23 March 2011

Announcement by bwin Interactive Entertainment AG ("bwin")

Below is the text of an announcement issued today by bwin.

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Q4 and financial year 2010

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The bwin Group has over 20 million registered customers in more than 25 core markets. On a number of different platforms, the Group offers sports betting, poker, casino games, soft and skill games, as well as audio and video streams of top sporting events such as the Spanish Primera and Segunda divisions. The holding company bwin Interactive Entertainment AG is listed on the Vienna Stock Exchange (ID code BWIN, Reuters ID code BWIN.VI), and as the parent company provides various services such as software development, marketing, communications, human resources and finance to its subsidiaries and associated companies. The operational business of the bwin Group is carried out by subsidiaries and associated companies on the basis of licences. The merger between bwin Interactive Entertainment AG and PartyGaming Plc has already been approved and is scheduled to be implemented on 31 March 2011. Full details about the Company can be found on its investor relations website at www.bwin.org.

Key financial indicators (pro forma consolidated, unaudited)

EUR million	Q4 2010	Q4 2009	% YoY	2010	2009	% YoY
Gross gaming revenues	130.8	132.9	-1.6%	514.5	446.6	15.2%
Net gaming revenues	103.1	109.8	-6.1%	408.0	373.0	9.4%
Total revenues	115.0	125.4	-8.3%	457.2	433.8	5.4%
EBITDA (adjusted*)	20.9	34.3	-39.0%	72.0	102.2	-29.5%
EBIT	2.7	21.2	-87.3%	11.7	51.2	-77.2%
Result after tax	5.2	19.3	-73.0%	13.9	46.3	-69.9%

Development of business in Q4 2010 defined by forthcoming merger

- **bwin established as one of the leading poker providers in France and a top three player in Italy ahead of further product expansion in 2011**
- **Preparations for forthcoming regulation in a number of European markets resulted in one-off expenditure for consulting and system development**
- **Continuing increase in turnover and customer volume in sports betting segment**
- **Gross gaming revenues slightly down year-on-year due to lower sports betting margin and intense competition in poker, but significant increase versus Q3 2010**
- **EBITDA impacted by IT-related expenditure in preparation for merger with PartyGaming and forthcoming regulation in Europe**
- **Reorganisation by product segments in preparation for the merger with PartyGaming successfully completed**
- **Conclusion of merger scheduled for 31 March 2011**

Current development of business above expectations coupled with reduction of costs

- **Average daily gross gaming revenues (1 January – 17 March 2011) up 10.5% compared to Q4 2010 and up 6.2% compared to Q1 2010 to EUR 1.57 million**
- **Average daily net gaming revenues (1 January – 28 February 2011) up 5.2% compared to Q4 2010 to EUR 1.18 million**
- **Expenses for services received (e.g. external software writing and maintenance, consulting) for January and February 2011 down by approximately 15% compared to the monthly average of Q4 2010**

Q4 2010 (pro forma consolidated)

- **Gross gaming revenues of EUR 130.8 million (Q4 2009: EUR 132.9 million)**
- **Record sports betting turnover of EUR 917.0 million (Q4 2009: EUR 786.4 million)**
- **Sports betting margin of 7.1% (Q4 2009: 8.5%)**
- **Net gaming revenues of EUR 103.1 million (Q4 2009: EUR 109.8 million)**
- **Active customers: 1,213,000 active and 305,000 new active real-money customers (minus 2.5% and plus 2.4% respectively)**
- **EBITDA (adjusted*) of EUR 20.9 million (Q4 2009: EUR 34.3 million)**
- **Result after tax of EUR 5.2 million (Q4 2009: EUR 19.3 million)**

*Excluding non-cash expenses in connection with share-based payment (IFRS 2) and one-off effects in connection with proposed merger.

Financial year 2010 (pro forma consolidated, including bwin e.K.)

- **Gross gaming revenues up 15.2% to EUR 514.6 million (2009: EUR 446.6 million)**
- **Net gaming revenues up 9.4% to EUR 408.0 million (2009: EUR 373.0 million)**
- **Active customers: 2,606,000 active and 1,283,000 new active real-money customers (plus 9.0% and plus 16.4% respectively)**
- **EBITDA (adjusted*) of EUR 72.0 million (2009: EUR 102.2 million)**
- **Result after tax of EUR 13.9 million (2009: EUR 46.3 million)**

*Excluding non-cash expenses in connection with share-based payment (IFRS 2) and one-off effects in connection with proposed merger.

Development of business in Q4 2010 (pro forma consolidated, unaudited)

Record turnover for sports betting for both pre-match and live betting
Due to the on-going improvement of the product portfolio to specific customer requirements, in Q4 2010 sports betting turnover (betting stakes) was up by 16.6% to EUR 917.0 million compared to Q4 2009. Both live betting and conventional sports betting (pre-match) contributed to this growth with betting volumes up by 16.8% and 16.0% respectively.

Though the number of bookmakers-traders remained constant, the betting portfolio has been expanded considerably and regionalized through increased automation. A new video promotion page was designed to appeal to new customers, who are able to choose from up to 1,500 live events a month. This makes bwin one of the world's largest online broadcasters of live sports.

Gross gaming revenues of EUR 130.8 million (Q4 2009: EUR 132.9 million)
In Q4 2010 gross gaming revenues (stakes less winnings or rake in the poker segment) declined by 1.6% compared to Q4 2009 to EUR 130.8 million.

Sports betting
While sports betting turnover grew significantly, due to a relatively smaller pre-match margin of 12.3% (Q4 2009: 16.3%), gross gaming revenues for the sports betting segment (betting stakes less customer winnings) fell 2.4% to EUR 65.0 million (Q4 2009: EUR 66.6 million). Gross gaming revenues for pre-match betting fell by 12.1% to EUR 30.4 million, whilst live betting rose 7.3% to EUR 34.3 million.

Sports betting (in EUR million)	**Q4 2010**	**Q3 2010**	**Q2 2010**	**Q1 2010**	**Q4 2009**	**Q3 2009**	**Q2 2009**	**Q1 2009**	**Q4 2008**
Pre-match	247	191	240	232	212	177	188	195	216
Live betting	670	629	664	628	574	566	572	568	578
Sports betting turnover	**917**	**820**	**904**	**860**	**786**	**743**	**760**	**763**	**793**
Pre-match	30	30	31	31	35	23	14	31	32
Live betting	34	35	34	33	32	30	31	31	32
Gross gaming revenues sports betting	**65**	**65**	**65**	**64**	**67**	**53**	**45**	**62**	**65**
Pre-match margin	12.3%	15.6%	13.1%	13.4%	16.3%	12.8%	7.4%	16.0%	15.0%
Live betting margin	5.1%	5.5%	5.1%	5.3%	5.6%	5.3%	5.3%	5.5%	5.6%
Sports betting margin	**7.1%**	**7.9%**	**7.2%**	**7.5%**	**8.5%**	**7.1%**	**5.9%**	**8.2%**	**8.1%**

Poker
Gross gaming revenues declined by 5.8% in Q4 2010 to EUR 35.5 million mainly due to continuing strong competition in the international poker market. However, strong growth in newly regulated markets resulted in an increase of 6.3% in gross gaming revenues versus Q3 2010.

Supported by new marketing campaigns, bwin's Italian poker network represented approximately 22.3% of the Italian poker market in Q4 2010 (excluding Microgame, an online gaming software provider for retail shops). As a result, bwin was the second largest online poker provider in this expanding market, that currently comprises only poker tournaments. In established online poker markets, poker cash games generally have a higher share than online poker tournaments and the launch of poker cash games, originally planned for 2010, is now scheduled for Q2 2011, and should generate further market growth.

Following the successful market launch in France in July 2010, supported by extensive marketing activities, poker gross gaming revenues in France grew significantly in Q4 2010, establishing bwin as one of the leading online poker providers in France. In the latest survey[1] on the awareness of online gaming providers in France, bwin was mentioned as the leading non-French enterprise.

Whilst these newly regulated markets are performing well, the international poker business (.com) is still dominated by poker providers offering real money gaming to US customers, giving them significant advantages of size and player liquidity.

Casino and games
In line with the French regulatory requirements, casino products previously offered on bwin.com were not available to French customers in Q4 2010. This contributed to a decline of 3.9% in gross gaming revenues in this segment to EUR 19.4 million (Q4 2009: EUR 20.2 million). On a comparable basis, i.e. Q4 2009 excluding France, the Company would have reported an increase in casino gross gaming revenue of 3.1%.

It is expected that Italy will issue licences for casino table and card games for the first time in Q2 2011. It is expected that this will deliver attractive growth opportunities as bwin currently generates about 75% of its casino revenue from these games.

Gross gaming revenues in the games operating segment grew by 29.3% versus the prior year to EUR 10.9 million (Q4 2009: EUR 8.4 million). This was primarily attributable to the satisfactory development of bingo, which has been available on www.giocodigitale.it since the beginning of the year, and on www.bwin.it since 21 September 2010.

Strong growth in the mobile gaming segment
In Q4 2010 bwin reported again a strong increase in gross gaming revenues for mobile products for sports betting, poker, casino and games of 66.0% compared to Q4 2009 to EUR 3.6 million. The number of active customers more than doubled in the same period. In addition to the success of the iPhone and Android applications, the mobile casino and games offering is complemented by 2 mobile games: "European Roulette" and "Blackjack".

Net gaming revenues of EUR 103.1 million (Q4 2009: EUR 109.8 million)
Net gaming revenues (gross gaming revenues less betting duties, betting duties, licence fees and bonuses granted to customers) amounted to EUR 103.1 million in Q4 2010. This represented a decrease of 6.1% compared to Q4 2009, attributable mainly to higher betting duties that almost doubled to EUR 10.2 million (Q4 2009: EUR 5.6 million). A total of EUR 13.5 million in customer bonuses (including the "b'inside" customer loyalty programme) were granted in Q4 2010 (Q4 2009: EUR 15.6 million).

A lower sports betting margin and a EUR 3.3 million increase in betting duties meant that the sports betting segment reported a drop of 9.7% in net gaming revenues to EUR 52.9 million (Q4 2009: EUR 58.5 million). Poker declined by 17.4% to EUR 23.2 million (Q4 2009: EUR 28.1 million) partly due to the significant increase in poker related duties, particularly in France, but also due to lower gross gaming revenues. The casino segment increased net gaming revenues by 8.5% to EUR 17.1 million due to a reduction in bonuses (Q4 2009: EUR 15.8 million). The successful operation of bingo, especially in the Italian network, helped grow the games segment by 33.8% to EUR 9.9 million (Q4 2009: EUR 7.4 million).

Other income
Other income in Q4 2010 totalled EUR 12.0 million (Q4 2009: EUR 15.6 million). This decline was attributable mainly to lower inactivity fees and own work capitalised. bwin reported own work capitalised (e.g. development of in-house software) of EUR 3.4 million in Q4 2010 (Q4 2009: EUR 4.7 million). Currency gains accounted for EUR 3.2 million in Q4 2010 (Q4 2009: EUR 3.2 million). These gains were offset by the currency losses recognised under other expenses (Q4 2009: -EUR 0.1 million).

[1] Source: OpinionWay – bwin / Les Francais et les jeux d'argent sur Internet, February 2011

Active customers: 1,213,000 active and 305,000 new active real-money customers (minus 2.5% and plus 2.4% respectively)
Whereas active customers fell by 2.5% in Q4 2010, bwin reported growth of 2.4% in new active customers compared to Q4 2009.

Gross gaming revenues per active customer rose by 1.0% to EUR 107.9 (Q4 2009: EUR 106.8), however net gaming revenues per active customer fell by 3.7% to EUR 85.0 (Q4 2009: EUR 88.2). This nevertheless represented an increase of 7.8% over Q3 2010 (Q3 2010: EUR 78.8).

Costs (marketing expenses including bonuses) per new active customer declined by 7.7% to EUR 133.2 (Q4 2009: EUR 144.7).

EBITDA (adjusted*) of EUR 20.9 million (Q4 2009: EUR 34.3 million)
After adjustment for non-cash expenses (IFRS 2 – share-based payment in the amount of EUR 3.5 million and one-off expenses in the amount of EUR 3.4 million in connection with the proposed merger), in Q4 2010 adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to EUR 20.9 million (Q4 2009: EUR 34.3 million). Based on net gaming revenues, this represented an EBITDA margin of 20.3% in Q4 2010 (Q4 2009: 31.2%).

The reduction in adjusted EBITDA versus the prior year was partly due to the lower total gaming revenues as described above but also caused by increased expenses, including legal consulting, and accelerated one-off investments in technology in anticipation of a massive wave of regulatory changes in Europe and in preparation of the planned merger with PartyGaming.

Operating expenses

Operating expenses in the 2010 financial year and especially in Q4, were affected by two major strategic initiatives that resulted in two sizeable one-off effects that impacted operating performance. Significant investment ahead of the anticipated regulation in a number of countries in Europe was necessary to ensure that bwin is able to participate in these markets as soon as regulations allow. This resulted in increased expenditure on consulting and system development. In addition, high priority was attached to the implementation of a number of measures in connection with the merger with PartyGaming. These are described in more detail below.

Marketing expenses
Marketing expenses of EUR 27.2 million in Q4 2010 were slightly below the previous year (Q4 2009: EUR 27.4 million), accounting for 26.4% of net gaming revenues (Q4 2009: 24.9% of net gaming revenues). Marketing activities were focused mainly on the newly regulated markets of Italy and France.

Personnel expenses
The market launch in France and investments in all areas of technology meant that personnel expenses were up from EUR 28.3 million in Q4 2009 to EUR 29.5 million, or EUR 25.8 million excluding IFRS 2 share-based payment (Q4 2009: EUR 25.3 million excluding IFRS 2). This was further compounded by an adverse movement in the rate of exchange of the Swedish krona against the euro.

As of 31 December 2010, bwin had 1,667 employees (excluding freelance staff) representing an increase of 6.0% compared to the previous year (31 December 2009: 1,573 employees excluding freelance staff). As of February 2011 the number of employees on the same basis was down 5% compared with the highest level of the previous year.

The reorganisation of bwin by product divisions commenced in Q4 2010 and is now complete. This involved transforming the previous horizontal structure into vertical business units. This means that bwin's organisational structure now largely matches that of the target blueprint of bwin.party post closing of the merger.

Other expenses
In Q4 2010 the bwin Group's other expenses rose by 14.8% compared to the previous year to EUR 44.3 million (Q4 2009: EUR 38.7 million). One-off expenses of EUR 3.2 million in connection with the merger were incurred in the period and are included under other expenses.

As highlighted above, expenses for services received, such as third-party software development and maintenance, consulting and internet charges, rose by 45.1% compared to the previous year to EUR 12.4 million (Q4 2009: EUR 8.6 million).

This observed increase in Q4 2010 was largely attributable to one-off expenditures. The Company made extensive preparations for its first compliance audit with the licensing authorities in France, which was carried out in January 2011. Increased expenditure was also incurred due to preparations for technological and organisational integration to be implemented following completion of the merger with PartyGaming. In this context, preparations were also made to outsource further roles to India. Finally, the increased pace of regulatory changes necessitated investments and expenditure earlier than anticipated. Due to the latest judgments of the European Court of Justice for Germany and Austria, regulations already approved or planned in various countries of the European Union such as Denmark, Greece, Spain, Poland and the Netherlands may be implemented faster than planned. bwin's goal is to be a first mover in each of these markets and the Group has therefore stepped up its efforts in order to ensure that its technology, particularly in the area of sports betting is as flexible as possible in order to minimise market entry costs and start-up times.

Since the year end, expenses for services received in January and February 2011 were already approximately 15% down compared to the monthly average of Q4 2010. This represented a reduction of EUR 0.5 million in monthly expenses for services rendered.

Despite a rise of 15.2% in total turnover, banking expenses were reduced by 8.4% compared to the same period the previous year to EUR 7.1 million (Q4 2009: EUR 7.7 million). Legal, auditing and consulting expenses totalled EUR 8.0 million in Q4 2010 (Q4 2009: EUR 5.6 million), and included one-off expenses of EUR 3.2 million relating to the proposed merger with PartyGaming.

Result after tax of EUR 5.2 million (Q4 2009: EUR 19.3 million)
In Q4 2010 bwin recognised depreciation and amortisation on hardware and software in the amount of EUR 7.3 million (Q4 2009: EUR 8.4 million). Amortisation associated with the acquisitions of bwin Games (formerly Ongame) and Gioco Digitale amounted to EUR 4.0 million (Q4 2009: EUR 1.3 million).

The financial result for Q4 2010 increased to EUR 0.2 million following a loss of EUR 1.5 million in Q4 2009. Investment losses in the amount of EUR 1.1 million were largely attributable to start-up costs for “Sajoo”, an at-equity accounted investment that is majority-owned by the French Amaury Group (L'Equipe) (Q4 2009: EUR 0.0 million).

This resulted in an operating profit (EBIT) of EUR 2.7 million for Q4 2010 (Q4 2009: EUR 21.2 million, and tax income of EUR 3.9 million for the year 2010, mainly due to the impact of deferred taxes. Profit after tax was EUR 5.2 million (Q1 2009: EUR 19.3 million).

Legislative developments
Gaming is preoccupying the majority of member states of the European Union and a growing number are realising that the regulation of online gaming is inevitable for the protection of the consumer. This trend was triggered by the infringement proceedings instituted by the European Commission against numerous member states back in 2006, and further accentuated by the latest judgments passed down by the European Court of Justice (ECJ) in the cases of *Markus Stoss*(C-316/07), *Carmen Media* (C-46/08), *Winner Wetten* (C-409/06) and *Engelmann* (C-64/08).

In its judgments on *Carmen Media* and *Markus Stoss*, the ECJ ruled that Germany's lottery and sports betting monopoly in its present form infringed EU law since it did not pursue the stated objectives in a consistent and systematic manner. The European Court of Justice emphasised once again the necessity for coherent and consistent gaming policies, imposing strict limits on state monopolies. The court also went on to establish that no fines could be imposed on providers unable to obtain gaming licences in the certain member states as a result of national regulations not in conformity with EU legislation.

Notwithstanding the judgments passed down by the ECJ, there are still numerous court and administrative proceedings pending against the bwin Group in Germany. Their aim is to prohibit bwin’s operations throughout Germany, or at least in individual states. For instance, several German state operators instituted competition proceedings against the bwin Group as long ago as 2004 and 2006. On 18 November 2010, Germany’s Federal Supreme Court dismissed the case brought by Westdeutsche Lotterie GmbH & Co. OHG, the state provider in North Rhine-Westphalia, and confirmed the legal position of the bwin Group. The Federal Supreme Court heard three further German proceedings on 17 March 2011. A judgment is expected on 7 July 2011.

The prospects of regulation of the sports betting market in Germany have improved significantly, not least due to the above-mentioned judgments of the ECJ. Germany’s State Treaty on Gaming expires at the end of 2011, and has been under evaluation by the states since the autumn of 2009. A decision is expected later this year.

Italian legislators have expanded the permissible range of games since the introduction of the licensing system in 2006. Following the opening of the market for online poker tournaments in 2008, the first licenses for further poker and casino products are expected to be issued in early summer 2011. France opened its market to private operators in June 2010, and bwin was the first international provider to receive a licence for sports betting and poker. Danish legislators have also already decided to regulate the opening-up of the gaming market, and Spanish regulators are planning to issue the first national licences for online gaming at the end of 2011. Other member states – Greece, Cyprus, Romania, Bulgaria and Poland – have followed suit in recent months and have presented bills at least for the partial regulation of their gaming markets.

Finally, in the USA, there are also a number of initiatives looking to regulate online gaming both at a national and a state level. Earlier this month a new federal bill was introduced to the Financial Services Committee of the House of Representatives, one that had previously been sponsored by the then Chairman of the Committee, Congressman Barney Frank. State initiatives in California, New Jersey, Florida and Iowa have seen the introduction of bills for the regulation of online poker within each state.

Outlook

Dividend

In accordance with the agreement of 29 July 2010 regulating implementation of the merger with PartyGaming, the management of bwin did not propose a dividend for the financial year 2010. The Company's dividend policy will be discussed by the Board of bwin.party digital entertainment plc following completion of the merger with PartyGaming.

Merger with PartyGaming

The merger with PartyGaming will create the world's largest publicly listed online gaming company, with a well-balanced revenue base by product, geographic market and distribution channel. As a publicly listed company, bwin.party will be a clear market leader across the four major product verticals of sports betting, poker, casino and bingo.

Following the planned merger on 31 March 2011, the management of bwin.party will focus on achieving the annual synergies of EUR 55 million already identified that should be fully realised by 2013. The primary strategic goals of bwin.party will have the following priorities:

Focus on regulated and to-be-regulated markets: The online gaming industry is undergoing an unprecedented regulatory shift from unregulated towards regulated markets. Following the merger of bwin and PartyGaming, the new company will be well-positioned to secure significant market shares in all product verticals in all of major regulated and to-be-regulated markets. This will be achieved largely through organic growth as well as selective acquisitions. At the same time, bwin.party will continue to lobby governments for legislation that meets the needs and desires of the regulators whilst remaining commercially attractive. In particular, the Company will seek to ensure that new legislation incorporates taxation models that make sound business sense so that licensed companies are not at a significant disadvantage to unlicensed operators.

Invest in the development of technology and brands: Both bwin and PartyGaming's success has been borne out of an ability to innovate and a willingness to invest in developing the best products and brands. The respective brands and products are already some of the strongest in the industry and will be made stronger through delivery of the best customer experience, irrespective of product or channel.

Secure long-term strategic alliances: bwin's brand has become synonymous with sport through its sponsorship of some of the world's biggest names in sport such as Real Madrid and Bayern Munich. Its long-standing cooperation with soccer clubs like these and the Italian and Portuguese soccer leagues testify to the Company's continuing commitment to top soccer. In addition, bwin and PartyGaming have established several strategic alliances with a number of third parties such as those with PMU and Amaury in France.

Act responsibly: As a market leader, both companies are determined to lead by example, intent on opening new markets and promoting the merits of real money gaming around the world. bwin and PartyGaming have been pioneers in the areas of gaming research and innovation. Building on bwin's existing collaboration with the Division on Addictions, Cambridge Health Alliance, a Harvard Medical School Teaching Affiliate and other institutions, bwin.party plans to increase its efforts to promote safe and secure gaming on the internet.

Current trading

Over the period 1 January to 17 March 2011, average gross daily gaming revenues were EUR 1.57 million, 10.5% above that achieved in Q4 2010 (EUR 1.34 million) and 6.2% higher than Q1 2010. This largely reflected a return to a satisfactory sports betting margin. Over the period 1 January to 28 February 2011, average daily net gaming revenues were EUR 1.18 million, 5.2% up on the level of Q4 2010 (EUR 1,12 million).

Since the year end, expenses for services received in January and February 2011 were already down by approximately 15% compared to the monthly average of Q4 2010. This represented a reduction of EUR 0.5 million in monthly expenses for services received.

Development of business in the financial year 2010 (pro forma consolidated, unaudited)

Development of gross and net gaming revenues

Sustained by the major event of the Soccer World Cup and the first full annual contribution by the Italian subsidiary Gioco Digitale, acquired in October 2009, in 2010 bwin reported gross gaming revenues (betting stakes less betting winnings or the rake taken in the poker segment) of EUR 514.5 million, a 15.2% increase on the previous year's figure of EUR 446.6 million.

Net gaming revenues (gross gaming revenues less sales commissions, betting duties, licence fees and bonuses) rose by 9,4% in the year under review, from EUR 373,0 million in the year 2009 to EUR 408,0 million. The smaller increase in net gaming revenues compared to gross gaming revenues was attributable mainly to higher betting duties in the regulated Italian and French online gaming online gaming markets. Betting duties rose by 156.9% to EUR 33.0 million (2009: EUR 12.8 million).

Gross gaming revenues sports betting

In Soccer World Cup year 2010, betting stakes for sports betting increased 14.7% to EUR 3,500.1 million (2009: EUR 3,052.0 million), and were therefore up 19.6% compared to European Football-Championship year 2008. The live betting segment accounted for 74.0% of turnover, reporting growth of 13.7% to EUR 2,591.2 million (2009: EUR 2,279.4 million, or 74.7% of betting stakes), whereas conventional sports betting (pre-match) rose 17.6% to EUR 908.9 million (2009: EUR 772.6 million).

The 14.6% increase in gross gaming revenues for sports betting to EUR 259.3 million (2009: EUR 226.3 million) was attributable to the 10.3% growth of live betting to EUR 136.5 million (2009: EUR 123.7 million). On the other hand, pre-match gross gaming revenues were up 19.4% to EUR 122.5 million (2009: EUR 102.6 million).

Live betting (mainly single bets) has a more stable, but lower margin on the basis of gross gaming revenues in proportion to payments in than pre-match sports betting (mainly combination bets). At 5.3%, the margin for live betting in the financial year 2010 was slightly down on the previous year's level (2009: 5.4%). The pre-match margin rose to 13.5% (2009: 13.3%). The overall sports betting margin for 2010 was 7.4% (2009: 7.4%).

The positive development of sports betting was sustained by an expanded product portfolio coupled with additional possibilities for the individual configuration of betting services. The "Country Highlights" function, for example, automatically offers regionally specific bets for up to 15 different sports. In 2010 bwin attached particular importance to improving the clarity of the extensive betting portfolio, which also resulted in faster placing of bets.

bwin offers up to 1,500 live events with videos every month, making the Company the world's largest broadcaster of live sports. A new video promotion page is designed to appeal especially to new customers.

In the financial year under review bwin achieved tremendous progress both in the improvement of its user interface (front end) and the tools used to produce betting services and its interactive risk management (back end). The flexible betting platform is able to optimally handle a wide variety of regulatory requirements. This has been demonstrated in France, where bwin was the first international provider on the market with an extensive sports betting portfolio.

Gross gaming revenues poker
Compared to 2009, in 2010 bwin reported an 17.4% increase in gross gaming revenues (commission/fee, or “rake”) in the poker segment to EUR 139,5 million (2009: 118.8 million). This increase was largely attributable to the contribution made by Gioco Digitale and the successful market launch in France.

The Italian poker network launched in autumn 2008 now also offers bingo and skill games for B2B customers and currently has about 20 partners, who generate around 6% of Italian poker liquidity. With approximately five million registered customers, in the financial year under review bwin’s poker network accounted for 22.3% of the competitive Italian online poker market, excluding Microgame, an online gaming software provider for retail shops. This means that bwin has been able to establish itself as the second largest online poker provider on this rapidly expanding market, currently comprising only poker tournaments.

In established online poker markets, poker cash games generally have a higher share than online poker tournaments. The launch of poker cash games originally planned for 2010 is now scheduled for Q2 2011, and should generate further growth on the Italian online poker market.

bwin was one of the first operators to introduce real money poker operations in France with effect from 1 July 2010. The smooth launching of a wide product portfolio of cash games and tournaments is evidence of bwin’s technological maturity, the flexibility of its platform, and its thorough groundwork. bwin was able to meet its goal of playing a leading role on the French online gaming market.

Apart from bwin.fr, bwin’s regional French poker network also comprises the B2B partner sajoo.fr (at-equity accounted), eurosportbet.fr and Unibet, and was recently enlarged by the arrival of Buongiorno with the “Winga” brand. The network partners contribute about 40% of French poker liquidity.

Developments in Italy and France illustrate the positive impact of a secure regulatory framework. According to Pokertrafficindex.com, the Italian online poker market is the world’s second largest after the USA. In a year-on-year comparison, its share of the world-wide market increased from 15.8% to 16.7%, whilst the French online poker market's share grew from 9.3% to 9.6%. Over the same period, the share of the unregulated US market declined from 23.3% to 21.6%.[2]

Thanks to extensive and timely groundwork, bwin has been able to establish a good position for itself on both the Italian and French market despite the intense competition. On the other hand, the international poker business (.com), i.e. without Italy and France, is still dominated by poker providers offering real money gaming to US customers, giving them significant economies of scale.

With over 70,000 real-money customers a day at peak times and guaranteed tournament prize money of over USD 30 million a month, bwin and Ongame Network now operate the world’s largest poker network.[3] In the financial year under review this network was further expanded both regionally (.country) and internationally (.com). For example, betfair, the world’s largest betting exchange, has been a new partner in the international Ongame network since July 2010, and Unibet was a newcomer to the regional Italian poker network in December 2010. The international B2B poker network currently comprises 25 partners contributing about 47% of poker liquidity. Overall the B2B partners in the three poker networks operated by bwin generate about 39% of the Company’s total poker liquidity.

[2] Source: Pokertrafficindex.com December 2010 – measured in terms of average number of real-money customers per day (Cash Games, tournaments, Sit’n goes)
[3] Source: Pokertrafficindex.com December 2010

Gross gaming revenues casino und games

Notwithstanding the termination of French online casino operations due to regulatory restrictions, in a year-on-year comparison the casino segment reported a 1.3% rise in gross gaming revenues (stakes less winnings paid out) to EUR 74.7 million (2009: EUR 73.7 million). Following the introduction of a total of 11 new casino games, customers can now choose from 105 casino games. As in 2009, in the year 2010 the proportion of turnover generated by casino table and card games amounted to some 75% of total casino turnover. For regulatory reasons, the launch of casino table games in Italy had to be postponed to the current financial year 2011, and will be supported by targeted marketing campaigns.

The games segment once again reported very attractive rates of increase in the financial year 2010. Gross gaming revenues rose by 47.7% to EUR 41.0 million (2009: EUR 27.8 million). This was mainly attributable to the expanded product portfolio, the successful integration of MiniGames into the live betting segment, and the satisfactory development of the bingo product in Italy. Bingo has been offered on www.giocodigitale.it since the beginning of 2010, and on www.bwin.it since 21 September 2010.

New mobile web applications

The development of gross gaming revenues for mobile offerings for sports betting, poker, casino and games continued to be satisfactory. Since the Soccer World Cup in South Africa, monthly gross gaming revenues from mobile web applications have consistently been over EUR 1 million. In 2010 these amounted to EUR 12.4 million, an increase of 82.9% compared to the previous year's level (2009: EUR 6.8 million). With the introduction of "bwin live" to the app store and the Android marketplace in the United Kingdom and Austria, bwin now offers users of Apple's iPhone and Android smartphones a live betting app for sports such as soccer, tennis, Formula 1, American football, ice hockey and skiing. In 2010 bwin launched "bwin Poker", the first real-money poker app for the iPhone in app stores in the United Kingdom and Austria. In addition to the successful iPhone and Android applications, the mobile casino and games offering is rounded out by the web apps "European Roulette" and "Blackjack".

Net gaming revenues of EUR 408.0 million (2009: EUR 373.0 million)

Net gaming revenues (gross gaming revenues less all deductions such as betting duties on the product portfolio, commissions, licence fees and bonuses granted to customers) amounted to EUR 408.0 million in 2010 (2009: EUR 373.0 million). This represented an increase of 9.4% compared to 2009.

The sports betting segment reported growth of 11.2% to EUR 216.4 million (2009: EUR 194.6 million). Poker improved by 4.0% to EUR 93.1 million (2009: EUR 89.5 million). Net gaming revenues in the casino segment totalled EUR 60.9 million in 2010 and were thus down 4.7% (2009: EUR 63.9 million). Management expects a significant increase in net gaming revenues in this segment following the conclusion of the planned merger with PartyGaming.

The successful marketing of bingo in Italy coupled with the expansion of gaming products enabled the games segment to achieve growth of 50.5% to EUR 37.6 million (2009: EUR 25.0 million).

As a result of higher betting duties on the regulated Italian and French online gaming markets, net gaming revenues in 2010 increased less than gross gaming revenues, and amounted to 79.3% of gross gaming revenues (2009: 83.5%).
In 2010 a total of EUR 63.4 million (2009: EUR 54.3 million) was granted in customer bonuses (including "b'inside" customer loyalty programme). In 2010 they increased to 12.3% of gross gaming revenues (2009: 12.2%).

Other revenues

Other revenues in 2010 totalled EUR 49.2 million (2009: EUR 60.9 million). This considerable reduction was attributable mainly to the absence of revenues from the sale abroad of marketing rights to the German Soccer League (2009: EUR 14.6 million).

Charges passed on to customers – such as deposits made by credit card – amounted to EUR 10.9 million (2009: EUR 9.9 million). In 2010 bwin reported own work capitalized (e.g. in-house software) of EUR 12.4 million (2009: EUR 14.3 million). This was related to preparations for additional product launches in Italy and the opening-up of the French online gaming market. Currency gains of EUR 15.8 million were recognized in 2010 (2009: EUR 14.1 million). Offset against the currency losses recognized under other expenses, this resulted in a contribution from currency fluctuations in 2010 in the amount of EUR 3.2 million (2009: EUR 0.6 million).

Development of customer base

The major event of the Soccer World Cup and the successful market launch in France resulted in a new record for active customers. In 2010 the number of active customers rose to 2,606,000 (2009: 2,391,000), and that of new active customers to 1,283,000 (2009: 1,102,000). Customer growth was underpinned by targeted activation and reactivation measures, particularly in connection with the Soccer World Cup, and a number of product enhancements. The games segment reported the strongest growth of 25.9%, followed by sports betting, which increased the number of active customers by 12.9%. At the present time some 200,000 customers a day use the range of entertainment products offered by bwin.

bwin's Customer Service handled more than 1.7 million customer contacts in the year under review (2009: 1.6 million). The processing time for messages was reduced by 60 minutes to an average of less than three hours. Thanks to continuous quality improvement, customer satisfaction rose to over 80%, a figure well above the industry standard.

Performance indicator customer base (in 000)	**2010**	**2009**
Number of active customers (Group total)	2,606	2,391
Number of active customers (sports betting)	1,981	1,754
Number of active customers (casino)	400	371
Number of active customers (poker)	1,117	1,050
Number of active customers (games)	519	412

EBITDA (adjusted*) of EUR 72.0 million (2009: EUR 102.2 million)

In 2010 earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 56.4 million (2009: EUR 91.9 million). After adjustment for non-cash expenses (IFRS 2 – share-based payment in the amount of EUR 8.6 million and one-off expenses in the amount of EUR 7.1 million in connection with the proposed merger), in 2010 EBITDA fell by 29.5% to EUR 72.0 million (2009: EUR 102.2 million). This development was largely attributable to expenses in connection with the Soccer World Cup, the market launch in France, and timely investments made in all areas of technology in anticipation of the merger and a multi-regulated market environment in Europe. In Italy, too, preparations were made for additional product launches.

Operating expenses

Operating expenses in the 2010 financial year were affected by two major strategic initiatives that resulted in two sizeable one-off effects that impacted operating performance. Significant investment ahead of the anticipated regulation in a number of countries in Europe was necessary to ensure that bwin is able to participate in these markets as soon as regulations allow. This resulted in increased expenditure on consulting and system development. In addition, high priority was attached to the implementation of a number of measures in connection with the merger with PartyGaming.

Marketing expenses

Marketing expenses increased 17.1% in the year 2010 to EUR 120.3 million. This was due to the first full annual contribution from Gioco Digitale, intensified communications activities around the Soccer World Cup, and the rapid development of the market in France immediately after the granting of a licence. Special priority was given to offline marketing (print, TV, radio), although increased use was also made of cheaper distribution channels, such as search engine optimization on the internet.

In 2010 marketing expenses accounted for 29.5% of net gaming revenues (Q1-Q4 2009: 27.5%).

In the financial year 2010 bwin was once again perceived as one of the most recognized sports sponsors internationally. Apart from existing successful partnerships, such as the ones with Real Madrid, one of the world's best known soccer clubs, which runs until the 2012/2013 season, or with Bayern München and the Portuguese soccer league, a further commitment to top soccer was made in 2010: Italy’s Liga Serie B soccer league became the Serie bwin. This cooperation between bwin and the 22 clubs in the league runs until 30 June 2012. The contract with AC Milan expired in mid 2010. However, bwin once again featured as one of the key sponsors of the famous Hahnenkamm ski race, and the existing MotoGP sponsoring was enhanced by the addition of exclusive content for all MotoGP fans and bwin customers.

Customer bonuses

A total of EUR 63.4 million in customer bonuses including the “b’inside” customer loyalty programme were granted in the financial year 2010 (2009: EUR 54.3 million). This increase was attributable mainly to increased reactivation measures during the soccer World Cup, the market launch in France, and intensive competition in the regulated Italian online gaming market. The percentage of gross gaming revenues accounted for by bonuses rose from 12.2% in the year 2009 to 12.3% in 2010.

Personnel expenses

As a result of the growing number of employees due to the acquisition of Gioco Digitale, the market launch in France, and anticipative investments in all areas of technology, personnel expenses were up compared to 2009, from EUR 98.0 million to EUR 114.3 million, or EUR 106.1 million excluding share-based payment (2009: EUR 63.7 million excluding IFRS 2). Increased expenses also resulted from the development in the rate of exchange of the Swedish krona to the euro. At the reporting date of 31 December 2010, bwin had 1,667 employees (excluding freelance staff), 6.0% up on the previous year.

Other expenses

At EUR 166.3 million, the bwin Group’s other expenses were up 17.8% compared to the same period the previous year (2009: EUR 141.2 million). In 2010 one-off expenses in the amount of EUR 7.1 million were incurred in connection with the merger (2009: EUR 0 million). Currency losses in the amount of EUR 18.9 million (2009: EUR 13.5 million) were offset by currency gains recognized under other operating income in the amount of EUR 15.8 million (2009: EUR 14.1 million), resulting in a net loss of EUR 3.2 million.

Including one-off expenses in connection with the planned merger, consulting expenses rose to EUR 27.7 million (2009: EUR 17.8 million). This was attributable to regulatory measures already taken or planned in various countries of the European Union, such as France, Italy, Germany, Greece, Denmark, Spain and Poland. Due to the dynamic nature of this development, bwin has stepped up its efforts to ensure that the taxation models incorporated in the draft laws make sound business sense. In the financial year 2010 the

Company also incurred higher consulting expenses resulting from preparations for integration after conclusion of the merger.

In 2010 expenses for services received, such as third-party software writing and maintenance, and internet charges, rose by 30.6% compared to the previous year to EUR 43.5 million (2009: EUR 33.3 million). These were associated with the market launch in France, preparations for additional product launches in Italy, and the incorporation of Betfair into the Ongame network. Some software services were also outsourced to India.

Despite an increase of 14.8% in total turnover, at EUR 28.0 million banking expenses decreased by 2,6% compared to the previous year (2009: EUR 28.8 million).

Depreciation and amortization

In 2010 depreciation on tangible assets and amortization of intangible assets amounted to EUR 44.7 million (2009: EUR 40.6 million). This rise was largely attributable to increased amortization of the customer base in the amount of EUR 18.1 (2009: EUR 5.4 million) due to the acquisition of Gioco Digitale.

Operating result and profit for the year

After reporting an operating profit (EBIT) of EUR 51.2 million the previous year, in 2010 bwin achieved an operating profit in the amount of EUR 11.7 million. In 2010 the Company reported a financial result in the amount of EUR 0.2 million (2009: -EUR 0.9 million). Due to start-up costs for Sajoo in France, the loss from at-equity accouted investments totalled EUR 3.7 million in the financial year under review (2009: EUR 0 million). Following a profit after tax of EUR 46.3 million for the year 2009, profit after tax amounted to EUR 13.9 million in 2010.

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.

The at-equity consolidated group accounts are available on request electronically and will be filed with the companies' register on March 23rd 2011. They will be published in the official Vienna gazette on March 24th 2011.

Selected key figures bwin Group (including bwin e.K.) shown using pro forma consolidation				
EUR 000	Q4/2010	Q4/2009	2010	2009
	unaudited	unaudited	unaudited	unaudited
Betting turnover				
of which sports betting	**916,954**	786,379	**3,500,393**	3,052,004
of which casino	**19,426**	20,219	**74,725**	73,748
of which poker	**35,462**	37,650	**139,459**	118,779
of which games	**10,876**	8,410	**41,047**	27,796
Total	**982,718**	852,658	**3,755,624**	3,272,327
Gross gaming revenues	**130,805**	132,910	**514,529**	446,639
of which gross gaming revenues sports betting	**65,041**	66,630	**259,298**	226,316
Gross gaming revenues sports betting in %	**7.1%**	8.5 %	**7.4%**	7.4 %
Betting duties, casino taxes, commissions & licences	**-14,244**	-7,537	**-43,187**	-19,408
Consumer bonuses & Loyalty costs	**-13,494**	-15,606	**-63,376**	-54,271
Net gaming revenues				
of which sports betting	**52,865**	58,519	**216,418**	194,600
of which casino	**17,147**	15,801	**60,853**	63,853
of which poker	**23,186**	28,071	**93,110**	89,539
of which games	**9,868**	7,375	**37,585**	24,968
Total net gaming revenues	**103,066**	109,767	**407,965**	372,960
Other income	**11,959**	15,639	**49,202**	60,872
Total revenues	**115,026**	125,406	**457,168**	433,832
Expenses	**-101,000**	-94,458	**-400,803**	-341,943
of which personnel	**-29,505**	-28,327	**-114,319**	-98,021
of which marketing	**-27,171**	-27,383	**-120,333**	-102,720
of which other expenses	**-44,324**	-38,748	**-166,151**	-141,202
EBITDA	**14,026**	30,948	**56,365**	91,889
Depreciation and amortization	**-11,333**	-9,783	**-44,690**	-40,654
EBIT	**2,693**	21,165	**11,676**	51,236
Consolidated profit/loss before tax (before non-controlling interests)	**1,758**	19,674	**8,260**	50,381
Consolidated profit/loss after tax (after non-controlling interests)	**5,214**	19,339	**13,916**	46,276
of which taxes	**2,759**	-310	**3,860**	-3,646
Cash and cash equivalents and securities	**167,934**	187,170	**167,934**	187,170
Number of bets placed (sports betting) in 000	**88,505**	75,377	**317,759**	284,134
Number of new active customers (group total)	**305,299**	298,063	**1,283,308**	1,102,466
Number of active customers (group total)	**1,212,724**	1,243,978	**2,606,120**	2,391,049
Number of active customers (sports betting)	**903,029**	875,502	**1,980,961**	1,753,888
Number of active customers (casino)	**147,271**	158,926	**399,956**	371,262
Number of active customers (poker)	**494,558**	561,008	**1,116,707**	1,049,767
Number of active customers (games)	**216,670**	190,505	**518,808**	411,571