

# **:Q1/2004**

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**betandwin** group, the leading provider of online gaming products in Continental Europe, has set itself the goal of becoming the world's number one address for sports betting, gaming and entertainment on the Internet. Operating under licences issued in Austria, Germany, the United Kingdom and Gibraltar, the company's subsidiaries and affiliated companies offer sports betting, casino games and lottery-like products via Internet and mobile phone. BETandWIN.com Interactive Entertainment AG has been listed on the Vienna Stock Exchange since March 2000 (ID code "BWIN", Reuters ID code "BWIN.VI"). Further information about the company can be found on its investor relations website at [www.betandwin.ag](http://www.betandwin.ag).

You can expect exciting entertainment on the following websites:

[www.betandwin.com](http://www.betandwin.com), [www.playit.com](http://www.playit.com), [www.beteurope.com](http://www.beteurope.com), [www.sanalcasino.com](http://www.sanalcasino.com), [www.casinoturk.com](http://www.casinoturk.com), and [www.bahsegir.com](http://www.bahsegir.com).

# :NOTES - FIRST QUARTER OF 2004

## NOTES - FIRST QUARTER OF 2004

In compliance with the requirements for companies listed on the prime market of the Vienna Stock Exchange, with effect from its report for Q1 2003, BETandWIN.com Interactive Entertainment AG now publishes more detailed information. This includes 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 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 in 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 presented only using the at-equity method.

## HIGHLIGHTS (PRO-FORMA CONSOLIDATED)

- Record turnover of over EUR 136 million (Q1 2003: EUR 90 million; up 52%)
- Record net winnings of EUR 8.7 million (Q1 2003: EUR 5.8 million; up 51%)
- Record EBITDA of EUR 2.7 million (Q1 2003: EUR 1.5 million; up 76%)
- Liquid assets of EUR 27.8 million (31 December 2003: EUR 25.5 million; up 9%)

## DEVELOPMENT OF BUSINESS (PRO-FORMA CONSOLIDATED)

RECORD TURNOVER OF OVER EUR 136 MILLION (Q1 2003: EUR 90 MILLION; UP 52%)

**betandwin** increased turnover from its betting and casino operations as well as lottery games to EUR 136.321 million. This compares with turnover of EUR 89.955 million in the same period the previous year, and represents a rise of EUR 46.366 million, or 51.5%.

Turnover from betting operations totalled EUR 58.438 million (Q1 2003: EUR 39.569 million\*; plus EUR 18.869 million, or 47.7%), whilst turnover from casino operations was EUR 76.599 million (Q1 2003: EUR 50.386 million; plus EUR 26.213 million, or 52.0%). Lottery games generated a turnover of EUR 1.284 million.

(\*) Includes sports betting turnover of EUR 11.7 million and net winnings of EUR 1.5 million respectively from a contract with a distribution partner that expired in June 2003.

RECORD NET WINNINGS OF EUR 8.7 MILLION (Q1 2003: EUR 5.8 MILLION; UP 51%)

Net winnings after commission and taxes\*\* from betting and casino operations as well as lottery games totalled EUR 8.713 million in the first quarter of 2004 (Q1 2003: EUR 5.778 million), an increase of 50.8%. Net winnings from betting operations totalled EUR 6.664 million (Q1 2003: EUR 4.504 million\*; plus EUR 2.160 million, or 48.0%), from casino operations EUR 1.964 million (Q1 2003: EUR 1.274 million; plus EUR 0.690 million, or

54.2%), whilst lottery games generated EUR 0.085 million.

The net winnings margin from betting and casino operations as well as lottery games was 6.4%, as in the same period the previous year. The net winnings margins in the product segments were virtually unchanged compared to Q1 2003, remaining steady at 11.4% for betting operations (Q1 2003: 11.4%) and 2.6% for casino operations (Q1 2003: 2.5%). A net winnings margin of 6.6% was achieved with lottery games.

Apart from the net winnings mentioned above, revenues totalling EUR 9.665 million (Q1 2003: EUR 6.256 million; plus EUR 3.409 million, or 54.5%) included revenues from foreign currency gains and capitalized software development cost and charged fees for payment services

RECORD EBITDA OF EUR 2.7 MILLION (Q1 2003: EUR 1.5 MILLION; UP 76%)

EBITDA for Q1 2004 amounted to EUR 2.673 million (Q1 2003: EUR 1.519 million; plus EUR 1.154 million, or 76.0%), with EBIT at EUR 1.426 million (Q1 2003: EUR 0.004 million).

Expenses for personnel, marketing, and other expenses rose by EUR 2.255 million, or 47.6%, to EUR 6.992 million (Q1 2003: EUR 4.737 million).

Personnel expenses of EUR 1.930 million (Q1 2003: EUR 1.420 million) were up by EUR 0.510 million, or 35.9%. Against the background of the company's accelerated expansion plan, a staff development programme initiated in the fourth quarter of 2003 led to hires especially in the areas of sales and IT development. At the reporting date of 31 March 2004, the company employed a staff of 156 including freelancers (31 March 2003: 115).

Marketing expenses in the first quarter of 2004 totalled EUR 2.677 million compared to the same period the previous year of EUR 1.368 million (plus EUR 1.309 million, or 95.7%). In line with **betandwin's** communicated growth strategy, the company has been focusing on steady organized growth in its defined core target markets in continental Europe.

Other expenses include bank charges, IT services, external odds calculation, consulting, investor relations, and increases to EUR 2.385 million (Q1 2003: EUR 1.949 million; plus 0.436 EUR million, or 22.4%). These cost increases were almost entirely associated with growth-related costs such as bank charges. The increase in depreciation/amortization was attributable to the amortization of goodwill due to the acquisitions completed during the year 2003.

Result before tax was EUR 1.867 million (Q1 2003: EUR 0.178 million; plus EUR 1.689 million). After the deduction of minority interests, the write up of deferred taxes and the accrual of appropriate tax provisions, profit after tax totalled EUR 0.745 million.

The number of registrations totalled 60,472 (including 2,522 customers migrated as a result of acquisitions and 57,950 new registrations) as compared to 31,391 in Q1 2003, an increase of 29,351 registrations, or 93.5%.

The number of bets placed in the first quarter rose up to 8,997,483 (Q1 2003: 4,328,129); an increase of 107.9%.

LIQUID ASSETS OF EUR 27.8 MILLION (31 DECEMBER 2003: EUR 25.5 MILLION; PLUS 9%)

Despite investments totalling EUR 0.6 million, due to the positive cash flow from current business activities and the positive financial result, liquid assets including short-term securities rose to EUR 27.845 million as of 31 March 2004. This figure compares with EUR 25.493 as of 31 December 2003, an increase of EUR 2.352 million, or 9.2%.

(\*\*) Key indicator net winnings after commission and taxes: to ensure better comparability with previous periods, the revenue indicator “net winnings after commission and taxes” (= revenues from betting and casino operations and lottery games less winnings from betting and casino operations and lottery games minus betting duties, casino taxes and commissions) is now reported instead of the previous indicator of “net winnings”.

## :SELECTED KEY FIGURES

With effect from the fourth quarter of 2002 and for the purpose of improved clarity, these figures are now presented in both a “pro forma” consolidated form and using the “at-equity” method:

Overview 1: **betandwin** Group (including **betandwin** e.K.) shown using pro-forma consolidation

EUR 000 (except %)	Q1/2004	Q1/2003	2003	2002	2001	2000
<b>Betting turnover</b>	<b>136,321</b>	<b>89,955</b>	<b>400,192</b>	<b>227,950</b>	<b>62,271</b>	<b>17,302</b>
Sports bets	58,438	39,569	169,619	104,239	55,224	17,302
Casino	76,599	50,386	226,263	123,711	7,047	-
Lottery games	1,284	-	4,310	-	-	-
<b>Customer winnings</b>	<b>-127,060</b>	<b>-81,188</b>	<b>-369,728</b>	<b>-208,046</b>	<b>-57,779</b>	<b>-15,226</b>
Sports bets	-51,245	-32,095	-145,701	-87,602	-50,935	-15,226
Casino	-74,616	-49,093	-221,855	-120,444	-6,844	-
Lottery games	-1,199	-	-2,172	-	-	-
<b>Betting duties, casino taxes &amp; commissions</b>	<b>-548</b>	<b>-2,989</b>	<b>-5,619</b>	<b>-6,004</b>	<b>-1,173</b>	<b>-432</b>
<b>Net winnings</b>	<b>8,713</b>	<b>5,778</b>	<b>24,845</b>	<b>13,900</b>	<b>3,319</b>	<b>1,644</b>
Sports bets	6,664	4,504	18,383	10,712	3,118	1,644
Casino	1,964	1,274	6,330	3,188	201	-
Lottery games	85	-	132	-	-	-
<b>Net winnings as %</b>	<b>6.4%</b>	<b>6.4%</b>	<b>6.2%</b>	<b>6.1%</b>	<b>5.3%</b>	<b>9.5%</b>
Sports bets	11.4%	11.4%	10.8%	10.3%	5.6%	9.5%
Casino	2.6%	2.5%	2.8%	2.6%	2.9%	-
Lottery games	6.6%	-	3.1%	-	-	-
<b>Revenues</b>	<b>9,665</b>	<b>6,256</b>	<b>28,365</b>	<b>15,146</b>	<b>4,181</b>	<b>2,057</b>
<b>Expenses</b>	<b>-6,992</b>	<b>-4,737</b>	<b>-21,867</b>	<b>-21,305</b>	<b>-14,455</b>	<b>-9,247</b>
<b>EBITDA</b>	<b>2,673</b>	<b>1,519</b>	<b>6,498</b>	<b>-6,159</b>	<b>-10,274</b>	<b>-7,190</b>
<b>EBIT</b>	<b>1,426</b>	<b>4</b>	<b>2,113</b>	<b>-11,349</b>	<b>-13,401</b>	<b>-8,145</b>
<b>Result before tax</b> (incl. minority interests)	<b>1,867</b>	<b>178</b>	<b>3,026</b>	<b>-11,494</b>	<b>-13,658</b>	<b>-7,772</b>
<b>Profit/loss</b> (incl. minority interests)	<b>745</b>	<b>-556</b>	<b>508</b>	<b>-13,349</b>	<b>-12,781</b>	<b>-5,098</b>
of which taxes	-701	-390	-1,423	-1,786	737	2,667
<b>Balance sheet total</b>	<b>57,030</b>	<b>40,934</b>	<b>52,573</b>	<b>40,497</b>	<b>54,268</b>	<b>63,993</b>
<b>Liquid assets (incl. short-term securities)</b>	<b>27,845</b>	<b>20,943</b>	<b>25,493</b>	<b>20,124</b>	<b>32,031</b>	<b>45,165</b>
<b>Shareholders' equity</b>	<b>42,646</b>	<b>33,385</b>	<b>42,347</b>	<b>33,318</b>	<b>46,784</b>	<b>58,755</b>
<b>as % of balance sheet total</b>	<b>74.8%</b>	<b>81.6%</b>	<b>80.5%</b>	<b>82.3%</b>	<b>86.0%</b>	<b>92.0%</b>
<b>Registrations</b>	<b>60,472(*)</b>	<b>31,391</b>	<b>213,711(*)</b>	<b>163,276</b>	<b>134,306</b>	<b>117,807</b>
<b>Number of bets placed</b>	<b>8,997,483</b>	<b>4,328,129</b>	<b>22,121,816</b>	<b>12,112,270</b>	<b>5,061,861</b>	<b>1,074,217</b>

(\*) including new registrations as well as migrated customers through acquisitions

Note:

In the full consolidation, all the assets and liabilities, revenues and expenses of a subsidiary are included in the consolidated financial statements, and group receivables and liabilities are eliminated along with intra-group revenues and intermediate profits. During capital consolidation, any value of the investment exceeding the market value of its assets less liabilities is reported as goodwill and amortized over the usual period.

Overview 2: **betandwin** Group including **betandwin** e.K. shown using the at-equity method

EUR 000 (except %)	Q1/2004	Q1/2003	2003	2002	2001	2000
<b>Betting turnover</b>	<b>136,316</b>	<b>89,949</b>	<b>400,167</b>	<b>227,921</b>	<b>62,271</b>	<b>17,302</b>
Sports bets	58,433	39,563	169,592	104,210	55,224	17,302
Casino	76,599	50,386	226,263	123,711	7,047	-
Lottery games	1,284	-	4,312	-	-	-
<b>Customer winnings</b>	<b>-127,060</b>	<b>-81,188</b>	<b>-369,730</b>	<b>-208,045</b>	<b>-57,779</b>	<b>-15,226</b>
Sports bets	-51,245	-32,095	-145,701	-87,601	-50,935	-15,226
Casino	-74,616	-49,093	-219,849	-120,444	-6,844	-
Lottery games	-1,199	-	-4,180	-	-	-
<b>Betting duties, casino taxes &amp; commission</b>	<b>-3,891</b>	<b>-5,570</b>	<b>-14,870</b>	<b>-9,874</b>	<b>-1,173</b>	<b>-432</b>
<b>Net winnings</b>	<b>5,365</b>	<b>3,191</b>	<b>15,567</b>	<b>10,002</b>	<b>3,319</b>	<b>1,644</b>
Sports bets	3,316	1,917	9,105	6,814	3,118	1,644
Casino	1,964	1,274	6,330	3,188	201	-
Lottery games	85	-	132	-	-	-
<b>Net winnings as %</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>5.3%</b>	<b>9.50%</b>
Sports bets	5.7%	4.9%	5.4%	6.5%	5.6%	9.50%
Casino	2.6%	2.5%	2.8%	2.6%	2.9%	-
Lottery games	6.6%	-	3.1%	-	-	-
<b>Revenues</b>	<b>6,690</b>	<b>3,981</b>	<b>20,159</b>	<b>11,640</b>	<b>4,181</b>	<b>2,057</b>
<b>Expenses</b>	<b>-5,183</b>	<b>-3,920</b>	<b>-16,598</b>	<b>-17,996</b>	<b>-14,455</b>	<b>-9,247</b>
<b>EBITDA</b>	<b>1,507</b>	<b>61</b>	<b>3,561</b>	<b>-6,356</b>	<b>-10,274</b>	<b>-7,190</b>
<b>EBIT</b>	<b>382</b>	<b>-1,331</b>	<b>-327</b>	<b>-11,215</b>	<b>-13,401</b>	<b>-8,145</b>
<b>Result before tax</b> (incl. minority interests)	<b>1,420</b>	<b>-196</b>	<b>1,384</b>	<b>-11,591</b>	<b>-13,658</b>	<b>-7,772</b>
<b>Profit/loss</b> (incl. minority interests)	<b>745</b>	<b>-556</b>	<b>508</b>	<b>-13,349</b>	<b>-12,921</b>	<b>-5,105</b>
of which taxes	-549	-360	-876	-1,758	737	2,667
<b>Balance sheet total</b>	<b>52,254</b>	<b>38,946</b>	<b>48,967</b>	<b>38,821</b>	<b>54,268</b>	<b>63,993</b>
<b>Liquid assets (incl. short-term securities)</b>	<b>25,624</b>	<b>18,903</b>	<b>23,154</b>	<b>17,912</b>	<b>32,031</b>	<b>45,165</b>
<b>Shareholders' equity</b>	<b>42,646</b>	<b>33,385</b>	<b>42,347</b>	<b>33,318</b>	<b>46,784</b>	<b>58,755</b>
<b>as % of balance sheet total</b>	<b>81.6%</b>	<b>85.7%</b>	<b>86.5%</b>	<b>85.8%</b>	<b>86.0%</b>	<b>92.00%</b>
<b>Registrations</b>	<b>60,472(*)</b>	<b>31,391</b>	<b>213,711(*)</b>	<b>163,276</b>	<b>134,306</b>	<b>117,807</b>
<b>Number of bets placed</b>	<b>8,997,483</b>	<b>4,328,129</b>	<b>22,121,816</b>	<b>12,112,270</b>	<b>5,061,861</b>	<b>1,074,217</b>

(\*) including new registrations as well as customers migrated as a result of acquisitions

Note:

In "at-equity" consolidation the prorated profit/loss of a subsidiary is shown in a line of the income statement (profit/loss from investments in associated companies) after deduction of amortization of the goodwill shown for the investment and other prorated intermediate profits. This increases or decreases the value of the investment accordingly. This method of consolidation – also referred to as single-line consolidation – generally produces the same consolidated result as full consolidation.

# :CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and the consolidated statement of changes in shareholders' equity are shown using the "at-equity" method only.

## CONSOLIDATED BALANCE SHEET

As of 31 March 2004 – IAS/IFRS in comparison with figures as of 31 December 2003

EUR 000	3/31/04	31.12.2003.
<b>Assets</b>		
Goodwill	8,855	9,417
Other intangible assets	868	775
Tangible assets	1,212	1,037
Financial assets	154	149
Investments in associated companies	3,452	2,852
Other	1,260	1,575
<b>Total fixed assets</b>	<b>15,801</b>	<b>15,805</b>
Deferred tax assets	4,216	4,580
Trade receivables	27	19
Receivables from affiliated companies	1,960	2,734
Other	2,340	2,012
Marketable securities	16,910	16,101
Liquid assets	8,714	7,053
Prepaid expenses	2,286	663
<b>Total current assets</b>	<b>36,453</b>	<b>33,162</b>
<b>Total</b>	<b>52,254</b>	<b>48,967</b>
<b>Liabilities &amp; equity</b>		
Registered capital and capital reserves	11,870	11,870
Other reserves	62,419	62,969
Own shares	0	-550
Profit/loss for the year	-32,005	-32,750
Other	362	808
<b>Shareholders' equity</b>	<b>42,646</b>	<b>42,347</b>
Long-term provisions	102	93
<b>Total long-term liabilities</b>	<b>102</b>	<b>93</b>
Trade accounts payable	2,348	957
Short-term provisions	2,292	1,804
Other short-term liabilities	4,269	3,421
Deferred income	597	345
<b>Total short-term liabilities</b>	<b>9,506</b>	<b>6,527</b>
<b>Total</b>	<b>52,254</b>	<b>48,967</b>

## CONSOLIDATED INCOME STATEMENT

For the first quarter of 2004 – IAS/IFRS in comparison with first quarter of 2003 and accumulated period

EUR 000	01.01.2004 – 31.03.2004	01.01.2003 – 31.03.2003
Betting turnover	136,316	89,949
Customer winnings	-127,060	-81,188
<b>Gross winnings</b>	<b>9,256</b>	<b>8,761</b>
Betting duties, casino taxes & commissions	-3,891	-5,570
<b>Net winnings after commission and taxes</b>	<b>5,365</b>	<b>3,191</b>
Other operating income	1,164	668
Other capitalized costs	161	122
<b>Revenues</b>	<b>6,690</b>	<b>3,981</b>
Expenses for services rendered	-522	-237
Personnel expenses	-1,847	-1,320
Other operating expenses	-2,814	-2,363
<b>Cash expenses</b>	<b>-5,183</b>	<b>-3,920</b>
<b>EBITDA</b>	<b>1,507</b>	<b>61</b>
Marketing expenses (non-cash)	0	-720
Amortization of goodwill	-561	-132
Depreciation/amortization (and intangible assets)	-564	-540
<b>EBIT</b>	<b>382</b>	<b>-1,331</b>
Interest income/expenses	27	27
Securities income/expenses	410	143
Profit/loss from investments in associated companies	601	965
<b>Result before income taxes (and minority interests)</b>	<b>1,420</b>	<b>-196</b>
Income tax	-549	-360
Taxes deferred		
<b>Result before minority interests</b>	<b>871</b>	<b>-556</b>
Minority interests	-126	0
<b>Profit/loss for the period</b>	<b>745</b>	<b>-556</b>
Changes in reserves	0	0
<b>Consolidated earnings</b>	<b>745</b>	<b>-556</b>
Earnings per share (undiluted)*		-0.053
Earnings per share (diluted)*		-0.053

\* differences caused by exercise of option rights under the ESOP



## CONSOLIDATED CASH FLOW STATEMENT

For the period of 1 January – 31 March 2004 – IAS/IFRS in comparison with 1 January – 31 March 2003

EUR 000	01.01.2004 – 31.03.2004	01.01.2003 – 31.03.2003
Cash flow from operating activities	2,627	1,009
Cash flow from investing activities	-966	-1,737
Cash flow from financing activities	0	0
Change in cash flow in reporting period	1,661	-728
Liquid assets at beginning of period	7,053	6,105
Liquid assets at end of period	8,714	5,377

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period of 1 January – 31 March 2004 – IAS/IFRS in comparison with 1 January – 31 March 2003

EUR 000	01.01.2004 – 31.03.2004	01.01.2003 – 31.03.2003
Shareholders' equity at beginning of reporting period (adjusted)	42,346	33,318
Change in shareholders' equity due to currency translation differences	-446	623
Profit/loss for period	745	-556
Exchange rate differences	1	0
Shareholders' equity at end of period	42,646	33,385