bet-at-home.com

ANNUAL REPORT 2010



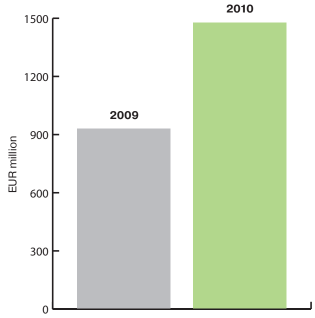
SPORTSBOOK - CASINO - GAMES - POKER

CONTENTS

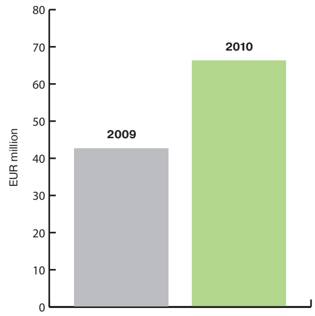
FIS Team Tour 2011

REPORT BY THE MANAGEMENT BOARD

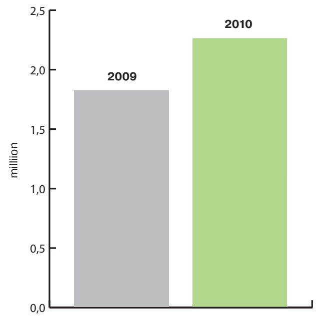
Betting revenue



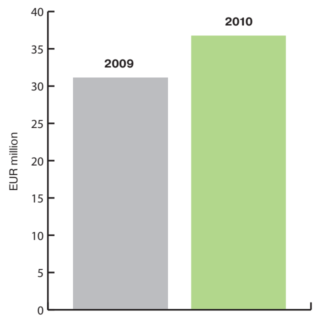
Net profit



Registered users



Marketing expenses



Dear Equity Holders,

2010 was also a challenging year for the bet-at-home.com AG Group, which we were able to master once again with great success thanks to the efforts of all our staff. The FIFA World Cup in South Africa in June and July 2010 was a major sports event, which contributed very positively and sustainably to our growth as a result of highly targeted marketing activities. For example, we were able to significantly increase total revenue from EUR 927,169,903 in 2009 to EUR 1,474,100,775 in 2010, an increase of 59.0%. Moreover, the most important performance figure in the eGaming sector, gross earnings (hold), rose from EUR 42,924,000 in 2009 to EUR 66,146,000 in 2010 (an increase of 54.1%). As we continue to stand by our growth strategy, we have once again reinvested most of our revenue in our expansion plans and in strengthening the bet-at-home.com brand, and will continue to do so also in 2011. We were therefore able to further strengthen our competitive position in the eGaming market also during the 2010 financial year, which is becoming ever more competitive.

We significantly expanded our games range in 2010 in order to be able to maximise the entertainment value for our customers. The games product segment has been extremely well received by our customers, which is why we intend to further expand this segment successively also in the coming year.

We were also able to make the casino segment more attractive by reorganising it into a new multi-currency casino and introducing new casino games. In addition, we once again organised two successful bonus schemes in 2010, as a special reward for our bet-at-home.com casino customers.

In the sports betting segment, we further promoted the integration of live streams. This makes it possible to select various sports events on a daily basis from an ever increasing number of live broadcasts. The expansion of live streams particularly strengthens the live betting segment, where the number of specialty bets on offer is expanded in parallel with live streams on a continuous basis. The live betting segment has been very well received by our customers and was among the areas that demonstrated disproportionate growth within our Group in 2010.

The introduction of new payment methods – Neteller and Western Union – provides our customers with additional payment options that are both convenient and secure. We make a continuing effort to assure quality: a marked increase in user numbers was accompanied by strengthening of our support team, both quantitatively and qualitatively, which will ensure reliable and fast processing of customer concerns as usual also in the future. This mix of measures has resulted in our registered user numbers growing in excess of 25% to more than 2.258 million.

Successful growth also relies heavily on continuing our expansive marketing activities across Europe. Marketing expenses were increased from EUR 31,044,000 in 2009 to EUR 36,664,000 in 2010. We would particularly like to point out the European Handball Championships that took place in Austria in January 2010 and sponsoring of the Spanish premier league member RCD Mallorca, for which bet-at-home.com has been one of the main jersey sponsors since the summer of 2010. In the international football scene, the group was represented again in the Europa

League with large scale perimeter advertising. In summer 2010, that year's sports highlight, the FIFA World Cup, took place in South Africa. For this event, we initiated a large-scale advertising campaign with TV spots and billboards across Europe. This campaign was accompanied by a comprehensive bonus scheme, which was greeted with enthusiasm by our customers. Successful mastery of the challenge of a major event, such as the FIFA World Cup, by our Marketing team, contributed significantly to a marked increase in registered users, as already mentioned above. It is also very evident from a rise in all other key figures that the wide variety of marketing activities undertaken has been very successful as regards our growth strategy.

As it is our opinion that the future development of a dynamic group such as bet-at-home.com can only be ensured by motivated and qualified staff, we have also invested heavily in this sector. For example, we strengthened controlling in order to ensure the efficiency of marketing measures taken and thus also ensure further sustainable growth. Moreover, Customer Relations Management was split off as a separate department, which now focuses specifically on measures for extending customer loyalty and reactivating inactive customers. By the end of 2010, the total number of staff employed by the Group had risen to 133 (end of 2009: 106).

Of course, as customer numbers rise, bet-at-home.com has a growing responsibility towards them. We therefore take gambling protection in accordance with responsible gaming standards very seriously. For this reason we have also come to a cooperative agreement with the *Institut Glücksspiel und Abhängigkeit* (Gambling and Dependency Institute). Other measures include constant monitoring of the gambling behaviour of our customers in order to prevent gambling addiction, an anti-fraud department, whose staff were expanded further in 2010, combined with continuous improvement of technical security and voluntary membership in ESSA and EGBA. Annual compliance audits by these associations ensure compliance with international standards for private eGaming providers and also reduce the risk of money laundering and betting manipulation. We thus offer our customers the greatest possible security and unhampered gambling pleasure.

In conjunction with incorporation of the Betclic Everest SAS Group (formerly: Mangas Gaming SAS Group) we intensified the evaluation of cost cutting potentials during the 2010 financial year, as a result of which the first implementation measures have already shown positive effects.

Significant investments in our server infrastructure in 2009 and 2010 and commencement of operations in 2010 ensure the necessary technical capacity for future growth.

Excellent financial performance of the Group, combined with positive future prospects for a significant increase in the share price of bet-at-home.com AG, already showed positive effects for our equity holders in 2010. More and more European countries appreciate the opportunities associated with the liberalisation of the online betting and gambling markets. We believe we are very well equipped for changes expected in the legal environment. Therefore, buying bet-at-home.com AG shares remains a good investment, also in the near future. Furthermore, we have been able to welcome our equity holders to our revised bet-at-home.com AG website since autumn 2010, which makes extensive information and news available about the bet-at-home.com AG Group.

We are convinced that we are now in an even better position to satisfy the needs of our equity holders and potential new investors.

2010 was another highly successful year for bet-at-home.com AG. In our view, we will be able to achieve or even significantly exceed all our economic goals in this highly competitive online gaming market. We would like to conclude by thanking all those involved, most particularly all our staff and equity holders. They have contributed significantly to a very good 2010 financial year, and through their commitment and trust, will ensure a sustainable future for the bet-at-home.com AG Group.

Jochen Dickinger, engineer
CEO

Franz Ömer, graduate engineer
CEO

Generali Ladies Linz

REPORT BY THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

Revenue continued to increase significantly in the eGambling sector, also in 2010. As in previous years, bet-at-home.com AG was able to report very satisfactory results also for the 2010 financial year, which culminated in the FIFA World Cup.

The Supervisory Board was involved in this positive development of the bet-at-home.com Group. During the year under review it carried out its responsibilities and duties in accordance with the law and the Articles of Association and regularly monitored the work of bet-at-home.com AG's Management Board and also offered its advice and support.

During the 2010 financial year, bet-at-home AG's Supervisory Board held one meeting. It also exchanged information and ideas on a continuous basis. Several resolutions were adopted by circular resolution. There was no need for committees, as there are only three Supervisory Board members.

During the year under review, the Management Board provided us with regular updates – outside of meetings – on strategy, current business development, the group's financial position, significant business transactions and important risks. Strategic development, current key figures, cost structure, legal developments in the gambling and betting sector (particularly the relevant judgements pronounced by the European Court of Justice in the previous year) and pending administrative and court proceedings were discussed with the Board of Management. We were able to convince ourselves that business was conducted in an orderly manner.

As in previous years, PKF FASSELT SCHLAGE Partnerschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Duisburg was commissioned at the general shareholders' meeting to audit the financial statements, consolidated financial statements and Group Management Report of bet-at-home.com AG. On completion of their audit, the auditors stated that their audit had not led to any reservations and issued an unqualified audit opinion on the financial statements and consolidated financial statements, including the accounting records and Group Management Report.

The audited and certified financial statements and consolidated financial statements were submitted to the Supervisory Board.

The former Deputy Chairman of the Supervisory Board, Ms. Isabelle Parize, resigned from her seat on the Board on conclusion of the Annual General Meeting held on 28 June 2010. The Supervisory Board once again wishes to thank Ms. Parize for her services. Mr. Nicolas Béraud was elected as her successor on the Supervisory Board at the shareholders' meeting. He was subsequently appointed as Deputy Chairman by the Supervisory Board.

We wish to extend our particular thanks to the Management Board of bet-at-home.com AG and all its members of staff. They have contributed significantly to the Group's success through their great initiative and excellent work.

Wishing you all the best of success and, of course, luck – as is typical for this sector – for the challenges ahead in 2011.

Düsseldorf, March 2011

The Supervisory Board

RCD Mallorca vs. Real Madrid

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

bet-at-home.com AG, Düsseldorf

ASSETS

			Note	31/12/2010		31/12/2009
			No.	EUR	EUR	EUR
A.	Total non-current assets					
	1.	Intangible Assets	(14)	766,933.12		772,814.24
	2.	Goodwill	(15)	1,369,320.30		1,369,320.30
	3.	Property, plant and equipment	(16)	783,672.65		886,996.94
					2,919,926.07	3,029,131.48
B.	Deferred tax assets		(17)		220,152.00	144,139.00
C.	Total current assets					
	1.	Trade receivables	(18)	4,000.00		4,800.00
	2.	Receivables from associates		0.00		17,000.00
	3.	Receivables and other assets	(19)	6,439,818.31		3,150,479.50
	4.	Securities	(20)	2,121,096.00		1,985,581.80
	5.	Cash and cash equivalents	(21)	34,113,501.99		18,692,224.30
					42,678,416.30	23,850,085.60
D.	Prepayments		(22)		839,988.92	1,151,237.12
Total assets					46,658,483.29	28,174,593.20

EQUITY & LIABILITIES

			Note	31/12/2010		31/12/2009
			No.	EUR	EUR	EUR
A.	Total equity					
	1.	Share capital	(23)	3,509,000.00		3,509,000.00
	2.	Reserves	(23)	10,875,000.00		10,875,000.00
	3.	Retained earnings		13,604,371.89		3,137,400.37
					27,988,371.89	17,521,400.37
B.	Total non-current liabilities					
		Provisions for employee benefits	(24)		28,633.61	21,402.29
C.	Total current liabilities					
	1.	Trade payables	(25)	1,700,399.97		1.888,019.43
	2.	Current provisions	(26)	7,506,321.41		1,546,122.99
	3.	Other liabilities	(27)	8,555,125.98		6,588,128.03
					17,761,847.36	10,022,270,45
D.	Deferred income		(28)		879,630.43	609,520.09
Total equity and liabilities					46,658,483.29	28,174,593.20

FIS Ski Jumping World Cup in Zakopane, Poland

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

bet-at-home.com AG, Düsseldorf

	Note No.	1/1 - 31/12/2010 EUR	1/1 - 31/12/2009 EUR
Betting income / gaming income	(1)	1,474,100,775.10	927,169,902.85
Payout of winnings	(2)	-1,410,043,993.18	-886,390,326.13
Other gaming income	(3)	2,089,359.80	2,144,232.54
Betting fees	(4)	-467,976.74	-468,448.13
Gross gaming profit		65,678,164.98	42,455,361.13
Own work capitalised	(5)	57,954.28	354,532.79
Other operating income	(6)	1,416,217.16	913,807.84
Results from operating activities		67,152,336.42	43,723,701.76
Personnel expenses	(7)	-6,096,924.50	-4,171,182.15
Advertising expenses	(8)	-36,664,108.89	-31,044,187.41
Other operating expenses	(8)	-13,178,976.26	-7,471,334.26
Earnings before interest, taxes, depreciation and amortisation		11,212,326.77	1,036,997.94
Write-downs	(9)	-562,272.66	-433,329.88
Earnings before interest and tax		10,650,054.11	603,668.06
Finance income	(10)	514,194.60	2,196,820.93
Finance costs	(11)	0.00	-1,073.58
Profit before income tax		11,164,248.71	2,799,415.41
Income tax expense	(12)	-697,277.19	-151,294.34
Profit for the year		10,466,971.52	2,648,121.07
Profit/loss carried forward from the previous year		3,137,400.37	489,279.30
Total comprehensive income for the year	(13)	13,604,371.89	3,137,400.37

IFRS - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	1/1 - 31/12/2010	1/1 - 31/12/2009
	EUR	EUR
Profit for the year	10,466,971.52	2,648,121.07
Other comprehensive income	0.00	0.00
Total comprehensive income for the year	10,466,971.52	2,648,121.07

Earnings per share		
Basic earnings per share	2.982893	0.754665
Diluted earnings per share	2.982893	0.754665

Advertising Campaign for the 2010 FIFA World Cup

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

bet-at-home.com AG, Düsseldorf

I. GENERAL DISCLOSURES AND ACCOUNTING PRINCIPLES

bet-at-home.com AG, based in Düsseldorf (Kronprinzenstrasse 82-84) and registered at the Düsseldorf District Court under file number HRB 52673 (as a holding company), prepared its consolidated financial statements as at 31 December 2010 in accordance with international accounting standards.

The consolidated financial statements as at 31 December 2010 of bet-at-home.com AG were prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as adopted by the EU, by taking account of the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The 2010 Group Management Report was prepared in accordance with the provisions of the German Commercial Code [HGB].

These consolidated financial statements were prepared pursuant to the same accounting and valuation principles as in the previous year's financial statements as at 31 December 2009.

The following published IFRSs were not yet mandatory for the consolidated financial statements as at 31 December 2010:

IFRS	Title	Date of EU endorsement	Effective date
Annual improvements to IFRS	Amendments of various standards (May 2010)	Not yet adopted	uncertain
IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	June 2010	1/7/2010
IFRS 1	Amendments relating to severe hyperinflation and removal of fixed dates for first-time adopters	Not yet adopted	1/7/2010
IFRS 7	Disclosures of transfers of financial assets	Not yet adopted	uncertain
IFRS 9	Financial instruments	Not yet adopted	1/1/2013
IAS 12	Limited amendments relating to deferred tax: recovery of underlying assets	Not yet adopted	1/1/2012
IAS 24	Related party disclosure – revised definition	July 2010	1/1/2011

IAS 32	Financial instruments – disclosure: amendments relating to the classification of rights issues	December 2009	1/2/2010
IFRIC 14	Prepayments of a minimum funding requirement	July 2010	1/1/2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 2010	1/7/2010

bet-at-home.com AG does not anticipate that the application of these IFRSs will have any significant effect on the future presentation of the company's net assets, financial position and results of operations. The company has chosen not to exercise the option of voluntary early adoption of these IFRSs.

The core business of equity interests held by the holding company is sports betting as well as casino and poker games exclusively via the internet (in more than 70 countries).

The consolidated financial statements have been prepared in euros.

The Consolidated Income Statement has been prepared in accordance with the nature of expense method.

Since 5 March 2009, Betclic Everest SAS Group (formerly: Mangas Gaming SAS), Paris, France has held a controlling interest in the bet-at-home.com Group parent. Betclic Everest SAS Group prepares consolidated financial statements which include bet-at-home.com AG's consolidated financial statements.

II. SCOPE OF CONSOLIDATION

General information

The Austrian subgroup of bet-at-home.com Entertainment GmbH, based in Linz, Austria, is part of the consolidated group of companies. The subgroup financial statements of bet-at-home.com Entertainment GmbH, Linz, include five subsidiaries (second-tier subsidiaries of bet-at.home.com AG, Duesseldorf), in which bet-at-home.com Entertainment GmbH holds all direct and indirect voting rights. bet-at-home.com AG, Düsseldorf holds all voting rights in bet-at-home.com Entertainment GmbH, Linz.

Apart from the Group parent, bet-at-home.com AG, Düsseldorf, the following subsidiaries and second-tier subsidiaries were fully consolidated during the financial year:

- bet-at-home.com Entertainment GmbH, Linz, Austria (100% interest)
- bet-at-home.com Holding Ltd., Portomaso, Malta (100% interest)
- bet-at-home.com Entertainment Ltd., Portomaso, Malta (100% interest)
- bet-at-home.com International Ltd., Portomaso, Malta (100% interest)
- bet-at-home.com Internet Ltd., Portomaso, Malta (100% interest)
- Jonsden Properties Ltd., Gibraltar (100% interest)

Pursuant to Maltese company law, parent company bet-at-home.com AG holds 2% of the shares in each of the four Maltese second-tier subsidiaries in trust.

There are no non-controlling Group interests. Profit (loss) for the year does not comprise amounts attributable to non-controlling interests.

Changes in the scope of consolidation

There were no changes to the group of consolidated companies during the 2010 financial year.

III. CONSOLIDATION PRINCIPLES

All financial statements included in the consolidated financial statements were prepared in accordance with the same accounting and valuation principles. The separate financial statements of consolidated domestic and international entities and the Austrian subgroup financial statements were all prepared as at the Group reporting date, audited and consolidated in accordance with International Financial Reporting Standards on notional legal entity basis.

IFRS 3 (Business Combinations) and revised standards IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) were applied early with retrospective effect from 1 January 2004 in accordance with IFRS 3.85 (limited retrospective application) to the Maltese second-tier subsidiaries, which were included in the Austrian subgroup financial statements for the first time in 2004. Accordingly, they have been carried at revalued amounts, i.e. the investment carrying amounts have been offset against the subsidiaries' proportional revalued equity capital (purchase accounting). Initial consolidation of the Maltese second-tier subsidiaries did not result in any differences.

In the case of Jonsden Properties Ltd., Gibraltar, which was included in the Austrian subgroup financial statements for the first time in 2008, the difference of EUR 2,000 identified during initial consolidation was recognised as goodwill due to a lack of identifiable assets and written down in full in the same year as an impairment loss.

Jonsden Properties Ltd. has joint venture agreements with both bet-at-home.com Internet Ltd. and bet-at-home.com Entertainment Ltd. (agreements for shared conduct of business) pursuant to IAS 31.3, according to which each venturer uses its own assets, incurs its own expenses and liabilities and raises its own funding while carrying out all economic activities on a joint venture basis.

The Austrian subgroup was consolidated for the first time at 31 December 2005. All capitalisable hidden reserves were disclosed in the Austrian IFRS subgroup financial statements. These were therefore consolidated at the subgroup's revalued equity. Initial consolidation resulted in a positive difference of EUR 1,052,000. This was recognised as goodwill in the consolidated financial statements. There was no evidence of impairment.

Trade receivables, loans and other receivables are offset against the corresponding liabilities and provisions during the elimination of intercompany payables and receivables of entities included in the consolidated financial statements. All intercompany trade receivables and liabilities are offset during the course of income and expense consolidation. Unless negligible, intercompany profit and loss from intercompany trade receivables was eliminated. Discounts and other entries affecting only profit or loss were eliminated from the consolidated financial statements.

IV. ACCOUNTING POLICIES

Judgements and future assumptions

The preparation of the consolidated financial statements in accordance with IAS/IFRS requires judgements, estimates and assumptions by management, which affect the application of accounting policies and amounts stated under assets and liabilities, disclosures in the notes and the Consolidated Income Statement. These estimates and related assumptions are based on empirical values and other factors of influence, which are deemed appropriate under the circumstances, and which serve as a basis for assessing the carrying amounts of assets and liabilities that cannot be derived from other sources. Actual amounts may differ from these estimates.

Estimates and their underlying assumptions are assessed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial years are as follows:

- Estimating the possibility of a positive outcome of pending civil and criminal litigation;
- Impairment of goodwill, the customer base and software is assessed on the basis of anticipated future cash flows;
- Impairment of financial assets is assessed on the basis of anticipated future cash flows (identification of events as causes for impairment);
- Deferred tax assets for loss carryforwards of EUR 220,000 (bet-at-home.com AG, Düsseldorf) were recognised, as it seems likely based on positive forecasts that taxable income will be available in the future against which they can be utilised.

Intangible assets and property, plant and equipment

Acquired and internally-produced intangible assets and office equipment are measured at cost less write-downs.

Internally-produced intangible assets are capitalised at the time when they become technically feasible, provided no future economic benefit arises from these assets and their cost can be reliably measured. As part of the further development of software, the personnel expenses for each individual member of the project team were measured separately and capitalised as intangible assets (IAS 38). Cost includes direct costs. No other costs were capitalised.

Assets subject to wear and tear are written down on a straight-line basis over their estimated useful lives using the straight-line method. The following depreciation and amortisation rates were used for estimating the useful lives of assets:

	Years
Fixtures and fittings	3 – 10
Customer base	2
Software	3

If an asset acquired during the financial year is used for more than six months, the asset written down is recognised in the subgroup financial statements with its full annual amount, and in the event of a shorter period of use, at half its annual amount or the amount determined on a monthly basis. In the Austrian subgroup, assets acquired at a cost of EUR 400 or less are fully written-down in the year of acquisition and immediately recognised as disposals. In Germany, such items are written down on a pro rata temporis basis. Assets acquired at a cost of EUR 150 or less are expensed in full as incurred during the year of acquisition. Assets acquired at a cost of between EUR 150 and EUR 1,000 are written down in five equal annual instalments, on the assumption that these assets will be sold after five years.

Intangible assets with identifiable useful lives and items of property, plant and equipment are tested for impairment. In the event of such evidence of impairment, recoverable amounts are determined for the assets concerned. The asset is written down if the recoverable amount is lower than its recognised carrying amount.

Intangible assets with unidentifiable useful lives are tested for impairment on an annual basis or in the event of evidence of impairment. The carrying amount of the intangible asset is compared with its recoverable amount. If there is objective evidence of impairment, the associated expense is recognised in profit or loss under write-downs.

Goodwill

Goodwill has an indefinite useful life and is not amortised; it is tested each year for impairment instead ('impairment-only' approach). An impairment loss is recognised if the asset's recoverable amount, which is its fair value less costs to sell and its value in use, is less than its carrying amount. Please refer to item 15 of these Notes for further information.

Financial assets and liabilities

Financial assets and liabilities are recognised as soon as contractual rights are obtained or obligations are incurred. These transactions are recognised as at the value date. They are derecognised as soon as control over such contractual rights (including the asset) ceases. This is usually the case when the asset is sold or all cash flows relating to the asset are directly transferred to an independent third party.

Financial assets – marketable securities

In accordance with IAS 39, securities are measured at cost on initial recognition and classified as 'available for sale' if their fair value can be derived from market rates. They are measured at fair value on the basis of market rates; with the exception of impairments, changes in value are recognised directly in equity (revaluation reserve) as incurred.

Cash and cash equivalents

bet-at-home.com AG treats cash, demand deposits and time deposits with maturities of up to three months as cash and cash equivalents.

Receivables and other assets

Receivables and other assets are recognised under loans and receivables at the lower of amortised cost and fair value (nominal value) less specific bad debt allowances for anticipated uncollectible amounts.

Other provisions

Other provisions are recognised in the event of a legal or actual obligation to a third party due to a past event and when it is probable that this obligation will result in cash outflows. Provisions are recognised in the amount of the best estimate available at the time of preparing the financial statements. If a reasonable estimate is not possible, no provision is made, followed by disclosure in the notes to the consolidated financial statements.

Provisions for termination benefits

Due to legal and individual contractual obligations, bet-at-home.com Entertainment GmbH must pay a one-off benefit to employees if their contract is terminated or upon retirement. This payment is dependent upon years of service and the relevant salary level at the time of termination or retirement. A provision is made for such obligations. Provisions for employee benefits were calculated by an actuary in accordance with IAS 19 (employee benefits) and recognised in profit or loss. The corridor method was not used.

Trade payables

Trade payables are recognised at cost, which corresponds to their repayable amounts.

Revenue recognition

Betting revenue of the Maltese second-tier subsidiaries is recognised in accordance with bets placed as at the reporting date provided the underlying bets have already been settled. Bets placed for sports events that will not take place until after the reporting date but that have already been deducted from customer accounts prior to the reporting date (pending bets) are reclassified as deferred income. Betting fees are recognised under gross gaming profit.

Income taxes

Deferred taxes are recognised for temporary differences between assets and liabilities in the statement of financial position and their values for tax purposes. Deferred taxes are determined in accordance with IAS 12 (income taxes) using the balance sheet liability method. Deferred tax assets for loss carryforwards are recognised in the amount of probable loss carryforwards within a foreseeable period of time. The income tax refund from the Maltese tax entity, in which all Maltese group companies are combined for income tax purposes, was recognised for the first time in the 2010 financial statements.

Net finance income (cost)

Net finance income (cost) includes all interest and similar expenses paid as well as interest and similar income received on financial assets. Interest is recognised on an accrual basis. Net finance income (cost) also includes current returns on securities, income from the sale of securities and expenses associated with the impairment of securities holdings (IAS 39.67). Also included is income from the disposal of shares in associates.

V. COMMENTS ON INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT, CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONSOLIDATED STATEMENT OF CASH FLOWS AND THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The following sections provide additional information on individual items of the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity. The previous year's comparative figures were taken from the IFRS consolidated financial statements of bet-at-home.com AG, Düsseldorf, as at 31 December 2009.

V.1. COMMENTS ON INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The Consolidated Income Statement was prepared in accordance with the nature of expense method.

Items (1) to (4) Gross gaming profit and segment reporting

The Group operates in the sports betting and eGaming product and operating segments. The eGaming segment includes casino games, dog betting, games (for the first time during the 2009 financial year) and poker games.

These operating segments correspond to the Group's internal organisational and management structure and its internal financial reporting system.

Reporting by operating segment pursuant to IFRS 8

	Operating segment			
2010	Sports betting	eGaming (casino, poker, dog betting)	Unallocated segments / consolidation	Group total
	In thousands of euro	In thousands of euro	In thousands of euro	In thousands of euro
Betting revenue / gaming revenue / commissions	384,532	1,089,569	0	1,474,101
Payout of winnings	-356,235	-1,053,809	0	-1,410,044
Other gaming income	0	2,089	0	2,089
Betting fees / cost of outside services	-468	0	0	-468
Gross gaming profit	27,829	37,849	0	65,678
Segment assets	4,182	11,792	30,684	46,658

	Operating segment			
2009	Sports betting	eGaming (casino, poker, dog betting)	Unallocated segments / consolidation	Group total
	In thousands of euro	In thousands of euro	In thousands of euro	In thousands of euro
Betting revenue / gaming revenue / commissions	213,505	713,665	0	927,170
Payout of winnings	-195,111	-691,279	0	-886,390
Other gaming income	0	2,144	0	2,144
Betting fees / cost of outside services	-469	0	0	-469
Gross gaming profit	17,925	24,530	0	42,455
Segment assets	1,580	950	25,645	28,175

Segment reporting - additional information

Geographical segmentation of betting and gaming revenue is based on the gamblers' country of origin as follows:

	2010	2009
	In thousands of euro	In thousands of euro
Austria	406,641	230,977
Western Europe	592,091	406,631
Eastern Europe	469,535	285,607
Rest of the world	5,834	3,955
Total	1,474,101	927,170

Countries with similar markets are grouped together by region as follows:

Western Europe:
Andorra, Belgium, Denmark, Germany, Faroe Islands, Finland, France, Gibraltar, Greece, United Kingdom, Ireland, Iceland, Italy, Virgin Islands (UK), Liechtenstein, Luxembourg, Malta, Monaco, the Netherlands, Norway, Portugal, San Marino, Sweden, Switzerland, Spain, Cyprus

Eastern Europe:
Albania, Armenia, Bosnia and Herzegovina, Bulgaria, Estonia, Georgia, Croatia, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Czech Republic, Ukraine, Hungary, Belarus

(5) Own work capitalised

Own work capitalised includes the production costs for capitalised internally-generated intangible assets (software).

(6) Other operating income

	2010	2009
	In thousands of euro	In thousands of euro
Refund of customer expenses	1,101	795
Intercompany clearing	0	17
Income from the reversal of provisions	1	10
Other	314	92
	1,416	914

(7) Personnel expenses

Breakdown of personnel expenses:

	2010 In thousands of euro	2009 In thousands of euro
Salaries	4,762	3,302
Termination benefits and employee pensions	67	43
Statutory social security contributions, payroll-related taxes and compulsory contributions	1,204	798
Other social benefits	64	28
	6,097	4,171

Termination benefits and employee pensions include payments in accordance with the Austrian Staff and Self-Employment Provisions Act [BMSVG, 'new termination benefits'] totalling EUR 59,000 (previous year: EUR 38,000).

Movements in staffing levels:

	As at reporting date		Average	
	31/12/2010	31/12/2009	2010	2009
Salaried staff	133	106	126	88
Management Board of the Group parent and Managing Directors of bet-at-home.com Entertainment GmbH	2	2	2	2

(8) Advertising and other operating expenses

These expenses include the following items:

	2010 In thousands of euro	2009 In thousands of euro
Advertising expenses		
Sponsorship	5,675	3,918
Advertising costs	22,973	20,558
Bonus payments, vouchers	8,016	6,568
	36,664	31,044

Other operating expenses		
Supervisory Board emoluments	17	19
Rent and lease expenses	347	283
Software provider expenses	4,466	3,132
Live streaming expenses	2,075	0
Legal, audit and accounting fees	1,414	674
Expenses incidental to monetary transactions	3,479	2,281
Expenses for annual reporting, general shareholders' meeting, stock exchange fees	89	94
Additions to bad debt allowance and provision for loan losses and claims	146	114
Other costs	1,146	874
	13,179	7,471

During the 2009 financial year, live streaming expenses were still stated under advertising costs.

(9) Write-downs

	2010	2009
	In thousands of euro	In thousands of euro
on intangible assets	273	224
on property, plant and equipment	250	178
on minor-value assets	39	31
	562	433

Items (10) and (11) net finance income

	2010	2009
	In thousands of euro	In thousands of euro
Finance income		
Interest and similar income	378	374
on the disposal of shares in associates	0	1,333
Write-ups on marketable securities	136	490
	514	2,197

Finance cost		
Interest and similar expenses	0	-1
	514	2,196

(12) Income tax expense

German deferred taxes were calculated on the basis of the future applicable trade tax rate of 15.58% and the applicable corporate tax rate of 15.00% plus solidarity surcharge. Within the German Group, deferred taxes were calculated by applying a total tax rate of 31.40%.

We refer to our comments under **item 17** – deferred taxes – for further information.

(13) Total comprehensive income for the year

The total comprehensive income for the year of EUR 13,604,372 (previous year: EUR 3,137,401) is exclusively attributable to equity holders of the parent.

V.2. COMMENTS ON ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2010

Items (14) and (15) Intangible assets and goodwill

A breakdown of non-current assets and their movements during the financial year are presented in the List of Non-current Assets for the Group (appendix to the notes).

Internally-produced software

During the year under review, internally-produced intangible assets were capitalised in the amount of EUR 58,000 (previous year: EUR 355,000). They have a useful life of three years. As at 31 December 2010, the carrying amount of internally-produced intangible assets was EUR 325,000 (previous year: EUR 419,000).

(15) Goodwill

Breakdown of goodwill:

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Take-over of the ‘Wetten-Schwechat’ operating unit	155	155
Take-over of the Starbet International Ltd. operating unit	162	162
Take-over of bet-at-home.com Entertainment GmbH, Linz (Austria)	1,052	1,052
	1,369	1,369

Take-over of the ‘Wetten-Schwechat’ operating unit

By agreement dated 1 July 2007, Betcompany s.a., Uruguay, transferred the customer base for the wetten-schwechat.at, wetten-schwechat.com and wetten-schwechat.de domains to bet-at-home.com Internet Ltd., Malta. Purchase price allocation in accordance with IFRS 3 resulted in an asset of EUR 18,000 (customer base for depositing users), which will be written down over its anticipated useful life of two years, and also in remaining goodwill of EUR 155,000. Pursuant to IFRS 3, this goodwill is not subject to amortisation; it is tested for impairment annually instead. There was no objective evidence of impairment.

Take-over of the Starbet International Ltd. operating unit

By agreement dated 14 January 2008, Starbet International Ltd., Ta´Xbiex, Malta, transferred the starbet.de and starbet.com domains (and all related customer relationships) to bet-at-home.com Internet Ltd., Malta. In accordance with IFRS 3, this asset deal must be treated in the same way as a share deal. Therefore, it was initially consolidated at the time of acquisition pursuant to IFRS 3. Once the difference had been allocated to identifiable assets, the remainder (EUR 162,000) was recognised as goodwill. There was no objective evidence of impairment.

Take-over of bet-at-home.com Entertainment GmbH, Linz

As at 31 December 2005, bet-at-home.com Entertainment GmbH, including its subgroup, was included and consolidated for the first time. All capitalisable hidden reserves were disclosed in the Austrian IFRS subgroup’s financial statements. These were therefore consolidated at the subgroup’s revalued equity. Initial consolidation resulted in a positive difference of EUR 1,052,000. This was recognised as goodwill in the consolidated financial statements. There was no evidence of impairment.

(16) Property, plant and equipment

A breakdown of non-current assets and their movements during the financial year are presented in the List of Non-current Assets for the Group (appendix to the notes).

(17) Deferred tax assets

Temporary differences between the amounts stated in the Consolidated Statement of Financial Position and those recognised for tax purposes resulted in the following deferred tax assets:

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Deferred tax assets from:		
Tax loss carryforward		
bet-at-home.com AG, Düsseldorf	220	144
	220	144

As at the 2010 reporting date, the Group reported previously unused tax loss carryforwards of EUR 701,000 (bet-at-home.com AG, Düsseldorf) for utilisation against future profits.

There is no time limit on the utilisation of loss carryforwards under German tax law. No impairment losses are recognised for deferred tax assets.

Changes in deferred tax assets were reconciled to recognised tax expenses as follows:

	2010	2009
	In thousands of euro	In thousands of euro
Current taxes:		
Current income taxes during the year under review, Austria	773	316
Tax expense/income in previous years, Austria	0	-107
	773	209
Deferred taxes:		
Changes in deferred taxes on temporary differences recognised during the year under review:		
Austria	0	0

Germany	-76	-58
	-76	-58
Tax expense	697	151

Difference between calculated income tax expense and recognised tax expense:

	2010 In thousands of euro	2009 In thousands of euro
Profit before income tax	11,164	2,799
of which utilisable (loss carryforward), Germany	250	194
of which tax-exempt, Germany	0	-1,440
of which profits from group consolidation not relevant for tax purposes	0	107
	11,414	1,660
Calculated income tax expense, Austria (25%)	2,854	415
Tax difference of Maltese tax entity	-1,918	0
Tax income/expense in previous years, Austria	0	-107
Differences due to changes in deferred taxes, other differences and changes in tax rate	-239	-157
Tax expense	697	151

(18) and (19) Receivables and other assets

All receivables and other assets have residual terms of up to one year and comprise the following:

	31/12/2010 In thousands of euro	31/12/2009 In thousands of euro
Trade receivables	4	5
Receivables from associates	0	17
Receivables from credit card companies	3,248	2,775

Receivables from customers	5	5
Tax receivables	3,048	240
Other receivables	139	130
	6,440	3,150

(20) Securities

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Unit trust shares	1,130	996
Debentures	991	990
	2,121	1,986

All securities have been classified as available for sale and measured at fair value. Changes in fair value are recognised directly in equity in the revaluation reserve if they are not write-downs or write-ups or constitute currency translation gains/losses.

In 2010, write-ups on securities amounted to EUR 136,000 (previous year: EUR 491,000).

(21) Cash and cash equivalents

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Cash and cash equivalents	34,114	18,692

(22) Prepayments

Prepayments mainly concern prepayments on the basis of advertising and sponsorship as well as maintenance agreements.

(23) Total equity

Breakdown of the Group's equity capital:

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Share capital	3,509	3,509
Reserves	10,875	10,875
Retained earnings	13,604	3,137
	27,988	17,521

Please also refer to the Consolidated Statement of Changes in Equity included in the consolidated financial statements for more information on group equity.

The share capital is divided into 3,509,000 non-par shares.

The reserves are the result of a capital increase in 2005 by 290,000 shares at an issue price of EUR 11.00 per share (totalling EUR 2,900,000) and a further capital increase in 2006 by 319,000 shares at an issue price of EUR 26.00 per share (totalling EUR 7,975,000). By shareholder resolution dated 31 August 2009, the Management Board is entitled, with the Supervisory Board's consent, to increase the company's share capital by 30 August 2014 by issuing new bearer shares (non-par shares) for cash or non-cash contributions, in one or several times, by a maximum of EUR 1,754,500.00.

(24) Total non-current liabilities

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Provisions for employee benefits	29	21

In order to calculate provisions for termination benefits in accordance with IAS 19 by applying the project unit credit method, the expert opinion of an actuary was obtained, which is based on a discount rate of 4.5% (previous year: 5.0%) and an annual escalation rate of 2.5%. The corridor method was not used.

(25) to (28) Total current liabilities and deferred income

Breakdown of total current liabilities and deferred income:

	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Trade payables	1,700	1,888
Current provisions	7,506	1,546
Other current liabilities	8,555	6,588
	17,761	10,022
Deferred income	880	610
	18,641	10,632

Other current liabilities include customer payables of EUR 8,275,000 (previous year: 6,389,000).

Deferred income consists of bets already deducted from customer accounts prior to the reporting date (pending bets). However, the sports events relating to these bets will not take place until after the reporting date (mostly in January 2011).

Movements in provisions during the 2010 financial year (in thousands of euro):

	Balance at 01/01/2010	Utilisation	Reversal	Allocation	Balance at 31/12/2010
Non-current					
Employee benefit obligations	21	0	0	8	29
Current					
Taxes	311	287	0	3,606	3,630
Untaken leave	164	164	0	243	243
Audit and advisory	126	125	1	660	660
Impending losses	56	0	0	7	63
Outstanding invoices	772	772	0	2,184	2,184
Other	117	116	1	726	726
	1,546	1,464	2	7,426	7,506
	1,567	1,464	2	7,434	7,535

V.3. COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents recognised in the Statement of Cash Flows exclusively refers to the ‘cash and cash equivalents’ line item in the Statement of Financial Position.

(29) Disposal of subsidiaries

The proceeds from changes in consolidation during the 2009 financial year relate to the sale of the equity interest in Racebets GmbH as at 1 January 2009. The proceeds from this disposal totalled EUR 2,200,000.

As a result of the disposal, the following assets and liabilities were eliminated in 2009 from the Consolidated Statement of Financial Position as at 31 December 2009:

	In thousands of euro
Assets	
Non-current assets	463
Current assets	1,508
	1,971
Liabilities	
Current liabilities	860

V.4. COMMENTS ON THE IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The changes in group equity are presented in the Consolidated Statement of Changes in Equity.

VI. OTHER DISCLOSURES

VI.1. FINANCIAL INSTRUMENTS

Primary financial instruments

We refer to the Consolidated Statement of Financial Position for further details on primary financial statements. The group does not trade in derivatives and only holds shares in unit trusts (mostly money market funds), debentures, and cash and cash equivalents.

Liquidity exposure

Liquidity exposure reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's liquidity exposure is very limited due to its low level of debt. The Group is in a position to cover its current liquidity requirements with existing cash and cash equivalents.

Credit risk

Credit risk (default risk) is understood to represent the risk that one party to a financial instrument may cause the other party to incur a financial loss by failing to meet a financial obligation. The amounts stated on the assets side (receivables and other assets) are equal to maximum credit and default risk because there are no netting arrangements. Provisions have been made for anticipated reversals arising from amounts credited to credit card. Default risk relating to bank balances can be considered very minor as the lending institutions concerned are A-rated banks. The default risk associated with shares in unit trusts and other securities can also be considered minor due to the issuer's credit rating. Allowances for existing default risk arising from trade and other receivables were not necessary (previous year: EUR 24,000). The underlying exposures amounting to EUR 29,000 in the previous year have been overdue since October and December 2005, respectively, and were written off as uncollectible during the 2010 financial year. There are no overdue and/or impaired financial assets.

Market price risk

Market price risk may arise from securities listed under current assets. Shares in unit trusts and debentures with limited price risk compared to investments in equities were held as at the reporting date. Nonetheless, securities dropped in price considerably in 2008 as a result of market developments, although it was possible to offset most of these price declines again during the 2009 and 2010 financial year. The risk of further price declines is considered low. A drop (or rise) in market price by five percentage points would decrease (or increase) the Group's profit for the year by EUR 106,000 (previous year: EUR 99,000).

Interest rate risk

The interest risk associated with investments is considered insignificant. Interest on bank balances is dependent on market interest rates in relation to maturities. A change in the currently low level of interest by 0.5 percentage points would change the financial result by EUR 171,000 (previous year: EUR 93,000). All other financial instruments (assets and liabilities) are current and non-interest bearing.

Foreign currency and exchange risk

Foreign currency and exchange risk is caused by fluctuations in exchange rates. Despite the Group's international orientation, most cash flows are denominated in Group currency (euros). In 2010, material currency risks arose from transactions denominated in Polish zloty and Swiss francs. Any transactions denominated in other currencies were of minor importance. There are no hedges on foreign currency risk. A 10% appreciation (depreciation) in the zloty would have increased (decreased) the profit for the period, or equity, by about EUR 139,000 (previous year: EUR 69,000). A 10% appreciation (depreciation) in the Swiss franc would have increased (decreased) the profit for the period, or equity, by about EUR 6,000 (previous year: EUR 5,000). Changes in these risk variables were assessed in relation to the potential for risks inherent in each financial instrument portfolio as at the closing date.

Fair Value

The fair values of securities are equal to their carrying amounts. Due to their short maturities, the fair values of other financial instruments (receivables, liabilities) are almost equal to their carrying amounts. Fair values were therefore not determined for such assets and liabilities.

Reconciliation of carrying amounts and fair values (by category) in accordance with IAS 39:

2010	Carrying amount at 31/12/2010	At amortised cost		At fair value	Total carrying amount of financial instruments	Fair value of financial instruments	No financial instruments
		loans and receivables	at amortized cost	available-for-sale			
Current assets							
Receivables and other current assets	6,444	3,396	0	0	3,396	3,396	3,048
Securities	2,121	0	0	2,121	2,121	2,121	0
Cash and cash equivalents	34,114	0	34,114	0	34,114	34,114	0
Current liabilities							
Provisions	7,506	0	3,876	0	3,876	3,876	3,630
Trade payables	1,700	0	1,700	0	1,700	1,700	0
Other liabilities and deferred income	9,435	0	8,520	0	8,520	8,520	915

2009	Carrying amount at 31/12/2009	At amortised cost		At fair value	Total carrying amount of financial instruments	Fair value of financial instruments	No financial instruments
		loans and receivables	at amortized cost	available-for-sale			
Current assets							
Receivables and other current assets	3,155	2,915	0	0	2,915	2,915	240
Receivables from associates	17	17	0	0	17	17	0
Securities	1,986	0	0	1,986	1,986	1,986	0
Cash and cash equivalents	18,692	0	18,692	0	18,692	18,692	0
Current liabilities							
Provisions	1,546	0	1,235	0	1,235	1,235	311
Trade payables	1,888	0	1,888	0	1,888	1,888	0
Other liabilities and deferred income	7,198	0	6,523	0	6,523	6,523	674

Legal risks

We refer to Section VI.3 of these Notes to the Consolidated Financial Statements for details on legal risks.

Risk management

The Group parent's Management Board is responsible for establishing risk management policies. Compliance with these policies is monitored by the managing directors and department heads of subsidiaries. Among the basic components of risk management are general principles for risk prevention, such as the segregation of duties and the principle of dual control for important internal control procedures.

Also part of this risk management system are provisions for the use of financial instruments. The Group does not hold any derivatives. Nor does the Management Board intend to use such financial instruments in the future.

We refer to Section VI.3 of these Notes to the Consolidated Financial Statements for any associated legal risks.

VI.2. RELATED PARTY TRANSACTIONS

Members of the Board of Management of bet-at-home.com AG, Düsseldorf, during the 2010 financial year:

- Mr. Franz Ömer, Dipl.-Ingenieur [graduate engineer], Ansfelden, Austria
- Mr. Jochen Dickinger, engineer, Linz, Austria

In 2010, emoluments of the Board of Management totalled EUR 280,000 (previous year: EUR 252,000).

During the 2010 financial year, Mr. Ömer and Mr. Dickinger were both active as managing directors of subgroup bet-at-home.com Entertainment GmbH, Linz. In that subgroup, emoluments of the managing directors totalled EUR 280,000 in 2010 (previous year: EUR 280,000).

Members of the Supervisory Board of bet-at-home.com AG, Düsseldorf, during the 2010 financial year:

- Martin Arendts, MBL-HSG, lawyer, Grünwald – Chairman –
- Jean-Laurent Nabet, Director, Paris, France
- Nicolas Beraud, Director, Paris, France (since 28 June 2010)
- Isabelle Parize, Director, Paris, France (until 28 June 2010)

In 2010, the members of the Supervisory Board received emoluments and compensation for travel expenses totalling EUR 17,000 (previous year: EUR 19,000).

Significant related party transactions consist of loans extended in 2010 by parent company bet-at-home.com AG to a Betclic Everest SAS Group company, Paris, in accordance with prevailing market rates. There were no other significant related party transactions.

VI.3. OTHER COMMITMENTS AND CONTINGENT LIABILITIES, AND LEGAL RISKS

Other commitments

Future commitments based on rental and lease agreements total EUR 1,875,000 (previous year: EUR 1,585,000) for the next five years. Of this amount, EUR 375,000 (previous year: EUR 317,000) falls due within one year, consisting of rent for office space in Linz, Portomaso (Malta) and Düsseldorf. As the current tenancy of the offices in Linz, which represents most of these commitments, can be terminated after expiry of a no-termination period of 48 months at the end of each month with three months' notice, the total commitment under this tenancy cannot be more specifically ascertained due to the indefinite contract period.

Regulatory developments and general legal conditions

In Austria, Germany and Switzerland, betting and gambling providers are under legal attack by government bodies and private competitors in an effort to convince them to suspend their activities as reflected by pending litigation on gambling in a range of areas.

bet-at-home.com Entertainment GmbH (subgroup) is involved in four of these proceedings. The present status of pending litigation (four lawsuits) is as follows:

- According to a Cologne Higher Regional Court (Court of Appeal) ruling of 14 September 2007, the action by, and the court of first instance's ruling concerning Westdeutsche Lotterie GmbH & Co. oHG (Münster) against both bet-at-home.com Holding Ltd., Portomaso (Malta), and members of the Board, in particular managing directors Mr. Franz Ömer and Mr. Jochen Dickinger, was sustained and the court of first instance's ruling upheld, by barring defendant from offering and soliciting sports bets. However, the appeal was allowed for other claims and as regards action against bet-at-home.com AG, Düsseldorf, and its former Board member, Mr. Guido Schmitt. Appeal on points of law on which appeal was denied was expressly allowed. An appeal was lodged on 18 October 2007 and legal grounds provided in April 2008. On 22 July 2010, the German Federal Court of Justice (Bundesgerichtshof) completely dismissed the action brought by Westdeutsche Lotterie GmbH & Co. oHG, Münster. Final judgment for the defendant was therefore given. Westdeutsche Lotterie GmbH & Co. oHG must bear all procedural costs and fees.

- Criminal proceedings on the grounds of gambling pursuant to Section 168 of the Austrian Criminal Code [StGB] are currently pending before the Linz District Court against the two Board members of bet-at-home.com AG and Managing Directors of bet-at-home.com Entertainment GmbH, Messrs. Jochen Dickinger and Franz Ömer, as individuals, and against bet-at-home.com Entertainment GmbH as a legal entity within the meaning of the Austrian Corporate Criminal Liability Act [Verbandsverantwortlichkeitsgesetz]. During the main hearing on 21 October 2008 before the Linz District Court the Board members were questioned in their capacity as Managing Directors and the decision was made by the Linz District Court to submit the case to the European Court of Justice for a preliminary ruling. The preliminary hearing will focus on the compatibility of section 168 StGB with fundamental liberties, particularly the freedom to provide services, granted under European law. As required by the European Court of Justice, a comprehensive written opinion was issued on 5 November 2009. The hearing before the European Court of Justice was held on 27 January 2011. The Attorney General's final submissions will be published on 31 March 2011. A ruling is expected in the summer of 2011. In this regard, the Management Board anticipates a judgment in favour of bet-at-home.com AG.

- During the 2009 financial year, an administrative order was issued against bet-at-home.com Entertainment GmbH ordering it not to organise or broker public gambling via the internet in Bavaria, or to participate in it, either itself or via third parties. An emergency appeal of this order was filed. The urgent application for suspensive effect of the appeal was rejected by the Ansbach Administrative Court in Bavaria in its ruling of 12 March 2010. An appeal has been lodged. This case is currently pending.

- With its ordinance dated 24 July 2009, examining magistrate's office IV, Bernese Oberland, Switzerland, ordered confiscation of postal account balances of bet-at-home.com Entertainment GmbH, which were blocked on 24 April 2009, as well as any other amounts paid into this account. bet-at-home.com Entertainment GmbH has appealed this order with a motion to repeal the order and to grant the request to transfer blocked deposits to another blocked account. This appeal was rejected by the ruling dated 22 September 2009. A penalty of CHF 5,000.00 and procedural costs of CHF 250.00 were served on 15 and 25 November 2010, respectively. bet-at-home.com Entertainment GmbH has lodged an appeal against the penalty and costs. In the interim, a hearing has been set for 22 March 2011 in Thun, Switzerland.

bet-at-home.com AG, Düsseldorf is involved in administrative proceedings in three German federal states; one of the competition proceedings was successfully concluded in 2010. The present status of these proceedings is as follows:

- Several injunctions against bet-at-home.com AG were handed down by the Düsseldorf Regional Government, the Mittelfranken Government, the Karlsruhe Regional Council and the State of Baden-Württemberg in 2010. Under these injunctions, bet-at-home.com AG is prohibited from offering or advertising gambling services provided by its subsidiaries bet-at-home.com Internet Ltd. and bet-at-home.com Entertainment Ltd. in the states concerned. Many of these proceedings have been concluded; still pending are the related proceedings against the Mittelfranken Government in its capacity as the responsible Bavarian supervisory authority.

Summary of developments in the regulatory environment:

- The European Court of Justice already released its judgment on the Portuguese proceedings for a preliminary ruling concerning Liga Portuguesa in 2009. In its reasoning, the ECJ justifies admissibility of the Portuguese monopoly by emphasising that the Liga is a non-profit-making association, a circumstance that does not allow comparison with monopolistic structures in other member states.

- Pronounced relaxation of regulatory restrictions is becoming apparent in Italy. Now that there is the possibility of acquiring licences for sports betting and eGaming in Italy, it has become possible to abate legal risks in a very important European country. We expect the gambling market to open up for private providers in the middle of 2011. The Management Board considers the acquisition of Italian licences a great strategic opportunity for continuing growth without legal risks in the long term.

- In its uncharacteristically clear judgments in September 2010 (Stoss and Carmen Media), the European Court of Justice ruled that, in its current form, German gambling law violates EU law because it does not achieve the asserted objectives in a consistent and systematic manner. The European Court of Justice emphasises the necessity of a consistent, coherent and systematic policy on gambling, and limits state monopolies severely. The European Court of Justice also found that no sanctions must be imposed in respect of providers, which could not obtain a gambling licence in the member state concerned as a result of national law that violates EU law. This ruling confirms the Management Board's opinion that private providers are permitted – on account of the German Agreement on Gambling being in violation of European law – to offer their services across boarders and therefore also in Germany.

- In September 2010 as well, the European Court of Justice held in its 'Engelmann' judgment that the Austrian legal situation, according to which only companies domiciled in Austria may apply for a casino licence and operate a casino, violates freedom of establishment under EU law. In addition to this domestic requirement concerning licences, the lack of transparency in award procedures is also in violation of EU law. In the opinion of the European Court of Justice, there are fewer restrictive measures available to monitor the activities of private providers, among others.

Based on the favourable judgments of the European Court of Justice, the Management Board assumes that the liberalisation of the eGaming market in Germany, Austria and the rest of central Europe is imminent as there is no longer any legal basis for maintaining the existing monopolies of individual member states in the area of eGaming based on EU law. Moreover, the Management Board anticipates that as a result of licences being awarded in individual EU member states, other member states will realise that licensing generates considerable revenues and thus also provides economic reasons for further liberalisation.

However, the risk remains that individual countries could prohibit customers from participating in private foreign gambling offers by imposing provider blocks.

Negative outcomes to the above proceedings could have significant adverse effects on the Group's net assets, financial position and results of operations.

VI.4. AUDITORS' FEE

Auditing expenses totalled EUR 65,000 in 2010, which break down as follows:

Audit of the consolidated financial statements: EUR 19,000
Audit of the financial statements: EUR 13,000
Other audit services: EUR 29,000
Tax advisory: EUR 4,000

VI.5. MATERIAL EVENTS AFTER THE REPORTING PERIOD

There were no events materially affecting the Group's business development and financial position in the period between the end of the 2010 financial year and the preparation of the consolidated financial statements.

Düsseldorf, 17 February 2011

APPENDIX TO THE NOTES

LIST OF FIXED ASSETS FOR THE GROUP IFRS AS AT 31 DECEMBER 2010

bet-at-home.com AG, Düsseldorf

			At cost					Accumulated write-downs				Carrying amount	
			Balance at 01/01/2010	Additions	Disposals	Reclassifications	Balance at 31/12/2010	Balance at 01/01/2010	Additions	Disposals	Balance at 31/12/2010	Balance at 31/12/2010	Balance at 31/12/2009
			EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000	EUR x 1,000
I.	Intangible assets		3,529	275	65	0	3,739	1,387	275	59	1,603	2,136	2,142
	1.	Software, internet domains and similar rights and benefits and licences derived therefrom	2,160	275	65	0	2,370	1,387	275	59	1,603	767	773
	2.	Goodwill	1,369	0	0	0	1,369	0	0	0	0	1,369	1,369
II.	Property, plant and equipment		1,647	186	80	0	1,753	760	287	78	969	784	887
	1.	Furniture and fixtures, office equipment	1,017	186	80	626	1,749	760	287	78	969	780	257
	2.	Construction in progress	630	0	0	-626	4	0	0	0	0	4	630
			5,176	461	145	0	5,492	2,147	562	137	2,572	2,920	3,029

2010 EHF European Handball Championship in Austria

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

bet-at-home.com AG, Düsseldorf

		Note	2010	2009
		No.	In thousands of euro	In thousands of euro
Profit for the year			10,467	2,648
+	Depreciation of noncurrent assets	(9)	562	433
+/-	Increase/decrease in provisions		5,969	752
+/-	Other non-cash expenses and income		0	-491
-/+	Increase/decrease in trade and other receivables not attributable to investing or financing activities		-3,172	-610
+/-	Increase/decrease in trade and other payables not attributable to investing or financing activities		2,049	2,197
=	Cash flows from operating activities		15,875	4,929
-	Acquisition of assets (excluding investments)		-461	-1,332
+	Proceeds from changes in consolidation	(29)	0	810
+	Proceeds from sale of property, plant and equipment		8	1
=	Cash flows from investing activities		-453	-521
+	Cash flows from financing activities		0	0
=	Net cash from operating, investing and financing activities		15,422	4,408
-	Net cash from changes in consolidation		0	-914
=	Net increase in cash and cash equivalents		15,422	3,494
+	Cash and cash equivalents at 1 January		18,692	15,198
=	Cash and cash equivalents at 31 December	(21)	34,114	18,692

FIS Ski Jumping World Cup in Harrachov, Czech Republic

STATEMENT OF CHANGES IN IFRS GROUP EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2010
bet-at-home.com AG, Düsseldorf

	Share capital	Reserve	Retained earnings
	EUR	EUR	EUR
Balance at 1 January 2009	3,509,000.00	10,875,000.00	489,279.30
Fair value measurement of securities	0.00	0.00	0.00
Profit (loss) for the period	0.00	0.00	2,648,121.07
Total comprehensive income for the year	0.00	0.00	2,648,121.07
Disposal of non-controlling interests	0.00	0.00	0.00
Balance at 31 December 2009	3,509,000.00	10,875,000.00	3,137,400.37

Balance at 1 January 2010	3,509,000.00	10,875,000.00	3,137,400.37
Fair value measurement of securities	0.00	0.00	0.00
Profit (loss) for the period	0.00	0.00	10,466,971.52
Total comprehensive income for the year	0.00	0.00	10,466,971.52
Disposal of non-controlling interests	0.00	0.00	0.00
Balance at 31 December 2010	3,509,000.00	10,875,000.00	13,604,371.89

	Total	Non-controlling interests	Total equity
	EUR	EUR	EUR
Balance at 1 January 2009	14,873,279.30	307,145.99	15,180,425.29
Fair value measurement of securities	0.00	0.00	0.00
Profit (loss) for the period	2,648,121.07	0.00	2,648,121.07
Total comprehensive income for the year	2,648,121.07	0.00	2,648,121.07
Disposal of non-controlling interests	0.00	-307,145.99	-307,145.99
Balance at 31 December 2009	17,521,400.37	0.00	17,521,400.37

Balance at 1 January 2010	17,521,400.37	0.00	17,521,400.37
Fair value measurement of securities	0.00	0.00	0.00
Profit (loss) for the period	10,466,971.52	0.00	10,466,971.52
Total comprehensive income for the year	10,466,971.52	0.00	10,466,971.52
Disposal of non-controlling interests	0.00	0.00	0.00
Balance at 31 December 2010	27,988,371.89	0.00	27,988,371.89

ATP Valencia Open 500

GROUP MANAGEMENT REPORT

2010 GROUP MANAGEMENT REPORT

bet-at-home.com AG, Düsseldorf

A) BUSINESS DEVELOPMENT IN 2010

Sector development

Once again, the eGambling sector grew rapidly in 2010, with the online segment showing the largest gains. Both the Group's Management and research companies covering the sector anticipate significant growth in the medium term.

Financing measures

Financing measures were not required during the 2010 financial year.

Revenue and financial performance

bet-at-home.com AG, Düsseldorf is a holding company and as such does not have business operations beyond managing its own holdings. All operating activities are carried out exclusively by indirect and direct associates.

Group revenue and financial performance in 2010:

Business development was highly satisfactory overall. All divisions reported very high growth during the 2010 financial year. During the 2010 financial year, the Group's overall performance (betting revenue and gaming revenue) increased by 59% (previous year: 38%) to EUR 1,474 million. Consolidated profit for the year totalled EUR 10.467 million (previous year: EUR 2.648 million).

bet-at-home.com Internet Ltd., which offers sports betting via the www.bet-at-home.com platform, was able to increase its betting revenue by 80.1% to EUR 385 million during the 2010 financial year (previous year: EUR 213 million).

bet-at-home.com Entertainment Ltd., which offers casino games and dog betting via the www.bet-at-home.com platform, was able to increase its gaming revenue by 52.7% to EUR 1,090 million during the 2010 financial year (previous year: EUR 714 million).

The Group was able to further strengthen its position, and in particular that of the bet-at-home.com brand, once again primarily in Eastern and Southern Europe, also during the 2010 financial year. The number of registered customers increased to more than 2,200,000 (previous year: 1,800,000).

Employees

During the 2010 financial year, the average number of staff (excluding the Board) employed by the Group rose to 126 (previous year: 88). The Group employed 133 staff (previous year: 106) as at the 2010 reporting date. Targeted personnel development combined with the recruitment of highly qualified professionals form the basis for the Group's continued successful development. The quality of recruitment measures can be sustained by a very low fluctuation rate. Another component of central importance to success is intensive further professional training.

Material events during the financial year

Our highly targeted marketing activities in relation to the major sports event of 2010, the FIFA World Cup in South Africa, resulted in dynamic growth, which could be maintained at the high level achieved also during the second half of the year.

Group-wide bundling of the procurement of marketing services at the Gibraltar subsidiary acquired during the 2008 financial year resulted in significant synergies also during the 2010 financial year, which have influenced the Group's development positively.

Major investments in the area of non-current assets in 2009 and 2010 (particularly in IT systems and hardware), and start-up of operations during the 2010 financial year, ensured the Group's technical capacity to meet the demands associated with rapid growth in 2010, and will also ensure future growth.

Product development remained a central focus also in 2010 by taking advantage particularly of the Group's internal IT expertise.

The new Games product, which became operational in summer 2009, has been very well received by our customers, encouraging us to expand the number of games on offer successively in 2010. We intend to further expand this product also in the coming year.

Major expansion in the area of live betting combined with a much wider range of live streaming options will further strengthen the Group's market position and ensure its further positive development.

B) FINANCIAL PERFORMANCE INDICATORS – NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

As at 31 December 2010, the Group's **financial position** and **net assets** were as follows:

Assets	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Total non-current assets	2,919	3,029
Deferred tax assets	220	144
Total current assets		
Receivables, other assets and prepayments	7,284	4,324
Securities	2,121	1,986
Cash and cash equivalents	34,114	18,692
	46,658	28,175

Equity and liabilities	31/12/2010	31/12/2009
	In thousands of euro	In thousands of euro
Total equity	27,988	17,521
Total non-current liabilities (provisions)	29	22
Total current liabilities (payables, provisions, deferred income)	18,641	10,632
	46,658	28,175

The Group's equity ratio dropped slightly from 62.2% in 2009 to 60.0% in 2010, which is attributable to the increase in total assets commensurate with the Group's growth. The increase in total current liabilities is primarily the result of a rise in other liabilities and provisions concurrent with the increase in revenue.

During the 2010 financial year, the Group's **results of operations** were as follows:

	2010	2009
	In thousands of euro	In thousands of euro
Gross gaming profit	65,678	42,455
Operating income	67,152	43,724

EBT (Earnings Before Taxes) *)	11,164	2,799
EBIT (Earnings Before Interest and Taxes) **)	10,650	604
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) ***)	11,212	1,037

*) corresponds to profit before income tax in the Consolidated Income Statement

**) EBT less finance income/costs in the Consolidated Income Statement

***) EBIT plus write-downs in the Consolidated Income Statement

Marketing expenses (promotional expenses plus sponsoring) rose by EUR 5,620,000, from EUR 31,044,000 to EUR 36,644,000.

In line with the increase in staff, personnel expenses rose by EUR 1,926,000, from EUR 4,171,000 during the 2009 financial year to EUR 6,097,000 during the 2010 financial year.

The increase in expenses is the direct result of growth in revenue.

The Group's economic position was very positive overall as at 31 December 2010.

C) MATERIAL RISKS OF FUTURE DEVELOPMENT

Risk management

The Group parent's Management Board is responsible for establishing risk management policies. Compliance with these policies is monitored by the managing directors and department heads of subsidiaries. Among the basic components of risk management are general principles for risk prevention, such as the segregation of duties and the principle of dual control for important internal control procedures. A variety of partially automated software systems are also used.

In order to manage risks, for example, credit ratings and risk system audits are carried out on an ongoing basis in the form of credit card checks, disbursement controls and analyses of gaming behaviour.

Reputable external legal advisors are used in order to reduce legal risks and take account of the complex regulatory environment.

Legal risks

In Austria, Germany and Switzerland betting and gaming providers are under legal attack by government bodies and private competitors in an effort to convince them to suspend their activities as reflected by pending litigation on gambling in a range of areas. Based on the favourable judgments of the European Court of Justice, the Management Board assumes that the liberalisation of the eGaming market in Germany, Austria and the rest of central Europe is imminent, as there is no longer any legal basis for maintaining the existing monopolies of individual member states in the area of eGaming based on EU law. Moreover, the Management Board anticipates that as a result of licences being awarded in individual EU member states, other member states will realise that licensing generates considerable revenues and thus also provides economic reasons for further liberalisation. However, the risk remains that individual countries could prohibit customers from participating in private foreign gambling offers by imposing provider blocks.

We explicitly refer to the detailed explanation of changes in the regulatory and/or legal environment and proceedings of concern to the bet-at-home.com Group in the Notes to our Consolidated Financial Statements for the Year Ended 31 December 2010 (section 'Other commitments and contingent liabilities').

Market risks

The liberalisation anticipated by us could entice large gambling and media groups to enter the (continental) European market, which could result in a loss in market share for our Group.

Due to changes in the law and judicial decisions on eGambling, restrictions could be imposed on individual submarkets, and markets could even become inaccessible to private betting providers.

Tax risks

As from 1 January 2011, a betting fee has been introduced in Austria and also a gambling levy on bets and gambling originating in Austria. In addition, new (adverse) tax laws could also be introduced in other countries that could significantly affect the Group's net assets, financial position and results of operations.

Technical risks

The products and services offered by the Group require the reliable functioning of numerous technical systems. Serious interference with IT systems, particularly through negative external influences such as hacker attacks, DDos attacks etc., could therefore significantly affect the Group's net assets, financial position and results of operations. Another steep rise in business volume will place increasing demands on the accounting and controlling systems of associated entities.

We expect that all possible measures have been taken to minimise these risks. The Management Board and executive staff regularly analyse the risk environment and evaluate new and alternative measures for the prevention and reduction of risk.

Operational risks

Acquired software (casino, poker) could harbour specific risks due to hardware and software errors. Likewise, errors on the part of bookmakers as regards betting rate estimates could result in higher payments to customers. A multitude of backup systems and continuous monitoring of betting rates by comparing them with the market to minimise this risk. The IT project team continues to develop all the software required to provide a competitive product in the betting market. All measures necessary to minimise these risks have been implemented.

D) USE OF FINANCIAL INSTRUMENTS

Freely available cash and cash equivalents were invested in time deposits, shares in unit trusts and debentures. The Management Board only decides to invest in securities in the event of positive earnings and growth forecasts associated with excellent credit ratings of issuers.

E) FUTURE DEVELOPMENT

Innovative marketing strategies are used to further develop the bet-at-home.com brand in the international market at low cost. Expansion activities will continue to focus mainly on Eastern and Southern Europe. In accordance with regulatory developments in individual countries, we are hard at work to gain market share in submarkets.

During the 2011 financial year, the number of staff employed by the Group will probably rise to just below 180 staff as at the 31 December 2011 reporting date.

From our current point of view, we anticipate a rise in revenue to well over EUR 1,600 million during the 2011 financial year as we strive to post a profit.

F) RESEARCH AND DEVELOPMENT

One of the most important assets of the Group is functioning, state-of-the-art software. We are continuously reprogramming and developing this software.

G) SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date.

Düsseldorf, 17 February 2011

Jochen Dickinger   Franz Ömer

RCD Mallorca Player

AUDITOR'S REPORT

'Auditor's Report

We have audited the consolidated financial statements prepared by bet-at-home.com AG, Düsseldorf – consisting of the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements – and the Group Management Report for the financial year ended 31 December 2010. Preparation of the consolidated financial statements and Group Management Report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and supplementary requirements of section 315a(1) of the German Commercial Code [HGB], is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Accountants [Institut der Wirtschaftsprüfer – IDW]. These standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting standards, and in the Group Management Report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures.

An audit includes examining, primarily on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and the Group Management Report, and the effectiveness of the system of internal control.

An audit also includes assessing the financial statements of the entities included in the consolidated financial statements, determination of the scope of consolidation, accounting and consolidation principles used and significant estimates made by legal representatives, as well as evaluating the overall presentation of the financial statements and Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and supplementary requirements under German commercial law pursuant to section 315a(1) HGB. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable understanding of the Group's position and accurately presents its opportunities and risks of future development.

Without qualifying our opinion, we draw attention to the legal risks presented in the notes to the consolidated financial statements and the Group Management Report.'

Duisburg, 3 March 2011

PKF FASSELT SCHLAGE
Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Schöneberger German Public Auditor	Görtz German Public Auditor

Advertising campaign for “bet-at-home.com’s 10th Anniversary”

IMPRINT

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The individual financial statements of bet-at-home.com AG are available for inspection at our Düsseldorf office.

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