

A large, stylized graphic in a light beige color is centered on the page. It features a semi-circular sun with a thick outline and several small circles representing rays. Below the sun are two wavy lines representing water. The background is a solid light beige color.

Shareholders' Letter

Result 3rd Quarter 2005

Profit Situation

Sales proceeds total TEUR 1,757 within Q3 2005 (comparison period 2004: TEUR 5,111). As in the first 6 months 2005 these are mainly generated from the sales of titles already published in 2004 (back catalogue). In this Industry the months of July and August show traditionally small turnover. Thus sales of Q3 are mostly generated in September.

Titles of the planned line-up 2005/2006, for which new distribution agreements were closed within the past months and which will be released during Q4 2005 respectively during the first quarters of 2006, are therefore not included in the results of cumulated Q3 2005.

Compared to the comparison period the reduced turnover is mainly the result of the fact that a total of 8 titles was published and sold within Q3 2004.

2005 saw the introduction of the matching principle depreciation method for games titles. The values of the titles published in 2004 were entered on a loss-free basis and then depreciated on a quarterly basis. For better transparency the depreciation of game titles are separately shown. We now have a total gross profit before and after depreciation of the game titles.

The gross profit before depreciation of the game titles is TEUR 1,233 (comparison period 2004: TEUR 3,810). The gross margin of Q3 2005 of 70 % is only slightly lower than within the comparison period of 2004 (75 %).

The depreciation of game titles dependent on turnover totals TEUR 249 (comparison period 2004: TEUR 1,300) in Q3 2005. The low depreciation within Q3 2005 is a result of the fact that mostly already depreciated back catalogue titles were sold.

The gross profit after depreciation of the game titles is TEUR 985 (comparison period 2004: TEUR 2,510). The gross margin of 56 % is higher than in the comparison period of 2004 (49 %).

Within the sales and management costs the realised reduction of the cost structure during Q3 2005 is now apparent for the first time. The total of the cost reductions will be fully effective in Q4 2005. The further reduction of sales and management costs within Q3 2005 (TEUR 1,147) compared to the comparison period of 2004 (TEUR 2,307) is principally generated by the cost reductions within personnel in the course of the final consolidation of the German subsidiaries Neon and Massive. As of September 30, 2005, the cumulated sales and management costs thus could be reduced from TEUR 5,987 to TEUR 4,758, compared to the expenses of the comparison period of 2004.

The sales results of back catalogue titles during Q3 2005 as well as the strict reduction of sales, management and other costs show a positive EBIT before restructuring of TEUR 85 (comparison period 2004: TEUR 184). The EBIT expressed in percentage of the turnover could be increased to 5 % (comparison period 2004: 4 %).

Within restructuring and extraordinary expenses of total TEUR 16,594, the positions that are not directly connected to the operative business of 2005 are listed. These are expenses which became necessary due to the renewed restructuring of the company as well as expenses which concern events of 2004 but became evident only during 2005.

For the sake of caution and due to the latest developments the game title "Stargate SG-1TM: The Alliance" was completely depreciated. In order to avoid further loss of cash to subsidiaries, the German development studios Massive and Neon were sold and finally consolidated. The closing of the German Studio Wings is in progress and will be completed in Q4 2005. In Q3 a total of TEUR 5,605 had therefore to be considered within expenses, TEUR 5,536 of which for the depreciation of the game "Stargate SG-1TM: The Alliance".

The main positions comprise value adjustments of accounts receivable (TEUR 210), closing respectively final consolidation of studios and the connected stop of game developments (TEUR 2,340), discontinuation of game developments due to unprofitability (TEUR 921), loss-free evaluation without "Stargate SG-1TM: The Alliance" (TEUR 4,489), value adjustment game title "Stargate SG-1TM: The Alliance" (TEUR 6,196), price credits for deliveries out of 2004 due to lack of usability in the retail market (TEUR 2,308) and other restructuring expenses (TEUR 130).

For the sake of caution a further depreciation of deferred taxes was effected in Q3 2005. Because of the positive results of the going concern prognosis the tax savings of the coming years were calculated and the difference was depreciated (TEUR 2,440). These expenses are not cash relevant.

The reduced EBITDA and EBITA margin compared to the comparison period 2004 are a result of the above mentioned changes of the depreciation method, the reduced turnover, the restructuring expenses and the value adjustment of the deferred taxes.

The number of employees is lower compared to Q3 2004 and totals 54 as of September 30, 2005, 4 of which are freelancers (comparison period 2004: 189 including 49 freelancers). The main reason for this reduction is the closing of development studios for economic considerations, the outsourcing of the QA-department and reductions within administration.

Asset situation

The active deferred taxes mainly result from the accumulated deficit of the critical year 2002. Due to the change of the corporate income tax rate from 34 % to 25 %, parts of these were reduced by extraordinary depreciations in 2003 and 2004. As mentioned above in profit situation a further value adjustment was made, leading to an asset value of TEUR 1,551 as of September 30, 2005. This value corresponds to the expected tax savings in the coming years which have been calculated on a basis of the positive results of the going concern prognosis.

The reduction of the semi-finished and finished goods compared to the year end 2004 by TEUR 11,365 as well as compared to the comparison period by TEUR 19,872 to TEUR 5,503 is caused by the depreciation method now applied, necessary discontinuation of the unprofitable product developments, the consideration of loss-free evaluations, the value adjustment of the game title "Stargate SG-1TM: The Alliance" and the increased balancing of advances. The reduction in the position goods concerns mainly titles of the back catalogue.

The considerable reduction in the receivables from supplies and services totalling approximately TEUR 8,750 compared to the year end 2004 is due both to an above-average deadline-related receivables situation at the year end 2004 as well as to the set-off against reserves and liabilities. Considerable price credits for games deliveries in 2004 also had to be issued.

The reduction of other accounts receivable is also explained with the payment of granted subsidies, the new structuring of accounts receivable under the position receivables from supplies and services and the setting up of creditory allocation accounts.

The high losses result in a negative equity of TEUR 7,212 as of September 30, 2005. Negotiations with creditors concerning the correction of the balance sheet structure and improvement of the liquidity situation are ongoing. Furthermore JoWoOD negotiates with investors who shall participate in the company and strengthen the equity basis. These negotiations are under the assumption that no mandatory offer according to the Austrian take-over law will be caused by the participation of an investor. The management acts on the assumption of a positive going concern prognosis.

The long-term debts to banks were further reduced by financing agreements, whereas the short-term financial liabilities increased.

The increase in the liabilities from supplies and services compared to the year end 2004 is the result of a conversion of accruals into liabilities and the disclosure of incoming debtors as liabilities.

The increase in advances compared to year end 2004 is due to payments from contracts with new customers as well as with co-publishing partners. A total of TEUR 4,608 was set off from the inventory.

The decrease of other liabilities and deferred income is essentially the result of the repayment of a supplier credit.

Financial situation

The cumulated operative cash flow as of September 30, 2005 (TEUR -544) remained almost unchanged compared to the first half year 2005. (TEUR -523). The operative cash flow of Q3 2005 is therefore almost balanced. So the positive development compared to the comparison period of last year is ongoing. The cumulative operative cash flow in the comparison period 2004 was TEUR -17,284. During the nine-month-period ending September 30, 2005 the company thus managed to almost completely finance its activities without third party funds, although the overall conditions (reduced turnover, high restructuring expenses) were very unfavourable.

The payments of investments of TEUR 119 are within usual bounds and due to the closing of studios significantly lower than in the comparison period of 2004 (TEUR 473).

The financing cash flow of TEUR 411 comprises repayments of long-term financial liabilities and the taking of short-term cash.

JoWood Group
Balance sheet as of 30.9.2005

all values in EUR 000	30.09.2005	31.12.2004	30.09.2004
Assets			
Intangible assets	367	440	1,402
Goodwill	13	35	626
Tangible fixed assets	132	475	532
Financial assets	0	0	7
Deferred tax assets	1,551	6,649	10,512
Total non- current assets	2,063	7,599	13,079
Inventory merchandise	122	507	409
Inventory finished products (JoWood products)	811	6,177	9,943
Inventory unfinished products (JoWood products)	4,692	10,691	15,432
Accounts receivable from trade	2,113	10,867	11,303
Accounts receivable others	278	1,188	1,229
Securities	1,974	1,974	2,061
Cash on hand and in banks	420	671	1,129
Prepaid expenses and deferred charges	36	230	72
Total current assets	10,446	32,305	41,578
Total assets	12,509	39,904	54,658
Shareholders` Equity and Liabilities			
Share Capital	30,089	30,089	30,089
Additional paid - in capital	40,464	40,464	40,454
Own Shares	-24	-63	0
Reserves from retained earnings and group result	-77,741	-53,328	-30,743
Total shareholders` equity	-7,212	17,162	39,801
Minority interests			24
Longterm debts to banks	3,745	3,989	7,151
Provision for termination payments	122	265	301
Deferred taxes			
Long term payables others			
Total longterm accounts payable	3,867	4,254	7,452
Shortterm debts to banks	5,626	4,999	1,809
Accounts payable from trade	6,032	2,897	1,364
Accruals for taxes and other accruals	1,973	5,419	1,159
Advanced payments	1,021	352	2,491
Other liabilities and deferred income	1,202	4,821	559
Total short term accounts payable	15,854	18,488	7,381
Total Shareholders` equity and Liabilities	12,509	39,904	54,658
Equity ratio	n.a.	43%	73%

JoWood Group Income Statement 1-9/2005

1 st - 3 rd Quarter

all values in EUR 000	Jan - Sep 2005		Jan - Sep 2004	
		%		%
Sales	6,312		12,414	
Costs of goods sold	-1,643	-26%	-2,037	-16%
Development costs (exclusive of depreciation of games)	-1,300	-21%	-910	-7%
Gross profit before depreciation of games	3,369	53%	9,467	76%
Depreciation of games	-2,162	34%	-2,890	23%
Gross profit after depreciation of games	1,207	19%	6,577	53%
Distribution expenses	-2,758	-44%	-3,800	-31%
Administrative expenses	-2,000	-32%	-2,187	-18%
Other operating income	1,309	21%	1,085	9%
Other operating expenses	-188	-3%	-484	-4%
Operating result before restructuring measures	-2,430	-38%	1,191	10%
Restructuring result	-16,594	-263%	0	0%
Operating result after restructuring measures	-19,024	-301%	1,191	10%
Financial result	-276	-4%	-744	-6%
Result from ordinary operations	-19,300	-306%	446	4%
Taxes on income	-5,103	-81%	-1,983	-16%
Net income before minorities	-24,403	-387%	-1,536	-12%
Minority interests	0	0%	-3	0%
Write back of reserves	0	0%	65	1%
Net income after minorities	-24,403	-387%	-1,474	-12%
Earnings per share in Euro	-0,811		-0,054	
Number of shares (weighted average)	30,089,360		27,188,487	
EBITDA	-18,729	-297%	2,107	17%
EBITA	-18,751	-297%	1,887	15%
EBITDA/fixe employee	-375	-6%	15	0%
Cash Flow from operating activities/employee	-11	0%	-123	-1%
Number of fixe employees	50		140	
Number of free lancers	4		49	

JoWood Group Income Statement 7-9/2005

all values in EUR 000	3 rd Quarter			
	Jul - Sep 2005		Jul - Sep 2004	
		%		%
Sales	1,757		5,111	
Costs of goods sold	-273	-16%	-1,007	20%
Development costs (exclusive of depreciation of games)	-251	-14%	-294	-6%
Gross profit before depreciation of games	1,233	70%	3,810	75%
Depreciation of games	-249	-14%	-1,300	25%
Gross profit after depreciation of games	985	56%	2,510	49%
Distribution expenses	-754	-43%	-1,528	-30%
Administrative expenses	-393	-22%	-779	-15%
Other operating income	73	4%	264	5%
Other operating expenses	174	10%	-285	-6%
Operating result before restructuring measures	85	5%	184	4%
Restructuring result	-5,605	-319%	0	0%
Operating result after restructuring measures	-5,519	-314%	184	4%
Financial result	-55	-3%	-183	-4%
Result from ordinary operations	-5,574	-317%	1	0%
Taxes on income	-2,440	-139%	-1,998	-39%
Net income before minorities	-8,014	-456%	-1,997	-39%
Minority interests	0	0%	-4	0%
Write back of reserves	0	0%	0	0%
Net income after minorities	-8,014	-456%	-2,002	-39%
Earnings per share in Euro	-0,27		-0,07	
Number of shares (weighted average)	30,089,360		27,791,222	
EBITDA	-5,450	-310%	620	12%
EBITA	-5,452	-310%	441	9%
EBITDA/fixed employee	-109	6%	4	0%
Cash flow from operating activities/employee	-0,42	0%	-55	1%
Number of fixed employees	50		140	
Number of free lancers	4		49	

JoWood Group
Changes in Shareholders`Equity 9/2005

all values in EUR 000	Share capital	Additional paid in capital	Reserves from retained earnings and group result	Total
as per 31.12.2001	6,037	20,472	3,743	30,252
Capital increase 21.06.2002	1,600	8,000		9,600
Capital increase not yet registered	3,077			3,077
Additional Capital from Shareholders`		694		694
Costs of Capital increase		-1,084		-1,084
Other changes in Equity			-12	-12
Group result 2002			-28,585	-28,585
as per 31.12.2002	10,714	28,083	-24,855	13,942
Capital increase 12.07.2003	6,387			6,387
Capital increase 05.12.2003	8,551	8,551		17,102
Costs of Capital increase		-782		-782
Changes into group consolidation			-8,121	-8,121
Group result 2003			3,711	3,711
as per 31.12.2003	25,652	35,852	-29,265	32,239
Capital increase 29.1.2004	625	625		1,250
Capital increase 19.6.2004	740			740
Capital increase 16.7.2004	2,672	3,741		6,413
Capital increase 8.9.2004	400	600		1,000
Costs of Capital increase		-355		-355
Repurchase of own shares			-63	-63
Other changes in Equity			4	4
Changes into group consolidation			-948	-948
Group result 2004			-23,120	-23,120
as per 31.12.2004	30,089	40,464	-53,391	17,161
Capital increase				0
Costs of Capital increase				0
Changes of treasury stock			39	39
Other changes in Equity			-10	-10
Group result 2005			-24,403	-24,403
as per 30.09.2005	30,089	40,464	-77,765	-7,212

JoWood Group
Cash flow statement 1-9/2005

all values in EUR 000	Jan - Sep 2005	Jan - Sep 2004
Operating Cash flow before working capital changes	-18,747	1,179
Cash flow from operating activities	-544	-17,284
thereof in titles of current assets	-6,359	-13,659
Cash flow from investment activities	-119	-473
thereof in titles of non current assets	0	0
Cash flow from financing activities	411	8,588
Total Cash flow	-252	-9,169
Cash on hands and in banks at the beginning of periode	671	10,298
Cash on hands and in banks at the end of periode	420	1,129

Financial Calender / Stock identification

Extraordinary shareholders' meeting	December 19, 2005
Number of shares	30,089,360
Share identification number	074735
Vienna Stock exchange	JWD
Reuters	JOWO.VI
Bloomberg	JWD AV
Datastream	O:JOW

Investor Relations

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