

betandwin.com publishes numbers for Q3 & first nine months/2004

Notes

In compliance with the requirements of companies listed on the prime market of the Vienna Stock Exchange, with effect from the report for Q1 2003, BETandWIN.com Interactive Entertainment AG now publishes more detailed (unaudited) information, including a complete consolidated balance sheet, a consolidated income statement, a consolidated cash flow statement, and a consolidated statement of changes in shareholders' equity. This move is designed to significantly improve the quality and transparency of the interim financial reporting on the Group's assets and profitability. In order to ensure improved comparability with previous periods, betandwin now publishes selected key figures both in a „pro forma“ consolidated form and using the „at-equity“ method. However, the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in shareholders' equity are solely presented using the „at-equity“ method.

This report contains statements about possible future developments that have been made on the basis of the information currently available. These statements reflect the opinion of the Executive Board with respect to such future events, and should not be taken as a guarantee of future performance, since they entail risks and uncertainties that are difficult to predict. For many different reasons, actual events or circumstances may differ significantly from the assumptions on which such statements are made.

Highlights

Q3 2004 (pro-forma consolidated)

- New record quarterly turnover of almost EUR 222 million, up 154%
- Net winnings after commission and taxes of EUR 11.5 million more than doubled compared to Q3 2003, up 123% (despite favourable results for customers)
- EBITDA of EUR 1.1 million, up 21%
- 900,000 registered customers as of 30 September 2004

First nine months of 2004 (pro-forma consolidated)

- Turnover of over EUR 542 million doubled compared to same period the previous year, up 97% and 115%* respectively (first nine months of 2003 adjusted for third-party turnover)
- Net winnings after commission and taxes of EUR 32 million, up 90% and 131%* respectively (first nine months of 2003 adjusted for third-party turnover)
- 200,000 active sports betting customers in Q1-3 compared with 126,000 new active sports betting customers
- Liquid assets of EUR 29 million as of 30 September 2004 up 23%

Development of business in third quarter of 2004

New record quarterly turnover of almost EUR 222 million, up 154%

betandwin increased turnover from its betting and casino operations as well as lottery games to EUR 221.641 million after a turnover of EUR 87.249 million in the same period the previous year. (Note: further games were added to the soft games product portfolio in November 2004. Consequently, the former product area of lottery games is reported along with games like bingo under „Games“ with effect from the Q4 report.) This represents a rise in turnover of EUR 134.392 million, or 154%.

Mainly due to the successful acquisition and retention of new customers in connection with the 2004 European Soccer Championships, the development of turnover from betting operations totalled EUR 96.215 million, equivalent to an increase of EUR 63.962 million, or 198.3% (Q3 2003: EUR 32.253 million). Casino operations also developed satisfactorily, as did lottery games, which also reported record turnover. Turnover from casino operations totalled EUR 120.161 million (Q3 2003: EUR 53.866 million, up EUR 66.295 million, or 123.1%). Lottery games, on the other hand, generated net winnings of EUR 5.265 million (Q3 2003: EUR 1.130 million, up EUR 4.135 million, or 365.9%).

Net winnings after commission and taxes of EUR 11.5 million more than doubled compared to Q3 2003, up 123% (despite favourable results for customers)

Net winnings after commission and taxes from betting and casino operations as well as lottery games amounted to EUR 11.496 million in the third quarter of 2004 (Q3 2003: EUR 5.163 million, up EUR 6.333 million, or 122.7%).

From a bookmaker's perspective, the outcome of soccer matches at the end of the reporting period were disadvantageous, impacting net winnings after commission and taxes from betting operations during the period under review. During the last ten days of September, the qualifying rounds of international European soccer competitions such as the UEFA Champions League were frequently won by favourites. In the third quarter of 2004, net winnings after commission and taxes totalled EUR 7.833 million (Q3 2003: EUR 3.348 million, up EUR 4.485 million, or 134%).

Net winnings after commission and taxes from casino operations doubled compared to the same period the previous year to EUR 3.351 million (Q3 2003: EUR 1.690 million, up EUR 1.661 million, or 98.3%). Lottery games, on the other hand, generated net winnings of EUR 0.312 million (Q3 2003: EUR

0.125 million, up EUR 0.187 million, or 149.6%).

The net winnings margin after commission and taxes from betting and casino operations and lottery games was 5.2% (Q3 2003: 5.9%). Due to the customer friendly outcomes of certain soccer matches at the end of the reporting period, the net winnings margin after commission and taxes from betting operations declined to 8.1% (Q3 2003: 10.4%). The net winnings margin from casino operations was 2.8% (Q3 2003: 3.1%), that from lottery games 5.9% (Q3 2003: 11.1%). The decline in the net winnings margin after commission and taxes from lottery games was attributable to customer's different regional preferences. With an intensive marketing effort in the Scandinavian and Turkish markets, there was a steady increase in the number of players preferring lottery games, returning lower margins.

Revenues totalled EUR 12.390 million (Q3 2003: EUR 6.436 million; up EUR 5.954 million, or 92.5%). Apart from the above-mentioned net winnings after commission and taxes, they also include revenues from payment charges billed to customers, foreign currency gains, and revenues from online gaming offerings hosted and provided to third parties.

EBITDA of EUR 1.1 million, up 21%

As announced in the results for the first half of 2004, following the end of the European Soccer Championships marketing expenses were reduced as planned to around EUR 2.6 million on a quarterly basis. In line with the company's growth strategy, in the interests of gaining new customers EBITDA was deliberately expected to be negative in the second quarter of 2004, and was -EUR 1.563 million. Positive EBITDA of EUR 1.114 million was reported in the third quarter (Q3 2003: EUR 0.923 million, up EUR 0.191 million, or 20.7%).

EBIT amounted to -EUR 0.192 million (Q3 2003: EUR -0.127 million, down EUR 0.065 million, or 51.2%). Apart from an

increase in amortisation of goodwill for the acquisition in the second half of 2003 of Playit.com Ltd. and beteuropa.com (including all associated sites), depreciation was also up as a result of investment in new computer hardware (over 100 servers now ensure a high degree of reliability).

In line with the company's communicated strategy of growth, there were significant increases especially in the areas of marketing and human resources compared to the previous year, whilst the rise in other expenses was largely in proportion to the increased volume of business. In the third quarter of 2004 expenses for human resources, marketing and other expenses totalled EUR 11.276 million as against EUR 5.513 million in the same period the previous year. This represents an increase of EUR 5.763 million, or 104.5%.

Of this amount, personnel expenses rose by EUR 0.744 million, or 44.3%, to EUR 2.424 million (Q3 2003: EUR 1.680 million). As at the reporting date of 30 September 2004, the company employed 187 people, including freelancers (30 September 2003: 139 employees, up 48).

Against the background of the company's steadily growing betting offer – up to 4,500 bets a day are currently available – five additional staff joined the bookmaking team during the quarter now ended, for instance. Due to the ongoing process of regional expansion, the Customer Support department was also further enlarged. The steadily rising number of customers makes personnel investment in the area of risk management inevitable, and additional five employees joined the internal Security Department in Gibraltar.

Marketing expenses in the third quarter of 2004 totalled EUR 5.129 million as against EUR 1.663 million in the comparable period the previous year, an increase of EUR 3.466 million, or 208.4%. Following the end of the European Soccer Championships, there was a significant decline in marketing activities directly aimed at the acquisition of new customers.

In the quarter now ended the focus shifted to investments aimed at gaining new market share in the company's core target markets, such as Spain, and to activities designed to increase brand awareness. Priority will continue to be given to measures to rapidly establish betandwin as the leading online gaming brand.

Other expenses include expenses for bank charges, IT services, external odds calculation, consulting and investor relations, and increased to EUR 3.723 (Q3 2003: EUR 2.170 million, up EUR 1.553 million, or 71.6%). These increases were attributable largely to a rise in expenses directly proportional to the expanding volume of business. Expenses, such as variable licence fees for third-party software used and bank charges, for example, rose from EUR 0.370 million in the third quarter of 2003 to EUR 1.291 million, an increase of EUR 0.921 million, or 248.9%. Expenses for external odds calculation, information services and Internet data lines rose from EUR 0.302 million in the third quarter of 2003 to EUR 0.550 million, a rise of EUR 0.248 million, or 82.1%.

betandwin reported a quarterly profit before tax of EUR 0.089 million (Q3 2003: -EUR 0.047 million, up EUR 0.136 million). After taking minority interests into account, consolidated earnings after tax amounted to -EUR 0.666 million (Q3 2003: EUR -0.366 million, down EUR 0.300 million). Minority interests relate to third-party shares in the result – so-called earn-out agreements were made in connection with past investments/betandwin e.K. and acquisitions/Playit.com Ltd., beteurope.com.

900,000 registered customers as of 30 September 2004

Thanks to the satisfactory development of new user registrations in the third quarter, betandwin had a total of 899,061 registered customers as of 30 September 2004. The total number of registrations in the third quarter was 85,767 compared to 42,802 in Q3 2003, representing an increase of

42,965 registrations, or 100.4%.

The number of active sports betting customers in the third quarter of 2004 was 125,485 compared with 51,866 in Q3 2003. During the period under review, 39,555 new sports betting customers became active (Q3 2003: 22,023).

The number of sport bets was also up to 11,924,772 (Q3 2003: 5,052,182), an increase of 136%.

Development of business in the first nine months of 2004

Turnover of over EUR 542 million doubled compared to same period the previous year, up 97% and 115%* respectively (first nine months of 2003 adjusted for third-party turnover)

In the third quarter of 2004, betandwin reported a sharp increase in turnover from its betting and casino operations and lottery games to EUR 541.579 million after a turnover of EUR 274.527 million* in the first nine months of the previous year. This represents a rise in turnover of EUR 267.052 million, or 97.3%. Adjusted for third-party turnover* – turnover generated by distribution partners was also reported up until June 2003 – this meant that turnover was up EUR 290.047 million, or 115.3%.

In the first nine months of the year, turnover from betting operations totalled EUR 243.750 million (first nine months of 2003: EUR 115.977 million*, up EUR 127.773 million, or 110.2%). Adjusted for third-party turnover*, the increase in turnover was EUR 150.768 million, or 162.1%. Net winnings after commission and taxes from casino operations amounted to EUR 287.354 million (first nine months of 2003: EUR 155.507 million; up EUR 131.847 million, or 84.8%). The turnover for lottery games** was EUR 10.475 million.

(*) Up to and including June 2003, the key indicators reported included sports betting turnover/net winnings after commission and taxes from a contract with the distribution partner.

Turnover from sports betting generated by the distribution partner in the amount of EUR 23.0 million was reported in the previous period along with net winnings after commission and taxes of EUR 3.0 million.

(**) Lottery Games: A lottery-like product was added to the product portfolio in May 2003, initially as a pilot project. Due to the low volume of revenues generated by it, this was initially shown under casino operations, and has been separately reported only since Q3/2003.

Net winnings after commission and taxes of EUR 32 million, up 90% and 131%* respectively (first nine months of 2003 adjusted for third-party turnover)

Net winnings after commission and taxes from betting and casino operations as well as lottery games amounted to EUR 31.762 million in the first nine months of 2004 (first nine months of 2003: EUR 16.730 million*, up EUR 15.032 million, or 89.9%). Adjusted for third-party net winnings after commission and taxes*, this represented an increase of EUR 17.993 million, or 130.7%.

In the first nine months of the year, turnover from betting operations totalled EUR 23.209 million (first nine months of 2003: EUR 12.313 million*, up EUR 10.896 million, or 88.5%). Adjusted for third-party net winnings after commission and taxes*, this represented an increase of EUR 13.857 million, or 148.2%. Net winnings after commission and taxes from casino operations amounted to EUR 7.888 million (first nine months of 2003: EUR 4.386 million, up EUR 3.502 million, or 79.8%) and for lottery games** EUR 0.665 million.

The net winnings margin after commission and taxes from betting and casino operations and lottery games was 5.9% (first nine months of 2003: EUR 6.1% or 5.5% adjusted*). The net winnings margin after commission and taxes from betting operations was 9.5% (first nine months of 2003: 10.6%, or 9.8%

adjusted), that from casino operations 2.7% (first nine months of 2003: 2.8%), and that from lottery games** 6.3%.

Revenues totalled EUR 34.238 million (first nine months of 2003: EUR 19.068 million, up EUR 15.170 million, or 79.6%). Apart from the above-mentioned net winnings after commission and taxes, they also include revenues from payment charges passed on to customers, revenues from online gaming offerings hosted and provided to third-parties, and own work capitalized for software production.

EBITDA for the first nine months of 2004 amounted to EUR 2.225 million (first nine months of EUR 3.940 million, down EUR 1.715 million), with EBIT of -EUR 1.689 million (first nine months of 2003: EUR 0.522 million, down EUR 2.211 million).

Expenses for personnel, marketing and other expenses in the amount of EUR 32.013 million were in line with budget, increasing by EUR 16.885 million, or 111.6%, compared to the same period the previous year (first nine months of 2003 EUR 15.128 million).

Personnel expenses were up due to successive increases in manpower in line with the company's communicated strategy of growth, rising as budgeted to EUR 6.630 million, up EUR 1.943 million, or 41.5% (first nine months of 2003: EUR 4.687 million). Since the beginning of 2004, the number of employees including freelancers had increased by 43 persons by the reporting date of 30 September 2004.

Also in line with budget, marketing expenses in the first nine months of 2004 totalled EUR 16.224 million, as against EUR 4.631 million in the comparable period the previous year, an increase of EUR 11.593 million, or 250.3%.

Other expenses include expenses for bank charges, IT services, external odds calculation, consulting and investor relations, and increased to EUR 9.159 million (first nine months of 2003: EUR 5.810 million, up EUR 3.349 million, or 57.6%). Expenses

directly related to the expanding volume of business included EUR 2.723 million for bank charges, (first nine months of 2003: EUR 0.978 million, up EUR 1.745, or 178.4%) and EUR 1.662 million in expenses for external odds calculation, information services and Internet data lines (first nine months of 2003: EUR 0.830 million, up EUR 0.832 million, or 100.2%). As a result of the company's regional expansion, and partly due to the opening of sales offices, expenses for rent, leasing and licence fees increased to EUR 1.440 million, up EUR 0.455 million, or 46.2% from EUR 0.985 million in the first nine months of 2003. With a greater number of staff, an increased amount of travelling, also partly due to the company's regional expansion, was reflected in expenses in the amount of EUR 0.632 million (first nine months of 2003: EUR 0.447 million, up EUR 0.185 million, or 41.4%). betandwin reported a loss before tax for the period under review of EUR 1.083 million (first nine months of 2003: profit of EUR 1.200 million, down EUR 2.283 million). Consolidated earnings after tax amounted to -EUR 4.197 million (first nine months of 2003: -EUR 0.859 million, down EUR 3.338 million).

200,000 active sports betting customers in Q1-3 compared with 126,000 new active sports betting customers

In the first nine months of 2004 the number of new registrations grew to 253,380, as against 104,611 in the first nine months of 2003. This represents an increase of 148,769 registrations, or 142.2%.

At 201,247, the number of active sports betting customers almost trebled compared to the previous year (first nine months of 2003: 75,558). During the period under review, 125,603 sports betting customers became active for the first time (first nine months of 2003: 42,453).

The number of sport bets increased by 121.9% to 31,362,146 (first nine months of 2003: 14,136,381).

Liquid assets of EUR 29 million as of 30 September 2004 up 23%

Liquid assets including short-term securities totalled EUR 28.668 million as of 30 September 2004 as compared to EUR 23.402 million as per 30 September 2003 (up EUR 5.266 million, or 22.5%). Liquid assets were up EUR 0.508 million compared to 30 June 2004, an increase of 1.8%.

Outlook

During the coming quarters, betandwin will consistently pursue its strategy of charted growth. Based on the promising starting positions that it has already achieved in selected markets, the company intends to gain significant market share. Particular challenges will result from the fact that in some instances implementation of comprehensive market entry and expansion plans for the EU countries in individual markets will depend on the prevailing legal conditions and strategic multipliers.

Thanks to its market development work in recent years, betandwin will still be able to seize opportunities at comparatively low cost, though time pressure is increasing continuously. With the progressive liberalisation and ensuing harmonisation of legislation within the EU economic area, over the next few years it can be assumed that the marketing pressure from international competitors with considerable financial resources will also increase in betandwin's core target markets.

betandwin therefore not only aims to achieve market penetration in defined core target markets as fast as possible, but will also attempt to enter into long-term partnerships with advertising partners of strategic interest. As a consequence, the value of the company should rise continually to the benefit of all its shareholders by steady gains in market share, albeit at the expense of short-term profits.

By the year 2007, betandwin intends to have a market share of about five percent of the entire European online gaming market, and be the leading European online gaming brand.

European gaming market: possible effects of the „directive of the European Parliament and the European Council on services in the single market“

Initial situation: At the beginning of 2004 the European Commission submitted the draft of a directive for the European Parliament and the European Council on the provision in the single market. Against the background of harmonising the legal regulations of member countries, the directive stipulates that the country of origin principle also applies to games of chance (including lotteries and betting). This means that the providers of betting and lotteries are subject only to the legislation of their home country, and at the same time that member states are not permitted to restrict the provision of services by a service provider operating in another member state. However, under article 18 of this draft directive, lotteries and betting will temporarily be exempted from the country of origin principle. The exception will apply until such time as legislation for the harmonisation of lotteries and betting comes into effect.

When this temporary exception comes to an end, games of chance will be considered as a service like any other, something the national monopolies are bitterly trying to prevent. They are setting their hopes on the fact that „state casinos and lotteries are tax-generating enterprises which no minister of finance would like to do without,“ as the CEO of one European state monopoly recently put it. The European Betting Association has criticised this indirect increase in taxation under the pretext of protecting the people as a higher tax burden on every single online gamer that is not in the spirit of Europe's single market. The association's view has received support from Heinz Meyer, for instance, one of Austria's leading experts in constitutional law. During the course of a

symposium on the theme of „games of chance without borders“, he expressed the opinion that Brussels would give up its monopolistic attitude. According to information from the European Commission, the declared objective of the draft directive is to create an EU single market for services by the year 2010. The title of Heinz Meyer's paper was „dismantling the bureaucratic hurdles to competitiveness in Europe“.

Distribution channels

„Wireless“ – As already announced, betandwin significantly expanded its range of mobile live betting products in the quarter now ended. In addition to soccer, using any WAP-enabled mobile telephone customers can now also place live bets in sports ranging from Formula 1 motor racing and baseball to basketball, ice hockey, cycling, American football, motorcycling and motor rallies. Very soon it will also be possible to place bets on Alpine ski racing. In the meantime, playit customers also have the possibility to place mobile bets at wap.playit.com. SMS betting was introduced at the beginning of November, in Austria on the number 0900-500-700 and in Germany on 80008.

Product portfolio

The company has also steadily expanded its product portfolio. The multi-player poker application Poker Lounge is now also available on www.betandwin.com and www.beteurope.com (this person-to-person application had been available online as a pilot project on the www.playit.com platform since July 2004). The soft games sector has also been greatly expanded. In addition to the lottery-type game „Balls of fire“, the „games“ section also comprises five other games such as bingo, virtual horseracing and boxing. The soft games sector will be steadily expanded during the coming quarters, and will eventually comprise around 24 different games. A horseracing betting section and an area for person-to-person games of skill like backgammon and chess are currently at the design stage.

Regional expansion

Focus on Spain and Greece: Although betandwin has previously employed chiefly online marketing activities in Spain, additional print campaigns will be run in leading daily newspapers during the coming months, and a TV presence – mainly in the form of special advertising formats – will help the company to win new market share comparatively rapidly and generate brand awareness. In Greece, a mix of offline advertising and sponsoring activities during the coming months will help to rapidly expand betandwin's Greek customer base and accelerate brand building.

Participation in Betbull betting exchange

Betbull, a joint venture between betandwin and Columbia Exchange Systems Ltd. founded with a view to the establishment of a European betting exchange, has been listed on the Third Market of the Vienna Stock Exchange since 11 October 2004. Following the IPO, betandwin has held a shareholding of around 20 percent in the company, which has set itself the objective of becoming one of continental Europe's leading betting exchanges.