2011

bet-at-home.com

LIFE IS A GAME!

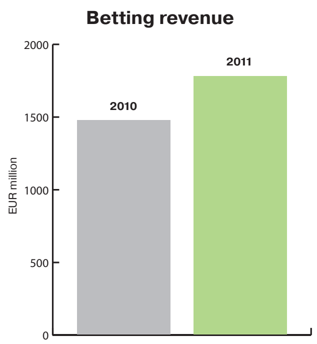
# ANNUAL REPORT

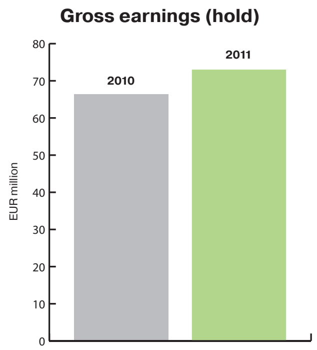
SPORTSBOOK - CASINO - GAMES - POKER

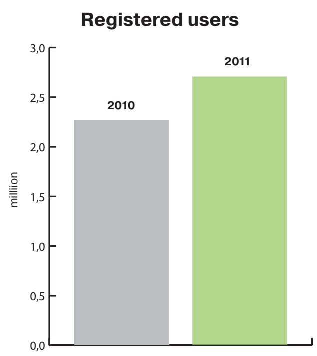
# CONTENTS

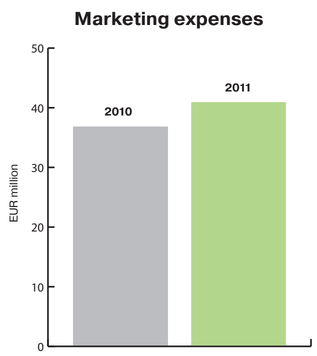

Vierschanzentournee

# REPORT BY THE MANAGEMENT BOARD




**Dear Equity Holders,**

bet-at-home.com AG is a holding company and as such does not have business operations beyond managing its own holdings. All operational activities are carried out exclusively by its subsidiaries.

2011 was a very successful year for the bet-at-home.com AG Group. During a year in which new betting duties and gambling levies were introduced in Austria – a particularly important market – and there was no major sporting event, we managed to increase our gross earnings (hold) via our subsidiaries by an impressive 10.1 percent year-on-year to EUR 72.81 million, as a result of ambitious marketing investments and major innovations. Moreover, we were able to further strengthen our position as one of the top players in the European eGaming market. bet-at-home.com has undoubtedly developed into a strong brand that is very well known across Europe. Once again, our staff have made a significant contribution towards this development. We were very successful in continuing on our path of growth also in 2011, and will further pursue this growth strategy also in 2012.

**At home across Europe: more than 2.7 million clients trust in bet-at-home.com**

bet-at-home.com reported record sales at the end of the 2011 financial year. We generated betting and gaming revenue of approximately EUR 1,776.30 million (2010: EUR 1,476.19 million), which amounts to a pronounced increase of 20.3 percent compared to the previous year. It was also possible to significantly increase gross earnings (hold), the most important performance figure in the eGaming market, to EUR 72.81 million (2010: EUR 66.15 million). Continuing growth in customers is an important indicator for us to know that we are on the correct path. More than 2.7 million registered customers have given us their trust already.

Our advertising expenditure rose from EUR 36.66 million in 2010 to EUR 40.81 million in the 2011 financial year (+11.3%). Carefully chosen and targeted marketing measures have contributed considerably to the positive trend in the past year. More than 180 members of staff work on driving innovations and continuously expanding our product portfolio every day.

**Ongoing innovation combined with reliable customer service**

Our extensive product portfolio provides our customers with many entertainment opportunities in their spare time. Our product range has also been expanded in all segments this year. Ongoing innovation combined with reliable multiple award-winning customer service in 22 languages have further improved customer satisfaction and confidence and continuously strenghtened our competitive position.

In the sports betting segment alone, up to 14,000 bets were placed online on average per day in more than 50 sports. On average, about 12,000 bets were offered per day during the 2010 financial year. Live betting and live streams are becoming increasingly popular, enticing us to continuously expand our range of offers. The number of sports events transmitted via live streams was almost doubled during the 2011 financial year compared to 2010. Therefore, our customers had the opportunity to participate in 8,500 games by simply clicking on 'take a seat in the stadium'.

The Multi-Currency Casino was also very well accepted during the 2011 financial year. In addition, our Live Casino, which brings a real casino atmosphere into our customers' homes, had a major influence on the casino segment's growth. The number of casino games on offer increased by 12% to 110 year-on-year.

In order to meet our customers' high expectations in the games segment, we increased the number of exciting and entertaining games by 14% compared to the previous year.

Five poker software updates, a larger selection of tournaments, improved communication, more gaming comfort and more interaction with the customer are only a few noteworthy highlights of the previous year in the poker segment. In addition, the number of promotional offers was more than doubled, which contributed to a 3% rise in new customers in the poker segment.

**Sport: the most important pastime in the world**

In 2011, our advertising expenditure totalled EUR 40.81 million, which amounts to an increase of 11.3% (2010: EUR 36.66 million). As in previous years, we also invested a large proportion of last year's profit in our growth strategy. In addition to classic TV, internet and print advertising, sports sponsoring remains an important component of our marketing strategy. Sports sponsoring means interaction with viewers who are also our customers, while at the same time promoting clubs, whereby it is always our objective to create long-term partnerships. We were able to considerably increase our profile in recent years by targeted sponsoring of high-exposure sports and thus establish the bet-at-home.com brand as a reliable partner.

**Sponsoring highlights 2011**

bet-at-home.com is now among the world's leading sponsors in the tennis circuit and the main sponsor of tennis tournaments in Hamburg (bet-at-home OPEN) and Kitzbühel (bet-at-home CUP). We also advertise at the ATP tennis tournaments in Zagreb, Umag, Halle, Stuttgart and Valencia as well as at the WTA tennis tournament in Linz. Our long-standing cooperation with various regional tennis associations continued during the 2011 financial year.

Since August 2011, the FC Schalke 04 football stadium, Germany's largest membership football club, has been gleaming in the glory of bet-at-home.com. In the international football arena, bet-at-home.com was once again represented across Europe by large-scale perimeter advertising in the Europa League and in the qualification for the Champions League.

We would also like to draw attention to our involvement in ski jumping. We are already sponsoring the FIS Team Tour for the third time in Germany. We were also one of the main sponsors for the prestigious Four Hills Tournament. In both cases, our cooperation will continue into the next season due to great successes in the past. In the field of ice hockey, bet-at-home.com has been sponsoring the historic Czech club HC Pilsen since 2011. We have sponsored Black Wings Linz since 2006, which underscores our reliability as a long-term partner. At the international level, we were also the official sponsor of the ice hockey world championships held in Slovakia in 2011.

**Fairness, trust, responsibility**

Well-trained and highly motivated staff are the pivotal foundation for the successful financial future of our dynamic group. It is therefore not without reason that our core values, guiding us on a daily basis, are fairness, trust, responsibility, respect and reliability. Despite expansion of our payroll from 133 staff at the end of 2010 to 181 staff as at 31 December 2011, our company culture remains family business-oriented, which is much appreciated by our staff. As our staff numbers grow, so does our responsibility towards them. In order to retain our staff in the company in the long term, we invest in training and further education measures, provide our staff with career development opportunities and enhance their company loyalty by joint internal activities.

**Responsible gaming: fair, conscientious, reliable**

Of course, as customer numbers continue to rise, so does bet-at-home.com's responsibility towards them. The developments during the 2011 financial year have shown that bet-at-home.com is on the right track with its responsible gaming measures. In order to ensure maximum fairness for gamers, bet-at-home.com carries out extensive and voluntary product testing at regular intervals. We have always supported our customers with various measures to gamble responsibly and therefore have had a cooperation with the Institut Glücksspiel und Abhängigkeit (Gambling and Dependency Institute) for many years. In addition, the ever-growing anti-fraud department investigates the gaming behaviour of customers, in order to prevent gambling addiction. Voluntary membership in the ESSA and EGBA associations, which were established to promote fair competition for providers offering online gambling, combined with annual voluntary compliance audits by the auditing association for the gambling sector – eCogra – round off the measures in this area.

**Strong growth in eGaming – Europe in liberalisation fever**

The eGaming sector has undergone a turbulent year. Gambling has been widely discussed, because more and more European countries are becoming aware of the opportunities arising from the liberalisation of markets. Based on studies, the global online gambling market will increase by just under 10% a year by 2015. The Management Board expects liberalisation to progress further in almost all EU member states in the coming years. bet-at-home.com has recently set the course to apply for licences in the relevant markets in order to enhance legal certainty. Not least since the award of the Italian licence in November 2011, we have demonstrated that we are very well prepared for the opening up of new markets.

2011 was a very successful year for the bet-at-home.com AG Group. Our successful efforts to make excellent offers and good service available to our customers have provided us with ever growing reception in the market. Efficient marketing measures and continuous intensification of cost control have resulted in a very positive financial development. The significantly more positive development of bet-at-home.com AG's share price compared to the market as a whole has confirmed our successful growth strategy and associated attractiveness to investors.

We would like to thank all those who have contributed towards bet-at-home.com closing with such a successful financial year in 2011, most particularly all our staff and equity holders. They have contributed significantly to a very good 2011 financial year, and through their commitment and trust, will ensure a sustainable and successful future for the bet-at-home.com AG Group.

| | |
|---|---|
| Jochen Dickinger, engineer<br>CEO | Franz Ömer, graduate engineer<br>CEO |


*Borussia Mönchengladbach*

# REPORT BY THE SUPERVISORY BOARD

**Dear Ladies and Gentlemen,**

Revenue increased significantly in the eGaming sector in 2011 – even without highlights such as the FIFA World Cup in the previous year. bet-at-home.com AG's results were so satisfactory in the past year that payment of a dividend has been proposed for the first time.

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 2011 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 on strategy, business development, the group's financial position and significant business transactions – such as licence applications – and also important risks. Strategic development, current key figures, cost structure, legal developments in the gambling and betting sector (following numerous judgments by the European Court of Justice), licensing procedures 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 Rechtsanwälte, Duisburg, was commissioned at the Annual General 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, Mr. Nicolas Béraud, resigned from his seat on the Board in a statement dated 8 February 2012. The Düsseldorf District Court appointed Ms. Isabelle Andres as a new member of the Supervisory Board in its decision dated 27 February 2012. The Management and Supervisory Boards will propose to approve this judicial appointment at the Annual General Meeting held on 4 May 2012.

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 positive development through their great initiative and excellent work.

Düsseldorf, March 2012

The Supervisory Board


2011 IIHF World Championship

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

**bet-at-home.com AG, Düsseldorf**

### ASSETS

| | | | Note | 31.12.2011 | | 31.12.2010 |
|---|---|---|---|---|---|---|
| | | | no. | EUR | EUR | EUR |
| A. | Total non-current assets | | | | | |
| | 1. | Intangible assets | (12) | 1,032,499.24 | | 766,933.12 |
| | 2. | Goodwill | (13) | 1,369,320.30 | | 1,369,320.30 |
| | 3. | Property, plant and equipment | (14) | 873,295.83 | | 783,672.65 |
| | | | | | 3,275,115.37 | 2,919,926.07 |
| B. | Deferred tax assets | | (15) | | 0.00 | 220,152.00 |
| C. | Total current assets | | | | | |
| | 1. | Trade payables | (16) | 4,643.25 | | 4,000.00 |
| | 2. | Receivables and other assets | (17) | 6,291,122.10 | | 6,439,818.31 |
| | 3. | Securities | (18) | 828,747.55 | | 2,121,096.00 |
| | 4. | Cash and cash equivalents | (19) | 39,291,829.24 | | 34,113,501.99 |
| | | | | | 46,416,342.14 | 42,678,416.30 |
| D. | Prepayments | | (20) | | 2,768,694.55 | 839,988.92 |
| | | | | | | |
| Total assets | | | | | 52,460,152.06 | 46,658,483.29 |

### *EQUITY & LIABILITIES*

| | | | Note | 31.12.2011 | | 31.12.2010 |
|---|---|---|---|---|---|---|
| | | | no. | EUR | EUR | EUR |
| A. | Total equity | | | | | |
| | 1. | Share capital | (21) | 3,509,000.00 | | 3,509,000.00 |
| | 2. | Reserves | (21) | 10,875,000.00 | | 10,875,000.00 |
| | 3. | Retained earnings | | 18,205,486.87 | | 13,604,371.89 |
| | | | | | 32,589,486.87 | 27,988,371.89 |
| B. | Total non-current liabilities | | | | | |
| | | Provisions for employee benefits | (22) | | 21,684.29 | 28,633.61 |
| C. | Total current liabilities | | | | | |
| | 1. | Trade payables | (23) | 4,232,339.33 | | 1,700,399.97 |
| | 2. | Current provisions | (24) | 5,117,420.38 | | 7,506,321.41 |
| | 3. | Other liabilities | (25) | 9,434,944.13 | | 8,555,125.98 |
| | | | | | 18,784,703.84 | 17,761,847.36 |
| D. | Deferred income | | (26) | | 1,064,277.06 | 879,630.43 |
| Total equity and liabilities | | | | | 52,460,152.06 | 46,658,483.29 |


EHF Champions League

# CONSOLIDATED STATEMENT OF INCOME

## CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2011

**bet-at-home.com AG, Düsseldorf**

| | Note | 1/1 - 31.12.2011 | 1/1 - 31.12.2010 |
|---|---|---|---|
| | no. | EUR | EUR |
| Gross betting and gaming income | (1) | 72,813,982.57 | 66,146,141.72 |
| Betting fees and gambling levies | (2) | -6,698,095.93 | -467,976.74 |
| Net gaming income | | 66,115,886.64 | 65,678,164.98 |
| Own work capitalised | (3) | 0.00 | 57,954.28 |
| Other operating income | (4) | 1,944,253.46 | 1,416,217.16 |
| Results from operating activities | | 68,060,140.10 | 67,152,336.42 |
| Personnel expenses | (5) | -8,293,944.31 | -6,096,924.50 |
| Advertising expenses | (6) | -40,812,398.84 | -36,664,108.89 |
| Other operating expenses | (6) | -13,426,847.82 | -13,178,976.26 |
| Earnings before interest, taxes, depreciation and amortisation | | 5,526,949.13 | 11,212,326.77 |
| Write-downs | (7) | -533,177.08 | -562,272.66 |
| Earnings before interest and tax | | 4,993,772.05 | 10,650,054.11 |
| Finance income | (8) | 869,014.63 | 514,194.60 |
| Finance costs | (9) | -338,276.61 | 0.00 |
| Profit before income tax | | 5,524,510.07 | 11,164,248.71 |
| Income tax expense | (10) | -923,395.09 | -697,277.19 |
| Profit for the year | | 4,601,114.98 | 10,466,971.52 |
| Profit/loss carried forward from the previous year | | 13,604,371.89 | 3,137,400.37 |
| Total comprehensive income for the year | (11) | 18,205,486.87 | 13,604,371.89 |

## IFRS - CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

| | 1/1 - 31.12.2011 | 1/1 - 31.12.2010 |
|---|---|---|
| | EUR | EUR |
| Profit for the year | 4,601,114.98 | 10,466,971.52 |
| Other comprehensive income | 0.00 | 0.00 |
| Total comprehensive income for the year | 4,601,114.98 | 10,466,971.52 |

| | | |
|---|---|---|
| Earnings per share | | |
| Basic earnings per share | 1.311232539 | 2.982892995 |
| Diluted earnings per share | 1.311232539 | 2.982892995 |


Gerry Weber Open

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

**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 Düsseldorf District Court under file number HRB 52673 (as a holding company), prepared its consolidated financial statements as at 31 December 2011 in accordance with international accounting standards.

The consolidated financial statements as at 31 December 2011 of bet-at-home.com AG were prepared in accordance with the 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 2011 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 the previous year's financial statements as at 31 December 2010.

The following standards and interpretations have already been published, however were not yet mandatory for the consolidated financial statements as at 31 December 2011:

| Standard Interpretation | Title | Date of EU endorsement | Effective date |
|---|---|---|---|
| IFRS 1 | Amendments relating to severe hyperinflation and removal of fixed dates for first-time adopters | Not yet adopted | 1/7/2011 |
| IFRS 7 | Disclosures of transfers of financial assets | November 2011 | 1/7/2011 |
| IFRS 7 | Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) | Not yet adopted | 1/1/2013 |
| IFRS 9 | Financial Instruments | Not yet adopted | 1/1/2015 |
| IFRS 10 | Consolidated Financial Statements | Not yet adopted | 1/1/2013 |
| IFRS 11 | Joint Arrangements | Not yet adopted | 1/1/2013 |
| IFRS 12 | Disclosures of Interests in Other Entities | Not yet adopted | 1/1/2013 |
| IFRS 13 | Fair Value Measurement | Not yet adopted | 1/1/2013 |
| IFRIC 20 | Stripping Costs in the Production of a Surface Mine | Not yet adopted | 1/1/2013 |

| Standard Interpretation | Title | Date of EU endorsement | Effective date |
|---|---|---|---|
| IAS 12 | Limited amendments relating to deferred tax: recovery of underlying assets | Not yet adopted | 1/1/2012 |
| IAS 1 | Presentation of Items of Other Comprehensive Income | Not yet adopted | 1/7/2012 |
| IAS 19 | Employee Benefits | Not yet adopted | 1/1/2013 |
| IAS 27 | Revised version, Separate Financial Statements | Not yet adopted | 1/1/2013 |
| IAS 28 | Revised version, Investments in Associates and Joint Ventures | Not yet adopted | 1/1/2013 |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | Not yet adopted | 1/1/2014 |

bet-at-home.com AG does not anticipate that the application of these standards and interpretations will have any significant effect on the future presentation of the company's financial position, financial performance and cash flows. The company has chosen not to exercise the option of voluntary early adoption of these standards and interpretations.

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, Paris, France has held a controlling interest in the bet-at-home.com group parent. Betclic Everest SAS Group prepares consolidated financial statements, which includes 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 included within the scope of consolidation. The subgroup accounts of bet-at-home.com Entertainment GmbH, Linz, include five subsidiaries (second-tier subsidiaries of bet-at.home.com AG, Düsseldorf), 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, the parent company bet-at-home.com AG holds 2% of the shares in each of the four Maltese second-tier subsidiaries in a fiduciary capacity.

There are no non-controlling interests held by equity holders outside the Group. 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 2011 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 accounts were all prepared as at the group reporting date, audited and consolidated in accordance with the International Financial Reporting Standards on the basis of a fictitious legal entity.

IFRS 3 (Business Combinations) and the 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 accounts 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 accounts 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 as an impairment loss in the same year.

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 account. These were therefore consolidated at the subgroup's revalued equity. Initial consolidation resulted in a surplus of EUR 1,052,000 stated under assets. 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*

### Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with IAS/IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures in the notes and in 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 underlying assumptions are reviewed 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 (IFRSs) that have the most significant effect on the amounts recognised in the consolidated financial statements, and estimation uncertainties that may bear the risk of requiring a material adjustment of recognised assets and liabilities in subsequent 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);

**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 accounts 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 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 finite 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 indefinite 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, but tested annually for impairment instead (so-called 'impairment-only' approach). An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Please refer to item 13 of these Notes for further information.

**Financial assets and liabilities**

Financial assets and liabilities are recognised as soon as contractual rights 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. A gain or loss on an available-for-sale financial asset shall be recognised at fair value directly in equity (revaluation reserve) at the reporting date, except for impairment losses and foreign exchange gains and losses (IAS 39.55 (b) in conjunction with IAS 39.67). Fair values are derived from market rates.

#### Cash and cash equivalents

bet-at-home.com AG treats cash, demand deposits and time deposits with original maturities of up to three months as cash and cash equivalents. Longer-term time deposits are also treated as cash and cash equivalents, if they are callable within six months.

#### 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 individual impairment allowances for estimated irrecoverable 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, however have already been deducted from customer accounts prior to the reporting date (pending bets), are reclassified as deferred income. Betting fees and gambling levies 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. In the 2011 financial year, the income tax refund from the Maltese tax entity, in which all Maltese group companies are combined for income tax purposes, was recognised in the financial statements of the same year, analogously to the previous year.

**Net finance income (cost)**

Net finance income (cost) includes all interest and similar expenses received on financial assets. Interest is recognised on an accrual basis. Net finance income (cost) also includes current yields on securities, income from the sale of securities and expenses associated with the impairment of held securities (IAS 39.67).

## 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 2010.

## V.1. COMMENTS ON INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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

**(1) Gross betting and gaming income**

For clarity of presentation of the consolidated financial statements, only gross betting and gaming income is shown from the 2011 financial year onwards. A breakdown of gross betting and gaming income (betting and gaming revenue less payout of winnings) is now shown in the notes to the consolidated financial statements. Prior year figures have been adjusted accordingly.

The Group operates in the product and business segments Sports Betting and eGaming. The eGaming segment includes casino games, dog betting, games and poker games.

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

Reporting by operating segment pursuant to IFRS 8

| | Operating segment | | | |
|---|---|---|---|---|
| 2011 | 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 and gaming revenue | 529,977 | 1,246,320 | 0 | 1,776,297 |
| Payout of winnings | -498,417 | -1,205,066 | 0 | -1,703,483 |
| Betting fees and gambling levies | -1.375 | -5,323 | 0 | -6,698 |
| Net gaming income | 30,185 | 35,931 | 0 | 66,116 |
| Segment assets | 3,602 | 7,054 | 41,804 | 52,460 |

| 2010 | Operating segment | | | |
|---|---|---|---|---|
| | 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 and gaming revenue | 384,532 | 1,091,657 | 0 | 1,476,189 |
| Payout of winnings | -356,235 | -1,053,809 | 0 | -1,410,044 |
| Betting fees and gambling levies | -468 | 0 | 0 | -468 |
| Net gaming income | 27,829 | 37,848 | 0 | 65,677 |
| Segment assets | 4,182 | 11,792 | 30,684 | 46,658 |

## Segment reporting – additional information

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

| | 2011 | 2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Austria | 456,135 | 406,598 |
| Western Europe | 716,546 | 592,978 |
| Eastern Europe | 593,574 | 470,519 |
| Other | 10,042 | 6,094 |
| Total | 1,776,297 | 1,476,189 |

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, 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

**(3) Own work capitalised**

Own work capitalised in the previous year includes the production costs for capitalised internally-generated intangible assets (software). During the 2011 financial year, no work was carried out that could be capitalised.

**(4) Other operating income**

| | 2011 | 2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Refund of customer expenses | 1,220 | 1,101 |
| Intercompany clearing | 3 | 0 |
| Income from the reversal of provisions | 475 | 1 |
| Other | 246 | 314 |
| | 1,944 | 1,416 |

**(5) Personnel expenses**

Breakdown of personnel expenses:

| | 2011 | 2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Salaries | 6,445 | 4,762 |
| Termination benefits and employee pension fund | 89 | 67 |
| Statutory social security contributions, payroll-related taxes and compulsory contributions | 1,687 | 1,204 |
| Other social benefits | 73 | 64 |
| | 8,294 | 6,097 |

Termination benefits and employee pension funds include payments in accordance with the Austrian Staff and Self-Employment Provisions Act [BMSVG 'new termination benefits'] totalling EUR 84,000 (previous year: EUR 59,000).

Movements in staffing levels:

| | As at reporting date | | Average | |
|---|---|---|---|---|
| | 31/12/2011 | 31/12/2010 | 2011 | 2010 |
| Salaried staff | 181 | 133 | 164 | 126 |
| Management Board of the group parent and Managing Directors of bet-at-home.com Entertainment GmbH | 2 | 2 | 2 | 2 |

## (6) Advertising and other operating expenses

These expenses include the following items:

| | 2011 In thousands of euro | 2010 In thousands of euro |
|---|---|---|
| Advertising expenses | | |
| Sponsorship | 9,541 | 5,675 |
| Advertising costs | 23,048 | 22,973 |
| Bonus payments, vouchers | 7,484 | 8,016 |
| Jackpot expenses | 739 | 0 |
| | 40,812 | 36,664 |
| In 2010, jackpot expenses were recognised as software provider expenses under other operating expenses (EUR 684,000). | | |
| Other operating expenses | | |
| Supervisory Board emoluments | 18 | 17 |
| Rent and lease expenses | 395 | 347 |
| Software provider expenses | 3,644 | 4,466 |
| Live streaming expenses | 2,446 | 2,075 |
| Legal, audit and advisory fees | 1,090 | 1,414 |
| Incidental bank charges | 3,815 | 3,479 |
| Expenses for annual reporting, general shareholders' meeting, stock exchange fees | 91 | 89 |
| Additions to provisions for impairment losses on receivables, loan losses and claims | 89 | 146 |
| Other costs | 1,839 | 1,146 |
| | 13,427 | 13,179 |

### (7) Write-downs

| | 2011<br>In thousands of euro | 2010<br>In thousands of euro |
|---|---|---|
| on intangible assets | 223 | 273 |
| on property, plant and equipment | 270 | 250 |
| on minor-value assets | 40 | 39 |
| | 533 | 562 |

### (8) and (9) Finance income and costs

| | 2011<br>In thousands of euro | 2010<br>In thousands of euro |
|---|---|---|
| Finance income | | |
| Interest and similar income | 859 | 378 |
| Reversal of impairment loss on marketable securities | 1 | 136 |
| on the disposal of short-term securities | 9 | 0 |
| | 869 | 514 |
| Finance cost | | |
| Write-downs on marketable securities | -338 | 0 |
| | 531 | 514 |

### (10) Income tax expense

Austrian deferred taxes for the previous year 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 15** – deferred taxes – for further information.

### (11) Total comprehensive income for the year

The total comprehensive income for the year of EUR 18,205,487 (previous year: EUR 13,604,372) 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 2011

### (12) and (13) Intangible assets and Goodwill

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

**Internally-produced software**

During the year under review, no internally-produced intangible assets were capitalised (previous year: EUR 58,000). They have a useful life of three years. As at 31 December 2011, the carrying amount of internally-produced intangible assets was EUR 198,000 (previous year: EUR 325,000).

### (13) Goodwill

Breakdown of goodwill:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | 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 value 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 systematic 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 financial statements. These were therefore consolidated at the subgroup's revalued equity. Initial consolidation resulted in a surplus of EUR 1,052,000 stated under assets. This was recognised as goodwill in the consolidated financial statements. There was no evidence of impairment.

**(14) Property, plant and equipment**

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

**(15) 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 and liabilities:

| | 31/12/2011<br>In thousands of euro | 31/12/2010<br>In thousands of euro |
|---|---|---|
| Deferred tax assets from: | | |
| Tax loss carryforward | | |
| bet-at-home.com AG, Düsseldorf | 0 | 220 |
| | 0 | 220 |

Due to the limited usability of bet-at-home.com AG's tax loss carryforwards, deferred tax assets on tax loss carryforwards for previous financial years were amortised and transferred to profit or loss during the 2011 financial year.

Changes in deferred taxes were reconciled to recognised tax assets and liabilities as follows:

| | 2011 | 2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Current taxes: | | |
| Current income taxes during the year under review, Austria | 696 | 773 |
| Tax expense/income in previous years, Austria | 7 | 0 |
| | 703 | 773 |
| Deferred taxes: | | |
| Changes in deferred taxes on temporary differences recognised during the year under review: | | |
| Germany | 220 | -76 |
| | 220 | -76 |
| Tax expense | 923 | 697 |

Difference between calculated income tax expense and recognised tax expense:

| | 2011 | 2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Profit before income tax | 5,525 | 11,164 |
| plus non-tax-offsettable amounts (loss carryforwards), Germany | 224 | 250 |
| | 5,749 | 11,414 |
| | | |
| Calculated income tax expense, Austria (25%) | 1,437 | 2,854 |
| Tax income/expense in previous years, Austria | 7 | 0 |
| Differences due to changes in deferred taxes, other differences and changes in tax rate | -521 | -2,157 |
| Tax expense | 923 | 697 |

### (16) and (17) Receivables and other assets

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

| | 31/12/2011<br>In thousands of euro | 31/12/2010<br>In thousands of euro |
|---|---|---|
| Trade receivables | 5 | 4 |
| | | |
| Receivables and other assets | | |
| Receivables from credit card companies | 4,466 | 3,248 |
| Receivables from customers | 7 | 5 |
| Tax receivables | 1,444 | 3,048 |
| Other receivables | 374 | 139 |
| | 6,291 | 6,440 |

### (18) Marketable securities

| | 31/12/2011<br>In thousands of euro | 31/12/2010<br>In thousands of euro |
|---|---|---|
| Mutual fund shares | 829 | 1,130 |
| Other securities | 0 | 991 |
| | 829 | 2,121 |

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

In 2011, write-downs on securities at reporting date amounted to EUR 338,000 (previous year: EUR 0). In 2011, write-ups on securities amounted to EUR 1,000 (previous year: EUR 136,000).

### (19) Cash and cash equivalents

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Cash and cash equivalents | 39,292 | 34,114 |

### (20) Prepayments

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

### (21) Total equity

Breakdown of the Group's equity capital:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Share capital | 3,509 | 3,509 |
| Reserves | 10,875 | 10,875 |
| Retained earnings | 18,205 | 13,604 |
| | 32,589 | 27,988 |

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 no-par-value 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 (no-par value shares) for cash or non-cash contributions, once or several times, by a maximum amount of EUR 1,754,500.00.

### (22) Total non-current liabilities

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Provisions for employee benefits | 22 | 29 |

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 4.75% (previous year: 4.5%) and an annual growth rate of 2.5%. The corridor method was not used.

### (23) to (26) Total current liabilities and deferred income

Breakdown of total current liabilities and deferred income:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Trade payables | 4,233 | 1,700 |
| Current provisions | 5,117 | 7,506 |
| Other current liabilities | 9,435 | 8,555 |
| | 18,785 | 17,761 |
| Deferred income | 1,064 | 880 |
| | 19,849 | 18,641 |

Movements in provisions during the 2011 financial year (in thousands of euro):

| | Balance at 1-1-2011 | Utilisation | Reversal | Allocation | Balance at 31-12-2011 |
|---|---|---|---|---|---|
| Non-current | | | | | |
| Employee benefit obligations | 29 | 9 | 0 | 9 | 22 |
| Current | | | | | |
| Taxes | 3.630 | 3.627 | 3 | 1.601 | 1.601 |

| | Balance at 1-1-2011 | Utilisation | Reversal | Allocation | Balance at 31-12-2011 |
|---|---|---|---|---|---|
| Untaken leave | 243 | 243 | 0 | 338 | 338 |
| Audit and advisory | 660 | 227 | 433 | 234 | 234 |
| Impending losses | 63 | 62 | 1 | 0 | 0 |
| Outstanding invoices | 2,184 | 2,141 | 38 | 1,939 | 1,944 |
| Betting fees and gambling levies | 0 | 0 | 0 | 446 | 446 |
| Other | 726 | 718 | 0 | 546 | 554 |
| | 7,506 | 7,018 | 475 | 5,104 | 5,117 |
| | 7,535 | 7,027 | 475 | 5,106 | 5,139 |

As at 1 January 2011, a betting fee has been introduced in Austria and also a gambling levy on bets and gambling originating in Austria. The Management Board anticipates that this legal regulation is unconstitutional. Nonetheless, these fees and levies are paid on a monthly basis. A provision was made for betting fees and gambling levies for December 2011 in the consolidated financial statements as at 31 December 2011. They were paid in January 2012.

Other current liabilities include liabilities to customers of EUR 9,043,000 (previous year: 8,275,000).

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 2012)

### 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.

### 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

**Non-derivative financial assets**

We refer to the Consolidated Statement of Financial Position for further details on non-derivative financial assets. The group does not trade in derivatives and only holds shares in mutual funds (mostly money market funds), 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 cards. 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 mutual fund shares can also be considered minor due to the issuer's credit rating. Allowances for default risk arising from receivables and other assets are not necessary. There are no overdue and/or impaired financial assets.

**Market price risk**

Market price risk may arise from securities listed under current assets. Mutual fund shares 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. Prices also declined significantly during the 2011 financial year. A drop (or rise) in market price by five percentage points would decrease (or increase) the Group's profit for the year by EUR 41,000 (previous year: EUR 106,000).

### Interest rate risk

The interest rate 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% would change the financial result by EUR 196,000 (previous year: EUR 171,000). 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 rate. Despite the Group's international orientation, most cash flows are denominated in Group currency (euros). In 2011, material currency risks arose only from transactions denominated in Polish zloty and Swiss francs. Any transactions denominated in other currencies were of minor importance. There are no hedges of foreign currency risk. A 10% appreciation (depreciation) in the zloty would have increased (decreased) profit for the period, or equity, by about EUR 89,000 (previous year: EUR 105,000). A 10% appreciation (depreciation) in value of the Swiss franc would have increased (decreased) profit for the period, or equity, by about EUR 7,000 (previous year: EUR 61,000). 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:

| 2011 | Carrying amount at 31/12/2011 | 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 | 6,296 | 4,852 | 0 | 0 | 4,852 | 4,852 | 1,444 |
| Securities | 829 | 0 | 0 | 829 | 829 | 829 | 0 |
| Cash and cash equivalents | 39,292 | 0 | 39,292 | 0 | 39,292 | 39,292 | 0 |
| Current liabilities | | | | | | | |
| Provisions | 5,117 | 0 | 3,516 | 0 | 3,516 | 3,516 | 1,601 |
| Trade payables | 4,232 | 0 | 4,232 | 0 | 4,232 | 4,232 | 0 |
| Other liabilities and deferred income | 10,499 | 0 | 9,410 | 0 | 9,410 | 9,410 | 1,089 |

| 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 |

**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 2011 financial year:

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

In 2011, emoluments of the Board of Management totalled EUR 280,000 (previous year: EUR 280,000).

During the 2011 financial year, Mr. Ömer and Mr. Dickinger were both active as managing directors of the subgroup bet-at-home.com Entertainment GmbH, Linz. In that subgroup, emoluments of the managing directors totalled EUR 280,000 in 2011 (previous year: EUR 280,000).

Members of the Supervisory Board of bet-at-home.com AG, Düsseldorf, during the 2011 financial year:

- Martin Arendts, MBL-HSG, lawyer, Grünwald – Chairman –
- Jean-Laurent Nabet, Director, Paris, France
- Nicolas Beraud, Director, Paris, France

In 2011, the members of the Supervisory Board received emoluments and compensation for travel expenses totalling EUR 18,000 (previous year: EUR 17,000).

Significant related party transactions consist of loans extended in 2011 by the 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

**Other commitments**

Future commitments based on rental and lease agreements total EUR 2,215,000 (previous year: EUR 1,875,000) for the next five years. Of this amount, EUR 443,000 (previous year: EUR 375,000) 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 gaming providers are under legal attack in an effort to persuade them to suspend offering and advertising their activities, in particular due to government monopoly regulations relating to the gambling sector.

bet-at-home.com Entertainment GmbH (subgroup) was involved in three of these proceedings in the past financial year. The present status of pending litigation (three lawsuits) is as follows:

- 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 (engineer) and Franz Ömer (graduate engineer), as individuals, and against bet-at-home.com Entertainment GmbH as a legal entity pursuant to the Austrian Corporate Criminal Liability Act [Verbandsverantwortlichkeitsgesetz]. During the main hearing on

21 October 2008 before the Linz District Court 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 focused on the interpretation of EU regulations, in particular the freedom to provide services in relation to the Austrian Gambling Act [Glücksspielgesetz], and thus their applicability, which provides the legal basis for a punishable offence under section 168 StGB. In its ruling of 15 September 2011, the European Court of Justice clarified that an expansionary policy on the part of the monopolist associated with intensive promotional expenditure – as is pursued by casinos in Austria in the opinion of the referring court – is unlawful. In addition, the European Court of Justice found that criminal sanctions may not be imposed against foreign economic operators should monopolies be in breach of European law. Considering these clear requirements for the national court, the Board of Management and Senior Management anticipate the outcome of these proceedings to be positive. No date has been set so far for the hearing before the Linz District Court.

- 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. The appeal of this decision at the court of first instance is still pending. Due to an interim injunction, the Mittelfranken government has imposed an administrative fine of EUR 100,000 and declared debt enforcement. In acknowledging an enforcement agreement between Austria and Germany, which permits the enforcement of a fixed administrative fine in another country only in the event of a non-appealable judgement by a court of law, the government agency has agreed to waive enforcement in the interim. Consequently, no payment is due until a final ruling in these proceedings.

- With its ordinance dated 24 July 2009, the 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 lodged in 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. After the appeal was rejected by the court of first instance, the court of appeal acquitted bet-at-home.com Entertainment GmbH of all charges on technical grounds in its ruling of 26 October 2011. The balance of CHF 77,481.55 blocked in the postal account was confiscated to the benefit of the treasury. This judgment is already legally binding.

In addition there is pending litigation against subsidiaries in the states of Northrhine-Westphalia, Baden-Württemberg, Bavaria, Hamburg, Hesse, Rhineland-Palatinate, Lower Saxony, Berlin and Brandenburg.

bet-at-home.com AG, Düsseldorf, is involved in administrative proceedings in six 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 states of Baden-Württemberg, Lower Saxony and Berlin. 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., Malta, and bet-at-home.com Entertainment Ltd., Malta, in the states concerned. All of these proceedings are pending in the courts, whereby some urgent proceedings have already been concluded. The Münster Superior Administrative Court, in its capacity as the highest court responsible for Northrhine-Westphalia, has temporarily allowed the appeal by bet-at-home.com AG, thus permitting the promotion of gambling via the internet for the time being. It is expected that the main proceedings will also be brought to a successful conclusion.

Summary of developments in the regulatory environment:

In Italy, a subsidiary has successfully applied for sports betting and eGaming licences, which were granted by notification dated 17 November 2011. The Management Board considers the acquisition of these licences a great strategic opportunity for continuing growth in a market with great affinity for gambling without legal risks in the long term.

In its uncharacteristically clear judgments in September 2010 (Stoss v Wetteraukreis (C136/0) and Carmen Media Group Ltd v Land Schleswig-Holstein (C-46/08)), 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. In their judgments, the highest German courts have already confirmed the violation of European law in principle, however are of the opinion that the prohibition of the internet must be viewed separately, and that this has been articulated coherently in the [German] Agreement on Gambling, and it will therefore remain legally valid. As a consequence of these decisions, German courts handed down inconsistent judgments in 2011, which had a negative effect, particularly on online providers.

On expiry of the German Agreement on Gambling at the end of 2011, Schleswig-Holstein adopted a follow-up regulation on its own with the purpose of giving private providers the option of obtaining licences for sports betting and eGaming in fair conditions from 1 January 2012. The remaining German states could not agree on a new draft agreement in 2011. Due to the planned acquisition of licences in Schleswig-Holstein, the Management Board anticipates a positive outcome of proceedings in future (also in the other federal states) and largely unhindered market entry across Germany.

In September 2010, the European Court of Justice held in its 'Engelmann' judgment (C-64/08) 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. This caused the Austrian legislator to issue new tenders for casino licences across Europe. Only one Maltese subsidiary applied for an online casino licence on 29 July 2011. This is likely to improve legal certainty further in Austria, in addition to the existing domestic sports betting licence and Maltese gambling licences. As expected, the discriminating conditions, which clearly targeted the Austrian monopolist, resulted in a negative decision, which was forwarded to the company on 10 October 2011. The appeal against the decision before the Constitutional Court explicitly specifies the infringements of the law underlying the tender procedure. A finding is expected at the end of 2013 at the earliest.

In several relevant judgments, the European Court of Justice has further restricted the scope for national legislators to restrict access. In its judgments of 30 June 2011 (Zeturf Ltd) and 15 September 2011 (Ömer/Dickinger) the European Court of Justice explicitly addresses the internet as a distribution channel for the first time. It clarified that a member state may not disadvantage this distribution channel in its national legislation without providing evidence. In future, the internet must be treated equally to agency-based distribution channels. Special restrictions, applicable only to the online sector, are not permissible. Moreover, the judgment concerning the two board members of bet-at-home.com AG clearly states that the promotion of state monopolies is only permitted with further restrictions, and that governments must prove that monopolies are necessary.

At the political level, the European Parliament has adopted a legislative initiative in support of a proposal by the EU Commission in 2011 targeted at harmonising national gambling laws. The first step will be to largely harmonise gambler and data protection regulations as well as control mechanisms. Due to diverging interests among member states and national tax jurisdictions, substantial further harmonisation of relevant national gambling regulations is not anticipated in the foreseeable future.

Based on the positive judgments by the European Court of Justice and other regulatory developments, the Management Board expects the eGaming market to become liberalised in many EU member states in the coming years. However, a number of draft laws contain discriminatory regulations for foreign providers intended to continue sealing off the market for national providers/monopolists. The Management Board will watch future developments very closely and strives to obtain eGaming licences in countries allowing fair market access, and thus to enhance legal certainty.

However, there is the risk that individual countries could prohibit customers from participating in private foreign gaming offers by imposing provider blocks, in particular because new legislation concerning eGaming explicitly provides for such measures, in violation of European law.

Negative outcomes to the above-mentioned proceedings could have significant adverse effects on the Group’s financial position, performance and changes in financial position.

### VI.4. AUDITORS’ FEE

Auditing expenses totalled EUR 80,000 in 2011, which break down as follows:

Audit of the consolidated financial statements: EUR 21,000
Audit of the financial statements: EUR 13,000
Other audit services: EUR 20,000
Tax advisory: EUR 26,000

### 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 2011 financial year and preparation of the consolidated financial statements.

Düsseldorf, 23 February 2012

Signed: Jochen Dickinger

Signed: Franz Ömer

## APPENDIX TO THE NOTES

## CHANGES IN NON-CURRENT ASSETS AS AT 31 DECEMBER 2011

**bet-at-home.com AG, Düsseldorf**

| | | | At cost | | | | | Accumulated write-downs | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Balance at 01.01.2011 | Additi-ons | Dis-posals | Reclassi-fications | Balance at 31.12.2011 | Balance at 01.01.2011 | Addi-tions | Dis-posals | Balance at 31.12.2011 | Carrying amount 31.12.2011 | Carrying amount 31.12.2010 |
| | | | 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 | | 3,739 | 488 | 4 | 0 | 4,223 | 1,603 | 223 | 4 | 1,822 | 2,401 | 2,136 |
| | 1. | Software, internet domains and similar rights and benefits and licences derived therefrom | 2,370 | 485 | 4 | 0 | 2,851 | 1,603 | 223 | 4 | 1,822 | 1,029 | 767 |
| | 2. | Goodwill | 1,369 | 0 | 0 | 0 | 1,369 | 0 | 0 | 0 | 0 | 1,369 | 1,369 |
| | 3. | Advance payments | 0 | 3 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 3 | 0 |
| | | | | | | | | | | | | | |
| II. | Property, plant and equipment | | 1,753 | 400 | 60 | 0 | 2,093 | 969 | 310 | 60 | 1,219 | 874 | 784 |
| | 1. | Furniture and fixtures, office equipment | 1,749 | 215 | 60 | 4 | 1,908 | 969 | 310 | 60 | 1,219 | 689 | 780 |
| | 2. | Construction in progress | 4 | 185 | 0 | -4 | 185 | 0 | 0 | 0 | 0 | 185 | 4 |
| | | | 5,492 | 888 | 64 | 0 | 6,316 | 2,572 | 533 | 64 | 3,041 | 3,275 | 2,920 |


EuroVolley 2011

# CONSOLIDATED STATEMENT OF CASH FLOWS

## *CONSOLIDATED STATEMENT OF CASH FLOWS*
## *FOR THE YEAR ENDED 31 DECEMBER 2011*

**bet-at-home.com AG, Düsseldorf**

| | | Note | 2011 | 2010 |
|---|---|---|---|---|
| | | no. | EUR x 1,000 | EUR x 1,000 |
| Profit for the year | | | 4,601 | 10,467 |
| + | Depreciation of non-current assets | (7) | 533 | 562 |
| - | Decrease in provisions | | -2,395 | 5,969 |
| - | Increase in trade and other receivables not attributable to investing or financing activities | | -269 | -3,172 |
| + | Increase in trade and other payables not attributable to investing or financing activities | | 3,596 | 2,049 |
| = | Cash flows from operating activities | | 6,066 | 15,875 |
| - | Acquisition of assets (excluding investments) | | -888 | -461 |
| + | Proceeds from sale of property, plant and equipment | | 0 | 8 |
| = | Cash flows from investing activities | | -888 | -453 |
| = | Net cash from operating, investing and financing activities | | 5,178 | 15,422 |
| = | Net increase in cash and cash equivalents | | 5,178 | 15,422 |
| + | Cash and cash equivalents at 1 January | | 34,114 | 18,692 |
| = | Cash and cash equivalents at 31 December | (19) | 39,292 | 34,114 |


FIS-Team-Tour

# STATEMENT OF CHANGES IN IFRS GROUP EQUITY

## *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*
## *YEAR ENDED 31 DECEMBER 2011*
**bet-at-home.com AG, Düsseldorf**

| | Share capital | Reserve | Retained earnings | Total equity |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| Balance at 1 January 2010 | 3,509,000.00 | 10,875,000.00 | 3,137,400.37 | 17,521,400.37 |
| Profit (loss) for the period | 0.00 | 0.00 | 10,466,971.52 | 10,466,971.52 |
| Total comprehensive income for the year | 0.00 | 0.00 | 10,466,971.52 | 10,466,971.52 |
| Balance at 31 December 2010 | 3,509,000.00 | 10,875,000.00 | 13,604,371.89 | 27,988,371.89 |

| | | | | |
|---|---|---|---|---|
| Balance at 1 January 2011 | 3,509,000.00 | 10,875,000.00 | 13,604,371.89 | 27,988,371.89 |
| Profit (loss) for the period | 0.00 | 0.00 | 4,601,114.98 | 4,601,114.98 |
| Total comprehensive income for the year | 0.00 | 0.00 | 4,601,114.98 | 4,601,114.98 |
| Balance at 31 December 2011 | 3,509,000.00 | 10,875,000.00 | 18,205,486.87 | 32,589,486.87 |

FC Schalke 04

# GROUP MANAGEMENT REPORT

## *2011 GROUP MANAGEMENT REPORT*

**bet-at-home.com AG, Düsseldorf**

## *A) BUSINESS DEVELOPMENT IN 2011*

### Sector development

Once again, the eGaming sector grew rapidly in 2011, with the online segment reporting 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 2011 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 2011:

Business development was highly satisfactory overall. All divisions reported very high growth during the 2011 financial year.

Gross sports betting income (betting revenue less payout of winnings) increased by 11.5% to EUR 31.6 million during the 2011 financial year (previous year: EUR 28.3 million).

Gross eGaming income (gaming revenue less payout of winnings) increased by 9.0% to EUR 41.2 million during the 2011 financial year (previous year: EUR 37.8 million). eGaming comprises the products Casino, Poker, Games and Dog Betting.

As a consequence, total gross betting and gaming income increased by 10.1% from EUR 66.1 million in the 2010 financial year to EUR 72.8 million in the 2011 financial year.

By taking account of betting fees and gambling levies, the Company generated net gaming income of EUR 66.1 million during the 2011 financial year (previous year: EUR 65.7 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 2011 financial year. The number of registered customers increased to more than 2,700,000 (previous year: 2,200,000).

**Employees**

During the 2011 financial year, the average number of staff (excluding the Board) employed by the Group rose to 164 (previous year: 126). The Group employed 181 staff (previous year: 133) as at the 2011 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**

As a result of increased efficiency in the area of marketing, we were able to accelerate our dynamic growth also during the 2011 financial year despite the absence of a major sporting event.

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 2011 financial year, which have influenced the Group's development positively.

During the 2010 financial year, we intensified the evaluation of cost cutting potentials within the Betclic Everest SAS Group, resulting in successful implementation measures that have shown positive effects.

Major investments in the area of non-current assets in the period from 2009 until 2011, and their continuing operation, ensured the Group's technical capacity to meet the demands associated with rapid growth during the 2010 and 2011 financial years, and will also ensure future growth.

Product development remained a central focus also in 2011, 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 successively expand the number of games on offer also in 2011. 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 continued positive development.

The acquisition of the Italian sports betting and eGaming licence during the 2011 financial year provides a major strategic opportunity, which will ensure continuing growth in a market with great affinity for gambling in the long term.

## B) FINANCIAL PERFORMANCE INDICATORS – FINANCIAL POSITION, PERFORMANCE AND CHANGES IN FINANCIAL POSITION

As at 31 December 2011, the Group's **financial position** and **performance** were as follows:

| Assets | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Total non-current assets | 3,275 | 2,920 |
| Deferred tax assets | 0 | 220 |
| Total current assets | | |
| Receivables, other assets and prepayments | 9,064 | 7,283 |
| Securities | 829 | 2,121 |
| Cash and cash equivalents | 39,292 | 34,114 |
| | 52,460 | 46,658 |

| Equity and liabilities | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Total equity | 32,589 | 27,988 |
| Total non-current liabilities (provisions) | 22 | 29 |
| Total current liabilities (payables, provisions, deferred income) | 19,849 | 18,641 |
| | 52,460 | 46,658 |

The Group's equity ratio increased from 60.0% as at 31 December 2010 to 62.1% as at 31 December 2011, whereby the increase in total equity was caused by the consolidated profit reported for 2011. Cash and cash equivalents increased significantly as a result of the Group's positive cash flows. The increase in total current liabilities is mainly the result of increased trade payables and other liabilities.

During the 2011 financial year, the Group's **earnings position** was as follows:

| | 2011 | 2010 |
|---|---|---|
| | In thousands of euro | In thousands of euro |
| Gross gaming profit | 66,116 | 65,678 |
| Results from operating activities | 68,060 | 67,152 |
| EBT (Earnings Before Taxes) *) | 5,525 | 11,164 |
| EBIT (Earnings Before Interest and Taxes) **) | 4,994 | 10,650 |
| EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) ***) | 5,527 | 11,212 |

*) 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

The Austrian betting fees and gambling levies payable since 1 January 2011 decreased earnings by EUR 6,211,000 during the 2011 financial year.

Marketing expenses (promotional expenses plus sponsoring) rose from EUR 36,664,000 to EUR 40,812,000.

In line with the increase in staff, personnel expenses rose by EUR 2,197,000, from EUR 6,097,000 in the 2010 financial year to EUR 8,294,000 in the 2011 financial year.

The Group's economic position was very positive overall as at 31 December 2011.

## 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. In addition, we have further intensified our controlling activities in the marketing, partner programme, payment systems and intercompany clearing subsegments.

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 in an effort to persuade them to suspend offering and advertising their activities, in particular due to government monopoly regulations relating to the gambling sector. Based on the positive judgments by the European Court of Justice and other regulatory developments, the Management Board expects the eGaming market to become liberalised in many EU member states in the coming years. However, a number of draft laws contain discriminatory regulations for foreign providers intended to continue sealing off the market for national providers/monopolists. The Management Board will watch future developments very closely and strives to obtain eGaming licences in countries allowing fair market access, and thus to enhance legal certainty. However, there is the risk that individual countries could prohibit customers from participating in private foreign gaming offers by imposing provider blocks, in particular because new legislation concerning eGaming explicitly provides for such measures, in violation of European law.

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 2011 (section ‘Regulatory developments and legal environment’).

### Market risks

The liberalisation anticipated by us could entice large gaming 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 eGaming, restrictions could be imposed on individual submarkets, and markets could even become inaccessible to private betting providers.

### Tax risks

As at 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 financial position, performance and changes in financial position.

**Technical risks**

The products and services offered by the Group require 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 financial position, performance and changes in financial position. 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 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 and mutual fund shares. 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 2012 financial year, the number of staff employed by the Group will probably rise to just below 260 staff as at the 31 December 2012 reporting date.

From our current point of view, we anticipate a rise in the Group's gross betting and gaming income to about EUR 80.0 million during the 2012 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, 23 February 2012

Signed: Jochen Dickinger

Signed: Franz Ömer


ATP Valencia Open 500

# AUDITOR'S REPORT

**Independent Auditors' Report**

We have audited the accompanying consolidated financial statements of bet-at-home.com AG, Düsseldorf, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements and also the Group Management Report. The Company's legal representatives are responsible for the preparation of these consolidated financial statements and the Group Management Report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and supplementary provisions under section 315a (1) of the German Commercial Code [HGB]. Our responsibility is to express an opinion on these 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]. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Group Management Report are free from material misstatement and violations affecting the presentation of the net assets, financial position and results of operations in accordance with the applicable accounting standards. 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 internal control system.

An audit also includes assessing the financial statements of consolidated entities, determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group Management Report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not led to any reservations.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended 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, 24 February 2012

PKF FASSELT SCHLAGE
Partnerschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Rechtsanwälte

| Th. Pannenbäcker | Dr. Schöneberger |
|---|---|
| German Public Auditor | German Public Auditor |

(The above independent auditors' report refers to the consolidated financial statements as at 31 December 2011 (group's total assets EUR 52,460,152.06; consolidated profit for the year EUR 4,601,114.98) and the Group Management Report for the 2011 financial year of bet-at-home.com AG, Düsseldorf.)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The individual financial statements of bet-at-home.com AG are available for inspection at our Düsseldorf office.

**bet-at-home.com AG**

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