

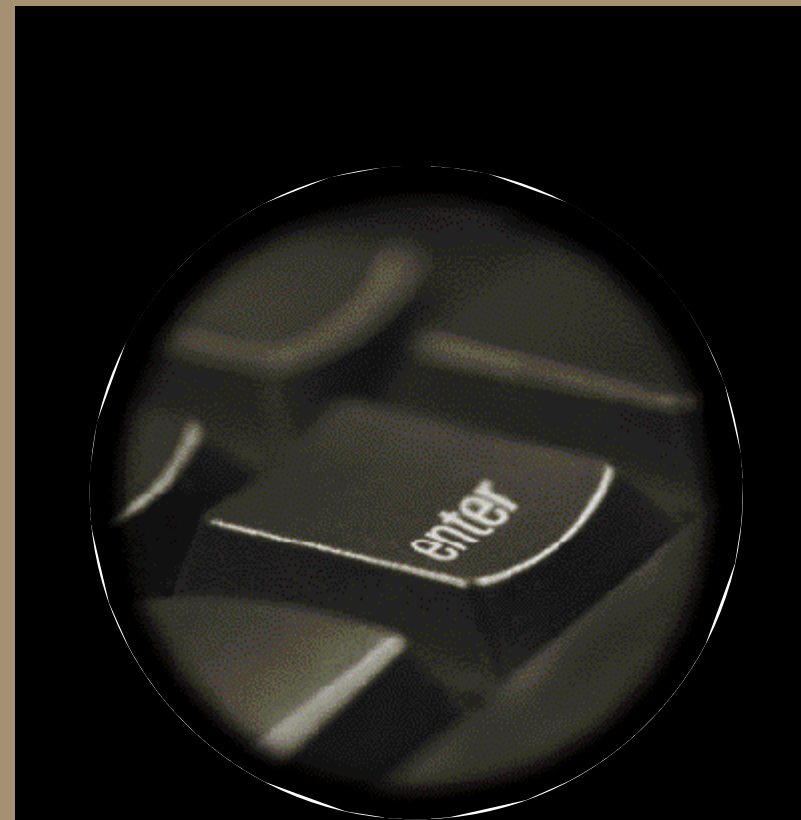
CRYPTOLOGIC INC.
 CONSOLIDATED INTERIM STATEMENTS
 OF CHANGES IN FINANCIAL POSITION
 FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998
(amounts in thousands of U.S. dollars except per share amounts)
 (UNAUDITED)

	For the three months ended	
	March 31, 1999	March 31, 1998
CASH PROVIDED BY (USED IN):		
Operations:		
Net income	\$ 5,392	\$ 3,970
Amortization which does not involve cash	64	19
Changes in non-cash operating working capital	1,818	(1,685)
	7,274	2,304
Financing:		
Issue of capital stock	14	389
Investments:		
Additions to capital assets	(378)	(33)
Increase in cash position	6,910	2,660
Cash position, beginning of period	23,790	6,610
Cash position, end of period	\$ 30,700	\$ 9,270
Cash flow from operations per common share	\$ 0.86	\$ 0.28
Fully diluted cash flow from operations per common share	\$ 0.47	\$ 0.15

Cash position is defined as cash and cash equivalents plus restricted cash.

www.cryptologic.com

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CRYPTOLOGIC^{INC.}

**CONSOLIDATED INTERIM
 FINANCIAL STATEMENTS**

(EXPRESSED IN U.S. DOLLARS)
 FOR THE THREE MONTHS ENDED
 MARCH 31, 1999 AND 1998



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TO OUR SHAREHOLDERS

CryptoLogic Inc. is pleased to present the Company's unaudited financial statements for the first quarter of 1999. All amounts are stated in US\$.

Total revenue for the quarter ended March 31st, 1999 totaled \$8.3 million, an increase of \$2.1 million or 34% over the same period last year. Net income for the quarter totaled \$5.4 million, an increase of \$1.4 million or 35% over the same period last year. As a result, earnings per share in the first quarter of 1999 were \$0.64 compared to \$0.48 in the first quarter of 1998. On a fully diluted basis, earnings per share were \$0.35 for the first quarter of 1999, compared to \$0.26 for the first quarter of 1998. Cash flow from operations were \$7.3 million compared to \$2.3 million for the first quarter of 1998. An increase of \$5.0 million or 217%. At the end of the first quarter, CryptoLogic's cash and cash equivalents, including restricted cash totaled \$30.7 million.

On April 15, 1999, the Company announced its plans to make formal application for listing on the Nasdaq National Market. This will enable the Company to have greater investment exposure in the United States marketplace.

During the quarter, CryptoLogic's corporate site, www.cryptologic.com, was re-designed and updated. Our site provides shareholder and investor information in our new, easy to navigate design. Additions to this site include detailed financial history, as well as product information.

CryptoLogic's wholly owned licensing subsidiary, IOLL, launched its web site www.ioll.com. This site has been designed to provide information for investors interested in licensing the Company's Internet gaming software.

At this time, we would like to thank each of you for your continued support.



Andrew Rivkin
President & CEO



Mark Rivkin
Executive Vice-President & COO

CRYPTOLOGIC INC.
CONSOLIDATED INTERIM BALANCE SHEETS
AS AT MARCH 31, 1999 AND 1998
(amounts in thousands of U.S. dollars)
(UNAUDITED)

	March 31, 1999	March 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,810	\$ 8,970
Restricted cash	4,890	300
Reserves and deposits with credit card processors	941	3,708
Accounts receivable	387	419
Prepaid expenses and other	277	114
	<u>32,305</u>	<u>13,511</u>
Investment	400	—
Capital assets	<u>644</u>	<u>267</u>
	<u>\$ 33,349</u>	<u>\$ 13,778</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,472	\$ 542
Income taxes payable	607	317
Funds held on deposit	852	639
	<u>2,931</u>	<u>1,498</u>
Shareholders' equity:		
Capital stock	2,856	2,853
Retained earnings	27,562	9,427
	<u>30,418</u>	<u>12,280</u>
	<u>\$ 33,349</u>	<u>\$ 13,778</u>

Toronto, Ontario
April 22, 1999

CRYPTOLOGIC INC.
CONSOLIDATED INTERIM STATEMENTS
OF INCOME AND RETAINED EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998
(amounts in thousands of U.S. dollars except per share amounts)
(UNAUDITED)

	For the three months ended March 31, 1999	March 31, 1998
Revenue	\$ 7,987	\$ 6,093
Interest income	290	82
	<u>8,277</u>	<u>6,175</u>
Expenses:		
Software development and support	2,065	1,702
General and administrative	214	316
Finance	18	6
Amortization	64	19
	<u>2,361</u>	<u>2,043</u>
Income before the undernoted	5,916	4,132
Recovery of write-down of receivable	—	59
Income before income taxes	5,916	4,191
Income taxes	524	221
Net Income	5,392	3,970
Retained earnings, beginning of period	22,170	5,457
Retained earnings, end of period	<u>\$ 27,562</u>	<u>\$ 9,427</u>
Earnings per common share	\$ 0.64	\$ 0.48
Weighted average number of shares (,000)	8,478	8,194
Fully diluted earnings per common share	\$ 0.35	\$ 0.26
Weighted average number of fully diluted shares (,000)	15,395	15,184