

## Results for the second quarter of 2008



Interactive Entertainment AG

Thursday, 21 August 2008

# Q2 2008

Highlights

Q2 2008

Selected key figures

Consolidated Financial Statements

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With over 13 million registered customers (including 8 million play-money customers) in more than 25 core markets, the bwin Group operates under licences issued in Germany, Italy, Gibraltar and other countries. Through its subsidiaries and associated companies, it offers platforms for sports betting, poker, casino games, soft and skill games, audio and video streams of top sporting events such as the German Soccer League. The parent company bwin 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.bwin.ag](http://www.bwin.ag)

## Notes

This report contains statements about possible future developments that have been made on the basis of information currently available. These statements reflect the present 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 made for such statements.

This report includes the silent investment bwin e.K. reported in a pro forma consolidated version which therefore differs from the consolidated financial statements. This has no impact on fundamental statements by the management on the development of the Company.

## Highlights

### Q2 2008 (pro forma consolidated)

#### EURO 2008™ turnover target achieved and successful start for newly designed gaming portal

- **Gross gaming revenues: up 35.8% to EUR 102.7 million (Q2 2007: EUR 75.6 million)**
- **Gross sports betting revenues: up 58.3% to EUR 59.3 million (Q2 2007: EUR 37.4 million); sports betting margin of 7.9%**
- **Net gaming revenues: up 32.7% to EUR 88.0 million (Q2 2007: EUR 66.3 million)**
- **1,095,000 active and 296,000 new active real-money customers (up 44.3% and 71.0% respectively)**
- **EBITDA (adjusted) of EUR 10.6 million (Q2 2007: EUR 9.9 million)**
- **Result after tax –EUR 6.7 million (Q2 2007: –EUR 5.6 million)**

### H1 2008 (pro forma consolidated)

- **Record gross gaming revenues: up 25.6% to EUR 207.2 million (H1 2007: EUR 165.1 million)**
- **Record gross sports betting revenues: up 37.0% to EUR 119.8 million (H1 2007: EUR 87.5 million); sports betting margin of 8.3%**
- **Record net gaming revenues: up 21.8% to EUR 179.9 million (H1 2007: EUR 147.7 million)**
- **1,431,000 active and 550,000 new active real-money customers (up 31.0% and 45.6% respectively)**
- **EBITDA (adjusted) of EUR 36.5 million (H1 2007: EUR 34.5 million)**
- **Result after tax EUR 4.3 million (H1 2007: EUR 4.3 million)**

### Development of business in Q2 2008 (pro forma consolidated)

- **Gross gaming revenues: up 35.8% to EUR 102.7 million (Q2 2007: EUR 75.6 million)**
- In Q2 2008 bwin generated gross gaming revenues (sum of gross gaming revenues from betting operations, poker, casino and games) of EUR 102.7 million. This represented an increase of 35.8% compared to the same period the previous year (Q2 2007: EUR 75.6 million). Gross gaming revenues generated from the poker, casino and games sectors amounted to EUR 20.9 million (Q2 2007: EUR 20.3 million), EUR 17.4 million (Q2 2007: EUR 14.6 million) and EUR 5.1 million (Q2 2007: EUR 3.3 million) respectively. This represented increases of 3.0% for poker, 19.1% for casino, and 55.2% for games compared to Q2 2007.

- **Gross sports betting revenues: up 58.3% to EUR 59.3 million (Q2 2007: EUR 37.4 million): sports betting margin of 7.9%**

Sports betting turnover increased 44.1% compared to Q2 2007 to EUR 750.0 million. This was mainly attributable to the major event of the EURO 2008™ and the sustained dynamic growth of sports betting, especially in the live betting sector. bwin's live betting interface was redesigned before the European Championships, and now offers an average of around 2,600 events each month. The average percentage for live coverage amounts to 92%, meaning that bwin customers can find live events on offer at virtually any time of day.

bwin generated EUR 221.0 million in sports betting revenues during the 2008 European Championships (31 matches over 23 days). Turnover during the 2006 World Championships (64 matches over 31 days) totalled EUR 263.0 million. The EURO 2008™ sports betting margin was 8.3% (2006 World Championships: 6.7%). bwin was therefore able to significantly increase daily gross sports betting revenues compared to the 2006 World Championships: Sustained by an even more extensive and customer friendly product offering, this figure rose by 40.2% compared to the 2006 World Championships to nearly EUR 800,000 (2006 World Championships: EUR 568,000).

Due to the above-average number of bets ending in the customer's favour in May, the sports betting margin for Q2 2008 was 7.9% (Q2 2007: 7.2%). bwin therefore reported gross sports betting revenues of EUR 59.3 million, equivalent to an increase of 58.3% compared to the same period the previous year (Q2 2007: EUR 37.4 million).

- **Net gaming revenues: up 32.7% to EUR 88.0 million (Q2 2007: EUR 66.3 million)**

Net gaming revenues (gross gaming revenues less all deductions such as betting duties, casino taxes and bonuses granted to customers) amounted to EUR 88.0 million in Q2 2008. This represented an increase of 32.7% compared to Q2 2007, and was mainly attributable to a rise in net gaming revenues from the sports betting sector (up 61.6% to EUR 50.4 million compared to Q2 2007). bwin also achieved two-digit growth rates in the casino sector (up 13.7% compared to Q2 2007 to EUR 15.1 million) and games (up 56.3% to EUR 4.6 million compared to Q2 2007), whereas poker declined 5.4% to EUR 18.0 million compared to Q2 2007.

Other revenues in Q2 2008 totalled EUR 16.7 million (Q2 2007: EUR 9.1 million). This amount included revenues from the sale of rights to the first and second German Soccer Leagues in the amount of EUR 7.9 million (Q2 2007: EUR 5.1 million). Fees charged to customers rose to EUR 2.5 million (Q2 2007: EUR 1.7 million), and were therefore directly proportional to the significant growth in the volume of turnover. In the quarter under review bwin reported own work capitalized (e.g. in-house software) in the amount of EUR 2.0 million (Q2 2007: EUR 1.1 million) and EUR 4.4 million in other revenues (Q2 2007: EUR 1.2 million). The increase in other revenues was mainly due to currency gains in the amount of EUR 3.1 million.

- **1,095,000 active and 296,000 new active real-money customers (up 44.3% and 71.0% respectively)**

Thanks to the successful use of opportunities for communication during the EURO 2008™, the customer base saw dynamic development in Q2 2008 with respect to both active and new active real-money customers. The number of active customers totalled 1,095,000, once again breaking the million limit (Q2 2007: 758,000), an increase of 44.3% compared to the previous year. The number of new active customers rose by 71.0% compared to the same period the previous year to 296,000 (Q2 2007: 173,000).

### High-quality customer base

Despite the number of new customers gained as a result of the European Championships, bwin reported a fall of only 5.9% in gross gaming revenues per active customer compared to the same period the previous year to EUR 93.8 (Q2 2007: EUR 99.7). In the quarter in which the 2006 World Championships fell, the drop in gross gaming revenues per active customers was 32.2% compared to the same quarter the previous year (Q2 2005: EUR 121.0).

However, gross gaming revenues per active customer improved by 14.4% compared to the 2006 World Championships quarter (Q2 2006: EUR 82.0). The b'inside customer loyalty programme launched in October 2007 proved increasingly popular with customers.

### • EBITDA (adjusted) of EUR 10.6 million (Q2 2007: EUR 9.9 million)

After adjustment for non-cash expenses (IFRS 2 – share-based remuneration) in the amount of EUR 4.4 million, EBITDA (earnings before interest, taxes, depreciation and amortization) in Q2 2008 improved compared to the same period the previous year to EUR 10.6 million (Q2 2007: EUR 9.9 million). The drop compared to the previous quarter (Q1 2008: EUR 25.8 million) was largely attributable to the major event of the EURO 2008™, since the earnings potential of customers gained during the European Soccer Championships will be realized only in subsequent periods.

### Marketing expenses

Particularly in the new EU markets, marketing expenses were increased in order to take advantage of the opportunities for communication offered by the European Soccer Championships in June in Austria and Switzerland. They rose from EUR 25.6 million in Q2 2007 (33.9% of gross gaming revenues) to EUR 37.6 million (36.6% of gross gaming revenues). For the year as a whole, the Company anticipates marketing expenses equivalent to around 30% of gross gaming revenues.

A total of EUR 11.6 million in customer bonuses were granted in Q2 2008 (including b'inside). Due to the European Championships, bonuses were significantly up in Q2 2008 compared to the previous year, accounting for 11.3% of gross gaming revenues (Q2 2007: EUR 7.1 million, or 9.4% of gross gaming revenues). However, this figure was down compared to the World Championships quarter (Q2 2006: EUR 13.0 million, or 13.8% of gross gaming revenues).

Despite the European Football Championships, marketing costs (including bonuses) per new active customer (CPA) declined to EUR 166.3 in Q2 2008 compared to the same period the previous year (Q2 2007: EUR 189.4). This was equivalent to a drop of 12.2%.

### Personnel expenses

Due to the steady expansion of the range of online gaming products, personnel expenses rose by 40.0% compared to Q2 2007 to EUR 24.5 million, or EUR 20.9 million excluding share-based remuneration (IFRS 2). The number of staff as of the reporting date 30 June 2008 was 1,367 employees (including 63 freelance staff). This represented an increase of 32.3% compared to the previous year (1,033 employees including 67 freelance staff).

### Other expenses

The bwin Group's other expenses were up 42.7% compared to the same period the previous year to EUR 36.3 million (Q2 2007: EUR 25.4 million). This amount included EUR 0.7 million in non-cash expenses in connection with share-based remuneration (IFRS 2).

Expenses for services rendered (third-party services (such as external software maintenance and programming, consulting), Internet charges, information services), and expenses for legal services, auditing and consulting rose from EUR 11.0 million in Q2 2007 to EUR 15.3 million in Q2 2008. This was attributable to the expansion of the online gaming range and increased PR activities.

The cost of providing TV signals to licensees of German Soccer League rights and commissions in connection with the sublicensing of these rights rose to EUR 2.4 million in Q2 2008 compared to the same period the previous year (Q2 2007: EUR 0.9 million). Office, rental and leasing expenses totalled EUR 4.8 million (Q2 2007: EUR 3.8 million).

Banking expenses rose to EUR 7.7 million in Q2 2008 (Q2 2007: EUR 6.6 million), and were directly proportionate to the increased volume of turnover. Other expenses (licences, insurance, fees, etc.) amounted to EUR 6.1 million. This figure includes IFRS 2 expenses in the amount of EUR 0.7 million. Other expenses totalled EUR 3.1 million in Q2 2007 (no IFRS 2 expenses).

- **Result after tax –EUR 6.7 million (Q2 2007: –EUR 5.6 million)**

bwin recognized depreciation on tangible assets in the amount of EUR 6.9 million in Q2 2008 (Q2 2007: EUR 5.1 million). As in previous quarters, this increase was attributable mainly to investments in the expansion of the Company's technical infrastructure. Rights in the German Soccer League resulted in depreciation in the amount of EUR 4.8 million (Q2 2007: EUR 4.8 million). Depreciation resulting from acquisitions totalled EUR 1.3 million, down compared to the same period the previous year (Q2 2007: EUR 1.8 million). Adjusted operating income (EBIT) totalled –EUR 2.4 million in Q2 2008 (Q2 2007: –EUR 1.8 million). The second quarter of 2008 therefore ended with a result after taxes and third-party interests of –EUR 6.7 million (Q2 2007: –EUR 5.6 million).

#### **Development of business in H1 2008 (pro forma consolidated)**

- **Record gross gaming revenues: up 25.6% to EUR 207.2 million (H1 2007: EUR 165.1 million)**

In H1 2008 bwin generated gross gaming revenues (sum of gross gaming revenues from betting operations, poker, casino and games) of EUR 207.2 million. This represented an increase of 25.6% compared to the same period the previous year (H1 2007: EUR 165.1 million). The gross gaming revenues generated from the poker, casino and games sectors amounted to EUR 43.7 million (H1 2007: EUR 40.0 million), EUR 33.8 million (H1 2007: EUR 30.7 million) and EUR 9.9 million (H1 2007: EUR 6.8 million) respectively. This represented increases of 9.1% for poker, 10.0% for casino, and 46.0% for games compared to H1 2007.

- **Record gross sports betting revenues: up 37.0% to EUR 119.8 million (H1 2007: EUR 87.5 million); sports betting margin of 8.3%**

Compared to H1 2007, sports betting turnover rose by 38.4% to EUR 1,448.3 million. The main factors responsible for this were the major event of the European Championships in the second quarter and continued dynamic growth in the area of sports betting, and especially in the live betting sector.

For 2008, Global Betting and Gaming Consultants (GBGC) have predicted growth of 22.4% in the field of online sports betting in Europe compared to the year 2007. Averaged out over the period 2008 till 2012, GBGC expects online sports betting in Europe to grow at 14.9%. This

would mean that online sports betting is undergoing greater dynamic growth than online poker and casino.

A sports betting margin of 8.3% in H1 2008 is within the bandwidth of 8–10% forecast for the year (H1 2007: 8.4%). bwin therefore reported gross sports betting revenues of EUR 119.8 million. This represented an increase of 37.0% compared to the same period the previous year (H1 2007: EUR 87.5 million).

- **Record net gaming revenues: up 21.8% to EUR 179.9 million (H1 2007: EUR 147.7 million)**

Net gaming revenues (gross gaming revenues less all deductions such as betting duties, casino taxes and bonuses granted to customers) amounted to EUR 179.9 million in H1 2008. This increase of 21.8% compared to H1 2007 was mainly attributable to a rise in net gaming revenues from the sports betting sector (up 34.6% to EUR 102.6 million compared to H1 2007).

Both poker and casino reported single-digit growth compared to H1 2007 (poker up 2.9% to EUR 38.2 million and casino up 6.4% to EUR 30.0 million). Net gaming revenues in the games sector saw two-digit growth by comparison to H1 2007 (up 48.2% to EUR 9.0 million).

Other revenues in H1 2008 totalled EUR 27.3 million (H1 2007: EUR 18.0 million). This amount included revenues from the sale of rights to the first and second German Soccer Leagues in the amount of EUR 13.6 million (H1 2007: EUR 10.2 million). Fees charged to customers rose to EUR 4.8 million (H1 2007: EUR 3.4 million), and were therefore directly proportional to the significant growth in the volume of turnover.

In the half-year under review bwin reported own work capitalized (e.g. in-house software) in the amount of EUR 3.8 million (H1 2007: EUR 2.1 million) and EUR 5.1 million in other revenues (H1 2007: EUR 2.2 million). The increase in other revenues was mainly due to income from currency gains in the amount of EUR 3.5 million.

- **1,431,000 active and 550,000 new active real-money customers (up 31.0% and 45.6% respectively)**

With respect to both active and new active real-money customers, positive growth of the customer base continued in the first half of 2008 due to the successful use of opportunities for communication during the EURO 2008™ coupled with an enlarged product range. The number of active customers rose to 1,431,000 (H1 2007: 1,093,000), equivalent to an increase of 31.0%. The number of new active customers rose by 45.6% compared to the same period the previous year to 550,000 (H1 2007: 378,000).

Despite the number of new customers acquired as a result of the European Soccer Championships, bwin nevertheless reported a slight fall in gross gaming revenues per active customer of 4.1% to EUR 144.8 compared to H1 2007 (H1 2007: EUR 151.0).

- **EBITDA (adjusted) of EUR 36.5 million (H1 2007: EUR 34.5 million)**

After adjustment for non-cash expenses (IFRS 2 – share-based remuneration) in the amount of EUR 8.5 million, in H1 2008 EBITDA (earnings before interest, taxes, depreciation and amortization) improved 5.6% compared to the same period the previous year to EUR 36.5 million (H1 2007: EUR 34.5 million).

Operating expenses (adjusted for IFRS 2) rose in H1 2008 to EUR 170.7 million (H1 2007: EUR 131.1 million). This increase of 30.2% compared to the same period the previous year was attributable to investments made during the major event of the European Soccer Championships as well as to higher investment in the latest technologies employed not only in payment (PCI certification, e-money licence), customer and CRM applications, but also especially in the field of security (ISO 27001).

### **Marketing expenses**

As already announced, marketing expenses (including customer bonuses) were increased in Q2 2008 to make optimal use of the communication opportunities offered by the European Championships in Austria and Switzerland in June.

In the first half of 2008, this figure rose 31.1% compared to the same period the previous year to EUR 66.0 million (H1 2007: EUR 50.4 million). For the year as a whole, the Company anticipates marketing expenses to decline to around 30% of gross gaming revenues.

A total of EUR 21.0 million in customer bonuses were granted in H1 2008 (including b'inside). As a result of the European Championships, customer bonuses were significantly up in H1 2008 compared to the previous year, accounting for 10.1% of gross gaming revenues, (H1 2007: EUR 12.6 million, or 7.6% of gross gaming revenues).

However, this figure was down proportionately compared to the half-year in which the World Championships fell (H1 2006: EUR 20.8 million or 10.9% of gross gaming revenues).

In spite of the European Soccer Championships, marketing costs (including bonuses) per new active customer (CPA) were reduced by 5.1% in H1 2008 to EUR 158.3 (H1 2007: EUR 166.8).

### **Personnel expenses**

Due to the steady expansion of the range of online gaming products, personnel expenses rose by 37.8% compared to H1 2007 to EUR 46.0 million (or by 35.1% to EUR 39.0 million excluding IFRS 2 share-based remuneration). The number of staff as of the reporting date 30 June 2008 was 1,367 employees (including 63 freelance staff). This represented an increase of 32.3% compared to the previous year (1,033 employees including 67 freelance staff).

### **Other expenses**

The bwin Group's other expenses were up 29.4% compared to the same period the previous year to EUR 67.2 million (H1 2007: EUR 51.9 million). This amount included EUR 1.5 million in non-cash expenses in connection with IFRS 2 share-based remuneration.

Expenses for services rendered (third-party services (such as external software maintenance and programming, consulting), Internet charges, information services), and expenses for legal services, auditing and consulting rose from EUR 22.6 million in H1 2007 to EUR 29.6 million in H1 2008. This was attributable to the expansion of the online gaming range and increased PR activities.

The cost of providing TV signals to licensees of German Soccer League rights and commissions in connection with the sublicensing of these rights rose to EUR 3.4 million in H1 2008 compared to the same period the previous year (H1 2007: EUR 1.6 million). Office, rental and leasing expenses totalled EUR 8.7 million (H1 2007: EUR 6.9 million).

Banking expenses rose to EUR 14.1 million in H1 2008 (H1 2007: EUR 13.5 million), and were directly proportionate to the increased volume of turnover. Other expenses (licences,

insurance, fees, etc.) amounted to EUR 11.4 million. This figure includes IFRS 2 expenses in the amount of EUR 1.5 million. In H1 2007 (no IFRS 2 expenses), other expenses totalled EUR 7.4 million.

• **Result after tax EUR 4.3 million (H1 2007: EUR 4.3 million)**

bwin recognized depreciation on tangible assets in the amount of EUR 12.8 million in the first half of 2008 (H1 2007: EUR 9.3 million). As in previous quarters, this increase was attributable mainly to investments in the expansion of the Company's technical infrastructure. Rights in the German Soccer League resulted in depreciation in the amount of EUR 9.7 million (H1 2007: EUR 9.7 million). Depreciation resulting from acquisitions totalled EUR 2.7 million, down compared to the same period the previous year (H1 2007: EUR 3.6 million). Adjusted operating income (EBIT) totalled EUR 14.0 million in H1 2008 (H1 2007: EUR 12.0 million).

A result of EUR 4.3 million after taxes and third-party interests in H1 2008 compares with EUR 4.3 million in H1 2007.

**Legislative developments in H1 2008**

Since April 2006, the European Commission has now initiated infringement proceedings against a total of 10 member states. Seven member states – including France, Hungary, Sweden, Finland, Denmark, Greece and Holland – have already received so-called "reasoned opinions" calling upon them to modify regulations in contravention of EU legislation. The next step which the Commission can take is to initiate proceedings against countries failing to comply with this demand with the European Court of Justice (ECJ).

On 9 September 2008, the ECJ will publish the advocate general's final pleading in preliminary ruling proceedings in Portugal to which bwin is a party. The ECJ is expected to pass judgement at the beginning of 2009. At the present time there are some 15 preliminary ruling procedures relating to gaming regulations pending with the ECJ. The procedures were referred by courts in Austria, Germany, France, Belgium, Holland and Portugal.

Numerous proceedings are still pending in Germany. More recently, injunctions were issued against bwin and bwin's advertising partner, and Baden-Württemberg and Hessen have even gone so far as to impose periodic penalty payments. In North Rhine-Westphalia, Westlotto, the state provider, has instituted enforcement measures against bwin. Future developments in Germany will to a large extent depend on the forthcoming judgements of the ECJ.



## Selected Key Figures

bwin Group (including bwin e.K.) shown using pro forma consolidation

## Selected key figures bwin Group (including bwin e.K.) shown using pro forma consolidation

EUR 000	Q2/2008	Q2/2007	1-6/2008	1-6/2007	2007	2006
<b>Betting turnover</b>						
of which sports betting	750,002	520,474	1,448,273	1,046,300	2,227,202	1,992,314
of which casino	17,397	14,610	33,816	30,739	61,237	78,933
of which poker	20,931	20,314	43,658	40,024	82,506	114,740
of which games	5,112	3,293	9,927	6,798	15,483	13,533
<b>Total</b>	<b>793,442</b>	<b>558,691</b>	<b>1,535,674</b>	<b>1,123,861</b>	<b>2,386,428</b>	<b>2,199,520</b>
<b>Gross gaming revenues</b>	<b>102,691</b>	<b>75,641</b>	<b>207,245</b>	<b>165,067</b>	<b>353,539</b>	<b>381,839</b>
of which gross gaming revenue sports betting	59,251	37,424	119,844	87,506	194,313	174,633
<b>Gross gaming revenue sports betting in %</b>	<b>7.9%</b>	<b>7.2%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>8.7%</b>	<b>8.8%</b>
Betting duties, casino taxes, commissions & licences	-3,118	-2,194	-6,327	-4,733	-10,133	-10,284
Customer bonuses & Loyalty costs	-11,559	-7,100	-21,026	-12,624	-30,798	-42,984
<b>Net gaming revenues</b>						
of which sports betting	50,361	31,163	102,622	76,247	168,382	147,290
of which casino	15,086	13,263	30,049	28,232	55,657	73,434
of which poker	17,952	18,968	38,229	37,165	74,627	95,950
of which games	4,615	2,953	8,992	6,066	13,942	11,897
<b>Total net gaming revenues</b>	<b>88,014</b>	<b>66,347</b>	<b>179,892</b>	<b>147,710</b>	<b>312,608</b>	<b>328,571</b>
Other revenues	16,700	9,066	27,302	17,963	46,670	22,810
<b>Total revenues</b>	<b>104,714</b>	<b>75,413</b>	<b>207,194</b>	<b>165,673</b>	<b>359,278</b>	<b>351,381</b>
<b>Expenses</b>	<b>-98,429</b>	<b>-68,600</b>	<b>-179,207</b>	<b>-135,660</b>	<b>-315,755</b>	<b>-358,429</b>
of which personnel	-24,534	-17,521	-45,995	-33,388	-78,561	-53,601
of which marketing	-37,604	-25,640	-66,045	-50,369	-112,651	-189,851
of which other expenses	-36,291	-25,439	-67,167	-51,903	-124,543	-114,977
<b>EBITDA</b>	<b>6,285</b>	<b>6,813</b>	<b>27,987</b>	<b>30,013</b>	<b>43,523</b>	<b>-7,048</b>
Ord. depreciation	-11,741	-9,908	-22,421	-18,980	-41,884	-27,418
Ord. depreciation on assets after acquisition	-1,340	-1,794	-2,681	-3,588	-7,177	-36,350
Impairment / Reversals of impairment charges	-	-	2,611	-	58,924	-516,642
<b>EBIT</b>	<b>-6,796</b>	<b>-4,889</b>	<b>5,496</b>	<b>7,445</b>	<b>53,386</b>	<b>-587,458</b>
<b>Consolidated profit/loss before tax</b>	<b>-6,422</b>	<b>-5,938</b>	<b>6,463</b>	<b>5,101</b>	<b>57,265</b>	<b>-590,526</b>
<b>Consolidated profit/loss after tax</b>	<b>-6,680</b>	<b>-5,588</b>	<b>4,276</b>	<b>4,327</b>	<b>50,358</b>	<b>-539,599</b>
of which taxes	-108	450	-1,888	-499	-6,307	52,461
<b>Balance sheet total</b>	<b>316,320</b>	<b>287,779</b>	<b>316,320</b>	<b>287,779</b>	<b>309,750</b>	<b>288,678</b>
<b>Cash and cash equivalents and securities</b>	<b>133,637</b>	<b>82,993</b>	<b>133,637</b>	<b>82,993</b>	<b>112,288</b>	<b>64,764</b>
<b>Shareholders' equity</b>	<b>142,838</b>	<b>70,093</b>	<b>142,838</b>	<b>70,093</b>	<b>131,339</b>	<b>61,155</b>
<b>As % of balance sheet total</b>	<b>45.2%</b>	<b>24.4%</b>	<b>45.2%</b>	<b>24.4%</b>	<b>42.4%</b>	<b>21.2%</b>
<b>Number of bets placed (sports betting) in 000</b>	<b>69,271</b>	<b>51,556</b>	<b>141,214</b>	<b>108,833</b>	<b>233,077</b>	<b>225,021</b>
<b>Number of new active customers (group total)</b>	<b>295,619</b>	<b>172,891</b>	<b>550,083</b>	<b>377,734</b>	<b>803,632</b>	<b>1,365,387</b>
<b>Number of active customers (group total)</b>	<b>1,094,594</b>	<b>758,387</b>	<b>1,431,365</b>	<b>1,092,915</b>	<b>1,659,819</b>	<b>2,162,250</b>
<b>Number of active customers (sports betting)</b>	<b>898,738</b>	<b>596,542</b>	<b>1,159,830</b>	<b>864,353</b>	<b>1,316,914</b>	<b>1,544,027</b>
<b>Number of active customers (casino)</b>	<b>129,921</b>	<b>81,251</b>	<b>208,525</b>	<b>140,571</b>	<b>240,568</b>	<b>319,634</b>
<b>Number of active customers (poker)</b>	<b>287,446</b>	<b>219,029</b>	<b>401,457</b>	<b>325,103</b>	<b>509,416</b>	<b>708,526</b>
<b>Number of active customers (games)</b>	<b>112,994</b>	<b>57,277</b>	<b>175,583</b>	<b>98,744</b>	<b>200,639</b>	<b>233,061</b>

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## Development of business in H1 2008 (at equity)

- **Record gross gaming revenues: up 25.6% to EUR 207.2 million (H1 2007: EUR 165.1 million)**

In H1 2008 bwin generated gross gaming revenues (sum of gross gaming revenues from betting operations, poker, casino and games) of EUR 207.2 million. This represented an increase of 25.6% compared to the same period the previous year (H1 2007: EUR 165.1 million).

The gross gaming revenues generated from the poker, casino and games sectors amounted to EUR 43.7 million (H1 2007: EUR 40.0 million), EUR 33.8 million (H1 2007: EUR 30.7 million) and EUR 9.9 million (H1 2007: EUR 6.8 million) respectively. This represented increases of 9.1% for poker, 10.0% for casino, and 46.0% for games compared to H1 2007.

- **Record gross sports betting revenues: up 37.0% to EUR 119.8 million (H1 2007: EUR 87.5 million); sports betting margin of 8.3%**

Compared to H1 2007, sports betting turnover rose by 38.4% to EUR 1,448.3 million. The main factors responsible for this were the major event of the European Championships in the second quarter and continued dynamic growth in the area of sports betting, and especially in the live betting sector.

For 2008, Global Betting and Gaming Consultants (GBGC) have predicted growth of 22.4% in the field of online sports betting in Europe compared to the year 2007. Averaged out over the period 2008 till 2012, GBGC expects online sports betting in Europe to grow at 14.9%. This would mean that online sports betting is undergoing greater dynamic growth than online poker and casino.

A sports betting margin of 8.3% in H1 2008 was within the bandwidth of 8–10% forecast for the year (H1 2007: 8.4%). bwin therefore reported gross sports betting revenues of EUR 119.8 million. This represented an increase of 37.0% compared to the same period the previous year (H1 2007: EUR 87.5 million).

- **Record net gaming revenues: up 21.4% to EUR 162.1 million (H1 2007: EUR 133.5 million)**

Net gaming revenues (gross gaming revenues less all deductions such as betting duties, casino taxes and bonuses granted to customers) amounted to EUR 162.1 million in H1 2008. This increase of 21.4% compared to H1 2007 was mainly attributable to a rise in net gaming revenues from the sports betting sector (up 36.5% to EUR 84.7 million compared to H1 2007). Both poker and casino reported single-digit growth compared to H1 2007 (poker up 3.0% to EUR 38.3 million and casino up 6.8% to EUR 30.1 million). Net gaming revenues in the games sector saw two-digit growth by comparison to H1 2007 (up 48.8% to EUR 9.0 million).

Other revenues in H1 2008 totalled EUR 31.9 million (H1 2007: EUR 22.9 million). This amount included revenues from the sale of rights to the first and second German Soccer Leagues in the amount of EUR 13.6 million (H1 2007: EUR 10.2 million). Fees charged to customers rose to EUR 4.4 million (H1 2007: EUR 3.2 million), and were therefore directly proportional to the significant growth in the volume of turnover.

In the half-year under review bwin reported own work capitalized (e.g. in-house software) in the amount of EUR 3.8 million (H1 2007: EUR 2.1 million) and EUR 10.1 million in other revenues (H1 2007: EUR 7.4 million). The increase in other revenues was mainly due to income from currency gains in the amount of EUR 3.4 million.

- **1,431,000 active and 550,000 new active real-money customers (up 31.0% and 45.6% respectively)**

With respect to both active and new active real-money customers, positive growth of the customer base continued in the first half of 2008 due to the successful use of opportunities for communication during the EURO 2008™ coupled with an enlarged product range. The number of active customers rose to 1,431,000 (H1 2007: 1,093,000), equivalent to an increase of 31.0%. The number of new active customers rose by 45.6% compared to the same period the previous year to 550,000 (H1 2007: 378,000).

Despite the number of new customers acquired as a result of the European Soccer Championships, bwin nevertheless reported a slight fall in gross gaming revenues per active customer of 4.1% to EUR 144.8 compared to H1 2007 (H1 2007: EUR 151.0).

- **EBITDA (adjusted) of EUR 33.0 million (H1 2007: EUR 36.0 million)**

After adjustment for non-cash expenses (IFRS 2 – share-based remuneration) in the amount of EUR 8.5 million, in H1 2008 EBITDA (earnings before interest, taxes, depreciation and amortization) decreased compared to the same period the previous year to EUR 33.0 million (H1 2007: EUR 36.0 million). Operating expenses (adjusted for IFRS 2) rose in H1 2008 to EUR 161.0 million (H1 2007: EUR 120.4 million). This increase of 33.8% compared to the same period the previous year was attributable to investments made during the major event of the European Soccer Championships as well as to higher investment in the latest technologies employed not only in payment, customer and CRM applications, but also especially in the field of security.

#### **Marketing expenses**

As already announced, marketing expenses (including customer bonuses) were increased in Q2 2008 to make optimal use of the communication opportunities offered by the European Championships in Austria and Switzerland in June. In the first half of 2008, this figure rose 40.3% compared to the same period the previous year to EUR 59.9 million (H1 2007: EUR 42.7 million). A total of EUR 17.7 million in customer bonuses were granted in H1 2008 (including b'inside). As a result of the European Championships, customer bonuses were significantly up in H1 2008 compared to the previous year, accounting for 8.6% of gross gaming revenues, (H1 2007: EUR 10.6 million, or 6.4% of gross gaming revenues). However, this figure was down compared to the half-year in which the World Championships fell (H1 2006: EUR 15.4 million or 8.1% of gross gaming revenues).

In spite of the European Soccer Championships, marketing costs (including bonuses) per new active customer (CPA) were stable at EUR 141.2 in H1 2008 (H1 2007: EUR 141.1).

#### **Personnel expenses**

Due to the steady expansion of the range of online gaming products, personnel expenses rose by 38.4% compared to H1 2007 to EUR 45.5 million (or by 35.8% to EUR 38.5 million excluding IFRS 2 share-based remuneration). The number of staff as of the reporting date 30 June 2008 was 1,315 employees (including 63 freelance staff). This represented an increase of 33.8% compared to the previous year (983 employees including 67 freelance staff).

#### **Other expenses**

The bwin Group's other expenses were up 30.0% compared to the same period the previous year to EUR 64.1 million (H1 2007: EUR 49.3 million). This amount included EUR 1.5 million in non-cash expenses in connection with IFRS 2 share-based remuneration.

Expenses for services rendered (third-party services (such as external software maintenance and programming, consulting), Internet charges, information services), and expenses for legal services, auditing and consulting rose from EUR 22.2 million in H1 2007 to EUR 29.0 million in H1 2008. This was attributable to the expansion of the online gaming range and increased PR activities.

The cost of providing TV signals to licensees of German Soccer League rights and commissions in connection with the sublicensing of these rights rose to EUR 3.4 million in H1 2008 compared to the same period the previous year (H1 2007: EUR 1.6 million). Office, rental and leasing expenses totalled EUR 8.6 million (H1 2007: EUR 6.8 million).

Banking expenses rose to EUR 12.0 million in H1 2008 (H1 2007: EUR 11.5 million), and were directly proportionate to the increased volume of turnover. Other expenses (licences, insurance, fees, etc.) amounted to EUR 11.2 million. This figure includes IFRS 2 expenses in the amount of EUR 1.5 million. In H1 2007 (no IFRS 2 expenses), other expenses totalled EUR 7.2 million.

• **Result after tax EUR 4.3 million (H1 2007: EUR 4.3 million)**

bwin recognized depreciation on tangible assets in the amount of EUR 12.7 million in the first half of 2008 (H1 2007: EUR 9.1 million). As in previous quarters, this increase was attributable mainly to investments in the expansion of the Company's technical infrastructure. Rights in the German Soccer League resulted in depreciation in the amount of EUR 9.7 million (H1 2007: EUR 9.7 million). Depreciation resulting from acquisitions totalled EUR 2.7 million, down compared to the same period the previous year (H1 2007: EUR 3.6 million). Adjusted operating income (EBIT) totalled EUR 10.5 million in H1 2008 (H1 2007: EUR 13.7 million).

A result of EUR 4.3 million after taxes and third-party interests in H1 2008 compares with EUR 4.3 million in H1 2007.

**Legislative developments in H1 2008**

Since April 2006, the European Commission has now initiated infringement proceedings against a total of 10 member states. Seven member states – including France, Hungary, Sweden, Finland, Denmark, Greece and Holland – have already received so-called “reasoned opinions” calling upon them to modify regulations in contravention of EU legislation. The next step which the Commission can take is to initiate proceedings against countries failing to comply with this demand with the European Court of Justice (ECJ).

On 9 September 2008, the ECJ will publish the advocate general's final pleading in preliminary ruling proceedings in Portugal to which bwin is a party. The ECJ is expected to pass judgement at the beginning of 2009. At the present time there are some 15 preliminary ruling procedures relating to gaming regulations pending with the ECJ. The procedures were referred by courts in Austria, Germany, France, Belgium, Holland and Portugal.

Numerous proceedings are still pending in Germany. More recently, injunctions were issued against bwin and bwin's advertising partner, and Baden-Württemberg and Hessen have even gone so far as to impose periodic penalty payments. In North Rhine-Westphalia, Westlotto, the state provider, has instituted enforcement measures against bwin. Future developments in Germany will to a large extent depend on the forthcoming judgements of the ECJ.

**Consolidated Balance Sheet as of 30 June 2008 – IFRS**  
in comparison to previous year's figures

**Consolidated Balance Sheet as of 30 June 2008 – IFRS in comparison to previous year's figures**

EUR 000	30.06.2008	31.12.2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	82,996	96,864
Tangible assets	22,820	20,708
Financial assets	3,669	4,878
Investments in associated companies	2,748	1,543
Deferred tax assets	238	419
	<b>112,471</b>	<b>124,412</b>
<b>Current assets</b>		
Merchandise	625	671
Receivables and other assets	54,106	56,728
Securities	27,258	27,372
Cash and cash equivalents	100,818	81,613
Prepaid expenses	9,584	9,115
	<b>192,391</b>	<b>175,499</b>
<b>Total</b>	<b>304,862</b>	<b>299,911</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	32,719	32,685
Additional paid in capital	621,213	612,371
Treasury shares	-239	-239
Exchange rate differences	753	896
Revaluation reserve	2,555	3,741
Accumulated losses/profits	-514,055	-518,329
	142,946	131,125
Minority interests	-	-
	<b>142,946</b>	<b>131,125</b>
<b>Long-term liabilities</b>		
Provisions for liabilities to employees	309	285
Long-term liabilities	11,049	13,906
Deferred tax liabilities	6,945	7,537
	<b>18,303</b>	<b>21,728</b>
<b>Short-term liabilities</b>		
Short-term liabilities	121,350	122,944
Other provisions	20,768	19,493
Deferred income	1,495	4,621
	<b>143,613</b>	<b>147,058</b>
<b>Total</b>	<b>304,862</b>	<b>299,911</b>

**Consolidated Income Statement**

for the second quarter of 2008 and accumulated period – IFRS in comparison to previous year's figures

**Consolidated Income Statement**

EUR 000	01.04.2008 - 30.06.2008	01.04.2007 - 30.06.2007	01.01.2008 - 30.06.2008	01.01.2007 - 30.06.2007
Sports betting turnover	750,000	520,472	1,448,269	1,046,292
Customer winnings – sports betting	-690,750	-483,049	-1,328,429	-958,794
Revenues casino	17,397	14,610	33,816	30,739
Revenues poker	20,931	20,314	43,658	40,024
Revenues games	5,112	3,293	9,927	6,798
<b>Gross gaming revenues</b>	<b>102,690</b>	<b>75,640</b>	<b>207,241</b>	<b>165,059</b>
Sales commissions	-9,743	-7,073	-21,047	-16,224
Betting duties	-1,573	-877	-3,323	-2,013
Licence fees	-1,545	-1,317	-3,005	-2,719
Customer bonuses & Loyalty Costs	-9,613	-5,785	-17,734	-10,596
<b>Net gaming revenues</b>	<b>80,216</b>	<b>60,588</b>	<b>162,132</b>	<b>133,507</b>
Other operating income	17,317	10,768	28,042	20,762
Capitalized costs	1,966	1,138	3,810	2,100
<b>Total revenues</b>	<b>99,499</b>	<b>72,494</b>	<b>193,984</b>	<b>156,369</b>
Expenses for services rendered	-12,572	-6,491	-20,869	-13,182
Personnel expenses	-24,295	-17,242	-45,493	-32,865
thereof expenses for stock based compensation according to IFRS2	-3,604	-3,100	-6,996	-4,525
Marketing expenses	-33,129	-21,273	-59,920	-42,704
Other operating expenses	-22,186	-17,563	-43,239	-36,137
thereof expenses for stock based compensation according to IFRS2	-747	-	-1,496	-
<b>Expenses</b>	<b>-92,182</b>	<b>-62,569</b>	<b>-169,521</b>	<b>-124,888</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>7,317</b>	<b>9,925</b>	<b>24,463</b>	<b>31,481</b>
Depreciation, amortization, impairments and reversals of impairment charges	-13,044	-11,625	-22,414	-22,343
<b>Earnings before interest and taxes (EBIT)</b>	<b>-5,727</b>	<b>-1,700</b>	<b>2,049</b>	<b>9,138</b>
Financial result	660	-1,065	1,239	-2,367
Income from investments in associated companies	-1,371	-3,056	2,423	-1,950
<b>Result of ordinary operations before income taxes (and third-party interests)</b>	<b>-6,438</b>	<b>-5,821</b>	<b>5,711</b>	<b>4,821</b>
Income taxes	-241	232	-1,437	-493
<b>Profit/loss before third-party interests</b>	<b>-6,679</b>	<b>-5,589</b>	<b>4,274</b>	<b>4,328</b>
Third party interests	-	-	-	-
<b>Consolidated profit/loss after tax</b>	<b>-6,679</b>	<b>-5,589</b>	<b>4,274</b>	<b>4,328</b>
Earnings per share	-0.205	-0.173	0.131	0.134
Earnings per share (diluted)*	-0.205	-0.173	0.130	0.132

\* Differences caused by exercise of option rights under the ESOP.

**Condensed Consolidated Cash Flow Statement**

for the period of 1 January – 30 June 2008 – IFRS in comparison to previous year's figures

**Condensed Consolidated Cash Flow Statement**

EUR 000	01.01.2008 – 30.06.2008	01.01.2007 – 30.06.2007
Cash flow from operating activities	42,629	39,970
Cash flow from investing activities	-23,808	-21,156
Cash flow from financing activities	384	190
<b>Change in cash and cash equivalents in reporting period</b>	<b>19,205</b>	<b>19,004</b>
Cash and cash equivalents at beginning of period	81,613	31,719
<b>Cash and cash equivalents at end of period</b>	<b>100,818</b>	<b>50,723</b>

**Consolidated Statement of Changes in Shareholders' Equity**

for the period of 1 January – 30 June 2008 – IFRS in comparison to previous year's figures

**Consolidated Statement of Changes in Shareholders' Equity**

EUR 000	Attributable to equity holders of the parent company						Total	Total equity
	Share capital	Additional paid in capital	Treasury shares	Exchange rate differences	Revaluation reserve	Accumulated losses/profits		
<b>Status 31.12.2007</b>	<b>32,685</b>	<b>612,371</b>	<b>-239</b>	<b>896</b>	<b>3,741</b>	<b>-518,329</b>	<b>131,125</b>	<b>131,125</b>
Market valuation of securities	-	-	-	-	-1,186	-	-1,186	-1,186
Exchange rate differences	-	-	-	-143	-	-	-143	-143
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-143</b>	<b>-1,186</b>	<b>-</b>	<b>-1,329</b>	<b>-1,329</b>
Profit/loss for the year	-	-	-	-	-	4,274	4,274	4,274
<b>Total profits and losses recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-143</b>	<b>-1,186</b>	<b>4,274</b>	<b>2,945</b>	<b>2,945</b>
Exercise of share options	34	350	-	-	-	-	384	384
Issue of share options	-	8,492	-	-	-	-	8,492	8,492
<b>Status 30.06.2008</b>	<b>32,719</b>	<b>621,213</b>	<b>-239</b>	<b>753</b>	<b>2,555</b>	<b>-514,055</b>	<b>142,946</b>	<b>142,946</b>

EUR 000	Attributable to equity holders of the parent company						Total	Total equity
	Share capital	Additional paid in capital	Treasury shares	Exchange rate differences	Revaluation reserve	Accumulated losses/profits		
<b>Status 31.12.2006</b>	<b>32,603</b>	<b>592,306</b>	<b>-343</b>	<b>1,385</b>	<b>3,536</b>	<b>-568,688</b>	<b>60,799</b>	<b>60,799</b>
Market valuation of securities	-	-	-	-	744	-	744	744
Exchange rate differences	-	-	-	-390	-	-	-390	-390
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-390</b>	<b>744</b>	<b>-</b>	<b>354</b>	<b>354</b>
Profit/loss for the year	-	-	-	-	-	4,328	4,328	4,328
<b>Total profits and losses recognized</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-390</b>	<b>744</b>	<b>4,328</b>	<b>4,682</b>	<b>4,682</b>
Exercise of share options	19	171	-	-	-	-	190	190
Issue of share options	-	4,525	-	-	-	-	4,525	4,525
<b>Status 30.06.2007</b>	<b>32,622</b>	<b>597,002</b>	<b>-343</b>	<b>995</b>	<b>4,280</b>	<b>-564,360</b>	<b>70,196</b>	<b>70,196</b>



## Notes to the unaudited consolidated interim financial statements as of 30.06.2008

### 1) Basis of presentation

bwin Interactive Entertainment AG (the „Company“ or „bwin“) is a company registered in Vienna, Austria. The condensed consolidated interim financial statements of the Company as at, and for the six months ending 30 June 2008 are for the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates. The consolidated interim financial statements have been prepared by bwin in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), IAS 34 “Interim Financial Reporting” and have not been audited or reviewed. The consolidated results for the interim periods are not necessarily indicative of results for the entire year.

These financial results should be read in connection with the Company’s annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, for the year ended 31 December 2007 published on 24 April 2007, are available on request from the Company’s registered offices at Börsegasse 11, 1010 Vienna, or at [www.bwin.ag](http://www.bwin.ag). Preparation of interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates. With the following exceptions, the Company has applied the same accounting policies and methods of calculation in its interim financial statements as in its annual financial statements as of, and for the year ending 31 December 2007:

IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”, IFRIC 12 “Service Concession Arrangements” and IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset” came into effect during 2007, and as of 1 January 2008. The Company adopted these standards as of 1 January 2008. The effects, if any, on its consolidated financial statements were insignificant. IFRIC 12 “Service Concession Agreements” came into effect on 1 March 2008. This standard had no effect on the Company’s financial statements, as bwin does not have any such transactions.

The gaming industry’s operating results are affected by seasonality, and by major events such as the European Championships or the World Championships. Within the gaming sector, the seasonality of the Company’s betting segment displays the same pattern as other European betting companies, with lower customer activity in the third quarter due to the fact that the major European soccer leagues – a prime betting draw – take a summer break, significantly reducing the betting line-up.

Related party transactions include services provided under the terms of a cooperation and service contract, and commissions were invoiced to the associated company bwin e.K. Amounts of EUR 25,463 thousand and EUR 20,353 thousand were charged for the six-month periods ending 30 June 2008 and 2007. Receivables as of the reporting date totalled EUR 5,150 thousand (as of 31 December 2007: EUR 16,417 thousand). These receivables are short term and the payment terms are equivalent to those of at-arm’s length transactions. All business with related companies is transacted at arm’s length.

In the period ending 30 June 2008 the Company received consulting services to a total value of EUR 21 thousand (as of 30 June 2007: EUR 73 thousand) from Beyond Consulting GmbH, Vienna, a company where supervisory board member Helmut Kern holds a controlling interest.

## 2) Segment reporting

The Company's results are segmented according to the way the business is managed. The Group operates in the business areas of sports betting, poker, casino and games. The sports betting segment comprises not only conventional sports betting, but also LIVE betting, where the bwin Group plays a leading role internationally. The casino segment comprises games such as roulette and blackjack. In the poker segment, the Company offers a multiplayer poker application in the fields of B2C and B2B. The games segment consists of virtual games to round out the product offering. In addition to these business areas, the bwin Group has added to its marketing portfolio by acquiring the international rights to market the games of the first and second divisions of the German Soccer League. The Company concludes agreements with international sublicensees, mostly broadcasting stations, to exploit the acquired rights. This activity is reported as a separate segment in 2008 and 2007.

The segments reported by business areas for the six-month periods ending 30 June 2008 and 2007 are as follows.

### Segment reporting for the period of 1 January – 30 June 2008 in comparison to previous year's figures

EUR 000 01.01.2008 – 30.06.2008	Sports betting	Casino	Poker	Games	German soccer league	Group total
Segment gross gaming revenues	119,840	33,816	43,658	9,927	-	207,241
Segment net gaming revenues	84,687	30,140	38,282	9,023	-	162,132
<b>Segment revenues</b>	<b>95,324</b>	<b>31,981</b>	<b>43,609</b>	<b>9,484</b>	<b>13,586</b>	<b>193,984</b>
<b>Segment expenses</b>	<b>-90,340</b>	<b>-25,098</b>	<b>-43,660</b>	<b>-7,065</b>	<b>-3,358</b>	<b>-169,521</b>
<b>Segment EBITDA</b>	<b>4,984</b>	<b>6,883</b>	<b>-51</b>	<b>2,419</b>	<b>10,228</b>	<b>24,463</b>
<b>Segment EBIT</b>	<b>-2,206</b>	<b>5,207</b>	<b>-3,343</b>	<b>1,837</b>	<b>554</b>	<b>2,049</b>
Financial result						1,239
Income from investments in associated companies						2,423
<b>Result of ordinary operations before income taxes (and third-party interests)</b>						<b>5,711</b>
EUR 000 01.01.2007 – 30.06.2007	Sports betting	Casino	Poker	Games	German soccer league	Group total
Segment gross gaming revenues	87,498	30,739	40,024	6,798	-	165,059
Segment net gaming revenues	62,044	28,232	37,165	6,066	-	133,507
<b>Segment revenues</b>	<b>54,570</b>	<b>30,932</b>	<b>54,298</b>	<b>6,358</b>	<b>10,211</b>	<b>156,369</b>
<b>Segment expenses</b>	<b>-51,495</b>	<b>-18,800</b>	<b>-49,347</b>	<b>-3,600</b>	<b>-1,646</b>	<b>-124,888</b>
<b>Segment EBITDA</b>	<b>3,075</b>	<b>12,132</b>	<b>4,951</b>	<b>2,758</b>	<b>8,565</b>	<b>31,481</b>
<b>Segment EBIT</b>	<b>-2,014</b>	<b>10,093</b>	<b>-193</b>	<b>2,362</b>	<b>-1,110</b>	<b>9,138</b>
Financial result						-2,367
Income from investments in associated companies						-1,950
<b>Result of ordinary operations before income taxes (and third-party interests)</b>						<b>4,821</b>

\*) EBIT: earnings before interest and taxes

\*\*) EBITDA: earnings before interest, taxes, depreciation and amortization

### 3) Business acquisitions

The Company did not make any business acquisitions in the first half of 2008, but did found some new companies which are not separately reported on here

### 4) Income taxes

The Group's effective tax rate for the six-month periods ending 30 June 2008 and 2007 was 25.2% and 10.2% respectively. In the six-month period ending 30 June 2008, its effective tax rate was higher than the Austrian statutory tax rate of 25%.

### 5) Share-based compensation

In the six-month periods ending 30 June 2008 the Company granted 171,500 options to the following parties:

Share-based compensation		
Six month period ended June 30	2008	2007
Employees	171,500	847,500
Management & Supervisory Board	0	1,548,436

Parts of the authorized capital are reserved to service share options granted to members of the Executive Board and the Supervisory Board.

The following table shows share option activity for the six-month periods ending 30 June 2008 and 2007, respectively:

Share option activity		
Six month period ended June 30	2008	2007
Outstanding as of January 1	3,498,694	1,124,887
Granted	171,500	2,395,936
Forfeited	44,800	2,760
Exercised	33,790	19,369
<b>Outstanding as of June 30</b>	<b>3,591,604</b>	<b>3,498,694</b>

In accordance with IFRS 2, the Company recorded an expense of EUR 8,492 thousand excluding related payroll taxes and social insurance contributions for the six-month period ended 30 June 2008 (as of 30 June 2007: EUR 4,525 thousand).

Compensation expense is measured based on the fair value of the options on the date granted and recognized on a straight-line basis over the service period. The estimated fair value is based on a Black Scholes option pricing model applying the following parameters:

**Fair value of the options**

	30 June 2008	31 December 2007
Expected average dividend per share	EUR 0.0	EUR 0.0
Expected volatility	47.81% – 138.26%	38.86% – 135.69%
Risk-free interest rate range	4.5%	3.5% – 4.5%
Duration	1.25 – 6.25 years	1.25 – 6.25 years
Exercise price	EUR 9.095 – 67.9	EUR 9.095 – 67.9

**6) Shareholders' equity****Share capital**

in 000	30 June 2008	31 December 2007
Shares (zero par value) authorized	16,300,000	16,300,000
Shares (zero par value) issued	32,564,982	32,531,192
Shares (zero par value) in treasury	153,586	153,586
Shares (zero par value) outstanding	32,539,640	32,444,364

See Note 5, share options, for changes in the shares issued.

**Treasury shares**

The Annual General Meeting held on 21 May 2008 passed a resolution in accordance with § 65, para. 1, subpara. 8 of the Companies Act authorizing the Executive Board to buy back up to 10% of the Company's bearer shares for a period of 30 months from the date of the resolution at a price of at least EUR 1 and at most EUR 150. At the same time, the resolution passed by the Annual General Meeting of 22 May 2007 authorizing the Executive Board was revoked, provided it had not yet been exercised.

The proportion of the share capital accounted for by own shares is limited to 10%. Furthermore, the Executive Board was also authorized to redeem, or with the approval of the Supervisory Board up to and including 20 May 2013, to approve a means of selling the Company's shares other than on the stock exchange or by public offering, optionally with partial or complete exclusion of shareholders' subscription rights. The Executive Board was empowered to exercise this authority once or several times, and in its entirety or in part.

An adjustment to the contingent capital in accordance with § 159, para. 2, subpara. 3 of the Companies Act approved by the Annual General Meeting of 27 January 2006 – to the extent that it has not yet been utilized – to the effect that the issue of shares in accordance with § 159, para. 2, subpara. 3 of the Companies Act may be used only to service the share options of employees and senior executives of the Company, or employees, senior executives and members of the management of group companies, and no longer to service the share options of members of the Executive Board. In other respects the conditions for the contingent capital in accordance with § 159, para. 2, subpara. 3 of the Companies Act will remain unchanged as approved by the Annual General Meeting of 27 January 2006.

As of 31 December 2007, the Company held 153,586 treasury shares at an average purchase price of EUR 1.56 per share. These treasury shares were reported as a reduction in shareholders' equity in the amount of EUR 240 thousand. The Company did not acquire any further treasury shares in the first half year.

#### **7) Subsequent events**

No events requiring disclosure took place between the balance-sheet date and the reporting date of this interim financial report.

#### **8) Contingent liabilities**

There were no material changes in contingent liabilities since the last balance-sheet date (31 December 2007).

Vienna, 21 August 2008



Norbert Teufelberger



Manfred Bodner

#### **Management declaration in accordance with § 87 of the Stock Exchange Act**

The condensed consolidated interim financial statements as of 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. To the best of our knowledge, these financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. Furthermore, to the best of our knowledge, the interim management report gives a true and fair view of the assets, finances and earnings of the bwin Group and provides information on the development of business and the effects of existing and future risks on the business activities of the Group.