Gaming VC Holdings SA

Condensed Consolidated Interim Financial Information
for the six months ending 30 June 2008

GAMING VC Holdings SA

(Incorporated in the Grand Duchy of Luxembourg, Registered Number RC Luxembourg B 104348)

CONTENTS

OPERATING AND FINANCIAL REVIEW

The first half of 2008 has seen Gaming VC continue its strong progression, following the strategic and operational changes that were made during 2007.

In the six month period to 30 June 2008 gross profit increased by 30% to €21.1 million (H1 2007: €16.3 million). EBITDA increased by 7% to €10.6 million (H1 2007: €10 million) resulting in profit before tax up 23% to €10.5 million (H1 2007: €8.5 million).

The core German casino/poker business remains resilient with volumes maintained due to the Group's online affiliate marketing and continuous focus on Customer Relationship Management ("CRM"). Our CRM hub is now fully operational and all customer service and contact is being done in-house, improving the Group's overall performance by reducing attrition levels and maintaining lifetime values.

At least two new casino brands will be launched in the second half of the year. This will enable our affiliate team to market and cross sell a diverse range of products to existing and lapsed customers, help with recruitment and continue to increase our online presence. These new brands will primarily be targeted at customers outside of Germany.

The Italian sportsbook business continues to show impressive growth and has generated €3.2 million of gross margin from a handle of €22.5 million representing a margin of 14.2% during the first six months. In the second half of the year TV and press marketing campaigns will be launched in Italy to facilitate the continued growth of our sportsbook business. We will also be launching our sportsbook in additional languages with four new Eastern European partnership agreements signed, where there is increasing demand for online sports betting.

Our dedicated bingo brand www.winzingo.com which focuses on the Spanish market is live and an increased marketing drive will take place in the second half of the year.

KPI Table

	H1 2008	**H1 2007**	**change**	**H2 2007**	**change**
Daily Revenue €'000					
Casino	108	115	(6)%	97	12%
Poker	15	8	87%	10	50%
Sports	19	–	n/a	9	117%
Total	**142**	**123**	15%	**116**	23%
New Funded players	134	119	13%	128	5%

Legislative Review

The German Interstate Treaty was passed in January 2008. Gaming VC reiterates the belief that the Treaty contradicts EU law. Gaming VC operates its German business under a valid EU licence from Malta and continues to conform to EU law.

Financial performance

For the six months ended 30 June 2008, the Group increased gross profit by 30% to €21.1 million (H1 2007: €16.3 million) with the margin increasing slightly to 80%. Group EBITDA increased 7% to €10.6 million (H1 2007: €10.0 million) resulting in profit before tax up 23% to €10.6 million (H1 2007: €8.5 million).

The improved financial performance over the first six months of 2008 has primarily been achieved through the additional revenue from our sportsbook which was launched in the second half of 2007, and a shift in the Group's focus to customer retention from marketing for new customer growth through direct mail which continued until May 2007.

In the six months to 30 June 2008 there were no significant one-off jackpot winners in the Group's slot machine games with associated 'progressive' jackpots. The total of the available jackpots at the end of June 2008 was €3.8 million (30 June 2007: €3.1 million) with the largest individual jackpot being €1.7 million (30 June 2007: €1.6 million).

The Group's operating profit for the six months to 30 June 2008 was €10.3 million (H1 2007: €8.5 million) after the deduction of distribution and administrative expenses.

Distribution costs of €5.7 million (H1 2007: €3.2 million) represent the third party marketing costs incurred by the Group to recruit active customers. The majority of costs in 2008 have been incurred through the increased use of affiliate networks rather than direct mail campaigns, which represented about €2.1 million of the 2007 costs but were stopped in May 2007. In 2008, approximately €2.8 million of the distribution costs related to the sportsbook, €2.0 million to casino and €0.8 million to poker.

The major items within the administrative expenses incurred (excluding amortisation) during the first half of 2008 are detailed below:

	6 month period ended 30 June 2008 €'000	6 month period ended 30 June 2007 €'000
Direct employment costs	**2,634**	958
Share options charge	**275**	430
Legal, accounting and tax	**892**	1,068
All other costs	**994**	661
Total administrative expenses	**4,795**	3,117

The increase in employment costs represents the change from contracted direct mail to affiliate management, additional staffing of the sportsbook operation and the strengthening of the back room compliance services in Malta. The overall administration costs are expected to increase slightly in the second half of the year with the opening of an in-house customer service centre for Casino Club in July 2008. However, there will be some benefits experienced in reduced outsource fees in the cost of sales. Overall, moving the function in-house is expected to improve the customer retention levels over the next year.

The amortisation of intangible assets in the six month period was €0.17 million (H1 2007: €1.4 million) The economic value of the majority of amortisable intangible assets acquired on the purchase of the Casino Club business in December 2004 has now been depleted and the ongoing charge is expected to be at a similar level to the first six months of 2008.

In the reporting period, the Group generated cash of €10.6 million (H1 2007: €9.3 million) from operating activities. After payment of the 2007 final dividend of €6.1 million during the period, the Group's closing cash balance at 30 June 2008 was €18.6 million (2006: €12.7 million).

Dividend

The core business continues to be cash generative and the policy continues that capital which cannot be effectively redeployed within the group will be returned to shareholders. The Board has today declared an interim dividend of €0.20 per share (H1 2007: €0.20) payable on 31 October 2008 to shareholders on the Register at the close of business on 10 October 2008.

Outlook

Trading volumes and margins in the third quarter continue to be in line with market expectations. With the experienced management team we now have in place, we are confident the Group can continue to deliver growth in terms of profitability and expansion of the business outside of our core German casino business.

Kenneth Alexander
Chief Executive

Lee Feldman
Chairman

18 September 2008

AUDITORS REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

KPMG Audit
9, Allée Scheffer
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

To the Shareholders of
Gaming VC Holdings S.A.

AUDITORS REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Gaming VC Holdings S.A. and its subsidiaries (the "Group") as at 30 June 2008 and the related condensed consolidated statements of income, recognized income and expense and cash flows for the six-month period then ended (the "condensed consolidated interim financial information"). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial information ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, 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 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 accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Luxembourg, 17 September 2008

KPMG Audit S.à r.l.
Réviseurs d'entreprises

Ph. Meyer

Condensed consolidated interim income statement

For the period ended 30 June 2008

In thousands of euro	**6 month period ended 30 June 2008 (Unaudited)**	6 month period ended 30 June 2007 (Unaudited)	Year ended 31 December 2007 (Audited)
Revenue	**26,315**	22,001	42,707
Cost of Sales	**(5,214)**	(5,707)	(10,538)
Gross profit	**21,101**	16,294	32,169
Net operating expenses (including share option charges)	**(10,770)**	(7,811)	(15,665)
Operating profit before share option charge	**10,607**	8,913	17,319
Share option charge	**(276)**	(430)	(815)
Operating profit before financing	**10,331**	8,483	16,504
EBITDA	**10,639**	9,970	19,480
Depreciation	**(136)**	(17)	(57)
Amortisation	**(172)**	(1,470)	(2,919)
Financial income	**261**	200	459
Financial expense	**(55)**	(139)	(332)
Net financing income	**206**	61	127
Profit before Tax	**10,537**	8,544	16,631
Income tax expense	**(218)**	–	11
Profit for the period/year	**10,319**	8,544	16,642
Profit per ordinary share			
Basic earnings per share (euro)	**0.33**	0.27	0.534
Diluted earnings per share (euro)	**0.32**	0.27	0.534

Condensed consolidated interim statement of recognised income and expense

For the period ended 30 June 2008

In thousands of euro	**6 month period ended 30 June 2008**	6 month period ended 30 June 2007	Year ended 31 December 2007
Profit and total recognised income and expense for the period/year	**10,319**	8,544	16,642

Condensed consolidated interim balance sheet

As at 30 June 2008

In thousands of euro	**30 June 2008 (Unaudited)**	30 June 2007 (Unaudited)	31 December 2007 (Audited)
Assets			
Property, plant and equipment	**1,469**	–	521
Intangible assets	**56,370**	57,078	55,724
Deferred tax asset	**11**	–	11
Total non-current assets	**57,850**	57,078	56,256
Trade receivables	**3,630**	2,746	3,021
Other receivables and prepayments	**2,034**	336	1,274
Cash and cash equivalents	**18,610**	12,658	15,859
Total current assets	**24,274**	15,740	20,154
Total assets	**82,124**	72,818	76,410
Equity			
Issued share capital	**38,608**	38,608	38,608
Share premium	**13,832**	51,977	51,977
Retained earnings	**23,890**	(20,878)	(18,623)
Total equity attributable to equity holders of the parent	**76,330**	69,707	71,962
Liabilities			
Income tax payable	**236**	18	18
Trade and other payables	**2,125**	776	1,538
Accrued expenses	**3,433**	1,345	2,892
Withholding tax on dividends	**–**	972	–
Total current liabilities	**5,794**	3,111	4,448
Total liabilities	**5,794**	3,111	4,448
Total equity and liabilities	**82,124**	72,818	76,410

Condensed consolidated interim statement of cashflows

For the period ended 30 June 2008

In thousands of euro	**6 month period ended 30 June 2008 (Unaudited)**	6 month period ended 30 June 2007 (Unaudited)	Year ended 31 December 2007 (Audited)
Cash flows from operating activities			
Cash receipts from customers	**26,333**	21,109	41,578
Cash paid to suppliers and employees	**(15,779)**	(11,789)	(22,545)
Net cash from operating activities	**10,554**	9,320	19,033
Cash flows from investing activities			
Interest received	**261**	200	459
Disposal of equipment	**–**	–	40
Acquisition of property, plant and equipment	**(1,085)**	–	(562)
Acquisition of intellectual property	**(818)**	–	(95)
Net cash from investing activities	**(1,642)**	200	(158)
Cash flows from financing activities			
Dividend paid	**(6,147)**	(6,179)	(12,176)
Net cash from financing activities	**(6,147)**	(6,179)	(12,176)
Net increase in cash and cash equivalents	**2,765**	3,341	6,699
Cash and cash equivalents at beginning of the period/year	**15,859**	9,407	9,407
Effect of exchange rate fluctuations on cash held	**(14)**	(90)	(247)
Cash and cash equivalents at end of the period/year	**18,610**	12,658	15,859

Notes to the condensed consolidated interim financial information

Significant accounting policies

Gaming VC Holdings S.A. (the "Company") is a company registered in Luxembourg. These interim consolidated financial statements are presented in accordance with the requirements of IAS 34 Interim Financial Reporting. The Accounting polices used in the preparation of the interim financial statements comply with the International Financial Reporting strandards ("IFRS") as adopted by the European Union. They are consistent with those used in the annual financial statements for the year ended 31 December 2007.

The interim report contains the unaudited financial information of the Company and its subsidiaries (together referred to as the "Group") for the 6 months ended 30 June 2008.

The condensed consolidated interim financial information was authorised for issue by the Directors on 17 September 2008.

These interim financial statements should be read in conjunction with the 2007 consolidated financial statements.

1 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments.

Business segments

Based on risks and returns and transacting with customers, the management considers that the Group's primary reporting format is by following three business segments:

- Casino;
- Poker;
- Sports Betting.

Following the acquisition of new operating licences in the second half year 2007 and the expectation of additional licences being acquired in 2008 the management reporting now places more emphasis on vertical product groups and majority of distribution costs being allocated on an activity basis to each business segment. The 2007 data has been restated on a consistent basis.

Unallocated corporate expenses, assets and liabilities relate to the entity as a whole and cannot be allocated to individual segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

Period ended 30 June 2008	**Casino**	**Poker**	**Sports Betting**	**Unallocated Corporate**	**Consolidated**
In thousands of euro					
Revenue	19,884	3,109	3,322	–	26,315
Gross Profit	15,970	2,039	3,092	–	21,101
Distribution Costs	2,024	804	2,838	–	5,666
Administrative expenses	–	–	304	4,491	4,795
Profit Before Tax	13,946	1,235	(50)	(4,594)	10,537
Segmental assets	58,219	211	3,084	20,610	82,124
Capital Expenditure	728	16	708	451	1,903

Period ended 30 June 2007	Casino	Poker	Sports Betting	Unallocated Corporate	Consolidated
In thousands of euro					
Revenue	20,480	1,521	–	–	22,001
Gross Profit	15,280	1,014	–	–	16,294
Distribution costs	2,757	383	–	67	3,207
Administrative expenses	–	–	–	3,117	3,117
Profit Before Tax	12,523	631	–	(4,610)	8,544
Segmental assets	59,670	177	–	12,971	72,818
Capital Expenditure	–	–	–	–	–

Geographical analysis of net revenue based on location of customer

Period ended	30 June 08 €'000		30 June 07 €'000	
Germany	**15,902**	**60.4%**	17,381	79%
Italy	**6,683**	**25.4%**	–	0.0%
Austria	**2,249**	**8.6%**	3,256	14.8%
Other	**1,481**	**5.6%**	1,364	6.2%
Total Revenue	**26,315**	**100%**	22,001	100%

Non current assets within Luxembourg total €Nil (2008: €Nil) and non-current assets in other locations total €57.8 million (June 2007: €57 million).

All segments are continuing operations.

2 Taxation

The group has been structured to provide maximum earnings efficiency through the use of advantageous tax treaties between countries where the Group has established legal entities. The result of this structuring is a tax charge of €218,000 in H1 2008 and €Nil in H1 2007. The Group periodically reviews all of the relevant and controlling tax regulations to optimise the available benefits. A Group effective tax charge of less than 10% of net profit is envisaged to continue for the foreseeable future.

3 Dividends

The total dividend for the year 2007 amounts to €0.40, €0.20 was already declared and paid as an interim dividend as at 31 December 2007. The final dividend in respect of the financial year 2007 of €0.20 per share was declared by the Annual General Meeting held on 20 May 2008 and paid on 30 May 2008.

4 Earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of €10,319,000 (2007 interim: profit of €8,544,000; full year: profit of €16,641,810) and on a weighted average number of ordinary shares in issue during the period, which totalled 31,135,762 (2007 interim: 31,135,762; full year: 31,135,762).

The calculation of diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of €10,319,000 (2007 interim: profit of €8,544,000; full year: profit of €16,641,810) and on a weighted average number of ordinary shares in issue during the period, which totalled 31,912,744 (2007 interim: 31,135,762; full year: 31,135,762).

5 Capital and reserves

Reconciliation of movement in capital and reserves

	Attributable to equity holders of the parent			
	Share Capital	**Share premium**	**Retained earnings**	**Total**
In thousands of euro				
Balance at 1 January 2007	38,608	57,926	(29,853)	66,681
Equity settled transactions net of tax	–	–	431	431
Dividend paid in period	–	(5,949)	–	(5,949)
Total recognised income and expense	–	–	8,544	8,544
Balance as at 30 June 2007	38,608	51,977	(20,878)	69,707
Balance at 1 July 2007	38,608	51,977	(20,878)	69,707
Equity settled transactions net of tax	–	–	384	384
Dividend paid in period	–	–	(6,227)	(6,227)
Total recognised income and expense	–	–	8,098	8,098
Balance at 31 December 2007	38,608	51,977	(18,623)	71,962
Balance at 1 January 2008	38,608	51,977	(18,623)	71,962
Equity settled transactions net of tax	–	–	276	276
Losses carried forward set-off to share premium	–	(38,145)	38,145	–
Dividend paid in period	–	–	(6,227)	(6,227)
Total recognised income and expense	–	–	10,319	10,319
Balance at 30 June 2008	38,608	13,832	23,890	76,330

At the AGM held on 20 May 2008 in Luxembourg shareholders agreed to write down the share premium reserve down by an equal amount to the historic retained losses.

6 Subsequent events

There have been no subsequent events between 30 June 2008 and the date of the signing of these accounts that merit inclusion.

ADVISERS

Registered Office:	73 Cote d'Eich L-1450 LUXEMBOURG
Nominated Adviser and Broker:	Arbuthnot Securities Limited Arbrthnot House 20 Ropemaker Street London EC24 9AR
Lawyers to the Company:	Loyens & Leoff 14, rue Edward Steichen L-2550 LUXEMBOURG
Auditors:	KPMG Audit S.a.r.l 9, allee Scheffer L-2520 LUXEMBOURG
Depositary:	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham KENT BR3 4TU