6 September 2005

PartyGaming Plc

Interim Results for the six months to 30 June 2005

Highlights

- Revenues up 81% to $437.4m (2004: $241.5m) reflecting continued strong growth in poker
- EBITDA before share option and IPO related expenses up 70% to $257.7m; EBITDA after share option and IPO related expenses of $195.4m (2004: $151.9m)
- Basic earnings per share before share option and IPO related expenses of 6.2 cents; basic earnings per share of 4.5 cents (2004: 3.6 cents)
- Operating cashflow up 67% to $270.9m (2004: $162.0m); net debt reduced by $231.2m to $119.5m in period
- Poker KPIs - strong growth in real money sign-ups (up 73%) and active player days (up 102%); 7% decline in yield per active player day to $17.8 (2004: $19.2)
- Casino KPIs – small increase in active player days; yield per active player day up 3% to $76.4

All references to "$" mean US dollars.

Commenting on the interim results, Richard Segal, Chief Executive, said:

"Following the successful IPO of the Group in June, we are delighted to be announcing our first set of interim results as a listed company. The Group's performance further demonstrates the strength of our brands, the quality of our gaming products and the financial attractions of our business model.

PartyGaming continues to enjoy strong positions in each of its core markets. As expected, whilst the online gaming market and poker in particular continues to show strong year on year growth, the rate of growth is continuing to moderate. As it does so, the Group will continue to adapt its marketing strategy and infrastructure to provide greater focus on customer retention and player value.

Looking forward, the Group's financial strength, strong market positions and scale provide a unique platform from which to grow the business through further international expansion, the development of new gaming products and additional distribution channels."

Details of an analyst presentation, live webcast and conference call taking place later today are provided at the end of this press release.

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OPERATING AND FINANCIAL REVIEW

Introduction

These are the Group's first set of interim results as a listed company since successfully completing the flotation of the Group's shares on the London Stock Exchange in June 2005. PartyGaming Plc is the world's leading online gaming company and operates PartyPoker.com, the world's largest online poker room, as well as other online gaming sites including StarluckCasino.com, PlanetLuck.com, PokerNOW.com and PartyBingo.com.

Results

During the first six months of 2005 the Group continued to deliver strong year on year growth. Overall Group revenues were up 81% and earnings before interest, tax, depreciation and amortisation ("EBITDA"), before share option and IPO related expenses, was up 70% over the same period in 2004.

The Group's PartyPoker network (including skins) continues to maintain its leadership of the global online poker market, despite increasing competitive pressures. In June 2005, the PartyPoker network had a 51% market share in ring games and a 40% market share in online tournaments[1]. PartyPoker was the driving force behind the Group's results, delivering an impressive financial performance with overall poker revenues up by 89% to $412.0m (2004: $217.5m). EBITDA before share option and IPO related expenses for the poker business increased by 76% to $244.9m (2004: $138.9m). Increased marketing activity and an increase in administration expenses due to the transition to a publicly listed company, meant that EBITDA margins (before share option and IPO related expenses) for poker during the first half were lower than the previous year at 59.4% (2004: 63.9%).

The casino business made steady but modest progress with revenues up 6% to $25.4m (2004: $24.0m) and EBITDA before share option and IPO related expenses up 3% to $13.7m (2004: $13.3m). With the management team having been focused until recently on meeting the high levels of demand in poker, the casino operation has yet to reap the benefits of having a greater level of management attention. This is expected to have a positive impact on the casino business' performance in the second half of 2005.

Business development

The successful flotation of the Company on the London Stock Exchange in June 2005 was a major step in the Group's evolution and one which has already brought with it some real commercial benefits in the form of a number of new business opportunities as well as an enhanced media profile.

The Group's continued success remains founded upon the three key pillars which remain the bedrock of its operations: marketing, systems and customer service.

Marketing

Following the flotation, the management team has increased its focus on delivering its stated strategy of consolidating its position in the US poker market as well as expanding its presence in a number of international markets including the UK, Scandinavia, Germany and Australia. During the period, the proportion of real money sign-ups on PartyPoker coming from countries outside the US increased from 10% to 19% in the period. Revenue growth in the US year on year was 77% compared with 2004 whilst outside the US it was 110%. As a result, the percentage of total revenue generated outside the US in the first half was 14% compared with 12% in the previous year.

With a detailed programme of international marketing campaigns already scheduled, the Board is confident that further progress can be made in continuing to grow the group's international revenues in the second half.

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[1] *PokerPulse*

Television advertising and sponsorship continue to be the Group's main marketing channel. The Group has excellent relationships with a number of the major commercial television networks in a number of key markets such as the US and the UK and is exploring what further opportunities there are to promote the Group's activities using television.

The Group has also invested significantly in a comprehensive data mining project which is beginning to provide a much greater insight into our players' trends and behaviour. This project is integral to the Group's strategy of increasing its focus on retention as part of our efforts to maximise lifetime player values.

Systems and product development

The real money casino gaming servers were successfully relocated from Canada to Gibraltar in February 2005. The Group intends to relocate its real money poker servers from Canada to Gibraltar as soon as the required telecommunications capacity and resilience are available, in accordance with the terms of its primary gaming licence.

The Group has continued to develop its technology and associated systems infrastructure. Constant development of the Group's systems, incorporating new features, systems upgrades and general improvements in the overall customer experience are key factors behind the Group's continued success. In poker, in addition to the introduction of high-limit tables in July 2005, work has accelerated on developing a number of new features to be launched during the fourth quarter such as "deal-making" in tournaments (allowing tournament finalists to agree to split the winnings rather than risk losing out altogether). Each of the new features seeks to enhance the overall customer experience and player loyalty. In casino, the Group has recently launched four new slot machines offering progressive jackpots with a prize pool of over $1m.

The availability of the Group's systems are critical to maintaining high levels of customer confidence in the Group's online gaming brands. The system availability improved during the period with PartyPoker available for 99.8% (2004: 99.1%) comprising planned downtime of 0.1% and unplanned downtime of just 0.1% (2004: 0.5%). Despite the relocation of the casino servers to Gibraltar during the period, planned downtime for the casino and bingo sites remained in line with last year at 0.5%, whilst unplanned downtime at the Group's casino and bingo sites was minimal at 0.1% (2004: 0.5%).

Customer service

The Group has continued to invest in developing its substantial customer service infrastructure and now has an additional 120 service operator workstations in the Group's business process outsourcing operation in Hyderabad, India which are ready for use as customer demand grows. The Group now has over 370 customer service operators providing customer support on a daily basis and in the six months to 30 June 2005 the Group had over 2 million contacts with PartyGaming customers of which 1.2 million were by phone and 0.8 million were by email. This compares with a total of 1.4 million contacts in the same period in 2004.

The Group was particularly pleased to have become one of only four online gaming operators to have been certified by Gamcare in the UK, recognising the strength and depth of the Group's systems and processes regarding responsible gaming. The Group's commitment to responsible gaming has been further enhanced by the establishment of an Ethics Committee of the Board.

Future business developments

As we look forward to 2006, the Group is planning a number of exciting new developments across a range of areas within the business. These include the launch of new gaming products with two new games; the launch of an integrated platform for all of the Group's gaming products with a common purse, allowing players to seamlessly move from poker to casino and bingo and vice versa (expected to take place during the first half of 2006); and a multi-lingual and a multi-currency offering (anticipated to be launched during the second half of 2006) to broaden the appeal of the Group's products internationally, supporting the continued expansion into a number of new geographic markets.

The Group plans to launch an integrated affiliate programme for a number of its brands under a new single affiliate brand: PartyPartners. Recognising the importance of affiliates as a valuable source of customer traffic, PartyPartners will combine a number of the Group's affiliate programmes making it easier for affiliates to promote a number of the PartyGaming brands using one account, with common reporting, systems and payment mechanisms. In particular it is hoped that, through PartyPartners, a number of existing PartyPoker affiliates will be encouraged to promote PartyBingo.com and PartyCasino.com when they are launched as part of an integrated platform during the first half of 2006.

During the first six months of 2005, income from "skins", or third party websites which utilise one of the Group's gaming platforms in return for a fee, represented approximately 3.6% of the Group's poker revenue (2004: 2.3%). Skins were originally put in place to help drive traffic and build liquidity for the Group's poker and casino sites. The Group believes that this is no longer optimal and therefore no new skins are expected to be added to the existing poker network.

The Group continues to believe that there are exciting opportunities for each of its existing online games, as well as for new products and new distribution channels such as wireless applications (e.g. mobile phones and personal digital assistants) and interactive television. Today, we are delighted to have announced an agreement with Cellectivity Limited, to rollout PartyGaming products on wireless applications within the UK market commencing with Starluck Casino (roulette and slots) in September 2005. PartyPoker is due to be rolled out shortly thereafter.

The Group continues to monitor the regulatory environment and developments that could have an impact on its business. These currently include progress of a possible bill to be introduced by Senator Kyl to the US Senate, the US Government reaction to the recent WTO ruling and the ongoing Casino City appeal.

Current trading and outlook

PartyGaming continues to enjoy strong positions in each of its core markets. As expected, whilst the online gaming market and poker in particular continues to show strong year on year growth, the rate of growth is continuing to moderate. As it does so, the Group will continue to adapt its marketing strategy with a greater focus on customer retention and player value.

The Group has started the second half with the volume of new sign-ups in line with expectations, an increased proportion of which are from outside the US. Retention rates and player yields continue to decline, albeit at rates that are greater than anticipated, as more casual players are attracted to the player pool.

Against a background of moderating market growth, Group revenues are expected to continue to show good year on year growth, although at rates lower than the substantial rates previously experienced. In addition, further increases in the proportion of player bonuses netted from revenue, are expected to contribute to reduced rates of revenue growth but with the benefit of correspondingly lower distribution expenses. The Group remains focused on driving revenues and controlling costs and the Board is confident of continued progress in the second half of 2005 and as a result is comfortable with the current consensus expectations for EBITDA (before share option charges and IPO related expenses) for the full year.

Looking further forward, the Group's financial strength, strong market positions and scale provide a unique platform from which to grow the business through further international expansion, the development of new gaming products, the introduction of a common purse and additional distribution channels.

Key performance indicators for the third quarter of 2005 will be announced on Friday 21 October 2005.

SUMMARY OF RESULTS

Six months to 30 June	Revenue		EBITDA before share option and IPO related expenses	
	2005	2004	2005	2004
	$m	$m	$m	$m
Poker	**412.0**	217.5	**244.9**	138.9
Casino	**25.4**	24.0	**13.7**	13.3
Unallocated			**(0.9)**	(0.3)
	437.4	241.5	**257.7**	151.9

Revenue was up 81% over the same period in 2004, driven by the growth in the Group's poker business which grew by 89%. The casino business grew revenue by 6%. EBITDA before share option and IPO related expenses increased by 70%, driven by strong growth in poker.

Reconciliation of EBITDA before share option and IPO related expenses to operating profit

Six months to 30 June	2005	2004
	$m	$m
EBITDA before share option and IPO related expenses	**257.7**	151.9
Depreciation	**(4.6)**	(2.0)
Share option charges	**(39.7)**	-
IPO related expenses	**(22.6)**	-
Operating profit	**190.8**	149.9
Basic earnings per share before share option and IPO related expenses (cents)	**6.2**	3.6
Basic earnings per share (cents)	**4.5**	3.6

Operating profit before share option charges and IPO related expenses was 69% ahead of 2004. The reduction in operating profit margin (before share option charges and IPO related expenses) to 57.9% (2004: 62.1%) reflected increased administration costs ahead of the Group's flotation on the London Stock Exchange as well as increased marketing expenses within the poker business. Share option and IPO related expenses totalled $62.3m in the period (2004: nil). The share option charge of $39.7m reflected the granting of nil-cost share options to the Group's workforce ahead of the flotation which took place on 30 June 2005.

Basic earnings per share before share option and IPO related expenses was 6.2 cents (2004: 3.6 cents), an increase of 72%. Basic earnings per share after share option and IPO related expenses was 4.5 cents, an increase of 25% over the prior year.

REVENUE

Revenue was up 81%, driven by the growth in the Group's poker business which grew by 89% over the comparable period in 2004. The casino business grew revenues by 6%. A breakdown of the two business segments, poker and casino is summarised below.

POKER

Six months to 30 June	**2005** **$m**	**2004** **$m**	*% change*
Net revenue from own sites	**397.3**	212.4	*87%*
Income from skins	**14.7**	5.1	*188%*
Net poker revenue	**412.0**	217.5	*89%*
EBITDA before share option and IPO related expenses	**244.9**	138.9	*76%*
Profit before tax, share option and IPO related expenses	**243.5**	138.2	*76%*

PartyPoker.com is the world's largest online poker room. With 415,633 active customers in June, revenue from customers playing on the site was up by 89% compared with the same period in 2004.

During June 2005, the PartyPoker network, including skins, had an average market share as measured by ring game revenue of approximately 51% (2004: 56%)[1]. Despite PartyPoker's strong market position, operating margins in the first half were lower than the previous year as a result of increased competition in a number of territories, a number of marketing initiatives aimed at expanding the Group's presence in new markets and increased administration expenses arising from the transition to becoming a public company.

The appeal of online poker has continued to grow as evidenced by the strong growth in both real money sign-ups and the number of active players. A summary of the key performance indicators of the business during the period is shown in the table below:

Key Performance Indicators

Three months to 30 June	**2005**	**2004**
Active Player Days	11,402,342	5,987,966
Daily average players	125,300	65,802
Yield per Active Player Day	$17.0	$18.7
New real money sign-ups	186,560	104,936
Unique active players during the period	630,539	304,868
Unique active players in June	417,533	207,369

Six months to 30 June	**2005**	**2004**
Active Player Days	22,343,683	11,054,312
Daily average players	123,446	60,738
Yield per Active Player Day	$17.8	$19.2
New real money sign-ups	400,668	231,774
Unique active players during the period	842,382	374,676
Unique active players in June	417,533	207,369

During the first half active player days doubled to over 22m (2004: 11m) with a record level of player activity during the first few months of the year, driven by strong growth in the level of new real money sign-ups; 214,108 were added during the first quarter. A more modest rate of growth in new real money sign-ups during the second quarter, reflecting the seasonal nature of the business, meant that

[1] *PokerPulse*

the record levels of activity seen in the first quarter were not sustained throughout the period, although the overall level of player activity remains twice that of the prior year. Subsequent to the period end, active player days for July and August in aggregate were 7,934,159.

Rates of attrition of new sign-ups in 2005 have continued to increase with 29.1% of the sign-ups in January 2005 remaining active in June 2005. Management believes that this trend has been driven by a combination of the continued strong growth in new sign-ups as well as an increase in the proportion of sign-ups which are more casual players, who play less often than our core players. Across all real money poker sign-ups to date, the average rate of attrition after six months is approximately 34.0% and after 12 months it is 31.2%.

Whilst the US remains the Group's largest market, the investment in marketing initiatives in a number of new territories, including the UK, has resulted in strong growth in the number of sign-ups outside the US which increased to 76,231 (2004: 22,693) or 19% of total sign ups (2004: 10%).

The rapid growth in new sign-ups, most of which are believed to have been more casual players, together with increasing competitive pressures which prompted an increase in the level of customer bonuses netted from revenue, meant that there was a consequent impact on yield per active player day which was down 7% compared with the same period in 2004 to $17.8 (2004: $19.2).

The number of unique active players has also continued to grow strongly, reaching 417,533 in June 2005 which was double that of the previous year. Of these, approximately 15% were outside the US (2004: 9%).

CASINO

Six months to 30 June	**2005 $m**	**2004 $m**	*% change*
Net casino revenue	**25.4**	**24.0**	*6%*
EBITDA before share option and IPO related expenses	**13.7**	13.3	*3%*
Profit before tax , share option and IPO related expenses	**13.4**	13.0	*3%*

The Group's principal online casino, StarluckCasino.com and online bingo business, PartyBingo.com, made steady progress in the first half. Revenues were up 6% on the previous year with a 18% increase year on year in the number of unique active players to 16,358 in June 2005. Whilst EBITDA margins (before share option and IPO related expenses) have been relatively stable, the business continues to be prone to short term fluctuations in margin, particularly when high value players are exceptionally active. Recent promotional activity where players exiting the PartyPoker site are being prompted to visit StarluckCasino has been particularly successful and as a result is being sustained into the second half. A reorganisation of the management structure took place during the period to ensure a greater level of management focus on the casino business and it is expected that these changes will begin to feed through into improved operational and financial performance during the second half.

A summary of the key performance indicators of the business during the second quarter and for the first six months is shown in the table below:

Key Performance Indicators

Three months to 30 June	**2005**	**2004**
Active Player Days	164,314	173,576
Daily active players	1,806	1,907
Yield per Active Player Day	$79.7	$66.5
New real money sign-ups	20,185	13,925
Unique active players during the period	26,823	25,551
Unique active players in June	16,358	13,874

Six months to 30 June	**2005**	**2004**
Active Player Days	333,078	325,630
Daily active players	1,840	1,789
Yield per Active Player Day	$76.4	$73.9
New real money sign-ups	34,489	30,169
Unique active players during the period	42,661	41,087
Unique active players in June	16,358	13,874

Activity levels on the casino site have been steady throughout the period with the prior year benefiting from one extra day, being a leap year. Overall the level of active player days showed a small increase compared with the prior year and the yield per active player day was up 3% to $76.4 (2004: $73.9).

Distribution costs

Six months to 30 June	**2005** **$m**	**2004** **$m**	*% change*
Customer acquisition and retention	**(52.0)**	(14.8)	*251%*
Affiliates	**(45.1)**	(19.5)	*131%*
Other customer bonuses (not netted from revenue)	**(5.9)**	(3.7)	*59%*
Customer bad debts	**(24.0)**	(16.4)	*46%*
Webhosting and technical services	**(3.8)**	(1.8)	*111%*
Total distribution costs	**(130.8)**	(56.2)	*133%*
Total distribution costs as % of revenue	***29.9%***	*23.3%*	

As mentioned above, the increasingly competitive nature of the poker market, which is now estimated to have over 300 poker rooms worldwide, meant that a substantial increase in the level of investment in a variety of marketing initiatives, in particular offline advertising campaigns and campaigns with our affiliates, were put in place during the first half. Whilst customer bad debts as well as other customer bonuses fell as a proportion of revenue, overall distribution costs increased to 29.9% of revenues (2004: 23.3%) in line with our expectations.

Overall, customer acquisition costs in poker (including bonuses which are netted from revenue) have continued to rise to $286 per new real money sign-up for non-affiliate sources which is 125% higher than during the same period last year.

Administration costs

Six months to 30 June	2005 $m	2004 $m	*% change*
Transaction fees	**(21.1)**	(12.8)	*66%*
Depreciation and amortisation	**(4.6)**	(2.0)	*130%*
Staff costs	**(13.9)**	(8.8)	*58%*
Other overheads	**(13.0)**	(11.5)	*13%*
	(52.6)	(35.1)	*50%*
Share option charges	**(39.7)**	-	
IPO related expenses	**(22.6)**	-	
Total administration costs	**(114.9)**	(35.1)	
Total administration costs as % of revenue	***26.3%***	*14.5%*	

Overall administration costs (excluding share option charges and IPO related expenses) increased by 50%. While transaction costs increased at a lower rate than revenue, increased staffing levels as well as a number of costs associated with the transition to becoming a listed company, meant that administration costs increased substantially to $114.9m (2004: $35.1m), although as a proportion of revenue (excluding share option and IPO related expenses), total administration costs were lower than last year at approximately 12.0% of revenues (2004: 14.5%). The growth in other overheads was partially mitigated by a payment processor bad debt in the prior year.

Share option charges

Prior to flotation, the founding shareholders established a share option plan for the benefit of the current and future workforce. Under the terms of the plan, the existing workforce were granted a number of nil-cost options to be satisfied by existing shares which had been gifted by the founding shareholders to a dedicated employee trust. As such, the exercise of these options will have no dilutive effect on new shareholders and will have no cash impact on the Company. International Financial Reporting Standards requires that the fair value of the options be amortised through the profit and loss account over the life of the options. As a result there is a non-cash charge of $39.7m (2004: nil) which has been included within the profit and loss account in the period.

IPO related expenses

Given that no new money was being raised for the Company, the IPO related expenses were apportioned between the selling shareholders and the Company based on contractual arrangements. The total IPO related expenses were $88.0m of which the Company incurred $22.6m (2004: nil).

Associates and joint ventures

Six months to 30 June	2005 $m	2004 $m
35% interest in a company incorporated in England & Wales	**(0.7)**	-

The Group acquired a 35% interest in the ordinary share capital of a company incorporated in England & Wales during the period. The Group's share of losses during the period totalled $0.7m (2004: nil).

Finance income and costs

Six months to 30 June	2005 $m	2004 $m
Interest payable and other charges	**(5.2)**	**(3.6)**
Interest receivable	**1.4**	**0.3**
	(3.8)	**(3.3)**

Net debt[1]

As at 30 June 2005, the Group had net debt of $119.5m, including shareholder loans totalling $25.0m. Prior to the IPO, the Group had repaid a total of $457.8m of outstanding shareholder loans and refinanced $200m of the balance with a revolving credit facility provided by Royal Bank of Scotland Plc and Barclays Capital. Since the period end the Group has repaid the balance of the outstanding shareholder loan. The margin on the revolving credit facility is 1% over LIBOR (or EURIBOR where relevant).

Taxation

The effective tax rate, before share option charges and IPO related expenses is 6.2% (2004 full year: 5.8%).

Dividend

As stated in the formal listing documents, no interim dividend is now being declared in respect of the period to 30 June 2005. The first dividend which is expected to be paid following the IPO is the final dividend to be paid in May 2006 in respect of the year ending 31 December 2005. This is expected to be an aggregate amount of approximately $200m, representing two thirds of the total dividend which would have been paid had the Company been listed since 1 January 2005.

Cashflow

Six months to 30 June	2005 $m	2004 $m
Cashflow from operations before movements in working capital	**235.1**	151.9
Working capital movements	**35.8**	10.1
Net cashflow from operating activities	**270.9**	162.0
Capital expenditure	**(24.1)**	(5.8)
Purchase of other assets	**(8.2)**	(5.8)
Investment in associated undertaking	**(1.9)**	-
Short term investments	**(19.0)**	-
Issue of shares	**-**	0.8
Net finance (cost) / income	**(5.5)**	0.3
Repayment of shareholder loans	**(457.8)**	(118.0)
Net proceeds from revolving credit facility	**197.8**	-
Cash inflow / (outflow)	**(47.8)**	33.5

Operating cashflow before movements in working capital of $235.1m (2004: $151.9m), was up 55% on the previous year, driven by strong profit growth. Positive movements in working capital of $35.8m

[1] *Net debt is defined as cash, cash equivalents and short term investments less shareholder loans and bank debt*

(2004: $10.1m) reflected efficient management of receivables and lower payment processing reserves, resulting in net cashflow from operations of $270.9m, an increase of 67% over the previous year.

During the period, $457.8m of outstanding shareholder loans were repaid.

Capital expenditure

Capital expenditure during the period was $24.1m (2004: $5.8m) and is analysed in more detail in the table below:

Six months to 30 June	**2005**	**2004**
	$m	**$m**
Poker	**5.3**	2.2
Casino	**0.3**	0.1
Corporate assets	**18.5**	3.5
Total	**24.1**	5.8

The substantial increase in capital expenditure year on year reflected a number of capital projects, the most significant of which was the relocation of both the real money casino and play money poker servers to Gibraltar and the implementation of a data warehousing solution. Other capital expenditures during the period included refitting of offices in Gibraltar, Hyderabad and London.

Purchase of other intangible assets

During the period the Group acquired certain intangible assets including the brand and customer database, of PokerNOW.com and PokerNOW.net and one of our larger affiliates.

Analyst Meeting, webcast and conference call details:

Tuesday 6 September 2005

There will be an analyst meeting for invited UK-based analysts at Chartered Accountants' Hall, One Moorgate Place, London EC2R 6EA, 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.partygaming.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.

In addition, there will be an interactive conference call for international investors and analysts starting at 2.30pm BST, details of which are set out below.

An interview with Richard Segal, Chief Executive, and Martin Weigold, Group Finance Director, in video/audio and text will also be available from 7.00am BST on 6 September 2005 on: http://www.PartyGaming.com and on http://www.cantos.com.

Dial-in details to listen to the analyst presentation:

Tuesday 6 September 2005

9.20 am	*Please call +44 (0)20 7365 1854 (UK)*
9.30 am	*Meeting starts*

A recording of the meeting will be available for a period of seven days from 7 September 2005. To access the recording please dial the following replay telephone number:

Replay telephone number	*+44(0)20 7784 1024 (UK)*
Replay Passcode:	*2409017#*

Conference call

Tuesday 6 September 2005

For international analysts and investors there will also be an opportunity to put questions to Richard Segal, Chief Executive, and Martin Weigold, Group Finance Director, by way of a conference call. The details of the call are as follows:

2.20 pm	*Please call +44(0)20 7365 1856 (UK)*
2.30 pm	*Conference call starts*

A recording of the conference call will be available for a period of seven days from 7 September 2005. To access the recording please dial the following replay telephone number:

Replay telephone number	*+44(0)20 7784 1024 (UK)*
Replay Passcode:	*7137846#*

All times are BST.

About PartyGaming Plc
Founded in 1997, PartyGaming Plc is the world's leading online gaming company and owns and operates PartyPoker.com, the world's largest online poker room. Other online gaming activities include casino, principally through StarluckCasino.com and also online bingo through PartyBingo.com.

Since 30 June 2005, PartyGaming Plc has been listed on The London Stock Exchange under the ticker: PRTY. In the year to 31 December 2004, the Group had revenues of $601.6m and generated earnings before interest, tax, depreciation and amortisation of $387.8m and profit before tax of $371.7m.

Regulated and licensed by the Government of Gibraltar, the Group has over 1,200 employees located in the head office and operations centre in Gibraltar, a business process outsourcing operation in Hyderabad, India and a marketing services subsidiary in London. The Group has customers in over 170 countries.

PartyPoker.com hosted over one billion hands of poker in 2004 and supports up to 80,000 people playing online at any one time.

Financial Information

Consolidated income statements

	Notes	**Six months ended 30 June 05 $m**	**Six months ended 30 June 04 $m**	**Year ended 31 Dec 04 $m**
Revenue – net gaming revenue	1	**437.4**	**241.5**	**601.6**
Other operating revenue/(expenses)		(0.9)	(0.3)	0.1
Administrative expenses				
▪ Other administrative expenses		(52.6)	(35.1)	(73.1)
▪ Share option charges		(39.7)	-	(3.2)
▪ IPO related expenses		(22.6)	-	-
Total administrative expenses		(114.9)	(35.1)	(76.3)
Distribution expenses		(130.8)	(56.2)	(142.2)
Profit from operating activities		**190.8**	**149.9**	**383.2**
Finance income	2	1.4	0.3	1.4
Finance costs	2	(5.2)	(3.6)	(12.9)
Share of loss of associate	7	(0.7)	-	-
Profit before tax		**186.3**	**146.6**	**371.7**
Tax	3	(15.3)	(8.5)	(21.6)
Profit after tax		171.0	138.1	350.1
Minority interest		-	(1.6)	(1.6)
Profit from ordinary activities attributable to equity holders of the parent		171.0	136.5	348.5
Basic earnings per share (cents)	4	4.5	3.6	9.2
Diluted earnings per share (cents)	4	4.5	3.6	9.2

All amounts relate to continuing activities.

Consolidated statement of changes in equity

	Notes	Six months ended 30 June 05 $m	Six months ended 30 June 04 $m	Year ended 31 Dec 04 $m
Exchange differences on translation of foreign operations		0.0	0.0	0.0
Net income/expense recognised directly in equity		-	-	-
Profit after tax for the period		171.0	138.1	350.1
Total recognised income and expense for the period		171.0	138.1	350.1
Attributable to:				
Equity holders of the parent	12	171.0	136.5	348.5
Minority interests		-	1.6	1.6
		171.0	138.1	350.1

Consolidated balance sheets

	Notes	Six months ended 30 June 05 $m	Six months ended 30 June 04 $m	Year ended 31 Dec 04 $m
Non-current assets				
Intangible assets		15.9	7.9	7.7
Property, plant and equipment	5	32.8	9.7	13.3
Investment in associates	7	1.2	-	-
		49.9	17.6	21.0
Current assets				
Trade and other receivables		143.2	75.0	107.8
Cash and cash equivalents		86.4	109.1	133.9
Short term investments		19.0	-	-
		248.6	184.1	241.7
Total assets		**298.5**	**201.7**	**262.7**
Current liabilities				
Bank overdrafts		(2.1)	(1.0)	(1.8)
Trade and other payables		(51.9)	(26.3)	(39.5)
Shareholder loans	9	(25.0)	(216.1)	(223.9)
Income tax payable		(56.5)	(15.2)	(28.0)
Client liabilities		(143.6)	(58.7)	(104.6)
Provisions	10	(10.6)	(5.4)	(4.7)
		(289.7)	**(322.7)**	**(402.5)**
Non-current liabilities				
Trade and other payables		(5.0)	(7.1)	(6.1)
Revolving credit facility	9	(197.8)	-	-
Shareholder loans	9	-	(491.9)	(258.9)
		(202.8)	(499.0)	(265.0)
Total liabilities		**(492.5)**	**(821.7)**	**(667.5)**
Total net liabilities		**(194.0)**	**(620.0)**	**(404.8)**
Equity				
Share capital	11	0.1	0.0	0.0
Share premium account	12	0.4	0.4	0.4
Share option reserve	12	42.9	-	3.2
Retained earnings	12	588.0	205.0	417.0
Other reserve	12	(825.4)	(825.4)	(825.4)
Equity attributable to equity holders of the parent		**(194.0)**	**(620.0)**	**(404.8)**

Consolidated statement of cashflows

	Six months ended 30 June 05 $m	Six months ended 30 June 04 $m	Year ended 31 Dec 04 $m
Profit before tax	186.3	146.6	371.7
Adjustments for:			
Amortisation of intangibles	-	0.1	0.3
Interest expense	5.2	3.6	12.9
Interest income	(1.4)	(0.3)	(1.4)
Depreciation of property, plant and equipment	4.6	1.9	4.3
Increase in share option reserve	39.7	-	3.2
Loss on investment in associate	0.7	-	-
Operating cashflows before movements in working capital and provisions	**235.1**	**151.9**	**391.0**
Increase in trade and other receivables	(35.6)	(21.8)	(54.6)
Increase in trade and other payables	67.0	28.4	89.9
Increase in provisions	5.9	3.5	2.8
Income taxes paid	(1.5)	-	-
Cash generated / (used) by working capital	35.8	10.1	38.1
Net cash from operating activities	**270.9**	**162.0**	**429.1**
Investing activities			
Purchases of property, plant and equipment	(24.1)	(5.8)	(11.9)
Purchases of intangible assets	(8.2)	-	-
Purchase of minority interest in subsidiary	-	(5.8)	(5.8)
Interest received	1.4	0.3	1.4
Purchase and cancellation of own shares	-	(0.1)	(2.0)
Investment in associated undertaking	(1.9)	-	-
Increase in short-term investments	(19.0)	-	-
Net cash used in investing activities	(51.8)	(11.4)	(18.3)
Financing activities			
Issue of shares	-	0.9	0.9
Interest paid	(6.9)	-	(11.0)
Proceeds from revolving credit facility	197.8	-	-
Repayment of shareholder loans	(457.8)	(118.0)	(343.2)
Net cash used in financing activities	(266.9)	(117.1)	(353.3)
Net increase/(decrease) in cash and cash equivalents	**(47.8)**	**33.5**	**57.5**
Cash and cash equivalents at beginning of period	132.1	74.6	74.6
Cash and cash equivalents at end of period	84.3	108.1	132.1

Notes to the consolidated financial information

Accounting policies

Basis of preparation

These results have been prepared on the basis of the accounting policies expected to be adopted in the Group's full year financial statements and are not expected to be significantly different to those set out in the Group's audited financial statements for the year ended 31 December 2004. The Financial Information has been prepared in accordance with International Financial Reporting Standards including International Accounting Standards (IASs) and interpretations, (collectively IFRS), published by the International Accounting Standards Board (IASB).

The financial information for the year ended 31 December 2004 is extracted from the Group's audited financial statements for the period ended 31 March 2005. The financial information included in this announcement is unaudited and does not comprise statutory accounts. Accounts for the period ended 31 March 2005, which were prepared under IFRS, received an unqualified audit report. Copies of these financial statements are available at the Company's website (www.partygaming.com) and in hard copy from its registered office.

Basis of accounting

The Financial Information has been prepared in accordance with those International Financial Reporting Standards including International Accounting Standards (IASs) and interpretations, (collectively IFRS), published by the International Accounting Standards Board (IASB) which are expected to have been endorsed in the Group's full year financial statements. These IFRS form the ISAB's "stable platform" which, subject to certain amendments to IAS 39 *Financial Instruments* and the endorsement of certain interpretations, have been endorsed for use in the EU by companies listed on a regulated market for accounting periods commencing on or after 1 January 2005. The Group has no transactions affected by the EU amendments to IAS 39 or the interpretations, which have not yet been endorsed by the EU. Accordingly, this Financial Information is prepared on the same basis as consolidated financial information that will be prepared by companies listed on an EU regulated market for accounting periods commencing on or after 1 January 2005.

The Financial Information has been prepared under the historical cost convention other than for the valuation of certain financial instruments.

The functional currency used in the preparation of this Financial Information is United States Dollars (USD) as is the presentation currency. The functional currency is the currency in which the parent company operates and it reflects the economic substance of the underlying events and circumstances of the Group. A small minority of Group companies operate in Pounds Sterling and Indian Rupees but the amounts involved are not material.

Assets, liabilities and expenses of the Group are translated from Pounds Sterling and Indian Rupees into USD as follows:

- assets and liabilities are translated at the closing rate existing at the balance sheet date;
- income and expenses are translated at the exchange rates existing at the dates of the transactions or at a rate that approximates the actual exchange rates;
- equity items other than the net profit or loss for the period that are included within retained earnings are translated at the closing rate existing at the balance sheet date; and
- any exchange differences arising from the above translations are recognised in the income statement.

Basis of consolidation

Subsidiaries are those companies controlled, directly or indirectly by PartyGaming Plc. Control exists where the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Except as noted below, subsidiaries are consolidated from the date of acquisition (i.e. the date on which control of the subsidiary effectively commences) to the date of disposal (i.e. the date on which control over the subsidiary effectively ceases).

Except as noted below, the Financial Information of subsidiaries is included in the consolidated Financial Information using the acquisition method of accounting. On the date of acquisition the assets and liabilities of the relevant subsidiaries are measured at their fair values. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Accounting for the Company's acquisition of the controlling interest in PartyGaming Holdings Limited

The Company's controlling interest in its directly held, wholly owned, subsidiary PartyGaming Holdings Limited (formerly Headwall Ventures Limited) was acquired through a transaction under common control, as defined in IFRS 3 *Business Combinations*. The directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This requires, *inter alia*, that where IFRS does not include guidance for a particular issue, the directors should also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the United States Financial Accounting Standards Board (FASB) has issued an accounting standard covering business combinations (FAS 141) that is similar in a number of respects to IFRS 3. Further there is currently a major project being run jointly by the IASB and FASB to converge IFRS and US GAAP.

In contrast to IFRS 3, FAS 141 does include, as an Appendix, limited accounting guidance for transactions under common control which, as with IFRS 3, are outside the scope of that accounting standard. The guidance contained in FAS 141 indicates that a form of accounting that is similar to pooling of interests accounting, which was previously set out in Accounting Principles Board (APB) Opinion 16, may be used when accounting for transactions under common control.

Having considered the requirements of IAS 8, and the guidance included within FAS 141, it is considered appropriate to use a form of accounting which is similar to pooling of interests when dealing with the transaction in which the Company acquired its controlling interest in PartyGaming Holdings Limited.

In consequence, the Financial Information for PartyGaming Plc reports the result of operations for the period as though the acquisition of its controlling interest through a transaction under common control had occurred at 1 January 2004. The effects of intercompany transactions have been eliminated in determining the results of operations for the period prior to the acquisition of the controlling interest, meaning that those results are on substantially the same basis as the results of operations for the period after the acquisition of the controlling interest.

Similarly, the consolidated balance sheets and other Financial Information have been presented as though the assets and liabilities of the combining entities had been transferred at 1 January 2004.

Associates

Where the Group has the power to exercise significant influence over (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and subject to impairment in the same way as goodwill arising on a business combination described below.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

Revenue

Revenue from online gaming, comprising poker, casino and 'white label/skins' (third party entities that use the Group's platform and certain services), is recognised in the accounting periods in which the gaming transactions occur.

Poker revenue represents the commission ("rake") charged or tournament entry fees where the player has concluded his participation in the tournament. Casino revenue represents net house win. Revenue in respect of 'white label/skin' arrangements is the net commission invoiced. Revenue is measured at the fair value of the consideration received or receivable and is net of certain promotional bonuses.

Interest income is recognised on an accruals basis.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or products or services within a particular economic environment (geographical segment) which are subject to risks and rewards that are different to those of other segments.

Taxation

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed for tax purposes and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computations of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The amount of the deferred tax provided is based on the expected manner of realisation on or settlement of the carrying amount, of the related assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.
Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes directly attributable costs incurred in bringing the asset to working condition for its intended use, including professional fees. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	- over length of lease
Plant, machinery, computer equipment	- 33% per annum
Fixtures, fittings, tools and equipment, vehicles	- 20% per annum

Where an item of property, plant or equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditure is capitalised where it is incurred to replace a component of an item of plant, property or equipment where that item is accounted for separately including major inspection and overhaul. All other subsequent expenditure is expensed as incurred, unless it increases the future economic benefits to be derived from that item of plant, property and equipment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets and liabilities of an acquired subsidiary, associate or jointly controlled entity.

For acquisitions where the agreement date is on or after 31 March 2004, goodwill is not amortised and is reviewed for impairment at least annually. Any impairment is recognised immediately in profit and loss and is not subsequently reversed. Goodwill arising on earlier acquisitions was being amortised over its estimated useful life of 20 years. In accordance with the transitional provisions of IFRS 3 *Business Combinations*, the unamortised balance of goodwill at 31 December 2004 has been frozen and reviewed for impairment, and will be reviewed for impairment at least annually.

Internally generated assets – research and development expenditure

Expenditure incurred on development activities, including the Group's software development, is capitalised only where the expenditure will lead to new or substantially improved products or processes, the products or processes are technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, labour and an appropriate proportion of overheads. All other development expenditure is expensed as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain the related intangible asset's current level of performance, is expensed as incurred.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

An impairment loss for goodwill is not reversed in a subsequent period unless:

- The impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur; and
- Subsequent external events have occurred that reverse the effect of that event.

Trade and other receivables

Trade and other receivables are stated at amortised cost less provision for impairment.

Cash and cash equivalents

Cash comprises cash in hand and balances with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. They include unrestricted short-term bank deposits originally purchased with maturities of three months or less.

Trade and other payables

Trade and other payables are stated at cost.

Share option charge

The Group has applied the requirements of IFRS 2 *Share-based Payments*. The Group issues equity settled share based payments to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period based on the Group's estimate of the shares that will eventually vest. Fair value is measured by use of a suitable option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Provisions

The Group recognises a provision in the balance sheet when it has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where time value is material, the amount of the related provision is calculated by discounting the cashflows at a pre-tax rate that reflects market assessments of the time value of money and any risks specific to the liability.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

1. Business and geographical segment information

For management purposes and transacting with customers, the Group is divided into the following two operating divisions:

- Poker; and
- Casino and Bingo.

These divisions are the basis on which the Group reports its primary segment information. Unallocated corporate expenses, assets and liabilities relate to the entity as a whole and cannot be allocated to individual segments.

Six months ended 30 June 2005	**Poker**	**Casino**	**Unallocated Corporate**	**Consolidated**
	$m	**$m**	**$m**	**$m**
Revenue	412.0	25.4	0.0	437.4
EBITDA pre share option charges and IPO related expenses	244.9	13.7	(0.9)	257.7
Profit before tax	243.5	13.4	(70.6)	186.3
Other information				
Capital additions	5.3	0.3	18.5	24.1
Depreciation and amortisation	1.4	0.3	2.9	4.6
Balance sheet				
Assets – tangible	7.6	1.3	23.9	32.8
Assets – intangible	15.9	-	-	15.9
Segment assets	109.0	11.4	129.4	249.8
Liabilities				
Segment liabilities	(165.6)	(6.0)	(320.9)	(492.5)
Impairment losses	22.0	2.1	-	24.1
Product development	0.0	0.0	0.0	0.0
Cashflows from operating activities	279.2	0.8	(9.1)	270.9
Cashflows from investing activities	(15.3)	(0.3)	(36.2)	(51.8)
Cashflows from financing activities	-	-	(266.9)	(266.9)

Six months ended 30 June 2004	Poker	Casino	Unallocated Corporate	Consolidated
	$m	$m	$m	$m
Revenue	217.5	24.0	-	241.5
EBITDA pre share option charges and IPO related expenses	138.9	13.3	(0.3).	151.9
Profit before tax	138.2	13.0	(4.6)	146.6
Other information				
Capital additions	2.2	0.1	3.5	5.8
Depreciation and amortisation	0.7	0.3	1.0	2.0
Balance sheet				
Assets – tangible	3.8	0.3	5.6	9.7
Assets – intangible	7.9	-	-	7.9
Segment assets	57.5	7.0	119.6	184.1
Liabilities				
Segment liabilities	(62.8)	(1.1)	(757.8)	(821.7)
Impairment losses	20.8	1.1	-	21.9
Product development	0.0	0.0	0.0	0.0
Cashflows from operating activities	145.4	8.9	7.7	162.0
Cashflows from investing activities	(8.0)	(0.1)	(3.3)	(11.4)
Cashflows from financing activities	-	-	(117.1)	(117.1)

Year ended 31 December 2004	Poker	Casino	Unallocated Corporate	Consolidated
	$m	$m	$m	$m
Revenue	553.0	48.6	-	601.6
EBITDA pre share option charges and IPO related expenses	361.9	29.0	0.1	391.0
Profit before tax	360.1	28.4	(16.8)	371.7
Other information				
Capital additions	3.0	1.4	7.5	11.9
Depreciation and amortisation	1.9	0.6	2.1	4.6
Balance sheet				
Assets – tangible	4.0	1.4	7.9	13.3
Assets – intangible	7.7	-	-	7.7
Segment assets	96.5	8.7	136.5	241.7
Liabilities				
Segment liabilities	(129.0)	(6.6)	(531.9)	(667.5)
Impairment losses	40.6	1.6	-	42.2
Product development	2.6	1.1	-	3.7
Cashflows from operating activities	392.5	28.8	7.8	429.1
Cashflows from investing activities	(10.7)	(1.4)	(6.2)	(18.3)
Cashflows from financing activities	(0.2)	-	(353.1)	(353.3)

Revenue by Geographical Segment

The following table provides an analysis of the Group's sales by geographical market.

	Six months ended 30 June 2005 $m	Six months ended 30 June 2004 $m	Year ended 31 December 2004 $m
USA	377.6	213.0	533.5
Europe	24.0	13.1	30.3
Canada	22.2	10.5	25.8
Rest of the world	13.6	4.9	12.0
Total revenue	**437.4**	**241.5**	**601.6**

2. Finance Income and costs

	Six months ended 30 June 2005 $m	Six months ended 30 June 2004 $m	Year ended 31 December 2004 $m
Interest payable	(5.2)	(3.6)	(12.9)
Interest on bank deposits	1.4	0.3	1.4
Net finance cost	(3.8)	(3.3)	(11.5)

3. Tax

	Six months ended 30 June 2005 $m	Six months ended 30 June 2004 $m	Year ended 31 December 2004 $m
Current tax expense for the period	15.3	8.5	21.6

During the period, the Group operated companies which were incorporated or domiciled in Gibraltar, India and the United Kingdom. The Group has tax exempt status in respect of its subsidiaries in Gibraltar (therefore paying minimal tax in that jurisdiction) and this exemption should be available until at least 31 December 2007, with extension very possible until 31 December 2010. The trading profits arising in the Indian subsidiary are not subject to corporate tax as they qualify for exemption until 31 March 2009. The Group has received indemnities from the Principal Shareholders in connection with certain potential historic corporate taxation liabilities. The Directors consider the likelihood of any such liability arising to be remote. Accordingly, neither a provision for any such potential taxation has been made, nor an asset recognised in respect of the indemnity.

The policy of the Group is to manage and operate each Group company in a way that is intended to ensure that it is resident for tax purposes only in the jurisdiction in which it is incorporated or domiciled and that it has no taxable permanent establishment or other taxable presence in any other jurisdiction. However, the rules governing the taxation of companies engaged in e-commerce activity are currently evolving in many countries, reflecting the relative immaturity of those rapidly growing markets. Accordingly, it is possible that the amount of tax which will eventually become payable may differ from the amount provided. In calculating the tax provision, in addition to any amounts due in respect of jurisdictions in which the Group is currently incorporated or domiciled, a provision has been made to cover the Directors' best estimates of potential additional taxation exposures which may arise.

The charge for the period can be reconciled to the profit per the income statement as follows:

	Six months ended 30 June 2005 $m	Six months ended 30 June 2004 $m	Year ended 31 December 2004 $m
Profit before tax	186.3	146.6	371.7
Tax at the weighted average tax rate of the Group being tax expense at effective tax rate for the period	15.3	8.5	21.6

There are no material deferred taxation balances arising within the Group for the period 1 January 2005 to 30 June 2005.

4. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	Six months ended 30 June 2005 $m	Six months ended 30 June 2004 $m	Year ended 31 December 2004 $m
Earnings for the purposes of basic and diluted earnings per share being profit from ordinary activities attributable to equity holders of the parent	171.0	136.5	348.5

In accordance with IAS 33, the weighted average number of shares for basic and diluted earnings per share takes into account the one to four ordinary share sub-division that occurred on 5 May 2005 and the number of shares which vested following flotation (see note 11).

Number of shares for basic earning per share	Six months ended 30 June 2005 Number m	Six months ended 30 June 2004 Number m	Year ended 31 December 2004 Number m
Number of shares in issue	4,000.0	4,000.0	4,000.0
Number of shares issued to the Employee Trust	(224.0)	(224.0)	(224.0)
Effect of shares which vested on 30 June, 2005	0.2		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,776.2	3,776.0	3,776.0

The shares held by the Employee Trust are accounted for as treasury shares.

In accordance with IAS 33, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive shares granted, which are not included in the number of shares for basic earnings per share above. Although the unvested potentially dilutive shares 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 shares have been included for the purpose of diluted EPS (see note 11).

Number of shares for diluted earning per share	Six months ended 30 June 2005 Number m	Six months ended 30 June 2004 Number m	Year ended 31 December 2004 Number m
Number of shares in issue	4,000.0	4,000.0	4,000.0
Number of shares issued to the Employee Trust	(224.0)	(224.0)	(224.0)
Effect of shares which vested on 30 June, 2005	0.2	-	-
Effect of potential dilutive vested and unvested shares	0.6	-	-
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,776.8	3,776.0	3,776.0

5. Property, plant and equipment

	Land and buildings $m	Plant, machinery and vehicles $m	Fixtures, fittings, tools and equipment $m	Total $m
Cost or valuation				
As at 30 June 2004	0.2	0.9	12.6	13.7
Additions	1.3	0.0	4.8	6.1
As at 31 December 2004	1.5	0.9	17.4	19.8
Additions	3.8	2.0	18.3	24.1
As at 30 June 2005	5.3	2.9	35.7	43.9
Depreciation and impairment losses				
As at 30 June 2004	0.0	0.3	3.7	4.0
Charge for the period	0.0	0.2	2.3	2.5
As at 31 December 2004	0.0	0.5	6.0	6.5
Charge for the period	0.2	0.3	4.1	4.6
As at 30 June 2005	0.2	0.8	10.1	11.1
Carrying amount				
As at 30 June 2004	0.2	0.6	8.9	9.7
As at 31 December 2004	1.5	0.4	11.4	13.3
As at 30 June 2005	5.1	2.1	25.6	32.8

6. Commitments for capital expenditure:

	As at 30 June 2005 $m	As at 30 June 2004 $m	As at 31 December 2004 $m
Contracted but not provided for	1.9	1.5	4.6

7. Investment in associates

The Group acquired a 35% interest in the ordinary share capital of a company incorporated in England and Wales, in the period ended 30 June 2005, for a cash consideration of $1.9m (this represents 35% of the voting rights). This is accounted for under the equity method. The Group's share of losses for the period ended 30 June 2005 was $0.7m, resulting in a carrying value of $1.2 million.

8. Short term investments

	As at 30 June 2005 $m	As at 30 June 2004 $m	As at 31 December 2004 $m
Cash on deposit for more than 3 months	19.0	-	-

9. Bank debt and shareholder loans

	As at 30 June 2005 $m	As at 30 June 2004 $m	As at 31 December 2004 $m
Current	25.0	216.1	223.9
Non-current	-	491.9	258.9
Total shareholder loans	25.0	708.0	482.8
Bank debt	197.8	-	-
Total bank debt and shareholder loans	222.8	708.0	482.8

10. Provisions

	As at 30 June 2005 $m	As at 30 June 2004 $m	As at 31 December 2004 $m
Provision at beginning of period	4.7	1.9	1.9
Additional net provision in period	5.9	3.5	2.8
Provision at end of period	10.6	5.4	4.7

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.

11. Share capital

	Issued $	Number (m)
Ordinary shares		
As at 30 June and 31 December 2004	40,800	408.0
Issued during the period ended 30 June 2005	53,600	536.0
As at 30 June 2005	94,400	944.0

Authorised share capital and significant terms and conditions

The total authorised number of shares comprises 5,000 million ordinary shares with a par value of 0.0015p. 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 share capital is shown on the basis that it has been in issue throughout the period. The following changes in share capital occurred during the period:

1. On 31 January 2005, the authorised share capital was increased from $50,000 to $100,000 divided into 1,000,000,000 ordinary shares of $0.0001 each.
2. On 7 February 2005, 536,000,000 ordinary shares of $0.0001 each were issued to acquire the controlling interest in PartyGaming Holdings Limited as. set out in the accounting policies.
3. On 5 May 2005, the authorised share capital of the Company of $100,000 divided into 1,000,000,000 ordinary shares of $0.0001 each was redenominated into £60,000 divided into 1,000,000,000 ordinary shares of 0.006p each. The authorised share capital of £60,000 divided into 1,000,000,000 ordinary shares of 0.006p each was then sub-divided into 4,000,000,000 ordinary shares of 0.0015p each.
4. On 26 May 2005, the authorised share capital was increased from £60,000 divided into 4,000,000,000 ordinary shares of 0.0015p each to £75,000 divided into 5,000,000,000 ordinary shares of 0.0015p each.
5. On 13 June 2005, 224,000,000 ordinary shares of 0.0015p each were issued conditional on flotation to the Employee Trust. The Trustee has waived all voting and dividend rights in respect of shares held by the Employee Trust.
6. A total of 146.7m ordinary shares of 0.0015p each were conditionally granted under the share option scheme. 29.4m shares vested on the flotation of the company of which 28.6m shares were exercised by employees at 30 June 2005.

12. Reserves

	Share premium $m	Retained earnings $m	Other reserves $m	Share option reserve $m
As at 1 July 2004	0.4	205.0	(825.4)	-
Profit from ordinary activities attributable to equity holders of the parent	-	212.0	-	-
Share option charges	-	-	-	3.2
As at 1 January 2005	0.4	417.0	(825.4)	3.2
Profit from ordinary activities attributable to equity holders of the parent	-	171.0	-	-
Share option charges	-	-	-	39.7
As at 30 June 2005	0.4	588.0	(825.4)	42.9

The other reserve of $825.4m is the amount arising from the application of accounting which is similar to the pooling of interests method, as set out in the accounting policies note. Under this method of accounting, the difference between the consideration for the controlling interest and the nominal value of the shares acquired is taken to other reserves on consolidation. As a result, the share capital reflects PartyGaming Plc's share capital and the retained earnings for each of the periods ended 30 June 2005 reflecting the cumulative profits as if the current group structure had always been in place.

13. Related parties

Relationships

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Anurag Dikshit, Ruth Parasol and Russ DeLeon are the ultimate controlling shareholders of the Group. During the period the controlling shareholders, and corporate entities controlled by controlling shareholders received aggregate remuneration in the form of consulting fees as follows:

	$m
Six months ended 30 June 2004	0.4
Year ended 31 December 2004	0.7
Six months ended 30 June 2005	0.1

Remuneration of key management personnel

Key management personnel 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 benefits of the Directors and key management personnel of the Group are set out below:

	$m
Six months ended 30 June 2004	2.3
Year ended 31 December 2004	5.2
Six months ended 30 June 2005	7.7

Transactions
The following aggregate balances were due to/(from) key management at each period end:

	As at 30 June 2005	As at 30 June 2004	As at 31 December 2004
	$m	$m	$m
Due to	0.6	0.6	1.8
Due from	0.0	0.0	0.0

The wife of a principal shareholder owns a property leased to the Group's Indian subsidiary. Rentals paid during the period were:

	$
Six months ended 30 June 2005	14,473
Year ended 31 December 2004	28,230

Additionally a security deposit in the sum of $13,800 has been paid.

On 29 April 2004, PartyGaming Holdings Limited acquired a 100% interest in ElectraWorks Ltd for a total consideration of $826.0m in a transaction under common control. The shareholders of ElectraWorks Ltd also ultimately owned PartyGaming Holdings Limited in similar proportions. The consideration was settled by way of cash of $118.0m and loans of $708.0m. The loans are payable in quarterly instalments by 29 April 2007 and bear compound interest at 3%. The loans are secured by way of a mortgage debenture over the assets of the Group. During the period to 30 June 2005, capital repayments to shareholders were made totalling $457.8m (year ended 31 December 2004 $343.2m) and interest charged of $5.1m (year ended 31 December 2004 $12.6m). This loan, along with any accrued interest was repaid in August 2005.

At 29 April 2004, PartyGaming Plc owned 43.2% of PartyGaming Holdings Limited. On 7 February 2005 PartyGaming Plc acquired the remaining interest through a transaction under common control (see Note 1).

The total IPO related expenses were $88.0m of which the Company incurred $22.6m (2004: nil). Given that no new money was being raised for the Company, the IPO related expenses were apportioned between the selling shareholders and the Company based on contractual arrangements.

One of the Group subsidiaries has leased an unfurnished property to the Group Finance Director at an annual lease rental of £36,000, which the directors believe is a fair rental value of the property.

Share option arrangements
Certain key management and certain directors were granted nil cost options under service contracts, which were formally granted under the Group's share option plan, (see note 14).

14. Share Option Charge

The Group has designed a Share Option Plan ("the Plan") as a reward and retention incentive for employees and self-employed consultants of the Group, including the executive directors (the "Participants"). Certain individuals have nil-cost option arrangements under their service contracts, which were formally granted under the Plan during the period. During the period, 146.7m options (including 40.0m options accounted for during the year 2004, in accordance with IAS) over the share capital were granted to Participants, representing 2.67% of the total issued share capital following the changes in the share capital set out in note 11. Each option takes the form of a right, exercisable at nil-cost, to acquire shares in the Company.

Options granted under the share option scheme during the period generally vest in instalments over a four to five year period, commencing on 30 June 2005.

	Six months ended 30 June 2005 Number m	Six months ended 30 June 2004 Number m	Year ended 31 December 2004 Number m
Outstanding at beginning of period	40.0	-	-
Options granted during the period	106.7	-	40.0
Exercised during the period	(28.6)	-	-
Outstanding at end of period	118.1	-	40.0
Exercisable at the end of period	0.8	-	-

Glossary

'active player days'	average active players multiplied by the number of days in the period
'affiliates'	third party online or offline marketers who drive traffic to PartyGaming's gaming sites for a flat fee or on a revenue share basis
'attrition'	The ratio of signups which are active during the period. The measure indicates retention profile of the players
'average active players'	the daily average number of players who contributed to positive rake in the period
'Company' or 'PartyGaming'	PartyGaming Plc
'EBITDA'	earnings before interest, tax, depreciation and amortisation
'Employee Trust'	the PartyGaming Plc Shares Trust, a discretionary share ownership trust established by the Company
'Group' or 'PartyGaming Group'	the Company and its consolidated subsidiaries and subsidiary undertakings from time to time or, prior to 7 February 2005, PartyGaming Holdings Limited (formerly Headwall Ventures Limited) and its consolidated subsidiaries and subsidiary undertakings
'IAS'	International Accounting Standards
'IFRS'	International Financial Reporting Standards
'KPIs'	Key Performance Indicators, such as active player days and yield per active player day
'liquidity'	the ability to offer a large and active pool of poker players
'PartyBingo'	www.partybingo.com, the Group's bingo website
'PartyPoker'	www.partypoker.com, the Group's poker website
'Principal Shareholders'	Anurag Dikshit (holding through Crystal Ventures Limited), James Russell DeLeon (holding through Cooch 1014 Limited), Ruth Monicka Parasol (holding through Cooch 1032 Limited) and Vikrant Bhargava (holding through Coral Ventures Limited), each of which was a promoter of the Company
'rake'	the money charged by PartyGaming for each poker hand played on its websites: the rake is a flat fee, currently between \$0.50 and \$3.00, that is taken from each pot after each hand
'real money sign ups'	new players who have registered and transferred funds to the Group
'Starluck Casino'	www.starluckcasino.com, the Group's principal casino website
'unique active player' or 'unique active real money player'	in relation to the Group's products is a player who generated revenue in the period
'yield per active player day'	revenue in the period divided by the number of active player days

Independent Review Report to PartyGaming Plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 set out on pages 14 to 33 of this document. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' responsibilities

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

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

BDO Stoy Hayward LLP
Chartered Accountants
Hatfield

6 September 2005