

CryptoLogic Inc.
2004 Third Quarter Results Conference Call
November 5, 2004

Operator: Good morning, ladies and gentlemen, and welcome to the CryptoLogic Third Quarter 2004 Financial Results conference call. I would like to turn the meeting over to Mr. Lewis Rose, President and Chief Executive Officer. Please go ahead, Mr. Rose.

Lewis Rose: Welcome, ladies and gentlemen. Thank you for joining us for CryptoLogic's third quarter conference call on this chilly Toronto morning. And remember that we love cold weather because it keeps people indoors. I'm Lewis Rose, President and Chief Executive Officer of CryptoLogic. With me today are Jenifer Cua, our Interim Chief Financial Officer, and Nancy Chan-Palmateer, our Director of Communications.

I'm very pleased to report that CryptoLogic delivered strong revenues, excellent earnings, and healthy cash flow in the third quarter of 2004.

CryptoLogic's revenue of \$15.6 million was up 43% over the same period a year ago and earnings were up 32% to \$2.9 million.

CryptoLogic's results demonstrate the benefits of a focused strategy. Indeed, our board approved a 67% increase in our quarterly cash dividend yesterday to \$0.05 per common share, reflecting our confidence in the financial strength and cash generation of our company.

Each quarter I've emphasized our three core strategies:

1. International diversification;
2. Market-oriented products; and
3. Regulatory leadership.

By sticking to these strategies - with a well-executed game plan - CryptoLogic continues to be one of the best bets in the industry.

Let me explain how this approach contributed to the excellent results of the third quarter.

CryptoLogic's strategy of **international diversification** continues on track. We were one of the first to target the European and UK Internet gaming markets, and it's clear that this foresight is paying off. Our licensees' revenues from overseas markets remains well diversified at more than 60% - up from over 55% in 2003 and 40% in 2002.

Europe remains our key geographic focus. We have earned market leadership by working with some of the world's biggest online gaming brands. The UK and continental Europe have now grown to account for more than 30% and 20% respectively of overall revenue.

Of course, investing in the right market is only one part of the strategy. You need to offer the right **market-oriented products** - our second core strategy. Let me update you on our continued efforts to offer the games people want to play.

While poker is the rising star, casino continues to be our "bread and butter". We will continue to invest in our core business to build our market strength in this major pillar of online gaming. That's why we launched six brand-new video slots this quarter, all linked to one progressive jackpot, which in turn has contributed to our Internet casino growth in the quarter.

Now, let's talk poker. As we all know, online poker is arguably the fastest-growing segment in the history of interactive gaming - and CryptoLogic has a great seat at the winning table.

In September, we launched a new version of our poker software with enhanced tournament capabilities that enable licensees to offer large-scale poker events with big prizes. Tournaments are a huge marketing draw. In fact, our poker licensees recently launched their first cross-licensee, land-based tournament - the Caribbean Poker Classic. Players qualify in a series of online tournaments for a chance to win a seat at the final championship event to be held in sunny St. Maarten on December 5 to 11 this year, with hundreds of thousands of dollars in prizes up for grabs.

Our efforts and increasing investment in poker are producing excellent returns:

- Online poker fees have tripled compared to the same quarter last year, and were up more than 55% over Q2 of 2004.

- Poker exceeded 20% of our third quarter revenue, ahead of our annual target of 15%.
- Our licensees' central poker room has now achieved a high of 4,000 players online at the same time. This is a more than doubling in simultaneous users over the last quarter.
- Players have registered from over 120 countries.
- And 400,000 hands of poker are dealt every day, and a total average cash pot of \$6 million is won daily.

As you can see, CryptoLogic has staked out a leading position in the online poker industry. Today, we power one of the top 5 revenue-producing poker rooms on the web. While the US market has dominated this \$1.5 billion industry, and rapidly growing market, we believe Europe is still in its infancy. With major UK branded licensees, CryptoLogic offers a strong hand in the global poker race.

CryptoLogic therefore continues to benefit from a diversified product offering in both our casino business, and the exploding arena of Internet poker.

Finally, let me update you on our third strategic initiative - **the regulatory landscape**.

As we've said consistently, CryptoLogic believes in a regulated approach for online gaming - for both the protection of players and the integrity and longevity of our industry. A regulated market is the best solution for the safe, secure and responsible use of this form of entertainment.

The legislative wheels continue to turn on both sides of the Atlantic.

In the United States, little has changed. Proposed legislation to restrict Internet gaming has stalled once again, and the legislators are currently in an election recess. There are a few weeks remaining in the current congressional calendar. If no law is passed in 2004, it'll be back to the drawing board next year.

The outcome is continued uncertainty - and further validation of CryptoLogic's European focus.

The UK, on the other hand, is on the verge of updating its gambling laws for its land-based gaming industry and for the first time, creating a world-leading centre for regulated Internet gambling. In October, the new UK Gambling Bill was introduced. This week, the legislation passed its second reading and now moves into committee. There remains considerable debate on the details of the bill, particularly relating to land-based issues, which could delay the process. Nonetheless, according to the schedule, the new law could be enacted as early as Spring of next year, license applications invited in 2006, and full operation by 2007.

As the UK contemplates and implements this new regulatory regime, CryptoLogic will benefit as one of the few providers with gaming software that has already passed the world's strictest regulatory standards.

We knew Europe would be the market of the future, and that poker would be the product of the future. That's why we invested in both - and our shareholders are starting to see the results. Given our growing revenue and financial strength, we believe that now is the time to invest for growth in both our core business and the rapidly expanding arena of poker.

In line with our previously announced strategic investment program, our priorities have focused on substantive enhancements of our game offerings, infrastructure, scalability, customer care, and back office systems - all aimed at strengthening our global leadership in the major segments of online gaming.

Before Jenifer speaks to our financials, I would like to advise you that we have reached a settlement regarding the outstanding issue related to the departure of our previous CFO, Jim Ryan.

Jim had been in employment discussions with another Internet gaming company. While the specific details of our agreement are confidential, all parties agree that Jim's post-employment obligations remain in force and that he cannot join the other party until January 2005. I believe the settlement serves the best interests of our shareholders.

I'll now turn the call over to Jenifer Cua, who will address our third quarter results.

Jenifer Cua: Good morning. I am pleased to report a strong third quarter for 2004. I remind you that all figures are in US dollars.

CryptoLogic continued to generate excellent top-line performance. Third quarter revenue was up 43% to \$15.6 million versus \$10.9 million last year. On a year-to-date basis, revenue increased 49% to \$45.8 million versus \$30.7 million in the same period of 2003.

Even though Q3 is seasonally the slowest period for online gaming, our strong results were attributed to a significant growth in our poker licensees. We also experienced solid performance in our online casino business due to the popularity of our expanded slot game portfolio.

Operating costs comprised software development and support costs that include all personnel, licensee support, customer service, and compliance-related expenditures. Operating costs were \$10.4 million in Q3 of this year, compared to \$6.7 million in the same 2003 quarter. For the first nine months of 2004, these costs were \$28.6 million versus \$18.8 million a year ago.

Increased expenditures continued to be directed at key areas of our business, as highlighted previously:

- expansion and enhancement of both our casino and poker offerings to drive revenue growth;
- expanding our infrastructure and scalability to service increased network and system demands, particularly to support growing traffic in our licensees' central poker room; and
- enhancing customer support, back-office processing and analytical tools to help licensees improve the effectiveness of their marketing.

As well, with a growing business comes growing transaction volumes. This naturally leads to increased processing fees that contributed to higher operating costs.

CryptoLogic's earnings remain strong. Q3 earnings rose 32% to \$2.9 million or \$0.21 per diluted share, up from \$2.2 million or \$0.17 a year ago. For the first nine months of 2004, earnings improved by 54% to \$9.9 million or \$0.73 per diluted share, compared to \$6.4 million or \$0.51 a year ago.

CryptoLogic continues to have an excellent financial position. At September 30, 2004, we had no debt. Total cash was \$77.1 million or \$5.68 per diluted share. Working capital rose to \$56.2 million or \$4.15 per diluted share.

Operating cash flow in Q3 2004 was \$2.2 million, versus \$9.9 million in the same quarter last year. The decline was due primarily to increased receivables in 2004 resulting from two licensees assuming responsibility for their own e-cash processing.

As part of our previously discussed investment plan, CryptoLogic has undertaken a major platform upgrade of our gaming offering and infrastructure, across multiple areas of our business. The cost of this major investment program is estimated at \$10 million. This includes operating costs, capital expenditures and capitalized software development costs. Approximately 70% of the total program will be invested this year, of which approximately \$5.0 million or 50% has been spent to date. Almost all of the remaining 30% balance will be invested in the first half of 2005. Approximately 15% of the total investment plan will be capitalized software development costs in 2004. This includes \$0.7 million capitalized in the current quarter.

Looking ahead, our focused strategy and investment initiatives are intended to reinforce our global position in both our core casino business, and the rapidly expanding online poker market.

Accordingly, we forecast fourth quarter revenue in the range of \$15.9-\$16.2 million, with earnings of \$2.9-\$3.1 million or \$0.21-\$0.23 per diluted share.

I will now turn the call back to Lewis.

Lewis Rose: Thank you, Jenifer. We are happy to take questions at this time.

Operator: Thank you. We will now begin the question and answer session. To place yourself into the question queue, please press *1 on your touch-tone phone. If you are using a speakerphone, please pick up your handset and then press *1. To withdraw your request, press *2. Please go ahead if you have any questions.

Your first question comes from Brian Kinstlinger, Sidoti & Company. Please go ahead.

Brian Kinstlinger: When I look at the poker business, it'd be hard to argue that things weren't great from the second quarter to the third quarter, and what's changed in your business at least from a software standpoint, is the new tournaments. In a seasonally weak quarter, how much did tournament play in terms of the upside to poker. Is it a meaningful number yet, that the tournaments are providing? And if not, when do you expect it to be a meaningful number that those tournaments add to the top line?

Lewis Rose: Tournaments obviously are an important part of the poker software offering. And tournaments help us in a number of respects. Obviously it attracts new players, but in addition, once a player falls out of the tournament, i.e., loses, he generally will continue to want to play and will often then start to play in the ring games or the regular games. The tournament results for us have increased substantially after the introduction of the multi-table table tournaments and the satellite tournaments.

Brian Kinstlinger: I understand they play games afterwards, but the actual tournament revenue is up substantially as well? Are you able to even see revenue like that?

Lewis Rose: Yes.

Brian Kinstlinger: We know there was some pricing pressure in William Hill. If I look into 2005, are there any of your major licensees up for renegotiation?

Lewis Rose: Yes. We have one customer whose license agreement expires in the first quarter of 2005.

Brian Kinstlinger: Is that a top five license?

Lewis Rose: It's the Ritz Club London Online.

Brian Kinstlinger: The Q4 guidance. The fourth quarter typically is your seasonally strongest quarter. With the momentum in poker, it seems poker alone could drive more revenue growth from the September quarter to the

December quarter. Are you looking for a down quarter in terms of your casino suite in this seasonally strong December quarter compared to September? Why are you looking for such small sequential growth?

Lewis Rose: Q3 was strong. We benefited from a series of new casino games as well the performance of poker. We're optimistic in terms of the growth of the poker industry. But having said that, we believe that those fourth quarter estimates are appropriate and realistic. You know, at the end of the day, we are forecasting record revenue for the next quarter. And while we continue to aim for strong performance, we're mindful that we continue to do so in a challenging and competitive environment. And we also are focused on ensuring that our investment program does deliver.

Brian Kinstlinger: Does your guidance suggest that both casino and poker are going to grow over the September quarter?

Lewis Rose: Yes.

Brian Kinstlinger: What is your outlook for poker for 2005? Obviously it's the high growth of your business, so I'm wondering, if we can expect a 200% or 300% year-over-year growth. How do you see it in terms of percentage of revenue by the end of 2005 and what's your outlook in terms of growth in that segment?

Lewis Rose: We're obviously optimistic that the poker industry will continue to grow. We have said that the US is the dominant arena for the poker industry today, and that Europe is in its infancy. We expect that Europe will continue to grow, perhaps even at a faster rate than the US. As far as our outlook is concerned, Brian, we provide guidance one quarter at a time, and that's been our practice, and at this point that's what we intend to stick to.

Brian Kinstlinger: What do you expect your tax rate to be in 2005?

Jenifer Cua: It's going to be between 15% to 17%.

Brian Kinstlinger: Obviously, you increased your dividend and that is one use of cash. Is the company looking at small tuck-under acquisitions and where you are in that process of maybe adding to some of your games or licensees or properties?

Lewis Rose: Brian, the use of our cash is a topic that we discuss at our quarterly board meetings with fervor, and we obviously look at the various options that would best enhance shareholder value, which include areas like special dividends, share buy-backs, increasing the dividend, acquisitions, future investments and so on. At this point our view is that we've undertaken a significant investment program and we've increased our regular quarterly dividends. We do believe that the industry is going to continue to consolidate. It's now approaching its ninth year on the casino side, we believe that we will see the opportunity for either tuck-under acquisitions or even larger-scale acquisitions. Clearly I'm not in a position to make any commitments about future acquisitions. But our view is that it's best to be in a position where you have ammunition to deal with opportunities as they arise, and we believe that having a strong financial position is the best place we could be when the opportunities do arise.

Brian Kinstlinger: In terms of Paradise Poker getting bought, I'm interested in what your thoughts were in terms of the acquisition price on profitability. And do you think that acquisition is increasing the prices of other acquisitions and how did you view that acquisition in terms of your market position?

Lewis Rose: We think that the acquisition is very good for the industry. We think it raises the profile of the value of a company that provides the gaming services to poker players. We believe that it, in our view highlights the under-valuation of CryptoLogic considerably. And we believe that it highlights the importance of having both European customers and the quality of licensees that we do, like William Hill, Betfair, the Ritz Club London Online, ukbetting and so on.

Paradise, as you know, is a very strong competitor, probably the number-three player in the total industry, and has grown in this last little while very rapidly. It was one of the early poker players, and garnered a very large share of the industry very early. Our view is that this is good for the industry. It reinforces the growth prospects for poker, and the importance of critical mass.

Brian Kinstlinger: OK. Thanks, guys.

Operator: Your next question comes from David Shore, Desjardins Securities. Please go ahead.

David Shore: Thanks, good morning.

Lewis Rose: Hi, David.

David Shore: Lewis, I'll ask my usual question about Asia, and if you could also highlight any initiatives on other games as you look out perhaps past poker.

Lewis Rose: As far as Asia, you ask the same question and unfortunately we have to give you the same answer. The Japanese business continues to grow, the Chinese business continues to prove to be very difficult, primarily because of the payment mechanism and the opportunity for players to participate because of the limitations of international credit cards. We're obviously continuing to explore actively a number of Asian payment solutions and we're optimistic that eventually, David, I'll be able to give you different news on China.

As far as other new products are concerned, we believe poker is in its infancy and that we still have tremendous opportunity in the poker category. As far as casino is concerned, we introduced six new video slots this past quarter, and we've released over 20 new themes and variations of the most popular casino games this year, particularly in the slots category. Most recently we've introduced a significant progressive slot jackpot - what we call the Rapid-Fire jackpot slot game - which included brand names like Northern Lights, Cash Caboose, Sirens, Doctor Love, Salsa, and Coral Cash. So we clearly are continuing to focus on growing the new games contributing to our casino business, while focusing on the growth of the poker industry. Because we believe that there is substantial growth yet in poker.

David Shore: And what about things like on the interactive TV side or mobile games?

Lewis Rose: On interactive TV, our view is still rather skeptical. We have seen, for example, William Hill in the UK launch an interactive TV channel. It's in its infancy, and we'll see how it develops. We're still concerned that the number of participants in a successful interactive TV program or in a wireless gaming endeavor are so great that the actual slice of the pie that we would get doesn't justify the investment. We speak consistently here at CryptoLogic about "return on effort", and while there may be a big pot at the end of the rainbow in the interactive TV industry, we'd rather focus on the cash flow

generation of the online gaming business that we understand today. We understand Internet gaming, we understand the economic model, and we understand the cash flow characteristics of the business.

As far as interactive TV is concerned and wireless is concerned, we believe that the cash cost investment would be high and so we're still rather skeptical about its viability in the short term.

As far as wireless is concerned, there has been more activity, particularly in the UK and Europe, and in our view, going to be a more immediate opportunity than TV. But nonetheless, we're very strongly focused on the investment program that we have internally here, and that is on poker and casino, scalability, infrastructure.

David Shore: OK. Lewis, any comment on the re-election of George W.?

Lewis Rose: Well, if you're a Republican, it's good news, and from our point of view, the more important aspect is not just who's the president, but really, who are the proponents of the key bill? As far as we can tell right now, it's still status quo because the balance of power remains unchanged in the White House, the House of Representatives and the Senate. But what looks likely is that, with a new term starting in January, any legislation would have to start from scratch. We've said many times loudly and clearly we're very much in favour of a regulated environment and we believe it's the right thing for the players, for the industry and stakeholders. It makes online gaming business transparent, and it provides an opportunity for the industry to grow and flourish in a regulated, license-controlled environment. So we will continue to monitor the situation in the US clearly and carefully. And at this point, the uncertainty does continue.

David Shore: Beyond the Ritz Club, when do your other major licensees' agreements expire?

Lewis Rose: There are some license agreements that expire and will need renewal towards the end of 2006, and then into 2008.

David Shore: OK. Thanks very much.

Operator: Your next question comes from Greg Harris, Canaccord Capital. Please go ahead.

Greg Harris: You mentioned earlier that you've got some expectations that we might see the European poker revenues accelerate a little bit faster than out of the US. Just to put that into perspective for us, can you give us some ideas of what sort of split you're seeing right now for your licensees' poker revenue by geography?

Lewis Rose: Poker, as you know, is at the moment very much a US game, and in our view, probably well over 80%, possibly even 85% of the industry is US in its nature. From our point of view, our focus has been on international brand name customers, and we've been successful in assisting them in growing their poker business. A bigger proportion of our revenues from poker come from European and international sources than overall as a company. We've said that now over 60% of our revenues are generated from our licensee revenues internationally. Closer to 70% of our poker business would be international.

Greg Harris: If we were looking at the casino market of the overall industry being around 50% coming from or being derived by Americans, whereas the poker industry could be somewhere up around 75% to 80% being derived through the US channel. Would that be similar to what it is that you're seeing? Or because of who your licensees are is it much more weighted towards that 50% level?

Lewis Rose: In our experience, closer to 70% would be international in scope because, as you correctly point out, the strength of the brand names of our licensees, like William Hill and Betfair, ukbetting, Littlewoods, Ritz Club are in the UK and Europe. So you know, we have a disproportionately high penetration of European business compared to the industry.

Greg Harris: OK, thanks. What are your thoughts right now on what the UK Gambling Bill that was proposed in the middle of October, will mean for you and potential new licensees coming into the marketplace? Obviously, with the caliber that you look at, there are very few potential licensees out there beyond those that you've already signed up. Will this open it up of having a major regulatory push, or having somebody as established as the UK, is this likely to bring in a new round of potential licensees for CryptoLogic?

Lewis Rose: We've always said that given our focus on "ROE" or "return on effort", we are going to focus on a fewer number of higher quality

international brand name licensees. That by definition restricts the target number of customers that we're focused on growing with, because we believe that they are the ones that are going to be successful in the long run. So it's those high-quality, brand name franchises.

But couple that with the fact that we have long supported regulation as the correct and preferred route for a safe, secure, responsible environment, with the fact that we are already regulated and certified in Alderney, and our gaming software has already been certified in the Isle of Man. So we have the experience of having gone through a regulated and certified environment. We're committed to the environment, we have been through the testing with flying colours, and we've focused on high-quality licensees. We believe that puts us in an enviable position when the UK market does complete its regulative regime and put the regulations in place.

In terms of providing us with opportunities for further licensees, the intention is to put us in a position where we are distinguished from others by having appropriate licensed and certified, regulated software. We're also a public company, which makes our shareholders, share ownership, shareholdings and financial statements all the more transparent.

Greg Harris: Thank you. With your estimates for Q4, what share count assumptions are you looking at with that? What's happened so far with the announced buy-back.

Jenifer Cua: The assumption to use is 13.7 million diluted shares.

Greg Harris: OK. Thanks, guys.

Operator: Your next question comes from Andrew Burnett, Numis Securities. Please go ahead.

Andrew Burnett: Good morning, Lewis.

Lewis Rose: Hi, Andrew.

Andrew Burnett: Lewis, three of the significant things that have changed in the industry since the last quarter you reported. Firstly, with respect to the withdrawal of Harrahs, their Lucky Me platform in the pay-to-play business. I wonder what initiatives you're seeing, if any, coming from the land-based industry into the virtual industry. Is that gathering pace, slowing down, possibly different by geography?

Secondly, you mentioned a little bit about regulation. I'm intrigued to know some of these mechanics in the final hours of the Patriot Bill amendment and the seeming shifting of interest groups that seem to appear then disappear at the eleventh hour vis-à-vis people like the AGA and NIGA. I wonder if you're detecting any shift in the landscape there as we go into the next session of Congress. Whether everybody's support is behind the whole of the industry, sports and casino included, or whether there's been any shifting around that'll keep in Vegas.

And thirdly, you've talked about the Paradise Poker deal and how you believe, as I do, that, it's a powerful testament to consolidation being the next phase in this industry's growth. How significant do you see your access to the equity markets through your listed paper as being a really key competitive advantage over the broadly private operators that you may come up against if you are looking at a meaningful acquisition further down the track?

Lewis Rose: Let me answer them, Andrew, in the order that you asked. As far as Harrah's is concerned, Harrah's is a very large, successful US-based casino operator that made a decision to enter the UK market, primarily targeting females on a subscription based soft gaming approach. They, as Andrew pointed out, have recently closed this site and withdrawn. We stayed away from that approach because we believe that the economic model that we have is the one that works. A subscription-based model is very difficult to be successful with and Harrah's, while it has a fantastic brand name in the US, has still to develop that in Europe and the UK.

The second question as far as the US, the shifting interest groups and the legislation and regulatory environment is concerned. Our view is that Internet gaming is here to stay. Internet gaming is not going anywhere. And as a result, people have realized with the growth of the Internet gaming industry, the stakes are much higher. Consequently, industry lobby groups, whether it be the casinos, the lotteries, the Indians, the land-based groups, NIGA or AGA - all have

substantial stakes to gain or lose as a result of legislation or regulation. So we will see continued increased sophistication of the lobby groups, which in turn means that the interests that need to be satisfied for legislation in the US to be accomplished is going to be very difficult.

I cannot guarantee that there's not going to be legislation or regulation in the United States. But what I can say is that the industry groups are committing more and more dollars to fund their particular specific interests. And so the lobbying is more sophisticated and therefore more diverse.

Andrew Burnett: The subtext of my second question was to put it more bluntly is the industry prepared to feed the sports betting websites to the lions, as it were, in order to give those who seek to prohibit something to have achieved, if indeed they are going to come back in a subsequent term of Congress.

Lewis Rose: And as you know, CryptoLogic is focused on the casino.

Andrew Burnett: Quite right.

Lewis Rose: We're in casino and poker. We do not offer or get involved in sports bet in any way in the United States, so my comments will be very much restricted to our interest in casino and poker. And from our point of view, there is no legislation in the US that currently prohibits casino and poker operations. Having said that, we believe very much in regulation, is the right answer. So there is an ongoing debate, I understand, between sports booking and casino. From our point of view, we've focused on casino, we've focused on poker, and that's what we think has been our prime distinction.

Let me answer the question on Paradise as well and the equity markets. Obviously being a public company gives us a number of advantages. We're listed on the London Stock Exchange, Nasdaq, and also on the Toronto Stock Exchange, which gives us three constituencies and investor pools. To the extent that one day to grow we need to finance a substantial acquisition, we will have three bases to approach, three major capital markets. From our point of view, that's really exciting and does provide us with a significant advantage.

Andrew Burnett: OK, just a supplementary on the growth that's come through in your actual poker business, how much of that growth was

contributed by the Betfair license year-on-year is making a first-time contribution to last quarter.

Lewis Rose: The Betfair business was introduced as a new poker licensee in May of 2004, and obviously for confidentiality reasons I cannot discuss, nor will I discuss their specific performance, but clearly I'm very proud of having Betfair as a customer and I suspect that if you speak to them that they'd be very happy with the poker business that they've generated to date.

Andrew Burnett: OK. Thank you very much.

Operator: Your next question comes from Aaron Brenner of Byrne Investments. Please go ahead.

Aaron Brenner: Poker is now about 20% of your revenue on the quarter. Do you have a goal for a balance between poker and casino?

Lewis Rose: Yes, Aaron. We have said that for 2004 our goal would be that poker would represent more than 15% of our combined consolidated revenues. And the good news is, of course, as we stand here today, 10, 11 months into the year, we've exceeded that goal. We've not yet established our goal for next year, but needless to say, it's going to be in excess of 20%.

Aaron Brenner: OK. Thanks very much.

Operator: Your next question comes from Bill Tyler, Sheffield Investments. Please go ahead.

Bill Tyler: Hi. Congratulations, gentlemen, on a fantastic quarter. In regards to the competitive landscape, I'm looking at other companies that are out there, certainly companies like Chartwell and Boss Media, who certainly have posted similar growth. How do you see them moving forward? And in terms of regulation, do you see this opening up a new avenue for many more players?

Lewis Rose: Let me field the competitive landscape first. There were a year ago over 1,800 online gaming sites. Our best view today is that that's down to something in the order 1,200, yet to be confirmed, and as a result we believe that with the increasing sophistication and variety of gaming offerings that

players can choose from, we're seeing consolidation in the industry. Therefore to focus on one or two specific competitors is not a fair reflection of the marketplace. You know, obviously Boss and Chartwell are both public companies, both very respectable competitors. Our view is that we have a very strong roster of blue chip international brand name customers that distinguishes us from the rest of the pack. We offer complete turnkey gaming solutions and we have an exceptional balance sheet. The focus of CryptoLogic very clearly is on casino and poker online. Some of the companies you've mentioned have turned their attention to other areas, including the video lottery terminals, lotteries per se, and a number of other specific portals and opportunities. Our view is that we will be successful if we stick to the business that we know best and we've been successful with, and we're investing in those core businesses of casino and poker online. We will continue to be profitable by doing so.

Bill Tyler: Thank you very much, gentlemen.

Operator: There are no further questions. I'll turn the call back to you.

Lewis Rose: Thank you very much.

I appreciate everybody joining us for the call today, and very happy to say that CryptoLogic continues its growth and will continue to do so going forward. I've been privileged to lead the CryptoLogic team for more than two years. In that time we've launched new products We've focused on a core group of world-leading customers that will generate the highest "return on effort". And we've grown our European presence.

We continue to offer the successful combination of "old-fashioned fundamentals" of profitability and cash generation in a growing "new online economy". Indeed, the recent increase of our quarterly dividend highlights our financial flexibility to offer the potential of a growth company while delivering positive yields to our shareholders.

These are exciting times with exciting prospects for CryptoLogic. We're the largest publicly traded software development company, servicing both the casino and poker markets - major segments in the online gaming industry offering vast market potential. With our talented and dedicated team, a focused strategy and investment in our future, we intend to expand our global leadership, realize our

growth plan, and deliver positive returns to shareholders in the months and years to come.

I wish you all a happy Guy Fawkes Day, and I look forward to our next quarterly update. Thank you.

Operator: This concludes today's conference call. Please disconnect your lines, and have a nice day.