.3	3.7	181.2
Clean EBITDA	3.4	24.6	8.3	7.2	0.4	43.9
Profit (loss) before tax	0.6	22.1	6.6	(0.1)	(6.4)	22.8
Discontinued operations						
Loss before tax	-	-	-	-	(0.6)	(0.6)
Total operations						
Net revenue	10.2	76.7	64.1	25.8	-	176.8
Other revenue	-	-	0.2	0.5	3.7	4.4
Total revenue	10.2	76.7	64.3	26.3	3.7	181.2
Clean EBITDA	3.4	24.6	8.3	7.2	0.4	43.9
Profit (loss) before tax	0.6	22.1	6.6	(0.1)	(7.0)	22.2

In the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010 backgammon was classified as part of the poker segment and certain casino games on the sports platform as part of the sports betting segment. Both are now classified as part of the casino & games segment. Also, exchange differences were reported as part of Clean EBITDA whereas now they are not. As a result, the following increases (decreases) have been made to the previously reported results for both continuing and total operations for the six months ended 30 June 2010:

3. Segment information (continued)

	Sports betting €million	Casino & Games €million	Poker €million	Bingo €million	Unallocated corporate €million	Consolidated €million
Net revenue	-	0.3	(0.3)	-	-	-
Total revenue	-	0.3	(0.3)	-	-	-
Clean EBITDA	-	0.3	(0.3)	-	(4.2)	(4.2)
Profit (loss) before tax	-	0.3	(0.3)	-	-	-

Geographical analysis of total revenue

The following table provides an analysis of the Group's total revenue by geographical segment:

Six months ended 30 June	2011 €million	2010 €million
Germany	**49.5**	25.9
United Kingdom	**38.6**	39.5
Other	**185.0**	115.8
Total revenue	**273.1**	181.2

4. Other operating expenses

Six months ended 30 June	2011 €million	2010 €million
Merger and acquisition expenses	**11.5**	-
Exchange losses	**1.9**	-
Other	**0.2**	-
	13.6	-

Merger and acquisition expenses incurred during the year relate to the completed merger with bwin.

5. Tax

Analysis of tax charge

Six months ended 30 June	2011 €million	2010 €million
Current tax expense for the period	**3.6**	4.4
Deferred tax credit for the period	**(11.9)**	(1.9)
Income tax (credit) expense for the period	**(8.3)**	2.5

The effective tax rate for Continuing operations for the period based on the associated tax expense is 16.3% (2010: 11.0%). There is immaterial tax associated with Discontinued operations and other comprehensive income.

The total (credit) expense for the period can be reconciled to accounting (loss) profit as follows:

Six months ended 30 June	Note	2011 €million	2010 €million
(Loss) profit before tax from Continuing operations		**(50.8)**	22.8
Loss before tax from Discontinued operations	6	**(6.9)**	(0.6)
(Loss) profit before tax		**(57.7)**	22.2
Tax at effective rate in Gibraltar at 10% (2010: nil)		**(5.8)**	-
Effect of expenses not allowed for tax purposes		**7.4**	-
Effect of different tax rates applied in overseas jurisdictions		**2.0**	4.4
Effect of deferred tax		**(12.2)**	(1.9)
Total income tax (credit) expense for the period		**(8.6)**	2.5

The expenses not allowed for tax purposes are primarily amortisation and impairment of intangible assets.

5. Tax (continued)

Factors affecting the tax charge for the period

The Group's policy is to manage, control and operate Group companies only in the countries in which they are registered. At the period end there were Group companies registered in 24 countries including Gibraltar. However, the rules and practice governing the taxation of eCommerce activity are evolving in many countries. It is possible that the amount of tax that will eventually become payable may differ from the amount provided in the financial information.

Factors that may affect future tax charges

As the Group is involved in worldwide operations, future tax charges will be affected by the levels and mix of profitability in different jurisdictions.

Future tax charges will be reduced by a deferred tax credit in respect of amortisation of certain acquired intangibles.

6. Discontinued operations

Condensed consolidated statement of comprehensive income

Six months ended 30 June	Notes	Ongame B2B €million	US €million	2011 €million	US €million	2010 €million
Net revenue		-	-	-	-	-
Other revenue		3.4	-	3.4	-	-
Total revenue	3	3.4	-	3.4	-	-
Gross profit		3.4	-	3.4	-	-
Other operating income		0.6	-	0.6	-	-
Administrative expenses		(9.4)	(0.2)	(9.6)	-	-
Distribution expenses		(0.9)	-	(0.9)	-	-
Loss from operating activities		(6.3)	(0.2)	(6.5)	-	-
Finance expense		-	(0.4)	(0.4)	(0.6)	(0.6)
Loss before tax		(6.3)	(0.6)	(6.9)	(0.6)	(0.6)
Tax		0.3	-	0.3	-	-
Loss for the period attributable to the equity holders of the parent		(6.0)	(0.6)	(6.6)	(0.6)	(0.6)
Loss per share (€ cents)						
Basic and diluted	7	(0.9)	(0.1)	(1.0)	(0.1)	(0.1)

6. Discontinued operations (continued)

Condensed consolidated statement of cashflows

Six months ended 30 June	Ongame B2B €million	US €million	2011 €million	US €million	2010 €million
Loss for the period	**(6.0)**	**(0.6)**	**(6.6)**	(0.6)	(0.6)
Adjustments for:					
Depreciation of property, plant and equipment	**0.7**	**-**	**0.7**	-	-
Amortisation of intangibles	**1.3**	**-**	**1.3**	-	-
Interest expense	**-**	**0.4**	**0.4**	0.6	0.6
Income tax credit	**(0.3)**	**-**	**(0.3)**	-	-
Operating cashflows before movements in working capital and provisions	**(4.3)**	**(0.2)**	**(4.5)**	-	-
Increase in trade and other receivables	**(0.3)**	**-**	**(0.3)**	-	-
Increase (decrease) in trade and other payables	**2.7**	**(10.3)**	**(7.6)**	(12.2)	(12.2)
Net cash inflow (outflow) from operating activities	**(1.9)**	**(10.5)**	**(12.4)**	(12.2)	(12.2)
Investing activities					
Net cash acquired on acquisition of subsidiaries and businesses	**2.4**	**-**	**2.4**	-	-
Purchases of property, plant and equipment	**(0.2)**	**-**	**(0.2)**	-	-
Net cash used in investing activities	**2.2**	**-**	**2.2**	-	-
Net increase in cash and cash equivalents	**0.3**	**(10.5)**	**(10.2)**	(12.2)	(12.2)
Exchange differences	**-**	**(3.4)**	**(3.4)**	11.2	11.2
	0.3	**(13.9)**	**(13.6)**	(1.0)	(1.0)

Ongame B2B

On 30 June 2011 the Board announced its intention to sell the Ongame B2B business it acquired during the period as part of the Merger. It is expected that the sale will be completed before the end of the year. Assets held for sale as at 30 June 2011 include €26.6 million and liabilities held for sale include €24.5 million in respect of this.

The results shown above exclude intercompany income of €3.3 million and intercompany recharges of €1.6 million.

US

US refers to those operations located physically outside of the US but which relate to US customers that were no longer accepted following the enactment of the UIGEA.

7. Earnings per Share ('EPS')

			2011			2010
Six months ended 30 June	**Continuing operations € cents**	**Discontinued operations € cents**	**Total € cents**	Continuing operations € cents	Discontinued operations € cents	Total € cents
Basic EPS	**(6.6)**	**(1.0)**	**(7.6)**	4.9	(0.1)	4.8
Diluted EPS	**(6.6)**	**(1.0)***	**(7.6)**	4.7	(0.1)*	4.6
Basic Clean EPS	**5.9**	**(0.8)**	**5.1**	8.0	-	8.0
Diluted Clean EPS	**5.7**	**(0.8)***	**4.9**	7.5	-	7.5

** A diluted EPS calculation may not increase a basic EPS calculation when the basic EPS is a loss.*

Basic earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding those held as treasury shares.

7. Earnings per Share ('EPS') (continued)

Six months ended 30 June	**2011 Total**	2010 Total
Basic EPS		
Basic (loss) earnings (€million)	**(48.0)**	19.7
Weighted average number of ordinary shares (million)	**629.6**	408.2
Basic earnings (loss) per ordinary share (€ cents)	**(7.6)**	4.8
Basic Clean EPS		
Adjusted earnings (€million)	**32.4**	32.5
Weighted average number of ordinary shares (million)	**629.6**	408.2
Adjusted earnings per ordinary share (€ cents)	**5.1**	8.0

Clean earnings per share

In previous periods the performance measure of EPS used internally by management to manage the operations of the business and remove the impact of one-off and certain non-cash items was Clean EPS, which was calculated before the provision for costs associated with the Group's Non-Prosecution Agreement, reorganisation expenses, merger and acquisition expenses and share-based payments. Following the Merger, management have amended their performance measure to also add back exchange differences and amortisation and impairments on acquisitions, which they believe better reflects the underlying performance of the business and assists in providing a clearer view of the fundamental performance of the Group.

Clean net earnings excluding amortisation and impairments on acquisitions attributable to equity shareholders is derived as follows:

			2011			2010
Six months ended 30 June	**Continuing operations €million**	**Discontinued operations €million**	**Total €million**	Continuing operations €million	Discontinued operations €million	Total €million
Earnings (loss) for the purposes of basic and diluted earnings per share being profit attributable to equity holders of the parent	**(41.4)**	**(6.6)**	**(48.0)**	20.3	(0.6)	19.7
Unwinding of discount associated with the Group's Non-Prosecution Agreement	**-**	**0.4**	**0.4**	-	0.6	0.6
Reorganisation expenses	**2.1**	**-**	**2.1**	-	-	-
Merger and acquisition expenses	**11.5**	**-**	**11.5**	-	-	-
Exchange differences	**1.9**	**(0.6)**	**1.3**	(4.2)	-	(4.2)
Share-based payments	**7.0**	**-**	**7.0**	4.3	-	4.3
Amortisation on acquired intangible assets	**53.1**	**1.3**	**54.4**	14.0	-	14.0
- Tax thereon	**(8.3)**	**0.3**	**(8.0)**	(1.9)	-	(1.9)
Impairments on acquired intangible assets and goodwill	**15.3**	**-**	**15.3**	-	-	-
- Tax thereon	**(3.6)**	**-**	**(3.6)**	-	-	-
Clean net earnings	**37.6**	**(5.2)**	**32.4**	32.5	-	32.5

7. Earnings per Share ('EPS') (continued)

Six months ended 30 June	2011 Number million	2010 Number million
Weighted average number of shares		
Number of shares in issue as at 1 January	**413.1**	412.4
Number of shares in issue as at 1 January held by the Employee Trust	**(4.0)**	(4.6)
Weighted average number of shares issued during the period	**221.1**	0.3
Weighted average number of shares purchased during the period	**(0.7)**	-
Effect of vested share options	**0.1**	0.1
Weighted average number of ordinary shares for the purposes of basic earnings per share	**629.6**	408.2
Effect of potential dilutive unvested share options and contingently issuable shares	**27.1**	24.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**656.7**	432.2

In accordance with IAS 33, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted which are not included in the number of shares for basic earnings per share above. Although the unvested, potentially dilutive equity instruments are contingently issuable, in accordance with IAS 33, the period end is treated as the end of the performance period. Those option holders who were employees at that date are deemed to have satisfied the performance requirements and their related potentially dilutive equity instruments have been included for the purpose of diluted EPS.

8. Intangible assets

	Goodwill €million	Acquired intangibles €million	Other intangibles €million	Total €million
Cost or valuation				
As at 1 January 2010	211.1	166.7	9.4	387.2
Additions	-	-	2.3	2.3
Exchange movements	26.1	21.2	2.7	50.0
As at 30 June 2010	237.2	187.9	14.4	439.5
Adjustment on consideration of prior business combinations	(3.7)	-	-	(3.7)
Additions	-	-	1.5	1.5
Exchange movements	(15.2)	(12.4)	0.1	(27.5)
As at 31 December 2010	218.3	175.5	16.0	409.8
Acquired through business combinations (see note 18)	**487.6**	**587.3**	**-**	**1,074.9**
Additions	**-**	**-**	**5.2**	**5.2**
Exchange movements	**(12.1)**	**(10.7)**	**(1.2)**	**(24.0)**
Reclassified as assets held for sale	**-**	**(16.1)**	**-**	**(16.1)**
As at 30 June 2011	**693.8**	**736.0**	**20.0**	**1,449.8**
Amortisation				
As at 1 January 2010	52.9	97.2	4.2	154.3
Charge for the period	-	14.0	2.4	16.4
Exchange movements	9.2	15.5	1.6	26.3
As at 30 June 2010	62.1	126.7	8.2	197.0
Charge for the period	-	13.7	2.7	16.4
Exchange movements	(5.3)	(9.4)	(0.8)	(15.5)
As at 31 December 2010	56.8	131.0	10.1	197.9
Charge for the period	**-**	**54.4**	**1.5**	**55.9**
Exchange movements	**(4.4)**	**(9.0)**	**(0.6)**	**(14.0)**
Impairment	**-**	**15.3**	**-**	**15.3**
Reclassified as assets held for sale	**-**	**(0.9)**	**-**	**(0.9)**
As at 30 June 2011	**52.4**	**190.8**	**11.0**	**254.2**
Carrying amounts				
As at 30 June 2010	175.1	61.2	6.2	242.5
As at 31 December 2010	161.5	44.5	5.9	211.9
As at 30 June 2011	**641.4**	**545.2**	**9.0**	**1,195.6**

Acquired intangible assets are those intangible assets purchased as part of an acquisition and primarily include customer lists, brands, software and broadcast libraries. The fair value of acquired intangibles is based on cashflow projections at the time of acquisition. Customer lists from existing customers take into account the expected impact of player attrition.

Other intangibles primarily include development expenditure, long-term gaming and intellectual property licences and purchased domain names. Development expenditure represents software infrastructure assets that have been developed and generated internally.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets. A detailed review was undertaken at 31 December 2010 to assess whether the carrying value of assets was supported by the net present value of future cashflows derived from those assets using cashflow projections for a ten-year period. The review concluded that no impairments were required. The Board is not aware of any evidence of impairment during the current period other than that of certain software acquired during the period that will not be used for its full economic life.

9. Trade and other receivables

	As at 30 June 2011 €million	As at 31 December 2010 €million
Payment service providers	**45.5**	23.6
Less: chargeback provision	**(1.7)**	(1.4)
Payment service providers - net	**43.8**	22.2
Prepayments	**30.5**	15.8
Other receivables	**48.9**	10.3
	123.2	48.3

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values, which is based on estimates of amounts recoverable. The recoverable amount is determined by calculating the present value of expected future cashflows.

Provisions are expected to be settled within the next year and relate to chargebacks which are recognised at the Directors' best estimate of the provision based on past experience of such expenses applied to the level of activity.

Movements on the provision are as follows:

	€million
As at 1 January 2010	1.5
Charged to condensed consolidated statement of comprehensive income	1.6
Credited to condensed consolidated statement of comprehensive income	(1.2)
As at 30 June 2010	1.9
Charged to condensed consolidated statement of comprehensive income	1.3
Credited to condensed consolidated statement of comprehensive income	(1.8)
As at 31 December 2010	1.4
Acquired through business combinations	**1.5**
Charged to condensed consolidated statement of comprehensive income	**3.9**
Credited to condensed consolidated statement of comprehensive income	**(3.8)**
Reclassified as assets held for sale	**(1.3)**
As at 30 June 2011	**1.7**

10. Trade and other payables

	As at 30 June 2011 €million	As at 31 December 2010 €million
Amounts due under Non-Prosecution Agreement	**20.5**	22.2
Deferred and contingent consideration	**-**	6.7
Other payables	**90.8**	32.0
Current liabilities	**111.3**	60.9
Amounts due under Non-Prosecution Agreement	**10.1**	21.7
Deferred and contingent consideration	**2.4**	1.8
Later than one year but not later than five years	**12.5**	23.5
Deferred and contingent consideration	**3.5**	4.2
More than five years	**3.5**	4.2
Non-current liabilities	**16.0**	27.7

10. Trade and other payables (continued)

On 6 April 2009 the Group entered into a Non-Prosecution Agreement with the USAO. Under the terms of the agreement the Group agreed to pay $105 million, payable in semi-annual instalments over a period ending on 30 September 2012.

Deferred and contingent consideration relates to amounts payable for the acquisitions of Cashcade and WPT.

Other payables comprise amounts outstanding for trade purchases and other ongoing costs. The carrying amount of other payables approximates to their fair value which is based on the net present value of expected future cashflows.

The amount due under the Non-Prosecution Agreement is recognised at fair value and carried at amortised cost using an effective interest rate of 2%. The amount due for deferred and contingent consideration is recognised at fair value and carried at amortised cost using an effective interest rate of 15%.

The non-discounted book values for these amounts are as follows:

	Amounts due under Non-Prosecution Agreement		**Deferred and contingent consideration**	
	As at 30 June 2011 €million	As at 31 December 2010 €million	**As at 30 June 2011 €million**	As at 31 December 2010 €million
Within one year	**20.7**	22.4	**0.1**	6.8
Later than one year but not later than five years	**10.3**	22.4	**2.2**	2.4
More than five years	**-**	-	**8.2**	8.7
	31.0	44.8	**10.5**	17.9

11. Client liabilities and progressive prize pools

	As at 30 June 2011 €million	As at 31 December 2010 €million
Client liabilities	**142.7**	85.6
Progressive prize pools	**12.5**	7.5
	155.2	93.1

Client liabilities and progressive prize pools represent amounts due to customers including net deposits received, undrawn winnings, progressive jackpots and tournament prize pools and certain promotional bonuses. The carrying amount of client liabilities and progressive prize pools approximates to their fair value which is based on the net present value of expected future cashflows.

12. Provisions

	Litigation €million	Onerous contracts €million	Total €million
As at 1 January 2011	-	-	-
Acquired through business combinations	-	9.3	9.3
Unwinding of discount	-	0.2	0.2
Reclassification due to date of maturity	2.1	2.2	4.3
Credited to condensed consolidated statement of comprehensive income	-	(2.4)	(2.4)
Current liabilities as at 30 June 2011	2.1	9.3	11.4
As at 1 January 2011	-	-	-
Acquired through business combinations	71.4	9.4	80.8
Unwinding of discount	1.5	0.2	1.7
Reclassification due to date of maturity	(2.1)	(2.2)	(4.3)
Later than one year but not later than five years	70.8	7.4	78.2
Non-current liabilities at 30 June 2011	70.8	7.4	78.2

Litigation refers to provisions made in respect of certain outstanding legal and regulatory disputes and are an estimate of what the Directors believe to be the fair value based on probability-weighted expected values. In the light of the uncertainty associated with legal and regulatory disputes, there can be no guarantee that the assumptions used to estimate the provision will be an accurate prediction of the actual costs that may or may not be incurred. No further details have been provided as the Directors consider that this would be prejudicial to the interests of the Group.

Onerous contracts relate to provisions made against the future costs of contracts where subsequent changes in legislation in certain countries have meant that the future economic benefits received by the Group are less than the costs involved with fulfilling the remaining terms and conditions of the contracts and is recognised at the Directors' best estimate based on their knowledge of the markets of the countries involved.

The amounts due for provisions are recognised at fair value based on the above and carried at amortised cost using an effective interest rate of 8.7%.

The non-discounted book values for these amounts are as follows:

	Litigation		Onerous contracts	
	As at 30 June 2011 €million	As at 31 December 2010 €million	**As at 30 June 2011 €million**	As at 31 December 2010 €million
Within one year	2.2	-	9.8	-
Later than one year but not later than five years	94.8	-	8.3	-
	97.0	-	18.1	-

13. Loans and borrowings

	Book value		Fair value	
	As at 30 June 2011 €million	As at 31 December 2010 €million	**As at 30 June 2011 €million**	As at 31 December 2010 €million
Secured bank loan	**8.6**	8.7	**9.7**	9.9
Current liabilities	**8.6**	8.7	**9.7**	9.9
Secured bank loan	**26.0**	32.0	**24.9**	30.1
Later than one year but not later than five years	**26.0**	32.0	**24.9**	30.1
Non-current liabilities	**26.0**	32.0	**24.9**	30.1

Bank borrowings are recognised at fair value and subsequently carried at amortised cost based on their internal rates of return. The discount rate applied was 5.44%.

Principal terms and the debt repayment schedule of loans and borrowings before amortisation at both 30 June 2011 and 31 December 2010 are as follows:

	Amount	Nominal rate	Year of maturity	Security
The Royal Bank of Scotland plc	£35 million	6 months LIBOR plus 3.25%	2012	Floating charge over the assets of Cashcade Limited and its subsidiary undertakings

The maturity analysis of loans and borrowings, including interest and fees, is as follows:

	As at 30 June 2011 €million	As at 31 December 2010 €million
Within one year	**9.9**	10.2
Later than one year and not later than five years	**26.5**	33.1
	36.4	43.3

14. Deferred tax

	€million
As at 1 January 2010	10.9
Exchange differences	0.8
Credited to condensed consolidated statement of comprehensive income	(1.9)
As at 30 June 2010	9.8
Exchange differences	(0.5)
Credited to condensed consolidated statement of comprehensive income	(1.9)
As at 31 December 2010	7.4
Acquired through business combinations (see note 18)	**71.2**
Exchange differences	**0.3**
Credited to condensed consolidated statement of comprehensive income	**(12.2)**
As at 30 June 2011	**66.7**

Deferred tax relates primarily to temporary timing differences arising from fair value adjustments of acquired intangibles.

15. Share capital

Ordinary shares

	Issued and fully paid €	Number million
As at 1 January 2010	77,563	412.4
Employee share options exercised during the period	74	0.4
As at 30 June 2010	77,637	412.8
Employee share options exercised during the period	50	0.3
As at 31 December 2010	77,687	413.1
Issued as consideration for the Merger (see note 18)	**75,070**	**439.2**
Employee share options exercised during the period	**114**	**0.6**
As at 30 June 2011	**152,871**	**852.9**

The Company has changed its functional currency from US dollars to Euros with effect from 1 January 2011. Prior to that date shares issued were converted into US dollars at the exchange rate prevailing on the date of issue. These amounts have subsequently been converted into Euros using the exchange rate at 1 January 2011 of 1 Euro = US dollar 1.3416.

As from 1 January 2011 shares issued are converted into Euros at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to €152,871.13 and is split into 852,909,271 ordinary shares. The share capital in UK sterling is £127,936.39 and translates at an average exchange rate of 0.8369 Euros to £1 sterling.

Authorised share capital and significant terms and conditions

On 28 January 2011 the Company's authorised share capital was increased from £105,000 divided into 700 million ordinary shares with a par value of 0.015 pence each to £225,000 divided into 1,500 million ordinary shares of 0.015 pence each. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Company. The Trustee of the Employee Trust has waived all voting and dividend rights in respect of shares held by the Employee Trust.

Treasury shares

	Own shares reserve €million	Number million
As at 1 January 2010	(2.8)	4.6
Employee share options exercised during the period	-	(0.2)
As at 30 June 2010	(2.8)	4.4
Employee share options exercised during the period	-	(0.4)
As at 31 December 2010	(2.8)	4.0
Purchase of own shares for the Employee Trust	**(3.9)**	**2.1**
Employee share options exercised during the period	**-**	**(0.5)**
As at 30 June 2011	**(6.7)**	**5.6**

As at 30 June 2011 5,630,297 (2010: 4,365,533) ordinary shares were held as treasury shares by the Employee Trust. During 2011 the Company donated £3.5 million to the Employee Trust, which the Employee Trust then used to purchase 2,100,000 ordinary shares in the market.

16. 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.

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the business and takes appropriate advice in respect of these developments.

Litigation

As a consequence of the as yet non-harmonised regulatory environment for online gaming in Europe, a number of civil and administrative proceedings are pending against the Group and/or its board members in several countries (including but not limited to Germany, Portugal and Slovenia) aimed at preventing bwin.party from offering its services in these countries. Certain unfair competition cases brought against former bwin subsidiaries, its officers and the German licensing partner are currently pending before the German Federal Supreme Court which is expected to render its ruling on 28 September 2011. Further, there are criminal investigations pending against certain board members of the Group for the alleged violation of local gaming laws (such as in France and Austria).

In 2010, a former bwin subsidiary has been assessed by Austrian tax authorities to have value-added tax arrears of €6.4 million for the years 2002 to 2004. The Company regards this tax assessment notice as legally unjustifiable and has appealed the assessments. Applying the same assessments to periods subsequent to 2004, although some circumstances have changed, the value of the worst case scenario amounts to €157.3 million.

In 2006, the Portuguese monopoly operator Santa Casa de Misericórdia de Lisboa, in addition to a request for a cease and desist order, filed a suit for damages in the amount of approximately €27 million for the alleged loss of profits due to bwin's Portuguese online gaming offer.

In 2010, the Justice and Public Safety Cabinet of the Commonwealth of Kentucky has filed a civil suit against the Company and other defendants in Franklin Circuit Court, a state court in Kentucky in the US. The suit seeks a claim for damages of US$47 million along with interest and costs in relation to the Company's activities from 5 August 2005 until the Company's termination of US-facing activities on 13 October 2006.

Earlier this year, Ante5 filed a complaint and a request for arbitration with Judicial Arbitration and Mediation Service Inc. against the Company for the alleged breach of its obligations under the Asset Purchase Agreement for the purchase of the World Poker Tour. Ante5 argues that it is entitled to 5% of all Group gross revenues to date (estimated by Ante5 to be in excess of $20 million) and 5% of all future revenues (estimated by Ante5 to be $200 million).

The Directors believes these suits to be without merit and intends to defend these matters vigorously and accordingly no provision has been made in the accounts other than that set out below.

In respect of the above matters relating to former bwin companies, IFRS 3 requires that a probability-weighted estimate is used for fair-valuing acquired contingent liabilities and a provision made accordingly, even though had the same contingent liability arisen in a former PartyGaming company no provision would be made under IAS 37. Details of amounts provided for litigation and regulatory disputes can be found in note 12. No further details have been provided as the Directors consider that this would be prejudicial to the interests of the Group.

17. Related parties

Group

Transactions between the Group companies have been eliminated on consolidation and are not disclosed in this note.

Principal Shareholders

A former Principal Shareholder and certain other Principal Shareholders have given certain indemnities to the Group.

17. Related parties (continued)

Directors and key management

Key management are those individuals who the Directors believe have significant authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate short-term and long-term benefits, as well as share-based payments of the Directors and key management of the Group are set out below:

Six months ended 30 June	**2011 €million**	2010 €million
Short-term benefits	**9.6**	3.7
Share-based payments	**3.8**	3.2
	13.4	6.9

Certain Directors and certain key management were granted share options under service contracts which were granted under a Group share option plan.

At 30 June 2011 an aggregate balance of €1.0 million (2010: €1.5 million) was due to Directors and key management.

The Group purchased certain telecommunication services and equipment of €1.0 million (2009: €1.4 million) from a company on an arm's length basis for whom a Board member is a director, with amounts owed at 30 June 2011 of less than €0.1 million (2010: €0.5 million).

The Group purchased certain payment services of €3.2 million (2010: €nil) from a company on an arm's length basis for whom a Board member is a director, with amounts owed at 30 June 2011 of less than €0.1 million (2010: €nil).

The Group purchased certain consultancy services of €0.2 million (2010: €nil) from a partnership on an arm's length basis for whom a Board member is a partner, with amounts owed at 30 June 2011 of less than €0.1 million (2010: €nil).

Two Directors each have a loan with the Group of €3.0 million (€nil) with an interest rate on an arm's length basis. The Group holds certain guarantees against this loan and believes the amount to be fully recoverable.

18. Acquisitions during the period

On 31 March 2011 the Group acquired 100% of the voting equity instruments of bwin Interactive Entertainment AG, an exclusively non-US facing business whose principal activities are the provision of online gaming, providing online sporting content such as live video streams, live scores, statistics and SMS services to its customers and a payment service provider. The main drivers for the Merger were the potential synergies that could be achieved. There was no cash consideration as the acquisition was made on the basis of issuing 12.23 PartyGaming Plc shares for each bwin share together with an equivalent multiple of PartyGaming options for unexercised bwin options at that date.

18. Acquisitions during the period (continued)

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	€million (Provisional)
Non-current assets	
Intangible assets other than goodwill	**587.3**
Property, plant and equipment	**19.3**
Investments	**9.0**
	615.6
Current assets	
Inventories	**0.5**
Trade and other receivables	**72.7**
Short-term investments	**30.6**
Cash and cash equivalents	**157.9**
	261.7
Current liabilities	
Trade and other payables	**(85.1)**
Income taxes payable	**(4.3)**
Client liabilities and progressive prize pools	**(83.5)**
Provisions	**(9.3)**
	(182.2)
Non-current liabilities	
Provisions	**(80.9)**
Deferred tax	**(71.2)**
	(152.1)
Net assets acquired	**543.0**
Less: non-controlling interests	**(0.5)**
	542.5
Goodwill	**487.6**
Consideration	**1,030.1**
Issue of 439,209,325 ordinary shares at £1.934	**968.0**
Issue of 34,772,933 share options	**62.1**
Consideration	**1,030.1**

The provisional fair value adjustments included in the above relate primarily to the attribution of fair values to brands, customer lists and software acquired as part of the acquisition, and the effect of deferred tax thereon. These intangible assets are being amortised over their estimated useful economic lives of up to twenty years. The amount included in provisions represents the Directors' current best estimate of amounts payable based on probability-weighted expected values after the effects of discounting as required under IFRS 3.

The main factors leading to the recognition of goodwill (none of which is deductible for tax purposes) are the growth and revenue synergies created by combining business activities, cost savings of the merged operations and expertise of the workforce.

Merger and acquisition costs in the period in respect of this can be found in note 4.

18. Acquisitions during the period (continued)

Included in the condensed consolidated statement of comprehensive income relating to the Merger is total revenue of €110.0 million (of which €3.4 million relates to discontinued operations) and loss before tax of €13.0 million (of which €6.0 million relates to discontinued operations). Had the Merger taken place at the beginning of the period, total revenue would have been €405.4 million (of which €7.4 million relates to discontinued operations) and loss after tax would have been €41.0 million (of which €12.0 million relates to discontinued operations).

19. Events after the reporting period

In July 2011 the Group committed £15m as lead investor into an early stage digital entertainment investment fund called NewGame Capital LP ('NGC'). NGC will invest in early-stage, high potential companies active in monetised digital gaming (comprising real money, virtual currency and social digital games). It is advised by a team that comprises Patrick Southon and Simon Collins, the former founders of Cashcade that was acquired by the Group in July 2009, as well as Newshore Partners LLP, a merchant bank exclusively focused on the media, internet and technology (MIT) sector.

20. Dividend

Further to the Group's announcement on 30 June 2011, the Board has declared an interim dividend of 1.56 pence per Ordinary share payable to shareholders on the register of shareholder interests on 9 September 2011 (the 'Record Date'). It is expected that dividends will be paid on 7 October 2011. Shareholders wishing to receive dividends in Euros rather than pounds sterling will need to file a currency election and return it to the Group's registrars on or before 23 September 2011. A separate announcement regarding the dividend payment has been issued today.

Independent review report to bwin.party digital entertainment plc

Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cashflows and related notes.

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 consolidated 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 consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated 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 its responsibilities in respect of 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 Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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 consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, 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
31 August 2011

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

Glossary

'Active player days'	aggregate number of days in the given period in which active players have contributed to rake and/or placed a wager. This can be calculated by multiplying average active players by the number of days in the period
'active player' or 'active real money'	in relation to the Group's products, a player who has contributed to rake and/or placed a wager
'Annual Report'	the Company's financial statements and accompanying reports for the year ended 31 December 2010
'average active players' or 'Daily average players'	the daily average number of players who contributed to rake and/or placed a wager in the given period. This can be calculated by dividing active player days in the given period, by the number of days in that period
'B2B'	business-to-business
'B2C'	business-to-consumer
'Board' or 'Directors'	the Executive Directors and the Non-Executive Directors of the Company
'bwin'	bwin Interactive Entertainment AG, its subsidiaries and its associated companies
'bwin.party'	bwin.party digital entertainment plc, the name of the Group formed by the Merger of PartyGaming Plc and bwin Interactive Entertainment AG
'bwin.party Shares'	the Company's existing Shares and the new shares issued to the bwin shareholders in conjunction with the completion of the merger
'Cashcade'	Cashcade Limited and its subsidiaries
'Clean EBITDA'	EBITDA before the provision for costs associated with the Group's Non-Prosecution Agreement, reorganisation expenses, merger and acquisition expenses, exchange differences and before non-cash charges relating to share-based payments
'Clean EPS'	EPS before the provision for costs associated with the Group's Non-Prosecution Agreement, reorganisation expenses, merger and acquisition expenses, exchange differences, amortisation and impairment of acquired intangibles and before non-cash charges relating to share-based payments
'Company' or 'PartyGaming' or 'bwin.party'	PartyGaming Plc prior to completion of the Merger and bwin.party digital entertainment plc ('bwin.party') after the merger
'Discontinued operations'	Ongame's B2B business as well as operations located physically outside of the US but which relate to customers in the US and were terminated following the enactment of the UIGEA on 13 October 2006
'EBITDA'	earnings before interest, tax, depreciation and amortisation
'Employee Trust'	the PartyGaming Plc Shares Trust, a discretionary share ownership trust established by the Company in which the potential beneficiaries include all of the current and former employees and self-employed consultants of the Group

'Executive Directors'	the Executive Directors of the Company
'Foxy Bingo'	www.foxybingo.com, one of Europe's largest active bingo sites that was acquired as part of the purchase of Cashcade
'FTSE4good Index Series'	a benchmark of tradeable indices for responsible investors. The index is derived from the globally recognised FTSE Global Equity Index Series
'Gamebookers'	www.gamebookers.com, one of the Group's sports betting websites
'Gioco Digitale'	www.giocodigitale.it, one of the Group's principal bingo websites
'gross win margin'	gross win as a percentage of the amount wagered
'gross win'	customer stakes less customer winnings
'Group' or 'bwin.party Group'	the Company and its consolidated subsidiaries and subsidiary undertakings
'IAS'	International Accounting Standards
'IASB'	International Accounting Standards Board
'IFRS'	International Financial Reporting Standards
'InterTrader'	Our financial markets service, formerly known as PartyMarkets.com
'KPIs'	Key Performance Indicators such as active player days and yield per active player day
'Merger'	the merger of bwin Interactive Entertainment AG and PartyGaming Plc that was completed on 31 March 2011, accounted for under IFRS 3 as an acquisition of bwin
'new player sign-ups'	new players who register on the Group's real money sites
'Non-Executive Directors'	the Non-Executive Directors of the Company listed in the 'Board of Directors' section of the Annual Report
'NPA'	the Non-Prosecution Agreement entered into by the Group and the US Attorney's Office for the Southern District of New York (the 'USAO') on 6 April 2009. Under the terms of the agreement, the USAO will not prosecute the Group for providing internet gambling services to customers in the US prior to the enactment of the UIGEA
'PartyBets'	www.partybets.com, one of the Group's sports betting websites
'PartyCasino'	www.partycasino.com, the Group's principal casino website
'PartyGammon'	www.partygammon.com, the Group's backgammon website
'PartyPoker'	www.partypoker.com, the Group's principal poker website
'player' or 'unique active player'	Customers who placed a wager in the period
'Principal Shareholders'	Russell DeLeon (holding through Stinson Ridge

	Limited), Ruth Parasol (holding through Emerald Bay Limited) and each of whom was a promoter of the Company
'rake'	the money charged by PartyGaming for each qualifying poker hand played on its websites in accordance with the prevailing and applicable rake structure
'real money sign-ups' or 'sign-ups'	new players who have registered and deposited funds into an account with 'real money' gambling where money is wagered, as opposed to play money where no money is wagered
'Registrar'	Capita Registrars (Jersey) Limited, the registrars of the Company
'Relationship Agreement'	the relationship agreement between the Company, Crystal Ventures Limited, Coral Ventures Limited, Stinson Ridge Limited, Emerald Bay Limited and the Principal Shareholders dated 14 June 2005
'Share Plans' (pre merger with bwin)	the PartyGaming Plc Share Option Plan, the PartyGaming Plc Executive Share Option Plan, the PartyGaming Plc All-Employee Option Plan and the PartyGaming Plc performance Share Plan
'Share Plans' (post merger with bwin)	As above but also the Bonus Banking Plan, Value Creation Plan, Bonus and Shares Plan and Global Share Plan
'Shareholders'	holders of Shares in the Company
'Shares'	the ordinary shares of 0.015 pence each in the capital of the Company
'sports betting'	placing bets on sporting events
'UIGEA'	the Unlawful Internet Gambling Enforcement Act that was enacted in the US on 13 October 2006
'USAO'	United States Attorney's Office for the Southern District of New York
'wager'	a bet on a game or sporting event
'WPT'	the business and substantially all of the assets of The World Poker Tour acquired by the Group on 9 November 2009
'yield per active player day'	net revenue in the period divided by the number of active player days in that period