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Q1 2006

Contents:

Notes

Highlights

Development of business

Outlook

Selected key figures

FURTHER INFORMATION:

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The **betandwin** Group has over 10 million registered customers (including 7 million "play money" customers) in over 20 core target markets. Operating under international and regional licences in countries like Gibraltar, Kahnawake (Canada), Belize and Germany, Italy, Mexico, Austria and the United Kingdom, the Group has set itself the goal of becoming the number one address for sports betting, games and entertainment via digital distribution channels. The Group offers sports betting, poker, casino games and soft games. The parent company 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.

Q1 2006

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.

For the sake of better clarity, the selected key figures are both pro forma consolidated and reported at equity. Initial consolidation of Ogame e-solutions AB (since 1 January 2006) has been carried out on the basis of preliminary unaudited internal management figures.

The acquisition of Ogame e-solutions AB was concluded on 7 March 2006. The purchase price amounted to EUR 512.7 million and was paid as follows: 40 per cent in **betandwin** shares with a value of EUR 205.1 million (issue of 3,146,161 shares at a price of EUR 65.19 as a non-cash contribution) and 60 per cent in cash. Forty-five per cent of the cash price (EUR 230.7 million) was payable on conclusion of the transaction. This was financed by issuing 2,830,000 shares. The remaining 15 per cent in cash (EUR 76.9 million) will be payable subject to the fulfilment of certain financial criteria in the financial year 2006, and no later than the end of the first quarter of 2009.

In line with international convention, with effect from Q1 2006 net gaming revenue is reported without betting bonuses to customers, which are no longer shown as marketing expenses. The figures for net gaming revenues and marketing expenses from previous periods have also been adjusted accordingly.

HIGHLIGHTS

Q1 2006 (PRO FORMA CONSOLIDATED)

- Record gross gaming revenues of EUR 97.3 million up 294 per cent (up 152 per cent excluding Ogame), sports betting margin 9.2 per cent
- Over 865,000 active and some 300,000 new active customers, up 285 per cent and 185 per cent respectively (up 161 per cent and 124 per cent excluding Ogame)
- EBITDA of EUR 14.8 million up 673 per cent (up 342 per cent excluding Ogame)
- Legislative developments

Development of business in first quarter of 2006

- Record gross gaming revenues of EUR 97.3 million up 294 per cent (up 152 per cent excluding Ogame), sports betting margin 9.2 per cent

In Q1 2006 **betandwin** generated gross gaming revenues (sum of gross gaming revenues from betting operations, poker, casino and games) of EUR 97.3 million (EUR 62.2 million excluding Ogame). This represented an increase of 294 per cent compared to Q1 2005 (152

per cent excluding Ogame). Of this amount, gross gaming revenues from sports betting operations amounted to EUR 39.2 million, up 134 per cent compared to Q1 2005. Gross gaming revenues generated from casino, poker and games (excluding Ogame) amounted to EUR 13.3 million, EUR 6.7 million, and EUR 3.0 million respectively (up 121, 488 and 299 per cent compared to Q1 2005). Ogame generated gross gaming revenue in the amount of EUR 35.1 million (up 65 per cent compared to Q1 2005).

The gross winnings margin from sports betting was 9.2 per cent in Q1 2006, as compared with 8.5 per cent in Q1 2005, and 8.2 per cent in Q4 2005. This figure therefore remained within the communicated bandwidth of between 8 and 10 per cent.

- **Over 865,000 active and some 300,000 new active customers, up 285 per cent and 185 per cent respectively (up 161 per cent and 124 per cent excluding Ogame)**

betandwin continued to grow rapidly in the quarter under review: in Q1 2006 the number of active sports betting customers rose by 363,000 compared to Q1 2005 to 587,000. This development reflects the Group's successful marketing strategy and its rapid geographic expansion in an online gaming market that still continues to boom. The number of active customers including Ogame increased to over 865,000 in Q1 2006. Some 300,000 of these customers activated their accounts for the first time (232,000 in the sports betting sector).

In addition to over 2.5 million registered **betandwin** sports betting customers, there were over 8 million registered Ogame customers (including 7 million "play money" registrations). This remarkable expansion of the Group's customer basis offers promising potential for cross-selling activities in the future.

- **EBITDA of EUR 14.8 million up 673 per cent (up 342 per cent excluding Ogame)**

Marketing and personnel expenses were increased significantly in the lead-up to the World Soccer Championships in Germany. On the one hand, this was to further improve the existing level of service and the rate of growth in all areas, and on the other so as to make optimal use of opportunities to win new customers and establish the brand in existing and new markets. Increased costs in the amount of around EUR 0.5 million were also incurred in connection with acquisitions and integration.

Nevertheless, in Q1 2006 EBITDA (earnings before interest, taxes, depreciation and amortization) rose compared to the previous year, from EUR 1.9 million to EUR 14.8 million (EUR 8.4 million excluding Ogame). As a result of the Ogame transaction, an additional charge of EUR 9.1 million was made to the operating result (EBIT) of EUR 1.4 million due to the depreciation of the customer base and software following this acquisition. As a result, a consolidated profit after tax and third-party interests of EUR 1.5 million was reported for Q1 2006, following a loss of EUR 0.3 million the previous year.

- **Legislative developments**

Germany

In a judgement published at the end of March 2006, the German Federal Constitutional Court ruled that the monopoly on the organization and brokering of sports betting sustained by current legislation was unconstitutional. The court reasoned that the state monopoly was not consistently aimed at combating gambling addiction. Its decision was based extensively on the principles defined by the European Court of Justice in its Gambelli ruling, and its conclusion was also that the German monopoly was a violation of European Community law. However, the German Federal Constitutional Court did not rule that the current German legislation was generally null and void, but set the legislators a deadline of 31 December 2007. This was to enable them either to strictly legitimate this monopoly (and hence significantly limit marketing activities so as to restrict games of chance), or alternatively to liberalize the market for sports betting. State betting providers are therefore expected to continue defending their monopoly aggressively, at least until the expiry of this deadline.

Infringement proceedings

In the wake of the ruling by the German Federal Constitutional Court, at the beginning of April 2006 the European Commission initiated infringement proceedings against Germany and six other EU member states (Denmark, Finland, Hungary, Italy, the Netherlands and Sweden). In particular, these proceedings will consider whether the limitations on the freedom of services imposed by national regulations are indeed justified to protect the interests of the general public, and whether such national regulations are therefore actually commensurate and not discriminating. Although the initiation of infringement proceedings may be an important step towards liberalizing the European market for games of chance, this should not obscure the fact that several European member states are still clinging to their monopolies of games of chance and territorial limitations – many of them fiercely.

The Finance Act that came into force in Italy at the beginning of 2006, for example, raised significant access barriers to foreign gaming providers, and is still enforced despite the initial success of private betting providers and significant reservations with respect to European Union Law. Outside the European Union, too (in Turkey, for instance), the protectionist measures still in place are designed to protect state monopolies.

OUTLOOK

Integration of Ogame

Since the conclusion of the acquisition on 7 March, an integration team nominated by both companies and assisted by an external consultant has been working full speed on incorporating the online poker provider into the **betandwin** Group.

With Carl Klingberg as General Manager, the newly formed management team is headed by an executive with extensive experience of the online business and post-merger integration processes.

Apart from adapting group and management structures (in the future the competence centre in Stockholm will assume responsibility for the design and technical development of all the Group's poker and games products), work is going ahead at full speed on implementing "quick wins" and integrating the Ogame platforms. **betandwin** intends to migrate its customers gradually to the Ogame poker platform by the end of the second quarter of 2006. At the same time, this platform will also be launched with new features, such as integrated black jack and multi-language clients. **betandwin** customers will then be able to share in the greatly increased liquidity and technical sophistication of the Ogame poker platform.

During the course of the third quarter, all the payment options offered on **betandwin** platforms will also be made available on the various Ogame platforms.

Over the next few months, the principle objective will be to merge two previously independent and successful companies into a homogenous unit with standardized processes: the ultimate goal is to become the world's leading online gaming company by the year 2009.

Marketing

betandwin started preparing its extensive communications activities around the World Soccer Championships as long ago as the third quarter of last year.

Based on the experience already gained from previous major sporting events, a communications concept was approved following an in-depth analysis. Television advertising, especially in the Group's core target markets, will play a key role in the marketing mix. The "Magic Moments of Sports" spots screened in the lead-up to the World Soccer Championships featuring onetime superstars from the world of sports reflecting on their victories and experience. The series was designed to strengthen customers' confidence in the **betandwin** brand and provide a basis for the successful marketing of the brand. Starting on 26 May 2006, **betandwin** will be implementing a TV communications concept supported by print and online campaigns. Designed to win new customers, the concept can be adapted quickly and at low cost to different core target markets.

Germany will be playing against Costa Rica in the first round on 9 June, and the whistle for the finals will be blown in Berlin at 8 p.m. on 9 July 2006.

Technology as a success factor

Apart from management's extensive marketing expertise and business competence, one of **betandwin's** success factors is a high degree of technological know-how that enables the Company to implement innovative and high quality product ideas, ensuring high scalability. With respect to both hardware and software, the Company's existing technological infrastructure is continually being improved and expanded. Apart from the creation of redundant data centres, the provision of a scalable video streaming infrastructure and the latest security technologies, as well as an expansion of capacity to manage the anticipated growth in the customer base, **betandwin** is expecting annual total IT investment of in between

EUR 15 to 20 million for the next few years. All developments aimed at improving the efficiency of **betandwin**'s transaction platforms – especially with regard to transaction speed and security – are essential when implementing a corporate strategy aimed at sustainable growth and expansion.

Regional expansion

betandwin recently entered the Mexican market, where it secured a regional licence based on a joint venture with a local company. The Company is currently evaluating, or preparing to enter, other markets outside Europe.

Development of business in Q2

The development of gross gaming revenues in the month of April was satisfactory, whereas May was slower, especially in the product area of sports betting as anticipated due to the soccer break. Nevertheless, with the major event of the 2006 World Soccer Championships hosted in one of its core markets, **betandwin** still expects to achieve the goals already communicated for 2006: three-figure percentage revenue growth together with a satisfactory EBITDA margin.

SELECTED KEY FIGURES

For the sake of better clarity, the selected key figures are both pro forma consolidated and reported at equity. Initial consolidation of Ogame e-solutions AB (since 1 January 2006) has been carried out on the basis of preliminary unaudited internal management figures.

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

EUR 000	Q1/2006	Q1/2005	2005	2004	2003
Betting turnover					
of which sports betting	426,961	196,828	1,085,847	378,679	169,619
of which casino	21,523	6,021	33,840	12,827	6,414
of which poker	33,588	1,140	9,848	446	-
of which games	2,995	750	5,517	1,146	132
Total	485,067	204,739	1,135,052	393,098	176,165
Gross gaming revenues	97,290	24,685	143,984	51,983	30,464
of which gross gaming revenue sports betting	39,184	16,774	94,779	37,564	23,918
Gross gaming revenue sports betting in %	9.2%	8.5%	8.7%	9.9%	14.1%
Betting duties, casino taxes, commissions, licences & customer bonuses	-10,247	-3,059	-16,950	-4,769	-7,195
Net gaming revenues					
of which sports betting	34,677	13,849	82,084	34,529	17,805
of which casino	20,262	5,946	30,265	11,304	5,366
of which poker	29,459	1,140	9,848	446	-
of which games	2,645	691	4,837	935	98
Total gaming revenues	87,043	21,626	127,034	47,214	23,269
Other revenues	3,002	938	5,439	3,665	3,520
Total revenues	90,045	22,564	132,473	50,879	26,789
Expenses	-75,261	-20,651	-117,385	-44,617	-20,291
of which personnel	-10,431	-3,555	-18,161	-10,034	-6,753
of which marketing	-40,976	-11,920	-71,856	-21,764	-6,235
of which other expenses	-23,854	-5,176	-27,368	-12,819	-7,303
EBITDA	14,784	1,913	15,088	6,262	6,498
Non cash marketing expenses	-	-	-	-1,260	-720
Depreciation	-4,249	-1,113	-7,391	-4,400	-3,665
Depreciation on assets after acquisition	-9,088	-	-	-	-
EBIT	1,447	800	7,697	602	2,113
Consolidated profit/loss before tax	953	848	8,051	974	3,026
Consolidated profit/loss after tax	1,450	-313	6,377	-2,520	508
of which taxes	1,007	-138	2,245	-1,716	-1,423
Balance sheet total	845,078	73,055	123,958	62,096	52,573
Cash and cash equivalents and securities	106,341	35,334	44,606	33,513	25,493
Shareholders' equity	601,959	42,321	73,334	42,312	42,347
As % of balance sheet total	71.2%	57.9%	59.2%	68.1%	80.5%
New registrations	411,544	200,071	1,037,556	372,449	213,711
Number of bets placed (sports betting)	52,618,532	24,047,366	126,956,260	48,892,129	22,121,816
Number of active customers (sports betting)	587,713	225,048	717,846	259,403	129,606
Number of new active customers (sports betting)	232,233	103,683	542,447	180,511	94,444
Number of active customers (Ogame's own sites)	277,829	135,711	-	-	-
Number of new active customers (Ogame's own sites)	63,334	55,377	-	-	-

Overview 2: betandwin Group (including betandwin e.K.) shown using the „at-equity“ method.

EUR 000	Q1/2006	Q1/2005	2005	2004	2003
Betting turnover					
of which sports betting	426,958	196,825	1,085,835	378,663	169,592
of which casino	21,523	6,021	33,840	12,827	6,414
of which poker	33,588	1,140	9,848	446	-
of which games	2,995	750	5,517	1,146	132
Total	485,064	204,736	1,135,040	393,082	176,138
Gross gaming revenues	97,287	24,682	143,972	51,971	30,437
of which gross gaming revenue sports betting	39,181	16,771	94,767	37,552	23,891
Gross gaming revenue sports betting in %	9.2%	8.5%	8.7%	9.9%	14.1%
Betting duties, casino taxes, commissions, licences & customer bonuses	-20,632	-8,712	-46,492	-21,082	-16,254
Net gaming revenues					
of which sports betting	24,289	8,193	52,530	18,204	8,719
of which casino	20,262	5,946	30,265	11,304	5,366
of which poker	29,459	1,140	9,848	446	-
of which games	2,645	691	4,837	935	98
Total gaming revenues	76,655	15,970	97,480	30,889	14,183
Other revenues	4,078	1,714	9,121	5,544	4,592
Total revenues	80,733	17,684	106,601	36,433	18,775
Expenses	-66,530	-15,675	-93,174	-31,159	-15,214
of which personnel	-10,253	-3,465	-17,591	-9,603	-6,357
of which marketing	-33,459	-7,844	-51,919	-11,061	-2,625
of which other expenses	-22,818	-4,366	-23,664	-10,495	-6,232
EBITDA	14,203	2,009	13,427	5,274	3,561
Non cash marketing expenses	-	-	-	-1,260	-720
Depreciation	-4,105	-988	-6,870	-3,910	-3,168
Depreciation on assets after acquisition	-9,088	-	-	-	-
EBIT	1,010	1,021	6,557	104	-327
Consolidated profit/loss before tax	688	648	7,015	44	1,384
Consolidated profit/loss after tax	1,450	-312	6,377	-2,520	508
of which taxes	1,072	-137	2,481	-1,586	-876
Balance sheet total	831,104	65,951	113,708	56,209	48,967
Cash and cash equivalents and securities	103,721	32,776	41,324	31,516	23,154
Shareholders' equity	602,180	42,321	73,334	42,159	42,347
As % of balance sheet total	72.5%	64.2%	64.5%	75.0%	86.5%
New registrations	411,544	200,071	1,037,556	372,449	213,711
Number of bets placed (sports betting)	52,618,532	24,047,366	126,956,260	48,892,129	22,121,816
Number of active customers (sports betting)	587,713	225,048	717,846	259,403	129,606
Number of new active customers (sports betting)	232,233	103,683	542,447	180,511	94,444
Number of active customers (Ogame's own sites)	277,829	135,711	-	-	-
Number of new active customers (Ogame's own sites)	63,334	55,377	-	-	-

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 31.03.2006 - IFRS in comparison with figures as of 31.12.2005.

EUR 000	31.03.2006	31.12.2005
ASSETS		
Non-current assets		
Intangible assets	630,812	25,935
Tangible assets	12,958	6,352
Financial assets	11,262	13,490
Investments in associated companies	1,403	1,225
Deferred tax	5,273	39
	661,708	47,041
Current assets		
Receivables and other assets	45,214	19,957
Securities	27,649	22,428
Cash and cash equivalents	76,072	18,896
Prepaid expenses	20,461	5,386
	169,396	66,667
	831,104	113,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	32,380	25,095
Additional paid-in capital	589,682	68,130
Treasury shares	-447	-447
Exchange rate differences	635	563
Revaluation reserve	7,525	9,083
Retained earnings	-27,595	-29,090
	602,180	73,334
Non-current liabilities		
Provision for obligation towards employees & deferred tax	62,618	216
Current liabilities		
Liabilities	151,202	34,186
Provisions	10,987	4,111
Other liabilities and deferred income	4,117	1,861
	166,306	40,158

Consolidated Income Statement

For the 1st quarter of 2006 - IFRS in comparison with 1st quarter of 2005

EUR 000	01.01.2006 - 31.03.2006	01.01.2005 - 31.03.2005
Sports betting turnover	426,958	196,825
Customer winnings - sports betting	-387,777	-180,054
Revenues Casino	21,523	6,021
Revenues games	2,995	750
Revenues poker	33,588	1,140
Sales commissions	-11,781	-7,065
Betting duties	-358	-481
Licence fees	-2,089	-
Boni	-6,404	-1,166
Net gaming revenues	76,655	15,970
Other operating income	3,678	1,486
Other capitalized costs	400	228
Total revenues	80,733	17,684
Expenses for services rendered	-4,710	-903
Personnel expenses	-10,253	-3,465
Marketing expenses	-33,459	-7,844
Other operating expenses	-18,108	-3,463
Expenses	-66,530	-15,675
EBITDA	14,203	2,009
Depreciation/amortization of licences and customerbases	-10,177	-531
Depreciation/amortization of tangible assets (and intangible assets)	-3,016	-457
EBIT	1,010	1,021
Interest income/expenses	-500	59
Securities income/expenses	-	-15
Income from investments in associated companies	178	-417
Profit/loss before income taxes (and third-party interests)	688	648
Income tax; Taxes deferred	1,072	-137
Profit/loss before third-party interests	1,760	511
Third-party interests	-310	-823
Consolidated profit/loss after tax	1,450	-312
Earnings per share (undiluted)	0.050	-0.013
Earnings per share (diluted)	0.050	-0.013

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

Consolidated Cash Flow Statement

For the period of 1 January - 31 March 2006 - IFRS in comparison with 1 January - 31 March 2005.

EUR 000	01.01.2006 - 31.03.2006	01.01.2005 - 31.03.2005
Cash Flow from operating activities	5,158	1,627
Cash Flow from investing activities	-206,976	-8,413
Cash Flow from financing activities	258,995	518
Change in cash flow in reporting period	57,176	-6,268
Liquid assets at beginning of period	18,896	17,365
Liquid assets at end of period	76,072	11,097

Consolidated Statement of Changes in Shareholders' Equity

For the period of 1 January - 31 March 2006 - IFRS in comparison with 1 January - 31 March 2005.

EUR 000	01.01.2006 - 01.03.2006	01.01.2005 - 01.03.2005
Shareholders' equity at beginning of reporting period (adjusted)	73,334	42,159
Surplus/deficit on revaluation of properties and investments	-1,558	-56
Change in shareholders' equity due to currency translation differences	72	3
Other gains and losses not recognised in the income statement	45	-
Profit/loss for period	1,450	-312
Change due to issue of share capital	528,837	529
Rounding differences	-	-1
Shareholders' equity at end of period	602,180	42,322

